

# OUR BUSINESS MODEL

- Where we operate
- Our numbers
- Investments and growth



*Macaé unit (RJ)*

# Our business model

We are the largest private sanitation company in Brazil, serving over 15 million people. Spread across every region in Brazil, our units work to manage **water and wastewater services**, serving the industrial segment in the **utilities** area and **working with civil construction waste management**.

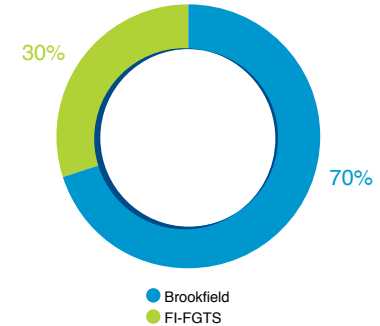
In 2017, Brookfield Business Partners LP took over shareholder control of our company, with a 70% equity interest. An investment manager operating globally, Brookfield started in Canada and manages assets in over 30 countries. The company has been active in Brazil since 1899, when it inaugurated the electric tramway transportation system and invested in the energy sector.

Our corporate governance structure follows best market practices, supported by internal policies and guidelines that orient the growth of investments and generation of value for all of our stakeholders. Seven members serve on our Board of Directors, along with their respective alternates, responsible for the strategic guidelines of our business.

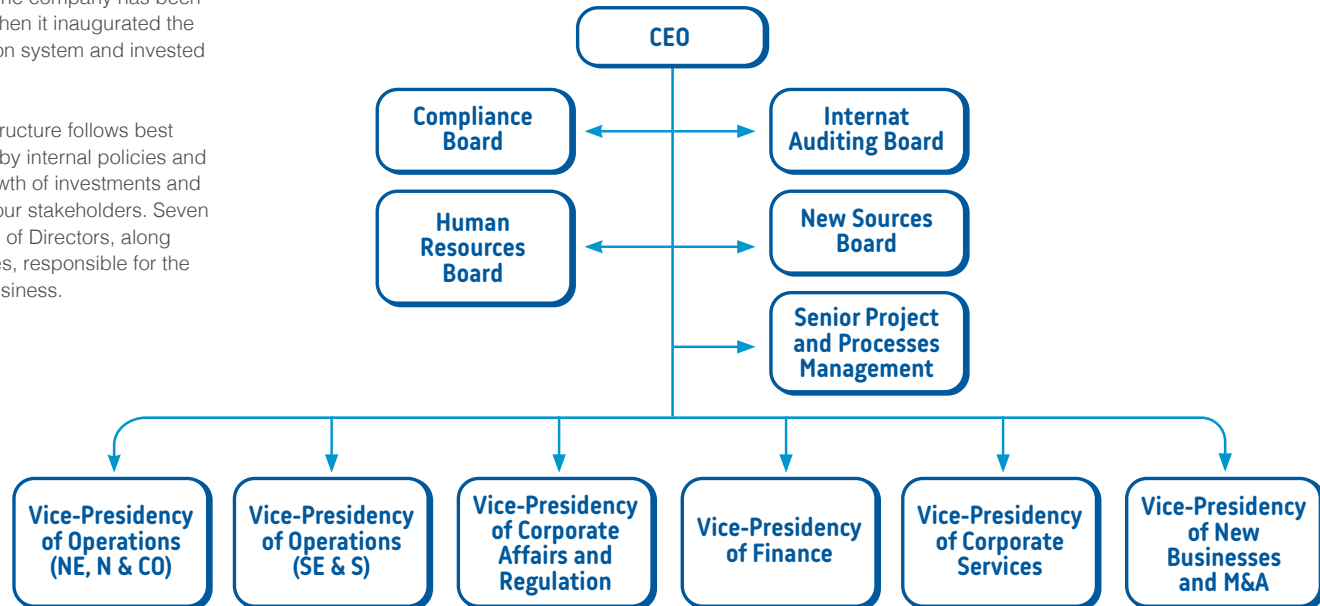
## GOVERNANCE STRUCTURE



## CORPORATE STRUCTURE



## EXECUTIVE STRUCTURE



**OUR SOX PROGRAM  
WAS LAUNCHED IN MAY 2017,  
IN LINE WITH US LAW.  
IN DECEMBER 2018, OUR COMPANY  
REACHED THE SOX COMPLIANT LEVEL**

In its action, the Board of Directors relies on support from five advisory committees, composed of sitting members, which support analysis of topics relevant to the company's growth and assessment of economic, social and environmental risks and opportunities.

Execution of corporate strategy is led by the Statutory Board, which, in its composition, has 33% of women – one of them holds the executive presidency of the company. To learn more about our governance structure, see the [Investor Relations website](#).

Since 2017, one of the priorities of the Executive Board has been to consolidate structural bases for business management, with review and standardization of internal processes. In the last two years, we have implemented new internal policies and normative procedures, in line with shareholder views. We have also reinforced work done by Internal Auditing, which adheres to the Sarbanes-Oxley Act (SOX), guaranteeing efficient management of risks and internal controls.



*Blumenau unit (SC)*

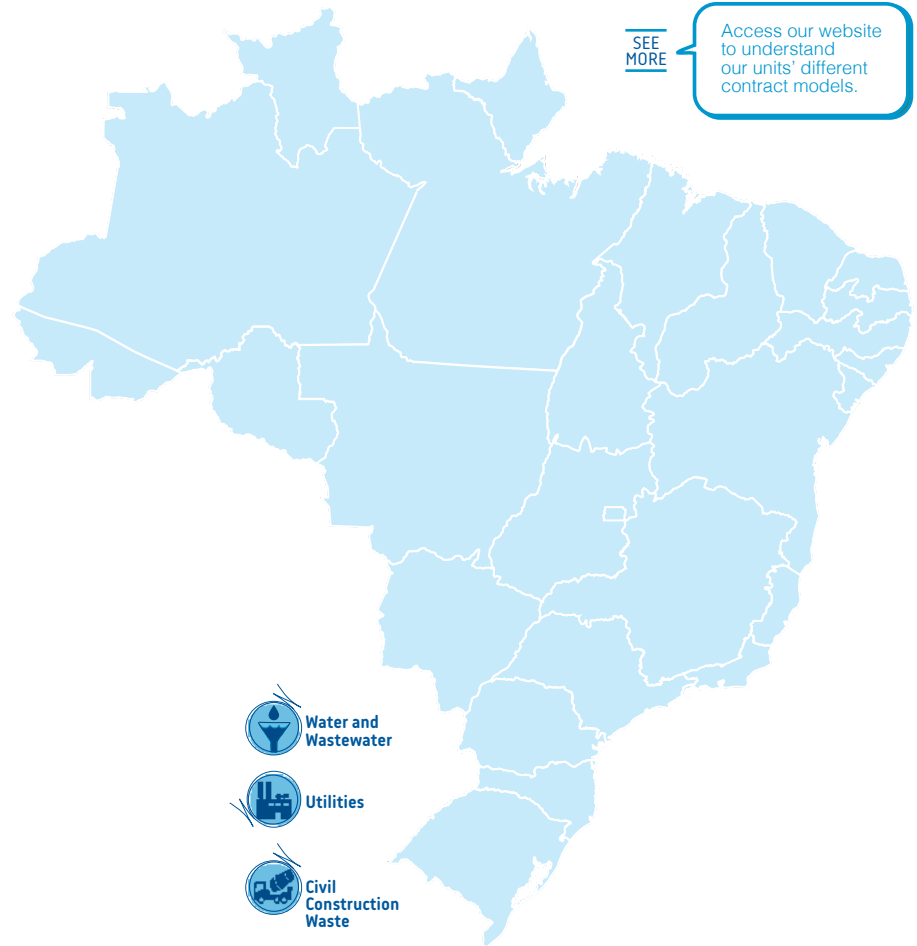
# Where we operate

We operate across Brazil through 27 special purpose entities (SPEs), business units that operate under a public concession model and under other public-private partnership (PPP) models. Each unit is managed according to a structure aligned with the type of service provided to the public, meeting local expectations and investment needs. We also have three units working in the utilities segment and another unit in the civil construction waste management.

In 2019, we started up operation of a new operating unit in the city of Caçador (SC). Our company is now responsible for managing water and wastewater services for the city, which has a population of over 70,000. The concession is valid for 30 years and investments in expanding and improving the system are forecast to be approximately BRL 150 million.

## MAP OF CONCESSIONS\*

Click on each state to see where BRK Ambiental operates, in over 100 cities, in 12 states in Brazil





# We are the largest private sanitation company in Brazil



**+ 5,800**

EMPLOYEES



**+ 890,000**

WATER CONNECTIONS



**+ 15 million**

PEOPLE BENEFITTED



**+ 100**

CITIES SERVED



**+ 1.4 million**

SEWER CONNECTIONS



**BRL 7 billion**

PLANNED FOR INVESTMENTS  
OVER THE NEXT FIVE YEARS



**12**

STATES IN  
BRAZIL



**+ 13,600**

KILOMETERS OF WASTEWATER  
COLLECTION SYSTEMS



**BRL 2.3 billion**

IN NET REVENUE (UP BY 9%  
COMPARED TO 2017)



**BRL 650 million**

IN EBITDA

*Unit in Pernambuco state*

# Investments and growth

Increasing the number of people served through new water and wastewater connections in our units, in every city where we operate, is a priority in our business growth strategy. To do this, we have approved a plan to invest around BRL 7 billion between 2019 and 2023, which will go toward the company's organic and inorganic growth. This amount is added to the nearly BRL 1 billion we invested in our operations between 2017 and 2018, in parallel to the restructuring we are conducting of the management model.

For customers, the main benefit of this investment will be growth in the collection system with a higher rate of wastewater service and increased wastewater treatment volume. We also work to expand water services, to reduce losses in distribution and to maintain service quality.

We are aware of the economic and social benefit of our activities and seek to leverage our investments with diversified lines of credit, which have the lowest cost and longest payment terms possible. At the end of 2018, we went from having one long-term source of financing to four, including an unprecedented agreement with IDB Invest for BRL 442 million, a BRL 578 million line with Banco do Nordeste for the sector's largest public-private partnership (PPP) in the Greater Recife Metro Region (learn more on page 25), and BRL 1 billion from BTG for six different concessions, introducing a new path for other banks to disburse funds from Caixa Econômica Federal's Sanitation for All (Saneamento para Todos) line. At the end of the year, we had contracted or approved 90% of the total debt needed to support investments in 2019.



Since  
**2017,**  
we have built  
**240 km**  
of water supply systems and  
**920 km**  
of wastewater  
collection  
systems

To further diversify our sources, we are working on obtaining publicly-traded company (type B) registration from Brazil's Securities and Exchange Commission, which will allow us to access the Brazilian capital market and, if exchange rates are favorable, to issue international green bonds, geared towards projects that add social and environmental benefits to investments.

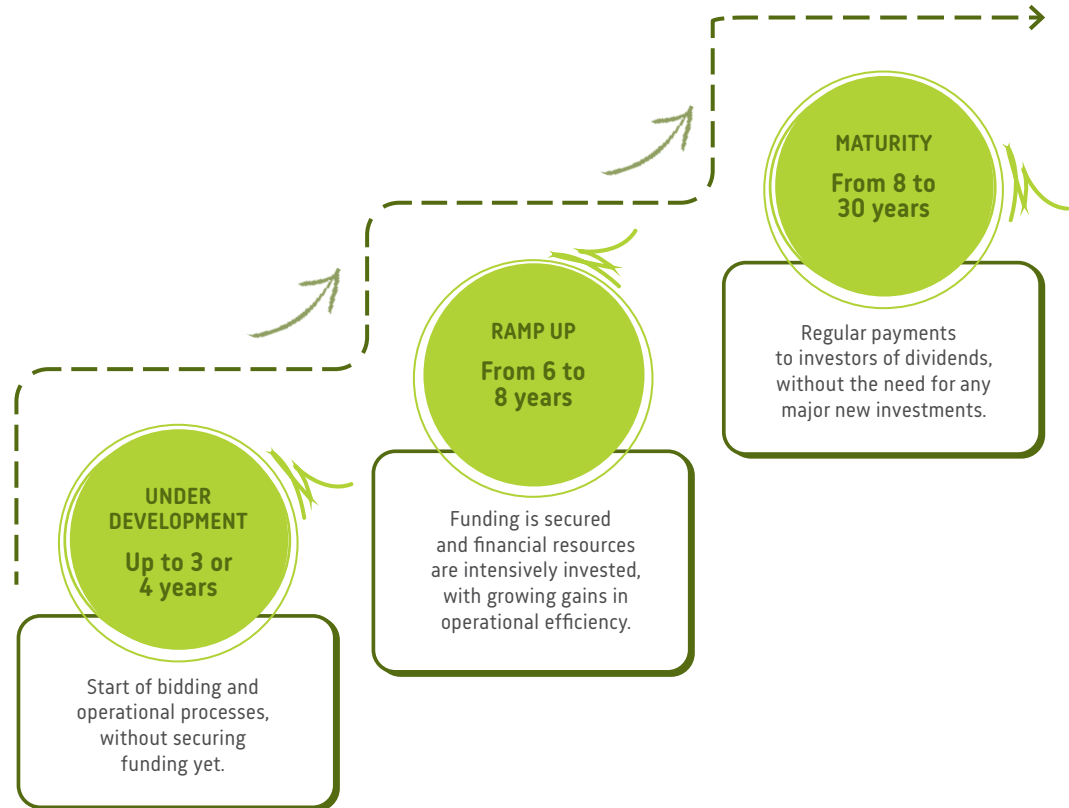
Another competitive advantage of our business model is the company's unique net indebtedness profile, which totaled BRL 4.01 billion at the end of 2018. While the average payment terms for companies in the industry are around six years, our financing has an 11-year term. In addition, the lines of credit to which we have access allow for a higher leverage ratio (net debt to EBITDA), which lowers pressure on cash flow and demand for company investments.

By  
**2023,**  
we will invest  
**BRL 7 billion**  
in our business  
to expand basic  
sanitation

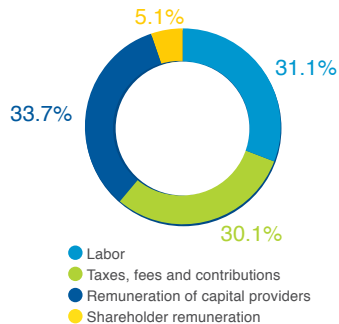
## STAGES OF INVESTMENT MATURITY

In addition to improving the population's quality of life, the expansion of water and wastewater services raises our capacity to generate revenue and create value for shareholders. A reduced need for investment in operations in the long term, along with suitable financing terms and rates, strengthens cash generation at units and increases the return on capital invested.


Some of this wealth generated is shared with the different stakeholders in our value chain, through payment of wages, taxes, interest and rent, in addition to payments made to shareholders. The Value Added Statement (VAS), an accounting indicator that measures this distribution of wealth, had a total of BRL 1.3 billion last year. We had total net revenue of BRL 2.3 billion, with 84% of this amount coming from sanitation operations.



## DISTRIBUTION OF VALUE ADDED







## INVESTMENTS IN THE COUNTRY'S LARGEST SANITATION PPP

Holding 15 cities that are served by sewage system services, the Greater Recife Metro Area is home to Brazil's largest public-private partnership in the sector. There are around 3.9 million people living in this area, who will benefit from expansion of the system and universalization of sanitation.

The PPP contract, operated in partnership with Companhia Pernambucana de Saneamento (COMPESA), began in 2013 and has a 35-year term. Over the next 30 years, we will invest over BRL 5.4 billion in expanding the system and guaranteeing treatment of 100% of wastewater collected.

A portion of these funds (BRL 442 million) will come from financing provided by IDB Invest, the private arm of the Inter-American Development Bank (IDB). This operation, which started in 2018, is the first approved by the IDB in Brazil's sanitation sector, an innovation that opens up opportunities for the country and strengthens our capacity to diversify sources.

Another BRL 578 million will be financed by Banco do Nordeste (BNB), using funds from the Constitutional Financing Fund of the Northeast (Fundo Constitucional de Financiamento do Nordeste – FNE). Disbursements from the state bank will be added to investments of company funds, therefore closing out the second cycle of investments in the PPP. The goal is for 53% of the population in the Greater Recife Metro Region to be served by wastewater collection by the end of 2025.

At the end of the contract, the Greater Recife Metro Region will have implemented 9,100 kilometers of collection systems and 237 new lift stations, pumping wastewater to treatment stations. Work to optimize the system will also allow for the number of treatment stations used to be cut from 46 to 31, resulting in more efficiency, lower costs and greater environmental protection.

*Greater Recife  
Metro Region (PE)*