

**Parent company and consolidated
financial statements**

**BRK Ambiental Participações S.A.
and its Subsidiaries**

December 31, 2020
and Independent Auditor's Report

MANAGEMENT REPORT BRK AMBIENTAL 2020

Message from Management

In 2020, BRK Ambiental continued its consistent delivery of results and, through an efficient plan that focused on employees' health and safety, on the maintenance of operations and on the Company's liquidity, it successfully managed the adverse impacts of Covid-19.

The new regulatory framework approved in June was a watershed for the sector and a key factor for the inorganic growth of BRK Ambiental. In September, we were granted the concession of the Metropolitan Region of Maceió ("RMM"), which will benefit 1.5 million inhabitants in 13 municipalities for 35 years. The agreement was formalized in December, followed by a structured transition plan making feasible the beginning of operations in June 2021. This win consolidates our platform in the Northeast, strengthening operational synergies and gains of scale.

For the second consecutive year, the company presented double-digit growth in EBITDA, reaching R\$ 673 million and a margin of 42%. The operational efficiency program brought gains in revenue generation, in particular in initiatives such as intensification of collection actions, metering and loss reduction program, as well as cost optimization, with highlight to the energy efficiency program, with the inauguration of a 4,000 MWh/year solar plant in Maranhão.

By virtue of the pandemic impacts, special attention was given to delinquency rate control actions, which relied, among others, on the intensive use of technology to potentialize collection actions and the migration to digital service channels, with expansion of services offered to customers. The Company closed the year with a delinquency rate of 2.33%, 0.74 percentage points above 2019.

The year result was corroborated by the vigorous execution of investments, overcoming the initial impacts resulting from circulation restrictions in operation areas due to Covid-19. R\$ 790 million of were invested, giving priority to network expansion, which totaled 585 km and added 86,000 new economies.

Reinforcing the shareholder's commitment, in September 2020, BRK Ambiental concluded a Corporate Reorganization, involving a capital increase of R\$ 2.1 billion, out of which R\$ 523 MM in cash. With the Reorganization, the Company became the direct holder of 100% of the capital stock of Saneatins and BRK – Mature Assets, thus preserving the interest of shareholders Brookfield and FI-FGTS of 70% and 30%, respectively. Besides the liquidity increase, there was an immediate leverage reduction, which reflected on the upgrade of the corporate rating by Moody's to Aa2.br.

BRK Ambiental's capital structure and liquidity were enhanced with R\$ 2.9 billion in debentures issuance, out of which R\$ 1.1 billion to refinance short-term debts, extending the corporate debt profile to 7 years, besides R\$ 1.8 billion for RMM's grant payment of. The recent raisings, allied to an efficient cash management during the pandemic, resulted in a robust cash balance of R\$ 2.5 billion in December 2020.

In order to support the Company's growth, we have focused on the development of our professionals, implementing the "BRK Leaders Academy", with over 300 leaders trained in 2020.

The company is committed to the ESG ("Environmental, Social and Governance") and D&I ("Diversity and Inclusion") agendas, having set goals to reduce carbon emissions by 1.2 million tons of CO2 equivalent by 2030 and to achieve 40% of female leadership by 2024.

Consolidating the innovation agenda, BRK Ambiental was the winner, for the second year in a row, of the Innovation Valor Award 2020, in the Infrastructure category. We were also the winners of Make a Difference Award (O Globo newspaper), in "Development of Rio de Janeiro" category, with project "Qualifies More", an income generation program that trains plumbers and offers job opportunities in the sanitation sector.

BRK Ambiental believes that investments in sanitation infrastructure will be a fundamental pillar for the recovery of the economy from 2021 onwards. The new regulatory framework will give space for private investments and the Company, based on its operational experience, diversified asset platform, investments execution capacity and shareholders' robustness, is strategically positioned to expand its sanitation platform.

Teresa Vernaglia
CEO BRK Ambiental

The Company

Corporate Profile

BRK Ambiental Participações S.A. ("BRK Ambiental" or "Company"), a private sanitation company present in 12 states and more than 100 municipalities, operates by means of 23 Special Purpose Entities (SPEs), under the public concession model, Public-Private Partnerships (PPPs) and service provision.

At the end of 2020, BRK Ambiental had 5,527 employees in its operations, ensuring development of the communities where it operates and continuous improvement of life quality of around 16 million inhabitants.

Since April 2017, the Company has been part of the Brookfield Group, as the platform for sanitation segment in Brazil. Brookfield, which took over the indirect control of BRK Ambiental with 70% acquisition of its capital by means of Fundo de Investimento em Participações BR Ambiental ("BR FIP"), has around R\$ 100 billion in assets under management in Brazil, composed of five business platforms with significant growth and proven track record in infrastructure business.

The Company operates in conformity with its Code of Conduct, internal rules, laws and regulations. In addition to the environment, BRK Ambiental is also committed to respect throughout its chain of relationships: clients, suppliers, government, employees, communities and stockholders.

Operating Segment

In water and wastewater segment, BRK Ambiental operates providing water treatment and supply services, wastewater collection and treatment services, with investments in expansion of its operations and continuous improvement of operational performance aimed at the universalization of water supply and wastewater treatment services in Brazil.

The Company operates in most of Brazilian territory under full (water and wastewater) or partial (wastewater) concession model and also by means of PPPs and other associations with state and municipal government agencies. The 23 public concessions and PPPs of BRK Ambiental ensure its leading position with a strategy focused on synergy and provision of quality services.

Corporate Structure

Business activities are distributed in 16 concessions, 6 Public-Private Partnerships ("PPPs") and 1 asset lease, all in long-term contracts in different phases: maturity, development or investment.

BRK Ambiental has joint control of F.AB Zona Oeste S.A. in Rio de Janeiro Municipality ("AP5", with a 50% interest), which is reflected in the Financial Statements by means of equity method.

On September 30, BRK Ambiental completed a Corporate Reorganization Process and became the holder of the totality of the capital of Saneatins and BRK Ativos Maduros. As a direct result of this operation, Moody's Ratings upgraded BRK Ambiental's corporate rating to Aa2.br from Aa3.br on the national scale, with a stable outlook, recognizing the progress of the credit metrics, as well as the operational improvement achieved over the past three years since the acquisition by BR FIP, investment vehicle of Brookfield.

Following the strategy to concentrate in sanitation activities, on March 19th, 2021, the Company closed the sale of UVR Grajaú subsidiary. This subsidiary's results have been presented in "Discontinued Operations" item in the financial statement since December 2019.



ESG: Environmental & Social Impact and Governance practices

With the purpose of building a company with a resilient business model focused on social, environmental and governance impacts, we have developed our ESG strategy aiming at being a reference for investors in the generation of sustainable value. Following our trajectory, in 2020 we went deeper into the relevant ESG themes, measuring the impacts of initiatives framed in the environmental, social and governance spheres.

We present below the most outstanding results:

Environmental

- Climate change and energy efficiency: From this perspective, we have strengthened our climate change strategy with 15 projects with the potential to reduce emissions by 1.2 million tons of CO₂ equivalent by 2030. These projects are divided into four groups: Nereda Effluent Treatment Plants, Photovoltaic Plants, solar sludge dryers and biogas burners. We have also defined a first target of emissions reduction of 10% by 2025. In 2020, with the consolidation of the energy efficiency projects, 50% of our electricity consumption comes from renewable energy sources.
- Water Security and Losses: Water losses are one of the most relevant topics on the ESG agenda of BRK. From 2018 to 2020, we were able to reduce 9.5 billion liters of water, an amount enough to supply a city with 173,000 inhabitants during one year.

Social

- Social projects: Social investment platform with high-impact projects, replicated nationally in the over 100 cities where we have operations. In 2020, despite the impacts of the pandemic, we invested R\$ 7 million in projects benefiting more than 100,000 people. The pilot program "Water Credit", a microcredit program that helps low-income families to have a lavatory and to be connected to the water and sewage network, served 100 families in 2020 and was structured for replication in our units.
- Diversity & inclusion: The *DiversifiK* Program promotes diversity and inclusion in our company. It is structured with a collegiate committee that brings together our leaders and four dedicated work groups: gender, race, LGBTQI+ and PCDs. In 2020, we structured the goals and projects with the purpose of keeping on transforming BRK into a diverse and inclusive company. Regarding gender equality, our goal is to reach 40% of women in leadership positions by 2024. The *Reinventar* project, in partnership with the UN, trained 25 socially vulnerable women, out of which 22 are Venezuelan refugees living in Recife (PE). Our ambition in terms of racial equality is to reach a 56% hiring rate of black candidates among corporate trainee positions by 2021. In partnership with the Group Women of Brazil, we implemented a career acceleration program for fifteen black women in middle management positions.

Governance

- We have six strategic Committees reinforcing our governance for sustainability, with special emphasis on the sustainability, ethics, and diversity & inclusion committee.
- We have been signatories of UN Global Compact and members of the board in Brazil (Brazilian Network of Global Compact) since 2018. We have adhered to the Women's Empowerment Principles (WEPs) of UN Women and we use their guidelines to direct our gender equality program.
- Our Compliance Program has trained 100% of the employees in processes of ethics and integrity guidelines. Around 15,000 monitoring tests and 2,000 third-party due diligences have been performed.

Status of Sanitation in Brazil and Regulatory Environment

According to data published by the National System of Information on Sanitation (SNIS), 46% of Brazilian population has no access to wastewater collection, which represents a total of nearly 100 million Brazilians. The lack of basic sanitation, in addition to the impact on public health, is extremely harmful to the environment and jeopardizes Brazil's economic development. In the segmentation by region, Northern region has the lowest rate, with only 12% of the population being served with wastewater collection, followed by Northeastern region – 28%, Southern region – 46%, Mid-Western region – 58% and Southeastern region – 79%, and on average only 49% of wastewater is treated in Brazil. Additionally, 16% of Brazilian population is not served with treated water, whereas 39.2% of water in distribution network in Brazil is lost.

Federal Government has established the universalization of basic sanitation by 2033 as a target. Investment necessary to achieve universalization, which was previously estimated at R\$ 300 billion, was revised up to R\$ 700 billion, according to a study conducted by the consulting firm KPMG. This means that R\$ 50 billion should be invested a year until the universalization. Due to recurring budget limitations of federal, state and municipal governments, this target achievement will only be possible with a broader participation of private companies, which currently serves only 15% of Brazil's population.

BRK Ambiental believes that the regulatory framework will produce a more competitive environment, clearer rules and legal certainty for long-term investments.

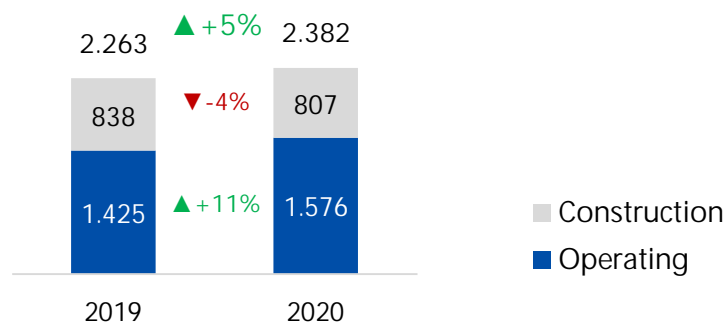
Financial and Operating Performance

2020 – Financial Highlights

Indicators (R\$mm)	2020	2019	Δ (%)
Net revenue	2.382	2.263	5%
Net Operating Revenue	1.576	1.425	11%
Net Construction Revenue	807	838	-4%
Costs and expenses	(1.958)	(1.925)	2%
Costs and expenses	(925)	(900)	3%
Costs of services	(536)	(524)	2%
General and Adm. expenses	(389)	(376)	3%
Construction costs	(790)	(821)	-4%
Depreciation and amortization	(243)	(205)	18%
Finance result	(316)	(265)	19%
Equity Accounted Investment	6	21	-72%
Income tax (current and deferred)	(59)	(39)	51%
Net Income - Continuing Op.	55	55	1%
Net Income - Discontinued Op.	(7)	282	-102%
Net Income	49	337	-85%
EBITDA	666	961	-31%
EBITDA Cont. Op. ("Adjusted")	673	564	19%
Adjusted EBITDA Margin ¹	43%	40%	3 p.p.

¹ Adjusted EBITDA Margin = Adjusted EBITDA / Net Operating Revenue

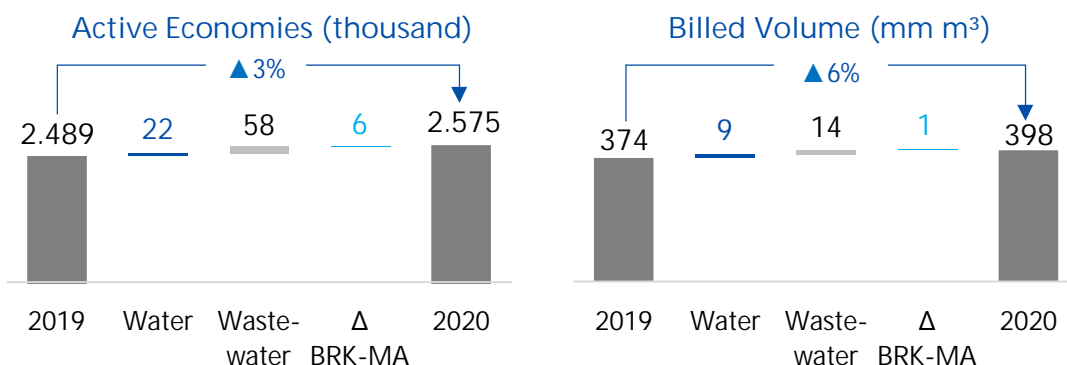
1. Net Revenue (R\$m)



Total Net Revenue reached R\$ 2,382 million in 2020, a growth of 5% in relation to 2019.

Net Revenue is composed of Operating Revenue (65%) and Construction Revenue (35%), which, on its turn, is related to investments in expansion and/or improvement of the existing infrastructure.

Operating Revenue totaled R\$ 1,576 million in 2020, an increase of 11% in relation to 2019. This increase results from the addition of 86,000 new Active Economies, highlighting the operations of Goiás, Saneatins and Recife, reflected also on the invoiced volume, which had a growth of 6%, in addition to BRK-MA consolidation in 4Q20.

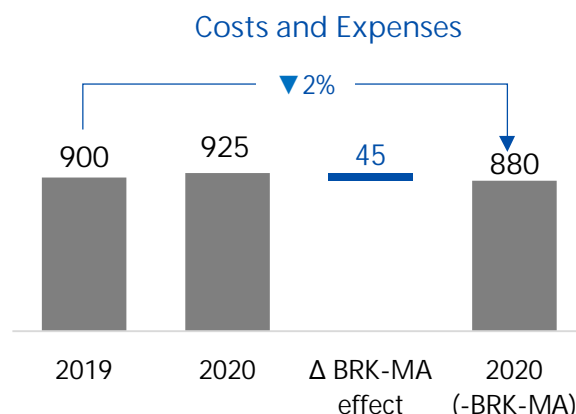


Excluding BRK-MA results in 2020, Operating Revenue totalizes R\$ 1,497 million in 2020, an increase of 5% in relation to 2019.

Construction Revenue reached R\$ 807 million, representing a decrease of 4%, due to Covid-19 impacts, as a result of the limitations imposed by municipal or state decrees in some operations.

2. Costs and Expenses (R\$m)

	2020	2019	Δ (%)
Personnel	(476)	(445)	7%
Materials	(75)	(65)	15%
Services	(387)	(388)	0%
Other	13	(2)	-777%
Subtotal	(925)	(900)	3%
Depreciation and amortization	(243)	(205)	18%
Construction cost	(790)	(821)	-4%
Total	(1.958)	(1.925)	2%

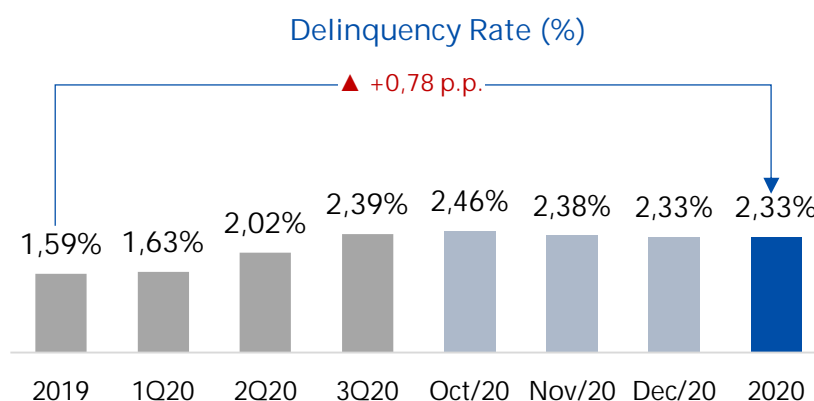


Costs and expenses totaled R\$ 1,958 million, an increase of 2% in relation to 2019 and, disregarding effects of construction costs, depreciation and amortization, there was an increase of 3%. For comparison purposes, disregarding BRK-MA consolidation effects in 2020, there was a decrease of 2% in relation to 2019, therefore below the inflation (IPCA² of 4.52%), as a consequence of gains obtained in the Operating Efficiency Program.

3. Delinquency Rate³

In 2020, BRK Ambiental recorded a 2,33%⁴ delinquency rate, reflecting an increase of 0,78 p.p. in relation to 2019 related to the pandemic, which affected the Company's collection. In relation to 3Q20, there is an improvement, indicating a recovery arising from commercial actions intensification.

These initiatives focus on efficiency increase of billing and collection process, such as: (i) use of Artificial Intelligence to optimize billing assertiveness; (ii) communication campaigns to raise awareness of importance of water and payment of bills; (iii) collection agencies scope expansion; and (iv) digital renegotiation with flexible payment terms.



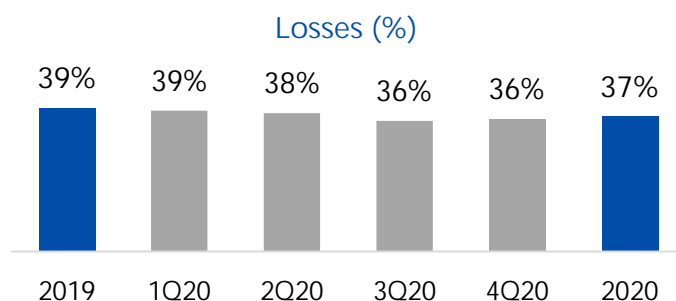
² IPCA (Broad Consumer Price Index), measured by the IBGE (Brazilian Institute of Geography and Statistics) is the official inflation index of the country

³ Allowance for expected losses from doubtful accounts / Billings excluding cancellations. Amounts accumulated in last 12 months (LTM) and calculated based on future losses analysis, according to history default, segregating private and public customers, and in accordance with the management's assessment.

⁴ Due to COVID-19, there was a higher incidence of non-payment of customers' invoices, however, management implemented collection actions aiming to recover overdue amounts, which is expected to be effective for later collection of these amounts.

4. Losses⁵

In 2020, BRK Ambiental recorded a water loss rate of 37%, 2 p.p. lower than in 2019. This reduction is the result of the Loss Reduction Program improvement with application of advanced analytics and Artificial Intelligence to guide the hydrometric plan, replace networks and extensions, pressure control and prospect leakages.



5. EBITDA (R\$m)

The EBITDA presented below was separated into Continuing Operations ("Adjusted EBITDA") and Discontinued Operations.

EBITDA from Discontinued Operations in 2019 includes industrial segment (as well as divestment results) and residues, whereas in 2020, only the residues segment is considered, given industrial segment sale on September 30th, 2019.

Continuing Operations	2020	2019	Δ (%)
Net Income	55	55	1%
(+) Finance result	316	265	19%
(+) Income Tax (current + deferred)	59	39	51%
(+) Depreciation and amortization	243	205	18%
Adjusted EBITDA	673	564	19%
Adjusted EBITDA Margin	43%	40%	3 p.p.

Discontinued Operations	2020	2019	Δ (%)
Net Income / (Loss)	(7)	282	-102%
(+) Finance result	(0)	(39)	-99%
(+) Income Tax (current + deferred)	0	177	-100%
(+) Depreciation and amortization	0	(23)	-101%
EBITDA Discontinued operations	(7)	397	-102%
EBITDA	666	961	-31%

The Adjusted EBITDA for 2020 full year totaled R\$ 673 million, representing an increase of 19% over the same period of last year, driven by BRK-MA consolidation, allied to the growth of the Net Operating Revenue and Costs and Expenses reduction in relation to 2019. For comparison

⁵ Loss Rate follows the methodology of Water Balance of the International Water Association (IWA) and considers the 22 SPEs of BRK Ambiental

purposes, disregarding BRK-MA consolidation effects in 2020, EBITDA totals R\$ 639 million in 2020, an increase of 13% in relation to 2019, demonstrating the consistent delivery of results by the Company.

The Adjusted EBITDA margin of 2020 reached 43%, an increase of 3 p.p. as compared to the same period of the previous year, a result of the growing efficiency gains of BRK Ambiental.

6. Finance Result (R\$m)

Finance Results	2020	2019	Δ (%)
Finance income	67	66	2%
Finance expenses	(383)	(331)	16%
Total	(316)	(265)	19%

In 2020, the Financial Result totaled R\$ 316 million, an increase of 19% when compared to 4Q19, resulting from pre-payment costs of the R\$ 1.1 billion corporate debt, which was refinanced with sustainable debentures issuance with longer term, in addition to interests incurred in the period.

7. Indebtedness (R\$m)

Indebtedness	2020	2019 ^{/2}	Δ (%)
Gross debt	7.187	4.536	58%
Cash and cash equivalents	2.489	886	181%
Net debt	4.697	3.650	29%
Net Debt / LTM EBITDA	6,1x ^{/1}	6,5x	-0,4x

^{/1} For comparison purposes, considers BRK-MA LTM EBITDA. Disregarding RMM's net debt, a recent asset that does not generate EBITDA, leverage in 2020 would be 5.3x

^{/2} Keeping comparison basis between the periods, 2019 leverage would have been 5,5x

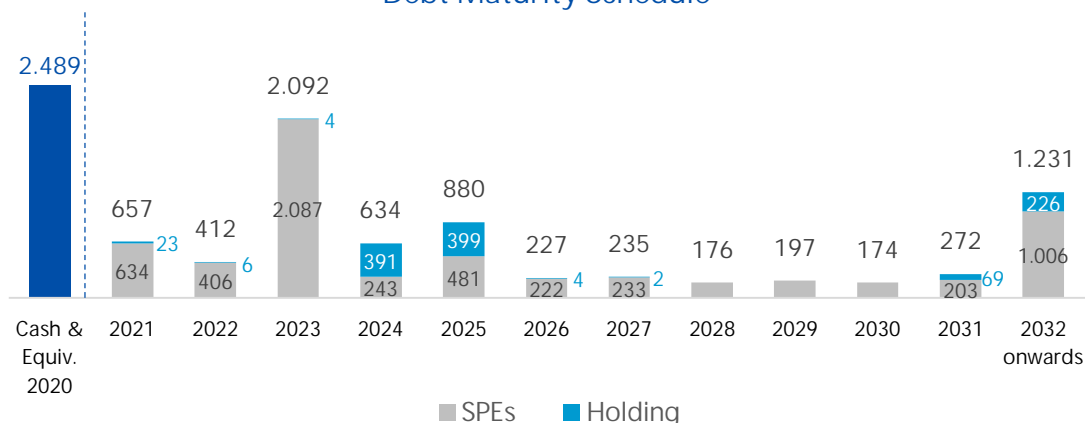
Gross Debt

BRK Ambiental's consolidated Gross Debt totaled R\$ 7,2 billion in December 2020, of which 16% is concentrated at the holding level and 84% is at the SPEs⁶. Gross debt increased 58% in relation to 4Q19, mainly due to BRK-MA's gross debt consolidation and debentures issued for RMM grant's payment.

In the SPEs, of which gross debt totaled R\$ 6.0 billion at the end of 4Q20, debt service schedule considering debt balance (principal and interests) up to December, 31st, 2020 database, is presented in the chart below and is supported mainly by operational cash generation. For 2023, it is expected RMM debentures' maturity, which the take out will be the long-term debt contracting.

⁶ Special Purpose Entity

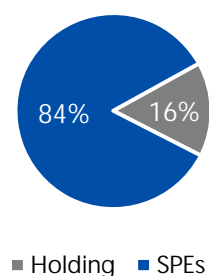
Debt Maturity Schedule



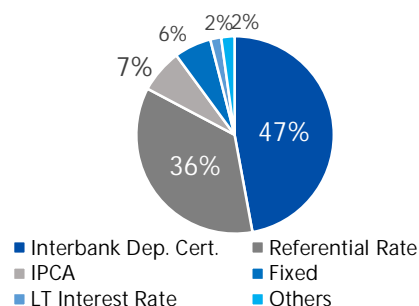
The average term of the financing of the subsidiaries of BRK Ambiental is 9.0 years, and 8.7 years including Holding Company, therefore a very long-term profile, mitigating the Net Debt / LTM EBITDA ratio of 6,1x⁷.

The average consolidated cost of the debt reached 7,1% per year, an improvement of 82 bps in relation to 2019⁸.

Indebtedness



By Index



Cash and Cash Equivalents

Cash and cash equivalents present a robust position of R\$ 2.5 billion in 2020, an increase of 181% compared to 2019, as a result of an efficient cash management in accordance with "Liquidity Strengthening Plan" designed to face the pandemic. Cash and cash equivalents consider R\$ 1.2 billion for 2nd installment of RMM grant payment, scheduled for June 2021.

The cash of the Company also considers R\$ 523 million capital injection, as a result of Corporate Reorganization occurred in September 2020, which combined with recent fund raisings throughout the year, has substantially increased the Company's liquidity. These funds have been used in recent investments of the Company's subsidiaries to expand the coverage of water and wastewater services.

In view of the Company's cash position, net debt totals R\$ 4.7 billion in 2020, an increase of 29% in relation to 2019.

⁷ It considers LTM EBITDA of BRK Mature Assets

⁸ Excluding Discontinued Operations

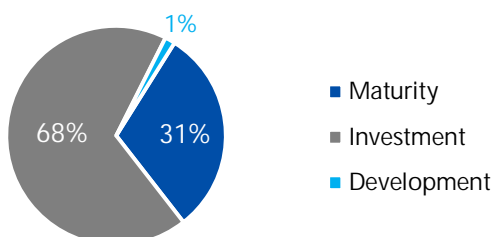
Leverage

The cycle of the sanitation projects involves three phases: Development, Investment and Maturity. The first phase represents the study and obtainment of the project, the second phase involves an intensive investment and, consequently, a high leverage level to achieve universalization and, in the last phase, the project presents an EBITDA margin higher than 45%, distributes dividends to stockholders on a consistent basis and requires a lower volume of investments.

As a reinforcement and optimization of the Company's capital structure, the Corporate Reorganization conclusion in September 2020 reduced leverage by 1.5x. After RMM's concession winning and its consequent inclusion in BRK Ambiental's portfolio in the Development phase, the Company issued debentures for grant payment, leading to a 6.1x leverage. This indicator reflects the current maturity level of the Company's portfolio.

In December 2020, as per Company's forecast, 3 SPEs reached Maturity phase (Uruguaiana, Mauá and Rio Claro), totaling 8 mature assets. With these updating, the Investment phase now concentrates 68% of the Net Operating Revenue of 2020, whereas SPEs in phase of Maturity now represent 31%.

2020 Net Oper. Revenue by Cycle

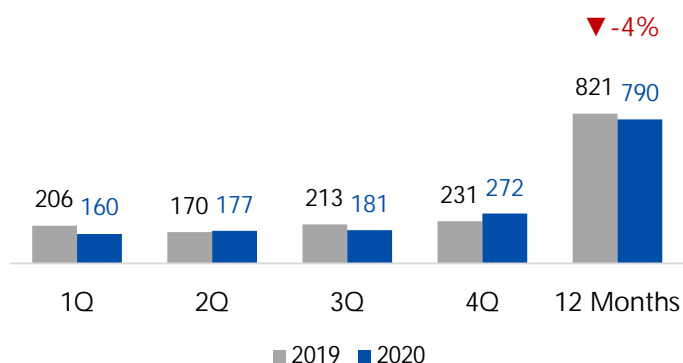


The Company's investments are financed under low-cost (Reference Rate + 8%-9%) and long-term (until 24 years) conditions, mainly with the *Saneamento para Todos* (Sanitation for All) credit line, under project finance.

8. Investments (R\$m)

In 2020, the Company invested R\$ 790 million, adding 50,000 new connections and 585km of network. This result was enabled by the Company's "Liquidity Strengthening Plan", which included the prioritization of investments directly linked to addition of new water and/or wastewater economies, and therefore, increase in revenue.

Investments Execution



9. Ratings

Company	Ratings	Agency	National Scale	Global Scale	Outlook	Date
BRK Ambiental	Corporate	Moody's	Aa2.br	Ba2	Stable	Sept. 29 th , 2020
Saneatins	Issuance	Moody's	Aa3.br	Ba2	Stable	July 24 th , 2020
Manso	Issuance	Fitch	AA(bra)	–	Stable	May 9 th , 2020

Board of Directors (As of December 31st 2020)

Luiz Ildefonso Simões Lopes

Luiz Ricardo de Bittencourt Souza Renha

Henrique Carsalade Martins

David Charles Aiken

Ana Lucia Poças Zambelli

Gabriel Dutra Cardozo Vieira de Góes

Marco Antônio da Silva Barros

Executive Board (As of December 31st 2020)

Teresa Cristina Querino Vernaglia - CEO

Santi Copello - VP Operations

Sérgio Garrido de Barros - VP Finance and Investor Relations

Alain Charles Arcalji - VP Shared Services

Daniela Mattos Sandoval Coli - VP Corporate Matters and Regulatory

Accountant

Adelmo da Silva de Oliveira

BRK Ambiental Participações S.A. and its Subsidiaries

Parent company and consolidated financial statements

December 31, 2020

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A free translation from Portuguese into English of Independent Auditor's Report on individual and consolidated financial statements prepared in Brazilian currency in accordance with accounting practices adopted in Brazil and with the International Financial Reporting Standards (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, 2020, 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.

Qualified opinion on the individual financial statements

In our opinion, except for the effects of the matter described in the "Basis for qualified opinion on the individual financial statements" section of our report, the individual financial statements referred to above present fairly, in all material respects, the financial position of BRK Ambiental Participações S.A. as at December 31, 2020, and its financial performance and individual cash flows for the year then ended in accordance with the accounting practices adopted in Brazil and with the International Financial Reporting Standards (IFRS) issued by the International Accounting Standards Board (IASB).

Opinion on the consolidated financial statements

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the consolidated financial position of the Company as at December 31, 2020, and its consolidated financial performance 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 qualified opinion on the individual financial statements

Effects on the comparability of the current-year amounts and corresponding figures

The corresponding figures referring to the previous year, presented for comparison purposes, include a balance with related parties related to intercompany loans classified in current assets that were made for the purpose of meeting the cash requirements of certain subsidiaries for the performance of financial obligations (covenants) under financing and/or debentures agreements of these subsidiaries, of which the Company was the guarantor, in the amount of R\$ 339,964 thousand as at December 31, 2019. In the scope of our audit of the financial statements of the previous year, we understand that these transactions carried out with subsidiaries did not constitute usual business transaction in the execution of the Company's business purpose. Therefore, they should be classified in current assets as required by article 179 of Law No. 6404/76. Thus, at December 31, 2019, the Company's individual financial statements presented the total balance of current assets increased by R\$ 339,964 thousand and the total balance of noncurrent assets decreased by the same amount. Accordingly, our audit report contained changes to the Company's individual financial statements as at December 31, 2019. Our opinion on the individual financial statements for the year ended December 31, 2020 was modified due to the effect of this matter on comparability current-year amounts and corresponding figures.

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 qualified opinion on the individual financial statements and unmodified opinion on the consolidated financial statements.

Emphasis of matter

BRK Ambiental - Maranhão S.A. - Annulment of the concession contract

We draw attention to Note 1.1(a) to the individual and consolidated financial statements, which describes the decision at 1st instance that annulled the concession contract entered into between the subsidiary BRK Ambiental - Maranhão S.A. and the municipalities of Paço do Lumiar and São José de Ribamar, and subsequent granting of the petition filed for injunction suspending the effects of this decision until judgment of the appeal filed by said subsidiary. The subsidiary BRK Ambiental - Maranhão S.A. will continue to operate normally, however, to date, it is not possible to determine whether said subsidiary and/or the Company will be impacted by any unfavorable decision upon final judgment of the process of annulment of the concession contract. Our opinion is not modified in respect of this matter.

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

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

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

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

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 qualified 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, 2020, 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, 11 and 13 and the amounts are R\$2,486,077 thousand, R\$1,012,556 thousand and R\$5,692,549 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 management 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 2020, 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 2020, 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 management's assessment, we considered that the criteria determined by management 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, 11 and 13, 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, 2020, prepared under the responsibility of the Company management, 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.

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

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

In preparing the individual and consolidated financial statements, management is responsible for assessing the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Company 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 management.
- Concluded on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the individual and consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or 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 25, 2021.

ERNST & YOUNG
Auditores Independentes S.S.
CRC-2SP034519/O-6

A handwritten signature in blue ink, which appears to read 'Bassetti', is placed over the printed name of the accountant.

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

BRK Ambiental Participações S.A. and its Subsidiaries

Balance Sheets at December 31 (In thousands of reais and U.S. dollars)

Assets	Note	Parent company		Consolidated	
		2020	2019	2020	2019
		US\$	R\$	US\$	R\$
Current assets					
Cash and cash equivalents	6	150,949	784,437	240,036	1,247,394
Restricted funds	7			231,032	1,200,602
Trade accounts receivable, net	8			106,718	554,580
Related parties	21	30,188	156,877		339,964
Advances to suppliers		85	443	2,845	14,784
Taxes recoverable		1,096	5,697	8,116	42,177
Dividends and interest on capital receivable	9 (e)	19,627	101,996	1,149	5,973
Inventories				6,341	32,954
Prepaid expenses		2,164	11,245	1,995	10,369
Other assets		2,448	12,719	1,792	9,312
		206,557	1,073,414	600,024	3,118,145
Assets from discontinued operation	1.1 (b)	1,009	5,244	279	1,451
Non-current assets					
Trade accounts receivable, net	8			561,006	2,915,379
Restricted funds	7			7,974	41,436
Taxes recoverable				16,045	83,380
Advances for future capital increase		7,353	38,209		113,090
Related parties	21	216,680	1,126,020	2,962	15,392
Deferred income tax and social contribution	20 (a)			34,852	181,115
Dividends and interest on capital receivable	9 (e)	9,657	50,182		58,431
Judicial deposits		73	379	2,628	13,657
Prepaid expenses		2,495	12,965	709	3,687
Other assets				8,693	45,174
		236,258	1,227,755	634,869	3,299,220
Investments in subsidiaries and jointly-controlled subsidiaries	9 (b)	331,101	1,720,632	15,857	82,403
Investment properties				8,243	42,834
Property and equipment	10	2,651	13,777	16,588	86,204
Contract assets	11			194,846	1,012,556
Right-of-use lease	12	5,096	26,480	28,654	148,908
Intangible assets	13	113,518	589,920	1,095,416	5,692,549
		688,624	3,578,564	1,994,473	10,364,674
Total assets		896,190	4,657,222	2,594,776	13,484,270

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

BRK Ambiental Participações S.A. and its Subsidiaries

Balance Sheets at December 31

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

Liabilities and equity	Note	Parent company		Consolidated	
		2020	2019	2020	2019
		US\$	R\$	US\$	R\$
Current liabilities					
Trade payables	14	3,717	19,317	16,477	26,236
Debts	15.1			201	65,162
Leases	15.2	731	3,800	5,015	6,194
Debentures	15.3	3,719	19,324	575,553	55,046
Salaries and payroll charges	16	10,913	56,713	51,047	26,488
Taxes payable		365	1,899	3,149	20,745
Deferred PIS, COFINS and ISS				2,490	12,941
Concession rights payable	17			271,578	1,411,308
Dividends and interest on capital payable	18	1,812	9,415	2,475	12,864
Other liabilities		24	116	795	2,043
		21,281	110,584	652,237	478,457
				2,486,401	1,406,404
Liability related to discontinued operation	1.1 (b)	2,435	12,654	32,811	1,705
				8,861	11,829
Non-current liabilities					
Debts	15.1			549,024	2,853,113
Leases	15.2	4,838	25,142	23,136	24,667
Debentures	15.3	206,977	1,075,595	332,973	682,848
Related parties	21	1,691	8,788	8,677	9,439
Deferred PIS, COFINS and ISS				42,915	223,017
Deferred income tax and social contribution	20 (a)	26,406	137,224	148,563	109,315
Provisions for contingencies	19	62	322	363	4,268
Concession rights payable	17			34,747	180,570
Provision for losses on investments	9 (c)	47	246	14,177	
Dividends and interest on capital payable	18			2,856	14,840
Obligations with post-employment benefits	22	742	3,857	3,887	6,445
Other liabilities				5,205	27,050
		240,763	1,251,174	531,776	1,471,729
				7,648,129	4,475,326
Equity	23				
Capital		771,414	4,008,807	1,885,667	771,414
Capital reserve		7,807	40,570		7,807
Revenue reserve		92,940	482,981	452,755	92,940
Carrying value adjustment		(240,450)	(1,249,548)	(37,863)	(240,450)
				11,174	58,069
Non-controlling interests					
		631,711	3,282,810	2,300,559	642,885
				3,340,879	2,418,847
Total liabilities and equity		896,190	4,657,222	3,517,383	2,594,776
				13,484,270	8,312,406

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

BRK Ambiental Participações S.A. and its Subsidiaries

Statements of Income (Operations) Years Ended December 31, 2020 and 2019 (In thousands of reais and U.S. dollars)

	Note	Parent company	
		2020	2019
		US\$	R\$
Continuing operations			
Net service and sales revenue	25 (a)	248	1,288
Costs of services and sales	25 (c)	(61)	(318)
Gross profit		187	970
Operating income (expenses)			
General and administrative	25 (c)	(17,745)	(92,215)
Allowance for expected losses from doubtful accounts			
Other income (expenses), net	25 (c)	431	2,242
Equity in the results of investees	9 (c)	27,185	141,272
Profit from operations		10,058	52,269
Finance result	25 (d)		
Finance income		18,083	93,974
Finance costs		(21,336)	(110,877)
Finance result, net		(3,253)	(16,903)
Profit before income tax and social contribution		6,805	35,366
Current income tax and social contribution	20 (b)		
Deferred income tax and social contribution	20 (b)	2,182	11,339
Profit from continuing operations		8,987	46,705
Discontinued operations			
Equity in the results of investees		(1,359)	(7,064)
Profit (loss) from operations			
Gain on the disposal of investment			
Impairment of assets			
Current income tax and social contribution	20 (b)		
Deferred income tax and social contribution	20 (b)		
Profit for the year from discontinued operations		(1,359)	(7,064)
Profit for the year		7,628	39,641
Attributable to			
Company's stockholders			
Non-controlling interests			
Basic earnings per share attributable to the Company's stockholders during the year (expressed in R\$ per share) from continuing operations	23 (e), (f)	0.0451	0.0451
Basic earnings (loss) per share attributable to the Company's stockholders during the year (expressed in R\$ per share) from discontinued operations	23 (e), (f)	(0.0068)	(0.0068)
			0.1731

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

BRK Ambiental Participações S.A. and its Subsidiaries

Statements of Income (Operations) Years Ended December 31, 2020 and 2019 (In thousands of reais and U.S. dollars)

	Note	Consolidated	
		2020	2019
		US\$	R\$
Continuing operations			
Net service and sales revenue	25 (a)	458,409	2,382,216
Costs of services and sales	25 (c)	(290,602)	(1,510,175)
Gross profit		167,807	872,041
Operating income (expenses)			
General and administrative	25 (c)	(77,452)	(402,492)
Allowance for expected losses from doubtful accounts		(8,221)	(42,724)
Other income (expenses), net	25 (c)	(442)	(2,299)
Equity in the results of investees	9 (c)	1,124	5,843
Profit from operations		82,816	430,369
Finance result	25 (d)		
Finance income		12,978	67,444
Finance costs		(73,777)	(383,395)
Finance result, net		(60,799)	(315,951)
Profit before income tax and social contribution		22,017	114,418
Current income tax and social contribution	20 (b)	(5,670)	(29,463)
Deferred income tax and social contribution	20 (b)	(5,671)	(29,472)
Profit from continuing operations		10,676	55,483
Discontinued operations			
Equity in the results of investees			
Profit (loss) from operations		(1,219)	(6,334)
Gain on the disposal of investment			429,460
Impairment of assets			(24,828)
Current income tax and social contribution	20 (b)		(155,797)
Deferred income tax and social contribution	20 (b)	(33)	(21,652)
Profit for the year from discontinued operations		(1,252)	(6,507)
Profit for the year		9,424	48,976
Attributable to			
Company's stockholders		7,628	39,641
Non-controlling interests		1,796	9,335
		9,424	48,976
Basic earnings per share attributable to the Company's stockholders during the year (expressed in R\$ per share) from continuing operations	23 (e), (f)	0.0451	0.0451
Basic earnings (loss) per share attributable to the Company's stockholders during the year (expressed in R\$ per share) from discontinued operations	23 (e), (f)	(0.0068)	(0.0068)
			0.1731

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

BRK Ambiental Participações S.A. and its Subsidiaries

Statements of Comprehensive Income Years Ended December 31, 2020 and 2019 (In thousands of reais and U.S. dollars)

		Parent company	
Note		2020	2019
	US\$		R\$
Profit for the year		7,628	309,561
Items that will not be reclassified to profit or loss			
Company's obligations with post-employment benefits	23 (g)	113	586
Subsidiaries' obligations with post-employment benefits	22	926	4,812
Tax effects		(315)	(1,636)
Disposal of investment property			45
		724	(16,875)
Total comprehensive income for the year		8,352	292,686
		Consolidated	
Note		2020	2019
	US\$		R\$
Profit for the year		9,424	336,505
Items that will not be reclassified to profit or loss			
Company's obligations with post-employment benefits	23 (g)	113	586
Subsidiaries' obligations with post-employment benefits	22	926	4,812
Tax effects		(315)	(1,636)
Non-controlling stockholders' obligations with post-employment benefits		8	41
Tax effects		(3)	(14)
Disposal of investment property			45
		729	(22,850)
Total comprehensive income for the year		10,153	313,655
Attributable to			
Company's stockholders		8,352	292,686
Non-controlling interests		1,801	20,969
		10,153	313,655

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

BRK Ambiental Participações S.A. and its Subsidiaries

Statements of Changes in Equity Years Ended December 31, 2020 and 2019 (In thousands of reais)

Attributable to the parent company's stockholders										
Note	Capital	Capital reserve	Revenue reserve		Retained earnings	Carrying value adjustment	Total	Non-controlling interests	Total equity	
			Legal reserve	Retention of profits						
At January 1, 2019		1,885,667		10,860	132,334		(4,802)	2,024,059	298,938	2,322,997
Profit (loss) for the year:										
Profit for the year from continuing operations					69,749		69,749	(15,026)		54,723
Profit for the year from discontinued operations					239,812		239,812	41,970		281,782
Other comprehensive income (loss):										
Obligations with post-employment benefits	23 (g)						(16,920)	(16,920)	(5,975)	(22,895)
Disposal of investment property	23 (g)						45	45		45
Total comprehensive income for the year					309,561		(16,875)	292,686	20,969	313,655
Capital transactions with owners:										
Transfer to reserve	23 (b) e (c)			15,478	294,083	(309,561)				
Distribution of dividends from continuing operations									(734)	(734)
Distribution of dividends and interest on capital from discontinued operations									(3,940)	(3,940)
Goodwill on the acquisition of investments in subsidiaries	23 (g)						(16,186)	(16,186)		(16,186)
Effect of non-controlling interests on the disposal of investments in subsidiaries									(171,789)	(171,789)
Other transactions with non-controlling interests									(25,156)	(25,156)
At December 31, 2019		1,885,667		26,338	426,417		(37,863)	2,300,559	118,288	2,418,847
Profit (loss) for the year:										
Profit for the year from continuing operations					46,705		46,705	8,778		55,483
Profit (loss) for the year from discontinued operations					(7,064)		(7,064)	557		(6,507)
Other comprehensive income (loss):										
Obligations with post-employment benefits	23 (g)						3,762	3,762	27	3,789
Total comprehensive income for the year					39,641		3,762	43,403	9,362	52,765
Capital transactions with owners:										
Capital increase	23 (a)	2,123,140						2,123,140		2,123,140
Investment program – Stock option	24		3,841					3,841		3,841
Transfer to reserve	23 (b) e (c)		36,729	1,982	28,244	(30,226)		36,729		36,729
Distribution of dividends and interest on capital from continuing operations	23 (d)					(9,415)		(9,415)	(6,158)	(15,573)
Goodwill on the acquisition of investments in subsidiaries	23 (g)						(1,215,447)	(1,215,447)		(1,215,447)
Effect of non-controlling interests on the acquisition of investments in subsidiaries									(63,423)	(63,423)
At December 31, 2020		4,008,807	40,570	28,320	454,661		(1,249,548)	3,282,810	58,069	3,340,879

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

BRK Ambiental Participações S.A. and its Subsidiaries

Statements of Changes in Equity Years Ended December 31, 2020 and 2019 (In thousands of U.S. dollars)

Attributable to the parent company's stockholders										
Note	Capital	Capital reserve	Revenue reserve		Retained earnings	Carrying value adjustment	Total	Non-controlling interests	Total equity	
			Legal reserve	Retention of profits						
At January 1, 2019		362,859		2,090	25,465		(924)	389,490	57,525	447,015
Profit (loss) for the year:										
Profit for the year from continuing operations						13,422		13,422	(2,891)	10,531
Profit for the year from discontinued operations						46,147		46,147	8,076	54,223
Other comprehensive income (loss):										
Obligations with post-employment benefits	23 (g)						(3,256)	(3,256)	(1,150)	(4,406)
Disposal of investment property	23 (g)						9	9		9
Total comprehensive income for the year						59,569	(3,247)	56,322	4,035	60,357
Capital transactions with owners:										
Transfer to reserve	23 (b) e (c)			2,978	56,591	(59,569)				
Distribution of dividends from continuing operations									(141)	(141)
Distribution of dividends and interest on capital from discontinued operations									(758)	(758)
Goodwill on the acquisition of investments in subsidiaries	23 (g)						(3,115)	(3,115)		(3,115)
Effect of non-controlling interests on the disposal of investments in subsidiaries									(33,057)	(33,057)
Other transactions with non-controlling interests									(4,842)	(4,842)
At December 31, 2019		362,859		5,068	82,056		(7,286)	442,697	22,762	465,459
Profit (loss) for the year:										
Profit for the year from continuing operations						8,987		8,987	1,689	10,676
Profit (loss) for the year from discontinued operations						(1,359)		(1,359)	107	(1,252)
Other comprehensive income (loss):										
Obligations with post-employment benefits	23 (g)						724	724	5	729
Total comprehensive income for the year						7,628	724	8,352	1,801	10,153
Capital transactions with owners:										
Capital increase	23 (a)	408,555						408,555		408,555
Investment program – Stock option	24			739				739		739
Transfer to reserve	23 (b) e (c)			7,068	381	5,435		7,068		7,068
Distribution of dividends and interest on capital from continuing operations	23 (d)					(1,812)		(1,812)	(1,185)	(2,997)
Goodwill on the acquisition of investments in subsidiaries	23 (g)						(233,888)	(233,888)		(233,888)
Effect of non-controlling interests on the acquisition of investments in subsidiaries									(12,204)	(12,204)
At December 31, 2020		771,414		7,807	5,449	87,491	(240,450)	631,711	11,174	642,885

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

BRK Ambiental Participações S.A. and its Subsidiaries

Statements of Cash Flows Years Ended December 31, 2020 and 2019 (In thousands of reais and U.S. dollars)

	Parent company		Consolidated	
	2020	2019	2020	2019
	US\$	R\$	US\$	R\$
Cash flows from operating activities				
Profit before income tax and social contribution	6.805	35.366	63.379	22.017
Profit (loss) before income tax and social contribution from discontinued operations	(1.359)	(7.064)	239.812	(1.219)
Adjustments				
Depreciation and amortization	5.326	27.678	23.621	40.496
Amortization of lease	876	4.550	4.091	6.134
Residual value of property and equipment and intangible asset disposals			70	4
Residual value of leases written down	(8)	(40)		121
Equity in the results of continuing operations	(27.185)	(141.272)	(111.647)	(1.124)
Equity in the results of discontinued operations	1.359	7.064	(239.812)	
Profit from discontinued operations			1.219	6.334
Gain on the disposal of investment in discontinued operations				(54.599)
Impairment of assets				(429.460)
Allowance for expected losses from doubtful accounts				24.629
Provision for contingencies	(8)	(41)	320	48.015
Construction profit margin			8.221	(906)
Obligations with post-employment benefits	54	283	(3.202)	(16.641)
Adjustment to present value	572	2.973	395	2.052
Interest and monetary and foreign exchange variations, net	6.059	31.487	(5.140)	19.106
Other adjustments			59.622	309.840
			8	8
	(7.509)	(39.016)	136.189	707.726
Adjustment for the reconciliation of profit for the year of discontinued operations			(1.241)	(6.447)
				173.751
Changes in assets and liabilities				
Trade accounts receivable			(68.523)	(356.092)
Advances to suppliers	(37)	(192)	1.096	5.694
Taxes recoverable	625	3.246	(1.350)	(8.517)
Inventories			(316)	(285)
Dividends and interest on capital received	12.262	63.720	452.377	3.929
Judicial deposits	(82)	(321)	(690)	(3.588)
Prepaid expenses	1.764	9.169	8.238	26.340
Other assets	(387)	(2.012)	12.446	3.870
Trade payables	547	2.842	(3.205)	(17.418)
Salaries and payroll charges	1.090	5.666	9.792	2.294
Taxes payable	(167)	(867)	1.673	8.695
Deferred PIS, COFINS and IIS			(2.254)	(11.765)
Concession rights payable			(3.512)	(18.253)
Provisions for contingencies			27	(602)
Related parties	(29.703)	(154.355)	(90.289)	(15.520)
Other liabilities	(129)	(681)	(6.709)	(34.861)
Cash provided by (used in) operations	(21.706)	(112.801)	383.929	284.933
Income tax and social contribution paid	(74)	(383)	(6.513)	(33.847)
Net cash provided by (used in) operating activities	(21.780)	(113.184)	383.929	251.086
Net cash provided by (used in) discontinued operating activities			(211)	(1.095)
Total net cash provided by (used in) operating activities	(21.780)	(113.184)	383.929	249.991
Cash flows from investing activities				
Advance for future capital increase	(12.430)	(64.595)	(114.814)	
Increase in the capital of subsidiaries	(30.269)	(157.297)	(321)	(226.562)
Restricted funds				(1.177.376)
Acquisitions of investments				(2.669)
Acquisitions of property and equipment	(212)	(1.103)	(573)	(2.144)
Acquisitions of contract assets and intangible assets	(19.324)	(100.422)	(55.299)	(228.976)
Net cash used in investing activities	(62.235)	(323.417)	(171.007)	(457.682)
Disposal of investment in discontinued operations			320.000	830.007
Net cash used in discontinued investing activities	(1.828)	(9.500)	(24.276)	(3)
Net cash provided by (used in) discontinued investing activities	(1.828)	(9.500)	295.724	(15)
Total net cash provided by (used in) investing activities	(64.063)	(332.917)	124.717	(2.378.452)
Cash flows from financing activities				
Dividends and interest on capital paid			(1.610)	(8.365)
Proceeds from loans and financing	28.864	150.000	50.000	151.529
Transaction cost on proceeds from loans and financing	(300)	(1.558)	(4.705)	787.450
Repayment of debts	(28.909)	(150.232)	(50.504)	(69.341)
Interest paid on debts	(719)	(3.737)	(307)	(33.111)
Proceeds from debentures	307.888	1.600.000	610.000	702.369
Transaction cost on proceeds from debentures	(6.885)	(36.299)	(2.936)	(12.155)
Amortization of debentures	(270.985)	(1.406.229)	(212.803)	(331.521)
Interest paid on debentures	(8.842)	(45.947)	(42.140)	(22.369)
Amortization of lease	(1.393)	(7.238)	(5.885)	(9.325)
Capital increase	100.592	522.745	100.592	522.745
Investment program – Stock option	739	3.841	739	3.841
Related parties	48.024	249.568	(581.360)	1.148
Net cash provided by (used in) financing activities	167.974	872.914	(235.935)	472.240
Net cash used in discontinued financing activities			(403)	(2.095)
Total net cash provided by (used in) financing activities	167.974	872.914	(235.935)	471.837
Cash and cash equivalents of subsidiaries excluded from consolidation, net			29	152
Cash and cash equivalents of subsidiaries included in consolidation, net			14.056	73.047
Net increase in cash and cash equivalents	82.131	426.813	272.711	396.724
Cash and cash equivalents at the beginning of the year	68.818	357.624	84.913	163.694
Cash and cash equivalents at the end of the year	150.949	784.437	357.624	240.036

- (i) The Company classifies dividends, interest received and interest paid as cash flow from investment activities and financing activities, respectively.

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

BRK Ambiental Participações S.A. and its Subsidiaries

Statements of Value Added Years Ended December 31, 2020 and 2019 (In thousands of reais and U.S. dollars)

	Parent company		Consolidated	
	2020	2019	2020	2019
	US\$	R\$	US\$	R\$
Revenue				
Gross sales of goods, products and services	273	1,419	8,234	504,196
Other revenue (expenses)	431	2,242	(1,547)	(442)
(-) Rebates and cancellations			(8,929)	(2,299)
(-) Allowance for expected losses from doubtful accounts			(8,221)	(46,402)
	704	3,661	6,687	486,804
				2,528,728
				2,398,617
Inputs acquired from third parties				
Construction cost			(152,027)	(790,038)
Materials, electric energy, outsourced services and other	(14,972)	(77,803)	(72,944)	(85,692)
	(14,972)	(77,803)	(72,944)	(237,719)
				(1,235,354)
				(1,270,402)
Gross value added	(14,268)	(74,142)	(66,257)	248,885
				1,293,374
				1,129,215
Depreciation and amortization	(6,202)	(32,228)	(27,712)	(46,629)
				(242,318)
				(204,791)
Net value added generated by the entity	(20,470)	(106,370)	(93,969)	202,256
				1,051,056
				923,424
Value added received through transfer				
Equity in the results of continuing operations	27,185	141,272	111,647	1,124
Equity in the results of discontinued operations	(1,359)	(7,064)	239,812	5,843
Profit from discontinued operations			(1,252)	(6,507)
Net gain on the disposal of discontinued operations				(7,892)
Transfer of expenses	36,820	191,341	169,870	289,674
Finance income	18,084	93,974	103,139	41,580
				67,444
				66,184
Total undistributed value added	60,260	313,153	530,499	223,106
				1,159,416
				1,337,749
Distribution of value added				
Personnel	27,819	144,568	122,230	78,168
Direct compensation	23,255	120,850	104,144	57,283
Benefits	2,727	14,170	10,567	297,682
Government Severance Pay Fund (FGTS)	1,837	9,548	7,519	84,199
				24,334
				21,505
Taxes, fees and contributions	2,764	14,364	18,207	57,027
Federal	2,748	14,271	17,943	52,541
State	17	89	217	273,041
Municipal	1	4	47	4,634
				18,677
				12,482
Remuneration on third party capital	22,049	114,580	80,501	78,487
Finance costs	21,336	110,877	76,851	73,777
Rentals	713	3,703	3,653	383,395
Other			(3)	4,709
				24,472
				6
				12
Interest on capital	7,628	39,641	309,561	9,424
Profit for the year	7,628	39,641	309,561	7,628
Non-controlling interests				1,796
				9,335
				26,944
Value added distributed	60,260	313,153	530,499	223,106
				1,159,416
				1,337,749

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

BRK Ambiental Participações S.A. and its Subsidiaries

Notes to the Financial Statements

at December 31, 2020

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

1 Operations

BRK Ambiental Participações S.A. ("Company") was incorporated on November 29, 2016 and it was acquired on April 25, 2017 by BR Ambiental Fundo de Investimento em Participações Multiestratégia ("BR FIP"), an investment fund managed by Brookfield Brasil Asset Management Investimentos Ltda. and controlled by Brookfield Asset Management, Inc. The purpose of the Company is to invest in and operate environmental projects and provide services focused in the Water and Wastewater segment through its direct and indirect subsidiaries and jointly-controlled entities (collectively called "Group") by means of public concession contracts, public-private partnerships and provision of services, among others.

On October 22, 2019, the Company obtained the initial registration as a publicly-listed company from the Brazilian Securities Commission ("CVM") in the "B" category.

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

BRK Ambiental Participações S.A. and its Subsidiaries

Notes to the Financial Statements at December 31, 2020

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

(a) Public Water and Wastewater concessions

Company	Subject matter of the agreement	Year beginning - ending	Concession authority (client)	Option of renewal / extension at the end of the concession (i)	Concession	Base index for annual price adjustment	Changes in the agreement since the inception
BRK Ambiental - Limeira S.A.	Water supply and wastewater collection and treatment.	1995 - 2039	Limeira Municipal Government – State of São Paulo	No	No	IPCA-E	Adjustment of tariff and term
BRK Ambiental - Cachoeiro de Itapemirim S.A.	Water supply and wastewater collection and treatment.	1998 - 2048	Cachoeiro de Itapemirim Municipal Government - State of Espírito Santo	Yes	Variable	IPCA	Adjustment of tariff, term and subject matter
Companhia de Saneamento do Tocantins - Saneatins	Water supply and wastewater collection and treatment.	1999 - 2049	47 municipalities in the State of Tocantins and 5 in the State of Pará.	No	Fixed	IPCA	Adjustment of term
BRK Ambiental - Mauá S.A.	Wastewater services, in addition to the commercial management of water supply services.	2002 - 2042	Mauá Municipal Government – State of São Paulo	Yes	Variable	IPCA	Adjustment of term
BRK Ambiental - Capiwari S.A.	Construction and lease of the Effluent Treatment Station of Campinas – State of São Paulo	2006 - 2029	Sociedade de Abastecimento de Água e Saneamento S.A. - SANASA	Yes	No	IGPM and TR	
BRK Ambiental - Rio Claro S.A.	Operation and support activities of the wastewater system.	2007 - 2037	Rio Claro Municipal Government – State of São Paulo	Yes	No	IPCA	Adjustment of tariff and term
BRK Ambiental - Rio das Ostras S.A.	Wastewater collection and treatment.	2007 - 2024	Rio das Ostras Municipal Government - State of Rio de Janeiro	Yes	No	IPCA	
BRK Ambiental - Jaguaribe S.A.	Construction, lease and operation of the ocean disposal system of the Jaguaribe River in Salvador – State of Bahia.	2008 - 2026	Empresa Baiana de Águas e Saneamento S.A. - EMBASA	No	No	IPCA	
BRK Ambiental - Blumenau S.A.	Wastewater services.	2010 - 2055	Serviço Autônomo Municipal de Água e Esgoto - SAMME	Yes	No	IPCA	Adjustment of tariff and term, renegotiation of
BRK Ambiental - Santa Gertrudes S.A.	Water supply and wastewater collection and treatment.	2010 - 2040	Santa Gertrudes Municipal Government – State of São Paulo	Yes	Fixed	IPCA	Tariff adjustment
Saneagua Mairinque S.A.	Water supply and wastewater collection and treatment.	2010 - 2050	Mairinque Municipal Government – State of São Paulo	Yes	No	IGPM	
BRK Ambiental - Uruguaiana S.A.	Water supply and wastewater collection and treatment.	2011 - 2042	Uruguaiana Municipal Government – State of Rio Grande do Sul	No	Fixed	IGPM	Adjustment of term
BRK Ambiental - Porto Ferreira S.A.	Water supply and wastewater collection and treatment.	2011 - 2041	Porto Ferreira Municipal Government – State of São Paulo	No	No	IGPM	Tariff adjustment
F. AB. Zona Oeste S.A.	Wastewater services, in addition to the commercial management of water supply services in 21 districts of the western region of the city of Rio de Janeiro – State of Rio de Janeiro.	2012 - 2042	Rio de Janeiro Municipal Government – State of Rio de Janeiro	Yes	Variable	IPCA-E	
BRK Ambiental - Araguaia Saneamento S.A.	Water supply and wastewater collection and treatment.	2006 - 2042	Nine municipal governments in the State of Pará	No	Variable	IGPM and IPCA	
BRK Ambiental - Macaé S.A.	Wastewater services, in addition to the commercial management of water supply services.	2012 - 2042	Macaé Municipal Government – State of Rio de Janeiro	Yes	No	IGPM	
BRK Ambiental - Região Metropolitana do Recife/Goiânia SPE S.A.	Wastewater services, in addition to the commercial management of water supply services in 14 municipalities in the metropolitan regions of Recife and Goiânia.	2013 - 2048	Companhia Pernambuco de Saneamento - COMPESA	No	No	IPCA	Change of the responsibility for investments
BRK Ambiental - Goiás S.A.	Wastewater services, in addition to the commercial management of water supply services in the municipalities of Aparecida de Goiânia, Jataí, Rio Verde and Trindade, in the State of Goiás.	2013 - 2041	Saneamento de Goiás S.A. - SANEAGO	Yes	Fixed	IPCA	
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	No	INCC and IPCA	
BRK Ambiental - Maranhão S.A.	Water supply and wastewater collection and treatment services in the municipalities of São José de Ribamar and Paço do Lumiar.	2015 - 2050	Consórcio Intermunicipal de Saneamento Básico - CISAB	Yes	No	IPCA	
BRK Ambiental - Sumaré S.A.	Water supply and wastewater collection and treatment.	2015 - 2045	Sumaré Municipal Government – State of São Paulo	Yes	No	IPCA	
BRK Ambiental - Caçador S.A.	Water supply and wastewater collection and treatment.	2019 - 2048	Caçador Municipal Government – State of Santa Catarina	Yes	Fixed	INCC and IPCA	
BRK Ambiental - Região Metropolitana de Alagoas S.A.	Water supply and wastewater collection and treatment.	2021 - 2056	Companhia de Saneamento de Alagoas - CASAL	Yes	Fixed	INCC and IPCA	

- (i) Some companies do not expect to renew or extend their terms upon termination; however, the terms may be reviewed for economic and financial rebalancing purposes.

BRK Ambiental Participações S.A. and its Subsidiaries

Notes to the Financial Statements

at December 31, 2020

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

In all the concessions, the concessionaires are entitled to use all concession assets during the concession period in accordance with the use conditions agreed upon.

The concessionaires, except for the indirect subsidiaries BRK Ambiental - Capivari S.A. ("Capivari") and BRK Ambiental – Manso S.A. ("Manso"), which have entered into a contract with Sociedade de Abastecimento de Água e Saneamento S.A. – Sanasa and Companhia de Saneamento de Minas Gerais – Copasa, respectively, must make improvements in the concession assets, such as: investments in the water treatment and distribution system; renovation and additional works; and expansion and implementation of new treatment stations. These improvements are remunerated by the concession authority through its consideration at the tariff agreed upon at the beginning of the concession and, when applicable, by means of the adjustment of this tariff so as to readjust the economic and financial balance of the contract.

The concessionaires are required to perform regular maintenance work on networks and preventive and corrective maintenance work on the assets. This maintenance work is remunerated at the tariff agreed upon at the beginning of the concession and by means of the adjustment of this tariff so as to readjust the economic and financial balance of the contract, when applicable. The jointly-controlled subsidiary Capivari does not have to perform any type of maintenance work.

1.1 Other information

(a) BRK Ambiental Maranhão S.A. ("Maranhão")

On March 5, 2018, there was an unfavorable decision in the lower court against the subsidiary BRK Ambiental Maranhão S.A. that declared the concession agreement null and determined the term of 30 days for the concessionaire to cease the provision of sanitation services. On March 20, 2018, the subsidiary appealed to the Court of Justice of the State of Maranhão and on April 2, 2018, an injunction was granted suspending the effects of the sentence until the ruling on the appeal by the court. Also, the State Court of Maranhão is ruling on a Direct Action of Unconstitutionality (ADI) filed by the Public Prosecution Office, pleading that the law that allowed the creation of the consortium and the signing of the agreement should be declared unconstitutional, which may also result in the annulment of the concession agreement. In the ADI, the injunction filed by the Public Prosecution Office was denied, which shows that the majority of the judges did not consider, within the scope of the injunction, that the above mentioned law is unconstitutional. In 2020, there were no significant developments in either of the two cases (ACP and ADI). If there is, in the future, a final decision determining the annulment of the concession agreement, the subsidiary would claim a compensation for the unamortized investments and the maintenance of the contract until such compensation is effectively paid.

BRK Ambiental Participações S.A. and its Subsidiaries

Notes to the Financial Statements

at December 31, 2020

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

(b) Discontinued operations – Industrial Segment

On May 10, 2019, the subsidiary BRK Ambiental - Participações em Negócios Industriais S.A. (BRK Negócios Industriais) signed the agreement for the sale of the Industrial segment, represented by the quotas held in FIP Operações Industriais, to GS Inima Brasil Ltda. ("GS Inima Brasil").

On September 30, 2019, the sales transaction was completed and BRK Negócios Industriais effectively sold to GS Inima Brasil all the quotas held in FIP Operações Industriais, which is equivalent to an 82.76% interest, for the adjusted amount of R\$ 872,156 – US\$ 167,829 million. With this transaction, the Company recorded a gain of R\$ 429,460 – US\$ 82,641, which was recorded in profit or loss for the period in "Gain on the disposal of discontinued operations".

The profit of the Industrial segment was classified as a discontinued operation in a single amount in the statement of income.

(c) Discontinued operations – UVR Grajaú S.A. ("UVR Grajaú")

On December 1, 2019, the 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 of UVR was adjusted for the effects of impairment and classified as a discontinued operation in a single amount in the statement of income.

On October 8, 2020, the Company signed the contract for the sale of the subsidiary UVR Grajaú to Vendome Participações S.A. for the amount of R\$ 1. The completion of the transaction is still subject to the implementation of suspensive conditions and the management of the Company expects to complete it by the end of the first quarter of 2021. This transaction is part of the strategy of concentrating the Company's investments in the sanitation segment.

The assets and liabilities of the subsidiary UVR Grajaú were presented separately as discontinued operations in a single amount in the statement of income and the net cash flows attributable to the operating, investing and financing activities of the discontinued operations were also presented separately.

BRK Ambiental Participações S.A. and its Subsidiaries

Notes to the Financial Statements

at December 31, 2020

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

The balance sheet of the discontinued operations of the subsidiary UVR Grajaú is presented below:

Assets	2020		2019
	US\$		R\$
Current assets	236	1,226	1,928
Non-current assets	43	225	77
Total assets	279	1,451	2,005
Liabilities	2020		2019
	US\$		R\$
Current liabilities	443	2,304	3,628
Non-current liabilities	1,262	6,557	8,201
Total liabilities	1,705	8,861	11,829

The loss from the discontinued operations of UVR Grajaú for the years ended December 31, 2020 and 2019 is presented below:

Discontinued operations	2020		2019
	US\$		R\$
Net service and sales revenue	40	208	2,262
Costs of services and sales	(639)	(3,321)	(9,322)
Gross loss	(599)	(3,113)	(7,060)
Operating expenses			
General and administrative	(546)	(2,837)	(4,565)
Other income, net	4	20	29
Loss from operations	(1,141)	(5,930)	(11,596)
Finance result			
Finance income	3	13	118
Finance costs	(80)	(417)	(2,355)
Finance result, net	(77)	(404)	(2,237)
Loss before income tax and social contribution	(1,218)	(6,334)	(13,833)
Deferred income tax and social contribution	(33)	(173)	(345)
Impairment of assets			(24,828)
Loss for the year	(1,251)	(6,507)	(39,006)

BRK Ambiental Participações S.A. and its Subsidiaries

Notes to the Financial Statements

at December 31, 2020

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

The net cash flows incurred from the discontinued operations of the subsidiary UVR Grajaú for the years ended December 31, 2020 and 2019 are as follows:

	2020		2019
	US\$		R\$
Cash flows from operating activities			
Loss before income tax and social contribution	(1,219)	(6,334)	(13,833)
Profit (loss) from discontinued operations	1,219	6,334	13,833
Operating activities	(1,451)	(7,542)	44,925
Investing activities	(3)	(15)	(954)
Financing activities	1,425	7,405	(68,114)
Effect of cash and cash equivalents of companies excluded from consolidation			24,580
Net cash used	(29)	(152)	437

(d) Corporate Reorganization

On September 30, 2020, the Company completed its corporate restructuring process that resulted in an increase in the Company's capital in the total amount of R\$ 2,123,140 – US\$ 408,555, subscribed and paid up by means of the contribution of (i) the 49% interest held directly by the stockholder FI-FGTS in the subsidiary BRK Ambiental – Centro Norte Participações S.A. ("BRK Centro Norte") and (ii) the 87.5% interest held directly by the stockholder BR Ambiental Fundo de Investimento em Participações Multiestratégia in the subsidiary BRK Ambiental – Ativos Maduros S.A. ("BRK Ativos Maduros"). Additionally, the capital increase encompassed (iii) the contribution, in local currency, of R\$ 522,745 – US\$ 100,592 by the stockholder BR Ambiental Fundo de Investimento em Participações Multiestratégia.

After the formalization of the capital increase, the Company became the direct holder of the totality of the capital of BRK Centro Norte (parent company of Saneatins) and BRK Ativos Maduros and the interest percentage previously held by the stockholders in BRK's capital was maintained.

The corporate reorganization process was duly approved by the Brazilian antitrust agency (CADE) on September 14, 2020.

The main purposes of the capital increase are the increase of liquidity, the reduction of the leverage and the simplification of the Company's corporate structure.

BRK Ambiental Participações S.A. and its Subsidiaries

Notes to the Financial Statements

at December 31, 2020

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

The resulting effect on BRK Ambiental's financial statements was the consolidation of BRK Ativos Maduros and its subsidiaries as from September 30, 2020. The effects on the statement of income have been consolidated as from October 01, 2020, and on the balance sheet, as from September 30, 2020. The balances of assets and liabilities and the statement of income that were consolidated in the Company's financial statements on this date are presented below:

Assets	September 30, 2020		Liabilities and equity	September 30, 2020	
	US\$	R\$		US\$	R\$
Current assets			Current liabilities		
Cash and cash equivalents	14,056	73,047	Trade payables	2,028	10,540
Trade accounts receivable, net	20,669	107,410	Debits	9,343	48,554
Taxes recoverable	638	3,313	Leases	354	1,840
Inventories	530	2,752	Debentures	440	2,284
Dividends receivable			Salaries and payroll charges	2,709	14,080
Other assets	1,081	5,619	Taxes payable	2,114	10,985
	36,974	192,141	Deferred PIS and COFINS	760	3,948
			Dividends payable	1,365	7,094
			Concession rights payable	295	1,535
			Other liabilities	461	2,401
				19,869	103,261
Non-current assets			Non-current liabilities		
Trade accounts receivable, net	44,508	231,296	Debits	36,306	188,673
Restricted funds	5,693	29,587	Leases	772	4,012
Taxes recoverable	2,086	10,839	Related parties	10,988	57,100
Related parties			Deferred PIS and COFINS	3,209	16,674
Judicial deposits	21	108	Deferred income tax and social contribution	13,161	68,392
Dividends receivable			Provision for contingencies	718	3,730
Other assets	53	276	Concession rights payable	1,776	9,228
	52,361	272,106	Obligations with post-employment benefits	486	2,528
				67,416	350,337
Investments			Equity		
Property and equipment	202	1,051	Capital	10	53
Contract assets	22,957	119,303	Capital reserve	30,936	160,767
Right-of-use lease	1,065	5,537	Revenue reserve	40,202	208,916
Intangible assets	52,513	272,896	Carrying value adjustment	(406)	(2,109)
	129,098	670,893	Profit for the period	8,045	41,809
				78,787	409,436
Total assets	166,072	863,034	Total liabilities and equity	166,072	863,034

BRK Ambiental Participações S.A. and its Subsidiaries

Notes to the Financial Statements

at December 31, 2020

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

	Current period from 01/10/2020 to 31/12/2020	
	US\$	R\$
Operations		
Net service and sales revenue	20,103	104,479
Costs of services and sales	(12,161)	(63,195)
Gross profit	7,942	41,284
Operating income (expenses)		
General and administrative	(2,929)	(15,232)
Allowance for expected losses from doubtful accounts	119	618
Other income (expenses), net	140	727
Equity in the results of investees		
Profit from operations	5,272	27,397
Finance result		
Finance income	299	1,554
Finance costs	(1,334)	(6,934)
Finance result, net	(1,035)	(5,380)
Profit before income tax and social contribution	4,237	22,017
Current income tax and social contribution	(1,258)	(6,538)
Deferred income tax and social contribution	214	1,113
Profit for the period	3,193	16,592

The balances refer to the consolidation of BRK Ativos Maduros and its subsidiaries: Limeira, Cachoeiro, Capivari and Jaguaribe.

BRK Ambiental Participações S.A. and its Subsidiaries

Notes to the Financial Statements

at December 31, 2020

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

(e) Achievements

Companhia de Saneamento de Alagoas - CASAL

On September 30, 2020, the Company won the Public Tender No. 09/2020 organized by the State of Alagoas for the concession of the public water supply and wastewater services, with commercial management, of 13 municipalities of the Metropolitan Region of Maceió. The bidding took place by means of the auction of Companhia de Saneamento de Alagoas – Casal (“Casal”) in which the Company presented the highest fixed concession price to the State of Alagoas, in the amount of R\$ 2,009,000 – US\$ 386,591. The Company will use own and third-party’s funds to pay for the offered concession.

On October 20, 2020, the Public Tender was ratified and awarded, on October 21, 2020, BRK Ambiental – Região Metropolitana de Maceió S.A. was incorporated and on December 18, 2020, the concession agreement was signed. Currently, the subscribed capital amounts to R\$ 200,000 – US\$ 38,486, comprising 200,000,000 shares.

(f) COVID-19

With the spread of COVID-19 on a global scale, governments and authorities around the world have been implementing measures to fight the virus, including social distancing and temporary suspension of activities that are considered non-essential. In Brazil, where the Company and its subsidiaries operate, these measures were introduced mostly in the second half of March 2020. The Company has been closely monitoring the spread of the pandemic in the country and its developments, having established a Crisis Management Committee, which is focused on three priorities: (i) protect the safety of employees and clients; (ii) ensure that the Company continues as a going concern; and (iii) preserve the Company’s financial liquidity.

Water supply and wastewater services are essential services and play a vital part in the fight against the spread of COVID-19. Taking into consideration the different situations and scenarios in each region where the Company operates, the activities are planned and organized so as to ensure the continuity of water supply and wastewater collection and treatment for clients, with safety for employees and communities, strictly following the determination of public health authorities. In order to ensure the health of employees, the Company extended the health monitoring program.

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For the purpose of mitigating the economic and financial effects of the pandemic, the federal government determined the following tax and social security benefits that have implications for the Company: (a) Executive Orders No. 10,305 of April 1, 2020, No. 10,414 of June 02, 2020, and No. 10,504 of October 02, 2020, that provide for the reduction to zero of the Tax on Financial Transactions (IOF) in credit transactions contracted in the period from April 03 to December 31, 2020 (b) Provisional Measure No. 932 of March 31, 2020 that provides for the reduction by 50% of the rates of contributions to independent social services, "S" system, for accruals in April, May and June 2020 (c) Administrative Rules No. 139 and No. 245 that provide for the postponement of the maturity of the employer's contribution to the National Social Security Institute (INSS) and PIS and COFINS taxes related to accruals from March to May 2020 to August, October and November 2020, respectively (d) Provisional Measure No. 927 of March 22, 2020 that provides for, in addition to many labor measures such as suspension of the employment contract, advance of vacation, reduction of work hours and proportional salary, among others, the deferral of the payment of the Government Severance Pay Fund (FGTS) related to accruals in March, April and May 2020, which may be paid in installments, without the levy of any charges, in up to six installments starting July 2020. The Company and its subsidiaries partially adhered to the benefits mentioned above.

Negotiation on open receivables with ATS will resume as soon as the economy is reestablished and other assessments of accounting estimates were also made, taking into account the effects of the pandemic, and (i) there is no indication of change in the recoverable amount (impairment) of its property and equipment and intangible assets; (ii) the need for adjustment for the realization of inventories was not identified; and (v) there are no events or conditions identified that significantly affect the operational continuity of the Company and its subsidiaries, or significantly modify the measurement of its assets and liabilities in the financial statements of December 31, 2020.

The Company continues to monitor the developments of COVID-19 so that the possible impacts can be duly reflected in its financial information, in compliance with CVM/SNC/SEP Circular Letters No. 02/3030 and 03/2020 and CVM Resolution No. 859/2020.

(g) SOX Program

In 2020, the SOX Program of the Company was maintained, with its ongoing performance and its incorporation into the work routine in the context of the obligations of its controlling stockholder. No significant deficiencies or relevant weaknesses were identified, in conformity with the Guidelines of Section 404 of U.S. Sarbanes-Oxley ("SOX") Act, which is intended to avoid, detect and treat any potential inconformity related to the financial information of the companies that compose the BRK Group, thus ensuring more reliability to their financial statements.

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(h) 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 in the implementation of the Compliance Program, 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 CEO of the Company and which determines the guidelines for the internal and external relationships of all employees, management members, officers, directors and stockholders. 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.

2 Summary of significant accounting policies

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

The accounting records are maintained in Brazilian Reais. The financial free translation information in U.S. dollars is presented solely for the convenience of the users and has been free translated from the amounts in the December 31, 2020 local currency financial statements, using the exchange rate prevailing on that date of US\$ 1.00 to R\$ 5,1967.

These parent company and consolidated financial statements were approved by the Company's Board of Directors on March 25, 2021.

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2.1 Basis of preparation

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

This financial statements was prepared in Brazilian reais, which is the functional currency of the Company, and is presented in thousands of reais, unless otherwise stated.

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

(a) Consolidated financial statements

The financial statements comprise the financial statements of the Group and its subsidiaries on December 31, 2020. The financial statements have been prepared and are being presented in accordance with the accounting practices adopted in Brazil, including the pronouncements issued by CPC, and with the International Financial Reporting Standards ("IFRS", issued by "IASB") in effect on December 31, 2020.

(b) Parent company financial statements

The parent company financial statements have been prepared in accordance with the accounting practices adopted in Brazil issued by CPC. Since the accounting practices adopted in Brazil applicable to the parent company financial statements as from 2014 do not differ from the IFRS applicable to separate financial statements, as they started to allow the application of the equity method of accounting for subsidiaries, they are also in conformity with the IFRS issued by IASB. These parent company financial statements are disclosed together with the consolidated financial statements.

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(c) Statement of value added

The presentation of the parent company and consolidated Statements of Value Added is required by Brazilian Corporate Law and by the accounting practices adopted in Brazil that are applicable to publicly-held companies. The Statement of Value Added has been prepared based on information obtained from the accounting records that serve as a basis for the preparation of the financial statements. Its first part presents the wealth created by the Company, which is represented by income (operating, other income, construction of assets and expected losses from doubtful accounts), by the inputs acquired from third parties (operating costs and costs of construction, materials, electric energy, outsourced services, other operating expenses and other) and by retentions (depreciation and amortization), and the wealth received in transfer, represented by the equity in the earnings of investees and finance income. The second part of the Statement of Value Added shows the distribution of the wealth among employees, taxes, fees and contributions, remuneration on third-parties' capital and remuneration on own capital.

2.2 Consolidation

(a) Consolidated companies

The consolidated financial information includes that of the Company and of the entities in which the following direct and indirect interest is held:

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	Place of incorporation and operation	Business	Number of shares / quotas held		Holding (%)	
			2020	2019	2020	2019
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") (viii)	Brazil (SP)	Holding company	184,897,959	94,297,959	100.00	51.00
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") (x)	Brazil (RJ)	Holding company	133,083,586	62,372,791	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
BRK Ambiental - Araguaia Saneamento S.A. ("Araguaia") (ii)	Brazil (PA)	Water and wastewater concession	41,782,022	30,590,200	100.00	100.00
UVR Grajaú (i)	Brazil (SP)	Treatment of solid waste	77,732,183	50,569,182	100.00	100.00
BRK Ambiental - Digital S.A. ("Digital") (iii)	Brazil (SP)	Holding company	14,027,100	11,308,100	100.00	100.00
Saneaqua Mairinque S.A. ("Mairinque") (vii)	Brazil (SP)	Water and wastewater concession	19,377,775	2,198,867	95.36	70.00
Maranhão	Brazil (MA)	Water and wastewater concession	66,474,065	66,474,065	100.00	100.00
BRK Ambiental - Sumaré S.A. ("Sumaré") (iv)	Brazil (SP)	Water and wastewater concession	129,749,836	54,437,551	100.00	100.00
Ecoaquia Soluções S.A. ("Ecoaquia")	Brazil (RJ)	Treatment of industrial waste	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 Projetos Ambientais (v)	Brazil (SP)	Holding company	35,245,647	22,895,276	100.00	100.00
BRK Ambiental - Participações em Negócios Industriais S.A. ("BRK Negócios Industriais")	Brazil (SP)	Holding company	829,535,776	829,098,557	100.00	100.00
Santo André Água S.A. ("Santo André")	Brazil (SP)	Water and wastewater concession	500	500	100.00	100.00
Caçador (vi)	Brazil (SC)	Water and wastewater concession	169,557,969	113,373,313	100.00	100.00
BRK - NE/NCO S.A. ("NE")	Brazil (SP)	Holding company	1,000	1,000	100.00	100.00
BRK - SE/S S.A. ("SE")	Brazil (SP)	Holding company	1,000	1,000	100.00	100.00
BRKNI S.A. ("NI")	Brazil (SP)	Holding company	1,000	1,000	100.00	100.00
BRK Ambiental - Região Metropolitana de Macaé S.A. ("RMM") (ix)	Brazil (SP)	Water and wastewater concession	200,000,000		100.00	
BRK Ambiental - Alvos Maduros S.A. ("BRK Alvos Maduros") (vii)	Brazil (SP)	Holding company	52,548	6,568	100.00	12.50
Indirect:						
BRK Ambiental - Rio das Ostras S.A. ("Rio das Ostras")	Brazil (RJ)	Wastewater concession	130,717,027	83,760,414	100.00	100.00
BRK Ambiental - Macaé S.A. ("Macaé")	Brazil (RJ)	Wastewater concession	21,348,054	21,348,054	100.00	100.00
BRK Ambiental - Região Metropolitana do Recife/Goiana 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	7,827,445	66.64	66.64
Manso	Brazil (MG)	Water concession	100,000,000	100,000,000	100.00	100.00
BRK Ambiental - Cachoeiro de Itapemirim S.A. ("Cachoeiro") (viii)	Brazil (ES)	Water and wastewater concession	3,403,223	425,403	100.00	12.50
Capivari (vii)	Brazil (SP)	Wastewater concession	9,258,384	1,157,298	100.00	12.50
BRK Ambiental - Jaguaribe S.A. ("Jaguaribe") (viii)	Brazil (BA)	Wastewater concession	30,000,000	3,750,000	100.00	12.50
BRK Ambiental - Limeira S.A. ("Limeira") (vii)	Brazil (SP)	Water and wastewater concession	43,359	5,420	100.00	12.50
Companhia de Saneamento de Tocantins ("Saneatins") (viii)	Brazil (TO)	Water and wastewater concession	1,897,528	967,739	100.00	51.00
BRK Ambiental - Sul Pará Saneamento S.A. ("Sul Pará") (vii)	Brazil (PA)	Water and wastewater concession	1,000	510	100.00	51.00
Special Purpose Entity ("SPE"):						
Fundo de Investimento em Direito Creditório-Caixa Dublin ("FIDC")	Brazil (SP)	Investment fund	313,998	313,998	100.00	100.00
Jointly-controlled subsidiary:						
F. AB. Zona Oeste S.A. ("F. AB. Zona Oeste")	Brazil (RJ)	Brazil (RJ)	72,118,371	72,118,371	50.00	50.00

- (i) On December 1, 2019, the subsidiary UVR Grajaú was considered a discontinued operation (Note 1.1 (c)).
- (ii) On June 29, 2020, in accordance with the Extraordinary General Stockholders' Meeting, the Company increased the capital of the subsidiary Araguaia with the capitalization of the advance for future capital increase in the amount of R\$ 5,807 – US\$ 1,117.
- (iii) On June 22, 2020, in accordance with the Extraordinary General Stockholders' Meeting, the Company increased the capital of the subsidiary Digital with the capitalization of the advance for future capital increase in the amount of R\$ 2,719 – US\$ 523.
- (iv) On June 23, 2020, in accordance with the Extraordinary General Stockholders' Meeting, the Company increased the capital of the subsidiary Sumaré with the capitalization of the advance for future capital increase in the amount of R\$ 75,312 – US\$ 14,492.
- (v) On June 22, 2020, in accordance with the Extraordinary General Stockholders' Meeting, the Company increased the capital of the subsidiary Projetos Ambientais with the capitalization of the advance for future capital increase in the amount of R\$ 95,986 – US\$ 18,471.

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- (vi) On June 30, 2020, in accordance with the Extraordinary General Stockholders' Meeting, the Company increased the capital of the subsidiary Caçador with the capitalization of the advance for future capital increase in the amount of R\$ 1,277 – US\$ 246.
- (vii) On August 20, 2020, in accordance with the Extraordinary General Stockholders' Meeting, the Company increased the capital of the subsidiary Mairinque with a contribution of R\$ 21,943 – US\$ 4,222. The non-controlling stockholder waived the right to follow the above mentioned increase. As a result, its interest in the capital of Mairinque was reduced from 30% to 4.64%.
- (viii) On September 30, 2020, the respective companies went through a corporate restructuring process (Note 1.1 (d)).
- (ix) On October 21, 2020, BRK Ambiental – Região Metropolitana de Maceió S.A. ("RMM") was incorporated (Note 1.1 (e)).
- (x) On June 1 and November 23, 2020, in accordance with the Extraordinary General Stockholders' Meeting, the Company increased the capital of the subsidiary RDOP with the capitalization of the advance for future capital increase in the amount of R\$ 144,863 – US\$ 27,876.

The fiscal year of the subsidiaries included in consolidation is the same as that of the parent company and the accounting policies are applied in accordance with those used by the parent company and are consistent with those used in the previous year.

The equity accounting is calculated on the same balance sheet date as that of the parent company.

(b) Subsidiaries

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

The identifiable assets acquired, 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 the 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 in order to ensure consistency with the policies adopted by the Group.

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(c) Transactions with and participation of non-controlling interests

The Group treats transactions with non-controlling interests as transactions with owners of the Group's assets. 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 the carrying amount recognized in profit or loss. The amounts previously recognized in other comprehensive income are reclassified to profit or loss.

(e) Joint arrangements and associates

Associates are all entities over which the Group has significant influence but not control, generally accompanying a stockholding of between 20% and 50% of the voting rights.

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Jointly-controlled entities are all entities over which the Group shares control with one or more parties. Investments in joint arrangements are classified as joint operations or joint ventures, depending on the contractual rights and obligations of each investor.

Investments in associates and joint ventures are accounted for using 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 income (operations) and its share of changes in reserves is recognized in 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.

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 impairment of the asset transferred. The accounting policies of associates have been changed where necessary in order to ensure consistency with the policies adopted by the Group.

If the stockholding 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 the statement of income (operations), where appropriate.

Dilution gains and losses arising from investments in associates are recognized in the statement of income (operations).

2.3 Segment reporting

The information per operating segment is presented consistently with the internal report provided to the main strategic 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, public-private partnerships, and provision of services, among others.

2.4 Cash and cash equivalents

Cash and cash equivalents includes cash in hand, bank deposits and other short-term highly liquid investments with original maturities of three months or less, with immaterial risk of change in value, and the balance is presented net of the balance of bank overdrafts in the statement of cash flows. Bank overdrafts are shown within "Debts" in current liabilities in the balance sheet.

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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. The majority of the amounts are remunerated at the Interbank Deposit Certificate ("CDI") rate.

2.6 Trade accounts receivable and expected losses from doubtful accounts

Trade receivables are amounts receivable for products sold and services performed in the ordinary course of the Group's business. If collection is expected in one year or less, they are classified as current assets. If not, they are presented as non-current assets.

Trade receivables are recognized initially at fair value, less the expected losses from doubtful accounts, calculated based on the credit analysis and recorded at an amount that is considered sufficient by management to cover losses on accounts receivable.

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.

(b) Concession agreements (Intangible assets)

The Group records the revenue that is unbilled but accrued, 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 accounts receivable 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 average cost of acquisition, which is lower than the replacement cost or realizable value, as current assets.

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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;
- (ii) Is an integral part of a single plan coordinated for the sale of an important separated business line or geographical area of operations; and
- (iii) Is a subsidiary that is exclusively acquired for the purpose of resale.

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 income.

Additional disclosures are presented in Note 1.1 (b). 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 in the following categories: loans and receivables and available for sale. The classification depends on the purpose for which the financial assets were acquired.

Financial assets are presented in current assets, except for those falling due more than 12 months after the balance sheet date.

2.9.2 Recognition and measurement

Investments are recognized initially 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.

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2.9.3 Impairment of financial and non-financial assets

(a) Financial assets measured at amortized cost

The Group assesses at each balance sheet date 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 income (operations). 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 consolidated statement of income (operations).

(b) Non-financial assets

Assets that have an indefinite useful life, such as 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 highest of an asset's fair value less costs to sell and its value in use. For the purpose of assessing *impairment*, assets are grouped at the lowest levels for which there are separately identifiable cash flows (Cash Generating Units ("UGCs")). Non-financial assets other than goodwill that have been adjusted for impairment are subsequently reviewed for possible reversal of the impairment on the balance sheet date.

Non-financial assets other than goodwill that have been adjusted for impairment are subsequently reviewed for possible reversal of the impairment on the balance sheet date. The impairment of goodwill recognized in profit or loss for the year is not reversed.

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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, 2020.

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.

In order to improve the presentation and facilitate the reader's understanding of the investments in construction linked to the concession contracts, the Company opted to make a segregated line presentation in the balance sheet for the contract assets.

2.11 Intangible assets

(a) Water and wastewater system

The Group recognizes the right to charge users for the provision of water supply and sewerage services in accordance with the concession agreements as an intangible asset, in compliance with the Accounting Interpretation ICPC 01 (R1) and Guidance OCPC 05, both of the Accounting Pronouncements Committee, related to the international interpretation standard IFRIC 12 – Concession Agreements.

The intangible asset is determined as the residual value of the revenue from construction accrued for the construction or acquisition of the infrastructure by the Group, recognized in accordance with Note 2.21 (c), and the amount of financial assets related to the unconditional right to receive cash at the end of the concession period as indemnity is recognized in accordance with Note 2.21 (d). 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 form 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 client portfolio

The concession right refers to the right recorded in intangible assets (Note 13) and 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 the earliest.

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Client portfolio refers to contractual client relationships acquired in a business combination and is recognized at fair value at the acquisition date. The contractual client 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 authority or client.

(d) Goodwill

The goodwill results from the acquisition of subsidiaries and represents the excess of (i) the consideration transferred, (ii) the amount of non-controlling interests 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 income (operations).

(e) Capitalization of interest

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.

(f) Capitalization of adjustment to present value of the concession obligations - Goiás

The financial charges on these obligations are determined based on the variation of the Broad Consumer Price Index (IPCA) and the realization of the adjustment to present value, and a portion of them is allocated to finance costs in profit or loss for each period, and the remaining portion is allocated to the formation of intangible assets in accordance with the criteria presented below.

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The subsidiary Goiás is an operational concessionaire in phase of expansion and the criteria used to determine its level of operation for the allocation of the above mentioned financial charges to finance costs is the proportion of the investments made through the end of each period to the total corresponding contracted and estimated investments. The remaining proportion represents the level of expansion of the subsidiary and it is used to determine the allocation of the remaining charges to intangible assets.

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 replaced items or parts is derecognized. All other repair and maintenance costs are charged to the statement of income (operations) 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.

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 its recoverable amount when the asset's carrying amount is higher than 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, net" in the statement of income (operations).

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.

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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 and are classified as current liabilities. The Company has no risk drawn.

Trade payables are recognized initially at fair value and subsequently measured at amortized cost using the effective interest method.

2.15 Debts and debentures

Debts and debentures are recognized initially at fair value, net of transaction costs incurred. They are subsequently carried at amortized cost; any difference between the proceeds (net of transaction costs) and the total amount payable is recognized in the statement of income (operations) over the period of the debts using the effective interest method.

Fees paid upon the establishment of debts 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.

Debts 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 balance sheet date.

The finance costs of debts and debentures that are directly attributable to acquisition, construction or production of a qualifying asset, which is an asset that necessarily demands a significant period of time to become ready for the 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.

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2.16 Leases

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

(i) Lessee

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

(ii) Right-of-use assets

The Group recognizes the right-of-use assets on the date of the beginning of the lease (that is, 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 the right-of-use assets includes the amount of the lease liabilities recognized, the initial direct costs incurred and the lease payments made until the date of the beginning, 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 19 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.

2.17 Concession rights payable

The Group recognizes payables to the concession authority, 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.

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2.18 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 for the companies headquartered in Brazil currently established for determining these deferred taxes are 25% for income tax and 9% for social contribution.

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.

The indirect subsidiary RMR 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 – SUDENE in the period from January 2015 to December 2024.

The income tax and social contribution expenses for the period comprise current and deferred taxes.

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.

2.19 Distribution of dividends and interest on capital

The distribution of dividends and interest on capital to the Group's stockholders 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 stockholders at the General Stockholders' Meeting and by the Board of Directors.

2.20 Advance for future capital increase

Advances for future capital increase are exclusively intended for the increase of capital by the Group's stockholders.

2.21 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.

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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 client, the type of transaction and the specifics of each arrangement.

(a) Revenue from water supply 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 financial lease contracts (CPC 06 (R2) and ICPC 03), since the Group outsources construction services and the construction risks are assured in the service agreements and by specific construction insurance policies.

Revenue from construction is determined and recognized in accordance with the accounting interpretations IFRIC 12 of IASB and ICPC 01 (R1) of the Accounting Pronouncements Committee – Concession Agreements, by means of the addition of the profit margin to the related costs incurred on the accrual basis. The profit margin used in 2020 and 2019 is 2% 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 income (operations) 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 financial 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.

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(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 the finance income account in the statement of income (operations).

2.22 Business combinations

The Group applies the acquisition method to account for business combinations. Acquisition-related costs are measured as the sum of the consideration transferred, stated at fair value on 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 on the acquisition date.

Any contingent consideration to be transferred by the acquirer is recognized at fair value on the acquisition date. Subsequent changes in the fair value of the contingent consideration that result in an asset or a liability must be recognized in accordance with IAS 39/CPC 38 in the statement of income (operations) or in other comprehensive income. If the contingent consideration is classified as equity, it must not be remeasured until it is finally settled in equity.

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 is lower than the fair value of the net assets acquired, the difference is recognized as a gain in the statement of income (operations).

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 combination synergies, regardless of whether other assets or liabilities of the acquiree are attributable to these units.

2.23 Provisions

Provisions for legal claims (labor, civil and tax) are recognized when the Company 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.

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

2.24 Capital

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

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

2.25 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 the Administrative Rule No. 1,719 of December 31, 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 results 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 issue 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.

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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 balance sheet as a contra-entry to other comprehensive income (loss) for the period they were incurred. The remeasurements are not reclassified to profit or loss in subsequent periods, however, they are transferred to retained earnings in equity before they are allocated to the other reserves.

(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.

2.26 Revised standards that are in effect

The following pronouncements modified on January 1, 2020 did not have significant impacts on the financial information for the year:

- IAS 1 – “Presentation of financial statements” (corresponding to CPC 26 (R1) – Presentation of financial statements).
- IFRS 3 – “Business combinations” (corresponding to CPC 15 (R1) - Business combinations).

There are no other IFRS or IFRIC interpretations that are in effect that would be expected to have a material impact on the Company and its subsidiaries.

2.27 New standards that are not yet in effect

The following new standards were issued by IASB but are not in effect for the year ended December 31, 2020.

- IFRS 10 – “Consolidated Financial Statements” (corresponds to CPC 36 (R3) Consolidated Financial Statements and CPC 18 (R2) Investments in Associates and Joint Ventures), the effectiveness of which is yet to be determined and will be evaluated by the Company when the standard comes into force.

There are no other IFRS standards or IFRIC interpretations that are not yet in effect that are expected to have a material impact on the Company and its subsidiaries.

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3 Critical accounting estimates and judgments

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 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.

(b) Recoverability of deferred income tax and social contribution

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 contained in the Business Plan, which is annually approved by the Group's Board of Directors. 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.

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

In accordance with IFRS 3/CPC 15 (R1), the Group must allocate the amount of the assets acquired and contingencies and liabilities assumed based on their estimated fair values on the acquisition date. 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.

(d) 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 on the balance sheet 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.

(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 probability of losses as follows:

- Probable loss: these are claims for which the probability of a loss is higher than the probability of success or, in other words, the probability 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.

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- Possible loss: these are claims for which the possibility 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. In percentage terms, the probability of a loss is between 25% and 50%. 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 where the risk of a loss is small. In percentage terms, the probability is lower than 25%. 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.

(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 (IFRIC 12 / ICPC 01). The use of this method requires the Group to estimate the margin to be added to the costs incurred in the services performed that is determined based on the combination of supervision costs, business risk and management of subcontractors.

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(h) Unbilled revenue

The Group records the revenue that is unbilled but accrued, 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 accounts receivable based on the specifications of each sale or service provision so that the revenue can match the costs incurred in the same period.

(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 the earliest.

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 form 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.

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 determined by IFRS 3/CPC 46 (information on assets and liabilities that are not based on observable market data, that is, unobservable assumptions).

(k) Expected losses from doubtful accounts

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

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The methodology to determine such losses requires significant estimates, taking into consideration a variety of factors, including the assessment of the history of receipt, current economic trends, and estimates of expected write-offs and maturity of the trade accounts receivable portfolio. Although the Group believes that the assumptions used are reasonable, the actual results may be different.

4 Investment program

On January 24, 2020, the Company started 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 24. On the same date, the Program was approved at the Extraordinary General Stockholders' Meeting that entrusted the Company's Board of Directors, by means of investment plans, with 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 under the capital reserve in the Company's equity, in the reserve of recognized options granted account with a provision for the subscription of preferred shares only in the cases that these options are exercised. These preferred shares will become part of the Company's capital.

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 accounts receivable, trade payables, debts and debentures, related parties and concession rights payable.

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 derivative financial instruments (speculative and non-speculative) in the years ended December 31, 2020 and 2019.

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(a) Market risk

(i) Risk of cash flows associated with interest rate

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) debts and debentures 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 taking into consideration a projected rate for the twelve-month period and it was based on forecasts available on the market and on the average spread, which are described in the table below, to measure the impacts of the change in these variables on the balances for December 31, 2020 for the next twelve months.

The scenarios of 25% and 50% are extrapolations of the rates projected for a probable scenario with no effect on the average spread.

The other risk factors were considered irrelevant for the result of the financial instruments.

	In thousands of reais		
	Accounting balances		
	2020		
	Assets	Liabilities	Notional
Cash and cash equivalents: Financial investments			
In CDI	1,173,225		1,173,225
Restricted funds			
In CDI	1,242,038		1,242,038
Debts			
In IPCA		(46,812)	(768,472)
In CDI		(375,754)	(599,641)
In TR (i)		(2,236,787)	(2,341,961)
In TJLP		(134,936)	(390,112)
		(2,794,289)	(4,100,186)
Leases			
In IGPM		(111,260)	(216,369)
In IPCA		(49,113)	(96,501)
		(160,373)	(312,870)
Debentures			
In IPCA		(492,940)	(342,500)
In CDI		(3,074,663)	(1,295,500)
In TR (i)		(326,289)	(474,145)
		(3,893,892)	(2,112,145)

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		In thousand of reais (continued)				
	Risk	Probable	+25%	+50%	-25%	-50%
Cash and cash equivalents: Financial investments						
In CDI	Reduction of CDI	33,437	41,796	50,156	25,078	16,719
Restricted funds						
In CDI	Reduction of CDI	35,398	44,248	53,097	26,549	17,699
Debts						
In IPCA	Increase of IPCA	(2,206)	(1,955)	(2,346)	(1,173)	(782)
In CDI	Increase of CDI	(21,387)	(13,386)	(16,064)	(8,032)	(5,355)
In TR		(192,131)	(280)	(336)	(168)	(112)
In TJLP	Increase of TJLP	(9,113)	(7,405)	(8,886)	(4,443)	(2,962)
		(224,837)	(23,026)	(27,632)	(13,816)	(9,211)
Leases						
In IGPM	Increase of IGPM	(5,118)	(6,398)	(7,677)	(3,839)	(2,559)
	Increase of IPCA	(1,640)	(2,050)	(2,460)	(1,230)	(821)
		(6,758)	(8,448)	(10,137)	(5,069)	(3,380)
Debentures						
In IPCA	Increase of IPCA	(52,297)	(20,580)	(24,696)	(12,348)	(8,232)
In TR		(31,357)	(41)	(50)	(25)	(17)
In CDI	Increase of CDI	(167,522)	(109,535)	(131,442)	(65,721)	(43,814)
		(251,176)	(130,156)	(156,188)	(78,094)	(52,063)
		(413,936)	(75,586)	(90,704)	(45,352)	(30,236)
Macroeconomic indicators	Source	2020				
TR	B3 (i)	0.01%				
CDI	B3 (ii)	2.85%				
TJLP	BNDES (iii)	4.39%				
IPCA	BACEN (iv)	3.34%				
IGPM	BACEN (iv)	4.60%				

		In thousands of U.S. dollars Accounting balances		
		2020		
		Assets	Liabilities	Notional
Cash and cash equivalents: Financial investments				
In CDI		225,763		225,763
Restricted funds				
In CDI		239,005		239,005
Debts				
In IPCA			(9,008)	(147,877)
In CDI			(72,306)	(115,389)
In TR (i)			(430,425)	(450,663)
In TJLP			(25,966)	(75,069)
			(537,705)	(788,998)
Leases				
In IGPM			(21,410)	(41,636)
In IPCA			(9,451)	(18,570)
			(30,861)	(60,206)
Debentures				
In IPCA			(94,856)	(65,907)
In CDI			(591,657)	(249,293)
In TR (i)			(62,788)	(91,240)
			(749,301)	(406,440)

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		In thousand of U.S. dollars (continued)				
	Risk	Probable	+25%	+50%	-25%	-50%
Cash and cash equivalents: Financial investments						
In CDI	Reduction of CDI	6,434	8,043	9,652	4,826	3,217
Restricted funds						
In CDI	Reduction of CDI	6,812	8,515	10,217	5,109	3,406
Debts						
In IPCA	Increase of IPCA	(425)	(376)	(451)	(226)	(150)
In CDI	Increase of CDI	(4,115)	(2,576)	(3,091)	(1,546)	(1,030)
In TR		(36,972)	(54)	(65)	(32)	(22)
In TJLP	Increase of TJLP	(1,754)	(1,425)	(1,710)	(855)	(570)
		(43,266)	(4,431)	(5,317)	(2,659)	(1,772)
Leases						
In IGPM	Increase of IGPM	(985)	(1,231)	(1,477)	(739)	(492)
	Increase of IPCA	(316)	(394)	(473)	(237)	(158)
		(1,301)	(1,625)	(1,950)	(976)	(650)
Debentures						
In IPCA	Increase of IPCA	(10,064)	(3,960)	(4,752)	(2,376)	(1,584)
In TR		(6,034)	(8)	(10)	(5)	(3)
In CDI	Increase of CDI	(32,236)	(21,078)	(25,293)	(12,647)	(8,431)
		(48,334)	(25,046)	(30,055)	(15,028)	(10,018)
		(79,655)	(14,544)	(17,453)	(8,728)	(5,817)
Macroeconomic indicators		Source		2020		
TR		B3 (i)				0.01%
CDI		B3 (ii)				2.85%
TJLP		BNDES (iii)				4.39%
IPCA		BACEN (iv)				3.34%
IGPM		BACEN (iv)				4.60%

- (i) The forecasts for the Reference Rate (TR) are close to zero (data obtained from B3's website on January 11, 2021).
- (ii) Obtained from B3's (previously called BM&FBovespa) website on January 11, 2021.
- (iii) Obtained from BNDES's website on January 11, 2021.
- (iv) Obtained from the Focus-BACEN Report on January 08, 2021.

(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 accounts receivable.

The Group has cash and cash equivalents and restricted funds mainly with banks that are considered first-class banks.

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The maximum exposure to credit risk on the reporting date is the carrying amount of receivables classified as cash and cash equivalents, bank deposits and financial institutions, restricted funds and trade accounts receivable at the balance sheet date (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 balance sheet date and the contractual maturity date. The amounts disclosed in the table are the contracted undiscounted cash flows.

	In thousands 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 balance sheet
At December 31, 2020						
Trade payables	136,342				136,342	136,342
Debts	538,029	397,988	1,006,804	2,978,795	4,921,616	3,191,742
Leases	32,188	36,965	65,355	25,865	160,373	160,373
Debentures	509,215	374,534	3,386,393	770,051	5,040,193	3,834,610
	<u>1,215,774</u>	<u>809,487</u>	<u>4,458,552</u>	<u>3,774,711</u>	<u>10,258,524</u>	<u>7,323,067</u>
At December 31, 2019						
Trade payables	158,334				158,334	158,334
Debts	389,433	308,647	1,182,373	2,433,358	4,313,811	2,502,469
Leases	25,571	15,675	42,387	27,137	110,770	110,770
Debentures	917,521	784,155	460,347	125,298	2,287,321	1,922,503
	<u>1,490,859</u>	<u>1,108,477</u>	<u>1,685,107</u>	<u>2,585,793</u>	<u>6,870,236</u>	<u>4,694,076</u>
	In thousands 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 balance sheet
At December 31, 2020						
Trade payables	26,236				26,236	26,236
Debts	103,533	76,585	193,739	573,209	947,066	614,186
Leases	6,194	7,113	12,576	4,978	30,861	30,861
Debentures	97,988	72,072	651,643	148,181	969,884	737,893
	<u>233,951</u>	<u>155,770</u>	<u>857,958</u>	<u>726,368</u>	<u>1,974,047</u>	<u>1,409,176</u>

- (i) Since the amounts included in the table are the contracted undiscounted cash flows, these amounts are reconciled with the amounts disclosed in the balance sheet for trade payables and debts, leases and debentures in the "amounts to be incurred" column.

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 stockholders and benefits for other stakeholders and to maintain an optimal capital structure to reduce the cost of capital.

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

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

Net debt is calculated as total debts, debentures and leases (including current and non-current debts), as shown in the consolidated balance sheet, less cash and cash equivalents and restricted funds.

Total capital is calculated as equity, as shown in the consolidated balance sheet, plus net debt.

The gearing ratios for the years ended December 31, 2020 and 2019 were as follows:

	Consolidated		
	2020		2019
	US\$		R\$
Total debts, debentures and leases (Note 15)	1,382,941	7,186,725	4,535,742
(-) Cash and cash equivalents (Note 6)	(240,036)	(1,247,394)	(850,670)
(-) Restricted funds (Note 7)	(239,006)	(1,242,038)	(35,075)
Net debt	903,899	4,697,293	3,649,997
Total equity and non-controlling interests	642,885	3,340,879	2,418,847
Total capital	1,546,784	8,038,172	6,068,844
Gearing ratio - %	58%	58%	60%

The reduction in the gearing ratio reflects mainly the capitalization by the Company due to the corporate restructuring process (Note 1.1 (d)), representing a strengthening of its capital structure.

5.3 Fair value estimate

Cash and cash equivalents and restricted funds are mainly composed of bank deposit certificates and repurchase agreements, monthly marked to market 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 accounts receivable and trade payables and accounts payable to the concession authority 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. Additional conditions and information related to these financial instruments are disclosed in Note 21.

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The structured financing contracted with the National Bank for Economic and Social Development (“BNDES”) and Caixa Econômica Federal (“CEF”) 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 above mentioned contracts and, for this reason, they are considered at their nominal value adjusted through the balance sheet date.

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 BM&FBovespa website.

Once the analyses mentioned above were made, 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. Therefore, the Company opted to disclose them at amounts equivalent to the amounts recognized.

Debts and debentures are classified as Level 2 in the fair value hierarchy, as established in items 72 to 90 of CPC 46 / IFRS 13.

5.4 Financial instruments by category

The Group’s financial instruments are classified as follows:

	Parent company		Consolidated	
	2020	2019	2020	2019
	US\$	R\$	US\$	R\$
Financial assets at amortized cost				
Cash and cash equivalents	150,949	784,437	357,624	240,036
Restricted funds				239,006
Trade accounts receivable, net				1,242,038
Related parties	246,868	1,282,897	1,528,945	3,469,959
				15,392
	397,817	2,067,334	1,886,569	1,149,728
				5,974,783
				3,670,553
Financial liabilities at amortized cost				
Trade payables	(3,717)	(19,317)	(16,477)	(26,236)
Debts				(201)
Leases	(5,569)	(28,942)	(28,151)	(614,186)
Debentures	(210,696)	(1,094,919)	(908,526)	(737,894)
Concession rights payable				(306,325)
Related parties	(1,691)	(8,788)	(8,677)	(9,439)
				(49,050)
	(221,673)	(1,151,966)	(962,032)	(1,724,941)
				(8,963,995)
				(4,888,831)

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5.5 Credit quality of financial assets

The Group has cash and cash equivalents and restricted funds only with banks that are considered first-class.

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.

Accounts receivable are initially recognized at fair value less the expected losses from doubtful accounts, calculated based on the analysis of future losses, in accordance with the history of default, separating private and public clients, and in accordance with the assessment of management.

6 Cash and cash equivalents

	Parent company		Consolidated	
	2020	2019	2020	2019
	US\$	R\$	US\$	R\$
Fixed fund			2	9
Current account	125	647	14,271	74,160
Financial investments (i)	150,824	783,790	225,763	1,173,225
	150,949	784,437	240,036	1,247,394

- (i) The balance of financial investments on December 31, 2020 is mainly represented by highly-liquid Bank Deposit Certificates ("CDBs"), investment fund and repurchase agreements with first-class banks and a remuneration subject to a weighted average annual variation of approximately 95% of the Interbank Deposit Certificate ("CDI") rate (December 31, 2019 – 87.50% of the CDI rate).

The change refers mainly to the consolidation of the subsidiary BRK Ativos Maduros in the amount of R\$ 73,047 – US\$ 14,056 and the entry of the funds received from BR FIP in the amount of R\$ 522,745 – US\$ 100,592, in accordance with the corporate restructuring process disclosed in Note 1.1 (c).

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7 Restricted funds

	Consolidated		
	2020		2019
	US\$		R\$
Rio Claro	601	3,122	3,045
Porto Ferreira	1,790	9,301	9,111
Ativos Maduros	678	3,522	
Projetos Ambientais	4,905	25,491	22,919
RMM (i)	231,032	1,200,602	
	239,006	1,242,038	35,075
(-) Current	(231,032)	(1,200,602)	(22,918)
Non-current	7,974	41,436	12,157

The balances mainly represent bank deposits that are remunerated at approximately 103% of the Interbank Deposit Certificate ("CDI") rate (2019 – 101% of the CDI rate) and their use is tied to compliance with the contractual obligations from financing and debenture operations. The amounts are maintained until the termination of the contracts.

- (i) This amount refers to the balance of the funding from the issue of debentures by the subsidiary RMM to be exclusively used in the payment of the remaining balance of the concession and working capital, as disclosed in Note 15.3.

8 Trade accounts receivable, net

	Consolidated		
	2020		2019
	US\$		R\$
Trade accounts receivable			
Public concessions	231,733	1,204,248	925,009
Allowance for expected losses from doubtful accounts	(42,404)	(220,366)	(167,271)
	189,329	983,882	757,738
Billing rights			
Public concessions	478,395	2,486,077	2,001,723
	667,724	3,469,959	2,759,461
(-) Current	(106,718)	(554,580)	(394,741)
Non-current	561,006	2,915,379	2,364,720

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

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The aging analysis of these trade accounts receivable is as follows:

	Consolidated		
	2020		2019
	US\$		R\$
To fall due	38,532	200,237	136,935
Overdue			
Within 30 days	12,347	64,165	56,093
From 31 to 60 days	6,889	35,800	30,676
From 61 to 90 days	4,835	25,125	22,211
From 91 to 180 days	12,798	66,509	39,139
Over 180 days	98,535	512,056	411,351
Unbilled amounts	15,059	78,256	59,781
Trade accounts receivable	188,995	982,148	756,186
Billing agents	334	1,734	1,552
Billing rights	478,395	2,486,077	2,001,723
Total	667,724	3,469,959	2,759,461

On December 31, 2020, the Group has R\$ 1,781,833 – US\$ 342,878 (December 31, 2019 – R\$ 1,060,862) related to credit rights that were assigned or pledged as guarantee for debts and debentures.

The changes in the allowance for expected credit losses from doubtful accounts of the Group are as follows:

	At the beginning of the year	Additions	Trade accounts receivable written off due to payment	Trade accounts receivable written off as uncollectible	Other	Transfer of investments (i)	At the end of the year
At December 31, 2020	(167,271)	(69,943)	22,980	2,791	1,448	(10,371)	(220,366)
At December 31, 2020 (In US\$)	(32,188)	(13,459)	4,422	537	279	(1,996)	(42,405)
At December 31, 2019	(120,024)	(67,066)	12,980	5,071	118	1,650	(167,271)

- (i) This refers to the corporate restructuring process on September 30, 2020 (Note 1.1 (c)).

9 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:

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In thousands of reais											
2019											
	Holding %	Current assets	Current liabilities	Current assets, net	Non-current assets	Non-current liabilities	Non-current assets, net	Equity	Investment	Net service and sales revenue	Profit (loss) for the year
Subsidiaries											
Direct											
Concessionaires											
Rio Claro	60.00	21,469	13,408	8,061	154,015	90,181	63,834	71,895	43,137	53,573	7,728
RDOP Consolidated	100.00	39,339	260,610	(221,271)	698,253	356,573	341,680	120,409	120,409	82,411	20,708
Mauá	100.00	39,104	30,985	8,119	238,836	208,721	30,115	38,234	38,234	78,216	10,822
Blumenau	100.00	29,550	15,775	13,775	253,393	198,122	55,271	69,046	69,046	61,395	(1,425)
Santa Gertrudes	100.00	2,316	1,391	925	12,936	12,795	141	1,066	1,066	9,077	2,754
Mairinque	70.00	19,015	35,980	(16,965)	42,142	20,395	21,747	4,782	3,347	28,073	(867)
Uruguaiana	100.00	34,121	49,104	(14,983)	193,922	144,702	49,220	34,237	34,237	76,505	25,959
Porto Ferreira	100.00	10,681	9,023	1,658	52,559	49,066	3,493	5,151	5,151	25,318	7,837
Centro Norte Participações Consolidated	51.00	363,723	452,009	(88,286)	1,362,902	1,142,088	220,814	132,528	67,589	598,547	(25,557)
Araguaia	100.00	10,438	23,786	(13,348)	47,793	17,110	30,683	17,335	17,335	16,527	709
BRK Negócios Industriais Consolidated	100.00	596	4,573	(3,977)	43,523	14,832	28,691	24,714	24,714		(9)
Maranhão	100.00	31,666	10,000	21,666	163,899	175,580	(11,681)	9,985	9,985	79,291	19,165
BRK Projetos Ambientais Consolidated	100.00	393,294	334,348	58,946	2,986,937	2,901,690	85,247	144,193	144,193	1,016,307	307,800
Sumaré	100.00	24,126	81,448	(57,322)	199,776	155,308	44,468	(12,854)		120,406	18,473
Mauá Água	100.00	728	(3)	731	1,212	887	325	1,056	1,056		(139)
Santo André	100.00				3,400	3,575	(175)	(175)			(68)
Rio das Ostras	0.90	38,532	190,475	(151,943)	698,253	328,969	369,284	217,341	1,956	82,411	66,716
RMR	9.38	64,643	67,758	(3,115)	1,318,074	1,051,569	266,505	263,390	24,706	511,830	154,912
Goiás	1.00	82,889	115,321	(32,432)	931,890	834,251	97,639	65,207	653	326,696	67,701
Caçador	100.00	4,001	3,896	105	7,889	4,699	3,190	3,295	3,295	16,593	1,492
BRK NE	99.90	1		1				1	1		
BRK SE	99.90	1		1				1	1		
BRK NI	99.90	1		1				1	1		
Non-concessionaires											
Digital	100.00	1,790	9	1,781		2,929	(2,929)	(1,148)			(144)
Ecoaqu	100.00	430	6	424	8,534	20	8,514	8,938	8,938		431
Investments in subsidiaries on December 31, 2019									619,050		
Jointly-controlled subsidiaries											
F. AB. Zona Oeste	50.00	188,984	78,110	110,874	706,865	648,313	58,552	169,426	84,713	348,178	22,579
BRK Alvos Maduros Consolidated	12.50	174,130	110,591	63,539	666,145	347,060	319,085	382,624		394,104	78,017
Investments in jointly-controlled subsidiaries on December 31, 2019									132,541		
Investment balance on December 31, 2019									751,591		

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In thousands of reais											
2020											
	Holding %	Current assets	Current liabilities	Current assets, net	Non-current assets	Non-current liabilities	Non-current assets, net	Equity	Investment	Net service and sales revenue	Profit (loss) for the year
Subsidiaries											
Direct											
Concessionaires											
Rio Claro	60.00	20,604	16,694	3,910	151,170	84,251	66,919	70,829	42,497	56,804	25,303
RDOP Consolidated	100.00	27,923	227,366	(199,443)	782,646	302,143	480,503	281,060	281,060	71,924	53,874
Mauá	100.00	26,971	22,422	4,549	230,865	192,775	38,090	42,639	42,639	70,118	40,040
Blumenau	100.00	23,445	15,576	7,869	264,301	203,978	60,323	68,192	68,192	62,518	20,938
Santa Gertrudes	100.00	2,495	1,562	933	14,027	13,427	600	1,533	1,533	10,997	3,355
Mairinque	95.36	5,453	21,552	(16,099)	53,979	11,195	42,784	26,685	25,447	24,707	5,285
Uruguaiana	100.00	24,554	24,863	(309)	208,573	169,647	38,926	38,617	38,617	75,796	30,036
Porto Ferreira	100.00	8,496	4,202	4,294	54,038	51,650	2,388	6,682	6,682	27,696	9,382
Centro Norte Participações Consolidated	100.00	302,633	230,997	71,636	1,452,102	1,393,944	58,158	129,794	129,794	606,171	234,355
Araguaia	100.00	9,552	23,505	(13,953)	49,843	15,203	34,640	20,687	20,687	13,481	442
BRK Negócios Industriais Consolidated	100.00	17	4,000	(3,983)	43,523	14,944	28,579	24,596	24,596		
Maranhão	100.00	38,240	9,598	28,642	187,503	207,565	(20,062)	8,580	8,580	89,557	32,997
BRK Projetos Ambientais Consolidated	100.00	370,809	408,547	(37,738)	3,475,391	3,161,252	314,139	276,401	276,401	1,021,386	343,156
Sumaré	100.00	27,881	83,868	(55,987)	221,332	102,046	119,286	63,299	63,299	116,278	28,845
Mauá Água	100.00	718		718	758	86	672	1,390	1,390		
Santo André	100.00				3,400	3,646	(246)	(246)			
Rio das Ostras	0.58	27,122	157,698	(130,576)	782,646	287,415	495,231	364,655	2,104	71,924	53,874
RMR	9.38	78,564	176,535	(97,971)	1,662,524	1,237,393	425,131	327,160	30,704	525,086	185,173
GoIás	1.00	61,306	99,687	(38,381)	1,085,688	965,962	119,726	81,345	814	328,109	84,369
Caçador	100.00	8,350	23,753	(15,403)	20,241	2,759	17,482	2,079	2,079	26,096	1,839
RMM	100.00	1,296,388	1,397,853	(101,465)	2,034,432	1,784,320	250,112	148,647	148,647	4,032	81
BRK Aívos Maduros Consolidated	100.00	170,224	112,291	57,933	726,330	372,380	353,950	411,883	411,883	381,266	159,080
BRK NE	99.90	1		1				1	1		
BRK SE	99.90	1		1				1	1		
BRK NI	99.90	1		1				1	1		
Non-concessionaires											
Digital	100.00	1,594	2	1,592		20	(20)	1,572	1,572		
Ecoagua	100.00	379	2	377	8,657	25	8,632	9,009			69
Investments in subsidiaries on December 31, 2020								1,638,229			
Jointly-controlled subsidiaries											
F. AB. Zona Oeste	50.00	155,878	151,980	3,898	793,457	632,548	160,909	164,807	82,403	348,181	139,328
Investments in jointly-controlled subsidiaries on December 31, 2020								82,403			
Balance on December 31, 2020								1,720,632			

BRK Ambiental Participações S.A. and its Subsidiaries

Notes to the Financial Statements at December 31, 2020

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

In thousands of dollars											
2020											
	Holding %	Current assets	Current liabilities	Current assets, net	Non-current assets	Non-current liabilities	Non-current assets, net	Equity	Investment	Net service and sales revenue	Profit (loss) for the year
Subsidiaries											
Direct											
Concessionaires											
Rio Claro	60.00	3,965	3,212	753	29,090	16,212	12,878	13,631	8,179	10,931	1,955
RDOP Consolidated	100.00	5,373	43,752	(38,379)	150,604	58,141	92,463	54,084	54,084	13,840	3,971
Mauá	100.00	5,190	4,315	875	44,425	37,096	7,329	8,204	8,204	13,493	1,509
Blumenau	100.00	4,512	2,997	1,515	50,859	39,251	11,608	13,123	13,123	12,030	(288)
Santa Gertrudes	100.00	480	301	179	2,699		115	294	294	2,116	99
Mairinque	95.36	1,049	4,147	(3,098)	10,387	2,154	8,233	5,135	4,897	4,754	(11)
Uruguaiana	100.00	4,725	4,784	(59)	40,136	32,645	7,491	7,432	7,432	14,585	1,097
Porto Ferreira	100.00	1,635	809	826	10,399	9,939	460	1,286	1,286	5,330	432
Centro Norte Participações Consolidated	100.00	58,236	44,451	13,785	279,428	268,236	11,192	24,977	24,977	116,645	(509)
Araguaia	100.00	1,838	4,523	(2,685)	9,591	2,926	6,665	3,980	3,980	2,594	(573)
BRK Negócios Industriais Consolidated	100.00	3	770	(767)	8,375	2,876	5,499	4,732	4,732		(25)
Maranhão	100.00	7,359	1,847	5,512	36,081	39,942	(3,861)	1,651	1,651	17,233	(361)
BRK Projetos Ambientais Consolidated	100.00	71,355	78,617	(7,262)	668,769	608,319	60,450	53,188	53,188	196,545	18,112
Sumaré	100.00	5,365	16,139	(10,774)	42,591	19,637	22,954	12,180	12,180	22,375	96
Mauá Água	100.00	138		138	146	17	129	267	267		(100)
Santo André	100.00				854	702	(48)	(48)			(14)
Rio das Ostras	0.58	5,219	30,346	(25,127)	150,604	55,307	95,297	70,170	405	13,840	4,341
RMR	9.38	15,118	33,971	(18,853)	319,919	238,111	81,808	62,955	5,908	101,042	15,823
GoIás	1.00	11,797	19,183	(7,386)	208,919	185,880	23,039	15,653	157	63,138	4,054
Caçador	100.00	1,607	4,571	(2,964)	3,895	531	3,364	400	400	5,022	(473)
RMM	100.00	249,464	268,989	(19,525)	391,485	343,356	48,129	28,604	28,604	776	(261)
BRK Aívos Maduros Consolidated	100.00	32,756	21,608	11,148	139,768	71,657	68,111	79,259	79,259	73,367	11,238
BRK NE	99.90										
BRK SE	99.90										
BRK NI	99.90										
Non-concessionaires											
Digital	100.00	307		307		4	(4)	303	303		
Ecoagua	100.00	73		73	1,666	5	1,661	1,734			13
Investments in subsidiaries on December 31, 2020								315,244			
Jointly-controlled subsidiaries											
F. AB. Zona Oeste	50.00	29,996	29,245	751	152,685	121,721	30,964	31,715	15,857	67,000	6,358
Investments in jointly-controlled subsidiaries on December 31, 2020								15,857			
Balance on December 31, 2020								331,101			

BRK Ambiental Participações S.A. and its Subsidiaries

Notes to the Financial Statements

at December 31, 2020

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

(b) Breakdown of investments

Note	Parent company		Consolidated	
	2020	2019	2020	2019
	US\$	R\$	US\$	R\$
Subsidiaries	9 (a)	315,244	1,638,229	619,050
Jointly-controlled subsidiaries	9 (a)	15,857	82,403	132,541
Total investments, net		331,101	1,720,632	751,591

(c) Changes in investments – Parent company

The changes in investments are presented below:

	In thousands of reais									
	Opening balance	Additions	Write-offs	Dividends and interest on capital	Equity in the results of continuing operations	Equity in the results of discontinued operations	Recognition of provision for loss on investments	Gain (loss)	Other comprehensive income	Other transfers (i)
Direct subsidiaries										
Rio Claro	43,137			(6,735)	6,096				(1)	42,497
Mauá	38,234			(3,327)	7,840				(108)	42,639
RDCP Consolidated (i)	120,409	144,864		(4,864)	20,479			(21)	193	281,960
Blumenau	69,046				(1,497)				643	68,192
Mairinque (i)	3,347	21,943			144				13	25,447
Santa Gertrudes	1,066			(44)	513				(2)	1,533
Ecoaquia	8,938				71					9,009
Uniguaiana	34,237			(1,354)	5,702				32	38,617
Ponto Ferreira	5,151			(747)	2,243				35	6,682
Centro Norte Participações Consolidated (ii)	67,589				(1,131)				(87)	63,423
Araguaiá (i)	17,335	5,807			(2,975)				520	20,587
Mauá Água (i)	1,056				(521)					1,390
BRK Projetos Ambientais Consolidated (i)	144,193	95,986		(43,200)	78,168				254	276,401
BRK Negócios Industriais Consolidated (i)	24,714	13			(131)					24,596
RMR	24,706			(1,758)	7,727				29	30,704
Rio das Ostras	1,956			(31)	157			21	1	2,104
Goias	653			(50)	210				1	814
Maranhão	9,985				(1,874)				469	8,580
Caçador (i)	3,295	1,277			(2,458)				(35)	2,079
RMM (i)		150,001			(1,354)					148,647
Sumaré (i)		75,312			757		(13,114)		344	63,298
Digital (i)		2,719			(2)		(1,145)			1,572
BRK Ativos Maduros Consolidated (ii)	47,828			(16,476)	21,820				457	358,254
BRK NE	1									1
BRK SE	1									1
BRK NI	1									1
Jointly-controlled subsidiaries										
F. AB. Zona Oeste	84,713			(3,292)	616				366	82,403
At December 31, 2020	751,591	497,922		(81,878)	141,600		(14,259)		3,124	422,532
At December 31, 2019	1,073,941	4,459	(320,000)	(381,881)	121,494	281,202	1,004		(28,828)	751,591
Provision for loss on investments										
Sumaré	(12,854)				(260)		13,114			
Digital	(1,148)				3		1,145			
Santo André	(175)				(71)					(246)
UVR Grajau						(7,064)				7,064
At December 31, 2020	(14,177)				(328)	(7,064)	14,259			(246)
At December 31, 2019	(27,828)	33,623			(9,847)	(41,390)	(1,004)		(544)	(14,177)

BRK Ambiental Participações S.A. and its Subsidiaries

Notes to the Financial Statements

at December 31, 2020

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

	In thousands of dollars										
	Opening balance	Additions	Write-offs	Dividends and interest on capital	Equity in the results of continuing operations	Equity in the results of discontinued operations	Recognition of provision for loss on investments	Gain (loss)	Other comprehensive income	Other transfers (i)	Closing balance
Direct subsidiaries											
Rio Claro	8,301			(1,296)	1,173						8,178
Mauá	7,357			(640)	1,509				(21)		8,205
RDOOP Consolidated (i)	23,170	27,876		(936)	3,941			(4)	37		54,084
Blumenau	13,287				(288)				124		13,123
Mairinque (i)	644	4,222			28				3		4,897
Santa Getrudes	205			(8)	99						296
Ecoaquia	1,720				14						1,734
Uruguaiana	6,588			(261)	1,097				6		7,430
Ponto Ferreira	991			(144)	432				7		1,286
Centro Norte Participações Consolidated (ii)	13,006				(218)				(17)	12,204	24,975
Araguaia (i)	3,336	1,117			(572)				100		3,981
Mauá Água (i)	203				(100)					165	268
BRK Projetos Ambientais Consolidated (i)	27,747	18,471		(8,313)	15,234				49		53,188
BRK Negócios Industriais Consolidated (i)	4,756	3			(25)						4,734
RMR	4,754			(336)	1,487				6		5,909
Rio das Ostras	376			(6)	30			4			404
Goias	126			(10)	40						156
Maranhão	1,921				(361)				90		1,650
Caçador (i)	634	246			(473)				(7)		400
RMM (i)		28,865			(261)						28,604
Sumaré (i)		14,492			146		(2,524)		66		12,180
Digital (i)		523					(220)				303
BRK Alvos Maduros Consolidated (ii)	9,204			(3,168)	4,197				88	68,939	79,260
BRK NE											
BRK SE											
BRK NI											
Jointly-controlled subsidiaries											
F. AB. Zona Oeste	16,301			(633)	119				69		15,856
At December 31, 2020	144,627	95,815		(15,753)	27,248		(2,744)		600	81,308	331,191
At December 31, 2019	206,658	858	(61,578)	(73,485)	23,379	54,112	193		(5,509)		144,628
Provision for loss on investments											
Sumaré	(2,473)				(50)		2,524				1
Digital	(221)				1		220				
Santo André	(34)				(14)						(48)
UVR Grajau						(1,359)				1,359	
At December 31, 2020	(2,728)				(63)	(1,359)	2,744			1,359	(47)
At December 31, 2019	(5,355)	6,470			(1,895)	(7,965)	(193)		(105)	6,314	(2,729)

- (i) The amounts allocated to Other transfers refers to the capital increase through the capitalization of the advance for future capital increase in accordance with the Extraordinary General Stockholders' Meeting.
- (ii) The amount allocated to Other transfers refers to the corporate restructuring process on September 30, 2020 (Note 1.1 (c)).

BRK Ambiental Participações S.A. and its Subsidiaries

Notes to the Financial Statements

at December 31, 2020

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

(d) Changes in investments - Consolidated

The changes in investments are presented below:

In thousands of reais					
Opening balance	Dividends	Equity in the results of investees	Transfer of investments (i)	Other comprehensive income	Closing balance
Jointly-controlled subsidiaries					
F. AB. Zona Oeste	84,713	(3,292)	616	366	82,403
BRK Ativos Maduros Consolidated	47,828	5,227	(53,055)		
At December 31, 2020	132,541	(3,292)	5,843	366	82,403
At December 31, 2019	118,664	(6,435)	21,041	(729)	132,541

In thousands of U.S. dollars					
Opening balance	Dividends	Equity in the results of investees	Transfer of investments (i)	Other comprehensive income	Closing balance
Jointly-controlled subsidiaries					
F. AB. Zona Oeste	16,301	(633)	118	70	15,856
BRK Ativos Maduros Consolidated	9,203	1,006	(10,209)		
At December 31, 2020	25,504	(633)	1,124	70	15,856
At December 31, 2019	22,834	(1,238)	4,049	(140)	25,505

(i) This refers to the corporate restructuring process on September 30, 2020 (Note 1.1 (c)).

(e) Dividends and interest on capital receivable

(i) Breakdown

	Parent company		Consolidated	
	2020	2019	2020	2019
	US\$	R\$	US\$	R\$
Mairinque	100	521	521	
Mauá	6,031	31,342	36,345	
RDOP	13,216	68,678	63,814	
Rio Claro	4,038	20,984	21,095	
Rio das Ostras	44	230	199	
Porto Ferreira	150	777	62	
Uruguaiana	496	2,576	1,222	
FAB. Zona Oeste	1,149	5,973	2,681	1,149
RMR	397	2,064	306	5,973
Goiás	10	50		
Santa Gertrudes	7	38		
BRK Negócios Industriais	770	4,000	4,000	
BRK Projetos Ambientais		15,526		
BRK Ativos Maduros	2,876	14,945	1,019	1,019
	29,284	152,178	146,790	1,149
			5,973	
(-) Current	(19,627)	(101,996)	(88,359)	(1,149)
			(5,973)	
Non-current	9,657	50,182	58,431	
				(3,700)

BRK Ambiental Participações S.A. and its Subsidiaries

Notes to the Financial Statements

at December 31, 2020

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

(ii) Changes

	Parent company					
	Opening balance	Additions	Income tax withheld at source	Receipt	Assignment	Other
	Closing balance					
	R\$			US\$		
Interest on capital						
Mauá	4,478		(239)			816
Rio Claro	5,779					1,112
Rio das Ostras	14					3
Porto Ferreira		214	(32)			35
Santa Gertrudes		44	(6)			7
	10,271	258	(277)			1,973
						10,252
Dividends receivable						
Mairinque	521					100
Mauá	31,867	3,327		(8,091)		5,215
RDOP	63,814	4,864				13,216
Rio Claro	15,316	6,735		(6,846)		2,926
Porto Ferreira	62	533				114
Rio das Ostras	185	31				42
Uruguaiana	1,222	1,354				496
FAB. Zona Oeste	2,681	3,292				1,149
RMR	306	1,758				397
Goiás		50				10
BRK Negócios Industriais	4,000					770
BRK Ativos Maduros	1,019	16,476		(2,550)		2,876
BRK Projetos Ambientais	15,526	43,200		(46,233)	(12,493)	
	136,519	81,620		(63,720)	(12,493)	27,311
						141,926
At December 31, 2020	146,790	81,878	(277)	(63,720)	(12,493)	29,284
						152,178
At December 31, 2019	232,015	381,881		(452,377)	(12,157)	(2,572)
						28,247
						146,790

	Consolidated				
	Opening balance	Additions	Receipt	Transfer of investments (i)	Closing balance
	Closing balance				
	R\$		US\$		R\$
Dividends receivable					
FAB. Zona Oeste	2,681	3,292		1,149	5,973
BRK Ativos Maduros	1,019	1,875	(2,007)	(887)	
	3,700	5,167	(2,007)	(887)	1,149
					5,973
At December 31, 2020	3,700	5,167	(2,007)	(887)	1,149
					5,973
At December 31, 2019	1,194	6,435	(3,929)		712
					3,700

(i) This refers to the corporate restructuring process on September 30, 2020 (Note 1.1 (c)).

BRK Ambiental Participações S.A. and its Subsidiaries

Notes to the Financial Statements at December 31, 2020

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

10 Property and equipment

	Parent company					
	IT equipment	Machinery and equipment	Leasehold improvements	Furniture and fixtures	Vehicles	Construction in progress
						Total
Acquisition cost						
At January 1, 2019	6,252	4,682	15,622	2,048	20,483	52,335
Additions	193	3		70		573
Write-offs	(707)	(53)		(166)	(128)	(1,054)
At December 31, 2019	5,738	4,632	15,622	1,952	20,355	51,854
Accumulated depreciation						
At January 1, 2019	(4,395)	(4,239)	(6,653)	(974)	(19,686)	(35,947)
Depreciation	(540)	(155)	(917)	(197)	(631)	(2,440)
Write-offs	691	46		121	126	984
Transfers	(8)					(8)
At December 31, 2019	(4,252)	(4,348)	(7,570)	(1,050)	(20,191)	(37,411)
Net carrying amount	1,486	284	8,052	902	164	14,443
Acquisition cost						
At January 1, 2020	5,738	4,632	15,622	1,952	20,355	51,854
Additions	1,098	5				1,103
Write-offs		(1,412)			(3,708)	(5,120)
Transfers			297			(297)
At December 31, 2020	6,836	3,225	15,919	1,952	16,647	47,837
Accumulated depreciation						
At January 1, 2020	(4,252)	(4,348)	(7,570)	(1,050)	(20,191)	(37,411)
Depreciation	(547)	(111)	(843)	(179)	(89)	(1,769)
Write-offs		1,412			3,708	5,120
At December 31, 2020	(4,799)	(3,047)	(8,413)	(1,229)	(16,572)	(34,060)
Net carrying amount (R\$)	2,037	178	7,506	723	75	13,777
Net carrying amount (US\$)	392	34	1,444	139	14	2,651
Useful life (years)	5 to 10	5 to 10	10	5 to 10	5	

BRK Ambiental Participações S.A. and its Subsidiaries

Notes to the Financial Statements at December 31, 2020

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

	Consolidated									
	Land	IT equipment	Machinery and equipment	Buildings	Furniture and fixtures	Vehicles	Systems and pipelines	Construction in progress	Other	Total
Continuing operations										
Acquisition cost										
At January 1, 2019	38,328	25,171	144,911	406,509	12,167	24,857	987	61,442	210	714,582
Transfer to discontinued operations	(3,161)	(1,907)	(119,365)	(384,502)	(744)	(202)		(52,721)		(562,602)
Additions		1,355	5,149	676	927	27		2,239	188	10,561
Write-offs		(805)	(158)		(203)	(130)				(1,296)
Transfers		(113)	(341)	2,345	(250)		(987)	(2,865)	(105)	(2,316)
At December 31, 2019	35,167	23,701	30,196	25,028	11,897	24,552		8,095	293	158,929
Accumulated depreciation										
At January 1, 2019		(18,032)	(71,700)	(73,049)	(6,688)	(23,866)	(339)		(36)	(193,710)
Transfer to discontinued operations		1,278	56,867	63,820	305	201				122,471
Depreciation		(2,052)	(2,879)	(1,289)	(1,031)	(708)	(466)		(21)	(8,446)
Write-offs		778	390		138	127				1,433
Transfers		124	617		122		805		22	1,690
At December 31, 2019		(17,904)	(16,705)	(10,518)	(7,154)	(24,246)			(35)	(76,562)
Net carrying amount	35,167	5,797	13,491	14,510	4,743	306		8,095	258	82,367
<u>Discontinued operations</u>										
Acquisition cost										
Transfer of continuing operations	3,161	1,907	119,365	384,502	744	202		52,721		562,602
Additions		355	1,732	130	223			5,227		7,667
Write-offs		(18)	(237)	(2)	(6)					(263)
Impairment of assets	(3,000)	(84)	(31,699)	(100)	(178)	(9)				(35,070)
Transfers			974	705				(1,679)		
Effect of the disposal of investment	(161)	(2,160)	(90,135)	(385,235)	(783)	(193)		(56,269)		(534,936)
At December 31, 2019										
Accumulated depreciation										
Transfer of continuing operations		(1,278)	(56,867)	(63,820)	(305)	(201)				(122,471)
Depreciation		(280)	(9,426)	(7,465)	(60)	(2)				(17,233)
Write-offs		2	148							150
Impairment of assets		82	10,929	19	87	10				11,127
Transfers			538							538
Effect of the disposal of investment		1,474	54,678	71,266	278	193				127,889
At December 31, 2019										
Net carrying amount (RS)	35,167	5,797	13,491	14,510	4,743	306		8,095	258	82,367
Useful life (years)		5 to 10	5 to 20	2 to 40	5 to 10	5				

BRK Ambiental Participações S.A. and its Subsidiaries

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(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	Other	Total
Acquisition cost									
At January 1, 2020	35,167	23,701	30,196	25,028	11,897	24,552	8,095	293	158,929
Additions		1,788	2,426	57	1,333	270	5,099	167	11,140
Write-offs		(151)	(1,628)	(493)	(101)	(4,260)			(6,633)
Transfers		579	297	180	62		(1,118)		
Other transfers		(298)	(373)	3	2		(26)	249	(443)
Transfer of investments (i)		2,020	1,799	111	2,296	252			6,478
At December 31, 2020	35,167	27,639	32,717	24,886	15,489	20,814	12,050	709	169,471
Accumulated depreciation									
At January 1, 2020		(17,904)	(16,705)	(10,518)	(7,154)	(24,246)		(35)	(76,562)
Depreciation		(2,076)	(3,226)	(1,480)	(1,153)	(167)		(69)	(8,171)
Write-offs		150	1,634	493	62	4,255			6,594
Other transfers		298	16		(3)			(13)	298
Transfer of investments (i)		(1,695)	(1,336)	(35)	(2,119)	(241)			(5,426)
At December 31, 2020		(21,227)	(19,617)	(11,540)	(10,367)	(20,399)		(117)	(83,267)
Net carrying amount (R\$)	35,167	6,412	13,100	13,346	5,122	415	12,050	592	86,204
Net carrying amount (US\$)	6,767	1,234	2,521	2,568	986	80	2,319	113	16,588
Useful life (years)		5 to 10	5 to 20	2 to 40	5 to 10	5			

(i) This refers to the corporate restructuring process on September 30, 2020 (Note 1.1 (c)).

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at December 31, 2020

(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
	2020	2019	completion
	US\$	R\$	
Company	628	3,263	3,263
Santo André	654	3,400	3,400
Saneatins	158	819	950
RMR	869	4,517	420
Araguaia	10	51	47
Sumaré			15
	2,319	12,050	8,095

11 Contract assets

			Consolidated
	2020	2019	
	US\$	R\$	
At the beginning of the year	196,592	1,021,630	803,987
(+) Additions	98,532	512,041	456,600
(-) Transfers - intangible assets	(123,746)	(643,071)	(238,957)
(-) Others transfers - intangible assets	(39)	(204)	
(+) Transfer of investments (i)	22,957	119,303	
(-) Other transfers (ii)	550	2,857	
At the end of the year	194,846	1,012,556	1,021,630

(i) This refers to the corporate restructuring process on September 30, 2020 (Note 1.1 (c)).

(ii) This refers to PIS and COFINS credits of the indirect subsidiaries Macaé and Goiás.

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(a) Contract assets

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

Contract assets			Consolidated	
			Expected completion	
	2020	2019		
	US\$		R\$	
Rio Claro	6,850	35,599	36,360	Dec 2024
Mauá	279	1,448	2,554	Mar 2021
Blumenau	3,981	20,686	24,151	Sept 2026
Santa Gertrudes	825	4,289	7,582	Dec 2023
Mairinque	7,793	40,500	29,197	Mar 2021
Uruguaiana	6,829	35,487	25,937	Dec 2022
Porto Ferreira	2,103	10,930	19,670	Dec 2022
Saneatins	37,097	192,780	129,340	Dec 2021
Caçador	1,327	6,894	3,300	Mar 2024
Araguaia	712	3,699	7,537	Dec 2021
Sumaré	5,940	30,867	45,845	Dec 2026
Maranhão	18,117	94,148	73,209	Dec 2023
Mauá Água	146	758	759	Dec 2021
Macaé	12,119	62,977	138,349	Feb 2021
Goiás	63,422	329,587	477,840	Dec 2023
RMM	776	4,032		Jun 2023
Limeira	25,675	133,423		Dec 2023
Cachoeiro	855	4,452		Dec 2021
	194,846	1,012,556	1,021,630	

(b) Capitalization of interest and financial charges

In the year ended December 31, 2020, the Group capitalized interest and financial charges on the concession's assets amounting to R\$ 68,661 – US\$ 13,212 (December 31, 2019 - R\$ 74,474) 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 8.59% p.a. in the year ended December 31, 2020 (2019 - 7.79% p.a.).

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Notes to the Financial Statements

at December 31, 2020

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

12 Right-of-use lease

	Parent company				
	Real estate properties	IT equipment	Machinery and equipment	Vehicles	Total
Acquisition cost					
Initial adoption	28,013	199		131	28,343
Additions	792	1,848			2,640
At December 31, 2019	28,805	1,848			2,640
Accumulated depreciation					
Amortization	(3,403)	(636)		(52)	(4,091)
At December 31, 2019	(3,403)	(636)		(52)	(4,091)
Net carrying amount	25,402	1,212		(52)	(1,451)
Acquisition cost					
At January 1, 2020	28,805	2,047		131	30,983
Additions	4,881	19			4,900
Write-offs		(149)	(29)		(178)
Transfers		(29)	29		
At December 31, 2020	33,686	1,888		131	35,705
Accumulated depreciation					
At January 1, 2020	(3,403)	(636)		(52)	(4,091)
Amortization	(4,400)	(958)	(29)	(73)	(5,460)
Write-offs		297	29		326
At December 31, 2020	(7,803)	(1,297)		(125)	(9,225)
Net carrying amount (R\$)	25,883	591		6	26,480
Net carrying amount (US\$)	4,981	114		1	5,096
Useful life (years)	2 to 24	2 to 3	2 to 6	2 to 5	

	Consolidated				
	Real estate properties	IT equipment	Machinery and equipment	Vehicles	Total
Acquisition cost					
Additions	83,305	4,940	12,917	26,914	128,076
At December 31, 2019	83,305	4,940	12,917	26,914	128,076
Accumulated depreciation					
Amortization	(9,413)	(1,150)	(1,128)	(10,199)	(21,890)
Write-offs	494			334	828
At December 31, 2019	(8,919)	(1,150)	(1,128)	(9,865)	(21,062)
Net carrying amount	74,386	3,790	11,789	17,049	107,014
Useful life (years)	2 to 24	2 to 3	2 to 6	2 to 5	

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at December 31, 2020

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

	Consolidated			
	Real estate properties	IT equipment	Machinery and equipment	Vehicles
Acquisition cost				
At January 1, 2020	83,305	4,940	12,917	26,914
Additions	19,250	497	48,145	10,378
Write-offs	(1,892)	(420)	(4,952)	(5,081)
Transfers		(29)	(448)	477
Transfer of investments (i)	795	548	3,816	2,629
At December 31, 2020	101,458	5,536	59,478	35,317
Accumulated depreciation				
At January 1, 2020	(8,919)	(1,150)	(1,128)	(9,865)
Amortization	(10,721)	(2,435)	(10,780)	(10,935)
Write-offs	670	359	523	3,752
Transfers		(2)	12	(10)
Transfer of investments (i)	(70)	(332)	(636)	(1,214)
At December 31, 2020	(19,040)	(3,560)	(12,009)	(18,272)
Net carrying amount (R\$)	82,418	1,976	47,469	17,045
Net carrying amount (US\$)	15,860	380	9,134	3,280
Useful life (years)	2 a 24	2 a 3	2 a 6	2 a 5

- (i) This refers to the corporate restructuring process on September 30, 2020 (Note 1.1 (c)).

The lease balance presented above includes the residual amount of related parties of R\$ 71,939 – US\$ 13,843 (December 31, 2019 – R\$ 34,303) with Ouro Verde Locação e Serviços S.A. (“Ouro Verde”) and with Fundo de Investimento Imobiliário – TM-FII (“Fundo Imobiliário”), amounting to R\$ 25,402 in 2019. In December 2020, Fundo Imobiliário ceased being part of the economic group “Brookfield Asset Management, Inc” and, for this reason, is no longer a related party.

BRK Ambiental Participações S.A. and its Subsidiaries

Notes to the Financial Statements at December 31, 2020 (In thousands of reais, unless otherwise stated)

13 Intangible assets

	Parent company				
	Concession right (goodwill)	Goodwill	Software	Intangible assets under formation (i)	Other
Acquisition cost					
At January 1, 2019	499,195	8,777	11,054	15,131	6
Additions			2,356	52,943	
Transfers			23,715	(23,715)	
At December 31, 2019	499,195	8,777	37,125	44,359	6
Accumulated amortization					
At January 1, 2019	(47,397)		(6,435)		
Amortization	(18,810)		(2,371)		
At December 31, 2019	(66,207)		(8,806)		
Net carrying amount	432,988	8,777	28,319	44,359	6
Useful life (years)	13 to 36		5		
	Concession right (goodwill)	Goodwill	Software	Intangible assets under formation (i)	Other
Acquisition cost					
At January 1, 2020	499,195	8,777	37,125	44,359	6
Additions			465	100,915	
Transfers			894	(894)	
At December 31, 2020	499,195	8,777	38,484	144,380	6
Accumulated amortization					
At January 1, 2020	(66,207)		(8,806)		
Amortization	(18,809)		(7,100)		
At December 31, 2020	(85,016)		(15,906)		
Net carrying amount (R\$)	414,179	8,777	22,578	144,380	6
Net carrying amount (US\$)	79,700	1,689	4,345	27,783	1
Useful life (years)	13 to 36		5		

(i) This refers mainly to the implementation of the new ERP system and to the development and improvement of commercial management software.

BRK Ambiental Participações S.A. and its Subsidiaries

Notes to the Financial Statements at December 31, 2020 (In thousands of reais, unless otherwise stated)

	Consolidated					
	Water and wastewater system	Goodwill	Concession right and client portfolio	Software and rights of use	Intangible assets under formation (i)	Other
						Total
Continuing operations						
Acquisition cost						
At January 1, 2019	2,196,157	89,869	1,438,500	25,506	15,131	3,766,017
Transfer to discontinued operations		(81,092)	(273,304)	(4,570)		(358,966)
Additions	89,249		361	4,407	52,943	147,607
Write-offs	(86)			(1,725)		(1,811)
Transfers	239,787		4,102	22,796	(23,715)	242,974
At December 31, 2019	2,525,107	8,777	1,169,659	46,414	44,359	3,795,821
Accumulated amortization						
At January 1, 2019	(547,869)		(256,668)	(12,109)		(817,416)
Transfer to discontinued operations			32,175	988		33,163
Amortization	(124,767)		(47,789)	(3,481)		(176,048)
Write-offs	532			984		1,516
Transfers	(3,336)		1	(1)		(3,340)
At December 31, 2019	(675,440)		(272,281)	(13,619)		(962,125)
Net carrying amount	1,849,667	8,777	897,378	32,795	44,359	2,833,696
Discontinued operations						
Acquisition cost						
Transfer of continuing operations		81,092	273,304	4,570		358,966
Additions				346		346
Transfer to discontinued operations				(466)		(466)
Effect of the disposal of investment		(81,092)	(273,304)	(4,450)		(358,846)
At December 31, 2019						
Accumulated amortization						
Transfer of continuing operations			(32,175)	(988)		(33,163)
Amortization			(4,947)	(201)		(5,148)
Transfer to discontinued operations				450		450
Effect of the disposal of investment			37,122	739		37,861
At December 31, 2019						
Net carrying amount	1,849,667	8,777	897,378	32,795	44,359	2,833,696
Useful life (years)	5 to 50		28 to 50	5 to 10		

(i) This refers mainly to the implementation of the new ERP system and to the development and improvement of commercial management software.

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Notes to the Financial Statements at December 31, 2020 (In thousands of reais, unless otherwise stated)

	Consolidated					
	Water and wastewater system	Goodwill	Concession right and client portfolio	Software	Intangible assets under formation (i)	Other
						Total
<i>Continuing operations</i>						
Acquisition cost						
At January 1, 2020	2,525,107	8,777	1,169,659	46,414	44,359	3,795,821
Additions	20,829		2,021,584	1,365	100,915	2,144,693
Write-offs	(1,016)					(1,016)
Transfers - contract assets	635,488		7,583			643,071
Other transfers	(783)			2,777	(894)	452
Transfer of investments (i)	447,983		41,909	1,835		494,030
At December 31, 2020	3,627,608	8,777	3,240,735	52,391	144,380	7,077,051
Accumulated amortization						
At January 1, 2020	(675,440)		(272,281)	(13,619)		(962,125)
Amortization	(145,142)		(48,382)	(8,735)		(202,261)
Write-offs	1,121					1,121
Other transfers	(103)			(8)		(103)
Transfer of investments (i)	(204,145)		(13,403)	(1,283)		(221,134)
At December 31, 2020	(1,023,709)		(334,066)	(23,645)		(1,384,502)
Net carrying amount (R\$)	2,603,899	8,777	2,906,669	28,746	144,380	5,692,549
Net carrying amount (US\$)	501,068	1,689	559,330	5,532	27,782	1,095,416
Useful life (years)	5 to 50		28 to 50	5 to 10		

(i) This refers mainly to the implementation of the new ERP system and to the development and improvement of commercial management software.

(ii) This refers to the corporate restructuring process on September 30, 2020 (Note 1.1 (c)).

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(a) Goodwill

The Company has recorded the amount of R\$ 8,777 – US\$ 1,689 related to goodwill from future profitability (“Goodwill”) in the subsidiary BRK Ativos Maduros. The amount of R\$ 81,092 – US\$ 15,605, which is the result of the business combination that took place in February 2014, was transferred to discontinued operations with the effect of the disposal of the investment in the industrial segment.

14 Trade payables

The Company has contracts with several suppliers and contractors, who provide services and supply materials for the operation of the provision of sanitary sewage services.

	Note	Parent company		Consolidated	
		2020	2019	2020	2019
		US\$	R\$	US\$	R\$
Acquisition of infrastructure				7,888	40,991
Services and materials for operation				10,742	55,826
Contractual retentions				2,818	14,845
Others	2.21 (c)	1,225	6,365	4,788	24,880
		3,717	19,317	26,236	136,342
			16,477		158,334

15 Debts, debentures and leases

	Note	Parent company		Consolidated	
		2020	2019	2020	2019
		US\$	R\$	US\$	R\$
Total debts	14.1			614,186	3,191,742
Total leases	14.2	5,569	28,942	30,861	160,373
Total debentures	14.3	210,696	1,094,919	737,894	3,834,610
		216,265	1,123,861	1,382,941	7,186,725
			936,878		4,535,742
(-) Current		(4,450)	(23,124)	(126,402)	(656,873)
Non-current		211,815	1,100,737	1,256,539	6,529,852
			356,109		3,532,840

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15.1 Debts

(a) Breakdown

Type and annual financial charges	Average annual charges	Maturity	Transaction costs incurred	Unappropriated cost balances	Parent company	Consolidated	
					2019	2020	2019
					R\$	US\$	R\$
Working capital	6.83%	Mar 2021 to Nov 2021	1,740			28,648	148,876
Structured (i)	8.51%	Jan 2025 to Mar 2038	33,039	(29,550)		591,224	3,072,416
Other					201		201
(-) Transaction costs						(5,686)	(29,550)
Total			34,779	(29,550)	201	614,186	3,191,742
Total short-term debts					201	65,534	340,564
(-) Transaction costs						(372)	(1,935)
Current					201	65,162	338,629
Total long-term debts						554,338	2,880,728
(-) Transaction costs						(5,314)	(27,615)
Non-current						549,024	2,853,113
					201	614,186	3,191,742

On April 28, 2020, the Company entered into the agreement for the new issue through a Bank Credit Note ("CCB") amounting to R\$ 150,000 – US\$ 28,864 with the bank BTG Pactual S.A. maturing on April 28, 2022. Additionally, on October 5, 2020, the Company settled this agreement in advance in the amount of R\$ 153,969 – US\$ 29,628 with the funds from the issue of the new debentures (Note 14.3).

The change related to the consolidation of the subsidiary BRK Ativos Maduros arising from the corporate restructuring process was R\$ 237,227 – US\$ 45,650 (Note 1.1 (c)).

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(b) Changes

	Parent company		Consolidated	
	2020	2019	2020	2019
	US\$	R\$	US\$	R\$
<i>Continuing operations</i>				
At the beginning of the year	39	201	481,550	2,485,210
(-) Transfer to discontinued operations				(99,707)
(+) Addition of principal	28,864	150,000	151,529	787,450
(+) Addition of interest	725	3,768	42,005	218,286
(-) Repayment of principal	(28,909)	(150,232)	(69,341)	(360,346)
(-) Amortization of interest	(719)	(3,737)	(33,111)	(172,070)
(+) Transfer of investments (I)			45,650	237,227
(-) Addition of transaction costs	(300)	(1,558)	(4,705)	(24,451)
(+) Transaction costs	300	1,558	609	3,177
At the end of the year	0	0	614,186	3,191,742
<i>Discontinued operations</i>				
(+) Transfer of continuing operations				99,707
(+) Addition of interest				5,370
(-) Repayment of principal				(50,971)
(-) Amortization of interest				(6,736)
(-) Effect of the disposal of investment				(39,822)
(-) Transfer to discontinued operations				(7,794)
(+) Transaction costs				246
At the end of the year				
At the end of the year	0	0	614,186	3,191,742
At the end of the year	0	0	614,186	3,191,742

- (i) This refers to the corporate restructuring process on September 30, 2020 (Note 1.1 (c)).

(c) Maturity term

Long-term amounts mature as follows:

	2020	
	Consolidated	
	US\$	R\$
2022	41,263	214,434
2023	39,482	205,177
2024	35,198	182,912
2025	35,566	184,824
2026	31,686	164,661
2027	32,642	169,631
2028	32,985	171,411
2029	37,018	192,373
2030	32,672	169,788
2031	36,997	192,260
2032 onwards	193,515	1,005,642
	549,024	2,853,113

(d) Collaterals

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

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Type of collateral	Parent company		Consolidated	
	2019	2020	2019	
	R\$	US\$	R\$	
Surety of stockholders		63,517	330,079	211,902
Project (i)	201	19,957	103,709	42,491
Projeto e suporte dos acionistas		527,599	2,741,779	2,256,352
Total collateralized	201	611,073	3,175,567	2,510,745
No collaterals		8,799	45,725	
(-) Transaction costs		(5,686)	(29,550)	(8,276)
Total debts	201	614,186	3,191,742	2,502,469

- (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 the 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 financing that were released in 2020:

	Type	2020	
		US\$	R\$
Company	Working capital	28,864	150,000
Araguaia	Working capital	3,963	20,597
Caçador	Working capital	3,849	20,000
Blumenau	Structured	2,011	10,448
Goiás	Structured	6,493	33,740
Macaé	Structured	16,951	88,090
Saneatins	Structured	18,456	95,912
Limeira	Structured	14,213	73,863
RMR	Structured	56,729	294,800
		151,529	787,450

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15.2 Leases

(a) Breakdown

Unit	Effective discount rate	Maturity	Adjustment to present value incurred	unearned adjustment to present value	Consolidated	
					2020	2019
					US\$	R\$
Parent company						
Company	10.5% to 19.14%	Jan 2021 to May 2027	1,108	(74)	230	1,196
Company	10.50%	Jan 2021 to May 2027	15,032	(9,903)	7,259	37,723
(-) Adjustment to present value					(1,920)	(9,977)
					5,569	28,942
						28,151
Rio Claro	19.56% to 19.56%	Sep 2024 to Mar 2025	1,410	(998)	759	3,946
Rio das Ostras	18.3% to 19.14%	Jan 2021 to Dec 2023	187	(96)	111	575
Blumenau	18.3% to 19.14%	Feb 2021 to Feb 2024	103	(40)	32	167
Mairinque	18.3% to 19.14%	Jan 2021 to Apr 2024	189	(38)	53	278
Uruguaiana	9% to 19.56%	Feb 2021 to Sep 2036	1,105	(503)	500	2,596
Ponto Ferreira	18.3% to 19.14%	Jan 2021 to Mar 2024	360	(145)	141	735
Saneatins	11.33% to 19.56%	Jan 2021 to Dec 2031	52,683	(39,934)	20,278	105,380
Araguaia	9.64% to 19.56%	Apr 2021 to Sep 2042	632	(376)	265	1,379
Maranhão	9.79% to 19.56%	Feb 2021 to Mar 2025	5,652	(2,209)	1,461	7,593
Sumaré	18.3% to 19.56%	Apr 2021 to May 2025	1,406	(675)	548	2,849
Caçador	18.3% to 19.56%	Mar 2021 to Feb 2025	686	(553)	404	2,101
Mauá	18.3% to 19.56%	Feb 2021 to Apr 2025	2,597	(1,770)	1,242	6,453
Santa Gertrudes	18.3% to 19.14%	Jan 2021 to Apr 2024	562	(377)	275	1,429
Macaé	18.3% to 19.14%	Jan 2021 to Apr 2024	394	(193)	208	1,081
Goiás	8.92% to 19.56%	Jan 2021 to May 2025	7,335	(4,040)	3,611	18,767
RMR	7.66% to 19.56%	Jan 2021 to Dec 2030	14,058	(9,495)	6,161	32,016
Manso	10.7% to 19.14%	Jan 2021 to Feb 2023	81	(13)	32	166
Jaguaribe	18.3% to 19.14%	Jan 2021 to Dec 2021	50	(6)	20	104
Cachoeiro	18.3% to 19.56%	Feb 2021 to Feb 2025	684	(338)	222	1,155
Limeira	10.03% to 19.56%	Aug 2021 to Mar 2026	2,457	(1,479)	1,146	5,939
(-) Adjustment to present value					(12,177)	(63,278)
Total			108,771	(73,255)	30,861	160,373
Total short-term leases					10,443	54,271
(-) Adjustment to present value					(4,249)	(22,083)
Current					6,194	32,188
Total long-term leases					34,514	179,357
(-) Adjustment to present value					(9,847)	(51,172)
Non-current					24,667	128,185
					30,861	160,373

The lease balance presented above includes transactions with related parties in the amounts of R\$ 26,690 – US\$ 5,136 in 2019 with Fundo de Investimento Imobiliário – TM-FII (“Fundo Imobiliário”), which ceased being a related party, and of R\$ 49,304 – US\$ 9,488 (December 31, 2019 – R\$ 9,237) with Ouro Verde.

The change related to the consolidation of the subsidiary BRK Ativos Maduros arising from the corporate restructuring process was R\$ 5,852 – US\$ 1,126 (Note 1.1 (c)).

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(b) Changes

	Parent company		Consolidated	
	2020	2019	2020	2019
	US\$	R\$	US\$	R\$
<i>Continuing operations</i>				
At the beginning of the year	5,417	28,151	21,315	110,770
(+) First-time adoption		28,343		108,205
(+) Addition of principal	1,172	6,091	22,178	90,026
(-) Write-off of principal	(9)	(48)	(1,885)	(9,798)
(-) Repayment of principal	(1,393)	(7,238)	(9,325)	(48,460)
(+) Transfer of investments (i)			1,126	5,852
(-) Addition of adjustment to present value	(208)	(1,081)	(7,334)	(38,112)
(+) Amortization of adjustment to present value	581	3,021	3,909	20,312
(-) Write-off of adjustment to present value	9	46	877	4,558
At the end of the year	5,569	28,942	30,861	160,373
<i>Discontinued operations</i>				
(+) Addition of principal				8,734
(-) Repayment of principal				(1,996)
(+) Addition of adjustment to present value				(2,348)
(-) Effect of the disposal of investment				(5,142)
(-) Transfer to discontinued operations				(40)
(+) Amortization of adjustment to present value				792
At the end of the year				
At the end of the year	5,569	28,942	30,861	160,373

(i) This refers to the corporate restructuring process on September 30, 2020 (Note 1.1 (c)).

(c) Maturity

Long-term amounts mature as follows:

	Parent company		Consolidated	
	US\$	R\$	US\$	R\$
2022	1,153	5,993	7,113	36,965
2023	834	4,335	4,911	25,520
2024	834	4,335	3,834	19,923
2025	834	4,336	2,050	10,652
2026	834	4,336	1,782	9,260
2027	349	1,807	1,288	6,694
2028			940	4,887
2029			938	4,875
2030			874	4,544
2031			925	4,807
2032 onwards			12	58
	4,838	25,142	24,667	128,185

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(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, 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 balance sheet.

Management understands that the rate used represents the cash flows that are the closest to the real thing and that they are in line with the characteristics of our contracts, as determined in item 27b of CVM Circular Letter.

In order to meet the guidance in the Letter and the required transparency, we present below the impacts on the balance sheet and a comparison between nominal interest rates and effective interest rates and, for the calculation of the effective rate, we used the indexes applied in our contracts, which are mostly the General Market Price Index (IGP-M) and the Broad Consumer Price Index (IPCA), applied on the flow of annual payments.

	Consolidated		
	2020		2019
	US\$		R\$
<u>Nominal flow</u>			
Lease liabilities	44,533	231,425	168,580
Embedded interest	(13,673)	(71,052)	(57,810)
	<u>30,860</u>	<u>160,373</u>	<u>110,770</u>
<u>Actual effective inflated flow</u>			
Lease liabilities	48,446	251,762	203,427
Embedded interest	(16,005)	(83,175)	(72,544)
	<u>32,441</u>	<u>168,587</u>	<u>130,883</u>

The Company and its subsidiaries concluded that there was no need to postpone payments due to the immaterial impact on lease liabilities and occasional discounts, related to covid-19, referring to the craft CVM 859.

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15.3 Debentures

(a) Breakdown

					Consolidated		
Type	Average annual charges	Maturity	Transaction costs incurred	Unappropriated cost balances	2020		2019
					R\$	US\$	R\$
<u>Unappropriated cost balances</u>							
Working capital	10.57%	Sep 2025 to Sep 2034	48,062	(28,147)	216,112	1,123,066	913,552
(-) Transaction costs					(5,416)	(28,147)	(5,026)
					210,696	1,094,919	908,526
<u>Subsidiaries</u>							
Working capital	6.52%	Jun 2021 to Dec 2025	5,821	(2,360)	64,672	336,083	301,754
Concession	6.21%	Oct 2023 to Dec 2023	25,615	(24,453)	363,921	1,891,187	111,152
Structured	13.77%	Jul 2022 to Dec 2027	16,771	(4,322)	104,596	543,556	609,799
(-) Transaction costs					(5,991)	(31,135)	(8,728)
Total consolidated			96,269	(59,282)	737,894	3,834,610	1,922,503
Total short-term debentures					56,355	292,853	784,064
(-) Transaction costs					(1,308)	(6,797)	(6,355)
Current					55,047	286,056	777,709
Total long-term debentures					692,947	3,601,039	1,152,193
(-) Transaction costs					(10,100)	(52,485)	(7,399)
Non-current					682,847	3,548,554	1,144,794
					737,894	3,834,610	1,922,503

On April 24, 2020, the Company carried out the 6th issue of simple non-convertible debentures, in a single series, in the amount of R\$ 50,000 – US\$ 9,621, maturing on April 28, 2021. The debentures were prepaid on October 5, 2020 with funds from the new issue of debentures.

On May 26, 2020, the Company carried out the 7th issue of simple non-convertible debentures, in a single series, in the amount of R\$ 450,000 – US\$ 86,593, maturing on November 29, 2021, for the purpose of refinancing the corporate debt amounting to R\$ 466,323 – US\$ 89,734 with Santander Asset, issued on June 13, 2019.

On October 02, 2020, the Company formalized the 8th issue of simple, sustainable non-convertible debentures. The issue deed was signed on September 15, 2020 and R\$ 795,000 – US\$ 152,982 refers to debentures of the first series, maturing within five years, and R\$ 305,000 – US\$ 58,691 refers to debentures of the second series, with incentives, maturing within 14 years, totaling R\$ 1,100,000 – US\$ 211,673. The operation made possible the early settlement of corporate financing, thus extending the debt profile.

On October 05, 2020, the Company settled in advance the first, fifth and sixth issues of simple debentures in the total amount of R\$ 316,877 – US\$ 60,977.

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On December 01, 2020, the direct subsidiary RMM carried out the 1st issue of simple, non-convertible, secured debentures, with additional personal guarantee, in two series, of which the first series amounts to R\$ 600,000 – US\$ 115,458 and the second series amount to R\$ 1,200,000 – US\$ 230,916, both maturing on December 01, 2023, for the payment of the onerous concession.

	Parent company		Consolidated	
	2020	2019	2020	2019
	US\$	R\$	US\$	R\$
<u>Continuing operations</u>				
At the beginning of the year	174,827	908,526	495,518	369,947
(-) Transfer to discontinued operations				1,922,503
(+) New issues	307,888	1,600,000	610,000	2,026,575
(+) Financial charges	12,256	63,690	27,790	(506,000)
(-) Repayment of principal	(270,985)	(1,408,229)	(212,803)	672,000
(-) Amortization of interest	(8,842)	(45,947)	(42,140)	155,176
(+) Transfer of investments (i)			440	155,176
(+) Addition of transaction costs	(6,985)	(36,299)	(2,936)	(125,491)
(+) Transaction costs	2,536	13,178	3,417	(303,307)
At the end of the year	210,695	1,094,919	737,893	(1,722,816)
<u>Discontinued operations</u>				
(*) Transfer of continuing operations				(303,307)
(+) Financial charges				(125,491)
(-) Repayment of principal				440
(-) Amortization of interest				(63,298)
(-) Effect of the disposal of investment				(3,167)
(+) Transaction costs				6,717
At the end of the year	210,695	1,094,919	737,893	3,834,610
At the end of the year	210,695	1,094,919	737,893	1,922,503

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(c) Maturity

Long-term amounts mature as follows:

	2020			
	Parent company		Consolidated	
	US\$	R\$	US\$	R\$
2022			30,886	160,507
2023			358,110	1,860,988
2024	74,331	386,274	82,980	431,222
2025	75,895	394,405	131,640	684,094
2026			10,177	52,886
2027			11,195	58,178
2031	13,342	69,335	14,451	75,097
2032 onwards	43,409	225,581	43,408	225,582
	<u>206,977</u>	<u>1,075,595</u>	<u>682,847</u>	<u>3,548,554</u>

(d) Collaterals

The characteristics of the collaterals for the debentures are similar to those described for debts (Note 14.1 (d)) and the breakdown of these collaterals is as follows:

Type of collateral	Parent company		Consolidated	
	2020	2019	2020	2019
	US\$	R\$	US\$	R\$
Surety of stockholders			436,583	2,268,790
Project		186,772	62,788	326,289
Project and support of stockholders			33,819	175,747
Total collateralized		<u>186,772</u>	<u>533,190</u>	<u>2,770,826</u>
No collaterals	216,111	1,123,066	216,111	1,123,066
(-) Transaction costs	(5,416)	(28,147)	(11,408)	(59,282)
Total debentures	<u>210,695</u>	<u>1,094,919</u>	<u>737,893</u>	<u>1,922,503</u>

15.4 Fair value of debts, debentures and leases

The fair values of debts, debentures and leases are as follows:

	Parent company		Consolidated	
	2020	2019	2020	2019
	US\$	R\$	US\$	R\$
Debts		201	3,191,742	3,191,742
Leases	5,569	28,942	28,151	160,373
Debentures	210,696	1,094,919	908,526	3,834,610
	<u>216,265</u>	<u>1,123,861</u>	<u>7,186,725</u>	<u>4,535,742</u>

The carrying amounts of these debts, debentures and leases are considered equivalent to the fair values since they are financial instruments with exclusive characteristics arising from specific financing sources for financing investments.

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15.5 Schedule for the amortization of debt and debenture transaction costs

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

	Parent company						
	2021	2022	2023	2024	2025	2026	2027 em diante
Debtentures	(3,742)	(3,742)	(3,742)	(3,742)	(3,095)	(1,153)	(8,931)
At December 31, 2020	(3,742)	(3,742)	(3,742)	(3,742)	(3,095)	(1,153)	(8,931)
At December 31, 2020 (US\$)	(720)	(720)	(720)	(720)	(596)	(222)	(1,719)

	Consolidated						
	2021	2022	2023	2024	2025	2026	2027 em diante
Debts	(1,935)	(1,935)	(1,935)	(1,935)	(1,935)	(1,936)	(17,939)
Debtentures	(6,797)	(17,941)	(16,415)	(4,312)	(3,664)	(1,187)	(8,966)
At December 31, 2020	(8,732)	(19,876)	(18,350)	(6,247)	(5,599)	(3,123)	(26,905)
At December 31, 2020 (US\$)	(1,680)	(3,825)	(3,531)	(1,202)	(1,077)	(601)	(5,177)

15.6 Covenants

The loan and financing agreements and deeds of debentures of the Group have covenants that bind it to special guarantees.

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

The direct and indirect subsidiaries of the Company were in compliance with the covenants related to the above mentioned debts and debentures.

16 Salaries and social charges

Note	Parent company				Consolidated	
	2020		2019		2020	2019
	US\$	R\$	US\$	R\$	US\$	R\$
Salaries			6	615	3,194	3,184
Payroll charges	1,104	5,737	5,758	3,525	18,318	17,864
Provisions for vacation pay	3,024	15,713	13,114	9,031	46,929	39,489
Benefits	32	164	875	67	347	1,431
Profit sharing (i)	6,753	35,099	31,294	13,250	68,864	59,310
	10,913	56,713	51,047	26,488	137,652	121,278

- (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.

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17 Concession rights payable

	Consolidated		
	2020		2019
	US\$		R\$
Fixed concession (i)			
Caçador	16	81	71
Santa Gertrudes	35	180	370
Uruguaiana	227	1,182	1,066
Saneatins	1,112	5,781	6,250
Ativos Maduros	1,350	7,013	
Goiás	34,923	181,485	173,812
RMM (ii)	268,450	1,395,054	
	306,113	1,590,776	181,569
Variable concession	212	1,102	596
	306,325	1,591,878	182,165
(-) Current	(271,578)	(1,411,308)	(14,819)
Non-current	34,747	180,570	167,346

- (i) This refers to the remaining balance of the right to explore the water and sewerage concession agreement that will be paid to the Concession Authority.
- (ii) This refers to an obligation with the Concession Authority, amounting to R\$ 2,009,000 – US\$ 386,591, to be paid in two installments, of which the first was settled on December 14, 2020 in the amount of R\$ 613,945 – US\$ 118,141. The second installment in the amount of R\$ 1,395,055 – US\$ 268,450 matures on the second working day after the issue of the system transfer instrument or the start of the operation, scheduled for June, 2021.

18 Dividends payable

(a) Breakdown

	Parent company		Consolidated	
	2020		2020	2019
	US\$	R\$	US\$	R\$
Dividends payable				
BR FIP	1,812	9,415	1,731	8,998
Fundo de Garantia do Tempo de Serviço FI-FGTS ("FI-FGTS")			543	2,824
Construtora Central do Brasil S.A. ("CCB")			321	1,669
Latam Water Participações Ltda.			1,950	10,136
Companhia de Saneamento Básico			44	223
	1,812	9,415	4,589	23,850
Interest on capital payable				
Latam Water Participações Ltda.			742	3,854
	1,812	9,415	5,331	27,704
(-) Current	(1,812)	(9,415)	(2,475)	(12,864)
Non-current			2,856	14,840
			14,840	14,211

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(b) Changes

	Opening balance	Provision	Payment	Transfer of investments (i)	Consolidado	
					Closing balance	
					R\$	US\$
Interest on capital						
Latam Water Participações Ltda.	3,854					742
						3,854
Dividends payable						
BR FIP		6,590	(3,800)	6,208	1,731	8,998
Fundo de Garantia do Tempo de Serviço FI-FGTS ("FI-FGTS")		2,824			543	2,824
Construtora Central do Brasil S.A. ("CCB")		1,669			321	1,669
Latam Water Participações Ltda.	10,210	4,491	(4,565)		1,950	10,136
Companhia de Saneamento Básico	223				44	223
	10,433	15,574	(8,365)	6,208	4,589	23,850
At December 31, 2020	14,287	15,574	(8,365)	6,208	5,331	27,704
At December 31, 2019	13,553	734			2,749	14,287

- (i) This refers to the corporate restructuring process on September 30, 2020 (Note 1.1 (c)).

19 Provisions for contingencies

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

	Civil claims	Labor and social security claims	Environmental claims	Consolidated
				Total
At January 1, 2020	10,302	7,911	1,000	19,213
(+) Additional provisions recognized (including interest and monetary adjustment)	16,093	10,500		26,593
(-) Reductions arising from the remeasurement of unused, reversed amounts	(14,191)	(12,461)	(847)	(27,499)
(+/-) Reimbursement of payments	122	18		140
(+/-) Transfer of investments (i)	3,393	337		3,730
At December 31, 2020 (R\$)	15,719	6,305	153	22,177
At December 31, 2020 (US\$)	3,025	1,213	30	4,268

- (i) This refers to the corporate restructuring process on September 30, 2020 (Note 1.1 (c)).

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 respondents and for which 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 is a party 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.

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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 tax and social security obligations amounting to R\$ 172,897 – US\$ 33,271, 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\$ 25,295 – US\$ 4,868, and comprise many different claims.

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\$ 92,302 – US\$ 17,762, which are represented mainly by administrative assessments related to non-compliance with a commitment agreement.

Management believes that the procedures adopted by the defense are legally sound. We present the breakdown below:

	Consolidated		
	Civil claims	Labor claims	Environmental claims
			Total
Company	100	3,066	3,166
Araguaia	622		622
Blumenau	5,140	242	5,452
Mauá	10,950	770	11,720
Porto Ferreira	523	325	889
Rio Claro	86	629	715
Rio das Ostras	12,907	35	22,942
Santa Gertrudes	12	18	52
Sumaré	514	4,154	4,683
Uruguaiana	1,008	203	1,211
Maranhão	6,523	1,260	9,283
Digital		73	73
Mairinque	152	134	286
Saneatins	37,384	698	83,777
Caçador	1,316		1,316
Macaé	69,296	88	69,411
RMR	12,624	9,835	28,120
Manso	2,382		2,382
Goiás	2,953	119	32,197
Cachoeiro	1,726	563	2,292
Jaguaribe		1,653	1,653
Capivari	77		77
Limeira	6,602	1,430	8,175
At December 31, 2020 (R\$)	172,897	25,295	290,494
At December 31, 2020 (US\$)	33,271	4,868	55,901

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20 Current and deferred income tax and social contribution

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

	Parent company		Consolidated	
	2020	2019	2020	2019
	US\$	R\$	US\$	R\$
Breakdown in the balance sheet (non-current)				
Deferred tax assets			34,852	181,115
Deferred tax liabilities	(26,406)	(137,224)	(109,315)	(568,080)
	(26,406)	(137,224)	(74,463)	(386,965)

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 the technical study, the expected future taxable profits permit the recovery of the existing deferred tax asset and settlement of the existing deferred tax liability in accordance with the estimate below:

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

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	Consolidated	
	US\$	R\$
Deferred tax assets		
Deferred tax assets to be recovered within 12 months	1,924	10,000
Deferred tax assets to be recovered after 12 months	77,961	405,138
	79,885	415,138
The expectation of realization of deferred tax assets per year is as follows:		
2021	1,924	10,000
2022	2,309	11,999
2023	2,805	14,579
2024	3,002	15,599
2025	2,584	13,427
2026	3,522	18,304
2027	1,973	10,255
2028	3,418	17,764
2029	3,809	19,794
2030	13,081	67,980
Other years	41,458	215,437
	79,885	415,138

	Parent company		Consolidated	
	US\$	R\$	US\$	R\$
Deferred tax liabilities				
Deferred tax liabilities to be settled within 12 months	(1,148)	(5,964)	(23,709)	(123,209)
Deferred tax liabilities to be settled after 12 months	(25,258)	(131,260)	(130,639)	(678,894)
	(26,406)	(137,224)	(154,348)	(802,103)
The expectation of realization of deferred tax liabilities per year is as follows:				
2021	(1,148)	(5,964)	(23,709)	(123,209)
2022	(1,148)	(5,964)	(21,283)	(110,603)
2023	(1,148)	(5,964)	(17,077)	(88,742)
2024	(1,148)	(5,964)	(7,500)	(38,975)
2025	(1,148)	(5,964)	(9,879)	(51,338)
2026	(1,148)	(5,964)	(7,653)	(39,771)
2027	(1,148)	(5,964)	(7,527)	(39,115)
2028	(1,148)	(5,964)	(6,719)	(34,918)
2029	(869)	(4,518)	(5,530)	(28,739)
2030	(869)	(4,518)	(4,407)	(22,902)
Other years	(15,484)	(80,476)	(43,064)	(223,791)
	(26,406)	(137,224)	(154,348)	(802,103)

The changes in deferred income tax and social contribution assets and liabilities in the year, taking into consideration the offset of the balances, are as follows:

	Parent company		
	2019	Recognized in the statement of income	2020
	R\$	US\$	R\$
Deferred tax liabilities			
Goodwill from business combination (property and equipment and intangible assets)	(145,544)	6,341	(26,787)
Other temporary differences arising from Law No. 12,973	(3,019)	4,998	381
	(148,563)	11,339	(26,406)
			(137,224)

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(In thousands of reais, unless otherwise stated)

In thousands of reais					
Consolidated					
	2018	Recognized in the statement of income (operations)	Recognized in the statement of income (operations) – discontinued operations	Acquisition/sale of subsidiaries	Other
Deferred tax assets					
Income tax and social contribution loss carryforwards	347,705	33,628	3,115	(53,101)	331,347
Provisions	21,035	14,542	(42)	(2,323)	33,212
Other temporary differences arising from Law No. 12,973	20,187	(6,818)		(7,682)	5,687
Goodwill (CVM Instruction No. 319/99)	43,893	(9,075)	(11,602)	(21,327)	1,889
Law No. 9,656 - obligations with post-employment benefits					9,354
Offset under CPC 32 (IAS12)	(280,896)				(209,977)
	151,924	32,277	(8,529)	(84,433)	80,273
					171,512
Deferred tax liabilities					
Deferred income (governmental bodies)	(99,688)	(32,923)			(132,611)
Revenue from and costs of construction – concessions – intangible assets	(533)	(3,825)			(4,358)
Revenue from and costs of construction and finance income – concessions/financial asset contracts	(135,510)	(6,798)	1,157	54,992	(86,159)
Capitalization of interest and transaction costs	(188,319)	(22,137)	682	26,005	(183,769)
Goodwill (CVM Instruction No. 319/99)	(5,356)	233			(5,123)
Goodwill from business combination (property and equipment and intangible assets)	(343,921)	10,317	2,477	99,936	(231,191)
Other temporary differences arising from Law No. 12,973	(23,539)	310	(17,439)	13,052	(27,413)
Other temporary differences arising from Law No. 12,973 (previous years)					1,466
Offset under CPC 32 (IAS12)	280,896				(70,919)
	(515,970)	(54,823)	(13,123)	193,985	(69,250)
					(459,181)

Consolidated					
	2019	Recognized in the statement of income	Recognized in the statement of income – discontinued operations	Transfer of investments (i)	Directly recognized in equity
Deferred tax assets					
Income tax and social contribution loss carryforwards	331,347	35,535			70,599
Provisions	33,212	(2,859)		3,980	6,607
Other temporary differences arising from Law No. 12,973	5,687	(5,707)		360	65
Goodwill (CVM Instruction No. 319/99)	1,889	(1,408)			93
Law No. 9,656 - Obligations with post-employment benefits	9,354	1,294		860	1,939
IFRS16		2,922		103	592
Offset under CPC 32 (IAS12)	(209,977)				(24,046)
	171,512	29,777		5,303	(1,431)
					(24,046)
					34,852
					181,115
Deferred tax liabilities					
Deferred income (governmental bodies)	(132,611)	(34,546)			(32,166)
Revenue from and costs of construction – concessions – intangible assets	(4,358)	4,251		(2,239)	(451)
Revenue from and costs of construction and finance income – concessions/financial asset contracts	(86,159)	(3,074)		(50,976)	(26,980)
Capitalization of interest and transaction costs	(183,769)	(44,536)		(9,549)	(45,770)
Difference in the amortization rate of intangible assets		96		(9,693)	(1,847)
Goodwill (CVM Instruction No. 319/99)	(5,123)	234			(941)
Goodwill from business combination (property and equipment and intangible assets)	(231,191)	12,146			(42,151)
Other temporary differences arising from Law No. 12,973	(27,413)	6,588			(4,007)
Other temporary differences arising from Law No. 12,973 - discontinue operations	1,466		(173)	(1,221)	47
IFRS16		(408)		(18)	(82)
Offset under CPC 32 (IAS12)	209,977				24,046
	(459,181)	(59,249)	(173)	(73,696)	24,219
					(109,315)
					(568,080)

- (i) The balance includes the amount of R\$ 68,393 – US\$ 13,161 arising from the corporate restructuring process (Note 1.1 (c)).

The 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\$ 132,831 – US\$ 25,561, accumulated through December 31, 2020, with respect to losses amounting to R\$ 390,678 – US\$ 75,178, arising mainly from the Company and the 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.

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(b) Reconciliation of the nominal rate with effective credits (expenses)

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 parent company and consolidated profit, as follows:

	Parent company		Consolidated	
	2020	2019	2020	2019
	US\$	R\$	US\$	R\$
Profit (loss) before income tax and social contribution of continuing operations	6,805	35,366	63,379	22,017
Profit (loss) before income tax and social contribution of discontinued operations	(1,359)	(7,064)	239,812	(1,218)
Nominal rate	34%	34%	34%	34%
Income tax and social contribution at the nominal rate of continuing operations	(2,314)	(12,024)	(21,549)	(7,486)
Income tax and social contribution at the nominal rate of discontinued operations	462	2,402	(81,536)	414
Effect of permanent additions (exclusions)	4,034	20,961	109,455	(4,302)
Equity in the results of continuing operations	9,243	48,032	37,960	383
Equity in the results of discontinued operations	(462)	(2,402)	81,536	1,991
Additions (exclusions) of discontinued operations			(448)	(2,327)
Tax incentives			1,019	5,295
Donations	(355)	(1,845)	(436)	(2,264)
Fines			(1)	(17)
Interest on capital	(121)	(629)	(5,593)	
Unrecognized deferred income tax and social contribution loss carryforwards (current year)	(3,533)	(18,361)	(1,214)	(5,090)
Unrecognized deferred income tax and social contribution loss carryforwards (previous years)			105	547
Other	(738)	(3,834)	(3,234)	166
Income tax and social contribution credit (expense)	1,720	8,937	87,906	(11,374)
Breakdown of income tax and social contribution:				
Current income tax and social contribution of continuing operations			(5,670)	(29,463)
Current income tax and social contribution of discontinued operations				(155,797)
Deferred income tax and social contribution of continuing operations	2,182	11,339	6,370	(5,671)
Deferred income tax and social contribution of discontinued operations			(33)	(173)
Income tax and social contribution credit (expense)	2,182	11,339	6,370	(11,374)
Effective rate	40.06%	40.06%	2.10%	-54.69%

BRK Ambiental Participações S.A. and its Subsidiaries

Notes to the Financial Statements at December 31, 2020 (In thousands of reais, unless otherwise stated)

21 Transactions with related parties

The following transactions were carried out with related parties:

			Parent company				
	Current assets	Non-current assets	Non-current liabilities	General and administrative expenses	Profit (loss)		
					Finance income (costs)		
	Related parties						
	Annual effective interest rate	Maturity	2019				
<u>Loan (i)</u>							
Araguaia	CDI + 4.5%	Sundry			167		
Blumenau	CDI + 2% to 5%	Dec 2020	1,484	1,715	(381)		
Centro Norte Participações	CDI + 4.75%	Dec 2020	23,914		18		
Ecoaquia	CDI + 3%	Dec 2020		8,505	(623)		
Goiás	CDI + 3.87%	Dec 2020	30,140		19		
Goiás	CDI + 2%	Dec 2038		38,788	2,516		
Limeira	CDI + 2% to 5%	Dec 2039		19,275	188		
Macaé	CDI + 2% to 5%	Dec 2020	26,620		13		
Macaé	CDI + 2.5% to 3.92%	Dec 2038		76,588	6,761		
Mairinque	CDI + 3.69%	Dec 2020	12,055		8		
Mairinque	CDI + 3.69%	Sundry		2,015	6		
Mairinque	CDI + 4.02%	Dec 2035		7,429	267		
Manso	CDI + 4%	Dec 2027		71,027	6,588		
Maranhão	CDI + 2% to 2.5%	Dec 2040		87,240	5,604		
Mauá	CDI + 4.4%	Dec 2020	10,045		398		
Porto Ferreira	CDI + 2% to 5%	Dec 2020	4,621		4		
Porto Ferreira	CDI + 1.5% to 5%	Dec 2033		16,911	1,200		
Rio das Ostras	CDI + 2% to 3.5%	Sundry		128,480	10,153		
RMR	CDI + 2% to 5%	Dec 2037		136,584	6,202		
Saneatins	CDI + 4.75%	Jan 2020	213,004		151		
Saneatins	CDI + 4.75%	Sundry		15,416	48		
Saneatins	CDI + 3% to 3.92%	Dec 2038		255,524	19,832		
Santa Gertrudes	CDI + 3%	Dec 2037		6,468	543		
Sumaré	CDI + 3.5% to 4%	Feb 2026		57,750	3,460		
Uruguaiiana	CDI + 2% to 2.5%	Dec 2020	18,081		9		
Uruguaiiana	CDI + 2% to 5%	Dec 2037		33,996	1,815		
UVR Grajau	CDI + 2%	Dec 2020			1,310		
			339,964	955,206	8,505	66,276	
<u>Other related parties (ii)</u>							
Araguaia				6,809	2,061	407	
Blumenau				609	3,509		
BRK Negócios Industriais				34	2,574	3	
Caçador				2,148	1,440		
Caçoeiro				2,068	7,297	3	
Centro Norte Participações				7,953	125	3,349	
F. AB. Zona Oeste				1,383	9,232		
Goiás				19,684	11,780	685	
Jaguaripe				287	4,000		
Limeira				1,572	14,350	874	
Macaé				2,381	5,208	1,831	
Manso				589	8,441		
Maranhão				25,788	6,899	566	
Mauá				1,545	7,441	56	
Porto Ferreira				3,747	2,357		
Rio das Ostras - Consolidated				38,538	5,095	3,116	
RMR				33,905	22,566	5,407	
Saneatins				59,686	12	43,964	
Sumaré				5,707	8,938	3,325	
Uruguaiiana				2,535	5,093	338	
UVR Grajau					446	628	
Other				16,807	148	20,621	534
			339,964	1,188,981	8,677	193,437	88,795

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	Annual effective interest rate	Maturity	Parent company			
			Current assets	Non-current assets	Non-current liabilities	Profit (loss)
			Related parties	General and administrative expenses	Finance income (costs)	
						2020
<u>Loan (i)</u>						
Araguaia	CDI + 4,5%	Dec 2022				127
Ecoaquia	CDI + 3%	Dec 2022			8,628	(236)
FAB. Zona Oeste	CDI + 2,25%	Jan 2022		11,504		4
Goiás	CDI + 2,5%	Jun 2021	46,057			1,132
Goiás	CDI + 2%	Dec 2038		66,016		2,026
Limeira	CDI + 2% a 5%	Dec 2039		2,800		1,867
Macaé	CDI + 2,5%	Dec 2038		86,066		4,981
Mairinque						614
Manso	CDI + 4%	Dec 2027		75,900		4,874
Maranhão	CDI + 2% a 2,5%	Dec 2040		102,297		4,662
Porto Ferreira	CDI + 1,5% a 5%	Dec 2033		17,859		749
Rio das Ostras						1,440
RMR	CDI + 2,25% a 4,25%	Jun 2021	65,926			1,551
RMR	CDI + 2% a 5%	Dec 2037		13,370		4,419
Saneatins	CDI + 4,75%	Jun 2022	38,485			3,460
Saneatins	CDI + 2,98% a 4,55%	Dec 2038		296,682		15,940
Santa Gertrudes	CDI + 3%	Dec 2037		6,846		378
Sumaré						692
Uruguiana	CDI + 2% a 2,5%	Jun 2021	6,409			219
Uruguiana	CDI + 2% a 5%	Dec 2037		56,641		1,955
Caçador						113
Outros						11
			156,877	737,822	8,628	50,978
<u>Other related parties (ii)</u>						
Araguaia				9,526	2,295	437
Blumenau				441	4,571	
BRK Negócios Industriais				137	112	
Caçador				1,349	2,042	130
Cachoeiro				2,244	8,247	
Centro Norte Participações				11,001	131	2,917
F. AB. Zona Oeste				3,032	9,938	
Goiás				25,430	16,531	1,025
Jaguaribe				479	5,060	
Limeira				8,765	17,441	850
Macaé				3,186	7,349	2,087
Manso				1,642	9,511	
Maranhão				35,992	9,389	555
Mauá				862	8,389	48
Porto Ferreira				5,828	2,889	
Rio das Ostras - Consolidado				48,394	6,757	3,100
RMR				71,862	32,494	7,113
Saneatins				114,763	47,281	1,278
Sumaré				18,085	11,015	3,042
Uruguiana				9,300	6,268	496
Outros				15,880	48	667
				388,198	160	23,745
In R\$			156,877	1,126,020	8,788	74,723
In US\$			30,188	216,680	1,691	14,379

BRK Ambiental Participações S.A. and its Subsidiaries

Notes to the Financial Statements at December 31, 2020 (In thousands of reais, unless otherwise stated)

			Consolidated		
			Non-current assets	Non-current liabilities	Profit (loss)
			General and administrative expenses		Finance income (costs)
			Related parties		
Annual effective interest rate	Maturity				2019
Loan (i)					
Subsidiaries					
Limeira	CDI + 2% to 5%	Dec 2039	19,275		188
			19,275		188
Related companies					
CCB	CDI + 2% to 5%	Dec 2038		12,505	(89)
				12,505	(89)
Other related parties (ii)					
Subsidiaries					
BRK Ativos Maduros			14		175
Cachoeiro			2,068		7,297
Capivari			51		693
F. AB. Zona Oeste			1,383	12	9,232
Jaguaribe			287		4,000
Limeira			1,572		14,350
Other					874
					23,735
			5,375	12	59,482
					11,292
Related companies					
CCB			677	73	204
Lidemarc					(72)
Other			20		
			697	73	132
			6,072	85	59,482
					11,424
			25,347	12,590	59,482
					11,523

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	Annual effective interest rate	Maturity	Consolidated			
			Non-current assets	Non-current liabilities	Profit (loss)	
			Related parties	General and administrative expenses	Finance income (costs)	
					2020	
<i>Loan (i)</i>						
Subsidiaries						
F. AB. Zona Oeste	CDI + 4.25%	Jan 2022	11,504			
Limeira	CDI + 2% to 5%	Dec 2039				1,429
			11,504			1,429
Related companies						
CCB	CDI + 2% to 5%	Dec 2038		48,748		23
				48,748		23
			11,504	48,748		1,452
<i>Other related parties (ii)</i>						
Subsidiaries						
BRK Ativos Maduros					142	
Cachoeiro					5,941	3
Capivari					648	
F. AB. Zona Oeste			3,032	302	10,228	
Jaguaripe					3,775	
Limeira					13,367	640
Other					35,030	11,440
			3,032	302	69,131	12,083
Related companies						
CCB						
			856			179
			856			179
			3,888	302	69,131	12,262
In R\$			15,392	49,050	69,131	13,714
In US\$			2,962	9,439	13,303	2,639

- (i) 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 financing 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 intercompany loans outstanding on December 31, 2020, classified in current assets, have, substantially, the same characteristics as the bridge loans made to the subsidiaries whose projects for investment in infrastructure have the Company as sponsor and follow the investment schedule of the concessions.
- (ii) 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.

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(a) Management compensation

Key management personnel include members of the Board of Directors and executive officers. The compensation paid or payable to key management for services provided in the year ended December 31, 2020 is presented below:

	Consolidated	
	2020	2019
	US\$	R\$
Salaries and other short-term benefits	3229	16,781
Termination benefits	49	254
Post-employment benefits	24	127
Other long-term benefits	45	233
	3,347	17,395
		12,941

(b) Leases with related parties

Lessor	Lessee	Maturity	Consolidated	
			2020	2019
			US\$	R\$
Parent company				
Company (i)	Fundo Imobiliário	Jan 2021 to May 2027		38,309
(-) Adjustment to present value				(11,619)
				26,690
Caçador	Ouro Verde	Mar 2021 to Feb 2025	236	1,229
Sumaré	Ouro Verde	Apr 2021 to May 2025	342	1,777
Araguaia	Ouro Verde	Feb 2021 to Sep 2036	60	313
Mauá	Ouro Verde	Feb 2021 to Apr 2025	1,123	5,836
Rio Claro	Ouro Verde	Sep 2024 to Mar 2025	619	3,215
Saneatins	Ouro Verde	Jan 2021 to Dec 2031	2,265	11,769
Santa Gertrudes	Ouro Verde	Jan 2021 to Apr 2024	241	1,250
Uruguaiana	Ouro Verde	Feb 2021 to Sep 2036	188	977
Maranhão	Ouro Verde	Feb 2021 to Mar 2025	708	3,677
Goiás	Ouro Verde	Jan 2021 to May 2025	2,151	11,178
RMR	Ouro Verde	Jan 2021 to Dec 2030	4,469	23,222
Macaé	Ouro Verde	Jan 2021 to Apr 2024	93	483
Rio das Ostras	Ouro Verde	Jan 2021 to Dec 2023	69	359
Limeira	Ouro Verde	Aug 2021 to Mar 2026	663	3,445
Cachoeiro	Ouro Verde	Feb 2021 to Feb 2025	105	551
(-) Adjustment to present value			(3,844)	(19,977)
Total			9,488	49,304
Total short-term leases			3,340	17,357
(-) Adjustment to present value			(1,139)	(5,921)
Current			2,201	11,436
Total long-term leases			9,992	51,924
(-) Adjustment to present value			(2,705)	(14,056)
Non-current			7,287	37,868
			9,488	49,304
				35,927

- (i) In December 2020, Fundo Imobiliário ceased being part of the economic group and, for this reason, is no longer a related party.

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(c) Other related parties

	Non-current assets		Non-current liabilities		Profit (loss)	
	Contract assets		Trade payables		Operating costs/expenses	
	2020	2019	2020	2019	2020	2019
	US\$	R\$	US\$	R\$	US\$	R\$
Other related parties - Brookfield Group						
Brookfield Brasil Ltda.				119	311	1,616
Brookfield Energia Comercializadora Ltda.					280	1,456
Ascenty Data Centers e Telecomunicações			26	136	43	224
			26	136	119	634
						3,296
						1,722
Non-controlling stockholders						
CCB	13,231	68,756	110,225	9,019		
	13,231	68,756	110,225	9,019		
	13,231	68,756	110,225	26	136	9,138
					634	3,296
						1,722

22 Obligations with post-employment benefits

Post-employment health care plan

(i) Actuarial assumptions

	2020	2019
Discount rate – actual rate (NTN-B)	3.64% p.a.	3.40% p.a.
Inflation rate	3.50% p.a.	3.50% p.a.
Medical inflation rate	3.50% 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	RRB-1944
Age for retirement	100% at the age of 60	100% at the age of 60

(ii) Changes

	Parent company		Consolidated	
	2020	2019	2020	2019
	US\$	R\$	US\$	R\$
At the beginning of the year	748	3,887	6,059	31,485
(+) Addition of principal	54	283	395	2,052
(+) Addition of interest	53	273	428	2,223
(-) Remeasurement of gains (losses) recognized in other comprehensive income	(113)	(586)	(923)	(4,795)
(+) Transfer of investments (i)			486	2,528
At the end of the year	742	3,857	6,445	33,493
				31,485

- (i) This refers to the corporate restructuring process on September 30, 2020 (Note 1.1 (c)).

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23 Equity

(a) Capital

	Holding %		Capital		Number of shares	
	2020	2019	2020	2019	2020	2019
			US\$	R\$		
BR Ambiental Fundo de Investimento em Participações Multiestratégia	70.00	70.00	539,990	2,806,165	1,319,967	1,852,409,346
"FI-FGTS"	30.00	30.00	231,424	1,202,642	565,700	793,889,719
			771,414	4,008,807	1,885,667	2,646,299,065
						1,385,666,601

On September 30, 2020, the Company completed its corporate restructuring process that resulted in an increase in the Company's capital in the total amount of R\$ 2,123,139 – US\$ 408,555, subscribed and paid up by means of the contribution of (i) R\$ 636,942 – US\$ 122,567 through the issue of 378,189,739 registered common shares with no par value, subscribed by the stockholder FI-FGTS with assets by means of the transfer to the Company's capital of 90,600,000 shares issued by BRK Centro Norte, representing 49% of its total and voting capital; (ii) R\$ 1,522,926 – US\$ 293,056, of which R\$ 1,486,198 – US\$ 285,989 is to be allocated to capital and R\$ 36,729 – US\$ 7,068 is to be used in the recognition of a capital reserve. This increase was made through the issue of 882,442,725 registered common shares with no par value subscribed by the stockholder BR FIP with assets and cash by means of the transfer to the Company's capital of 45,980 shares issued by BRK Ativos Maduros, representing 87.5% of its total and voting capital and the payment of R\$ 522,745 – US\$ 100,592 in local currency.

The Company's capital was increased from R\$ 1,885,667 – US\$ 362,859 to R\$ 4,008,807 – US\$ 771,414, comprising 2,646,299,065 registered common shares, all with no par value, fully subscribed and paid up.

(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.

(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.

BRK Ambiental Participações S.A. and its Subsidiaries

Notes to the Financial Statements

at December 31, 2020

(In thousands of reais, unless otherwise stated)

(d) Dividends

The dividends are subject to the approval of stockholders at the General Stockholders' Meeting and are calculated under the terms of Law No. 6,404/76, 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.

On December 31, 2020, the Company's management proposed the distribution of the minimum mandatory dividends of 25% of profit after the recognition of the legal reserve in the amount of R\$ 9,415 – US\$ 1,812.

	2020	
	US\$	R\$
Profit for the year	7,628	39,641
Recognition of revenue reserves		
Legal - 5%	(381)	(1,982)
Adjusted profit	7,247	37,659
Mandatory minimum dividends - 25%	(1,812)	(9,415)
Retention of profits	5,435	28,244

(e) Basic earnings (loss) per share

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

In 2019, the Company did not have outstanding common shares that could cause dilution or debt convertible into common shares. Therefore, basic and diluted earnings (loss) per share were the same.

	Parent company		Consolidated	
	2020	2019	2020	2019
	US\$	R\$	US\$	R\$
Profit attributable to the Company's stockholders of continuing operations	8,987	46,705	8,987	46,705
Profit (loss) attributable to the Company's stockholders of discontinued operations	(1,359)	(7,064)	(1,359)	(7,064)
Weighted average number of common shares outstanding (thousands)	199,369	1,036,060	199,369	1,036,060
Basic earnings per share (in R\$) of continuing operations	0.0451	0.0451	0.0451	0.0451
Basic earnings (loss) per share (in R\$) of discontinued operations	(0.0068)	(0.0068)	(0.0068)	(0.0068)

BRK Ambiental Participações S.A. and its Subsidiaries

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(In thousands of reais, unless otherwise stated)

(f) Diluted earnings per share

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

For the calculation of the consolidated diluted earnings per share, the previous cost accounting practice was used for the period ended December 31, 2020, taking into consideration the number of shares existing at the end of the corporate restructuring process.

The Company only has the following categories of potential preferred shares that would cause dilution: stock options.

	Parent company			Consolidated		
	2020	2019		2020	2019	
	US\$			R\$		
Profit attributable to the Company's stockholders of continuing operations	8,987	46,705	69,749	8,987	46,705	69,749
Profit (loss) attributable to the Company's stockholders of discontinued operations	(1,359)	(7,064)	239,812	(1,359)	(7,064)	239,812
Weighted average number of common shares outstanding (thousands)	199,369	1,036,060	1,385,667	199,369	1,036,060	1,385,667
Adjustments by:						
Stock option	25	129		25	129	
Weighted average number of common shares for diluted earnings per share (thousands)	199,394	1,036,189	1,385,667	199,394	1,036,189	1,385,667
Diluted earnings per share (in R\$) - continuing operations	0.0451	0.0451		0.0451	0.0451	
Diluted loss per share (in R\$) - discontinued operations	(0.0068)	(0.0068)		(0.0068)	(0.0068)	

(g) Carrying value adjustment

Goodwill generated in the contribution of additional investment in a jointly-controlled company

On September 30, 2020, the Company became the direct holder of the totality of the capital of BRK Centro Norte and BRK Ativos Maduros and the interest percentage that is currently held by the stockholders in the Company's capital was maintained. This capital transaction generated goodwill in the amount of R\$ 1,215,447 – US\$ 233,888, determined by the difference between the value of the shares paid in by the stockholder and the carrying amount measured using the equity method. This effect was recorded as carrying value adjustment since it falls under the definition of a capital transaction between stockholders under joint control, in accordance with items 64 to 69 of the Accounting Interpretation ICPC09 (R1) – Individual financial statements, separate financial statements, separate financial statements, consolidated financial statements, and the application of the equity method (Note 22 (a)).

BRK Ambiental Participações S.A. and its Subsidiaries

Notes to the Financial Statements

at December 31, 2020

(In thousands of reais, unless otherwise stated)

Measurement at fair value of investment properties

The Company recorded the amount of R\$ 45 – US\$ 9 related to deferred income tax and social contribution on the gain from the measurement at fair value of the investment properties of the indirect subsidiary Saneatins, which are recorded in other comprehensive income (loss) in 2019.

Obligations with post-employment benefits

Since the new health plan policy came into effect in December 2019, gains and losses arising from the initial evaluation of the obligations with post-employment benefits were recognized in the balance sheet as a contra-entry to other comprehensive income. For 2020, they were remeasured 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.

24 Investment program

On January 24, 2020, the Company approved at an Extraordinary General Stockholders' 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 stockholders 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.

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 twenty percent (20%) 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 (tenth) anniversary of the date of the offer. After this period, the unexercised Options will be cancelled.

BRK Ambiental Participações S.A. and its Subsidiaries

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In June 2020, the Eligible Investors acquired the stock options for the total amount of R\$ 3,841 – US\$ 739, which corresponds to the full fair value of the options granted.

The contra-entry of the amount paid by the Eligible Investors that chose to join the Plan was recorded under the capital reserve in the Company's equity, in the "reserve of recognized options granted" account. When they are exercised, they will be settled through the issue of new preferred shares whereas the current stockholders will continue to hold common shares. By December 31, 2020 no Option had been exercised.

25 Profit (loss) for the year

(a) Revenue

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

	Consolidated		
	2020		2019
	US\$		R\$
Service revenue	330,440	1,717,198	1,526,770
Sales revenue	120	626	
Revenue from construction	160,535	834,253	866,151
Revenue from financial assets	13,100	68,076	79,137
	504,195	2,620,153	2,472,058
Taxes and contributions on services and sales	(36,857)	(191,535)	(179,237)
Rebates and cancellations	(8,929)	(46,402)	(29,756)
	458,409	2,382,216	2,263,065

The breakdown of revenue is as follows:

	Consolidated		
	2020		2019
	US\$		R\$
Service revenue	291,252	1,513,548	1,353,681
Sales revenue	109	568	
Revenue from construction	155,229	806,679	838,030
Revenue from financial assets	11,819	61,421	71,354
	458,409	2,382,216	2,263,065

There are no customers that individually represent more than 10% of the Group's net revenue, except in the subsidiary RMR, as it is a concession classified as a financial asset and for a specific purpose, in which billing is carried out with COMPESA (Granting Authority) and represents 22% of the total.

BRK Ambiental Participações S.A. and its Subsidiaries

Notes to the Financial Statements at December 31, 2020

(In thousands of reais, unless otherwise stated)

(b) Revenue from construction

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

Company	Revenue from construction, net			Construction cost			Construction margin	
	2020		2019	2020		2019	2020	2019
	US\$	R\$	US\$	R\$	US\$	R\$		
Intangible assets								
Rio Claro	756	3,929	3,271	(741)	(3,850)	(3,206)	15	79
Muaú	433	2,251	4,339	(425)	(2,206)	(4,252)	9	45
Blumenau	3,745	19,464	19,804	(3,671)	(19,075)	(19,408)	75	389
Santa Gertrudes	210	1,091	786	(206)	(1,069)	(770)	4	22
Mairinque	2,178	11,318	14,985	(2,134)	(11,092)	(14,587)	43	226
Uruguaiana	4,462	23,190	29,280	(4,373)	(22,727)	(28,696)	89	463
Ponto Ferreira	822	4,271	3,552	(806)	(4,186)	(3,481)	16	85
Saneatins	30,668	159,374	168,052	(30,055)	(156,186)	(164,691)	613	3,188
Araguaia	561	2,914	6,044	(550)	(2,856)	(5,923)	11	58
Murarahão	4,361	22,662	25,497	(4,274)	(22,209)	(24,987)	87	453
Sumaré	5,973	31,038	39,722	(5,853)	(30,417)	(38,927)	119	621
Goias	34,902	181,375	204,391	(34,204)	(177,748)	(200,303)	698	3,627
Macaré	7,182	37,324	39,756	(7,039)	(36,577)	(38,961)	144	747
Caçador	1,896	9,852	5,380	(1,858)	(9,655)	(5,272)	38	197
Limeira	3,677	19,109		(3,603)	(18,726)		74	383
Cachoeiro	1,178	6,120		(1,154)	(5,997)		24	123
RMM	778	4,032		(760)	(3,951)		16	81
Subtotal intangible assets	103,780	539,314	564,759	(101,706)	(528,527)	(553,463)	2,075	10,787
Financial assets								
Rio das Ostras	1,647	8,560	7,096	(1,610)	(8,365)	(6,935)	38	195
RMR	48,763	253,406	261,746	(47,688)	(247,821)	(255,977)	1,075	5,585
Manso	890	4,627	4,429	(871)	(4,526)	(4,331)	19	101
Jaguaripe	79	412		(78)	(403)		2	9
Cachoeiro	70	360		(76)	(396)		(7)	(36)
Subtotal financial assets	51,449	267,365	273,271	(50,323)	(261,511)	(267,243)	1,127	5,854
Total	155,229	806,679	838,030	(152,029)	(790,038)	(820,706)	3,202	16,641

BRK Ambiental Participações S.A. and its Subsidiaries

Notes to the Financial Statements at December 31, 2020

(In thousands of reais, unless otherwise stated)

(c) Expenses by nature

	Note	Parent company		Consolidated	
		2020	2019	2020	2019
		US\$	R\$	US\$	R\$
Continuing operations					
Classified by nature:					
Construction cost				(152,027)	(790,038)
Personnel					
Compensations		(23,255)	(120,850)	(104,144)	(57,283)
Salaries and payroll charges		(6,623)	(34,416)	(30,852)	(18,050)
Benefits		(2,727)	(14,170)	(10,567)	(16,203)
		(32,605)	(169,436)	(145,563)	(91,536)
Materials					
Services		(393)	(2,042)	(1,860)	(14,460)
Rentals and maintenance fees		(789)	(4,099)	(4,327)	(4,691)
Electric energy		(2)	(8)	(12)	(24,385)
Maintenance		(1,216)	(6,320)	(7,065)	(4,522)
Audit, consulting and advisory services		(8,163)	(42,423)	(34,841)	(12,774)
Services by individuals and legal entities		(8,979)	(46,660)	(41,666)	(25,760)
Other		(521)	(2,705)	(2,896)	(2,413)
		(19,670)	(102,215)	(90,807)	(74,545)
Taxes, fees and contributions		(153)	(794)	(663)	(4,413)
Related parties	21	42,453	220,617	193,437	13,303
Insurance		(224)	(1,164)	(1,155)	(1,460)
Depreciation and amortization		(6,202)	(32,228)	(27,712)	(46,629)
Travelling		(383)	(1,988)	(6,753)	(730)
Allowance for expected losses from doubtful accounts				(8,221)	(42,724)
Other		(198)	(1,041)	(952)	4,000
		(17,375)	(90,291)	(82,028)	(376,718)
Classified by function:					
Costs of services and sales		(61)	(318)	(870)	(290,603)
General and administrative		(17,745)	(92,215)	(79,611)	(85,673)
Other income (expenses), net		431	2,242	(1,547)	(442)
		(17,375)	(90,291)	(82,028)	(376,718)
				(1,957,690)	(1,925,212)

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(d) Finance result

	Note	Parent company				Consolidated			
		2020		2019		2020		2019	
		US\$		R\$		US\$		R\$	
Continuing operations									
Finance income									
Interest income on financial investments		4,427	23,005	17,415	6,074	31,565		32,946	
Related parties	21	14,425	74,960	89,799	2,670	13,873		11,733	
Monetary variations		51	263	470	644	3,347		2,885	
Arrears fines					3,083	16,020		15,078	
Arrears interest					1,466	7,617		9,029	
Conditional discounts obtained		63	329	485	332	1,723		2,260	
(-) Taxes on interest income (PIS and COFINS)		(883)	(4,583)	(5,030)	(1,291)	(6,701)		(7,747)	
		18,083	93,974	103,139	12,978	67,444		66,184	
Finance costs									
Bank commissions		(2,993)	(15,550)	(1,006)	(3,714)	(19,302)		(5,143)	
Interest expenses		(15,817)	(82,194)	(61,134)	(58,655)	(304,814)		(268,445)	
Related parties	21	(46)	(237)	(1,004)	(31)	(159)		(210)	
Taxes on financial operations		(3)	(14)	(362)	(724)	(3,762)		(6,066)	
Adjustment to present value		(572)	(2,973)	(3,053)	(5,145)	(26,735)		(19,714)	
Arrears fine and interest		(64)	(336)	(499)	(469)	(2,441)		(5,265)	
Foreign exchange variations		(23)	(119)	(88)				(92)	
Other		(1,818)	(9,454)	(9,705)	(5,039)	(26,182)		(26,482)	
		(21,336)	(110,877)	(76,851)	(73,777)	(383,395)		(331,417)	
Finance result, net		(3,253)	(16,903)	26,288	(60,799)	(315,951)		(265,233)	

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26 Segments

(a) Reconciliation of the result of the segment with the accounting result

In thousands of reais					
Consolidated					
2019					
	Water and wastewater	Holding company	Total from continuing operations	Discontinued operations	Total from continuing and discontinued operations
Net service and sales revenue	2,262,238	827	2,263,065	278,047	2,541,112
Costs of services and sales	(1,496,649)	(1,023)	(1,497,672)	(97,408)	(1,595,080)
Gross profit (loss)	765,589	(196)	765,393	180,639	946,032
General and administrative expenses	(336,318)	(96,552)	(432,870)	(87,995)	(520,865)
Other income (expenses), net	6,877	(1,547)	5,330	(129)	5,201
Profit (loss) from operations	436,148	(98,295)	337,853	92,515	430,368
Equity in the results of investees		21,041	21,041		21,041
Finance income	37,941	28,243	66,184	5,246	71,430
Finance costs	(251,534)	(79,883)	(331,417)	(43,162)	(374,579)
Current income tax and social contribution	(15,020)	(1,367)	(16,387)	(30,809)	(47,196)
Deferred income tax and social contribution	(28,922)	6,371	(22,551)	(6,854)	(29,405)
Impairment of assets				(24,828)	(24,828)
Net gain on the disposal of discontinued operations				289,674	289,674
Profit (loss) for the year	178,613	(123,890)	54,723	281,782	336,505

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(In thousands of reais, unless otherwise stated)

In thousands of reais					
Consolidated					
2020					
	Water and wastewater	Holding company	Total from continuing operations	Discontinued operations	Total from continuing and discontinued operations
Net service and sales revenue	2,382,040	176	2,382,216	208	2,382,424
Costs of services and sales	(1,509,857)	(318)	(1,510,175)	(3,321)	(1,513,496)
Gross profit (loss)	872,183	(142)	872,041	(3,113)	868,928
General and administrative expenses	(352,279)	(92,937)	(445,216)	(2,837)	(448,053)
Other income (expenses), net	(4,555)	2,256	(2,299)	20	(2,279)
Profit (loss) from operations	515,349	(90,823)	424,526	(5,930)	418,596
Equity in the results of investees		5,843	5,843		5,843
Finance income	34,562	32,882	67,444	13	67,457
Finance costs	(272,334)	(111,061)	(383,395)	(417)	(383,812)
Current income tax and social contribution	(29,437)	(26)	(29,463)		(29,463)
Deferred income tax and social contribution	(40,832)	11,360	(29,472)	(173)	(29,645)
Profit (loss) for the year	207,308	(151,825)	55,483	(6,507)	48,976

In thousands of U.S dollars					
Consolidated					
2020					
Water and wastewater	Holding company	Total from continuing operations	Discontinued operations	Total from continuing and discontinued operations	
Net service and sales revenue	458,376	33	458,409	40	458,449
Costs of services and sales	(290,541)	(61)	(290,602)	(640)	(291,242)
Gross profit (loss)	167,835	(28)	167,807	(600)	167,207
General and administrative expenses	(67,789)	(17,884)	(85,673)	(546)	(86,219)
Other income (expenses), net	(877)	435	(442)	4	(438)
Profit (loss) from operations	99,169	(17,477)	81,692	(1,142)	80,550
Equity in the results of investees		1,124	1,124		1,124
Finance income	6,651	6,327	12,978	3	12,981
Finance costs	(52,405)	(21,371)	(73,777)	(80)	(73,857)
Current income tax and social contribution	(5,665)	(5)	(5,670)		(5,670)
Deferred income tax and social contribution	(7,857)	2,186	(5,671)	(33)	(5,704)
Profit (loss) for the year	39,893	(29,216)	10,676	(1,252)	9,424

BRK Ambiental Participações S.A. and its Subsidiaries

Notes to the Financial Statements

at December 31, 2020

(In thousands of reais, unless otherwise stated)

(b) Other gains and losses

In thousands of reais			
2019			
Depreciation and amortization	Finance income	Finance costs	Current and deferred income tax and social contribution
<i>Continuing operations</i>			
Water and wastewater	(176,868)	37,941	(251,534)
Other segments (Services/Holding company)	(27,923)	28,243	(79,883)
	(204,791)	66,184	(331,417)
			(38,938)
<i>Discontinued operations</i>			
Waste	(2,694)	117	(2,354)
Industrial	(21,137)	5,129	(40,808)
	(23,831)	5,246	(43,162)
			(37,663)
	(228,622)	71,430	(374,579)
			(76,601)
In thousands of reais			
2020			
Depreciation and amortization	Finance income	Finance costs	Current and deferred income tax and social contribution
<i>Continuing operations</i>			
Water and wastewater	(210,027)	34,562	(272,334)
Other segments (Services/Holding company)	(32,291)	32,882	(111,061)
	(242,318)	67,444	(383,395)
			(58,935)
<i>Discontinued operations</i>			
Waste		13	(417)
			(173)
	(242,318)	67,457	(383,812)
			(59,108)
In thousands of U.S dollars			
2020			
Depreciation and amortization	Finance income	Finance costs	Current and deferred income tax and social contribution
<i>Continuing operations</i>			
Water and wastewater	(40,415)	6,651	(52,405)
Other segments (Services/Holding company)	(6,214)	6,327	(21,372)
	(46,629)	12,978	(73,777)
			(11,341)
<i>Discontinued operations</i>			
Waste		3	(80)
			6,371
	(46,629)	12,981	(73,857)
			(4,970)

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(In thousands of reais, unless otherwise stated)

(c) Assets

	In thousands of reais			In thousands of U.S dollars			In thousands of reais		
	2020			2020			2019		
	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
<i>Continuing operations</i>									
Water and wastewater	11,939,631	82,404	3,197,713	2,297,541	15,857	615,335	7,168,075	132,541	1,047,293
Other segments (Services/Holding company)	1,543,188		676,150	296,955		130,111	1,142,326		162,751
	13,482,819	82,404	3,873,863	2,594,496	15,857	745,446	8,310,401	132,541	1,210,044
<i>Discontinued operations</i>									
Waste	1,451		20	280		4	2,005		331
	13,484,270	82,404	3,873,883	2,594,776	15,857	745,450	8,312,406	132,541	1,210,375

27 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.

On December 31, 2020, 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 in the concession agreement, summarized as follows:

Type of coverage	Amounts insured	
	US\$	R\$
Equipment	976	5,071
Contract guarantee	138,109	717,711
Payment guarantee	276	1,434
Aviation insurance (drones)	208	1,080
Legal guarantee	1,496	7,772
Performance bond	8,988	46,710
Civil liability	708,142	3,680,000
Engineering risk	293,213	1,523,739
Sundry risks	11	56
Operational risks	1,499,028	7,790,000
Office insurance	2,817	14,638
Vehicles	433	2,249

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28 Operations that did not affect cash (statement of cash flows)

In the year ended December 31, 2020, operations that did not involve cash were carried out and presented in the statements of cash flows and the main ones are presented below:

Trade accounts receivable	Consolidated	
	2020	
	US\$	R\$
Total changes in trade accounts receivable (Note 8)	136,721	710,498
Items not affecting cash (see breakdown below)	(68,198)	(354,406)
Total changes in trade accounts receivable in accordance with the statement of cash flows	68,523	356,092
Investment and financing transactions that affected intangible assets, but did not involve cash:		
Capitalized interest in the year	(4,092)	(21,264)
Capitalized finance income	40	206
Capitalized corporate guarantee	(824)	(4,281)
Capitalized interest on loans	(685)	(3,559)
Other capitalizations	(557)	(2,893)
Trade payables	1,309	6,800
Allowance for expected losses from doubtful accounts	8,221	42,724
Deferred tax	(5,306)	(27,575)
Transfer of investments - trade accounts receivable	(65,178)	(338,710)
Construction margin for the year (Note 25 (b))	(1,126)	(5,854)
Total	(68,198)	(354,406)

Contract assets and intangible assets	Parent company		Consolidated	
	2020		2020	
	US\$	R\$	US\$	R\$
Total additions to contract and intangible assets (Notes 11 and 13)	19,509	101,380	511,235	2,656,734
Items not affecting cash (see breakdown below)	(185)	(958)	(282,259)	(1,466,813)
Total additions to contract assets and intangible assets in accordance with the statement of cash flows	19,324	100,422	228,976	1,189,921
Investment and financing transactions that affected intangible assets, but did not involve cash:				
Capitalized interest in the year			(13,212)	(68,661)
Trade payables			1,747	9,079
Other capitalized expenses	(185)	(958)	(268)	(1,390)
Concession			(268,450)	(1,395,054)
Construction margin for the year (Note 25 (b))			(2,076)	(10,787)
Total	(185)	(958)	(282,259)	(1,466,813)

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29 Subsequent events

Discontinued operations – UVR Grajaú S.A.

On March 19, 2021, the Company completed the operation for 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 sanitation segment.

As described in Note 1.1 (c), the assets and liabilities of the subsidiary UVR Grajaú were presented separately as discontinued operations in a single amount in the statement of income and in the net cash flows attributable to the operating, investing and financing activities of the discontinued operations.

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