



Hidrovias do Brasil

**MANAGEMENT
REPORT
2021**

Hidroviás do Brasil ended 2021 with consistent results, achieving its short-term Guidance even with the conjunction of external and non-recurring factors, thus proving the strength of its strategic pillars and solid foundations. Guidance for 2025 is maintained.

2021 HIGHLIGHTS

- In 2021, the **total volume** handled reached **11.8 million tons**, mainly reflecting lower grain exports in 2H21 in the North Corridor, due to the failure in corn crop in Brazil and a lower bauxite volume.
- **Net Operating Revenue** (excluding "OTM" and hedge accounting) totaled **R\$1.2 billion** in 2021, flat over 2020, despite the strong pressure in volumes and proving the strength of the Company's long-term agreements.
- In 2021, the **adjusted Consolidated EBITDA, including JVs**, totaled **R\$630.2 million**, very close to the levels reached in 2020 when we had a record harvest scenario in the North and better navigation conditions in the South, proving the Company's fundamentals and demonstrating that we can present very consistent results even in adverse scenarios.

Consolidated	2021	2020	Ch. %
Consolidated Volume (kt)	11,819	13,116	-9.9%
Total volume (North Corridor)	5,369	6,331	-15.2%
Total volume (Coastal Navigation)	2,563	3,358	-23.7%
Total volume (South Corridor)	3,554	2,799	27.0%
Total volume (Santos)	332	628	-47.1%
Net Operating Revenue (R\$ million)¹	1,246.7	1,248.3	-0.1%
Net Operating Revenue (North Corridor)	567.0	503.3	12.7%
Net Operating Revenue (Coastal Navigation)	233.6	223.4	4.6%
Net Operating Revenue (South Corridor)	422.9	484.2	-12.7%
Net Operating Revenue (Santos)	23.3	39.8	-41.5%
Adjusted Consolidated EBITDA (R\$ million)²	630.2	637.4	-1.1%
Adjusted EBITDA (North Corridor)	369.2	288.2	28.1%
Adjusted EBITDA (Coastal Navigation)	135.9	139.7	-2.7%
Adjusted EBITDA (South Corridor including JVs)	193.3	268.7	-28.1%
Adjusted EBITDA (Santos)	7.9	8.1	-2.2%
Adjusted EBITDA (Holding)	(76.1)	(65.0)	17.0%

¹ Consolidated Net Operating Revenue for 2020 includes residual effects from Intercompany.

² Consolidated EBITDA is adjusted by hedge accounting, equity accounting, non-recurring or non-cash items. Consolidated Adjusted EBITDA for 2020 includes effects from Intercompany.

MESSAGE FROM MANAGEMENT

"In 2021, we faced major external and non-recurring challenges in the main corridors where Hidrovias do Brasil operates. We learned a lot from these externalities. Our results also clearly demonstrate the resilience of our business model and the competitive advantages of our Company. Our current operation offers a rare combination of diverse growth opportunities with great resilience, even during atypical and adverse external scenarios. An example of this was the corn crop failure in Brazil, and the respective impact this caused on export volumes in the North Corridor, or the lower drafts in rivers where we transport iron ore in the South Corridor, which made navigation impossible during more than two months for the first time at least since we began our operations.

We ended the year with volumes lower than our full operating capacity, explained by the unexpected conjunction of the non-recurring factors mentioned above. However, we still achieved very consistent adjusted EBITDA, close to the levels of the previous year, when Mato Grosso had a record harvest season and better navigation conditions in the South.

This result was only possible because of Hidrovias' solid foundations through differentiated long-term take-or-pay agreements with first-class customers, in addition to modern and efficient assets that allowed us to navigate in the South Corridor during, at least, two months longer than our competitors, consolidating 84% of market share for iron ore transport in the Corumbá region and maintaining high operational efficiency in the North Corridor.

Even when faced with all these external challenges, we maintained our governance and sustainability agendas. We made significant progress in the sustainability agenda, where we carried out our first greenhouse gas emissions inventory and developed the world's first hybrid electric pushers of its kind, which will contribute to an even more efficient energy matrix. We also approved our short and medium-term ESG goals, to be disclosed in the coming months as part of our first annual sustainability report in the GRI (Global Reporting Initiative) format.

We initiated 2022 with better prospects for the North and South Corridors, led by a thriving soybean crop that has already been harvested in the North Corridor, and draft returning to near normal levels at critical river locations in the South System. These scenarios, along with the operational resumption in Santos expected for the second half of 2022, should enable the Company to report more aligned with its installed capacity potential.

Hidrovias was founded to become an integrated logistics solution company with the most competitive costs for the transportation of commodities in Latin America and, in this sense, we will continue to seek for alternatives that bring operational improvements in all the segments and logistics corridors we operate. In 2022, we expect to begin operating super convoys in the North Corridor, which means that we will be able to handle 35 barges per trip (vs. 25 barges currently), with the potential for significant reductions in number of trips and in fuel consumption. In the South, we deepened our learning on operating in even more adverse scenarios and have several initiatives to increasingly prepare us for atypical situations, should they happen again in the future.

We remain confident about our medium-term Guidance, which includes a consolidated adjusted EBITDA of R\$1.3 to R\$1.5 billion in 2025, with high cash generation potential as operations become more mature and we continue our strong financial deleveraging process.

Fábio Schettino - CEO of Hidrovias do Brasil

PERFORMANCE BY CORRIDOR

North Corridor

North Corridor: Integrated logistics services for the transportation of solid bulks through waterways. This corridor's capacity is represented by the: a) Cargo Transshipment Station (ETC) of Miritituba (PA) (7.2 million tons of grains); b) Private Use Terminal (TUP) of Barcarena (PA) (7.2 million tons of grains); and c) the Company's fleet of pushers and barges used to handle products.

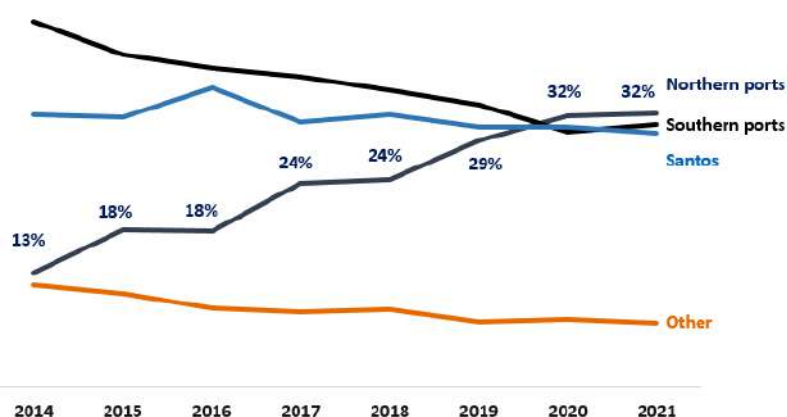
Volume:

Volume (kt)	2021	2020	Ch. %
North Corridor	5,369	6,331	-15.2%
Grains	3,855	5,145	-25.1%
Fertilizers	434	242	79.3%
"Direct Road" ¹	1,080	945	14.3%

¹ "Direct Road" refers to grain volumes transported by road directly to the Barcarena TUP, and is presented isolated, as it is not part of the Company's integrated system.

In 2021, the **total volume** handled in the North Corridor was **5.4 million tons** (-15.2% vs. 2020), impacted, during 1H21, by the concentration of soybean shipments (March and April jointly accounted for 35% of all soybean shipments) and lower availability for exports due to the loss of grain quality (15% damaged grains in the mid-north region of Mato Grosso due to heavy rains during the harvest period). In 2H21, volumes were impacted by the corn crop failure in certain Brazilian states as planting was done outside of the ideal period, in addition to longer drought and/or frost periods, changing the exportable volume in Mato Grosso.

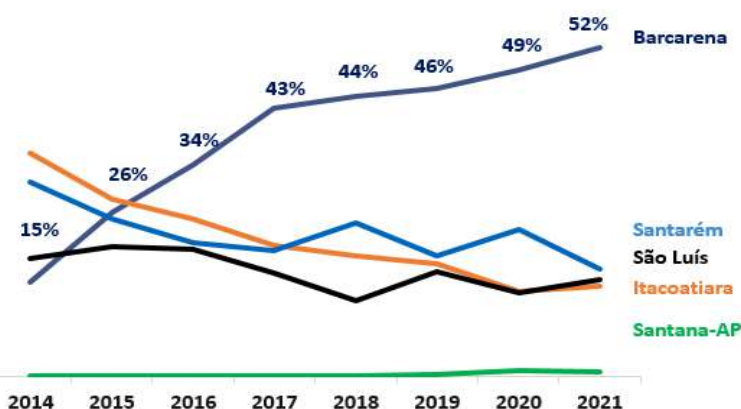
Market Share Brazilian Exports (soybean and corn)



It is important to note that the entire Brazilian export market was impacted by these situations in such a way that the "North Arc" (Arco Norte) ports remain the main grain export corridor in Brazil, representing 32% of all grain exported in 2021, while Santos lost market share during the same period (29.7% vs. 30.4%). In addition, the North Arc ports continued to be the main logistical option for grain shipments originating in Mato Grosso, accounting for 51% of the total volume exported in the year.

Source: Comexat

North ports market share (MT Exports)



Barcarena, where we have our TUP (Terminal for Private Use), maintained a high market share in the North Arc, accounting for 36% of the total grain volume exported from Brazil through the North region. This share is even greater when we look at the total grain volume originating from Mato Grosso and exported by the North Arc (52% vs. 49% in 2020) and Hidroviás continues to be the biggest player in this region, ending 2021 with a market share of 42% in Barcarena.

Source: Comexat

Competitiveness:

In 2021, 57% of the volume of grain exported by Barcarena was destined for Europe, 16% for China, 6% for Africa, 6% for South America, 4% for the Middle East and 17% for other countries in the American continent.

According to public data from the USDA and ESALQ/USP, total logistic costs to export soybeans from the Sorriso (MT) base in Barcarena to Europe in 2021 was approximately US\$10.0/mt lower than the shipments done by railway and Santos, and the total logistics cost from Barcarena to China was practically flat when compared to railway and Santos.

When analyzing total logistics export costs weighted by destination, we have:

Weighted Total Logistics Cost (US\$/mt) 2020 2021

Barcarena	71.8	100.7
Santos (railway)	80.7	107.5
Barcarena + toll simulation		103.5

Toll simulation considers a toll fee of R\$15.00 with an exchange rate of R\$5.30 to facilitate the understanding.

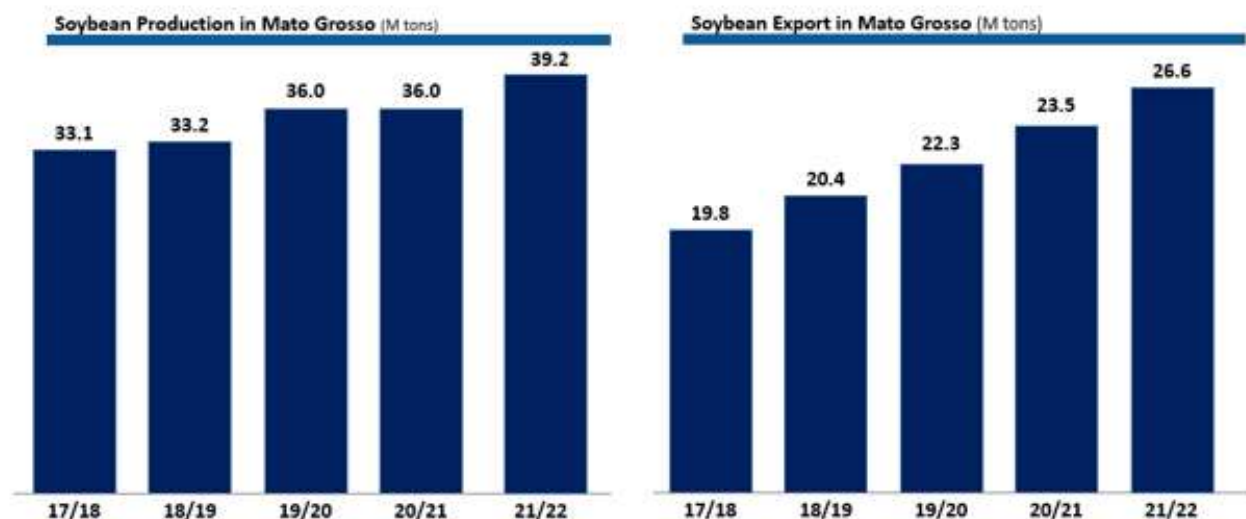
Source: USDA and ESALQ/USP – Most recent public database (data from 3Q21).

In this context, it is evident that Barcarena continues to be a very competitive option for grain shipment from the Sorriso base, even considering the toll fee expected for highway BR-163, which is expected to begin at the start of 2023.

As previously announced, we continue to believe there are additional improvement opportunities for highway BR-163, which can reduce costs for truck drivers, allow faster turnovers, and increase availability, thus reducing the toll's real effect. Additionally, it is worth mentioning that the further north of the state of Mato Grosso, the lower the impact and logistics cost. Therefore, we consider the North of Mato Grosso as the main influence area for the Company and where we are extremely competitive.

In terms of total logistics cost for exporting soybeans originating in MT, PI, and MA to China in 2021, Barcarena maintained very similar levels in relation to shipment from Santos, proving this to be a very competitive option, especially with the existing gaps in Brazil's infrastructure scenario.

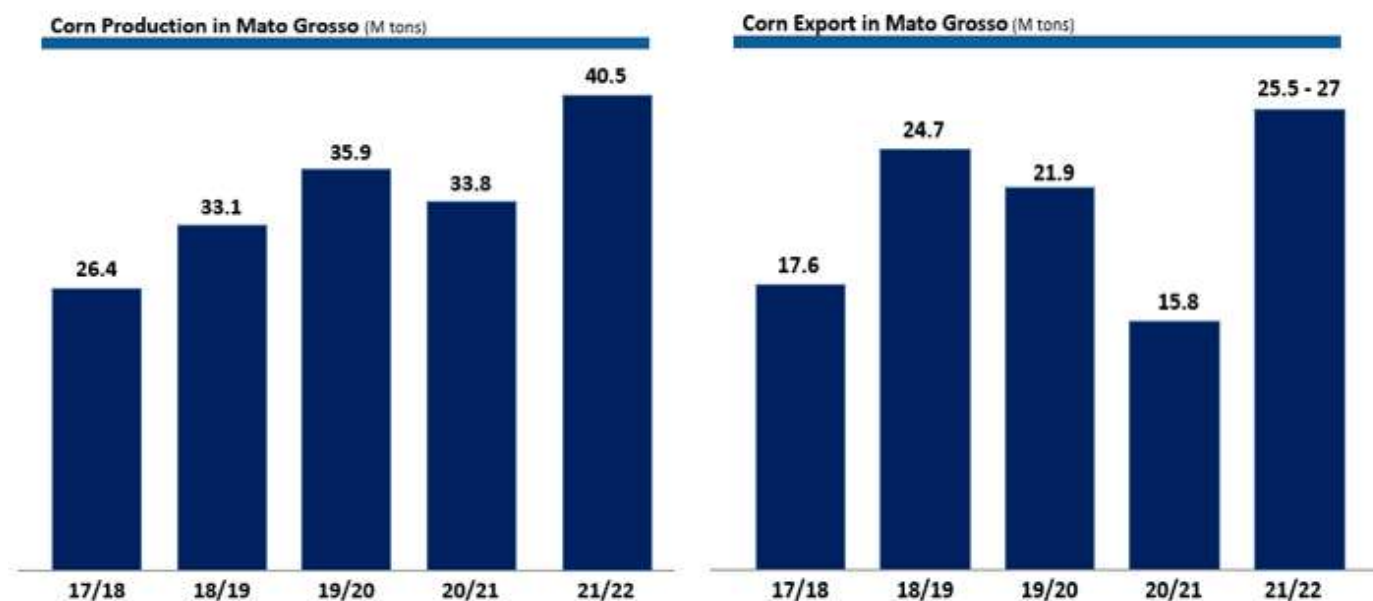
Outlook for 2022:



Source: IMEA and Comextat

The Brazilian soybean crop has been confirmed to be strong in 2022, even with a failure in some states such as BA, MS and PR, with little probability of quality-related problems occurring again. Regardless, Mato Grosso remains the main soybean producing state in Brazil and production in 21/22 is estimated to be around 39.2 million tons, with 26.6 million tons being exported, a very positive scenario for volumes in the North Corridor, especially in 1H22, and we already have almost all the capacity of the integrated system negotiated for this period.

It is also important to point out that, unlike corn, soybean is an export-oriented product, with a trade-off between the domestic and external market being unlikely, in addition to all Brazilian states, even with crop failures, still having, exportable surplus, not needing to supply the soybean meal production industry in other states.



Source: IMEA and Comextat

Regarding corn crop, differently than in 2021, a favorable planting and harvesting window is expected in 2022 and, for this reason, we do not expect to have a failure scenario as we did in 2021. Mato Grosso is expected to produce approximately 40.5 million tons of corn in 21/22, of which 25.5 to 27.0 million tons should be destined to export markets.

Results:

North Corridor (R\$ million)	2021	2020	Ch. %
Net Revenue¹	569.0	856.2	-33.5%
Operating Net Revenue	567.0	503.3	12.7%
Operating Net Revenue "Road Transportation" (OTM) ²	2.0	352.9	-
Operating Costs	(214.5)	(563.4)	-61.9%
Operating Costs	(213.4)	(210.8)	1.2%
Operating Costs "Road Transportation" (OTM) ²	(1.1)	(352.6)	-
Operating Expenses (Revenue)	(40.6)	(31.3)	29.5%
AFRMM, Tax Credits and Others ³	33.7	18.0	87.1%
Equity Accounting	0.5	-	-
EBITDA	348.2	279.4	24.6%
Margin %	61.4%	55.5%	5,9 p.p.
Equity Accounting	(0.5)	-	-
Non-recurring ⁴	21.5	8.8	144.3%
Adjusted EBITDA	369.2	288.2	28.1%
Margin %	65.1%	57.3%	7,8 p.p.

¹ North Corridor's Net Revenue excludes "Intercompany" to facilitate the understanding of the results;

² "Road Transportation" (OTM) consists of Net Revenue and operating costs related to the subcontracting of road transportation to customers, providing an integrated logistics solution ("from MT to the ship's hold");

³ AFRMM, Tax Credits and Others consists only of other revenues obtained in this Corridor, such as the sale of leavings;

⁴ The Non-Recurring Items line includes: 2021 (R\$13.1 million in apportioned corporate expenses for better comparability with the pas but with no impact in the consolidated result; R\$8.4 million in write-offs for untimely guarantees; and 2020 (R\$1.9 million in consulting/advisory services related to the IPO; R\$7.2 million in donations related to COVID-19 and (R\$0.3) million in reversals for untimely tax credits).

In 2021, **Net Operating Revenue** (excluding Road Transportation "OTM"), totaled **R\$567.0 million** – a significant **12.7 % growth** over 2020, despite the 15.2% pressure on total volume handled during the year.

Operating costs (excluding Road Transportation "OTM") totaled **R\$214.5 million** (+1.7% vs. 2020), significantly lower than revenue growth, mainly due to the drop in volumes handled during the year.

The **adjusted EBITDA** for 2021 was also a record, totaling **R\$369.2 million**, a 28.1% growth over 2020, with the highest historical **adjusted EBITDA margin** ever reported for the Corridor, of **65.1%** (+7.8 p.p. vs. 2020).

The strong result during a very challenging year proves the **adequate competitiveness of the North Corridor** for the exports of grains originating in Mato Grosso and Brazil as a whole, and the **competitive advantages** of our Company, with its excellent team, long-term agreements that guarantee minimum profitability for the business, and state-of-the-art assets that allow us to have continuous operational improvements.

We initiated 2022 with confidence, with a scenario of thriving soybean crop in Mato Grosso, and positive perspectives for the corn crop season in Brazil. We will also start operating the "super convoys" in 2022, with the handling of 35 barges (vs. 25 barges in 2021), thus enabling additional operational improvements for this Corridor, such as lower fuel consumption per transported ton and better dilution of fixed costs - increasing the average profitability per trip.

Coastal Navigation (Cabotage)

The *coastal navigation* operation mainly transports Bauxite from the Trombetas Port (PA) to the Barcarena Public Terminal (PA).

Volume:

Volume (kt)	2021	2020	Ch. %
Coastal Navigation (Cabotage)	2,563	3,358	-23.7%
Bauxite	2,563	3,358	-23.7%

In 2021, the **total volume** handled was **2.6 million** tons (-23.7% vs. 2020), mainly due to the unloading pier problem during 1H21 (-46.2% vs. 1H20), when the situation had not yet been totally solved.

It is worth noting that the pressure put on volumes this year does not impact the result of this operation, nor does it impact future volumes since these are non-recurring situations and because we have take-or-pay agreement.

Results:

Coastal Navigation (R\$ million)	2021	2020	Ch. %
Net Revenue	211.1	214.6	-1.6%
Operating Net Revenue	233.6	223.4	4.6%
Hedge Accounting ¹	(22.4)	(8.8)	155.7%
Operating Costs	(109.5)	(93.6)	17.0%
Operating Costs	(109.5)	(93.6)	17.0%
Operating Expenses (Revenue)	(4.3)	(5.9)	-27.5%
AFRMM, Tax Credits and Others ²	12.5	15.8	-20.8%
EBITDA	109.9	130.9	-16.0%
Margin %	47.1%	58.6%	-11,5 p.p
Hedge Accounting¹	22.4	8.8	155.7%
Non-recurring ³	3.5	-	-
Adjusted EBITDA	135.9	139.7	-2.7%
Margin %	58.2%	62.5%	-4,3 p.p.

¹ Hedge Accounting: The Company's functional currency is the Brazilian real. However, Coastal Navigation agreements are denominated in U.S. dollars. Accordingly, the hedge accounting was used to mitigate the FX exposure, and the existing debt in U.S. dollars partially hedges long-term agreements in foreign currency. This procedure has no cash impact.

² AFRMM, Tax Credits and Others: include the positive effect from the Additional Freight for the Renovation of the Merchant Marine, as well as other non-core revenues such as tax credits.

³ The Non-Recurring Item line includes in 2021 (R\$3.5 million in apportioned corporate expenses for better comparability with the past with no impact in the consolidated result).

In 2021, **Net Operating Revenue**, ex-hedge accounting, totaled **R\$233.6 million** (+4.6% over 2020), demonstrating the advantage of the Company's currency diversification strategy as the agreement of this Corridor is denominated in U.S. dollars. Hedge accounting totaled (R\$22.4) million in the year, with no cash effect.

Operating costs totaled **R\$109.5 million** (+17.0% vs. 2020), mainly due to chartering costs for a third-party vessel during the docking period scheduled of one of our own assets, in line with what we expected for the year. It is worth emphasizing that docking for this operation occurs every 2.5 years (there is 5-year docking interval alternating two vessels in the fleet).

In 2021, **adjusted EBITDA** totaled **R\$135.9 million** (-2.7% vs. 2020), maintaining strong stable results, even during a year with docking and lower AFRMM results since this is calculated as a percentage of the volume handled in the operation. The **adjusted EBITDA margin** remained solid, at **58.2%** (-4.3 p.p. vs. 2020).

These results prove the **solidity of the Company's strategic pillars**, with currency diversification, as the agreement of this Corridor is in U.S. dollars, and the take-or-pay model that guaranteed stable results and profitability even in a scenario with 23.7% lower volumes due to specific operational difficulties at our customer's unloading pier.

South Corridor

The **South Corridor** refers to the fluvial transportation of grains, fertilizers, iron ore, and other bulk materials in the Paraná-Paraguay waterway and pulp in the Uruguay River through a joint venture (Limday). Additionally, it includes the results of port terminals of another two joint ventures, being the first port operation of grains in Montevideo (TGM), the only terminal of the region that can load a Panamax vessel, and the second largest port operation of solid bulks in the region of Concepción, in Paraguay (Baden).

Volume:

Volume (kt)	2021	2020	Ch. %
South Corridor	3,554	2,799	27.0%
Iron Ore	1,648	561	193.8%
Grains	859	1,058	-18.8%
Fertilizers	103	144	-28.5%
Others ¹	-	126	-
Total before JVs	2,609	1,889	38.1%
JVs ²	945	909	4.0%

¹ Others: Refers to the transportation of other products such as pulp and coke.

² JVs: volume proportional to the interest held in TGM, Limday, and Baden.

In 2021, the **total volume** handled was **3.5 million tons**, an expressive 27.0% growth over 2020, with a very strong growth in iron ore volume even while facing strong operational restrictions as the draft level for rivers in this region was below historical averages during most of 2H21. The volume handled was lower than the potential of this Corridor, but even so, results show that the acquisition of Imperial Logistics, in April 2021, was a right decision as it aggregated assets with greater flexibility that allowed the Company to navigate for, at least, two months longer than other players in the region, therefore consolidating Hidroviás as the largest iron ore logistics player in the Corumbá region (84% market share in 2021).

As widely announced through Notice to the Market, 2021 was a year with very low draft levels in this region, close to the historic lows ever recorded in the last 121 years. In view of this fact, we did not have navigation conditions for nearly two and a half months during the fourth quarter, which has never happened since the Company began its operations. Despite the negative impact on the results for this Corridor, we learned many lessons and adopted new initiatives to help us become increasingly prepared to overcome these types of situations in the future, including the mapping of suppliers capable of carrying out more frequent, preventive and structured dredging activities.

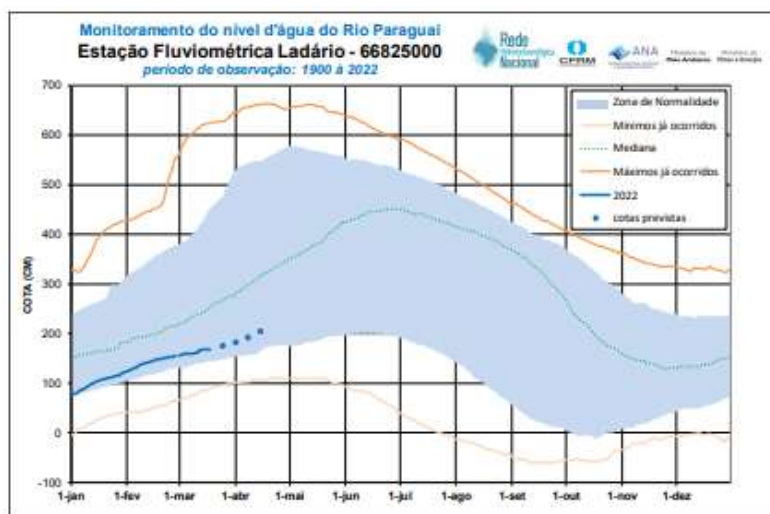
The heavy rainfalls in early 2022 allowed drafts to partially recover, reaching their near normal levels, and the current outlook available indicates a more positive scenario and trend for 2022, even if these levels are still lower than the historical averages for this region.

The Company's best available data and projections currently leads us to project draft levels similar the ones in 2020, with the possibility of more efficient operations as we now have even better assets. The scenario is expected to continuously improve and reach regular levels as of 2023 onwards.

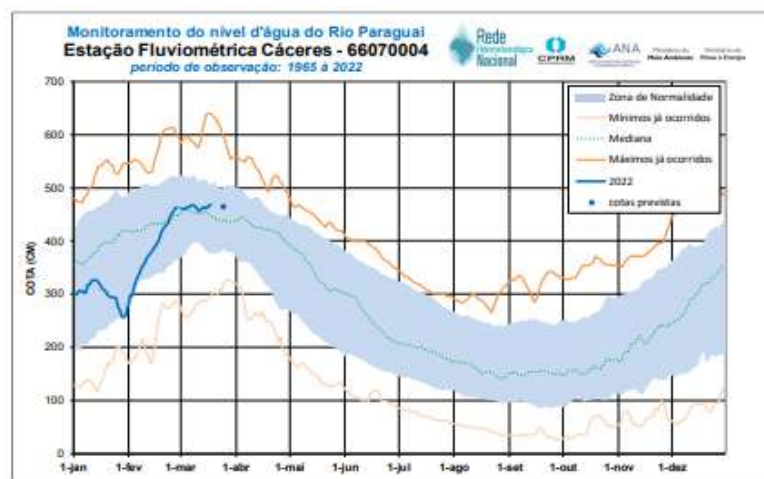
The short-term public projections provided by the Geological Survey of Brazil website corroborate our internal projections, that 2022 will not yet be fully normal, but should have better conditions than 2021. Below, we provide charts with two important points that help illustrate our operation: 1) Ladário – a region close to the iron ore loading location, therefore, the most critical operating location, that has returned to its regular zone and 2) Cáceres – a region that illustrates the Pantanal situation,

responsible for river flows during periods of low rainfall, which is currently above the average level and indicates the trend that, even if we have low rainfalls in 2H22, there will be a possibility of flow in the Paraguay river.

LADÁRIO (Report disclosed 03/18/2022)



CÁCERES (Report disclosed 03/18/2022)



Source: The Geological Survey of Brazil - CPRM

Results:

South Corridor (R\$ million)	2021	2020	Ch. %
Net Revenue¹	312.0	353.9	-11.8%
Operating Net Revenue	422.9	484.2	-12.7%
Hedge Accounting ²	(110.9)	(130.3)	-14.9%
Operating Costs	(300.8)	(208.8)	44.0%
Operating Costs	(300.8)	(208.8)	44.0%
Operating Expenses (Revenue)	(35.8)	(26.9)	33.0%
AFRMM, Tax Credits and Others ³	17.3	0.1	-
Equity Accounting	(1.1)	(5.4)	-79.8%
EBITDA	(8.4)	112.9	-
Margin %	-	23.3%	-
Hedge Accounting²	110.9	130.3	-14.9%
Equity Accounting	1.1	5.4	-79.8%
Non-recurring ⁴	71.2	3.3	-
Adjusted EBITDA	174.8	251.9	-30.6%
Margin %	41.3%	52.0%	-10.7 p.p.
JVs results⁵	18.5	16.8	10.3%
EBITDA including JVs	193.3	268.7	-28.1%
Margin %	45.7%	55.5%	-9.8 p.p.

¹ The South Corridor's Net Revenue excludes the "Intercompany" effect for the better understanding of the result;

² Hedge Accounting: The Company's functional currency is the Brazilian real. However, South Corridor agreements are denominated in U.S. dollars. Accordingly, the hedge accounting was used to mitigate the FX exposure, and the existing debt in U.S. dollars hedges partially long-term agreements in foreign currency. This procedure has no cash impact;

³ AFRMM, Tax Credits and Others in this Corridor includes the impact of other non-core revenues such as claims reimbursement charges.

⁴ The Non-recurring line includes: 2021 (R\$31.3 million from extemporaneous tax reversals related to VAT, R\$32.3 million related to business combination that were managerially allocated in the South Corridor, and R\$7.7 million from consulting and advisory services for the acquisition and integration of Imperial); 2020 (R\$1.3 million of reversal of extemporaneous credits, R\$2.0 million of consulting and advisory services related to the IPO).

⁵ Including the results from the Company's interest in TGM, Limday, and Baden operations.

In 2021, the **Net Operating Revenue**, ex-hedge accounting, totaled **R\$422.9 million** (-12.7% vs. 2020), reflecting lower non-tariff revenues with the new accounting method used in Vale's agreement – which eliminated the fixed quarterly take or pay in 2021 and became a direct function of the volume effectively handled in the period.

Net Revenue was also impacted by (R\$110.9) million from hedge accounting in the year, both with no cash effect.

Operating costs totaled **R\$330.8 million** (+44.0% vs. 2020) due to the reasons mentioned above.

In 2021, the **EBITDA adjusted including JVs** totaled **R\$193.3 million** (vs. R\$268.7 million in 2020), an adequate level when considering all the operational challenges we faced in the year, with the **adjusted EBITDA margin** at **45.7%**.

The year of 2021 brought, undoubtedly, the greatest operational challenges this Corridor ever faced since its development and, even with lower-than-potential results, we proved **how differentiated our operations are when compared to other waterway players in this region**. We have modern assets that can be used in lower drafts, which enabled the us to operate for, at least, 2 months longer than other players and, therefore, we consolidated ourselves as the **most efficient logistical player for the transport of iron ore in the Corumbá region**.

Santos | Salt

We started two new projects in the last two years, which are still under implementation: the operation in the Santos Terminal¹ and the logistics operation of Salt.

The **Santos** project consists of a 25-year lease for a terminal to handle and store solid bulk in the largest port in South America, located in Santos. The operation partially started in 2020, while we started to renovate and adjust the terminal, as provided for in the bidding notice. The renovation advanced in 2021. For this reason, the terminal did not operate in 2H21, resuming its activities in mid-2022.

The **Salt** project consists of a salt transshipment and transportation agreement in Brazil's northeastern region. The Company has been dealing with regulatory procedures for the start of this operation and has a pending lawsuit with a view to obtaining the necessary authorizations to proceed with the project. As is usual for the Company, it developed a modern and efficient asset for the operation, which would increase the competitiveness of the salt market in the region. As it is an asset that would function as a "floating port", the Company can also redirect it to another region and optimize the investment already made if current regulatory restrictions are maintained.

Volume:

Volume (kt)	2021	2020	Ch. %
Santos	332	628	-47.1%
Total	332	628	-47.1%

Following the Company's business plan, we suspended the Santos operation at the beginning of 2Q21 to modernize the terminal's structures and "rebuild" one of the warehouses.

As a result, we ended 2021 with **332 thousand** tons of fertilizers transported.

Results:

Santos (R\$ million)	2021	2020	Ch. %
Net Revenue	23.3	39.8	-41.5%
Operating Net Revenue	23.3	39.8	-41.5%
Operating Costs	(15.2)	(31.0)	-50.9%
Operating Costs	(15.2)	(31.0)	-50.9%
Operating Expenses (Revenue)	(1.1)	(0.9)	15.5%
AFRMM, Tax Credits and Others	0.2	-	-
EBITDA	7.2	7.8	-8.3%
Margin %	30.8%	19.6%	11,1 p.p
Non-recurring ¹	0.8	0.3	158.8%
Adjusted EBITDA	7.9	8.1	-2.2%
Margin %	34.1%	20.4%	13,7 p.p

¹The Non-Recurring Item line includes: 2021 (R\$0.6 million in apportioned corporate expenses for better comparability with the past, with no impact in the consolidated result) and R\$0.2 million in donations related to COVID-19; 2020 (R0.3 million in donations related to COVID-19).

The **Net Operating Revenue** for Santos totaled **R\$23.3 million** in 2021 (-41.5% vs. 2020), and the terminal's operation was interrupted in the second quarter of 2021 for the modernization and renovation of its warehouses, as provided in the bidding notice and the Company's business plan.

In 2021, **operating costs** totaled **R\$15.2 million** (-50.9% vs. 2020), mainly reflecting the lower volume handled in the period.

In 2021, the **adjusted EBITDA** totaled **R\$7.9 million** (-2.2% vs. 2020), with an **adjusted EBITDA margin** of 34.1% (+13.7 p.p.), yet does not represent the full potential of the operation.

The results obtained in the pre-operational phase of Santos during 2020 and 2021 already **signal the future opportunities of the terminal** which, in addition to **positioning us strategically within the largest organized port in Latin America**, allows for greater business diversification and profitability in line with the other operations of the Company.

Holding Company's Results

Holding (R\$ million)	2021	2020	Ch. %
Operating Expenses (Revenue)	(61.5)	(102.3)	-39.8%
AFRMM, Tax Credits and Others ¹	32.4	-	-
Equity Accounting	-	-	-
EBITDA	(29.2)	(102.3)	-71.5%
Equity Accounting	0.1	-	-
Non-recurring ²	(47.0)	37.3	-
Adjusted EBITDA	(76.1)	(65.0)	17.0%

¹AFRMM, Tax Credits and Others in the Holding's result includes the impact of other credits and other non-core income;

² Non-recurring in 2021 ((R\$17.2) million of apportionment of corporate expenses that were "returned" to the Holding for comparability purposes, (R\$32.2) million of reversals of extemporaneous credits; R\$1.5 million of consulting and advisory services, R\$1.1 million related to the stock option plan – SOP – with no cash effect); in 2020 (R\$20.2 million from consulting and advisory services related to the IPO, R\$17.0 million related to the stock option plan – SOP).

In 2021, **Adjusted Holding Expenses** totaled **R\$76.1 million** (+17.0% vs. 2020), impacted by the need to adapt its structures to meet the standards of a publicly traded Company (IPO in September 2020), with the creation of support divisions and structured processes that contribute to a higher corporate governance levels.

CONSOLIDATED RESULTS

CAPEX

In 2021, the **consolidated CAPEX**, including amounts related to the Santos concession and the acquisition of Imperial Logistics, which was paid in cash and a scheduled maintenance of one of the bauxite vessels, which is carried out once every five years on an interim basis, totaled **R\$1.1 billion**, with only R\$111.7 million required for maintenance.

Therefore, we achieved the consolidated **CAPEX guidance** disclosed by the Company on August 16. It is worth mentioning that the **consolidated CAPEX guidance from 2022 to 2025 is maintained** and will be carried out gradually. In 2022, we will focus only on investments in projects already in progress and that bring short-term results, such as the completion of the modernization project at the Santos terminal, which will resume operations in mid-2022, and investments in navigation assets to be used as of 2023.

The table below shows our managerial CAPEX, with cash effects being lower than the amounts illustrated (R\$1.002 million in 2021).

Consolidated CAPEX	2021	2020	Ch. %
Maintenance	111.7	35.7	213.2%
Expansion	445.2	238.8	86.4%
STS20 Grant	18.1	28.1	(35.6%)
M&A	523.4	-	-
Total CAPEX	1,098.4	302.6	363.0%

Note: In 2021, the R\$78.1 million difference between the CAPEX amount shown in the table above and cash flow from investments was due to the divergence between cash activation and disbursement for payment of suppliers, as described in Note 31.. Includes CAPEX related to the acquisition of the Imperial Logistics operation in South America, totaling US\$86 million.

Consolidated P&L

Consolidated (R\$ million)	2021	2020	Ch. %
Net Revenue	1,115.4	1,462.1	-23.7%
Net Operating Revenue ¹	1,246.7	1,248.3	-0.1%
Net Operating Revenue "Road Transportation (OTM)" ²	2.0	352.9	-99.4%
Hedge Accounting ³	(133.3)	(139.1)	-4.1%
Operating Costs	(640.0)	(896.8)	-28.6%
Operating Costs	(638.9)	(544.2)	17.4%
Operating Costs "Road Transportation (OTM)" ²	(1.1)	(352.6)	-
Operating Expenses (Revenues)	(143.3)	(167.4)	-14.4%
AFRMM, Tax Credits and Others ⁴	96.1	33.9	183.7%
Equity Accounting	(0.7)	(5.4)	-87.5%
EBITDA	427.6	426.4	0.3%
Margin %	34.3%	34.2%	0.1 bps
Hedge Accounting ³	133.3	139.1	-4.1%
Equity Accounting	0.7	5.4	-87.5%
Non-recurring ⁵	50.1	49.7	0.7%
JVs Results ⁶	18.5	16.8	10.3%
Adjusted EBITDA Including JVs	630.2	637.4	-1.1%
Margin %	50.6%	51.1%	-0.5 p.p.
Depreciation & Amortization	(338.0)	(223.8)	51.1%
EBIT	89.6	202.7	-55.8%
Financial Result	(388.3)	(251.0)	54.7%
Net Income/Loss before tax	(298.6)	(48.4)	-
Income Tax	(40.5)	(56.0)	-27.7%
Net Income/Loss	(339.1)	(104.4)	-

¹ Net Operating Revenue: refers to the net revenue obtained from navigation, transshipment and lifting of products at the terminals where the Company operates;

² Net Operating Revenue and Road Transport Operating Costs (OTM): obtained from subcontracting road transport to customers, providing an integrated logistics solution ("from the MT to the ship's hold");

³ Hedge Accounting: The Company's functional currency is the Brazilian Real, however the Southern Corridor and Coastal Shipping contracts are denominated in US dollars. Thus, hedge accounting was applied to mitigate this exposure to another currency, and the existing debt in US dollars protects partially the long-term contracts in foreign currency. This situation has no impact on cash;

⁴ AFRMM, Tax Credits and Others: includes the positive effect obtained with Additional Freight for Merchant Marine Renovation, as well as other credits and other non-core revenues as highlighted in each of the corridors;

⁵ The Non-recurring line includes in 2021 (R\$41.0 million from credits and extemporaneous write-offs; R\$9.2 million from consulting and advisory services; R\$0.2 million from COVID-19 donations and R\$1.1 million related to the stock option plan – SOP);

⁶ Includes the result obtained from the Company's interest in the TGM, Limday and Baden operations

Financial Result

Consolidated (R\$ million)	2021	2020	Ch. %
Financial Income	60.0	75.3	-20.3%
Financial Expense	(390.8)	(237.8)	64.4%
Recurring Financial Expense	(295.4)	(237.8)	24.2%
Non-recurring Financial Expense (debt restructuring)	(95.4)	-	-
Fx variation	(57.4)	(88.5)	-35.1%
Financial Result	(388.3)	(251.0)	54.7%

The **Financial Result** for 2021 was impacted by one-off and non-recurring events resulting from the debt extension that caused a negative effect in 1Q21 (R\$95.4 million) but also led to a lower average cost of debt in 2021. Excluding this non-recurring effect, the **adjusted Financial Result** would have totaled **(R\$292.8) million** in 2021.

Net Income/Loss

In 2021, Net Loss came to (R\$339.1) million, impacted by non-cash items related to hedge accounting and FX variation, as previously mentioned (vs. (R\$104.4) million in 2020).

Cash Generation

Cash Flow (R\$ million)	2021	2020	Ch. %
Cash beginning of period	1,045.8	974.5	7.3%
(+) Adjusted EBITDA	427.6	426.4	0.3%
(+/-) Change in working capital	(141.5)	(148.0)	-4.4%
(+/-) Hedge Accounting	133.3	139.1	-4.1%
= Operating Cash Flow (OCF)	419.5	417.5	0.5%
(-) CAPEX	(534.1)	(302.8)	76.4%
<i>Recurring</i>	(111.7)	(33.1)	-
<i>Expansion</i>	(422.4)	(269.7)	56.6%
(-) M&A	(468.2)	-	-
(-) Grant	(18.1)	-	-
= Investing Cash Flow (ICF)	(1,020.4)	(302.8)	237.0%
(+/-) Debt Issuance/Amortization	745.0	(32.5)	-
(-) Interest Payments	(217.7)	(194.7)	11.8%
(-) Lease Payments	(81.9)	(17.0)	-
(+/-) Funding costs/Bond repurchase	(124.4)	(100.1)	24.2%
(+) Capital Contribution	-	51.8	-
(-/+) Dividends Paid/Received	5.7	4.9	16.3%
= Financing Cash Flow (FCF)	326.7	(287.7)	-
Impact of exchange rate variation on cash balances	(99.3)	244.3	-
= Cash Generation	(373.5)	71.3	-
= Cash end of period	672.3	1,045.8	-35.7%

In 2021, operating cash generation reached **R\$419.5 million** (vs. R\$417.5 million in 2020), mainly explained by the recurring improvement in the Company's working capital management.

Including expansion and maintenance investments, as well as financial cash flow, the Company's cash burn totaled R\$373.5 million in 2021 (vs. cash generation of R\$71.3 in 2020), mainly due to the disbursement, in the amount of R\$468.2 million, for the acquisition of Imperial Logistics, and higher investments in expansion CAPEX to enable better future results.

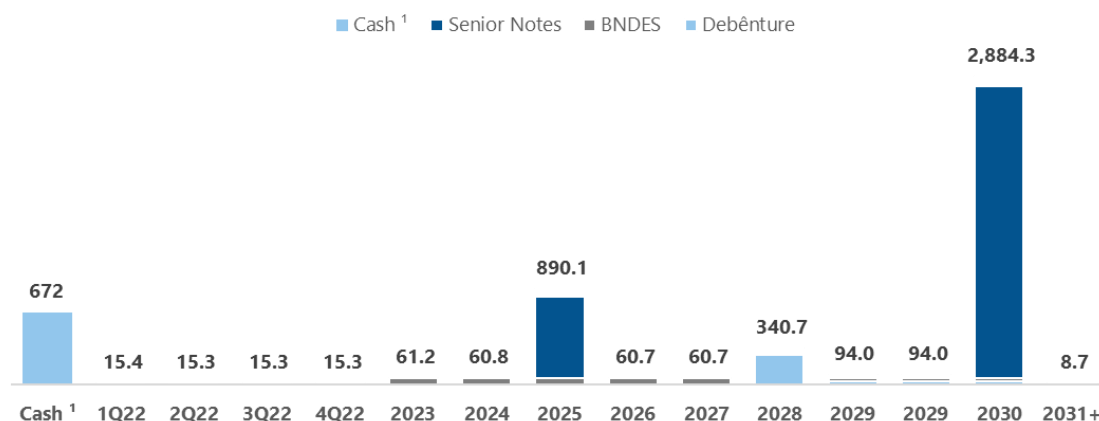
We ended the quarter with a cash balance of R\$672.3 million, which we consider **adequate and compatible with the Company's future obligations**.

Debt

The Company concluded an important debt restructuring process in 2021, with the repurchasing of US\$425 million in bonds maturing in 2025, replacing them with new bonds maturing in 2031. In addition to lengthening maturity from 4 to 10 years, the Company issued a new debt at 4.950% cost per year, a significant saving of 100 bps when compared to the previous debt. As a result, the **Company's amortization flows have become even smaller for the coming years, with no significant maturity in the short-term**.

The Company also issued, in 4Q21, its first incentive debentures (Law 12,431/2011), in the amount of R\$380 million, with maturities of 7 and 10 years, to be used for the construction of the Santos terminal and, therefore, restoring a portion of the cash already invested in this project, providing greater cash flexibility and even more security for the cash position.

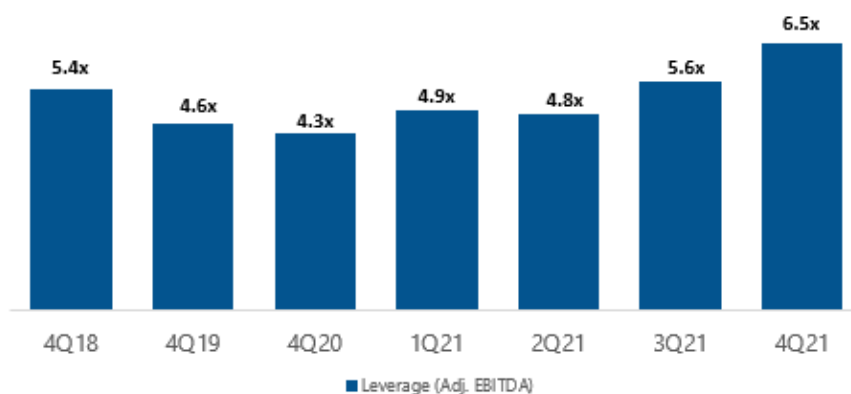
The current amortization schedule is as follows:



The Company's leverage, considering Adjusted EBITDA stood at 6.5x in 4Q21 (vs. 4.3x in 4Q20), reflecting the external and non-recurring scenarios related to the corn crop failure, which impacted volumes in the North Corridor, and the low draft levels below historical averages in the Corumbá region, where we operate iron ore. All of which, contributed with a cash generation below the potential of these corridors during the fourth quarter and full year 2021.

In terms of net debt, we ended 2021 at a level higher than in 2020, due to the acquisition of Imperial Logistics' operation in the South Corridor, which was fully paid in cash and expected results have not yet been achieved due to the draft situation in this region. Furthermore, the devaluation of the Real in the comparable period also impacted the net indebtedness for the revaluation of liabilities in dollars.

It is worth mentioning that the indicator below reflects a one-off and non-recurring situation and tends to return to levels closer to previous years with the normalization of operations that were impacted in 2021. Non-compliance with existing leverage covenants does not generate any type of anticipation of payment of the Company's debts.



Note: Considers Adjusted EBITDA for the last 12 months, which excludes the impact of hedge accounting, equity pickup, and non-recurring items in the period. Due to the Company's debt restructuring, we now analyze the covenant on a consolidated basis and, consequently, the indicator above changed and is calculated based on the Net Debt excluding FX variation adjustments.

Sustainability

GHG HBSA Inventory

As part of our commitment to building a sustainability platform and transparency regarding the impacts of our operations, in 2021 we carried out the first GHG inventory for Hidroviás do Brasil.

The inventory was conducted by Way Carbon and mapped the GHG emissions linked to our operations in 2020, considering the three scopes and following the definition established by the GHG Protocol methodology.

According to the inventory, in 2020, HBSA's total emissions were equivalent to 280,883 tCO₂e. HBSA's RTKU (usable distance traveled x weight of transported cargo) was equivalent to 32,714 mTKU, resulting in an emission indicator equivalent to 4.1 gCO₂e/tku, while other logistics companies in the rail transport and road + waterway transport segments had emission indicators of 14.3 gCO₂e/TKU and 12.2 gCO₂e/nm, respectively, in 2020.

Hidroviás do Brasil contributed significantly to avoid GHG emissions through navigation by convoys in relation to the road modal for the same stretches. In the North Corridor, we avoided the emission of ~2110 gCO₂e/10 convoys per month and in the South Corridor, we avoided the emission of ~2500 gCO₂e/10 convoys per month, demonstrating the high potential to contribute with the decarbonization of our customers' logistics chain.

We remain focused on decarbonization and emissions reduction processes through actions that are already included in the Company's current portfolio and/or being implemented, and we have recently approved short and medium-term sustainability goals and commitments that will be announced shortly.

Among the projects under implementation, we have two electric maneuvering pushers being built at the Belov shipyard, with operations to being in the North Corridor as of 2023 and a potential to reduce emissions by 3,916 tCO₂e by 2025, as well as the installation of solar panels at the Miritituba Terminal, which will enable emissions to be reduced by 175 tCO₂e by 2025. Additionally, we are also developing a new high-tech trunk pusher to be used in the North Corridor, which should be ready to operate in 2023 and will contribute to a reduction of 39,867 tCO₂e in emissions by 2025.

INDEPENDENT AUDITORS

The individual and consolidated financial statements of Hidroviás do Brasil S.A. and its subsidiaries are audited by KPMG Auditores Independentes Ltda., whose choice is solely the responsibility of the Board of Directors. The Company's policy in contracting services not related to the external audit seeks to assess the existence of conflicts of interest. Thus, the following aspects are evaluated: the auditor must not (i) audit his own work; (ii) perform managerial functions at your client; and (iii) promote your client's interests; conditions that were observed in the fiscal year ended on December 31, 2021. In the fiscal year ended on December 31, 2021, in addition to the external audit services, other non-audit services related to tax compliance services in the subsidiaries of the Paraguay and Uruguay and Due Diligence works, which totaled R\$859 thousand in 2021.

MANAGEMENT STATEMENT

In compliance with the provisions of article 25 of CVM Instruction no. 480, of December 7, 2009, as amended, the Company's Executive Board declares that it has discussed, reviewed and unanimously agreed with the opinions expressed in the KPMG Auditores Independentes ("KPMG") Report on the Company's financial statements, issued on this date, and with the individual and consolidated financial statements for the fiscal year ended December 31, 2021.

DISCLAIMER

This report has forward-looking statements and prospects based on strategies and beliefs for growth opportunities of Hidroviás do Brasil S.A. and its subsidiaries ("Hidroviás" or "Company"), based on the Management's analyses. This means that statements included herein, based on a thorough study of public information made available to the market in general, although considered reasonable by the Company, may not materialize and/or may have imperfections and/or inaccuracies. This disclaimer on the information shown indicates the existence of adverse situations that may impact the expected results so that our expectations might not materialize within the reporting period, as these factors go beyond Hidroviás' control. Therefore, the Company does not guarantee the performance in this presentation and, as a result, does not represent a material offering the purchase and/or subscription of its securities.



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

To the Shareholders of the Hidrovias do Brasil S.A.
São Paulo - SP

Opinion

We have audited the individual and consolidated financial statements of Hidrovias do Brasil S.A. (“Company”) and its subsidiaries, respectively referred to as parent company and consolidated, which comprise the balance sheet as at December 31, 2021, and the statements of income, of comprehensive income, changes in shareholders’ equity and cash flows for the year then ended, and notes, comprising significant accounting policies and other explanatory information.

Opinion related to Parent Company

In our opinion, the accompanying financial statements present fairly, in all material respects, the individual financial position of the Hidrovias do Brasil S.A. as of December 31, 2021, and the individual financial performance and its cash flows for the year then ended in accordance with the accounting practices adopted in Brazil.

Opinion related to Consolidated

In our opinion, the accompanying financial statements present fairly, in all material respects, the consolidated financial position of the Hidrovias do Brasil S.A. as of December 31, 2021, and the consolidated financial performance and its cash flows for the year then ended in accordance with the accounting practices adopted in Brazil and in accordance with the International Financial Reporting Standards (IFRS) issued by the International Accounting Standards Board (IASB).

Basis for opinion

We conducted our audit in accordance with Brazilian and international standards on auditing (ISAs). Our responsibilities under those standards are further described in the “Auditors’ 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 ethical requirements that are relevant to our audit of the individual and consolidated financial statements and that are provided in the Brazilian Accountant’s Code of Professional Ethics and the professional standards issued by the Brazilian Federal Accounting Council, and we have fulfilled our ethical responsibilities in accordance these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Key audit matters

The key audit matters are those that, in our professional judgment, were of most significance in our audit of the individual and consolidated financial statements of the current period. These matters were addressed in the context of our audit of the individual and consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

Key audit matters

Impairment of goodwill (refer to notes 3 (i) impairment of assets and 13 intangible assets)

Key audit matters	How the matter was addressed in our audit
<p>The individual and consolidated financial statements for the year ended December 31, 2021 include goodwill in intangible assets, whose realization is supported by estimates of future profitability based on the business plan prepared by the Company, based on methodologies and assumptions that involve significant judgment, such as: discount rate and growth rate, sales revenue, costs, gross margin and new investments.</p> <p>Any changes in the assumptions used in calculation may impact the measurement of the goodwill presented in the consolidated financial statements and the amount of the investment recorded under the equity method in the individual and consolidated financial statements. Therefore, we consider this matter to be significant for our audit.</p>	<p>Our audit procedures included, among others:</p> <ul style="list-style-type: none"> (i) with the assistance of our corporate finance specialists, evaluation of the methodology used by the Company and the assumptions used to calculate discounted cash flows, including growth and discount rates, historical information and recalculation of the formulas used in the discounted cash flow models; (ii) a comparison of the recoverable amount calculated based on the discounted cash flows for the goodwill cash generating unit with the book value of the respective cash generating units and (iii) validation of the relevant disclosures in the financial statements. <p>As a result of the evidence obtained through the audit procedures summarized above, we consider that the goodwill value and the respective disclosures are acceptable in the context of the individual and consolidated financial statements taken as a whole.</p>

Revenue recognition (refer to notes 3 (d) and 23)

Key audit matters	How the matter was addressed in our audit
<p>The revenues of the Company and its subsidiaries refer mainly to the transportation of commodities through river (transportation service) and maritime navigation (cabotage), lifting and transshipment services.</p> <p>These revenues, in the majority, are based on long-term contracts with customers, which include guarantees of minimum volumes transported ("Take or Pay").</p> <p>Revenue recognition occurs only when performance obligations are completed.</p> <p>Due to the fact that transport and cabotage operations involve significant amounts, being pulverized, occur in large volume and the determination of the period in which the service is being provided, when close to the cut-off date of the financial statements, the revenue recognition process requires the maintenance of appropriate routines for identify and measure the revenues. Therefore, we consider this matter significant for our audit.</p>	<p>Our audit procedures included, among others:</p> <ul style="list-style-type: none"> (i) evaluation of the design of the internal controls used by the components, aiming to obtaining the information necessary to determine the effective period of service provision and the criteria for determining the performance obligation; (ii) on a sample basis, analysis of commercial contracts to evaluate the accounting recognition and documentation test, as well as, evaluation of revenue accounting in the appropriate period; (iii) for contracts with "Take or Pay" clauses we examine the corresponding calculations related to revenues recognized; (iv) evaluation of the disclosures in the individual and consolidated financial statements relevant to the matter. <p>As a result of the evidence obtained through the auditing procedures summarized above, we consider the revenue balance for transportation and cabotage in the context of the consolidated financial statements to be acceptable.</p>

Measurement of identifiable assets acquired in a business combination (refer to notes 3 (h) and 10.1)

Key audit matters	How the matter was addressed in our audit
<p>During 2021, the Company and the direct subsidiaries Cikesol S.A. e Pricopar S.A acquired the control of the logistics operation segment of the company Imperial Logistics, which comprises the companies Imperial Shipping Paraguay S.A., Imperial South America BV. and a set of fixed assets.</p> <p>The accounting process in the business acquisition involves relevant estimates and judgments, in the measurement of fair value of identifiable assets acquired.</p> <p>Due to the uncertain and judgment related to the methodology involved to measurement the fair value of identifiable assets acquired and the main assumptions, as well as the relevance of the amounts involved, we consider this matter as significant for our audit.</p>	<p>Our audit procedures included, among others:</p> <ol style="list-style-type: none">Obtaining and analyzing the signed contracts, as well the financial settlement, when applicable, related to the consideration transferred in the business.With the assistance of our Tangible Asset Valuations specialists, we evaluated the methodology used by Company in determining the fair values of tangible identifiable assets acquired, as well as evaluating the main assumptions. We compared the assumptions used by the Company, when available, with data obtained from external sources, such as historical data;With the assistance of our corporate finance specialists, we evaluated the main assumptions adopted in determining the fair values of intangible identifiable assets acquired. We compared the assumptions used by the Company, when available, with data obtained from external sources, such as historical data; andAssessment of whether the disclosures in the individual and consolidated financial statements include all relevant information. <p>Based on the audit evidence obtained through above-summarized audit procedures, we consider the measurement of fair value of identifiable assets acquired acceptable in the business combination, as well as related disclosures, in the context of the individual and consolidated financial statements taken as a whole.</p>

Other matters - Statements of added value

The individual and consolidated statements of added value (DVA) for the year ended December 31, 2021 prepared under the responsibility of the Company's management, and presented as supplementary information for IFRS purposes, which were subject to audit procedures carried out with the audit of the Company's financial statements. In order to express our opinion, we evaluated whether these statements are reconciled with the financial statements and accounting records, as applicable, and whether their form and content are in accordance with the criteria defined in CPC 09 Technical Pronouncement - Statement of Added Value. In our opinion, the statements of added value were prepared, in all material respects, in accordance with the criteria defined in this Technical Pronouncement, and are consistent with the overall individual and consolidated financial statements.

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

The Company's management is responsible for the other information that comprises 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 audit conclusion thereon.

In connection with the 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 in the Management Report, we are required to report that fact. We have nothing to report on this regard.

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

Management is responsible for the preparation and fair presentation of the individual financial statements in accordance with the accounting practices adopted in Brazil and consolidated financial statements in accordance with the accounting practices adopted in Brazil and IFRS, and for such internal control as management determines is necessary to enable the preparation of consolidated 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 and its subsidiaries ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Company and its subsidiaries or to cease operations, or has no realistic alternative but to do so.

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

Auditors' 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 auditors' 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 individual and consolidated financial statements.

As part of an audit performed according to the Brazilian and international standards on auditing, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the individual and consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain 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.
- Obtain 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 and its subsidiaries' internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude 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 and its subsidiaries' ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditors' 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 auditors' report. However, future events or conditions may cause the Company and subsidiaries to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the individual and consolidated financial statements, including the disclosures, and whether the individual and consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the individual and consolidated financial statements. We

are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

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

We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence and communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with those charged with governance, we determine those matters that were of most significant in the audit of the individual and consolidated financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditors' 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 23, 2022

KPMG Auditores Independentes Ltda.
CRC 2SP014428/O-6

Original report in Portuguese signed by

Wagner Petelin
Accountant CRC 1SP142133/O-7

HIDROVIAS DO BRASIL S.A.

BALANCE SHEETS AS OF DECEMBER 31, 2021 AND DECEMBER 31, 2020

(In thousands of reais – R\$)

ASSETS	Note	Parent company		Consolidated	
		2021	2020	2021	2020
Current assets					
Cash and cash equivalents	4	937	1,441	76,454	214,848
Securities	5.1	103,381	87,728	582,562	816,044
Trade accounts receivable	6.1	-	-	244,620	147,852
Inventories		-	-	94,347	57,051
Recoverable taxes	7	1,395	97	30,414	44,912
Income tax and social contribution	7.1	7,914	-	62,734	42,986
Advances to suppliers	9	857	1,249	50,264	34,593
Prepayments		3,042	2,483	26,288	32,149
Related party credits	18	21,518	15,603	-	-
Dividends receivable	18	934	14,090	-	-
Other receivables		215	160	58,698	37,076
Total current assets		140,193	122,851	1,226,381	1,427,511
Non-current assets					
Linked securities	5.2	-	-	13,295	14,952
Related party credits	18	5,580	5,197	5,778	3,820
Trade accounts receivable	6.1	-	-	6,400	6,400
Judicial deposits	17	32,383	32,383	45,944	40,774
Guarantees and pledge deposits	8	2,179	9,100	2,210	9,491
Deferred tax assets	26	13,832	8,543	177,895	148,862
Recoverable taxes	7	-	-	52,816	77,588
Income tax and social contribution	7.1	-	-	38,770	37,373
Advances to suppliers	9	-	-	-	8,358
Prepayments		3,697	3,789	35,030	29,256
Investments	10	1,445,340	1,435,557	103,705	74,479
Property, plant and equipment	11	6,253	8,140	4,254,285	3,355,604
Right-of-use asset	12	1,182	-	207,580	157,114
Intangible assets	13	38,230	24,419	347,441	322,915
Total non-current assets		1,548,676	1,527,128	5,291,149	4,286,986
Total assets		1,688,869	1,649,979	6,517,530	5,714,497

See the accompanying notes to the financial statements

HIDROVIAS DO BRASIL S.A.
BALANCE SHEETS AS OF DECEMBER 31, 2021 AND DECEMBER 31, 2020
(In thousands of reais – R\$)

LIABILITIES AND SHAREHOLDERS' EQUITY	Note	Parent company		Consolidated	
		2021	2020	2021	2020
Current liabilities					
Suppliers	14	5,451	9,229	146,142	68,506
Loans, financing and debentures	15	6,182	-	180,889	185,954
Social charges and labor legislation obligations	16	13,986	17,824	33,756	39,460
Lawsuits	17	5,479	-	22,334	9,794
Taxes payable		4,967	5,217	35,381	26,241
Income tax and social contribution		-	18,856	63,078	67,622
Accounts payable with related parties	18	1,724	63,481	-	-
Advances from clients		-	-	3,650	7,315
Dividends payable	18	-	-	-	237
Lease liabilities	12	1,227	180	69,942	14,446
Obligation with concession - grant	13	-	-	24,046	18,547
Other accounts payable		10,358	9,365	23,070	7,841
Total current liabilities		49,374	124,152	602,288	445,963
Non-current liabilities					
Loans, financing and debentures	15	370,251	-	4,458,517	3,537,180
Accounts payable with related parties	18	21,590	-	-	-
Lease liabilities	12	-	-	161,636	150,301
Obligation with concession - grant	13	-	-	42,227	55,226
Other accounts payable		-	-	5,208	-
Total non-current liabilities		391,841	-	4,667,588	3,742,707
Shareholders' equity					
Capital	19	1,334,584	1,334,584	1,334,584	1,334,584
Capital reserves		34,871	34,176	34,871	34,176
Retained earnings (loss)		(336,096)	(21,046)	(336,096)	(21,046)
Equity valuation adjustment		214,295	178,113	214,295	178,113
Total shareholders' equity		1,247,654	1,525,827	1,247,654	1,525,827
Total liabilities and shareholders' equity		1,688,869	1,649,979	6,517,530	5,714,497

See the accompanying notes to the financial statements

HIDROVIAS DO BRASIL S.A.
 STATEMENTS OF INCOME
 FOR THE YEARS ENDED DECEMBER 31, 2021 AND 2020
 (In thousands of reais - R\$, except earnings/loss per share)

	Note	Parent company		Consolidated	
		2021	2020	2021	2020
Net operating revenue	23	-	-	1,115,417	1,462,103
Cost of services rendered	24.1	-	-	(880,774)	(1,089,606)
Gross income		-	-	234,643	372,497
Operating expenses					
General and administrative expenses	24.1	(72,306)	(109,248)	(240,437)	(198,344)
Equity in net income of subsidiaries	10	(298,516)	14,723	(671)	(5,362)
Other revenues	24.2	32,419	-	96,089	33,870
Operating income (loss) before financial income (loss) and taxes		(338,403)	(94,525)	89,624	202,661
Financial revenues	25	8,956	2,326	35,142	54,421
Financial expenses	25	(14,834)	(3,033)	(423,411)	(305,447)
Financial income (loss)	25	(5,878)	(707)	(388,269)	(251,026)
Operating income (loss) before income tax and social contribution		(344,281)	(95,232)	(298,645)	(48,365)
Income tax and social contribution					
Current	26	(140)	(18,856)	(64,272)	(68,291)
Deferred	26	5,289	8,543	23,785	11,111
Loss for the year		(339,132)	(105,545)	(339,132)	(105,545)
Basic earnings per share - R\$	20	(0.4460)	(0.1403)	(0.4460)	(0.1403)
Diluted earnings per share - R\$	20	(0.4460)	(0.1394)	(0.4460)	(0.1394)

See the accompanying notes to the financial statements

HIDROVIAS DO BRASIL S.A.

STATEMENTS OF COMPREHENSIVE INCOME

FOR THE YEARS ENDED DECEMBER 31, 2021 AND 2020

(In thousands of reais – R\$)

	Parent company		Consolidated	
	2021	2020	2021	2020
Loss for the year	(339,132)	(105,545)	(339,132)	(105,545)
Other comprehensive income:				
Items that may be reclassified in the statement of income:				
Foreign exchange difference in the translation of foreign operations in subsidiaries	61,026	222,582	55,729	209,024
Foreign exchange difference in the translation of foreign operations in investees	-	-	5,297	13,558
Hedge accounting of non-derivative financial instruments	(6,000)	(294,648)	(6,000)	(294,648)
Deferred income tax and social contribution	5,238	91,032	5,238	91,032
Total	60,264	18,966	60,264	18,966
Comprehensive income for the year	<u>(278,868)</u>	<u>(86,579)</u>	<u>(278,868)</u>	<u>(86,579)</u>

See the accompanying notes to the financial statements

HIDROVIAS DO BRASIL S.A.
STATEMENTS OF CASH FLOWS
FOR THE YEARS ENDED DECEMBER 31, 2021 AND 2020
(In thousands of reais – R\$)

	Controladora		Consolidado	
	2021	2020	2021	2020
Cash flow from operating activities				
(Loss) for the year	(339,132)	(105,545)	(339,132)	(105,545)
Adjustments to reconcile loss for the year with net cash generated by (invested in) in operating activities:				
Provision for bonus	7,913	4,503	7,597	8,665
Loss with derivative financial instruments	-	1,238	-	-
Current and deferred income tax and social contribution	(5,149)	17,176	40,487	64,042
Realization of adjustment to present value	-	-	9,656	11,246
(Formation) Reversal of provision for contingency	5,479	-	12,536	3,910
Interest incurred on loans	7,275	-	220,144	180,077
Reversal of loan funding costs	91	-	34,112	5,336
Inflation and foreign exchange adjustments on debt	-	-	25,148	71,013
Interest and inflation adjustment on lease	142	91	13,285	9,014
Long-term incentive	1,076	17,049	1,076	17,049
Yield of interest earning bank deposit	(7,471)	(262)	(31,150)	(44,491)
Formation of provision for losses	-	-	141	-
Depreciation and amortization	9,654	6,321	254,461	209,992
Amortization from right-of-use asset	1,287	1,101	83,459	13,763
Equity in net income of subsidiaries	298,516	(14,723)	671	5,362
Revenue realized from hedge	-	-	133,328	139,093
Bargain purchase income (loss)	(32,298)	-	(57,140)	-
Write-off of lease liability and right-of-use	-	-	(3,104)	-
Earn-out reversal	-	-	(3,488)	-
Provision for loss of prescribed taxes	-	-	31,234	-
Write-off of assets due to loss	-	-	8,400	-
(Increase) decrease in operating assets:				
Accounts receivable	-	-	(79,687)	(62,351)
Inventories	-	-	(27,818)	(9,964)
Recoverable taxes	(1,320)	(7,546)	12,143	(48,953)
Advances to suppliers	392	(814)	(1,542)	26,701
Prepayments	(467)	(525)	13,424	10,793
Judicial deposits	-	(27,040)	(5,162)	(29,018)
Guarantees and pledge deposits	6,921	(2,396)	7,281	(2,787)
Other receivables	(55)	1,133	(26,289)	(9,486)
Increase (decrease) in operating liabilities:				
Suppliers	(3,778)	6,211	42,787	15,756
Social charges and labor legislation obligations	(11,760)	666	(17,586)	3,880
Taxes payable	(250)	185	8,813	8,437
Advances from clients	-	-	(9,563)	(18,368)
Other accounts payable	622	5,983	(8,201)	2,772
Payment of interest on loans and financing	-	-	(217,745)	(194,694)
Income tax and social contribution paid	(26,888)	(3,174)	(84,845)	(42,812)
Net cash (invested in) from operating activities	(89,200)	(100,368)	47,731	238,432
Cash flows from investment activities				
Acquisition of fixed assets	(1,512)	(3,165)	(512,582)	(253,411)
Acquisition of intangible assets	(15,884)	(17,366)	(21,484)	(49,233)
Acquisition of subsidiaries	(20,739)	-	(468,201)	-
Securities (investment)	(520,850)	(258,615)	(2,648,827)	(2,107,859)
Securities (redemptions)	512,668	174,537	2,923,143	2,426,217
Dividends received	25,965	90,347	5,673	6,839
Loan obtained from related parties	(6,298)	(10,242)	-	(3,820)
Capital increase (decrease) in subsidiaries	(211,989)	4,404	(18,721)	-
Net cash (invested in) generated by investment activities	(238,639)	(20,100)	(740,999)	18,733
Cash flows from financing activities				
Capital transfers from shareholders	-	51,786	-	51,786
Concession lease	-	-	(18,141)	-
Lease paid	(1,564)	(1,060)	(81,925)	(17,032)
Borrowings	380,000	-	3,228,650	-
Funding cost	(10,934)	-	(124,375)	-
Amortization of principal - loans	-	-	(2,483,608)	(32,506)
Pledged financial investments	-	-	-	431
Payment of dividends	-	(363)	-	(1,961)
Bond repurchase	-	-	-	(100,101)
Loan granted between related parties	21,590	-	-	-
Other accounts payable with related parties	(61,757)	62,367	(1,958)	-
Net cash generated by (invested in) financing activities	327,335	112,730	518,643	(99,383)
Effect of changes in exchange rate on balance of cash and cash equivalents in foreign currency	-	-	36,231	11,900
(Decrease)/increase in cash and cash equivalents	(504)	(7,738)	(138,394)	169,682
Cash and cash equivalents at the beginning of the year	1,441	9,179	214,848	45,166
Cash and cash equivalents at the end of year	937	1,441	76,454	214,848
(Decrease)/increase in cash and cash equivalents	(504)	(7,738)	(138,394)	169,682

HIDROVIAS DO BRASIL S.A.

STATEMENTS OF CHANGES IN SHAREHOLDERS' EQUITY
FOR THE YEARS ENDED DECEMBER 31, 2021 AND 2020
(In thousands of reais – R\$)

	Capital	Cost for the issue of shares	Capital reserves		Profit reserves			Accumulated loss	Equity valuation adjustment		Total
			Goodwill in the issue of shares	Options granted	Tax incentive reserve	Legal reserve	Additional dividends proposed		Accumulated translation adjustments	Adjustment of non-derivative financial instruments	
BALANCES AT JANUARY 1, 2020	1,307,683	(24,885)	4,401	12,726	37,636	11,036	35,827		285,664	(126,517)	1,543,571
Capital increase	51,786	-	-	-	-	-	-	-	-	-	51,786
Loss for the year	-	-	-	-	-	-	-	(105,545)	-	-	(105,545)
Recognized options granted	-	-	-	17,049	-	-	-	-	-	-	17,049
Tax incentive reserve	-	-	-	-	20,922	-	-	(20,922)	-	-	-
Other comprehensive income	-	-	-	-	-	-	-	-	222,582	(203,616)	18,966
Absorption of reserves	-	-	-	-	(58,558)	(11,036)	(35,827)	105,421	-	-	-
BALANCES AT DECEMBER 31, 2020	1,359,469	(24,885)	4,401	29,775	-	-	-	(21,046)	508,246	(330,133)	1,525,827
Long-term incentive plan	-	-	-	695	-	-	-	-	-	-	695
Loss for the year	-	-	-	-	-	-	-	(339,132)	-	-	(339,132)
Tax incentive reserve	-	-	-	-	24,465	-	-	(24,465)	-	-	-
Absorption of reserves	-	-	-	-	(24,465)	-	-	24,465	-	-	-
Deferred income tax and social contribution on hedge accounting	-	-	-	-	-	-	-	24,082	-	(24,082)	-
Other comprehensive income	-	-	-	-	-	-	-	-	61,026	(762)	60,264
BALANCES AT DECEMBER 31, 2021	1,359,469	(24,885)	4,401	30,470	-	-	-	(336,096)	569,272	(354,977)	1,247,654

See the accompanying notes to the financial statements

HIDROVIAS DO BRASIL S.A.DEMONSTRAÇÕES DO VALOR ADICIONADO
PARA OS EXERCÍCIOS FINDOS EM 31 DE DEZEMBRO DE 2021 E DE 2020

(Em milhares de reais - R\$)

	Controladora		Consolidado	
	2021	2020	2021	2020
REVENUE				
Revenue from services	-	-	1,189,593	1,514,879
Revenues from construction of own assets	17,396	20,533	533,972	302,936
Other revenues	32,419	-	96,089	33,870
Inputs acquired from third parties:				
Cost of services rendered	-	-	(460,994)	(748,562)
Material, electric power, outsourced services and other	(19,297)	(32,253)	(83,278)	(84,850)
Construction of own assets	(17,396)	(20,522)	(533,972)	(299,960)
Gross added value (consumed)	13,122	(32,242)	741,410	718,313
Depreciation and amortization	(10,941)	(7,422)	(337,999)	(223,755)
Net added value (consumed) generated by the Company	2,181	(39,664)	403,411	494,558
Added value (consumed) received as transfer:				
Equity in net income of subsidiaries	(298,516)	14,723	(671)	(5,362)
Financial revenues	8,956	2,326	35,142	54,421
Total added value payable (consumed)	(287,379)	(22,615)	437,882	543,617
Distribution - Added value (consumed)	(287,379)	(22,615)	437,882	543,617
Personnel:	42,068	69,585	238,940	233,758
Direct remuneration	26,919	41,036	220,717	202,690
Benefits	5,266	21,444	6,720	22,302
FGTS	9,883	7,028	11,500	8,696
Other	-	77	3	70
Taxes	(5,149)	10,312	114,663	109,956
Federal	(5,149)	10,312	97,983	90,342
State	-	-	16,680	19,614
Third-party capital remuneration	14,834	3,033	423,411	305,448
Interest on loans	8,477	-	238,546	209,617
Inflation adjustments and exchange-rate changes	-	715	57,413	88,504
Other financial	6,357	2,318	127,452	7,327
Remuneration of own capital	(339,132)	(105,545)	(339,132)	(105,545)
Retained earnings (losses)	(339,132)	(105,545)	(339,132)	(105,545)

HIDROVIAS DO BRASIL S.A.

Notes to the individual and consolidated financial statements
For the years ended December 31, 2021 and 2020
(In thousands of reais - R\$, unless otherwise indicated)

1 Operations

Hidroviás do Brasil S.A. (“Company”, “Hidroviás” or “Group”), is a publicly-held company, and its shares are traded at B3 S.A. – Brasil, Bolsa, Balcão (“B3”), under the “HBSA3” code. It was set up on August 18, 2010 and is headquartered in the city and state of São Paulo, at Rua Gilberto Sabino, 215 - 7º andar - Pinheiros, and may, by resolution of the Board of Directors, open branches, agencies and establishments anywhere in Brazil or abroad. The Company’s business purpose consists of waterway, road and multimodal logistics and infrastructure activities, in Brazil and abroad, including those listed below, as well as an ownership interest in companies that carry out such activities:

- a) Transportation of goods.
- b) Construction and exploration of ports, cargo terminals, dockyards, workshops and warehouses.
- c) River and sea navigation, cabotage and storage of goods.
- d) Provision of logistic services, directly or through third parties.
- e) Other correlated activities or activities that are somehow related to its business purpose.

The Company is authorized to increase its capital by up to R\$ 2,320 by resolution of the Board of Directors and regardless of statutory reform, pursuant to article 168 of Law 6404/76.

As of September 25, 2020, the Company carried out its secondary public offering (IPO) of 399,426,570 common shares, held by the Selling Shareholders (as defined in the IPO documents). The price was R\$ 7.56 per common share. Note 19 shows the effects on the shareholding structure.

The Company’s shares are listed on the Novo Mercado (New Market) segment of Bolsa de Valores de São Paulo – B3 S.A. – Brasil, Bolsa, Balcão, under the ticker HBSA3.

COVID-19

The years 2020 and 2021 were marked by the COVID-19 pandemic, which generated impacts and the initial operational impact on different sectors of the global economy. Our operations, as well as the operations of companies directly or indirectly controlled by us, did not suffer major impacts, were significantly impacted due to the measures to restrict the circulation of people adopted as a result of the COVID-19 pandemic. The Company’s activities, linked to the food supply chain and base metals, are considered essential businesses in the locations where we operate and have not been subject to operating restrictions so far. The nature of our business makes restrictive measures to the operation unlikely since these would have the potential to cause disruptions in the supply chains of food and basic inputs. Nevertheless, we believe that the extent of the pandemic impacts on our results for the coming quarters will depend on future developments, which are highly uncertain and unpredictable.

The impacts arising from the COVID-19 outbreak are continuous and, therefore, we will assess the evolution of the effects of the current pandemic on our revenues, assets, revenues, businesses and prospects, aiming at identifying any possible change in our ability to continue as a going concern. Our analyzes will be carried out in line with CVM/SNC/SEP Circular Letter No. 02/2020, issued by the Brazilian Securities and Exchange Commission (CVM) on March 10, 2020, which guides management and independent auditors of publicly-held companies must carefully consider the impacts of the COVID-19 in their businesses and report the main risks and uncertainties arising from this analysis in the financial statements, in line with the applicable accounting standards.

We have adopted measures of social distancing and prevention with our employees. The Holding company’s activities have been taking place on a telecommuting basis since March 2020. Moreover, we have adopted isolation measures, reinforcement of personal protective equipment and tests for the operation teams as measures to reduce the risks of spreading COVID-19 and its impacts on our businesses.

We continuously monitor the billing of our operations, which allows us to foresee, to a certain extent, the

HIDROVIAS DO BRASIL S.A.

Notes to the individual and consolidated financial statements
For the years ended December 31, 2021 and 2020
(In thousands of reais - R\$, unless otherwise indicated)

impact of the COVID-19 pandemic on our activities.

We are monitoring pandemic developments due to the COVID-19 pandemic, with the purpose of preserving our safety, that of our employees, suppliers and clients, as well as we continue mapping the effects of the pandemic on our businesses. We have no way of predicting when social distancing measures will no longer be necessary. Furthermore, in our view, the resumption of administrative activities in the offices should happen gradually once such social distancing measures are reduced and gradually disappear. We believe that the current restrictions do not cause losses to the Company's operation or revenue generation so far.

We have not identified significant risks to our operation, to the flow of new businesses or to the payment capacity of our clients so far. However, the social isolation measures impacted some of our suppliers, causing financial difficulties for some suppliers and delays in the delivery of projects, especially in the implementation of the fertilizer and salt terminal in Santos (STS20). The contractor engaged for the work – Método Engenharia – was adversely affected by the pandemic and had its financial situation deteriorated as a result of it, hampering the progress of the work and ultimately resulting in the cancellation of the Hidrovias contract with it. This, in addition to delays resulting from sanitary measures, caused delays in the work of this terminal.

Measurements adopted by the Company

Aiming to guarantee the integrity of our employees and our operations, the Company established several preventive measures to reduce the risks arising from the COVID-19 pandemic and to reduce the risks to the operation. These measures are detailed below:

- Creation of a Corporate Crisis Committee, formed by HBSA Directors, with weekly meetings to monitor risks and deliberate on mitigation actions. The Company's operation bases also have local Crisis Committees focused on spreading the resolutions of the Corporate Committee, improving the communication, ensuring the implementation of action plans and monitoring of suspected and effective cases. Based on the improved conditions of the COVID-19 pandemic, the crisis committee was replaced by periodic follow-up meetings.
- Preventive actions to reduce the risks of contamination: distribution of adequate PPE, adequacy of cafeterias and offices for distancing measures, intensive prevention campaigns, social distancing protocols, remote work for administrative offices, and rotation in operational workstations on land, when possible, removal of employees in risk groups, and disinfection of environments.
- Monitoring actions: Control of the health status of all employees, control of those vaccinated (1st, 2nd and 3rd doses), monitoring of suspected and confirmed cases (employees and family members).
- Specific actions for crews: pre- and post-boarding testing and quarantine, monitoring of health conditions, distribution of PPE and CPEs, complete disinfection of vessels, prohibition of access to non-crew, extension of on-board crew shifts, increase in the supply of food and fuel and contracting of insurance to cover potential infections on board.
- Participation in Vaccination Campaigns promoted by Municipal Governments: some functional categories were included by the Federal Government as priority groups in the PNI, among them port and waterway operators. Thus, until December 31, 2021, around 94% of our workforce in Brazil received the first dose of the COVID-19 vaccine, of which around 89% received full immunization (two doses or a single dose).

Through the Hidrovias Institute, HBSA's Private Social Investment branch, until December 31, 2021, food baskets were donated to communities, which were driven by our operations in the municipalities of Itaituba and Barcarena, in the State of Pará, and Santos, in the State of São Paulo, affected by our operations.

HIDROVIAS DO BRASIL S.A.

Notes to the individual and consolidated financial statements
For the years ended December 31, 2021 and 2020
(In thousands of reais - R\$, unless otherwise indicated)

The Company has direct and indirect shareholdings in, and joint ownership of, the following companies:

Subsidiaries	Main activity	Country	Type of consolidation	09/30/2021		2020	
				% Interest		% Interest	
				Direct	Indirect	Direct	Indirect
Hidrovias do Brasil - Holding Norte S.A.	Holding interest in other companies	Brazil	Full	100.00%	-	100.00%	-
Hidrovias do Brasil - Vila do Conde S.A.	Cargo storage and lifting	Brazil	Full	-	100.00%	-	100.00%
Hidrovias do Brasil - Marabá S.A.	Land - Pre-operating	Brazil	Full	100.00%	-	100.00%	-
Hidrovias do Brasil - Intermediação e Agenciamento de Serviços Ltda.	Intermediation and agency services	Brazil	Full	99.00%	1.00%	99.00%	1.00%
Hidrovias do Brasil - Cabotagem Ltda.	Cabotage sea transport	Brazil	Full	99.00%	1.00%	99.00%	1.00%
Hidrovias do Brasil – Parcipação Portuária de Santos S.A.	Changes and warehousing	Brazil	Full	-	100.00%	-	100.00%
Obrinel S.A.	Specialized cargo terminal	Uruguay	Equity in net income of subsidiaries	-	49.00%	-	49.00%
Hidrovias del Sur S.A.	Holding interest in other companies	Uruguay	Full	100.00%	-	100.00%	-
Baloto S.A.	Holding interest in other companies	Uruguay	Full	4.95%	95.05%	4.95%	95.05%
Girocantex S.A.	Fluvial transportation	Uruguay	Full	-	100.00%	-	100.00%
Hidrovias del Paraguay S.A.	Fluvial transportation	Paraguay	Full	0.01%	99.99%	0.01%	99.99%
Pricolpar S.A.	Fluvial transportation	Paraguay	Full	0.01%	99.99%	0.01%	99.99%
Cikelsol S.A.	Fluvial transportation	Uruguay	Full	-	100.00%	-	100.00%
Limday S.A.	Fluvial transportation	Uruguay	Equity in net income of subsidiaries	-	44.55%	-	44.55%
Resflir S.A.	Lease of navigation assets	Uruguay	Full	-	100.00%	-	100.00%
Hidrovias International Finance S.à.r.l.	Agency of financial operations	Luxembourg	Full	100.00%	-	100.00%	-
Hidrovias Navegación Fluvial S.A. (formerly known as Imperial Shipping Paraguay S.A)	Fluvial transportation	Paraguay	Full	95.00%	5.00%	-	-
Imperial South America BV	Fluvial transportation	Holland	Full	100.00%	-	-	-
Baden S.A.	Port administration	Paraguay	Equity in net income of subsidiaries	50.00%	-	-	-
Via Grãos S.A.	Construction of highways and railroads	Brazil	Full	100.00%	-	-	-

HIDROVIAS DO BRASIL S.A.

Notes to the individual and consolidated financial statements
For the years ended December 31, 2021 and 2020
(In thousands of reais - R\$, unless otherwise indicated)

History and operations

Provisional Measure 595, of December 6, 2012, which provides for the direct and indirect exploration of ports and port facilities by the Federal Government and the activities carried out by port operators, and makes other provisions, was published in the Federal Official Gazette on December 7, 2012. This Provisional Measure was converted into a Law on June 5, 2013 (Law 12815).

On February 21, 2013, the State Environmental Council - Coema approved the granting of a Preliminary Permit (LP) and on December 02, 2016, the Environmental and Sustainability Department of the State of Pará issued an Operating License (OL) for the Private Use Terminal (TUP) owned by Hidrovias do Brasil - Vila do Conde S.A., located in the city of Barcarena, State of Pará.

On April 11, 2013, the State Environmental Council - Coema approved the granting of a Preliminary Permit for the project of the direct subsidiary HB Miritituba, involving facilities of a Cargo Transshipment Station (ETC) located in the city of Itaituba, state of Pará. Moreover, on June 5, 2016, the Company obtained Operational License (OL) 10185/2016.

On May 9, 2014, HB Vila do Conde, an indirect subsidiary, signed Adhesion Contract 016/2014 with the Ports Secretariat of the Presidency of the Republic - SEP, as the Concession Grantor, and the National Agency for Waterway Transportation - ANTAQ, as Intervening Party, thereby authorizing the construction and/or exploration of Port Facilities by HB Vila do Conde, in the Private Use Terminal (TUP) category, located at Avenida Verde e Branco, Estrada de Itupanema, municipality of Barcarena/PA, for purposes of moving and/or storing solid bulk (grains, vegetables, meal and fertilizers), intended for or arriving via waterway transport.

On July 31, 2014, HB Miritituba (later merged into Hidrovias do Brasil - Vila do Conde S.A.), an indirect subsidiary, signed Adhesion Contract No. 019/2014 with the Ports Secretariat of the Presidency of the Republic - SEP, as the Concession Grantor, and the National Agency for Waterway Transportation - ANTAQ, as Intervening Party, thereby authorizing the construction and/or exploration of Port Facilities by HB Miritituba, in the form of a Cargo Transshipment Station (ETC), located on the right bank of the Tapajós river, Gleba de Santa Cruz, s/n, Vila de Miritituba, Municipality of Itaituba/PA, for the purpose of moving and/or storing solid bulk (grains and soybean meal), intended for or arriving via waterway transport.

On December 5, 2014, HB Vila do Conde, an indirect subsidiary, was awarded the concession of Special Taxation System for Incentive to the Modernization and Expansion of the Port Structure (REPORTO) by the Brazilian Federal Revenue Service, through Executive Declaratory Act (ADE) 335, published in the Federal Official Gazette.

On December 29, 2014, HB Miritituba (later merged into Hidrovias do Brasil - Vila do Conde S.A.), an indirect subsidiary, was awarded the concession of the Port Structure (REPORTO) by the Brazilian Federal Revenue Service, through Executive Declaratory Act (ADE) 303, published in the Federal Official Gazette.

On May 24, 2016, Companhia HB Intermediação was set up with the purpose of acting as agent and intermediary in logistics solutions with capital of R\$ 2,500, which was fully paid off by May 24, 2019.

On September 22, 2016, Companhia Resflir was set up with the purpose of leasing navigation assets.

Resolution 5120, of November 30, 2016, whereby the National Waterways Transportation Agency (ANTAQ) issued authorization for this company to operate as a Brazilian Navigation Company, in cabotage navigation, was published in the Federal Official Gazette on December 1, 2016.

On January 1, 2019, the companies Hidrovias do Brasil Navegação Norte S.A. (head office and branches) and Hidrovias do Brasil Miritituba S.A. were merged by Hidrovias do Brasil - Vila do Conde S.A.

On September 23, 2019, the Maritime Court issued the shipowner registration certificate of the Company HB Santos. Operations in Brazil started by having obtained this authorization and registration.

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On November 7, 2019, the bidding procedure for the lease of port facilities in auction No. 01/2019-ANTAQ was approved, related to the lease of the STS20 area in the Organized Port of Santos, in the amount of R\$ 112,500 and for a term of 25 years, aimed at the handling and storage of salt and fertilizers.

As of September 25, 2020, the Company carried out its secondary public offering (IPO) of 399,426,570 common shares, held by the Selling Shareholders (as defined in the IPO documents).

As of April 16, 2021, the Company, together with its subsidiaries Cikelso S.A. and Pricolpar S.A., as applicable, signed the Framework Agreement and certain asset purchase and sale agreements with Imperial Logistics International B.V. & Co. KG and certain entities of its business group for the (i) acquisition of shares representing 100% of the capital of Imperial Shipping Paraguay S.A., a company based in Assunción, Paraguay; (ii) the acquisition of shares representing 100% of the capital of Imperial South America BV, a company based in Druten, in the Netherlands; (iii) the acquisition of shares representing 50% of the capital of Baden S.A., a company based in Concepción, Paraguay; and (iv) the acquisition of certain navigation assets of the Imperial group.

On October 22, 2021, the Company acquired 100% of the total and voting capital of NK 132 Empreendimentos e Participações SA, a non-operating company, whose corporate name was changed to Via Graos SA. The acquisition was paid through reimbursement of expenses in the amount total amount of BRL 10.00 (ten reais).

2 Preparation basis

a) Statement of conformity

The consolidated financial statements were prepared in accordance with the International Financial Reporting System - IFRS issued by the International Accounting Standards Board (IASB) and in accordance with the accounting practices adopted in Brazil.

The parent company's individual financial statements were prepared in accordance with accounting practices adopted in Brazil.

Management states that all significant information specific to individual and consolidated financial statements is disclosed and corresponds to the information used in managing the Company.

The issue of individual and consolidated financial statements was authorized by the Executive Board on March 23, 2022.

b) Functional currency and presentation

The individual and consolidated financial statements are being presented in Reais, which is the Company's functional currency. The functional currency of subsidiaries in Uruguay, Paraguay and Luxembourg is the US dollar, the functional currency of the subsidiary Imperial South America BV in Netherlands is the Euro. The effects of translating the functional currency of subsidiaries abroad into the Brazilian real are recorded in shareholders' equity as other comprehensive income.

Transactions in a currency other than the functional currency are translated into the respective functional currency at the exchange rates on the dates of each transaction. Monetary assets and liabilities denominated and calculated in a currency other than the functional currency are translated to the functional currency at the foreign exchange rate prevailing on the closing date.

The gains and losses from the fluctuations in the exchange rates on monetary assets and liabilities are recognized in the statement of income.

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The foreign subsidiaries' financial statements (Paraguay, Uruguay, Luxembourg and Netherlands) are presented in Reais, converting the functional currency.

Respectively, for the reporting currency, Reais, the following procedures were used:

- Assets and liabilities were translated by using the closing rate on the balance sheet date;
- Shareholders' equity was converted to historical value of formation; and
- Revenues and expenses were translated using the monthly average rate.

All financial information presented in reais (R\$) has been rounded to the nearest value, except otherwise indicated.

c) Use of estimates and judgments

The preparation of these individual and consolidated financial statements, Management used judgments, estimates and assumptions that affect the adoption of accounting policies by the Company and its subsidiaries and the reported amounts of assets, liabilities, revenues and expenses. Actual results may differ from these estimates.

Estimates and assumptions are reviewed in a continuous manner. Reviews of estimates are recognized on a prospective basis.

Information about judgment referring to the adoption of accounting policies which impact significantly the amounts recognized in the financial statements are included in the following notes:

- Note 3 (d) – revenue recognition;
- Note 3 (b) – consolidation: determine if the Company in fact holds control over an investee.
- Note 10.1 – Fair value of assets and liabilities acquired in a business combination
- Note 10.2 – Fair value of assets and liabilities acquired in the acquisition of jointly-owned subsidiaries

Information on uncertainties as to assumptions and estimates as of December 31, 2021 that pose a high risk of resulting in a material adjustment in book balances of assets and liabilities in the next fiscal year are included in the following notes:

- Note 6 – Measurement of expected credit loss for accounts receivable;
- Note 10.1 – Fair value of assets and liabilities acquired in a business combination
- Note 10.2 – Fair value of assets and liabilities acquired in the acquisition of jointly-owned subsidiaries
- Note 11 – Useful life of property, plant and equipment;
- Note 17 – Recognition and Measurement of provision for lawsuits;
- Note 26 – Recognition of deferred tax assets: availabilities of future taxable income.

Measurement of fair value

A number of the Company and its subsidiary's accounting policies and disclosures require the measurement of fair value, for both financial and non-financial assets and liabilities.

The Company and its subsidiaries establish a control structure related to measurement of fair value. It includes the general evaluation and responsibility of reviewing all significant fair value measurements.

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Significant non-observable data are regularly reviewed, as well as valuation adjustments. If third-party information, such as broker quotes or pricing services, is used to measure fair value, evidences obtained from the third parties are analyzed to support the conclusion that such valuations meet the CPC / IFRS requirements, including the level in the fair value hierarchy in which such valuations should be classified.

When measuring fair value of an asset or liability, the Company and its subsidiaries use market observable data as much as possible. Fair values are classified at different levels according to hierarchy based on information (inputs) used in valuation techniques, as follows:

- Level 1: prices quoted (not adjusted) in active markets for identical assets and liabilities.
- Level 2: inputs, except for quoted prices, included in Level 1 which are observable for assets or liabilities, directly (prices) or indirectly (derived from prices);
- Level 3: inputs, for assets or liabilities, which are not based on observable market data (non-observable inputs).

The Company and its subsidiaries recognize transfers between fair value hierarchic levels at the end of the financial statements period in which changes occurred.

Additional information on the assumptions adopted in the measurement of fair values is included in the following notes:

- Note 21 - Stock option program;
- Note 27 – Financial instruments.

d) Measuring basis

The individual and consolidated financial statements were prepared based on the historical cost, unless otherwise indicated, as described in the accounting practices below: The historical cost is usually based on the fair value of considerations paid for the assets.

3 Significant accounting policies

The significant accounting policies used in the preparation of individual and consolidated financial statements are as follows: These policies have been consistently applied to all the years presented.

(a) Changes in accounting policies

The Company did not foster changes in accounting policies during the year ended December 31, 2021.

(b) Basis of consolidation and investments in subsidiaries

The consolidated financial statements include the financial statements of the Company and entities directly controlled by the Company or indirectly controlled by means its subsidiaries. Control is obtained when the Company:

- Has power over the investee.
- Is exposed or is entitled to variable returns from its involvement with the investee.
- Has the ability to use this power to affect its returns.

Companies included in the consolidation process are as follows:

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	Country	Interest – %	
		2021	2020
<u>Direct subsidiaries</u>			
Hidrovias del Sur S.A.	Uruguay	100.00	100.00
Hidrovias do Brasil - Marabá S.A.	Brazil	100.00	100.00
Hidrovias International Finance S.à.r.l.	Luxembourg	100.00	100.00
Hidrovias do Brasil - Holding Norte Ltda.	Brazil	100.00	100.00
Hidrovias do Brasil – Interm. e Agenc. Serv. Ltda.	Brazil	100.00	100.00
Hidrovias do Brasil – Cabotagem Ltda.	Brazil	100.00	100.00
Hidrovias Navegação Fluvial S.A(b)	Paraguay	100.00	-
Imperial South America BV	Holland	100.00	-
Via Grãos S.A.	Brazil	100.00	-
<u>Indirect subsidiaries</u>			
Girocantex S.A.	Uruguay	100.00	100.00
Girocantex S.A. - Subsidiary Paraguai	Paraguay	100.00	100.00
Hidrovias del Paraguay S.A.	Paraguay	100.00	100.00
Pricolpar S.A.	Paraguay	100.00	100.00
Cikelsol S.A.	Uruguay	100.00	100.00
Resflir S.A.	Uruguay	100.00	100.00
Baloto S.A. (a)	Uruguay	100.00	100.00
Hidrovias do Brasil - Vila do Conde S.A.	Brazil	100.00	100.00
Hidrovias do Brasil – Parcipação Portuária de Santos S.A.	Brazil	100.00	100.00

(a) 4.94% of direct interest and 95.06% of indirect interest through the subsidiary Hidrovias Del Sur.

(b) 95% of direct interest and 5% of indirect interest through the subsidiary Pricolpar S.A.

The Company reassesses whether or not it holds the control of an investee if facts and circumstances indicate changes occurring in one or more of the three aforementioned control elements.

When the Company does not hold the majority of the voting rights in an investee, it will have the power over the investee when the voting rights are sufficient to enable it in practice to conduct the relevant activities of the investee unilaterally. In assessing whether the Company's voting rights in an investee are sufficient to grant it power, the Company considers all relevant facts and circumstances, including:

- The size of the Company's holding of voting rights relative to the size and dispersion of holdings of the other holders of voting rights.
- Potential voting rights held by the Company, by other holders of voting rights or by other parties.
- Rights arising from other contractual agreements.
- Any additional facts and circumstances that indicate that the Company has, or does not have, the ability to conduct the relevant activities at the time the decisions need to be made, including voting standards at previous meetings.

The consolidation of a subsidiary starts when the Company obtains control over the subsidiary and ends when the Company loses control over the subsidiary.

Specifically, the revenues and expenses of a subsidiary acquired or disposed of during the year are included in the statement of income and other comprehensive income from the date the Company obtains control until the date on which the Company ceases to control the subsidiary.

The income (loss) and each component of other comprehensive income are attributed to the owners of the Company and to non-controlling shareholders. The total comprehensive income of subsidiaries is attributed to the owners of the Company and to non-controlling shareholders, even if this generates a negative balance for the non-controlling shareholders.

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Investments in entities are accounted for at the equity method.

The individual financial information of the parent company, financial information of subsidiaries are recognized under the equity method. The financial statements of the subsidiaries on the same base date of submittal of the financial information is used to calculate equity in the earnings and consolidation.

The Company's investments in entities accounted for at the equity method include interests in these subsidiaries.

Transactions eliminated in the consolidation

The balances and transactions among the Company and its subsidiaries, and any unrealized revenues or expenses that have been derived from transactions among these companies, are eliminated in the preparation of the consolidated financial statements.

Unrealized gains originating from transactions with investees recorded using the equity method are eliminated against the investment in the proportion of the Company's interest in the investee. Unrealized losses are eliminated in the same way as unrealized gains, but only up to the point where there is no evidence of loss due to impairment.

(c) Foreign currency

Foreign currency transactions

Transactions in foreign currency are translated into the respective functional currencies at the monthly average exchange rates of each month.

Monetary assets and liabilities denominated and calculated in foreign currencies on the balance sheet date are reconverted into the functional currency at the exchange rate on that date. Non-monetary assets and liabilities denominated in foreign currency that are measured at fair value are translated into the functional currency at the foreign exchange rate on the date the fair value was determined. Non-monetary items that are measured based on the historical cost in foreign currency are translated using the rate of the transaction date. Foreign currency differences arising from the translated are recognized in income (loss).

However, foreign exchange differences resulting from reversion are recognized in Other Comprehensive Income, such as hedge of qualified and effective cash flows.

Foreign operations

Foreign transactions' assets and liabilities, including goodwill and adjustments to fair value resulting in the acquisition, are translated into reais (R\$) at the exchange rate prevailing on balance sheet date. Foreign transactions' revenues and expenses are translated into reais (R\$) at monthly average exchange rates of each month.

The differences in foreign currencies generated for the translation into the presentation currency are recognized in other comprehensive income and accumulated in the equity valuation adjustments in shareholders' equity account. If the subsidiary is not a wholly-subsidiary, the corresponding portion of the translation difference is allocated to the non-controlling shareholders.

(d) Revenue recognition

It is comprised by the fair value of the consideration received or receivable less estimated returns, commercial discounts granted to the buyer and other similar deductions. The revenue is recognized when the client obtains control of the goods or services.

Transportation and cabotage revenues are recognized over time, based on the estimated duration of the navigation route (in proportion to the evolution of trips), which is close to 7 days (traffic loaded and

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unloaded) for our HB Tucunaré and HB Tambaqui vessels. Revenues from transshipment, elevation and intermediation services are recognized according to the provision of services. Service prices are determined based on contracts.

In some cases, the Company operates with its clients under the contractual take or pay regime, where the client guarantees a minimum annually or quarterly payment flow, depending on each contract for the provision of logistics services by the Company. In cases where the services provided in each reporting period are below the minimum expected quantity, the Company estimates whether the client will be able to perform all services still within the current year with quarterly and annual calculations.

(e) Cash and cash equivalents and interest earning bank deposit

Cash equivalents are maintained for the purpose of meeting short-term cash commitments rather than for investment or other purposes. Include cash, bank demand deposits and interest earning bank deposits realizable in up to 90 days from the original date of the security or considered highly liquid or promptly convertible into a known sum of cash and subject to an insignificant risk of change of value, recorded at cost plus income accrued up to the balance sheet dates which does not surpass the market or realizable value.

(f) Financial and equity instruments

Initial recognition and measurement

Trade accounts receivable and debt securities issued are initially recognized on the date that they were originated. All other financial assets and liabilities are initially recognized when the Company and its subsidiaries become a party to the instrument's contractual provisions.

A financial asset (unless it is trade accounts receivable without a material financing component) or a financial liability is initially measured at fair value, plus, for an item not measured at FVTPL, transaction costs which are directly attributable to its acquisition or issuance. A trade accounts receivable without a significant financing component is initially measured at the price of the transaction.

Classification and subsequent measurement

In the initial recognition, a financial asset is classified as measured: at amortized cost; at FVTOCI - debt instrument; at FVTOCI - equity instrument; or to the FVTPL.

Financial assets are not reclassified after initial recognition, unless the Company and its subsidiaries change the business model for the management of financial assets, in which case all affected financial assets are reclassified on the first day of the reporting period subsequent to the change in the business model.

A financial asset is measured at amortized cost if it meets both conditions below and is not designated as measured at FVTPL:

- it is held within a business model whose purpose is to maintain financial assets to receive contractual cash flows; and
- its contractual terms give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

A debt instrument is measured at FVTOCI if it meets both conditions below and is not designated as measured at FVTPL:

- it is maintained within a business model whose purpose is achieved by both the receipt of contractual cash flows and the sale of financial assets; and

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- its contractual terms generate, on specific dates, cash flows which are only payments of principal and interest on outstanding principal value.

In the initial recognition of an investment in an equity instrument not held for trading, the Company and its subsidiaries may irrevocably choose to present subsequent changes in the fair value of the investment in other comprehensive income (“OCI”). This choice is made on an investment basis. The Company and its subsidiaries make investments in accordance with the cash management policy.

Transfers of financial assets to third parties in transactions that do not qualify for derecognition are not considered sales, which is consistent with the ongoing recognition of the assets of the Company and its subsidiaries.

Financial assets that are held for trading or are managed and whose performance is evaluated on fair value basis are measured at fair value through profit or loss (FVTPL).

Financial assets - Evaluation whether the contractual cash flows represent solely payments of principal and interest:

For the purpose of this assessment, ‘principal’ is defined as the fair value of the financial asset on initial recognition. “Interest” is defined as a consideration for the amount of cash at the time and for the credit risk associated to the outstanding principal value during a certain period and for other risks and base costs of loans (for example, liquidity risk and administrative costs), as well as for the profit margin.

The Company and its subsidiaries consider the contractual terms of the instruments to evaluate whether the contractual cash flows are only payments of principal and interest. This includes assessing whether the financial asset contains a contractual term that could change the timing or amount of the contractual cash flows such that it would not meet this condition. In making this evaluation, the Company and its subsidiaries consider the following:

- contingent events that would change the amount or timing of cash flows;
- terms that may adjust the contractual coupon rate, including variable-rate features;
- prepayment and extension features; and
- the terms that limit the access of the Company and its subsidiaries to cash flows of specific assets (for example, based on the performance of an asset).

Financial assets - Evaluation of business model

The prepayment is consistent with the principal and interest payment criterion if the prepayment amount mostly represents the unpaid principal and interest amounts on the outstanding principal amount - which may include an additional reasonable compensation due to the early termination of the contract. Furthermore, regarding a financial asset acquired for an amount lower or greater than the nominal value of the contract, the prepayment permission or requirement for an amount representing the nominal value of the contract plus contractual interest (which may also include reasonable additional remuneration for early termination of the contract), accrued (but not paid), are treated as consistent with this criterion if the fair value of the prepayment is immaterial at initial recognition.

Financial assets - Subsequent measurement and gains and losses:

Financial assets at FVTPL These assets are subsequently measured at fair value. Net income (loss), plus interest or dividend revenue, is recognized in income (loss).

Financial assets at amortized cost These assets are subsequently measured at amortized cost using the effective interest method. The amortized cost is reduced by impairment losses. Interest

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revenue, foreign exchange gains and impairment losses are recognized in income (loss). Any gain or loss on derecognition is recognized in profit or loss.

Debt instruments at FVTOCI These assets are subsequently measured at fair value. Interest revenue calculated using the effective interest method, foreign exchange gains and losses and impairment loss are recognized in income (loss). Other net income (loss) is recognized in OCI. In derecognition, the retained earnings in OCI are reclassified to the income (loss).

Equity instruments at FVTOCI These assets are subsequently measured at fair value. Dividends are recognized as gain in income (loss) unless the dividend clearly represents a recovery of part of the investment cost. Other net gains and losses is recognized in OCI and are never reclassified to the profit or loss.

Financial liabilities - classification, subsequent measurement and gains and losses

Financial liabilities were classified as measured as amortized cost or at FVTPL. A financial liability is classified as measured at fair value through profit or loss if it is classified as held for trading if it is a derivative or assigned as such in initial recognition. Financial liabilities measured at FVTPL are measured at fair value and net income (loss), plus interest, is recognized in income (loss). Other financial liabilities are subsequently measured at amortized cost using the effective interest method. Interest expense, foreign exchange gains and losses are recognized in profit or loss. Any gain or loss on derecognition is also recognized in profit or loss.

Derecognition

Financial assets

The Company and its subsidiaries derecognize a financial asset when the contractual rights to the cash flow of the asset expire, or when the Company and its subsidiaries transfer the contractual rights to the reception of contractual cash flows over a financial asset in a transaction in which essentially all the risks and rewards of ownership of the financial asset are transferred or in which the Company and its subsidiaries nor transfer or maintain all ownership risks and rewards of the financial assets and also does not hold the control over the financial asset.

The Company and its subsidiaries carry out transactions in which it transfers assets recognized in the balance sheet, but retains all or substantially all risks and rewards of the assets transferred. In such cases, financial assets are not derecognized.

Financial liabilities

The Company and its subsidiaries derecognize a financial liability when its contractual obligations are discharged or canceled or expired. The Company and its subsidiaries also derecognize a financial liability when terms are modified, and the cash flows of the modified liability are substantially different if a new financial liability based on the terms changed is recognized at fair value.

In the derecognition of a financial liability, the difference between the extinct book value and the consideration paid (including assets transferred that do not pass through the cash or assumed liabilities) is recognized in the income (loss).

Offsetting

Financial assets and liabilities are offset and the net amount reported in the balance sheet only when the Company and its subsidiaries have a legally exercisable right to offset and there is intention to settle on a net basis, or to realize the asset and settle the liability simultaneously.

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Cash flow hedge accounting

When a derivative is designated as a hedge instrument for cash flow variability attributed to a specific risk associated with a recognized asset or liability or a highly probable foreseen transaction that could affect the net income, the effective portion of change in the derivative's fair value is recognized in other comprehensive income and "equity valuation reserve" in shareholders' equity. Any non-effective portion of the changes in the fair value of the derivative is recognized immediately in income (loss).

When the hedgeable item is a non-financial asset, the amount recognized in other comprehensive income/losses transferred to the book value of the asset when the asset is realized. The value recognized in other comprehensive income is reclassified to income (loss) in the same year in which the hedged cash flows affect income on the same line in the statement of income as a hedged item. If there are no more expectations regarding the occurrence of the planned transaction, then the balance in other comprehensive income is recognized immediately in the income (loss). In other cases, the amount recognized in other comprehensive income is transferred to the income, in the same year in which the hedgeable item affects the income (loss).

If the hedge instrument no longer satisfies the hedge accounting criteria, expires or is sold, wound up, exercised or has its designation revoked, then the hedge accounting is discontinued prospectively. The retained earnings previously recognized in other comprehensive income and presented in the equity valuation reserve in shareholders' equity, remain there until the planned transaction affects the income (loss).

Other derivatives not held for trading, and when a derivative financial instrument is not assigned in a qualifying cash flow hedge relationship, all changes in fair value are immediately recognized in income/losses.

Capital - Common shares

Common shares are classified as shareholders' equity. Additional costs directly attributable to the issue of shares are recognized as reduction in the shareholders' equity.

The minimum mandatory dividends, as established in the By-laws, are recognized as liabilities.

(g) Property, plant and equipment

Recognition and measurement

Property, plant, and equipment are stated at cost of acquisition, construction or training and are net of accumulated depreciation, when applicable, for accumulated impairment losses. They also include any other costs attributable to bringing the assets to the location and condition requires for them to operate in the manner intended by management, costs for dismantling and restoration of the site where they are located, and borrowing costs on qualifiable assets.

The replacement cost of a property, plant and equipment item is recognized if it is probable that it will bring economic benefits to the subsidiaries and if the cost can be reliably measured, while the value of the item is written-off. The maintenance costs are recognized in income (loss) as they are incurred.

The depreciation is recognized in the income (loss) under the straight-line method over the estimated useful life of each part of an item of property, plant and equipment.

The useful estimated lives for the current and comparative periods are shown in the note 11.

The depreciation methods, useful lives and residual values are reviewed at each year closing, and potential adjustments will be recognized as a change in accounting estimates.

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(h) *Business combination*

Business combinations are recorded under the acquisition method. The cost of an acquisition is measured for the consideration amount transferred, which is valued on fair value basis on the acquisition date, including the value of any non-controlling interest in the acquiree, regardless of their proportion. For each business combination, the buyer must measure the non-controlling interest in the acquired business at the fair value of based on its interest in the net assets identified in the acquired business. Directly attributable costs

to the acquisition should be accounted for as expense when incurred.

On acquiring a business, the Company and its subsidiaries assess the financial assets and liabilities assumed in order to rate and to allocate them in accordance with contractual terms, economic circumstances and pertinent conditions on the acquisition date, which includes segregation by the acquired entity of built-in derivatives existing in the acquired entity's host contracts.

Any contingent payments to be transferred by the acquiree will be recognized at fair value on the acquisition date. Subsequent changes to the fair value of the contingent consideration which is deemed to be an asset or liability shall be recognized in the statement of income.

The Company measures the goodwill as the excess of consideration transferred in relation to net assets acquired (acquired identifiable assets, nets and assumed liabilities). If consideration is lower than fair value of net assets acquired, the difference must be recognized as gain in statement of income.

After initial recognition, the goodwill is carried at cost less any accumulated loss for the impairment losses. For impairment testing purposes, goodwill acquired in a business combination is, from the acquisition date, allocated to each cash-generating units of the Company that are expected to benefit by the synergies of combination, regardless of other assets or liabilities of the acquiree being allocated to those units.

(i) *Intangible assets*

Goodwill

The goodwill resulting from the acquisition of subsidiary Limday is included in intangible assets. For goodwill measurement upon initial recognition, refer to note 13 (a).

The non-amortizable goodwill in the amount of R\$ 73,121 is the result of the acquisition of Log-In – Logística Intermodal S.A. through its direct subsidiary Hidrovias do Brasil - Cabotagem S.A. ("HB Cabotagem"). "Log-In" of the rights and obligations of a commercial bauxite transportation agreement.

Goodwill that has been allocated to the concession rights, as well as other goodwill, but which have not been directly allocated to the concession or other assets and liabilities, and which have the economic benefit limited in time (defined period), due to the concession right with a defined useful life, comprise the balance of intangible assets and are amortized by exercising the right of exploration, as of the start-up of subsidiaries.

Other intangible assets

Other intangible assets acquired by the Company and its subsidiaries with defined useful lives are measured at cost, less accumulated amortization and accumulated impairment losses. Amortization is recognized in income (loss) based under the straight-line method in relation to estimated useful lives of intangible assets, except for goodwill, as of the date they are available for use and the amortization of the right to use the software is five years.

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(j) Impairment

Non-derivative financial assets

Financial instruments and contractual assets

The Company and its subsidiaries recognize the contractual terms for estimated credit losses regarding:

- financial assets measured at amortized cost;
- debt investments measured at FVTOCI; and
- contract assets.

The Company and its subsidiaries measure the provision for loss in an amount equal to credit loss expected for the whole life time, except for the items described below, which are measured as credit loss expected for 12 months:

- debt securities with low credit risk on balance sheet date; and
- other debt securities and bank balances for which the credit risk (i.e., default risk throughout the expected life of financial instrument) has not increased significantly since initial recognition.

Provisions for losses on trade accounts receivable and contract assets are measured at a value equal to a credit loss estimated for the instrument's entire life.

When determining if the credit risk of a financial asset has significantly increased since the initial recognition and when estimating expected credit losses, the Company and its subsidiaries consider reasonable and tolerable information that is relevant and available without excessive cost or effort. This includes quantitative and qualitative information and analysis, based on the historical experience of the Company and its subsidiaries, credit assessment, and considering forward-looking information.

The Company and its subsidiaries consider a financial asset as a risk and default when:

- it is very unlikely that the debtor will fully pay its credit obligations to the Company and its subsidiaries, without having to resort to actions like the realization of guarantee (if any); or
- financial asset is overdue for more than 180 days.

The Company and its subsidiaries consider that a debt security has a low credit risk when its credit risk rating is equivalent to the generally accepted definition of "investment grade":

- Lifetime expected credit losses are estimated credit losses that result from all possible default events over the expected life of a financial instrument.
- Estimated credit losses for 12 months are credit losses that result from potential delinquency events within 12 months after the balance sheet date (or in a shorter period if the estimated life of the instrument is lower than 12 months).

The maximum period considered in the estimate of expected credit loss is the maximum contractual period during which the Company and its subsidiaries are exposed to credit risk.

Measurement of expected credit losses

Expected credit losses (ECLs) are probability-weighted estimate of credit losses. Credit losses are measured at present value based on all cash insufficiencies (that is, the difference between the cash flows owed to the

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Company and its subsidiaries in accordance with the contract and the cash flows that the Company and its subsidiaries expect to receive).

The expected credit losses are discounted by the effective interest rate of the financial asset.

Financial assets with recovery problems

On each balance sheet date, the Company and its subsidiaries assess whether the financial assets accounted for at amortized cost and the debt securities measured at FVTOCI are experiencing recovery problems. A financial asset has “recovery problems” when one or more events with a negative impact on the estimated future cash flows of the financial asset occur.

Evidence that a financial asset is credit-impaired includes the following observable data:

- significant financial difficulties of the issuer or borrower;
- breach of contractual clauses, such as delinquency or late payment of more than 90 days;
- restructuring of an amount due to the Company and its subsidiaries would not accept under conditions not considered normal;
- it is probable that the debtor will enter bankruptcy or other financial reorganization; or
- the disappearance of an active market for a security because of financial difficulties.

Presentation of the expected provision for credit loss in the balance sheet.

Provision for losses for financial assets measured at amortized cost are deducted from the gross book value of assets.

For debt instruments measured at FVTOCI, the provision for losses is debited to the result and recognized in OCI.

Write-off

The gross book value of a financial asset is written off when the Company and its subsidiaries have no reasonable expectation of recovering the financial asset in full or in part. With respect to individual clients, the Company and its subsidiaries adopts the policy of evaluating the need to write off the gross book value based on the history of recovery of similar assets. With respect to corporate clients, the Company and its subsidiaries assess, on an individual basis, the time and amount of write-off based on the existence or not of reasonable expectation of recovery. The Company and its subsidiaries do not expect any significant recovery of amount written off. However, financial assets written off may still be subject to credit collection, in compliance with procedures of the Company and its subsidiaries for the recovery of the amounts due.

Non-financial assets

The book values of the non-financial assets of the Company and its subsidiaries (except for inventories, and deferred tax assets) are reviewed at each balance sheet date for indication of impairment. If such indication exists, the asset's recoverable amount is estimated. In case of goodwill has no defined useful life, the recoverable value is tested on an annual basis.

For impairment tests, assets are grouped into the cash generating units (CGUs), that is, smallest identifiable group of assets that can generate cash inflows by continuous use, which are highly independent from cash inflows referring to other assets or cash generating units. Goodwill from business combinations is allocated to cash generating units or groups of cash generating units that are expected to benefit combination synergy.

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Recoverable value of an assets or CGU is the higher of value in use and fair value less selling costs. Value in use is based on estimated future cash flows discounted to present value using a discount rate before taxes that reflects current market evaluations of times value of money and the specific risks of the assets or CGU.

An impairment loss is recognized when the book value of an asset or its CGU exceeds its recoverable value.

Impairment losses are recognized in profit or loss. Recognized losses referring to CGUs are initially allocated to reduce any goodwill allocated to that CGU (or CGU group) and then to reduce the book value of other assets of that CGU (or CGU group) on a pro rata basis.

An impairment loss related to goodwill is not reversed. Regarding other assets, impairment losses are reversed only with the condition that the new book value of the asset does not exceed the book value that would have been calculated, net of depreciation or amortization, if the value loss had not been recognized.

(k) Employee benefits

Share-based payment transactions

The fair value of share-based payment agreements is recognized at the grant date, as personnel expenses, with a corresponding increase in shareholders' equity, over the period when employees become unconditionally entitled to the premiums. The amount recognized as an expense is adjusted to reflect the actual number of awards for which the related service and performance conditions will be met, so that the amount ultimately recognized as an expense is based on the number of awards meeting these performance conditions at vesting date.

For share-based payment awards with non-vesting conditions, the fair value at grant date of share-based payment is measured to reflect such conditions and no further adjustments are made for differences between expected and actual results.

Post-employment benefits

Post-employment benefits are recognized as an expense when the Company and its subsidiaries cannot remove the offer of these benefits that are provenly committed, without the possibility of return, to a formal detailed plan to terminate the employment contract before the normal retirement date, or to provide employment termination benefits as a result of an offer made to encourage voluntary dismissals. Post-employment benefits arising from voluntary dismissals are recognized as an expense when it had made a voluntary dismissal offer, it is probable that the offer will be accepted, and the number of employees who will adhere to the program can be reliably estimated. Should the benefits be payable for more than twelve months from the reporting date of financial statements, they are discounted to their present values.

Short-term employee benefits

Employee short-term benefits are measured on a non-discounted basis and incurred as expenses as the related service is rendered.

The liability is recognized at the expected amount to be paid under the cash-bonus or short-term profit share plans when the Company and its subsidiaries have a legal or constructive obligation to pay such amount as a result of the past service provided by an employee, and such obligation can be reliably estimated.

(l) Provisions

A provision is formed if the Company and its subsidiaries have a legal or constructive obligation as a result of a past event, which can be reliably estimated, and it is probable that an outflow of funds will be required to settle the obligation.

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(m) Earnings per share

The basic earnings (loss) per share are calculated based on the result for the year attributable to the Company's controlling shareholders and the weighted average of outstanding common shares in the respective year. The diluted earnings per share are calculated based on the mentioned average of outstanding shares, adjusted by instruments that can potentially be converted into shares, with a dilution effect, in the years presented, pursuant to Technical Pronouncement CPC 41- Earnings per share and IAS 33 - Earnings per share.

(n) Financial revenues and expenses

Financial income mostly comprises income from interest on interest earning bank deposits, recognized in the income (loss), under the effective interest rate method.

Financial expenses mainly include expense with interest on loans, financing and debentures. Borrowing costs which are not directly attributable to the acquisition, construction, or production of a qualifying asset are accounted for in profit or loss using the effective interest rate method.

(o) Statement of added value

The Company prepared the statement of added value under the terms of the technical pronouncement CPC 09 - Statement of Added Value, presented as Supplementary Information.

(p) Operating segments

An operating segment is a component of the Company and its subsidiaries which engage in business activities from which it may earn revenues and incur expenses, including revenues and expenses relating to transactions with other components. All operating income (loss) of the operating segments are frequently reviewed together with their managers and reported to the Statutory Board, which is the main operating decision maker; thus, are presented in Board of Directors' meetings for decisions regarding the resources to be allocated to the segment to be taken and to assess their performance, for which individual financial information is available.

Segment results include items directly attributable to a segment as well as those that can be allocated on a reasonable basis. The unallocated items include mostly the institutional assets (mainly attributed to the Company's head office) and income and social contribution tax assets and liabilities.

The disclosures of the operating segments of the Company and its subsidiaries are based on the management structure of the financial statements and of Management, which follows the business segmentation by region. The north corridor corresponds to Pará, the south corridor to Paraguay and Uruguay and the remaining businesses are recorded in Others.

(q) Income tax and social contribution

In the parent company, current and deferred income tax and social contribution for the year are calculated based on the rates of 15% with a surcharge of 10% on taxable profit exceeding R\$ 240 for income tax and 9% on taxable profit for the social contribution on net income, and consider the offset of income tax and social contribution losses, limited to 30% of the annual taxable income. In the consolidated, the income tax of subsidiaries established in Uruguay and Paraguay is calculated based on the legislation applicable in the respective countries. However, according to the provisions of article 52, item IV, of the "2007 Ordered Text", shipping companies are exempt to tax their income.

Current tax is the expected tax payable or receivable on taxable profit or loss for the year at tax rates that have been enacted or substantially enacted by the end of the reporting period and any adjustment to taxes payable in relation to prior years.

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Deferred taxes on tax losses, negative basis of social contribution and temporary differences are recognized in relation to the temporary differences between the book values of assets and liabilities for accounting purposes and the related amounts used for taxation purposes. Deferred taxes are not recognized for the following temporary differences: initial recognition of assets and liabilities in a transaction that is not a business combination, and not affecting the accounts nor taxable profit or loss; and differences related to investments in subsidiaries when it is probable that they will not reverse in the foreseeable future. In addition, deferred taxes are not recognized for taxable temporary differences arising from the initial recognition of goodwill. Deferred tax is measured at the rates that are expected to be applied on temporary differences when they reverse, based on the laws that have been enacted or substantially enacted by the end of the reporting period of financial statements.

Deferred tax assets and liabilities are offset when there is a legal enforceable right to set off current tax assets and liabilities, and the latter relate to income taxes levied by the same tax authority on the same taxable entity.

A deferred asset for income tax and social contribution is recognized for unused tax losses, tax credits and deductible temporary differences, to the extent that it is probable that future taxable income will be available against which the unused tax losses and credits can be utilized.

Deferred income tax and social contribution assets are reviewed at each reporting date of financial statements and will be reduced when their realization is no longer probable.

(r) Government subsidy and assistance

The AFRMM is a benefit available to all Brazilian shipping companies operating with own or chartered vessels, and is regulated by Law No. 10.893/2004 and other specific legislation applicable to the industry.

The Company uses this government grant in its cabotage operation receiving an additional 10% surcharge on the amount of cabotage freight from its clients via the Merchant Marine Fund, based on each transportation made.

These funds can be used to amortize financing granted for the acquisition of vessels.

AFRMM installments are recorded in specific asset accounts as a contra entry in income (loss), once the requirements for recognizing revenue from grants in the statement of income are met on a systematic basis during the periods when related expenses are recorded.

The Company recognized the AFRMM benefits in the group Other revenues/expenses, in the amount of R\$ 11,340 (R\$ 15,336 as of December 31, 2020), to be used by the Company in the amortization of financing.

In 2018, the Company joined with the SUDAM Tax Incentive Program, which provides a 75% reduction of corporate income tax through Exploration Profit for the company Hidrovias do Brasil – Vila do Conde S.A., which presented Taxable Income and consequently there will be the possibility of benefiting from the Government Grant.

(s) Leases

An agreement is or contains a lease if it transfers the right to control the use of an identified asset for a period of time in exchange for consideration. The Company and subsidiaries follow the definition of lease under CPC 06(R2)/IFRS 16 to assess whether an agreement transfer the right to control the use of an identified asset.

The Company recognizes a right-of-use asset and a lease liability at the lease commencement date. The right-of-use asset is initially measured at cost, which comprises the value of initial measurement of the lease liability adjusted to any lease payments made to the initial date, plus any initial direct costs incurred by the

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lessee and an estimate of the costs to be incurred by the lessee to disassemble and remove the underlying asset, by returning it to the place where it is located or returning the underlying asset to the state required under the lease terms and conditions, less any lease incentives received accordingly.

The right-of-use asset is subsequently depreciated using the straight-line method from the start date to the end of the lease term, unless the lease transfers ownership of underlying asset to the lessee at the end of lease term, or if the cost of the right-of-use asset reflects that the lessee will exercise the call option. In this case, the right-of-use asset will be depreciated over the useful life of the underlying asset, which is determined on the same basis as that of property, plant and equipment. Moreover, the right-of-use asset is periodically reduced by impairment losses, if any, and adjusted for certain remeasurements of the lease liability.

The lease liability is initially measured at the present value of the lease payments that are not paid at the commencement date, discounted using the interest rate implicit in the lease or, if that rate cannot be readily determined, the Company's incremental loan rate. Usually, the Company uses their incremental loan rate as discount rate.

The Company determines its incremental loan rate by obtaining interest rates from various external financing sources and makes certain adjustments to reflect the terms of the lease and the type of asset leased.

Lease payments included in the measurement of lease liability comprise the following:

- fixed payments, including in-substance fixed payments;
- variable lease payments based on an index or rate, initially measured based on the index or rate at the initial date;
- amounts expected to be paid by the lessee, in accordance with the residual value guarantees; and
- the call option strike price if the lessee is reasonably certain to exercise such option, and payments of fines due to termination of the lease agreement, if the term of the lease reflects the fact that the lessee is exercising their option to terminate the lease agreement.

The lease liability is measured at amortized cost using the effective interest method. It is remeasured when a change occurs in future lease payments as a result of a change in an index or rate, if there is a change in the amounts expected to be paid in accordance with the residual value guarantee, if the Company changes its assessment to exercise a call option, extend or terminate it, or if there is a payment of an initially fixed revised lease.

When the lease liability is thus remeasured, an adjustment corresponding to the book value of the right-of-use asset is made or recorded in income if the right-of-use asset is reduced to zero.

The Company records right-of-use assets that fall outside the definition of investment property in "property, plant, and equipment" and lease liabilities in "loans and financing" in the balance sheet.

Leases of low value assets

The Company opted not to recognize the right-of-use assets and the lease liabilities for low-value lease assets and short-term lease, including IT equipment. The Group recognizes payments of those leases as a straight-line method expense during the lease term.

(t) New standards and interpretations not yet effective

Several new standards will become effective for the years started after January 1, 2021. The Company has not adopted these standards in the preparation of these financial statements.

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Onerous Contracts – Cost of Fulfilling a Contract (amendments to CPC 25/IAS 37)

These amendments specify which costs an entity must include to determine the cost of fulfilling a contract to assess if the contract is onerous. The amendments apply to annual periods beginning on or after January 01, 2022 for existing contracts, on the date such changes are adopted for the first time. On the date of initial application, the cumulative effect of applying the changes is recognized as an adjustment to the opening balance in retained earnings or other components of equity, as appropriate. An amendment to the standard is not expected to have a significant impact on the Group's consolidated financial statements

Amendments to CPC 06 (R2), CPC 11, CPC 38, CPC 40 (R1) and CPC 48: Benchmark interest rate reform.

The amendments to CPC Pronouncements 38 and 48 provide temporary exceptions that address the financial statement effects when an interbank deposit certificate rate is replaced with an alternative to an almost risk-free rate. The changes include the following practical expedients:

- A practical expedient that requires contractual changes, or changes in cash flows that are directly required by the reform, to be addressed as changes in a floating interest rate, equivalent to a change in a market rate.
- Allows reform-required changes to be made to hedging designations and documents, without the hedging relationship being discontinued.
- Provides a temporary exception for entities to comply with the separately identifiable requirement when a risk-free rate instrument is designated as a hedge of a risk component.

These amendments did not impact the Group's individual and consolidated financial statements. The group intends to use the practical expedients in future periods if they become applicable.

Amendments to CPC 06 (R2): COVID-19-related benefits granted to lessees under lease agreements after June 30, 2021.

The amendments provide for concession to lessees in the application of the guidelines of CPC 06 (R2) on the modification of the lease agreement, when accounting for the related benefits as a direct consequence of the COVID-19 pandemic. As a practical expedient, a lessee may choose not to assess whether a benefit related to COVID-19 granted by the lessor is a modification of the lease agreement. The lessee who makes this option must account for any change in the lease payment resulting from the benefit granted in the lease agreement related to COVID-19 in the same way it would account for the change by applying CPC 06 (R2) if the change was not a modification of the lease agreement.

The amendment was intended to be applied up to June 30, 2021, but as the impact of the COVID-19 pandemic may continue, on March 31, 2021, the CPC extended the period of application of this practical expedient to June 30, 2022. This amendment becomes effective for the fiscal years beginning on or after January 1, 2021. However, the Group has not yet received benefits granted to lessees related to COVID-19 but plans to apply the practical expedient when available within the period of the standard.

4 Cash and cash equivalents

	Parent company		Consolidated	
	2021	2020	2021	2020
Current Account - Domestic	937	1,441	14,599	18,297
Current Account - Foreign	-	-	61,855	196,551
	<u>937</u>	<u>1,441</u>	<u>76,454</u>	<u>214,848</u>

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5 Interest earning bank deposits

5.1 Securities

	Parent company		Consolidated	
	2021	2020	2021	2020
JP Morgan (e)	-	-	11,759	423,064
Itaú Fundo FICFI 311 (b)	102,034	86,506	417,621	225,298
Fundo Itaú PP Portfólio (a)	1,323	1,200	6,621	11,833
Santander Vip Cambial(d)	24	22	24,036	22,439
FIDC (Fundo Invest Dir Credit) (g)	-	-	118,685	98,369
Santander Argo (c)	-	-	534	-
CDB ABC (e)	-	-	1,366	14,641
Banco do Brasil (h)	-	-	1,940	20,400
Total	<u>103,381</u>	<u>87,728</u>	<u>582,562</u>	<u>816,044</u>

- a) Interest earning bank deposits that represent investments in Fundo Itaú PP Portfólio, referenced to the change of the Interbank Deposit Certificate (CDI) rate, with an average remuneration of 110.50% of CDI as of December 31, 2021 (89.49% as of December 31, 2020). The fund's portfolio consists exclusively of fixed income securities, distributed among federal government bonds, Repurchase and resale agreements, Fund quotas, and other securities of financial institutions.
- b) Interest earning bank deposits comprising investments in the "Fundo Itaú Cambial FIC FI" fund, referenced to the exchange-rate change of the US dollar – Ptax800, with average yield of 7.74% as of December 31, 2021 (29.61% as of December 31, 2020). The fund's portfolio is comprised of federal government bonds and repurchase and resale agreements backed by Federal government bonds.
- c) Interest earning bank deposits that represent investments in Fundo Santander ARGO, referenced to the change of the Interbank Deposit Certificate (CDI) rate, with an average remuneration of 119.01% of CDI as of December 31, 2021. The fund's portfolio consists exclusively of fixed income securities, distributed among federal government bonds, Repurchase and resale agreements, Fund quotas, and other securities of financial institutions.
- d) Interest earning bank deposits comprising investments in the Fundo Santander Vip Cambial, referenced to the exchange-rate change of the US dollar – Ptax800, with average yield of 7.9% as of December 31, 2021 (29.02% as of December 31, 2020). The fund's portfolio is comprised of federal government bonds and repurchase and resale agreements backed by Federal government bonds.
- e) Interest earning bank deposits representing investments in a foreign fund with Banco J.P. Morgan, linked to changes in the U.S. treasury which had a yield of 0.02% in December 2021 (0.03% as of December 31, 2020). The portfolio consists of fixed income securities and US Treasury Bonds.
- f) Interest earning bank deposits that represent investments in Bank Deposit Certificates - CDB at Banco ABC Brasil, referenced to the change of Interbank Deposit Certificate - CDI rate, with a remuneration of 99% of CDI in December 2021 (100% as of December 31, 2020).
- g) Interest earning bank deposits comprising investments in "FIDC Upside," with an average return of 12.52% as of December 31, 2021 (5.08% as of December 31, 2020) and FIDC Aruanã had a return of 7.15% in 2021. The funds' portfolio consist of credit receivables' assignment and fund quotas

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exclusively comprised of fixed income securities, distributed among federal government bonds and repurchase and resale agreements backed by Federal government bonds.

- h) Interest earning bank deposits comprising investments in Banco do Brasil, with an average return of 56.85% of CDI as of December 31, 2021 (17.89% of CDI as of December 31, 2020). The fund's portfolio is comprised of fixed income securities, including repurchase and resale agreements backed by public and Federal government bonds.

5.2 Pledged financial investments

	Consolidated	
	2021	2020
Hidrovias Cabotagem Ltda.	13,295	14,952
Total	13,295	14,952

They represent investments in the BNP PARIBAS SOBERANO FIC FI RF fund, subject to changes in the SELIC interest rate, average remuneration of 96.87% of the Selic rate on December 31, 2021 (81.39% as of December 31, 2020). The fund's portfolio consists of federal government bonds issued by Brazil's National Treasury and/or Central Bank of Brazil, pre-fixed or indexed to changes in CDI rate, or by repurchase and resale agreements backed by federal government bonds.

These interest earning bank deposits presented in non-current assets and are linked to loans, as mentioned in Note 15. The contractual clause provides that an equivalent balance should be maintained in a restricted account during the contract's entire effectiveness, an equivalent balance to the previously agreed upon.

6 Trade accounts receivable

6.1 Breakdown of balances per location

	Consolidated	
	2021	2020
Accounts receivable recorded by subsidiaries abroad	102,535	69,081
Provision for expected credit losses	(2,254)	(2,750)
	100,281	66,331
Accounts receivable recorded by subsidiaries in Brazil	150,739	87,921
	251,020	154,252
Current	244,620	147,852
Non-current	6,400	6,400

As disclosed in Note 23, there is a concentration of operating revenues in a small number of clients, which, in turn, may eventually affect the Company's credit risk. For further information related to credit risk, see note 27.4.

Changes in balances refer mainly to an increase in volume in the operations of Girocantex and Cabotagem. (see Note 23 for further information).

The provision for expected credit losses is recorded on a prospective basis, through the analysis of the credit risk of clients with a low probability of realization.

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6.2 Breakdown of accounts receivable per maturity age

	Consolidated	
	2021	2020
Falling due	202,290	138,954
Overdue (days):		
up to 30	5,907	11,938
30–60	3,332	520
60–90	26,390	214
90–120	8,806	4
120–180	2,360	1,083
>180	4,189	4,289
Total	253,274	157,002

Map of changes of provision for credit risks:

	Consolidated
Balance at December 31, 2020	(2,750)
Business combination	(1,763)
Formation of provision for credit risks	(141)
Reversals	1,763
Translation adjustment	637
Balance at December 31, 2021	(2,254)

7 Recoverable taxes

	Parent company		Consolidated	
	2021	2020	2021	2020
IRRF on interest earning bank deposit (a)	1,385	57	4,989	2,825
PIS / COFINS (b)	7	35	69,624	90,909
ICMS	-	-	-	1,205
ISS	3	5	647	1,320
VAT (c)	-	-	7,980	26,241
Total	1,395	97	83,240	122,500
Current assets	1,395	97	30,414	44,912
Non-current assets	-	-	52,826	77,588

The recoverable taxes are recorded by the accrual basis, according to the withholdings and/or payments made, in such a way that the Company and its subsidiaries present the following situations:

- Income Tax withholdings incurred as a result of income from fixed income financial investments made by the Company and its subsidiaries are recognized in Assets according to information provided by financial institutions on a periodic basis;
- The PIS and COFINS contributions derive from credits appropriated in the Navigation and Highway operation. Said credits are calculated mainly on fuel purchases and on the subcontracting of carriers in the road transport operation, which was carried out mainly in 2020

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as a way to assist clients who still did not have the adequate structure to carry out such engagements – this service was discontinued during the year 2021 as clients no longer need help. The credits are offset monthly against debits on provision of services or quarterly against debits of other federal taxes through offset via PER/DCOMP within a maximum term of five years.

- (c) The Value Added Tax is a consequence of the purchase of inputs for the operation of the companies Hidrovias Del Paraguay and Pricolpar, and both are located in Paraguay.

7.1 Income tax and social contribution

	Parent company		Consolidated	
	2021	2020	2021	2020
Income tax and social contribution	7,914	-	101,504	80,359
Total	<u>7,914</u>	<u>-</u>	<u>101,504</u>	<u>80,359</u>
Current assets	7,914	-	62,734	42,986
Non-current assets	-	-	38,770	37,373

Income Tax and Social Contribution are reported in Assets, according to the early payments made under current tax legislation, and Taxable Income, as well as withholdings incurred as a result of payment of services rendered by the Company and its subsidiaries.

Part of the corporate income tax (IRPJ) and social contribution (CSLL) credit arises from tax prepayments that occurred in previous years that were higher than the taxes due calculated at the end of each year, thus generating an actual balance to be offset against other federal taxes or to be refunded in accordance with current legislation.

Negative Balance from previous years that are offset against other federal taxes, with criteria pre-established by the current legislation, being subject to requests for reimbursement/refund.

8 Guarantees and escrow deposits

	Parent company		Consolidated	
	2021	2020	2021	2020
Obrinel project (a)	1,873	8,253	1,873	8,253
Other	306	847	337	1,238
Total	<u>2,179</u>	<u>9,100</u>	<u>2,210</u>	<u>9,491</u>

- (a) On July 25, 2014, the Company granted funds to jointly-controlled subsidiary Obrinel whose the amount on December 31, 2021, of R\$ 1,873 (R\$ 8,253 as of December 31, 2020) remaining as escrow deposit until the financial conclusion of Obrinel Project, and the term is December 15, 2027. Changes in values are due to the partial execution of the assigned guarantee.

Regarding the Obrinel Project and in addition to the guarantee deposit mentioned in the note, on June 24, 2014 the Company (as Sponsor of the Obrinel Project) and its direct subsidiary Hidrovias del Sur granted, on behalf of DEG and BROU banks: (i) joint surety on the first demand up to the amount of USD 9,800 thousand, as a guarantee for any breaches by Obrinel with the terms of the Project's financing; (ii) corporate guarantee up to the amount of USD 10,000 thousand, to cover any financial deficiencies or excess costs of the Project; and (iii) corporate guarantee up to the amount of USD 45,000 thousand to cover some specific

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Project risks. The shares of Baloto (direct shareholder in Obrinel) were also pledged in favor of DEG and BROU banks as of June 13, 2014. Said guarantees remained in effect until the financial conclusion of the Obrinel Project.

Covenant

In addition to a standard list of requirements, under the terms of the financing obtained for the Obrinel Project, Obrinel has been committed to maintaining the following financial ratios: (i) not exceeding a 70/30 ratio regarding total debt/equity; (ii) current ratio not lower than 1; and (iii) debt coverage greater than or equal to 1.15.

As of December 31, 2021, Obrinel met these covenants without any default.

9 Advances to suppliers

	Parent company		Consolidated	
	2021	2020	2021	2020
Advances to domestic suppliers	857	1,249	38,236	35,816
Advances to foreign suppliers	-	-	12,028	7,135
Total	857	1,249	50,264	42,951
Current	857	1,249	50,264	34,593
Non-current	-	-	-	8,358

In the consolidated financial statements as of December 31, 2021, the balance of advances to suppliers mainly comprises: R\$ 9,583 (R\$ 494 as of December 31, 2020) referring to advances for vessel construction; R\$ 2,208 (R\$ 5,128 as of December 31, 2020) referring to the purchase of fuel; R\$ 29,989 referring to the implementation of the project at the Santos terminal (R\$ 15,176 as of December 31, 2020) and R\$ 8,484 (R\$ 22,156 as of December 31, 2020) referring to advances to other suppliers inherent to the Company's operation.

10 Investments

Changes in investments of parent company and consolidated in the period ended December 31, 2021 are shown below:

Composition of investments	Parent company		Consolidated	
	2021	2020	2021	2020
Ownership interest valued under the equity method	1,421,483	1,429,363	87,595	58,033
Concession contract	5,788	6,194	5,788	6,194
Added value of assets	18,069	-	-	-
Goodwill	-	-	10,322	10,252
Total investments	1,445,340	1,435,557	103,705	74,479

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Controladora	2020	2021								
	Opening balance	Capital contributions in investee	Acquisition of investments	Bargain purchase (c)	Equity valuation adjustment - Hedge	Equity valuation adjustment - Income (loss) from foreign currency translation (CTA)	Dividends	Amortization of goodwill	Equity in net income of subsidiaries	Closing balance
Baloto S.A.	2,126	-	-	-	-	503	-	-	(181)	2,448
Hidroviás Del Sur S.A.	956,472	6,989	-	-	-	60,193	(13,547)	-	(340,415)	669,692
Hidroviás BR - Marabá S.A.	10,094	-	-	-	-	-	-	-	168	10,262
Hidroviás Holding Norte Ltda.	271,699	205,000	-	-	14,458	-	-	-	(47,446)	443,711
Hidroviás Cabotagem Ltda.	165,914	-	-	-	(15,220)	-	-	-	39,083	189,777
Hidroviás – Intermediação Ltda.	22,796	-	-	-	-	-	-	-	10,605	33,401
Pricolpar	2	-	-	-	-	16	-	-	(4)	14
Hidroviás International Finance	260	-	-	-	-	112	738	-	426	1,536
Imperial South America BV	-	-	8,501	17,992	-	(1,348)	-	-	13,586	38,731
Hidroviás Navegación Fluvial S.A	-	-	192	(8,117)	-	1,667	-	-	26,102	19,844
Baden	-	-	12,046	578	-	(117)	-	-	(440)	12,067
Via Grãos S.A	-	-	-	-	-	-	-	-	-	-
Subtotal	1,429,363	211,989	20,739	10,453	(762)	61,026	(12,809)	-	(298,516)	1,421,483
Concession contract	6,194	-	-	-	-	-	-	(406)	-	5,788
Baden – Added value of assets	-	-	-	2,616	-	-	-	(110)	-	2,506
Imperial South America BV – Added value	-	-	-	19,232	-	-	-	(3,669)	-	15,563
Total	1,435,557	211,989	20,739	32,301	(762)	61,026	(12,809)	(4,185)	(298,516)	1,445,340

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Parent company	2019	2020						
	Opening balance	Capital increase/decrease	Equity valuation adjustment - Hedge	Equity valuation adjustment - Income (loss) from foreign currency translation (CTA)	Dividends	Amortization of goodwill	Equity in net income of subsidiaries	Closing balance
Baloto S.A.	4,972	(3,670)	-	1,307	-	-	(483)	2,126
Hidroviás Del Sur S.A.	731,967	6	-	222,562	(63,405)	-	65,342	956,472
Hidroviás BR - Marabá S.A.	9,322	250	-	-	-	-	522	10,094
Hidroviás Holding Norte Ltda.	502,475	-	(111,306)	-	-	-	(119,470)	271,699
Hidroviás Cabotagem Ltda.	205,692	(859)	(92,310)	-	-	-	53,391	165,914
Hidroviás – Intermediação Ltda.	16,686	(128)	-	-	(4,000)	-	10,238	22,796
Pricolpar	-	5	-	-	-	-	(3)	2
Subtotal	1,471,114	(4,396)	(203,616)	223,869	(67,405)	-	9,537	1,429,103
Concession contract	6,601	-	-	-	-	(407)	-	6,194
Subtotal – Investments	1,477,715	(4,396)	(203,616)	223,869	(67,405)	(407)	9,537	1,435,297
Hidroviás del Paraguay	-	13	-	-	-	-	(13)	-
Hidroviás International Finance	(3,652)	-	-	(1,287)	-	-	5,199	260
Total	1,474,063	(4,383)	(203,616)	222,582	(67,405)	(407)	14,723	1,435,557

Consolidated	2020	2021							
	Opening balance	Dividends paid	Investment acquisition	Favorable purchase	Capital increase	Income (loss) from foreign currency translation (CTA)	Equity in net income of subsidiaries	Amortization	Closing balance
Limday	14,573	(5,673)	-	-	-	1,515	3,378	-	13,793
Obrinel	43,460	-	-	-	18,721	3,164	(3,609)	-	61,736
Baden	-	-	12,046	578	-	(117)	(440)	-	12,067
Subtotal	58,033	(5,673)	12,046	578	18,721	4,562	(671)	-	87,596
Concession contract (b)	6,194	-	-	-	-	-	-	(406)	5,788
Goodwill (a)	10,252	-	-	-	-	735	-	(666)	10,321
Total	74,479	(5,673)	12,046	578	18,721	5,297	(671)	(1,072)	103,705

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Consolidated	2019		2020			
	Opening balance	Dividends paid	Income (loss) from foreign currency translation (CTA)	Equity in net income of subsidiaries	Amortization	Closing balance
Limday	15,570	(6,839)	2,396	3,446	-	14,573
Obrinel	41,106	-	11,162	(8,808)	-	43,460
Subtotal	56,676	(6,839)	13,558	(5,362)	-	58,033
Concession contract (b)	6,601	-	-	-	(407)	6,194
Goodwill (a)	7,669	-	3,225	-	(642)	10,252
Total	70,946	(6,839)	16,783	(5,362)	(1,049)	74,479

The dividends received are being presented in the statement of cash flow in the investment activity.

The translation effects of the statements prepared in foreign currency, known as CTA (currency translation adjustments), are presented in the Statement of Comprehensive Income.

(a) Goodwill generated in the acquisition of 44.55% of shares representing the capital of Limday. Limday's goodwill of R\$ 10,321 (R\$ 10,252 on December 31, 2020) is based on forecasts carried out on the future profitability of operations.

(b) Concession contract

The amount of R\$ 5,788 (R\$ 6,194 as of December 31, 2020) refers to the Baloto's right of concession in the acquisition of Obrinel, and is based on forecasts carried out by the Company on the future profitability of Obrinel's operations.

By means of Resolution 307/4039, dated June 17, 2020, the National Port Administration of Uruguay approved some changes to the concession terms, including an extension in the concession term (for further 20 years, until November 2051), along with an authorization to build an additional pier. These changes were approved by the Executive Branch of Uruguay on September 4, 2020, and are reflected in an amendment signed on November 24, 2020 to the current concession agreement.

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The main information on the directly, indirectly and jointly-controlled subsidiaries is presented below:

	2021					
	Number of shares	Total assets	Total liabilities	Shareholders' equity	Income (loss) of companies in the year	Net revenues
<u>Direct subsidiaries</u>						
Hidroviás del Sur S.A.	4,330,646,746	797,798	128,106	669,692	(340,415)	-
Hidroviás International Finance S.à r.l.	12,000	3,738,456	3,736,921	1,536	426	-
Hidroviás do Brasil - Marabá S.A.	20,000,000	11,697	1,435	10,262	168	-
Hidroviás do Brasil - Cabotagem Ltda (c)	220,475,382	913,523	721,729	191,794	39,478	211,139
Hidroviás do Brasil - Intermediação e Agenciamento de Serviços Ltda	2,500,000	41,206	7,423	33,783	10,713	26,372
Imperial South America	1,000,000	54,223	15,492	38,731	13,586	68,878
Hidroviás Navegación Fluvial S.A. (d)	442	42,566	24,113	18,453	25,063	95,834
Hidroviás do Brasil - Holding Norte S.A.	512,989,094	444,354	643	443,711	(16,075)	-
<u>Indirect subsidiaries</u>						
Baloto S.A.	599,999,999	63,957	14,498	49,459	(3,661)	534,970
Girocantex S.A.	2,442,140,008	1,380,755	1,057,094	323,661	(231,020)	107,687
Hidroviás del Paraguay S.A.	266,377	119,483	138,455	(18,972)	(28,512)	-
Pricolpar S.A.	17,910	238,846	91,681	147,165	(37,613)	69,445
Cikelsol S.A.	800,000	796,825	803,341	(6,516)	(46,393)	69,977
Resflir S.A.	20,000	96,754	75,559	21,195	(6,611)	-
Hidroviás do Brasil - Vila do Conde S.A.	519,596,445	2,268,198	1,994,430	273,768	(13,387)	1,248,746
Hidroviás do Brasil – Parcipação Portuária de Santos S.A.	43,904,863	445,910	277,161	168,749	(19,628)	-
<u>Jointly-controlled subsidiaries (e)</u>						
Limday S.A.	42,902,541	14,989	1,196	13,793	3,912	4,910
Obrinel S.A.	587,999,999	378,537	316,430	62,107	(2,888)	22,860
Baden	175,000,000	12,276	208	12,068	(446)	1,435
2020						
	Number of shares	Total assets	Total liabilities	Shareholders' equity	Income (loss) of companies in the year	Net revenues
<u>Direct subsidiaries</u>						
Hidroviás del Sur S.A.	4,330,646,746	1,083,630	127,158	956,472	65,375	-
Hidroviás International Finance S.à r.l.	12,000	3,171,915	3,171,655	260	5,199	-
Hidroviás do Brasil - Marabá S.A.	20,000,000	11,197	1,103	10,094	522	-
Hidroviás do Brasil - Cabotagem Ltda (c)	220,475,382	871,721	704,186	167,535	54,153	214,628
Hidroviás do Brasil - Intermediação e Agenciamento de Serviços Ltda	2,500,000	31,585	8,514	23,071	10,386	23,587
Hidroviás do Brasil - Holding Norte S.A.	512,989,094	317,320	45,621	271,699	(230,776)	-
<u>Indirect subsidiaries</u>						
Girocantex S.A.	2,442,140,008	1,434,914	912,489	522,425	132,665	398,747
Hidroviás del Paraguay S.A.	266,377	97,248	88,528	8,720	(47,351)	90,030
Pricolpar S.A.	17,910	224,564	51,782	172,782	(17,680)	42,894
Cikelsol S.A.	800,000	302,011	262,286	39,725	(2,507)	110,536
Resflir S.A.	20,000	88,611	62,935	25,676	14,558	18,561
Hidroviás do Brasil - Vila do Conde S.A.	519,596,445	2,091,668	1,804,512	287,156	(215,312)	834,551
Hidroviás do Brasil – Parcipação Portuária de Santos S.A.	43,904,863	316,315	287,938	28,377	(15,460)	39,761
Baloto S.A.	599,999,999	46,759	3,803	42,956	(8,813)	-
<u>Jointly-controlled subsidiaries (e)</u>						
Limday S.A.	42,902,541	16,507	1,935	14,572	3,445	13,844
Obrinel S.A.	587,999,999	188,388	144,928	43,460	(8,808)	20,313

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(c) The revenue is being presented net of Hedge Accounting in the amount of R\$ 22,423 (R\$ 8,767 as of December 31, 2020).

(d) The amounts presented in the Assets, Liabilities, Shareholders' Equity and Results tables are net of elimination of lease agreements for assets acquired in the business combination.

(e) The amounts presented are proportional to the percentage of the Company's interest in these investees (see explanatory note 1).

Balance sheet and statement of income - jointly-controlled subsidiaries

	Baden	Limday	Limday	Obrinel	Obrinel
	2021	2021	2020	2021	2020
Current assets	5,259	14,409	13,210	16,658	11,398
Non-current assets	19,292	19,236	23,843	755,868	638,428
Total assets	24,551	33,645	37,053	772,526	649,826
Current liabilities	416	2,684	4,343	38,098	26,685
Non-current liabilities	-	-	-	607,679	534,448
Shareholders' equity	24,136	30,961	32,710	126,749	88,693
Total liabilities	24,552	33,645	37,053	772,526	649,826
Net revenue	3,408	11,020	31,075	46,652	41,455
Cost and expenses	(5,256)	(2,238)	(23,342)	(52,547)	(59,429)
Net income (loss) for the period	(1,848)	8,782	7,733	(5,895)	(17,974)

10.1 Business combination

The Company, together with the subsidiaries Cikelso S.A and Pricolpar S.A. ("Acquirers"), acquired the logistics operation segment of Imperial Logistics operating in the southern region through Paraguai and Paraná rivers.

Business combination took place on April 16, 2021. The Company and aforementioned subsidiaries acquired control through the acquisition of 100% of shareholding structure of Imperial Shipping Paraguay S.A. ("ISP") and Imperial South America BV ("ISA"), as well as through the acquisition of property, plant and equipment held by Imperial Logistics, which are essential for logistics operation held by ISP.

Business combination took place on April 16, 2021. The Company and aforementioned subsidiaries acquired control through the acquisition of 100% of shareholding structure of Imperial Shipping Paraguay S.A. ("ISP") and Imperial South America BV ("ISA"), as well as through the acquisition of property, plant and equipment held by Imperial Logistics, which are essential for logistics operation held by ISP.

The logistics operation acquired will provide Grupo Hidroviás with the possibility of expanding its business in the South region, as well as increasing the fleet's capacity to operate in this region.

The expenses incurred with this acquisition in the amount of R\$ 445 in the parent company and R\$ 8,122 in the consolidated were recognized in income (loss) for the year.

Transferred contra entry

The price was USD 88,863 and the price adjusted for the probability of reaching the contingent consideration was USD 86,088, to be paid as follows:

- i) The contra entry in the amount of USD 83,863 upon closing the contract transferred to

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Imperial Logistics to acquire control of the companies and assets mentioned above.

The transferred contra-entry, converted into reais at the average rate on the acquisition date, was R\$ 472,363, which is used to allocate the price paid for the acquisition of the business.

- ii) Additional contingent consideration (“Business Acquisition Cost”) of up to USD 5,000 (fair value as of December 31, 2021 is USD 2,225), payable in four individual payments for each calendar year 2021, 2022, 2023 and 2024. This payment is directly related to external factors, the determination of which considers operational factors of navigation levels in the Paraná and Paraguai rivers. The amount of the additional contingent consideration translated into reais at the average rate on the acquisition date was R\$ 28,163 and R\$ 12,532, respectively.

Purchase consideration in thousands of US dollars	
Amount paid in cash	83,863
Amount of contingent installment (Earn-out)	2,225
Total compensation*	<u>86,088</u>
Acquisition cash flow analysis, in thousands of USD	
Amount paid in cash	83,863
Net cash acquired from subsidiary	(2,878)
Cash flow from investment activities**	<u>80,985</u>

*The amount corresponds to R\$ 484,895, translated into reais at the average rate on the acquisition date

**The amount corresponds to R\$ 456,148, translated into reais at the average rate on the acquisition date

Measurement of business combination

The assets and liabilities of a subsidiary are measured at their fair value on the acquisition date. Any excess of the cost of acquisition over the fair value of identifiable net assets acquired (identifiable net assets acquired, net and assumed liabilities) is recorded as goodwill. In cases in which the acquisition cost is lower than the fair value of the net assets identified, the difference is recorded as a gain in the statement of income for the period in which the acquisition occurs.

Amount recognized on acquisition	ISP	ISA	Acquired assets	Eliminations	04/16/2021
ASSETS					
Cash and cash equivalents	2,679	13,530	-	-	16,209
Accounts receivable	3,110	14,474	-	-	17,584
Inventories	6,104	-	-	-	6,104
Recoverable taxes	6,468	3	-	-	6,471
Accounts receivable from related parties	7,445	14,007	-	(21,452)	-
Current assets	25,806	42,014	-	(21,452)	46,368
Other assets	3,170	-	-	-	3,170
Client portfolio*	-	19,229	-	-	19,229
Pushers	-	-	263,037	-	263,037
Barges	-	-	238,424	-	238,424
Non-current assets	3,170	19,229	501,461	-	523,860
Total assets	28,976	61,243	501,461	(21,452)	570,228
LIABILITEIS					
Suppliers	9,575	-	-	-	9,575
Social charges and labor legislation obligations	3,330	-	-	-	3,330
Taxes payable	116	-	-	-	116
Accounts payable related parties	14,007	7,445	-	(21,452)	-
Other accounts payable	10,290	8,076	-	-	18,366
Current liabilities	37,318	15,521	-	(21,452)	31,387
Total identifiable net assets	(8,342)	45,722	501,461	-	538,841

(*) Value of surplus value of identifiable assets

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Pursuant to item 32 of CPC 15, a bargain purchase gain in the amount of R\$ 53,946 referring to the business combination detailed above was recognized on the acquisition date and measured at the amount in which the fair value of assets and liabilities was greater than the consideration transferred by the acquisition of control.

Total identifiable net assets	538,841
Consideration paid	(472,363)
Contingent consideration (**)	(12,532)
Bargain purchase income (loss)	53,946

(**) As determined by the Purchase and Sale Agreement (“SPA”), the contingent portion will be payable by the indirect subsidiary Cikelsol S.A.

(i) Fair value adjustment

The Company prepared the valuation of assets and liabilities at fair value based on independent appraisals, considering the following aspects:

Cash, cash equivalents, receivables, debts and other operating assets and liabilities: these are represented by contracts carried out under normal market conditions, therefore the book values approximated their fair values. In relation to receivables and other assets, there is no expectation of loss;

Intangibles: the preliminary assessment resulted in the attribution of value related to contracts with customers (“Relationship with customers”). The fair value of intangible assets was estimated as shown below.

Item	R\$	Valuation method	Assumptions
Relationship with customers Useful life (3.7 years)	19.232	Multi-period Excess Earnings Method (MPEEM)	Projection period: 3.7 years, corresponding to the duration of existing contracts To calculate the present value of the projected cash flow of the intangible asset, a discount rate of 9.0% p.a. was adopted, estimated based on the WACC calculated for the ISA.

Acquired assets: corresponds to the acquisition of 7 tugboats and 84 barges. External experts were involved in measuring the fair value of the assets acquired on the date of the business combination.

The valuation adopted a policy of conducting technical reviews and general market information to determine how much a willing buyer and seller would consider a fair price. To assess the condition of the vessels, a combination of elements was used, the main assumptions being:

- Physical inspections of a sample of the fleet;
- Review of maintenance reports and research reports; and
- Evaluation of the technical management of the fleets

To calculate the earn-out, the historical averages of the level of the Paraguay River in the four locations stipulated by the SPA were considered. From the historical averages, a matrix was constructed indicating the average water level of the river for the four locations, and from this matrix the possible earn-out payments were calculated, following the calculation statements contained in the SPA. The ear-out payments were discounted to present value at the Company's average cost of funding in USD.

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10.2 Acquisition of Baden

On April 16, 2021, the Company acquired 50% of the interest in Baden S.A., a joint-stock company, whose shareholding is composed of two shareholders through joint control. The company is in the city of Asunción, Paraguay. As a joint-stock company, its main purpose is the administration and concession of the operating license in the port of Asunción in Paraguay.

The consideration transferred to acquire 50% of the interest was R\$ 12,046. The incorporation of Baden results in a joint-controlled venture, with decisions being taken together and none of the shareholders can take unilateral decisions to direct the business.

In the table below, we present a summary of the assets acquired and liabilities assumed at their book values, adjusted to fair values on the acquisition date.

Current assets	
Cash and cash equivalents	1,397
Clients	366
Tax credits	2,816
Other assets	101
	<u>4,680</u>
Non-current assets	
Property, plant and equipment	20,987
Intangible assets	5,233
Other assets	113
	<u>26,333</u>
Current liabilities	
Suppliers	473
Social charges	58
	<u>531</u>
Total identifiable net assets	<u>30,482</u>
Fair value of assets acquired and liabilities assumed - 50%	<u>15,241</u>

Pursuant to item 32 of CPC 15, a bargain purchase gain in the amount of R\$ 3,194 referring to Baden S.A. was recognized on the acquisition date and measured at the amount in which the fair value of assets and liabilities was greater than the consideration transferred for the acquisition of the equity interest, as shown in the following table:

Fair value of assets acquired and liabilities assumed - 50%	15,241
Consideration transferred	<u>(12,047)</u>
Gain from bargain purchase	3,194

(i) Fair value adjustment

The Company prepared the valuation of assets and liabilities at fair value based on independent valuations, considering the following aspects:

Cash, cash equivalents, receivables, debts and other operating assets and liabilities: are represented by contracts signed under normal market conditions. Therefore, the book values approximated their fair values. Regarding receivables, there is no expectation of loss;

Property, plant and equipment: the assets of Porto Baden are new, with construction completed on a date close to the acquisition. Furthermore, the concession agreement provides for that Baden S.A. must return the facilities and improvements free of charge to ANNP at the end of the agreement.

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Intangible assets: the preliminary assessment resulted in the assignment of value related to the right to explore, operate, provide services and manage the port terminal, as shown in the following table:

Item	R\$	Valuation method	Assumptions
Concession contract Useful life (15.8 years)	2,616 (50%)	Multi-period Excess Earnings Method (MPEEM)	Projection period: until the end of the concession agreement in February 2037 Discount rate: 12.4%

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11 Property, plant and equipment

Breakdown and changes in property, plant and equipment as of December 31, 2021 and December 31, 2020:

Parent company	Facilities and improvements	Furniture and fixtures	Machinery and equipment	Electronic and IT equipment	Construction in progress	Total
Balance in 2020	676	27	156	564	6,717	8,140
Additions	-	-	-	-	1,512	1,512
Transfers	437	1,618	24	4,426	(8,078)	(1,573)
Depreciation	(482)	(15)	(46)	(1,283)	-	(1,826)
Balance in 2021	631	1,630	134	3,707	151	6,253
Historical cost	2,975	1,786	446	6,204	151	11,562
Accumulated depreciation	(2,344)	(156)	(312)	(2,497)	-	(5,309)
Annual depreciation rate – %	10	10	10	25		

Parent company	Facilities and improvements	Furniture and fixtures	Machinery and equipment	Electronic and IT equipment	Construction in progress	Total
Balance in 2019	1,070	43	198	873	3,552	5,736
Additions	-	-	-	-	3,165	3,165
Depreciation	(394)	(16)	(42)	(309)	-	(761)
Balance in 2020	676	27	156	564	6,717	8,140
Historical cost	2,538	168	422	1,778	6,717	11,622
Accumulated depreciation	(1,862)	(141)	(265)	(1,214)	-	(3,482)
Annual depreciation rate – %	10	10	10	25	-	

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Consolidated	Land	Buildings	Facilities and improvements	Furniture and fixtures	Machinery and equipment	Electronic and IT equipment	Vehicles	Pushers, barges, ships	Property, plant and equipment in progress(b)	Total
Balance in 2020	85,452	487,487	9,604	369	239,680	1,984	207	2,181,256	349,565	3,355,604
Additions	-	-	50	273	2,410	514	709	520,390(a)	512,651	1,036,997
Transfers	-	10,903	23,933	1,980	58,877	8,540	-	103,977	(211,862)	(3,652)
Depreciation	-	(24,313)	(3,906)	(145)	(51,296)	(2,557)	(207)	(147,449)	-	(229,873)
Exchange-rate change	-	-	937	46	2,578	58	103	94,722	(3,235)	95,209
Balance in 2021	85,452	474,077	30,618	2,523	252,249	8,539	812	2,752,896	647,119	4,254,285
Historical cost	85,452	605,788	40,608	3,151	476,074	14,580	1,675	3,481,517	647,119	5,355,964
Accumulated depreciation	-	(131,711)	(9,990)	(628)	(223,825)	(6,041)	(863)	(728,621)	-	(1,101,679)
Annual depreciation rate – %	-	4	10	10	10	25	20	4	-	-

(a) The increase presented for the assets of pushers, barges and ships result from the business combination process shown in the business combination explanatory note; and

(b) Regarding fixed assets in progress, the increase comes from projects such as the Santos terminal and assets necessary for the use of barges, such as lids.

Consolidated	Land	Buildings	Facilities and improvements	Furniture and fixtures	Machinery and equipment	Electronic and IT equipment	Vehicles	Pushers, barges, ships	Property, plant and equipment in progress	Total
Balance in 2019	84,091	511,328	10,138	359	279,175	2,322	184	1,908,317	132,550	2,928,464
Additions	1,361	-	13	7	1,259	425	-	295	284,463	287,823
Transfers	-	-	-	-	-	-	-	68,140	(68,140)	-
Depreciation	-	(23,841)	(1,657)	(71)	(43,562)	(840)	(25)	(119,567)	-	(189,563)
Translation adjustment	-	-	1,110	74	2,808	77	48	324,071	692	328,880
Balance in 2020	85,452	487,487	9,604	369	239,680	1,984	207	2,181,256	349,565	3,355,604
Historical cost	85,452	594,885	14,895	822	411,123	5,361	863	2,654,473	349,565	4,117,439
Accumulated depreciation	-	(107,398)	(5,291)	(453)	(171,443)	(3,377)	(656)	(473,217)	-	(761,835)
Annual depreciation rate – %	-	4	10	10	10	25	20	4	-	-

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Asset impairment

According to accounting practices adopted in Brazil and IFRSs, the property, plant, and equipment items that exhibit signs that their recorded costs are higher than their recoverable values are reviewed in detail to determine the need to form a provision for reduction of the book balance to its realizable value. The cash flow projections were prepared considering the useful life of assets.

The main assumptions adopted for estimating the recoverable value are as follows. The amounts attributed to the main assumptions represent the evaluation of future trends by Management in relevant sectors and were based on historical data from internal and external sources.

The discount rate was estimated after the taxes, using the weighted average rate of WACC capital which varied between 13.2% and 7.5% (9.8% and 5.4% as of December 31, 2020), considering market parameters.

The cash flow projections were prepared considering the useful life of the assets of each CGU.

Projected income (loss) was estimated considering past experience. The projected revenue growth took into account long-term take-or-pay contracts. Price of services increases in line with inflation expected for the next years as provided in the contracts. Costs vary by volume and are monetarily restated by the projected inflation rate.

During the year ended December 31, 2021 and 2020, Management carried out a study and determined that there is no need to record a provision for impairment of the book balance.

12 Right-of-use asset

Breakdown and changes in right-of-use asset as of December 31, 2021 and December 31, 2020:

Parent company	Real estate	Total
Net balances at December 31, 2020	-	-
Formation	2,469	2,469
Amortization	(1,287)	(1,287)
Net balances at December 31, 2021	1,182	1,182

Parent company	Real estate	Total
Net balances at December 31, 2019	1,101	1,101
Amortization	(1,101)	(1,101)
Net balances at December 31, 2020	-	-

Consolidated	Real estate	Vessels	Total
Net balances at December 31, 2020	131,229	25,885	157,114
Formation	13,393	141,315	154,708
Write-offs	-	(10,827)	(10,827)
Amortization	(9,340)	(74,119)	(83,459)
Translation adjustment	(281)	(9,675)	(9,956)
Net balances at December 31, 2021	135,001	72,579	207,580

Consolidated	Real estate	Vessels	Total
Net balances at December 31, 2019	5,954	26,580	32,534

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Formation	130,733	5,796	136,529
Amortization	(7,272)	(6,491)	(13,763)
Translation adjustment	1,814	-	1,814
Net balances at December 31, 2020	131,229	25,885	157,114

Changes in lease liability as of December 31, 2021 and December 31, 2020 are as follows:

	Parent company	Consolidated
Balance at December 31, 2020	180	164,747
Formation	2,469	154,708
Interest and inflation adjustment	142	6,520
Payment of principal	(1,564)	(81,925)
Write-offs	-	(13,931)
Realization of adjustment to present value	-	6,555
Translation adjustment	-	(5,096)
Balance at December 31, 2021	1,227	231,578

Current	1,227	69,942
Non-current	-	161,636

	Parent company	Consolidated
Balance at December 31, 2019	1,149	32,775
Formation	-	136,528
Interest and inflation adjustment	91	3,467
Payment of principal	(1,060)	(18,675)
Realization of adjustment to present value	-	8,016
Translation adjustment	-	2,636
Balance at December 31, 2020	180	164,747

Current	180	14,446
Non-current	-	150,301

Maturity schedule of leases:

Year	Parent company	Consolidated
2022	1,279	81,279
2023	-	31,599
2024	-	22,235
2025	-	20,870
2026	-	20,597
>2027	-	304,987
Total	1,279	481,567
Interest and adjustment to present value	(52)	(249,989)
Lease liability	1,227	231,578

The average discount rate for leased assets is 9.4% p.a. for the year ended December 31, 2021 (9.4% p.a. for December 31, 2020).

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13 Intangible assets

Parent company	Software	Contracts (b)	Intangible in progress	Total
Balance in 2020	3,526	1,148	19,745	24,419
Additions	-	-	15,883	15,883
Transfers	6,345	-	(4,772)	1,573
Amortization	(3,481)	(164)	-	(3,645)
Balance in 2021	6,390	984	30,856	38,230
Annual amortization rate – %	20	(*)	-	-
Historical cost	33,328	1,711	30,856	65,895
Accumulated amortization	(26,938)	(727)	-	(27,665)

Parent company	Software	Agreements	Intangible in progress	Total
Balance in 2019	8,515	1,312	2,379	12,206
Additions	-	-	17,366	17,366
Amortization	(4,989)	(164)	-	(5,153)
Balance in 2020	3,526	1,148	19,745	24,419
Annual amortization rate – %	20	(*)	-	-
Historical cost	26,983	1,711	19,745	48,439
Accumulated amortization	(23,457)	(563)	-	(24,020)

Consolidated	Software	Contracts (b)	Goodwill (a)	Intangible in progress	Other	Total
Balance in 2020	8,309	218,426	73,121	23,059	-	322,915
Additions	63	21,845	-	21,321	100	43,329
Transfers	9,887	-	-	(6,234)	-	3,653
Amortization	(5,977)	(17,480)	-	-	(59)	(23,516)
Amortization NPV adjustment	-	775	-	-	-	775
Translation adjustment	292	-	-	(17)	10	285
Balance in 2021	12,574	223,566	73,121	38,129	51	347,441
Annual amortization rate – %	20	(*)	-	-	20	-
Historical cost	47,281	281,265	73,121	38,129	100	439,896
Accumulated amortization	(34,707)	(57,699)	-	-	(49)	(92,455)

(*) Amortization for the term of the respective contracts

(**) Refers to the amortization of the adjustment to the present value adjustment, recorded in the financial result

Consolidated	Software	Contracts (b)	Goodwill (a)	Intangible in progress	Total
Balance in 2019	14,611	135,656	73,121	4,741	228,129
Additions	46	95,710	-	18,473	114,229
Amortization	(6,440)	(12,940)	-	-	(19,380)
Translation adjustment	92	-	-	(155)	(63)
Balance in 2020	8,309	218,426	73,121	23,059	322,915
Annual amortization rate – %	20	(*)	-	-	-
Historical cost	36,568	258,645	73,121	23,059	391,393
Accumulated amortization	(28,259)	(40,219)	-	-	(68,478)

(*) Amortization for the term of the respective contracts

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(a) Goodwill

Goodwill generated on the acquisition of assets and liabilities of “Log-In” in the amount of R\$ 73,121, by the subsidiary Cabotagem, based on future profitability of operations.

As of December 31, 2021, using the assumption of calculation of the future cash flows in the period of the commercial agreement and applying the discount rate, we did not identify any need to record a provision for impairment. Management believes this is consistent with the assumption that a market participant would use.

For impairment test purposes, goodwill was allocated to a cash generating unit (UGC) from its source.

The recoverable value of this Cash Generating Unit (CGU) was based on the fair value, estimated based on the discounted cash flows. Measurement of fair value was classified as Level 3 based on inputs used in evaluation technique.

The main assumptions used to estimate the recoverable value are defined below, and the amounts attributed to the main assumptions represent the evaluation of future trends by Management in relevant sectors and were based on historical data from internal and external sources.

The discount rate was estimated after the taxes, using the weighted average rate of capital cost for each CGU which is 8.4% (5.4% as of December 31, 2019), considering market parameters.

The cash flow projections were prepared considering the useful life of the assets of each CGU. Growth rate in perpetuity was not considered.

Projected income (loss) was estimated considering past experience. The projected revenue growth took into account long-term take-or-pay contracts. Price of services increases in line with inflation expected for the next years as provided in the contracts. Costs vary by volume and are monetarily restated by the projected inflation rate.

The estimated recoverable value of CGUs was higher than their book value. Thus, the need to record a provision for impairment was not identified.

(b) Contracts

- Contract with clients acquired by the subsidiary Cabotagem in December 2016, had a 18-year duration for the rendering of navigation service for transport of Bauxite. The contract value is amortized based on the agreement period.
- The lease contract acquired by the subsidiary Hidroviás do Brasil - Administração Portuária Santos S.A for a period of 25 years as of the date of assumption of March 3, 2020 in the amount of R\$ 112,500 related to the Grant and adjustment at present value in the amount of R\$ 19,379 for the handling and storage of solid mineral bulk, especially fertilizers and salts, located inside the Port of Santos. The average discount rate for these assets is 9.38% for the year ended December 31, 2021. The contract value is amortized based on the agreement period. The table below shows the changes in obligation recorded, due to the Obligation with ANTAQ (National Water Transport Agency):

	Consolidated
Balance in December 31, 2020	73,773
Formation	-
Payment	(18,141)
Inflation adjustment	6,765
Realization of adjustment to present value	3,876
<u>Balance in December 31, 2021</u>	<u>66,273</u>
Current	24,046
Non-current	42,227

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	Consolidated
Balance in December 31, 2019	-
Formation (*)	85,685
Adjustment to present value	(19,379)
Inflation adjustment	4,237
Realization of adjustment to present value	3,230
Balance in December 31, 2020	73,773
Current	18,547
Non-current	55,226

(*) Amount presented net of the 1st installment of the lease agreement advanced in 2019 in the amount of R\$ 28,125

- The addition in 2021 refers to the surplus from client relationships in the amount of R\$ 19,232, recorded together with the business combination detailed in Note 10.1, with an estimated useful life of 3.7 years. The surplus of R\$ 2,616 from the concession agreement was identified together with the acquisition of the investment in a jointly-owned subsidiary with an estimated useful life of 15.8 years.

14 Suppliers

	Parent company		Consolidated	
	2021	2020	2021	2020
Suppliers registered by subsidiaries in Brazil	5,451	9,229	101,182	56,342
Suppliers registered by subsidiaries abroad	-	-	44,960	12,164
Total	5,451	9,229	146,142	68,506

15 Loans, financing and debentures

	Type	Final maturity	Interest rate - p.a.	Parent company		Consolidated	
				2021	2021	2021	2020
Parent company	Debentures	Oct 2031	IPCA+6.0%	376,433	-	376,433	-
<u>HB International Finance:</u>	Bond 2025	Jan 2025	5.95%	-	-	865,578	3,054,182
	Bond 2013	Feb 2031	4.95%	-	-	2,742,860	-
<u>HB Cabotagem:</u>							
BNDES	Bank Credit Bill	Mar 2033	2.5% / 3.9% + Ptax 800 BCB (USD)	-	-	654,060	666,485
<u>HB Vila do Conde:</u>							
Santander	Project financing	Aug 2025	4.99%	-	-	475	2,467
Total				376,433	-	4,639,406	3,723,134
Classified as:							
Current				6,182	-	180,889	185,954
Non-current				370,251	-	4,458,517	3,537,180

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The consolidated changes of loans, financing and consolidated debentures are as follows:

Company	Balance in 2020	Funding	Interest	Addition/Cost of Funding	Amortization/Funding cost	Payment of principal	Interest payment	Translation adjustment	Hedge effect	Exchange-rate change	Balance in 2021
Parent company (d)	-	380,000	7,276	(10,934)	91	-	-	-	-	-	376,433
Luxembourg (b)	3,054,182	2,848,650	187,024	(113,441)	34,021	(2,423,988)	(192,229)	214,219	-	-	3,608,438
Vila do Conde (c)	2,467	-	3,380	-	-	-	(3,161)	(2,211)	-	-	475
Cabotage (a)	666,485	-	22,464	-	-	(59,620)	(22,355)	-	45,480	1,606	654,060
	<u>3,723,134</u>	<u>3,228,650</u>	<u>220,144</u>	<u>(124,375)</u>	<u>34,112</u>	<u>(2,483,608)</u>	<u>(217,745)</u>	<u>212,008</u>	<u>45,480</u>	<u>1,606</u>	<u>4,639,406</u>

Company	Balance in 2019	Interest	Reversion/Funding Cost	Payment of principal	Interest payment	Bond repurchase	Translation adjustment	Exchange-rate change	Hedge effect	Balance in 2020
Luxembourg (b)	2,454,044	184,132	5,336	-	(184,132)	(100,101)	694,903	-	-	3,054,182
Vila do Conde (c)	1,952	3,096	-	-	-	-	(2,581)	-	-	2,467
Cabotage (a)	529,073	22,239	-	(25,563)	(10,398)	-	-	2,438	148,696	666,485
Resflir	5,440	150	-	(6,943)	(164)	-	1,517	-	-	-
	<u>2,990,509</u>	<u>209,617</u>	<u>5,336</u>	<u>(32,506)</u>	<u>(194,694)</u>	<u>(100,101)</u>	<u>693,839</u>	<u>2,438</u>	<u>148,696</u>	<u>3,723,134</u>

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Description of loan, financing and debentures contract

- a) On December 23, 2016, the Company assumed – through its indirect subsidiary HB Cabotagem, in negotiation with Log-In – a Financing Contract through credit facility with BNDES in the total amount of USD 144,644 thousand, equivalent to R\$ 491,601, referring to the acquisition of two bulk carrier vessels, the payments of which occurred monthly, with the final settlement scheduled for March 10, 2033. The assets acquired are denominated Tucunará and Tambaqui.
- b) On January 24, 2018, the company obtained, through its subsidiary in Luxembourg, a Bond in the amount of USD 600,000 thousand, maturing on January 24, 2025. The amount recorded is net of the funding cost, USD 5,100 thousand, and will be amortized according to the contract period. Part of this issue was repurchased with funds from a new issue, as informed below.

As of February 8, 2021, the Company, through its subsidiary in Luxemburg, issued a Bond in the amount of USD 500,000 thousand, maturing on February 8, 2031. The proceeds from this issue were used to repurchase of approximately 75% of 2025 Bond issued on January 24, 2018. The amount recorded is net of the funding cost and will be amortized over the term of the agreement. This transaction is structured to be settled at any time, due to the mere liberality of being settled with securities, bonds, or other assets pledged as a guarantee. Said note is fully guaranteed by a linked credit note of equal value, term, and maturity, against the same counterparty. Both instruments can be redeemed in a binding manner and at any time by the Company.

- c) As of March 22, 2018, the Company raised, through its subsidiaries Hidrovias do Brasil – Vila do Conde S.A., Hidrovias do Brasil – Miritituba S.A. and Hidrovias do Brasil – Navegação Norte S.A. (the last two, later merged by Hidrovias do Brasil – Vila do Conde S.A.) NCEs (Export Credit Note) with Banco Santander in the amount of R\$ 1,120,734 (R\$ 1,733,153 on December 31, 2021), with payment of semiannual interest of 6.3% p.a., maturing on January 21, 2025 (the value shown in the table is net of the respective financial investment in the amount of R\$1,732,678 as of December 31, 2021). In May 2021, the Company amended this agreement and the note started bearing interest of 4.99% p.a. and maturing on August 5, 2025.
- d) On October 15, 2021, the Company carried out the first issue of simple debentures, non-convertible, unsecured debentures, in two series, for public distribution with restricted distribution efforts, in the total amount of R\$ 380,000, as issue of incentivized debentures carried out under the terms of article 2 of Law 12431 and a maturity of 7 years from the issue date for the first series debentures and 10 years from the issue date for the second series debentures. The funds raised with the issue will be used for the project to implement and adapt the infrastructure of the STS20 Terminal at the Port of Santos/SP.

Guarantees

Loans and financing are guaranteed by Hidrovias do Brasil through sureties, promissory notes or deposits in bank accounts.

The Bond has been approved by the companies Hidrovias do Brasil S.A., Hidrovías del Sur S.A., Cikelsol S.A., Pricolpar S.A., Hidrovias del Paraguay S.A., Girocantex S.A., Hidrovias do Brasil – Vila do Conde S.A., and Hidrovias do Brasil – Holding Norte S.A.

Covenants

The Company, through its subsidiaries, has contractual covenants linked to certain financing and debentures, which may, in case of non-compliance, lead to early maturity of the debt. These covenants are related to financial indices such as coverage of debt service, indebtedness, liquidity and operational obligations. In addition to these, there are other non-financial clauses.

Subsidiary Cabotagem has the following clause: (i) maintain the capitalization ratio greater or equal to 25%. The price-earnings ratio is given by adjusted shareholders' equity on total assets. The adjusted shareholders' equity is the shareholders' equity less the foreign exchange losses and (ii) keep the debt service coverage ratio equal to or higher than 1.3. The ICSD (Index of debt service coverage) is the EBITDA less Income Tax and Social Contribution on Net income in working capital, excluding cash and debt and effects of exchange-rate change, on debt service. As of December 31, 2021, the clauses of Subsidiary Cabotagem were fully met.

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On the other hand, the subsidiary Hidrovias International Finance has the financial covenant related to Leverage Bond 2031 (“Net debt/EBITDA” ratio), which shall be lower than 4.5x in 2021 and 2022, lower than 4.0x in 2023 and lower than 3.5x as of 2024, so that extraordinary dividend payments and new debts may be contracted.

As of December 31, 2021, the clauses of the Subsidiary Hidrovias International Finance were not met due to ceiling of 4.5x. The non-compliance with the covenant does not accelerate debt repayment and does not cause any default. However, the Company will not be able to raise new debts in addition to those allowed by the covenants of Bond 2031 or pay extraordinary dividends (above the minimum amount). Despite the aforementioned non-compliance with the covenant, the Company does not expect short- and medium-term impacts on its operations and believes that it will not need loans or working capital, in addition to the permissions of Bond 2031 covenants to meet its obligations.

The Parent Company has a financial covenant related to the issuance of Debentures in October 2021, Leverage (“net debt over EBITDA”), which must be less than (a) 4.5x in 2022, (b) 4.0x from January 1, 2023 to December 2023 and (c) 3.5x from January 1, 2024 to the Expiration Date.

As of December 31, 2021, the Company did not reach the indices aforementioned. The non-compliance with the covenant does not accelerate debt payment and it is not considered default. However, the Company will not be able to raise new debts beyond those allowed by the covenants of the Debenture Issue Deed or pay extraordinary dividends above the minimum amount. Despite not achieving the covenant, the Company does not expect short- and medium-term impacts on its operations and believes that it will not need loans or working capital, in addition to the permissions of Debenture Issued Deed to meet its obligations.

With the repurchase of 2025 Bond, this bond no longer has financial covenants.

Bond repurchase

As approved at a meeting of the Company’s Board of Directors held on June 27, 2018, the Company may carry out Bond 2025 repurchases on a timely manner when the opportunity is adequate and provided that it does not exceed the total amount of USD 50,000 thousand. This amount does not represent a market repurchase offer and provides a liquidity opportunity for bondholders who may need liquidity.

As a result of the current market circumstances with the coronavirus pandemic, the Company’s bond had its price reduced in the secondary market, which allowed the evaluation of possible repurchases. Therefore, due to the high volatility of the market, until December 31, 2021, the Company carried out repurchases of USD 24,850 thousand

Maturity of long-term installments - consolidated

As of December 31, 2021 and December 31, 2020, the long-term portion matures have the following breakdown:

	Parent company	
	2021	2020
months:		
13–24	-	-
25–36	-	-
37–48	-	-
49–60	-	-
>61	370,251	-
Total	370,251	-
Consolidated		
	2021	2020
months:		
13–24	62,428	51,018
25–36	61,976	53,608
37–48	912,772	54,492
49–60	62,353	3,110,445
>61	3,358,988	267,617
Total	4,458,517	3,537,180

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16 Social charges and labor legislation obligations

	Parent company		Consolidated	
	2021	2020	2021	2020
Provision for bonus	8,181	13,709	14,257	23,284
Vacations and social security charges	3,811	1,569	13,331	8,782
INSS payable	920	1,072	3,112	2,865
IRRF payable	550	1,137	1,734	2,873
FGTS payable	131	337	199	1,259
Other	393	-	1,123	397
Total	<u>13,986</u>	<u>17,824</u>	<u>33,756</u>	<u>39,460</u>

17 Lawsuits

The Company and its subsidiaries are parties to administrative and legal lawsuits arising from the normal course of their operations. These lawsuits involve labor and civil matters. Based on the information of its internal and external legal advisors, Management measured and recognized provisions for contingencies in an estimated amount of the value of obligation and which reflect the expected outflow of funds.

As of December 31, 2021, the provisions for probable contingencies were recognized in the amount of R\$ 5,479 in the Parent Company and R\$ 22,334 in Consolidated (R\$ 9,794 as of December 31, 2020). The breakdown of the provision for contingencies is detailed below:

	Parent company				
	2020	Additions	Restatement	Write-offs	2021
Tax	-	5,479	-	-	5,479
	<u>-</u>	<u>5,479</u>	<u>-</u>	<u>-</u>	<u>5,479</u>

	Consolidated					
	2020	Aditions	Restatement	Write-offs	CTA	2021
Labor	9,791	5,689	1,110	(143)		16,447
Tax	-	5,479	-	-		5,479
Civil	3	400	1	-	4	408
	<u>9,794</u>	<u>11,568</u>	<u>1,111</u>	<u>(143)</u>	<u>4</u>	<u>22,334</u>

	Consolidated			
	2019	Additions	Write-offs	2020
Labor	5,884	4,320	(413)	9,791
Civil	-	3	-	3
	<u>5,884</u>	<u>4,323</u>	<u>(413)</u>	<u>9,794</u>

Labor lawsuits represent labor claims of various natures (additional shipping fees, salary differences, severance pay, among other indemnities).

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Possible contingencies

The Company and its subsidiaries are parties to other lawsuits for which management, based on the assessment of its internal and external legal advisors, considered the risk of loss as possible. Liabilities arising from these lawsuits are considered to be contingent liabilities since it is not likely that an outflow of funds that incorporate economic benefits will be required to settle such obligations. The nature of the main contingent liabilities are:

Processes	Nature
Labor	Labor claims of various natures related to claims as payment of additional shipping fees, salary differences, severance pay, among other indemnities that are in the judicial or administrative sphere and in different procedural stages. As of December 31, 2021, the total possible labor claims is R\$ 7,989 (R\$ 10,065, on December 31, 2020).
Civil	On December 31, 2021, the Company and its subsidiaries had a total of R\$ 1,124 in civil lawsuits, represented by collection and indemnity lawsuits. (R\$ 4,553 as of December 31, 2020).
Tax	<p>Lawsuit started on April 14, 2021 by the Regional Tax Administration Coordination Office (“CERAT”) of State Finance Department of Pará in the municipality of Abaetetuba, Tax Assessment Notice 062021510000007-1, for allegedly having applied the ICMS [State VAT] deferral without legal support, in relation to transportation services of bauxite provided by the Company to Alunorte Alumina do Norte do Brasil S.A. The subsidiary of the Company alleges that the client Alunorte Alumina do Norte do Brasil S.A. has the benefit of deferring ICMS for transportation in the State of Pará, repeatedly granted since 1993, initially through Law 5758 of 08/30/1993 of the State of Pará, amended by Law 6307 of 07/17/2000 and finally, through Resolution 14 of July 10, 2015. However, the text of the aforementioned Resolution No. 14 does not expressly indicate the transport companies that provide logistics services, such as the Company, and may enjoy the benefit of ICMS deferral. On June 21, 2021, the Company was notified of a fully favorable decision, in its favor, at the lower court. As a result, the Company believes that it has strong arguments to challenge the aforementioned tax assessment. The amount related to the tax assessment notice is R\$ 5,090 on December 31, 2021. On June 21, 2021, a decision was rendered upholding the challenge. Due to the filing of an Appeal, the records were sent to TARF/PA for judgment.</p> <p>Administrative proceeding referring to the Assessment Notice 062017510000118-0/Administrative Appeal 062017730002578-0, filed on 10/8/2018 by SEFA/PA, referring to ICMS tax credit supposedly due in the periods between July and August 2017, in amount of R\$ 3,627 as of December 31, 2021. SEFA/PA claims that the collection of ICMS debts on the provision of transport services is due since it does not recognize the right to enjoy the tax benefit of deferral provided for in Article 1 of Resolution 014/15, in the amount of R\$ 15,542. The Company argues that the Federal Supreme Court (STJ) issued Precedent 649 in 2021, which confirmed the exemption applicable to the transport of goods abroad: “ICMS is not levied on the interstate transport service of goods destined for abroad.” On October 29, 2021, judgment of the Review Appeal is awaited after the involuntary appeal has been rejected.</p> <p>Injunctions against the Municipality of Itaituba with an injunction for suspension of the enforceability of the traffic and circulation tax of large vehicles in the municipality and presentation of a monthly Analytical Report on the changes of loaded trucks in the municipality (Municipal Law 3534/2020) proposed on 10/18/2021, with deposit of the amount questioned in the amount of R\$ 2,400. The Company’s subsidiary argues that the taxpayer provided for in the legislation is the individual or legal entity that uses large vehicles to travel with cargo within the municipal territory; that is, the owner of the cargo, and the collection of the Company’s subsidiary is undue. The preliminary injunction was granted on 10/27/2021 in relation to the amount deposited and the presentation of the report. The Company’s subsidiary has filed a motion for clarification in relation to the suspension of the enforceability of the tax for amounts after the deposit, and is awaiting judgment.</p>

As of December 31, 2021, the Company and its subsidiaries had judicial deposits related to the payment of PIS and COFINS and ICMS according to a writ of mandamus, in the amount of R\$ 15,171 (R\$ 13,734 as of December 31, 2020) and R\$ 27,040, and referring to income tax and INSS (R\$ 27,040 as of December 31, 2020) per lawsuit discussing tax liabilities within the scope of Stock Options program, R\$ 2,407 referring to Writ of Mandamus against the Municipality of Itaituba with an injunction request for suspension of the Enforceability of the traffic and circulation fee of large vehicles in the municipality and R\$ 1,326 referring to other judicial deposits of civil and labor lawsuits.

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18 Related parties

Remuneration of key management personnel

As of December 31, 2021, the remuneration of key management personnel, which includes the Executive Board and Board members, amounted to R\$ 19,745 (R\$ 14,622 as of December 31, 2020), referring to salaries and variable benefits, of which R\$ 19,112 refers to short-term employee benefits (R\$ 14,184 as of December 31, 2020) and R\$ 633 for medical benefits (R\$ 438 as of December 31, 2020).

The amounts of related parties basically refer to financial transactions under specific conditions, defined internally by the Company and its subsidiaries.

Related party transactions involving subsidiaries:

	Parent company			
	Assets		Liabilities	
	2021	2020	2021	2020
Credits from parent company				
Girocantex S.A. (a)	-	-	(321)	(734)
Hidroviás del Sur S.A. (b)	3,556	10,271	-	(509)
Hidroviás do Brasil – Holding Norte S.A.	-	8,928	-	(6,104)
Hidroviás do Brasil – Interm. e Agenc. Serv. Ltda. (d)	171	-	-	(68)
Hidroviás do Brasil – Participação Portuária de Santos S.A..(e)	6,539	1,601	(94)	(36)
Hidroviás International Finance S.à.r.l	-	-	-	(46)
Hidroviás do Brasil - Vila do Conde S.A (d)	7,363	-	(1,140)	-
Hidroviás del Paraguay S.A.	523	-	-	-
Hidroviás do Brasil - Marabá S.A. (d)	1,382	-	-	-
Hidroviás do Brasil – Cabotagem Ltda. (d)	1,777	-	(175)	-
Pricolpar S.A.	-	-	(3)	-
Cikelsol S.A.	-	-	(112)	-
Dividends	934	14,090	-	-
Loan (f)	5,787	-	(21,469)	(55,984)
Subtotal	28,032	34,890	(23,314)	(63,481)
Current	22,452	29,693	(1,724)	(63,481)
Non-current	5,580	5,197	(21,590)	-

Transactions between related parties involving jointly controlling shareholders:

	Consolidated			
	Assets		Liabilities	
	2021	2020	2021	2020
Credits with Joint Venture Obrinel	5,778	3,820	-	-
Non-current	5,778	3,820	-	-

Guarantees, pledge deposits and dividends payable

	Consolidated			
	2021	2020	2021	2020
Guarantees and escrow deposit (d)	1,873	8,253	-	-
BNDES (c)	-	-	-	-
Dividends payable	-	237	-	-

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Subtotal	1,873	8,490	-	-
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Income (loss) from operations with related parties:

	Parent company		Consolidated	
	2021	2020	2021	2020
Revenues (expenses):				
Interest on loan	743	-	-	-
Reimbursement of expenses (g)	(18,177)	-	-	-
Exchange rate change on security deposit (c)	1,227	(1,852)	1,227	(1,852)
Exchange-rate change on loan	(3,613)	(973)	(3,613)	(973)
Total	(19,820)	(2,825)	(2,386)	(2,825)

- (a) Refer to reimbursable expenditures on structuring of the financing for Project Vale with the indirect subsidiary Girocantex in Brazil.
- (b) Refers to interest on loans with the indirect subsidiary Girocantex.
- (c) As mentioned in note 8, refer to financial resources granted to Obrinel without interest, which will be settled after proof of performance of the assets and completion of the port facilities. The financial income (loss) from exchange-rate change are recognized in the income (loss) for the period.
- (d) The Company and some of its subsidiaries use shared administrative services, personnel, technological resources and infrastructure, such as: (i) payroll costs, (ii) IT/software structure and (iii) rental costs (iv) invoice processing, accounting and audit, which are transferred between Group companies.
- (e) Refers to expenses with the management project of its subsidiary Hidrovias do Brasil Administração Portuária Santos S.A.
- (f) In assets, it refers to a loan with the subsidiary Resflir S.A., and, in liabilities, it refers mainly to a loan with Luxembourg maturing in February 2031. Interest is presented as a result of operations with related parties.
- (g) During the year 2021, the Company recorded cost recovery related to shared expenses detailed above in item (e)

19 Capital

As of December 31, 2021, capital totals R\$ 1,359,469 (R\$ 1,359,469 as of December 31, 2020), is represented by 760,382,643 (760,382,643 as of December 31, 2020) common, nominative shares with no par value.

Shareholding structure on December 31, 2021 and December 31, 2020 is detailed as follows:

Shareholders	2021		2020	
	Common shares	%	Common shares	%
Pátria Infraestrutura - Fundo de Investimento em Participações Multiestratégia	153,484,062	20.2	153,484,062	20.2
Patria Infraestrutura Brasil Fundo de Investimento em Participações Multiestratégia	8,745,834	1.1	8,745,834	1.1
Pátria Infraestrutura IV FIP Multiestratégia	78,500,846	10.3	-	-
Sommerville Investments B.V.	63,517,842	8.4	63,517,842	8.4
HBSA Co-Investimento – Fundo de Investimento em Participações Multiestratégia	32,621,750	4.3	32,621,750	4.3
Verde Asset Management S.A.	39,468,590	5.2	-	-
Other (*)	384,043,719	50.5	502,013,155	66.0
Total	760,382,643	100	760,382,643	100

(*) No other group of shareholders owns over 5% of the Company's capital

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Capital increases

As of September 1, 2020, the Company increased its capital by 11,771,978 new common shares, totaling an increase of R\$ 51,786.

As of September 25, 2020, the Company carried out its secondary public offering (IPO) of 399,426,570 common shares, held by the Selling Shareholders (as defined in the IPO documents). The price was R\$ 7.56 per common share. The Company's shares are listed on the Novo Mercado (New Market) segment of Bolsa de Valores de São Paulo – B3 S.A. – Brasil, Bolsa, Balcão, under the ticker HBSA3.

Legal reserve

Pursuant to article 193 of Law 6404/76, five percent (5%) of net income for the year shall be used to establish a legal reserve, which may not exceed 20% of the capital.

Tax incentive reserve

Pursuant to the Company's bylaws, the tax incentive was recorded in the shareholders' equity as described in Note 30.

Dividends

Pursuant to Bylaws, determine minimum mandatory shareholders are entitled to the minimum mandatory dividend of 1% of net income, adjusted pursuant to the terms of item I, Article 202 of Law 6404/76.

20 Earnings per share

The diluted earnings per share was calculated with a basis on the result of the period attributable to the controlling shareholders of the Company as of December 31, 2021 and 2020 and the respective average quantity of outstanding common shares in the year as follows:

	2021	2020
Loss for the year	(339,132)	(105,545)
Weighted average of basic shares	760,383	752,513
Loss for the year per thousand basic shares	(0.4460)	(0.1403)

	2021	2020
Loss for the year	(339,132)	(105,545)
Weighted average of basic shares	760,383	752,513
Dilutive effect	-	4,721
Weighted average of diluted shares	760,383	757,234
Loss for the year per thousand diluted shares	(0.4460)	(0.1394)

(*) Diluted losses per share adjusts the amounts used in determining basic earnings per share to consider the weighted average number of additional common shares that would be outstanding, assuming the conversion of all potential diluting common shares.

As of December 31, 2021, although the Company has a stock option program, the shares corresponding to the future exercise were estimated at values lower than the exercise value, thus, it was considered antidilutive, which is why the earnings per share diluted is equal to basic.

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21 Long-term incentive programs

21.1 Stock option program

On July 27, 2016, the terms of the Stock Option Plan (“Plan”) were approved through the Extraordinary General Meeting, the purpose of which is the granting of options to purchase shares issued by the Company to Company managers and strategic professionals, with the main objective of attracting and retaining them. The Plan replaced the Stock Option Plan originally approved in Extraordinary General Meeting held on December 07, 2010. The participants indicated, subject to the rules and conditions defined for each program, received the stock option offer defined by the Board of Directors, and each purchase option assigns to its holder the right to acquire one common share issued of the Company, under the terms and conditions of the Plan and the approved programs.

On October 18, 2018, the Company’s Extraordinary General Meeting approved an amendment to the Stock Option Plan originally approved at the Extraordinary General Meeting held on July 27, 2016, aiming to promote changes in the exercise price rules, in the calculation of the updating of the Strike Price and other changes. Those programs were granted in February 2019.

The Company recognized the stock options granted in its Shareholders’ Equity, with a corresponding contra entry in income (loss) for the year. The recognition occurred proportionally to the terms of the respective vesting periods (grace period) of the lots granted, recording the accumulated amount of R\$ 29,775 (R\$ 29,775 in 2020). There was no expense recognized in income for the year (R\$17,049 in 2020).

As required by Technical Pronouncement CPC 10 (R1) - Share-based Payment, the fair value of options was determined on the granting date (concession date) based on “Black-Scholes” pricing model for options.

The following definitions were used as calculation assumptions in 2017, 2018 and 2019 programs:

- Weighted average share price on the granting date: R\$ 4.70
- Strike price of the options: Defined according to the program (see table below).
- Expected volatility: 35.35%. The expected volatility was calculated at the standard deviation of the average daily returns for the shares of a group of comparable companies. This group includes Rumo, Taesa, Alupar, Isa CTEEP, Kirby, SITC, Pacific Basin and Evergreen Marine. The history of trading sessions used is similar to the maturity date of the options:
- Lifetime of the option: 5 years, according to the contractually defined term
- Expected dividends: it is not necessary to include the effect of dividends, since the distribution of dividends reduces the exercise price of the options.
- Expected inflation: to calculate the exercise price correction, an inflation estimate of 4.2% p.a. was used based on the NTN-B maturing close to the option’s maturity.
- Risk-free interest rate: a rate of 8.31% was estimated based on the projection of the DI curve for the options maturity date.

As of August 31, 2020, the Long-Term Incentive Plan (“LIP”) for Hidrovias do Brasil S.A. was approved at the Company’s General Meeting. The Board of Directors will have the authorization to grant Restricted Shares to the participants, establishing all the conditions for the acquisition of rights related to the Restricted Shares to be granted, as well as the amendment of such conditions when necessary or convenient. The granting of Restricted shares must be made through the signing of grant agreements between the Company and the participants.

As of September 1, 2020, 11,771,978 new common shares were subscribed, through the payment of R\$ 51,786. The options were exercised at an Average Exercise Price of R\$ 4.40, accounting for a total of 41% of the shares vested so far, which are an integral part of the granted plans detailed below:

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Plan/Program	“Vesting”	Limit date for the year	Strike price (in R\$) (*)	Granted	Canceled / Expired	Exercised on 09/01/2020	Outstanding	Fair value (in R\$) (**)
2010/1 st	12/07/2011	03/31/2024	1.00	500,000	-	259,500	240,500	1.13
2010/1 st	12/07/2012	03/31/2024	1.00	500,000	-	259,500	240,500	1.27
2010/1 st	12/07/2013	03/31/2024	1.00	500,000	-	259,500	240,500	1.43
2010/1 st	12/07/2014	03/31/2024	1.00	500,000	-	259,500	240,500	1.61
Total Plan of 2010				2,000,000	-	1,038,000	962,000	

Plan/Program	“Vesting”	Limit date for the year	Strike price (in R\$) (*)	Granted	Canceled / Expired	Exercised on 09/01/2020	Outstanding	Fair value (in R\$) (**)
2011/1 st	05/10/2012	03/31/2024	1.00	25,000	-	12,975	12,025	1.17
2011/1 st	05/10/2013	03/31/2024	1.00	25,000	-	12,975	12,025	1.31
2011/1 st	05/10/2014	03/31/2024	1.00	25,000	-	12,975	12,025	1.47
2011/1 st	05/10/2015	03/31/2024	1.00	25,000	-	12,975	12,025	1.65
Total Plan of 2011				100,000	-	51,900	48,100	

Plan/Program	“Vesting”	Limit date for the year	Strike price (in R\$) (*)	Granted	Canceled / Expired	Exercised on 09/01/2020	Outstanding	Fair value (in R\$) (**)
2012/1 st	05/26/2013	03/31/2024	1.14	338,750	125,000	82,593	131,157	1.37
2012/1 st	05/26/2014	03/31/2024	1.14	338,750	125,000	82,593	131,157	1.54
2012/1 st	05/26/2015	03/31/2024	1.14	338,750	125,000	82,594	131,156	1.73
2012/1 st	05/26/2016	03/31/2024	1.14	338,750	157,500	82,595	98,655	1.93
2012/2 nd	08/10/2013	03/31/2024	1.28	100,000	-	60,000	40,000	1.56
2012/2 nd	08/10/2014	03/31/2024	1.28	100,000	-	60,000	40,000	1.75
2012/2 nd	08/10/2015	03/31/2024	1.28	100,000	-	60,000	40,000	1.98
2012/2 nd	08/10/2016	03/31/2024	1.28	100,000	-	60,000	40,000	2.23
Total Plan of 2012				1,755,000	532,500	570,375	652,125	

Plan/Program	“Vesting”	Limit date for the year	Strike price (in R\$) (*)	Granted	Canceled / Expired	Exercised on 09/01/2020	Outstanding	Fair value (in R\$) (**)
2013/1 st	03/31/2014	03/31/2024	1.41	275,234	30,090	93,460	151,684	1.77
2013/1 st	03/31/2015	03/31/2024	1.41	275,234	30,090	93,460	151,684	2.01
2013/1 st	03/31/2016	03/31/2024	1.41	275,233	35,400	93,460	146,373	2.25
2013/1 st	03/31/2017	03/31/2024	1.41	275,233	76,110	93,360	105,763	2.54
Total Plan of 2013				1,100,934	171,690	373,740	555,504	

Plan/Program	“Vesting”	Limit date for the year	Strike price (in R\$) (*)	Granted	Canceled / Expired	Exercised on 09/01/2020	Outstanding	Fair value (in R\$) (**)
2014/1 st	03/31/2015	03/31/2024	1.68	555,750	-	219,034	336,716	2.20
2014/1 st	03/31/2016	03/31/2024	1.68	555,750	4,500	219,034	332,216	2.47
2014/1 st	03/31/2017	03/31/2024	1.68	555,750	58,500	218,884	278,366	2.80
2014/1 st	03/31/2018	03/31/2024	1.68	555,750	58,500	218,884	278,366	3.15
Total Plan of 2014				2,223,000	121,500	875,836	1,225,664	

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Plan/Program	“Vesting”	Limit date for the year	Strike price (in R\$) (*)	Granted	Canceled / Expired	Exercised on 09/01/2020	Outstanding	Fair value (in R\$) (**)
2016 A/1 ^a	07/27/2016	03/31/2024	3.64	889,295	-	386,076	503,219	0.00
2016 A/1 ^a	03/31/2017	03/31/2024	3.64	889,295	78,642	385,976	424,677	0.93
2016 A/1 ^a	03/31/2018	03/31/2024	3.64	889,295	78,642	385,976	424,677	1.06
2016 A/1 ^a	03/31/2019	03/31/2024	3.64	889,295	134,520	382,993	371,782	1.14
Total Plan of 2016 A				3,557,180	291,804	1,541,021	1,724,355	

Plan/Program	“Vesting”	Limit date for the year	Strike price (in R\$) (*)	Granted	Canceled / Expired	Exercised on 09/01/2020	Outstanding	Fair value (in R\$) (**)
2016 B/1 ^a	03/31/2017	03/31/2024	3.48	720,330	55,675	305,281	359,374	1.06
2016 B/1 ^a	03/31/2018	03/31/2024	3.48	720,330	55,675	305,281	359,374	1.17
2016 B/1 ^a	03/31/2019	03/31/2024	3.48	720,330	86,206	304,420	329,704	1.24
2016 B/1 ^a	03/31/2020	03/31/2024	3.48	720,330	122,125	292,370	305,835	1.30
Total Plan of 2016 B				2,881,320	319,681	1,207,352	1,354,287	

Plan/Program	“Vesting”	Limit date for the year	Strike price (in R\$) (***)	Granted	Canceled / Expired	Exercised on 09/01/2020	Outstanding	Fair value (in R\$) (**)
2017	03/31/2018	03/31/2024	3.62	793,750	-	380,751	412,999	1.66
2017	03/31/2019	03/31/2024	3.62	793,750	-	380,751	412,999	1.66
2017	03/31/2020	03/31/2024	3.62	793,750	56,250	359,815	377,685	1.66
2017	03/31/2021	03/31/2024	3.62	793,750	56,250	-	737,500	1.66
Total Plan of 2017				3,175,000	112,500	1,121,317	1,941,183	

Plan/Program	“Vesting”	Limit date for the year	Strike price (in R\$) (***)	Granted	Canceled / Expired	Exercised on 09/01/2020	Outstanding	Fair value (in R\$) (**)
2018	02/01/2019	03/31/2024	4.70	1,400,000	-	712,781	687,219	1.33
2018	02/01/2020	03/31/2024	4.70	1,400,000	62,500	687,781	649,719	1.33
2018	50% through liquidity event	03/31/2024	4.70	2,800,000	125,000	1,375,563	1,299,437	1.33
Total Plan of 2018				5,600,000	187,500	2,776,125	2,636,375	1.33

Plan/Program	“Vesting”	Limit date for the year	Strike price (in R\$) (***)	Granted	Canceled / Expired	Exercised on 09/01/2020	Outstanding	Fair value (in R\$) (**)
2019	02/13/2020	03/31/2024	4.70	1,500,000	-	738,770	761,230	1.37
2019	02/13/2021	03/31/2024	4.70	1,500,000	-	-	1,500,000	1.37
2019	50% through liquidity event	03/31/2024	4.70	3,000,000	-	1,477,542	1,522,458	1.37
Total Plan of 2019				6,000,000	-	2,216,312	3,783,688	1.37
Total				28,392,434	1,737,175	11,771,978	14,883,281	

(*) Strike price in the grant date. The strike price is adjusted by the IPCA price index plus 7% per year.

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(**) Fair value in the grant date.

(***) Strike price on the grant date. The strike price is adjusted by the IPCA.

Current plan approved by the Company's Board of Directors with an exercise deadline as of March 31, 2024.

21.2 Long Term Incentive Plan with Restricted Shares

On August 31st, 2020, the Company General Meeting approved the Hidrovias do Brasil S.A. Long Term Incentive Plan ("ILP"), with the following objectives:

- Attract and retain managers and strategic professionals for the Company and its affiliates;
- Grant to the Participants the opportunity to become shareholders of the Company, aligning interests from both parties;
- Develop the Company objectives and the shareholders interests.

The plan is managed by the Board of Directors, following the general conditions of the ILP and the guidelines outlined by the Company General Meeting.

In the aforementioned plan the participants will be entitled to receive the equivalent of 4% of the Company value appreciation in relation to its IPO price (R\$ 7.56 – seven reais and fifty six cents), provided that the grace period conditions are met. This amount will be divided amongst the beneficiaries according to the Company remuneration strategy and will be delivered through shares, considering the share price at the time of payment.

If there is no appreciation in the Company value at the measurement date for the annual payment, the amount is carried over to future years.

The transfer of Restricted Shares to the participant will happen only upon meeting the conditions and periods defined in the ILP, in the Program and the Grant Contracts, so that the participation in the ILP does not guarantee any rights over the restricted shares of the delivery of them to the participant. The first program of the ILP plan was granted on November 8th, 2021, this date being the reference to calculate the fair value of the program. In order to properly outline the effects of the Company's share performance in the granted price and amount of shares delivered to the participants, the Company used the Monte Carlo Simulation method.

More specifically, the Company considered the Monte Carlo Simulation with 100,000 simulations, using as the starting point the share price of R\$2.82 (two reais and eighty two cents), as marketed on 11/08/2021. Also, it considered the average of the 20 (twenty) previous trading days to calculate the average gain per share for the year. The following assumptions were used in the ILP calculations:

Block	Allotment	Share Price	Base Price to Calculate the Gain	Volatility	Risk Free Rate (a.a.)	Vesting Date	Expiry Date
1	1	R\$ 2.82	R\$ 7.56	45.60%	11.715%	09/28/2022	09/28/2022
1	2	R\$ 2.82	R\$ 7.56	45.60%	11.715%	09/28/2023	09/28/2023
1	3	R\$ 2.82	R\$ 7.56	45.60%	11.715%	09/28/2024	09/28/2024
2	1	R\$ 2.82	R\$ 7.56	44.81%	12.325%	09/28/2023	09/28/2023
2	2	R\$ 2.82	R\$ 7.56	44.81%	12.325%	09/28/2024	09/28/2024
2	3	R\$ 2.82	R\$ 7.56	44.81%	12.325%	09/28/2025	09/28/2025
3	1	R\$ 2.82	R\$ 7.56	42.11%	12.165%	09/28/2024	09/28/2024
3	2	R\$ 2.82	R\$ 7.56	42.11%	12.165%	09/28/2025	09/28/2025
3	3	R\$ 2.82	R\$ 7.56	42.11%	12.165%	09/28/2026	09/28/2026
4	1	R\$ 2.82	R\$ 7.56	42.22%	12.080%	09/28/2025	09/28/2025
4	2	R\$ 2.82	R\$ 7.56	42.22%	12.080%	09/28/2026	09/28/2026
4	3	R\$ 2.82	R\$ 7.56	42.22%	12.080%	09/28/2027	09/28/2027
5	1	R\$ 2.82	R\$ 7.56	42.31%	12.030%	09/28/2026	09/28/2026

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5	2	R\$ 2.82	R\$ 7.56	42.31%	12.030%	09/28/2027	09/28/2027
5	3	R\$ 2.82	R\$ 7.56	42.31%	12.030%	09/28/2022	09/28/2022

The Company recognized the effect of the ILP in its Equity against gain/(loss) of the period. The accrual was made proportionally to the respective vesting periods, in the accumulated amount of R\$ 695.

22 Commitments and guarantees

As part of our business strategy, we have entered into long-term contracts with our customers with minimum volume requirements and fixed freight rates. The execution of a new long-term contract with customers tends to have a significant positive effect on our net revenue, whereas the loss of an existing material contract would have the opposite effect.

The Company and its subsidiaries have long-term contracts with the following clients:

1. VALE, in the South Corridor, with a duration of 25 years starting from May 2014.
2. SODRU, in the South Corridor, with a duration of 8 years starting from March 2014.
3. COFCO, in the South Corridor, with an initial duration of 5 years starting from February 2014, extended to December 2024.
4. SODRU, in the North Corridor, with a duration of 10 years starting from February 2017 (extended to 2029).
5. COFCO, in the North Corridor, with a duration of 15 years starting from 2016 (extended to 2031).
6. ALLUNORTE, in the North Corridor, with a duration of 25 years starting from 2010 (acquired in 2016)..
7. SALINOR, in the North Corridor, with a duration of 20 years as of start-up date in 2021.

As of September 17, 2018, the former HB Navegação Norte, currently merged into the indirect subsidiary HB Vila do Conde, entered into operational lease agreements with the pushers Don Antonio and HB Draco, owned, respectively, by the indirect subsidiaries Pricolpar S.A. and Cikelso S.A., for a term of 64 months, as of February 11, 2019.

HB Navegação Norte and HB Miritituba were incorporated on January 1, 2019 by HB Vila do Conde. The company and its subsidiaries have guarantees related to guarantees with regulatory bodies, maintenance and docking of some assets and for other operating activities recorded in financial institutions with whom the company and its subsidiaries have a relationship.

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23 Operating revenue

	Consolidated	
	2021	2020
South Corridor:		
Transportation services	422,890	484,208
North Corridor:		
Lifting Services	215,970	183,304
Transshipment services	73,501	64,827
Transportation services*	277,854	608,373
Intermediation services	30,808	27,452
Other revenues	9,535	-
Cabotage:		
Cabotage services	264,870	239,220
Santos:		
Lifting Services	27,493	46,589
Subtotal	900,031	1,169,765
Total gross revenue	1,322,921	1,653,973
ISS	(15,141)	(16,224)
PIS	(8,164)	(5,904)
COFINS	(49,332)	(27,259)
ICMS	(1,539)	(3,390)
Subtotal taxes	(74,176)	(52,777)
<i>Hedge accounting</i>	(133,328)	(139,093)
Total net revenue	1,115,417	1,462,103

*The Company seeks to create customized logistics solutions for its clients and, as a way to facilitate the flow of grains to smaller and less structured players, subcontracts road transport and fully transfers said cost, thus generating a neutral result. As the operations of said clients become larger and more structured, there is less demand for this service and, as a result, the reduction in Net Operating Revenue from "Road Transport (OTM)" and its respective costs.

As previously mentioned in note 6.1, there is a certain concentration of operating revenues, being distributed as follows: Client A 19.21% (20.8% as of December 31, 2020); ii) B 28.87% (18.3% as of December 31, 2020, iii) C 19.37% (10.4% as of December 31, 2020) and they all represent approximately 67.45% of the total net revenue (49.5% as of December 31, 2020). No other client accounts for over 10% of consolidated net revenue.

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24 Costs and expenses by nature

24.1 Costs of services rendered and general and administrative expenses

	Parent company		Consolidated	
	2021	2020	2021	2020
Salaries, social charges and benefits	(42,068)	(69,509)	(238,938)	(233,688)
Depreciation and amortization	(10,941)	(7,422)	(337,998)	(223,755)
Maintenance	(28)	(50)	(48,782)	(42,147)
Fuel	-	-	(180,182)	(123,259)
Third party services	(15,420)	(28,489)	(75,677)	(75,291)
Rentals	-	(225)	(24,813)	(39,923)
Freight (*)	-	-	(1,054)	(352,572)
Travel and tickets	(1,042)	(1,045)	(7,785)	(6,517)
Mooring	-	-	(26,692)	(25,255)
Kitchen and pantry	(31)	(15)	(8,511)	(6,561)
Agents	-	-	(18,603)	(14,133)
Operational and safety	-	-	(14,320)	(16,417)
Sundry fees	(365)	(916)	(14,068)	(8,793)
Operational materials	(25)	(66)	(190)	(171)
Lawsuits	-	(22)	(6,108)	(8,401)
Outdoor Pilotage	-	-	(29,721)	(27,991)
Provision for credit risk	-	-	(141)	(2,750)
Other (expenses) revenues	(2,386)	(1,489)	(87,627)	(80,326)
Total	<u>(72,306)</u>	<u>(109,248)</u>	<u>(1,121,211)</u>	<u>(1,287,950)</u>
Classified as:				
Cost of services rendered	-	-	(880,774)	(1,089,606)
General and administrative expenses	<u>(72,306)</u>	<u>(109,248)</u>	<u>(240,437)</u>	<u>(198,344)</u>
Total	<u>(72,306)</u>	<u>(109,248)</u>	<u>(1,121,211)</u>	<u>(1,287,950)</u>

(*) Refers to the contracting of road freight services as part of the multimodal solution (OTM). This modality contemplates the origin of the cargos until their final destination through the Road and Waterway modes.

24.2 Other expenses/revenues

	Parent company		Consolidated	
	2021	2020	2021	2020
Extempore PIS/COFINS credits	-	-	12,793	6,468
AFRMM (a)	-	-	11,340	15,336
Sweeping (b)	-	-	16,387	13,700
Bargain purchase income (loss) (c)	32,298	-	57,140	-
Provision for loss on prescribed taxes(d)	-	-	(31,234)	-
Performance premium received€	-	-	12,457	-
Insurance reimbursement	-	-	12,667	-
Earn-out reversal (f)	-	-	3,488	-
Other	121	-	1,051	(1,634)
Total	<u>32,419</u>	<u>-</u>	<u>96,089</u>	<u>33,870</u>

(a) The AFRMM is a benefit available to all Brazilian shipping companies operating with own or chartered vessels, and is regulated by Law No. 10.893/2004 and other specific legislation applicable to the industry. The Company uses this benefit in its cabotage operation, as detailed in Note 30.

(b) Sweeping revenue resulting from the operation at port terminals.

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- (c) Result of bargain purchase arising from the business combination process evidenced in the business combination Note 10.1 and bargain purchase in the acquisition of interest in jointly-controlled subsidiary.
- (d) In 2021, the Company revised the recoverability expectation of the Value Added Tax (VAT) credits of its subsidiaries abroad and constituted a provision for loss due to the low expectation of recoverability of such amounts.
- (e) Refers to a premium received from a customer, as provided for in the contract.
- (f) Refers to the reversal of the 2021 earn-out installment on the acquisition of ISP and ISA, in the amount of R\$ 3,488, due to the non-achievement of operating targets for the calendar year.

25 Financial income (loss)

	Parent company		Consolidated	
	2021	2020	2021	2020
Revenues:				
Income from interest earning bank deposits	3,027	264	6,284	7,879
PIS and COFINS on financial revenue	(156)	(90)	(446)	(250)
Inflation adjustments and exchange-rate changes	1,261	-	-	-
Gains from investments (*)	4,491	-	26,410	36,862
Other	333	2,152	2,894	9,930
Total	<u>8,956</u>	<u>2,326</u>	<u>35,142</u>	<u>54,421</u>
Expenses:				
Interest on loans	(8,477)	-	(238,546)	(209,617)
Late payment	(3)	(2)	(334)	(391)
Funding cost	(121)	(203)	(106,333)	(5,336)
Inflation adjustments and exchange-rate changes	-	(715)	(57,413)	(88,502)
Tax on Financial operations - IOF	(164)	(415)	(3,317)	(1,601)
Losses on investments (*)	-	(1,238)	-	-
Lawsuits (**)	(5,479)	-	(5,479)	-
Other	(590)	(460)	(11,989)	-
	<u>(14,834)</u>	<u>(3,033)</u>	<u>(423,411)</u>	<u>(305,447)</u>
Net financial income (loss)	<u>(5,878)</u>	<u>(707)</u>	<u>(388,269)</u>	<u>(251,026)</u>

(*) Gains or losses related to investment funds exposed to the variation of the US Dollar.

(**) Provision for contingencies of legal proceeding aimed at removing the provisions of Decree 8426/2015 and Article 27 of Law 10865/2004, ensuring the application of the previous legal regime, based on Decree 5442/2005, which provides for a zero rate of PIS and COFINS for financial revenues.

26 Income tax and social contribution

Taxes on income comprise income tax and social contribution. Income tax is computed on taxable income at the nominal rate of 15%, plus a 10% surtax for income exceeding R\$ 240 thousand in the 12-month period, whereas social contribution is computed at the nominal rate of 9% on taxable income, recognized on the accrual basis.

In 2018, the Company joined with the SUDAM (Superintendency for the Development of Amazon) Tax Incentive Program, which provides a 75% reduction of corporate income tax through Exploration Profit for the company Hidrovias do Brasil – Vila do Conde S.A., which is presented as tax income, is likely to benefit from the Government Grant.

Income tax and social contribution are recognized in the statement of income, except for the proportion related to items directly recognized in other comprehensive income. In that case, the tax is also recorded in shareholders' equity or comprehensive income.

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The current income and social contribution tax charges are calculated based on enacted tax laws at the balance sheet date. Management periodically evaluates the positions taken in the Company's tax returns with respect to situations in which applicable tax regulation is subject to interpretation. The Company establishes provisions where appropriate on the basis of amounts expected to be paid to the tax authorities.

Prepayments or amounts that can be offset are presented in current assets, in accordance with their expected realization.

For the year 2021, the Company opted for the determination of Taxable Income by means of Annual methodology, as presented in the Statements of Federal Tax Debts and Credits sent to the Brazilian Federal Revenue Service. Thus, the following table presents the calculation of IRPJ and CSLL.

	Parent company		Consolidated	
	2021	2020	2021	2020
Income/(loss) before IRPJ and CSLL	(344,281)	(95,232)	(298,645)	(48,365)
Nominal rate	34%	34%	34%	34%
Corporate income tax (IRPJ) and Social contribution on net income (CSLL) at nominal rate	117,056	32,379	101,539	16,444
Permanent adjustments:				
Equity in net income of subsidiaries	(101,495)	5,006	(228)	(1,823)
Profits abroad	(4,602)	(51,380)	(4,602)	(27,566)
Non-deductible expenses	(5,810)	(9,365)	(16,458)	(11,472)
Other adjustments:				
Governmental grant	-	-	16,981	11,019
Deferred tax on temporary differences and unrecognized tax losses	-	-	(144,701)	(49,597)
Rate difference on the measurement of deferred taxes	-	-	(3,929)	(8,318)
Deferred tax on realized revenue from hedge accounting	-	-	16,913	-
Deferred tax recognized from previous periods	-	12,090	-	12,312
Workers' Meal Program (PAT)	-	202	1,044	1,061
Donations made with incentives	-	-	500	-
Maternity Leave program	-	-	24	5
Taxes paid abroad	-	755	(7,570)	755
Income tax and social contribution	5,149	(10,313)	(40,487)	(57,180)
Current taxes	(140)	(18,856)	(64,272)	(68,291)
Deferred taxes	5,289	8,543	23,785	11,111
	5,149	(10,313)	(40,487)	(57,180)
Effective rate	1.5%	-	-	-

Deferred income tax and social contribution were recognized in 2021 on the accumulated balances of temporary differences and tax loss up to December 31, 2021 to the companies Hidroviás do Brasil – Vila do Conde S.A and

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Hidrovias do Brasil - Cabotagem Ltda, and subsidiaries of this Company.

Deferred income tax and social contribution are measured based on temporary differences, tax loss and negative basis of social contribution on net income at the rate of 6.25% for IRPJ (reduction of 75%) and 9% for CSLL totaling a nominal rate of 15.25%, based on income from exploration which is a tax incentive from SUDAM – Superintendency for Development of the Amazon claimed by the company Hidrovias do Brasil – Vila do Conde S.A and to the company Hidrovias do Brasil - Cabotagem Ltda is recognized at the rate of 25% of IRPJ and 9% of CSLL totaling 34%, in compliance with the legislation in force.

The exchange-rate change caption is presented as a consequence of the adoption of taxation of exchange-rate changes using the cash methodology, to which the effect of such adjustments in the Taxable Income Control Register (LALUR) and the Social Contribution Calculation Book (LACS) is the recognition of deferred assets in the subsidiaries Hidrovias do Brasil – Vila do Conde S.A. and Hidrovias do Brasil - Cabotagem Ltda. The subsidiary Hidrovias do Brasil – Vila do Conde S.A also has deferred liabilities recorded for a property damage received in 2018.

Part of Deferred Taxes, in the amount of R\$ 5,238 thousand, was recognized in Shareholders' equity since its subsidiaries have non-derivative financial instrument, for which the portion corresponding to deferred IRPJ and CSLL is accounted for in the Other Comprehensive Income.

For other group companies, the Company understands that currently the group companies that hold tax losses and negative calculation bases of social contribution on net income and temporary adjustments, still do not have history of tax offsets, therefore it is not possible to recognize deferred IRPJ and CSLL.

Deferred income tax and social contribution assets and liabilities are reviewed on a monthly basis, and they are changed as their respective offsets or if their realization is no longer probable.

	Consolidated			Consolidated
	2021			2020
	Net amount	Deferred tax assets	Deferred tax liabilities	Net amount
Provision for bonus	3,467	3,467	-	5,691
Provision for suppliers	643	643	-	548
Provision for fuel	153	153	-	329
Other provisions	2,038	2,038	-	1,179
Other operating provisions	6,841	6,841	-	4,896
Labor contingencies	2,515	2,515	-	1,493
Judicial contingencies	1,864	1,864	-	-
Provision of charges – ILP	129	129	-	-
PIS - Enforceability suspended	242	242	-	242
COFINS - Enforceability suspended	1,300	1,300	-	1,300
Loss on variable income	537	537	-	537
Tax loss	11,950	11,950	-	190
Negative basis	4,600	4,600	-	-
Exchange-rate change	196,250	196,250	-	173,971
Financial lease	474	474	-	272
Interest to be paid-up	(4,312)	-	(4,312)	-
Negative goodwill - Gain from bargain purchase	(10,981)	-	(10,981)	-
Property damage	(39,825)	-	(39,825)	(41,786)
Tax Assets (Liabilities) before offset	177,885	233,003	(55,118)	148,862
Offset of tax		(55,118)	55,118	
Net balances presented in Assets/Liabilities		177,885	-	

The changes in the net balance of deferred IRPJ and CSLL during the period are as follows:

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	Consolidated	
	2021	2020
Opening balance	148,862	46,718
Deferred IRPJ (Corporate income tax) and CSLL (social contribution on net income) in the income (loss) for the year	23,785	11,111
Deferred Corporate income tax (IRPJ) and social contribution on net income (CSLL) recognized in other comprehensive income	5,238	91,033
Closing balance	177,885	148,862

27 Financial instruments

27.1. Financial instruments by category

All the operations with financial and derivative instruments are recognized in financial statements of the Company and its subsidiaries, estimated fair values of instruments are the same as the calculated amounts for loans, financing and debentures, as follows:

		Parent company		Consolidated	
		2021	2020	2021	2020
Assets					
Fair value through profit or loss:					
Securities	Level 2	103,381	87,728	582,562	816,044
Amortized cost					
Cash and cash equivalents	Level 2	937	1,441	76,454	214,848
Pledged financial investments	Level 2	-	-	13,295	14,952
Guarantee and escrow deposit	Level 2	2,179	9,100	2,210	9,491
Accounts receivable	Level 2	-	-	251,020	154,252
Related party credits	Level 2	27,098	20,800	5,778	3,820
Dividends	Level 2	934	14,090	-	-
Liabilities					
Liabilities at amortized cost:					
Suppliers	Level 2	5,451	9,229	146,142	68,506
Accounts payable with related parties	Level 2	23,314	63,481	-	-
Loans, financing and debentures	Level 2	376,433	-	4,639,406	3,723,134
Dividends payable	Level 2	-	-	-	237

Note: The Management periodically reviews unobservable data considered significant and valuation adjustments. If third-party information, such as broker quotes or pricing services, is used to measure fair value, the Management analyzes evidence obtained to support the conclusion that such valuations meet the accounting requirements, including the level in the fair value hierarchy in which such valuations should be classified.

When measuring fair value of an asset or liability, the Company uses observable data as much as possible. Fair values are classified at different levels according to hierarchy based on information (inputs) used in valuation techniques, as follows:

- Level 1: prices quoted (not adjusted) in active markets for identical assets and liabilities.
- Level 2: except for quoted prices, included in Level 1 which are observable for assets or liabilities, directly (prices) or indirectly (derived from prices); and

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- Level 3: for assets or liabilities, which are not based on observable market data (non-observable inputs).

27.2. Criteria, assumptions and limitations used in the calculation of market value

The financial instruments of the Company and its subsidiaries, segregated between assets classified as fair value through profit or loss and at amortized cost, and liabilities classified through amortized cost. They are mostly paid at market rates.

Fair values of these financial instruments are close to the book values as of December 31, 2021, except for loans, financing and debentures with hedge accounting and presented as follows:

		Fair value		Book value	
		2021	2020	2021	2020
Assets					
Cash and cash equivalents		76,454	214,848	76,454	214,848
Securities	Level 2	582,562	816,044	582,562	816,044
Pledged financial investments	Level 2	13,295	14,952	13,295	14,952
Guarantee and escrow deposit	Level 2	2,210	9,491	2,210	9,491
Accounts receivable	Level 2	251,020	154,252	251,020	154,252
Related party credits	Level 2	5,778	3,820	5,778	3,820
Liabilities					
Suppliers	Level 2	146,142	68,506	146,142	68,506
Loans, financing and debentures	Level 2	4,436,928	3,891,633	4,639,406	3,723,134
Dividends payable	Level 2	-	237	-	237

27.3. Derivative and non-derivative financial instruments

These instruments are managed through operational strategies, aimed at the predictability of operations and minimizing possible mismatches that may bring additional volatilities to those already covered by the Business Plan of the Company and its subsidiaries. The control policy consists of permanent follow-up of the rates engaged versus those in force in the market. The Company and its subsidiaries do not carry out transactions or any other financial instruments on a speculative basis.

27.4. Risk management

Financial risk management

Overview

The economic and financial risks mainly reflect the behavior of macroeconomic variables such as exchange and interest rates as well as the characteristics of the financial instruments that the Company and its subsidiaries use. These risks are managed by means of monitoring by Management that actively participates in the operating management.

The Company and its subsidiaries have the practice of managing its existing risks in a conservative manner, aiming mainly to preserve the value and liquidity of financial assets and to guarantee financial resources for the smooth running of business. The main financial risks considered by Top Management are:

- Credit risk
- Liquidity risk
- Exchange rate risk
- Hedge activity

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- Interest rate risk

We present the information on the Company and its subsidiaries' exposure to each of these risks, objectives, policies, practices and processes for risk measurement and management, and capital management.

Risk management framework

Credit risk

As Note 22, it is the risk that the Company and its subsidiaries will suffer financial losses if a counterparty does not fulfill an obligation provided for in the contract. The company is mainly exposed to operating activities (with trade accounts receivable) and investment activities (through interest earning bank deposits).

As mentioned in note 6, the Company, after analyzing and applying the accounts receivable policies, has no material loss for its financial statements.

Overall, business conduction is addressed in Committee's meetings for decision making and financial investments are carried out by the company's Treasury department in accordance with the established Policy, aiming to reduce the company's financial risk. Results are followed up and established strategies are adjusted to maintain expected results. Regarding the Financial Instruments, the Company is exposed mainly to Cash and Cash Equivalents and Securities and, thus, restricts its exposure to prime line Financial Institutions, rated as investment grade by risk rating agencies widely accepted in the market, in addition to reducing risk through diversification of counterparties.

Book values of financial instruments that represent the maximum exposure to credit risk on interim financial information dates are as follows:

	Parent company		Consolidated	
	2021	2020	2021	2020
Cash and cash equivalents	937	1,441	76,454	214,848
Accounts receivable	-	-	251,020	154,252
Securities	103,381	87,728	582,562	816,044
Pledged financial investments	-	-	13,295	14,952
Related party credits	27,098	20,800	5,778	3,820
Guarantee and escrow deposit	2,179	9,100	2,210	9,491
Dividends	934	14,090	-	-
Total	134,529	133,159	931,319	1,213,407

Liquidity risk

It is the risk of the Company and its subsidiaries may encounter difficulties in performing the obligations associated with its financial liabilities that are settled with cash payments.

The approach in the management of liquidity risk is to guarantee the payment of obligations, for which reason it aims to maintain cash available (cash and cash equivalents and securities) for the performance of short-term obligations, making every effort to ensure that there is always sufficient liquidity to honor its obligations, under normal and stress conditions, without causing unacceptable losses or with the risk of blemishing the reputation of the Company and its subsidiaries.

The Company and its subsidiaries align funds availability and generation so as to comply with its obligations under agreed-upon terms.

Maturity is based on the most recent date when the Company and its subsidiaries have the related obligations:

Liquidity risk	Consolidated			
	2021			
	Up to 12	13-24	25-36	>37

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	months	months	months	months
Suppliers (Note 14)	146,142	-	-	-
Loans, financing and debentures (Note 15) (*)	294,872	298,987	300,423	6,159,509
Lease liabilities (Note 12)	81,279	31,599	22,235	346,454

(*) The amount bears contractual interest according to the opening of note 15.

Exchange rate risk

Derives from the oscillations of the exchange rates of foreign currencies used by the Company and its subsidiaries. The transactions subject to change are the portion of the Bond destined to the operation of the north corridor and operations and financing of HB Cabotagem.

Management analyses and follows up its exposures in order to make decisions on the contracting of hedge instruments for respective foreign currency exposures. Hedge instruments used to manage exposures are established by Management, shared and approved by the Board of Directors to avoid speculative instruments or instruments that may possibly generate any additional risk inherent to those originally proposed.

Pursuant to IFRS 9 (equivalent to CPC 48), the purpose of the hedge accounting is to represent in the financial statements, the effect of the risk management activities of the entity that uses financial instruments to manage exposures resulting from specific risks that could affect the income (loss). The purpose of this approach is to transmit the context of hedge instruments for which the hedge accounting should be applied to permit the understanding of its purposes and effects.

Hedge Accounting Bond

- Structuring of the Hedge accounting operation

In order to structure the operation, the Company defined as risk to be hedged, the exchange-rate change of part of its future revenues from a sea freight Take or Pay agreement, denominated in U.S. dollar, originated from its indirect subsidiary Girocantex.

The Company is also exposed to an exchange-rate change derived from the issuance of Bonds in the amount of USD 600,000 thousand with semi-annual yield of 5.95% p.a. and maturity term of 7 years as of May 02, 2018, through its direct subsidiary Hidrovias Internacional. The Company made repurchases totaling USD 24,850 thousand, which reduce its gross debt by the same amount.

Both revenues in foreign currency as well as debts derived from the issuance of Bonds are exposed to risk of same nature, and accordingly, the exchange risk of future revenues would be naturally covered by the exchange risk of the debts. However, despite the economic coverage of the risk of exchange-rate change, the Company's income (loss) is affected by the timely mismatch between the accounting recognition of the revenue and debt. Accordingly, the Company will use part of the principal value of the Bond issued in USD as hedge instrument to cover part of its future revenue in USD, which is highly probable.

- Purpose and strategy of the risk management

Estimated and highly-probable future revenues, derived from Girocantex's Take or Pay operation exposes the Company to market risks involving changes in the Real (BRL) x U.S. dollar (USD) exchange rate, since the functional currency of the Company is the Real (BRL).

The Financial Risk Management Policy permits the structuring of hedge accounting, using derivative and non-derivative financial instruments with the purpose of minimizing the effects of the USD changes on the income (loss) of the Company.

In order to meet the Risk Strategy, management decided to designate as hedge instrument, part of the principal

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value of the debt in foreign currency (Bond) so as to protect the counterparty from USD rate changes derived from its Take or Pay agreement with Girocantex.

- Hedge relation

The Company will adopt the cash flow hedge, as defined in IFRS 9, whose nature of the covered risk is the exchange-rate change.

- Nature of hedged risk

Foreign currency risk: variability of the exchange rates of estimated revenues in U.S. dollar, in connection with the Take or Pay agreement with Girocantex.

- Identification of the hedged item

Risk of exchange-rate change of part of estimated revenues in foreign currency (minimum of 25% of quarterly revenue), in connection with the Take or Pay agreement with Girocantex, for a period of 7 years beginning on May 02, 2018.

- Identification of hedge instrument

The hedge instrument is part of the principal value of the Bond issued, with the following characteristics:

Type	Bond
Start date of Contract	01/24/2018
Maturity date	01/24/2025
Amount denominated in USD	244,520,320
Initial Parity USD x REAIS	3.5424
Start date of hedge	05/02/2018

- Effectiveness of the hedge relationship

Hedge effectiveness is measured based on the changes in the fair value or in the cash flows of the hedge instrument that offset the changes in the fair value or cash flows of the hedged item. The non-effectiveness of hedge occurs as the changes in the fair value or cash flows of the hedge instrument are higher or lower than those of the hedged item.

To qualify to hedge accounting, the following requirements of effectiveness should be satisfied:

The requirement so that there is economic relation means that the hedge instrument and the hedged item must have amounts that generally move in opposite directions due to the same risk, which is the hedged risk.

The hedge instrument and the hedged item have values that move in opposite directions. The increase of exchange rate generates a devaluation in the recognition of revenue in the income (loss), which is recognized upon delivery of the product transported to its destination. Likewise, the increase in the exchange rate causes the increase in the debt represented by the Bond, generating an expense in the result. In the same way as an increase in the exchange rate generates an opposite movement between hedge instrument and hedged item. These changes occur in different moments, since the debt is an item recognized in the balance sheet and the revenue until the date of recognition is an off-balance sheet item. With the benefit of hedge accounting, the exchange-rate change of the debt will be recognized in other comprehensive income, under Cash Flow Hedge reserve, and reclassified to reclassification adjustment in the same period or periods during which the expected future cash flows covered by hedge affect the income (loss), that is, upon the actual recognition of revenue.

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Hedge Accounting - Cabotage

- Structuring of the Hedge accounting operation

In order to structure the operation, the Company defined as risk to be hedged, the exchange-rate change of part of its future revenues derived from a service agreement, denominated in U.S. dollar, with Alunorte.

The Company is also exposed to an exchange-rate change derived from loans in foreign currency in the amount of USD 124,213,858 with maturity term of 13 years.

Both revenues in foreign currency as well as debts are exposed to risk of same nature, and accordingly, the exchange risk of future revenues would be naturally covered by the exchange risk of the debts. However, despite the economic coverage of the risk of exchange-rate change, the Company's income (loss) is affected by the timely mismatch between the accounting recognition of the revenue and debt. Accordingly, the Company will use part of the principal value of the loan in USD as hedge instrument to cover part of its future revenue in USD, which is highly probable.

- Risk management strategy

HB Cabotagem has the strategy to hedge part of its estimated revenue in foreign currency against risks of exchange-rate changes.

- Risk management objectives

HB Cabotagem intends to hedge the risk of exchange-rate change of at least 6% of the flow of receipt, derived from the service agreement with Alunorte. The hedged flows of receipt begin on April 02, 2018 and are expected to end in February 2033.

The Company will use the principal value of the loan in foreign currency, contracted with the BNDES as hedge instrument of the estimated revenues.

The hedge instrument is the principal value of the debt in foreign currency contracted with the BNDES, with the following characteristics:

Type	Debt in foreign currency (*)
Start date of Contract	12/23/2016
Maturity date	03/15/2033
Amount in USD	142,807,564
Initial Parity USD x REAIS	3.3104
Start date of hedge	04/02/2018

(*) contracted with the BNDES

- Effectiveness of the hedge relationship

Hedge effectiveness is measured based on the changes in the fair value or in the cash flows of the hedge instrument that offset the changes in the fair value or cash flows of the hedged item. The non-effectiveness of hedge occurs as the changes in the fair value or cash flows of the hedge instrument are higher or lower than those of the hedged item.

To qualify to hedge accounting, the following requirements of effectiveness should be satisfied:

The requirement so that there is economic relation means that the hedge instrument and the hedged item must have amounts that generally move in opposite directions due to the same risk, which is the hedged risk.

The hedge instrument and the hedged item have values that move in opposite directions. The increase of exchange rate generates a devaluation in the recognition of revenue in the income (loss), which is recognized upon delivery

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of the product transported to its destination. Likewise, the increase in the exchange rate causes the increase in the debt represented by the loan, generating an expense in the income (loss). In the same way as an increase in the exchange rate generates an opposite movement between hedge instrument and hedged item. These changes occur in different moments, since the debt is an item recognized in the balance sheet and the revenue until the date of recognition is an off-balance sheet item. With the benefit of hedge accounting, the exchange-rate change of the debt will be recognized in other comprehensive income, under Cash Flow Hedge reserve, and reclassified to reclassification adjustment in the same period or periods during which the expected future cash flows covered by hedge affect the income (loss), that is, upon the actual recognition of revenue.

Hedge Accounting Bond

Hedged object	Hedged risk	Production period	Principal value in USD	Hedge instrument value	
Exchange-rate change of part of its future revenues	Foreign exchange rate R\$ - USD	05/02/2018–05/02/2025	244,520,320	244,520,320	
Realization estimate					
2018	2019	2020	2021	2022–2025	Total
24,150,155	36,225,233	36,225,233	36,225,233	111,694,466	244,520,320

	2020	2021
Exchange-rate change - Income (loss)	285,110	93,847
Exchange-rate changes - Shareholders' equity	543,006	636,953

Hedge Accounting - Cabotage

Hedged object	Hedged risk	Production period	Principal value in USD	Hedge instrument value	
Exchange-rate change of part of its future revenues	Foreign exchange rate R\$ - USD	04/02/2018–02/2033	142,807,564	142,807,564	
Realization estimate					
2018	2019	2020	2021	2022–2033	Total
3,129,018	10,261,948	5,202,740	10,692,544	113,521,314	142,807,564

	2020	2021
Exchange-rate change - Income (loss)	149,147	45,480
Exchange-rate changes - Shareholders' equity	172,636	218,117

Interest rate risk

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Book value of financial instruments that represent the exposure to interest rate risk is as follows:

<u>Interest rate risk</u>	<u>Parent company</u>		<u>Consolidated</u>	
	<u>2021</u>	<u>2020</u>	<u>2021</u>	<u>2020</u>
Assets:				
Cash and cash equivalents	937	1,441	76,454	214,848
Securities	103,381	87,728	582,562	816,044
Pledged financial investments	-	-	13,295	14,952
Loans, financing and debentures	376,433	-	4,639,406	3,723,134

Interest rates are disclosed in notes 5 and 15.

Sensitivity analysis

The Company and its subsidiaries make sensitivity analysis of main risks to which its financial instruments are exposed, basically represented by exchange rate and interest rate changes.

Changes in interest rate and foreign exchange rates

To verify the sensitivity of the indices in the investments to which the Company and its subsidiaries were exposed on the base date of December 31, 2020 and December 31, 2019, three different scenarios were defined.

The Company prepared three sensitivity analysis scenarios. Scenario I considers the future interest rates observed on the base date of interim financial information and scenarios II and III consider a decrease of 25% and 50%, respectively, in the risk variable considered.

The base date of portfolio used was December 31, 2021 and December 31, 2020 projecting indices for one year and verifying the sensitivity in each scenario. The tables below present the ratios considered for the feasibility analysis and its effect on the result:

<u>Change in interest rates</u>	Financial instruments	Risk	Rate	Estimated rate			Balance in 2021	Probable scenario	Possible scenario	Remote scenario
				Probable scenario	Possible scenario 25%	Remote scenario 50%				
	Securities	CDI	8.76%	11.63%	8.73%	5.82%	10,484	301	(3)	(308)
	Securities	U.S. Treasury	0.06%	0.21%	0.15%	0.10%	11,759	18	11	5
	Securities	FX - Ptax 800	5.5805	5.6000	4.2000	2.8000	560,319	(1,958)	138,611	279,181
	Interest earning bank deposit - pledged	Selic	9.25%	11.75%	8.81%	5.88%	13,295	332	(58)	(448)
	Loans, financing and debentures	IPCA	10.06%	7.31%	5.49%	3.66%	(376,432)	10,352	17,203	24,092
	Total						219,425	9,045	155,764	302,522

Exchange rate change

To verify the sensitivity of the net foreign exchange exposure to which the Company and its subsidiaries were exposed in 2021 and 2020, three different scenarios were defined, classified as probable, possible and remote. The variables considered are described in the table below, followed by sensitivity. Scenario I considers the future foreign exchange rates observed on the base date of interim financial information and scenarios II and III consider an increase of 25% and 50%, respectively, in the risk variable considered.

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	Risk	Rate	Estimated rate			Balance in 2021	Probable scenario	Possible scenario	Remote scenario
			Probable scenario	Possible scenario	Remote scenario				
				25%	50%				
Loan - Project financing	USD	5.5805	5.6000	7.0000	8.4000	654,060	(2,285)	(166,372)	(330,458)
Loan - Bond	USD	5.5805	5.6000	7.0000	8.4000	475	(2)	(121)	(240)
Export credit note	USD	5.5805	5.6000	7.0000	8.4000	3,608,438	(12,609)	(917,871)	(1,823,133)
Total						4,262,973	(14,896)	(1,084,364)	(2,153,831)

27.5. Capital management

The policy of the Management of the Company is to maintain a solid capital base to maintain the confidence of investors, creditors and market clients, maintaining the future development of the business.

Company Management strives to maintain a balance between the highest possible returns with adequate levels of financial leveraging (loans) and the advantages and the assurance afforded by a balanced capital position.

The Company's net debt to the final shareholders' equity ratio of December 31, 2021 and December 31, 2020 is as follows:

	Parent company		Consolidated	
	2021	2020	2021	2020
Total liabilities current and non-current	(441,215)	(131,015)	(5,269,876)	(4,195,533)
Cash and cash equivalents	937	1,441	76,454	214,848
Securities	103,381	87,728	582,562	816,044
Interest earning bank deposit - pledged	-	-	13,295	14,952
(Insufficiency) net cash surplus	(336,897)	(41,846)	(4,597,565)	(3,149,689)
Shareholders' equity	(1,247,654)	(1,525,827)	(1,247,654)	(1,525,827)
Relationship between shareholders' equity and net insufficiency of cash	370%	3649%	27%	48%

28 Insurance

The Company and its subsidiaries adopt the policy of contracting insurance coverage for assets subject to risks to cover possible claims, considering the nature of its activities involving its operational facilities, vessels and barges, and for engineering and construction risks of projects, civil liability and material damages. The insured amount as of December 31, 2021 was as follows:

	Consolidated
Operational risks	
Fire, lightning, explosion, electrical damage, windstorms and flood	103,355
Cyber risks	10,000
Engineering Risk	229,183
Hull and Machine (bare hull vessels)	1,044,441
Total in BRL	1,386,979
Hull and Machine (bare hull vessels) - in USD	277,571
Hull and Machine (bare hull vessels) - in EUR	140,664

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29 Segment information

Segregation of the Company's operating segments is based on the internal structure of the financial statements and of Company's Management, and is carried out through business segmentation. The north corridor includes the operations of HB Vila do Conde and HB Intermediação, the south corridor includes HB Hidrovias del Sur and its subsidiaries, Hidrovias Navegación Fluvial S.A, Imperial South America BV and the others, includes the parent company Hidrovias do Brasil and HB Luxemburgo.

	North Corridor	South Corridor	Cabotage	Santos	Other	eliminations	Consolidated
	2021	2021	2021	2021	2021	2021	2021
Net revenue from services	566,985	422,890	233,562	23,276	-	-	1,246,713
Intercompa	1,857	10,385	-	-	-	(12,242)	-
OTM	2,032	-	-	-	-	-	2,032
Deduction - Hedge Accounting	-	(110,905)	(22,423)	-	-	-	(133,328)
Cost of services rendered	(213,406)	(300,758)	(109,511)	(15,222)	-	-	(638,897)
Intercompa	(12,242)	-	-	-	-	12,242	-
OTM freight	(1,054)	-	-	-	-	-	(1,054)
Operating expenses	(40,564)	(35,827)	(4,264)	(1,076)	(61,531)	-	(143,262)
Depreciation and amortization (cost)	(93,359)	(108,748)	(29,887)	(4,635)	(4,194)	-	(240,823)
Depreciation and amortization (expense)	(7,373)	(72,595)	(4,246)	(5,712)	(7,249)	-	(97,175)
Other expenses	33,657	17,286	12,533	184	32,429	-	96,089
Financial income (loss)	(120,300)	(226,907)	(20,983)	(16,444)	(3,635)	-	(388,269)
Equity in net income of subsidiaries	502	(1,081)	-	-	(298,516)	298,424	(671)
Income tax	(39,676)	10,501	(15,303)	-	3,991	-	(40,487)
Income (loss) for the year	77,059	(395,759)	39,478	(19,629)	(338,705)	298,424	(339,132)

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	North Corridor	South Corridor	Cabotage	Santos	Other	eliminations	Consolidated
	2020	2020	2020	2020	2020	2020	2020
Net revenue from services	856,166	484,208	223,395	39,761	-	-	1,603,530
Intercompa	1,972	10,932	-	-	-	(15,238)	(2,334)
Deduction - Hedge Accounting	-	(130,326)	(8,767)	-	-	-	(139,093)
Cost of services rendered	(563,398)	(208,804)	(93,593)	(31,021)	-	-	(896,816)
Intercompa	(15,238)	-	-	-	-	15,238	
Operating expenses	(31,326)	(26,932)	(5,931)	(931)	(102,259)	-	(167,379)
Depreciation and amortization (cost)	(80,528)	(78,425)	(29,558)	(3,862)	(417)	-	(192,790)
Depreciation and amortization (expense)	(7,521)	(5,755)	(4,207)	(6,942)	(6,540)	-	(30,965)
Other expenses	17,988	93	15,786	3	-	-	33,870
Financial revenue	39,656	3,483	1,924	467	8,891	-	54,421
Financial expenses	(155,089)	(108,564)	(25,146)	(12,936)	(3,712)	-	(305,447)
Equity in net income of subsidiaries	909	(5,362)	-	-	14,723	(15,632)	(5,362)
Income tax	(26,369)	-	(19,748)	-	(11,063)	-	(57,180)
Income (loss) for the year	37,222	(65,452)	54,155	(15,461)	(100,377)	(15,632)	(105,545)

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Assets and liabilities

Assets and liabilities

	North Corridor 2021	South Corridor 2021	Cabotage 2021	Santos 2021	Other 2021	Eliminations 2021	Consolidated 2021
Current assets	582,146	417,238	212,567	61,424	306,272	(353,266)	1,226,381
Non-current assets	1,710,020	2,480,078	700,956	384,486	5,121,054	(5,105,445)	5,291,149
Total assets	2,292,166	2,897,316	913,523	445,910	5,427,326	(5,458,711)	6,517,530
Current liabilities	223,826	376,472	130,033	71,573	124,502	(324,118)	602,288
Non-current liabilities	1,749,334	1,791,506	591,696	205,588	4,053,635	(3,724,171)	4,667,588
Shareholders' equity	319,006	729,338	191,794	168,749	1,249,189	(1,410,422)	1,247,654
Total liabilities and shareholders' equity	2,292,166	2,897,316	913,523	445,910	5,427,326	(5,458,711)	6,517,530

Assets and liabilities

	North Corridor 2020	South Corridor 2020	Cabotage 2020	Santos 2020	Other 2020	Eliminations	Total 2020
Current assets	349,852	550,921	178,116	70,052	470,039	(191,469)	1,427,511
Non-current assets	1,785,951	1,752,409	693,605	246,263	4,351,855	(4,543,097)	4,286,986
Total assets	2,135,803	2,303,330	871,721	316,315	4,821,894	(4,734,566)	5,714,497
Current liabilities	216,870	109,079	95,358	65,964	150,161	(191,469)	445,963
Non-current liabilities	1,642,447	1,235,652	608,828	221,974	3,145,647	(3,111,841)	3,742,707
Shareholders' equity	276,486	958,599	167,535	28,377	1,526,086	(1,431,256)	1,525,827
Total liabilities and shareholders' equity	2,135,803	2,303,330	871,721	316,315	4,821,894	(4,734,566)	5,714,497

30 Government subsidy and assistance

The Company uses three benefits. Namely:

- AFRMM

The AFRMM is a benefit available to all Brazilian shipping companies operating with own or chartered vessels, and is regulated by Law No. 10.893/2004 and other specific legislation applicable to the industry.

The Company uses this government grant in its cabotage operation receiving an additional 10% surcharge on the amount of cabotage freight from its clients via the Merchant Marine Fund, based on each transportation made.

In the period as of December 31, 2021, the Company recognized the benefits of AFRMM in Operating revenue (expenses) in the amount of R\$ 11,340 (R\$ 15,336 as of December 31, 2020).

- SUDAM

Exploration Profit – SUDAM is a tax incentive granted to legal entities holding infrastructure development projects that foster the economy, as well as being fully established in the states covered by the Amazon Development Authority (to which the state of Pará is included). This benefit grants a reduction of 75% in the Income Tax and its additional charges (25% to 6.25%), for a term of 10 years.

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In 2018, the Company joined with the SUDAM (Superintendency for the Development of Amazon) Tax Incentive Program, which provides a 75% reduction of corporate income tax through Exploration Profit for the company Hidrovias do Brasil – Vila do Conde S.A., which is presented as tax income, is likely to benefit from the Government Grant. In the period as of December 31, 2021, such benefit resulted in an adjustment of R\$ 13,125 of Tax incentive reserve (R\$ 5,916 as of December 31, 2020).

- Deferral of ICMS

The subsidiary Hidrovias do Brasil Cabotagem Ltda. enjoys the ICMS deferral on transportation service operations in the State of Pará.

31 Items not affecting cash

During the year ended December 31, 2021, the amount of R\$ 22,954 (R\$ 4,872 as of December 31, 2020) refers to suppliers for the acquisition of Acquisition of property, plant and equipment, which did not affect cash.

32 Subsequent event

- Agreement with Método Engenharia S/A

Método Engenharia S/A (“Método”) and Hidrovia do Brasil Administração Portuária Santos S.A. (“HB Santos”), a subsidiary of the Company, entered into an agreement for the procurement and construction of a turn-key EPC system in the port of Santos (“Contract”).

On July 13, 2021, Método and HB Santos entered into the Fifth Amendment to the Agreement for Engineering, Procurement and Construction under the Turn-Key EPC (Engineering, Procurement, and Construction) Modality by Global Price (“Fifth Amendment”), to agree for the joint withdrawal of arbitration previously instituted, to waive the claims previously existing and to continue the contractual relationship between the parties, with the resumption of activities related to the work, the maintenance of the initially agreed delivery terms and the renegotiation of certain contractual conditions.

Owing to the new scenario of Método default, HB Santos terminated the Agreement with Método and filed a pre-arbitral injunction on 11/10/2021, with a preliminary injunction to determine the immediate compliance with the termination procedures of the Agreement, motivated by the inaction of Método. The preliminary injunction was granted on 11/26/21 for the demobilization of the construction site by Método until 12/11/2022. In January 2022, it requested the initiation of an arbitration procedure, as agreed in the Agreement.

Concurrently, HB Santos acted to resume the works by mobilizing specialized companies and complying with the proposed schedule.

- Salt logistics

In the context of the preparation for the new salt logistics operation in Rio Grande do Norte, the administrative appeal filed by the Company to reformulate the decision that rejected the request to obtain the registration of a floating facility anchored to operate the transshipment of salt in the region had its dismissal denied by the collegiate board of ANTAQ on 10/20/2021, with the publication of the respective Decision in the Official Gazette of 10/21/2021. Regardless of said decision, the Company had already filed a lawsuit with a preliminary injunction request to obtain the aforementioned registration in August 2021, under the terms of ANTAQ Resolution 13, in an attempt to make the HB Potiguar operation of the anchored floating facility feasible. This preliminary injunction was denied in the lower court on 01/11/2022. The Company filed an interlocutory appeal in the Appellate Court on 02/17/2022 and is awaiting a decision.

Faced with this scenario, the Company continues seeking appropriate measures to continue its project to make Brazilian salt logistics more competitive in the global chain.

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- Financing agreement

In December 2021, the Company, as the financed party, and its subsidiary Hidrovias do Brasil – Vila do Conde S.A., as the executing agency, entered into a financing agreement with the Financiadora de Estudos e Projetos – Finep (“Finep”), whose purpose is the financing for a technological innovation project in the total amount of R\$ 37,719 (“Financing”), as approved at a meeting of the Company’s Board of Directors held on 2021.

The Company delivered the applicable guarantee instrument and other necessary information and documentation to Finep. However, until the issuance of these financial statements, the Company had not received the total amount indicated above.

HIDROVIAS DO BRASIL S.A.

Publicly held Company

CNPJ/ME nº 12.648.327/0001-53

NIRE 35.300.383.982

OPINION OF THE NON-STATUTORY AUDIT COMMITTEE

The non-statutory Audit Committee of Hidrovias do Brasil S.A. ("Audit Committee") in the exercise of its duties, examined the individual and consolidated financial statements of Hidrovias do Brasil S.A. ("Company") for the year ended December 31, 2021, the management report and the report (opinion of the independent auditors) issued, without reservations, by KPMG Auditores Independentes ("Independent Auditors").

The Company's Management is responsible for the correct preparation of the Company's individual and consolidated financial statements, as well as for the implementation and maintenance of internal control and risk management systems consistent with the size and structure of the Company. Management is also responsible for establishing procedures that guarantee the quality of the processes that generate financial information.

The independent Auditors are responsible for auditing the financial statements and must ensure that they adequately represent, in all material respects, the Company's equity and financial position, and that they have been prepared in accordance with International Financial Reporting Standards - IFRS, issued by the International Accounting Standards Board - IASB, and in accordance with accounting practices adopted in Brazil and rules and procedures determined by the Brazilian Securities and Exchange Commission - CVM.

In carrying out its duties, analyzes and evaluations carried out by the Audit Committee are based on information received from Management and the Independent Auditors.

The Audit Committee, based on the examined documents described in the first paragraph and on the information provided by the Management and the Independent Auditors, considering its responsibilities and the limitations resulting from the scope of its performance, understands that the individual and consolidated financial statements of Hidrovias do Brasil S.A. referring to the fiscal year ended on December 31, 2021, were prepared in accordance with accounting practices adopted in Brazil and with the

international financial reporting standards (IFRS), and, therefore, recommends, unanimously and without remarks, its approval by the Company's Board of Directors.

São Paulo, March 23, 2022.

PEDRO JAIME CERVATTI

Member and Coordinator of the
Audit Committee

RICARDO ANTONIO WEISS

Member of the Audit Committee

ANTONIO MARY ULRICH

Member of the Audit Committee

HIDROVIAS DO BRASIL S.A.

Publicly held Company
CNPJ/ME nº 12.648.327/0001-53
NIRE 35.300.383.982

SUMMARY ANNUAL REPORT OF THE COMPANY'S NON-STATUTORY AUDIT COMMITTEE FOR THE YEAR 2021

1. INTRODUCTION

The non-statutory Audit Committee ("Committee") of Hidrovias do Brasil S.A. ("Company") is an advisory committee linked to the Company's Board of Directors, to whom it reports, with operational autonomy and its own budget approved by the Board of Directors. The Committee's main responsibilities are to supervise the quality and integrity of financial reports, adherence to legal, statutory and regulatory standards, the adequacy of processes related to risk management and the activities of the internal and independent auditors.

2. HISTORIC

During the year of 2021 to the present date, the Committee reelected its members, reviewed and updated its Internal Regulations, as per described below:

- i. On August 06, 2021, the Board of Directors of the Company approved the reelection of the Committee members, as follows: (i) Pedro Jaime Cervatti (Coordinator); (ii) Antonio Mary Ulrich; and (iii) Ricardo Antonio Weiss; and
- ii. On October 21, 2021, the Board of Directors of the Company, as per recommended by the Committee, approved the review and update of the Committee's Internal Regulations.

3. ACTIVITIES OF THE AUDIT COMMITTEE

During the year of 2021 to the present date, the Committee met on 9 occasions with the following purposes:

- i. Examine and recommend on the **Committee's Internal Regulations** review and update;
- ii. Evaluation of the results performed by the **Internal Audit**, validating the plans and guiding the acting;
- iii. Approval of the 2022 **Internal Audit Plan**;
- iv. Examine the presentation related to the activities performed by the Information Security and ITGC departments (including its budget for the year of 2022), Compliance (Ethics channel) and Risk Management of the Company;
- v. Examine the **internal controls** reports of the Company's internal audit and independent auditors;
- vi. Examine and validate the **independent auditors proposal of work** for the financial year ended on December 31, 2021, as to monitor the status and the progress of such work during 2022;

- vii. Examine and recommend on the revision of the Company's **risk appetite** and the Company's **risk matrix**;
- viii. Examine the presentations related to specific **corporate risks** of the Company, performed by its respective owners;
- ix. Examine and recommend on the proposed **budget of the Committee** for the year of 2022;
- x. Examine and recommend on the Company's **quarterly financial information** through 2021 fiscal year, together with the management report and the independent auditors' report; and
- xi. Examine and recommend on the Company's **Financial Statements** for the fiscal year ended December 31, 2021, together with the management report and the independent auditors' report.

4. CONCLUSION

The Committee acted with due governance through meetings, interactions and independent evaluations, as determined by its Internal Regulations, supporting the Company's initiatives to review processes and implement improvements.

The Committee, based on the information received and the activities carried out in the period and considering its responsibilities and limitations resulting from the scope of its activities, believes that the individual and consolidated financial statements of Hidrovias do Brasil S.A. referring to the fiscal year ended on December 31, 2021, accompanied by the Management report and the report (opinion of the independent auditors) issued, without reservations, by KPMG Auditores Independentes, under the terms of art. 25, first paragraph, of CVM Instruction 480/09, as amended, were prepared in accordance with accounting practices adopted in Brazil and with the international financial reporting standards (IFRS), and therefore recommended, unanimously and without remarks, its approval to the Company's Board of Directors.

São Paulo, March 23, 2022.

PEDRO JAIME CERVATTI

Member and Coordinator of the Audit
Committee

RICARDO ANTONIO WEISS

Member of the Audit Committee

ANTONIO MARY ULRICH

Member of the Audit Committee

HIDROVIAS DO BRASIL S.A.
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STATEMENT OF THE EXECUTIVE OFFICERS ON THE FINANCIAL STATEMENTS AND ON THE INDEPENDENT AUDITORS REPORT

As members of the Executive Office of Hidrovias do Brasil S.A., we declare, in compliance with article 25, paragraph 1, items V and VI of CVM Instruction 480 of December 7, 2009, as amended, that we have reviewed, discussed and agreed with the terms of the Financial Statements and the Independent Auditors Report on the financial statements related to the fiscal year ended on December 31, 2021.

Sao Paulo, March 23, 2022.

FABIO ABREU SCHETTINO
Chief Executive Officer

ANDRÉ KINJO KUBOTA
Chief Financial and Investor Relations Officer