Report of Independent Registered Public Accounting Firm

To the Board of Directors and Shareholders of
Estre Ambiental S.A.

We have audited the consolidated balance sheets of Estre Ambiental S.A. and subsidiaries (the "Company") as of December 31, 2016 and 2015, and the related consolidated statements of income, comprehensive income, stockholders' equity and cash flows for each of the three years in the period ended December 31, 2016. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with the standards of the Public Company Accounting Oversight Board (United States). Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. We were not engaged to perform an audit of the Company's internal control over financial reporting. Our audits included consideration of internal control over financial reporting as a basis for designing audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control over financial reporting. Accordingly, we express no such opinion. An audit also includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements, assessing the accounting principles used and significant estimates made by management, and evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the consolidated financial position of Estre Ambiental S.A. at December 31, 2016 and 2015, and the consolidated results of their operations and their cash flows for each of the three years in the period ended December 31, 2016, in conformity with International Financial Reporting Standards (IFRS) as issued by the International Accounting Standards Board.

Emphasis of matter

Going-concern consideration

The accompanying consolidated financial statements have been prepared assuming that the Company will continue as a Going-concern. As discussed in Note 1.2, the Company is under financial and corporate restructuring, since it has recurring losses from operations, a net capital deficiency of R$621,236 thousand and a negative working capital of R$1,365,247 thousand, that raise substantial doubt about its ability to continue as a going concern. Management's plans in regard to these matters are also described in Note 1.2. The consolidated financial statements do not include any adjustments that might result from the outcome of this uncertainty.

São Paulo, Brazil,
August 29, 2017

/s/ ERNST & YOUNG
Auditores Independentes S.S.

Estre Ambiental S.A.
Statement of financial position
December 31, 2016 and 2015
(In thousands of Brazilian Reais)

	Note	2016	2015
Assets			
Current assets			
Cash and cash equivalents	4	**31,083**	47,793
Marketable securities	5	**—**	12,088
Trade accounts receivable	6	**716,791**	512,722
Inventories	—	**8,747**	8,116
Taxes recoverable	7	**117,782**	92,085
Receivables from divestiture	8	**—**	41,286
Other receivables	9	**38,763**	34,587
Total current assets		**913,166**	748,677
Non-current assets			
Marketable securities	5	**14**	24,176
Related parties	10	**9,752**	21,276
Trade accounts receivable	6	**19,975**	19,092
Taxes recoverable	7	**4,452**	22,163
Prepaid expenses	—	**3,250**	4,548
Deferred taxes	24	**41,057**	25,874
Other receivables	9	**7,686**	12,699
Fair value of call option	1.4.5	**—**	20,865
Investments	11	**114,652**	104,262
Property, plant and equipment	12	**697,969**	698,777
Intangible assets	13	**553,832**	607,125
Total non-current assets		**1,452,639**	1,560,857
Total assets		**2,365,805**	2,309,534
Liabilities and equity			
Current liabilities			
Loans and financing	14	**16,732**	64,133
Debentures	15	**1,665,629**	1,417,081
Trade accounts payable	16	**108,435**	96,472
Provision for landfill closure	21	**15,499**	—
Labor payable	17	**106,908**	97,581
Tax liabilities	18	**294,333**	213,850
Accounts payable from acquisition of investments	19	**4,856**	47,041
Loans from related parties	10	**2,579**	23,060
Advances from customers	—	**640**	3,481
Accounts payable from land acquisition	20	**9,112**	10,625
Other liabilities		**29,470**	6,591
		2,254,193	1,979,915
Obligations relating to discontinued operation	11.2	**24,220**	17,903
Total current liabilities		**2,278,413**	1,997,818
Non-current liabilities			
Loans and financing	14	**9,965**	20,177
Provision for landfill closure	21	**86,121**	83,071
Provision for legal proceedings	22	**148,454**	114,493
Provision for investment losses	11	**185**	186
Accounts payable from acquisition of investments	19	**4,856**	26,710
Tax liabilities	18	**236,096**	213,100
Deferred taxes	24	**175,556**	110,618
Accounts payable from land acquisition	20	**7,643**	13,079
Other liabilities		**39,752**	18,064
		708,628	599,498
Equity			
Capital	23	**108,104**	108,104
Capital reserve	23	**748,539**	743,657
Other comprehensive income	23	**1,671**	1,526
Treasury shares	23	**(37,403)**	(37,403)
Accumulated losses	23	**(1,448,724)**	(1,110,408)
		(627,813)	(294,524)
Non-controlling interest		**6,577**	6,742
Total equity		**(621,236)**	(287,782)
Total liabilities and equity		**2,365,805**	2,309,534

See accompanying notes.

Estre Ambiental S.A.

Statements of profit or loss

Years ended December 31, 2016, 2015 and 2014

(In thousands of Brazilian Reais, except for loss per share)

	Note	2016	2015	2014
Revenue from services rendered	25	**1,393,033**	1,338,891	1,293,637
Cost of services	26	**(1,015,824)**	(988,059)	(971,141)
Gross profit		**377,209**	350,832	322,496
Operating income (expenses)				
General and administrative expenses	27	**(231,932)**	(223,292)	(248,856)
Selling expenses	28	**10,495**	13,290	(42,039)
Share of profit of an associate	11.1	**10,152**	11,085	40,559
Other operating (expenses) income, net	29	**(69,219)**	(10,031)	197,381
		(280,504)	(208,948)	(52,955)
Profit before finance income and expenses		**96,705**	141,884	269,541
Finance expenses	30	**(383,650)**	(369,061)	(388,425)
Finance income	30	**53,622**	30,192	27,412
Profit (loss) before income and social contribution taxes		**(233,323)**	(196,985)	(91,472)
Current income and social contribution taxes	24	**(55,435)**	(5,710)	(48,109)
Deferred income and social contribution taxes	24	**(49,755)**	12,604	41,574
Loss for the year from continuing operations		**(338,513)**	(190,091)	(98,007)
Discontinued operations				
Profit (loss) after income and social contribution tax from discontinued operations	11.2	41	(4,521)	(44,228)
Loss for the year		**(338,472)**	(194,612)	(142,235)
Attributable to:				
Non-controlling interests		**(156)**	(16)	(19,422)
Equity holders of the parent		**(338,316)**	(194,596)	(122,813)
Earnings per share:				
Basic and diluted loss for the year attributable to ordinary equity holders of the parent (in Reais)	35	**R$ (3.1310)**	R$ (1.8002)	R$ (1.3157)
Basic and diluted, loss from continuing operations attributable to ordinary equity holders of the parent (in Reais)	35	**R$ (3.1314)**	R$ (1.7584)	R$ (0.9066)

See accompanying notes.

Estre Ambiental S.A.

Statements of other comprehensive income

Years ended December 31, 2016, 2015 and 2014

(In thousands of Brazilian Reais)

	Note	2016	2015	2014
Loss for the year		**(338,472)**	(194,612)	(142,235)
Other comprehensive income (loss) to be reclassified to profit or loss for the year in subsequent periods				
Currency translation adjustment	23.5	**145**	2,262	(955)
Comprehensive loss for the year		**(338,327)**	(192,350)	(143,190)
Attributable to:				
Non-controlling interests		**(156)**	(16)	(19,422)
Equity holder of the parent		**(338,171)**	(192,334)	(123,768)

See accompanying notes.

Estre Ambiental S.A.

Statements of changes in equity (capital deficiency)

Years ended December 31, 2016, 2015 and 2014

(In thousands of Brazilian Reais)

		Attributable to Company's controlling shareholders								
			Capital reserve							
	Note	Capital	Capital reserve	Share-based payment reserve	Other comprehensive income	Treasury shares	Accumulated losses	Total attributable to shareholders	Non-controlling interest	Total
Balances at December 31, 2013		108,104	743,269	—	219	—	(792,999)	58,593	21,137	79,730
Currency translation adjustment	23.5	—	—	—	(955)	—	—	(955)	—	(955)
Loss for the year	—	—	—	—	—	—	(122,813)	(122,813)	(19,422)	(142,235)
Non-controlling interest	23.7	—	—	—	—	—	—	—	955	955
Balances at December 31, 2014		108,104	743,269	—	(736)	—	(915,812)	(65,175)	2,670	(62,505)
Currency translation adjustment	23.5	—	—	—	2,262	—	—	2,262	—	2,262
Loss for the year	—	—	—	—	—	—	(194,596)	(194,596)	(16)	(194,612)
Granting of options	23.3	—	—	9,151	—	—	—	9,151	—	9,151
Transaction with shareholders' Estre O&G	1.3.1	—	(8,763)	—	—	—	—	(8,763)	—	(8,763)
Treasury shares	1.3.1/23.2	—	—	—	—	(37,403)	—	(37,403)	—	(37,403)
Non-controlling interest	23.7	—	—	—	—	—	—	—	4,088	4,088
Balances at December 31, 2015		108,104	734,506	9,151	1,526	(37,403)	(1,110,408)	(294,524)	6,742	(287,782)
Currency translation adjustment	23.5	**—**	**—**	**—**	**145**	**—**	**—**	**145**	**—**	**145**
Loss for the year	—	**—**	**—**	**—**	**—**	**—**	**(338,316)**	**(338,316)**	**(156)**	**(338,472)**
Options granted	23.3	**—**	**—**	**28,937**	**—**	**—**	**—**	**28,937**	**—**	**28,937**
Options exercised through cash payments	23.3	**—**	**—**	**(24,055)**	**—**	**—**	**—**	**(24,055)**	**—**	**(24,055)**
Non-controlling interest	23.7	**—**	**—**	**—**	**—**	**—**	**—**	**—**	**(9)**	**(9)**
Balances at December 31, 2016		**108,104**	**734,506**	**14,033**	**1,671**	**(37,403)**	**(1,448,724)**	**(627,813)**	**6,577**	**(621,236)**

See accompanying notes.

Estre Ambiental S.A.

Statements of cash flows

Years ended December 31, 2016, 2015 and 2014

(In thousands of Brazilian Reais)

	2016	2015	2014
Operating activities			
Loss after tax from continuing operations	**(338,513)**	(190,091)	(98,007)
Profit (loss) after tax from discontinued operations	**41**	(4,521)	(44,228)
Loss for the year	**(338,472)**	(194,612)	(142,235)
Adjustments to reconcile to net cash flows:			
Depreciation, amortization and depletion	**168,111**	157,794	141,718
Allowance for doubtful accounts	**(12,843)**	(15,175)	38,172
Residual value on disposal of PP&E/intangible assets	**3,694**	18,131	25,821
Share of profit of an associate	**(10,152)**	(11,085)	(40,559)
Capital gain (loss) on divestiture	**—**	—	(236,197)
Goodwill impairment	**44,790**	14,842	43,154
Provision for income and social contribution taxes	**55,435**	5,710	48,109
Deferred income and social contribution taxes	**49,755**	(12,604)	(41,574)
Additions to provision for legal proceedings, net of reversals	**40,507**	43,063	39,237
Fair value of call option	**20,865**	10,705	(31,570)
Monetary variation, financial charges and interest	**280,204**	291,716	338,209
Expenses of SOP	**28,937**	9,151	—
Working capital adjustments:			
Trade accounts receivable	**(192,109)**	(48,112)	(121,100)
Taxes recoverable	**3,646**	(16,170)	(9,752)
Inventories	**(631)**	(2,147)	970
Advances to suppliers	**3,686**	6,348	(5,138)
Prepaid expenses	**261**	(5,467)	(2,780)
Other receivables	**39,227**	(46,569)	13,856
Trade accounts payable	**11,962**	(8,471)	122
Labor payable	**9,327**	20,375	(19,595)
Tax liabilities	**5,617**	12,366	66,059
Provision for legal proceedings	**(6,546)**	(5,884)	(4,502)
Other	**17,173**	25,639	(11,164)
Related parties	**(8,956)**	(8,656)	16,691
Cash flow provided by operating activities	**213,488**	240,888	105,952
Investing activities			
Capital contribution in subsidiaries	**(4,916)**	—	(20,420)
Payment for acquisition of subsidiaries	**(64,039)**	(10,462)	(3,620)
Dividends received	**4,925**	12,555	43,264
Marketable securities	**41,256**	23,493	17,272
Acquisition of fixed assets	**(136,431)**	(114,693)	(85,945)
Acquisition of Intangible asset	**(7,513)**	(6,683)	(17,292)
Proceeds from disposal of investment in subsidiaries	**—**	—	668,006
Net cash (used in) provided by investing activities	**(166,718)**	(95,790)	601,265
Financing activities			
Proceeds from loans and financing obtained	**6,540**	42,160	183,040
Repayment of loans and financing and debentures	**(60,514)**	(222,458)	(803,693)
Payment of interest and financial charges	**(9,506)**	(30,111)	(46,288)
Net cash used in financing activities	**(63,480)**	(210,409)	(666,941)
Increase (decrease) in cash and cash equivalents	**(16,710)**	(65,311)	40,276
Cash and cash equivalents at beginning of year	**47,793**	113,104	72,828
Cash and cash equivalents at end of year	**31,083**	47,793	113,104

See accompanying notes.

1. Operations

1.1. General information

Estre Ambiental S.A. and its subsidiaries, hereinafter referred to as "Company" or "Estre", was incorporated on May 4, 1999, under the laws of the Federative Republic of Brazil as a privately-held company headquartered at Av. Presidente Juscelino Kubitschek, 1.830, Tower—2° and 3° floors, Itaim Bibi, in the city and state of São Paulo.

The Company is waste management company in Brazil. The Company operates its own landfills and is engaged in the final treatment of hazardous wastes (blending units, bioremediation of contaminated soil and landfills), temporary storage of waste, collection and burning of landfill biogas, environmental consulting services, recycling, reverse manufacturing of electrical and electronic devices, waste collection, among others. In the provision of these services, the Company applies strict control over potential environmental impacts, customized environment management models and provides assistance to its customers.

Estre operates in different regions of Brazil, with waste treatment sites and final disposal in important locations in the Southeast, South and Northeast regions of Brazil.

In order to improve profitability and to restore the economic and financial balance and financial position, the Company has developed a restructuring plan for the implementation of improvement actions, which include a focus on operational efficiency and discontinuing contracts with unattractive margins, reviewing contracts for the supply of goods and services, focusing on cost reduction and renegotiation with financial institutions for the extension of the debt maturity, optimizing the use of operating cash flow, including obtaining new funds.

The Company continues its restructuring plan, initially developed in 2013, and reassessed during 2014, 2015 and 2016, which significantly improved its internal procedures and management model. Such restructuring plan included the following:

(a) Agency agreement for the sale of 51% of its interest in Doña Juana, based in Colombia (Note 1.3.4);

(b) In 2015, sale of 75% of its interest in Estrans S.A., headquartered in Argentina (Note 1.3.3);

(c) Replacement of key management positions, including the Chief Executive Officer;

(d) Reduction in management and leadership head count;

(e) Review of agreements with various suppliers of goods and services;

(f) Application of contractual readjustment for public sector customers; and

(g) Assessment and improvement of tax efficiency.

1.2. Business perspectives

As a result of the restructuring plan mentioned above, in recent years, the Company has substantially reduced its personnel expenses, redesigned the main operations of the Company and assessed the entire context of current tax legislation to improve its tax structure. In addition, the

1. Operations (Continued)

1.2. Business perspectives (Continued)

Company is in the process of renegotiating the terms of the debentures, to extend their maturing debt. Management expects that this renegotiation will be completed during the second half of 2017.

The initiatives announced and approved at the end of 2016 have already begun to show positive results, such as:

- Creation of a sales department solely dedicated to managing and obtaining private sector customers;
- Restructuring of the Company's operating system, with migration to SAP and implementation of CRM and Pricing systems (Oracle platforms);
- Modernization and upgrade of the equipment (Tractor park and landfill equipment);
- Replacement of outsourced waste transportation services with owned transportation in specific operations;
- Replication of the Productivity Gain Project piloted in the Paulínia landfill in other landfill operations;
- Implementation of measures to renegotiate payment terms and price adjustments in government agreements;
- Implementation of measures to renegotiate payment terms of overdue accounts receivable.

As a result of these initiates for the year ended December 31, 2016, the Company was able to maintain its liquidity levels that allowed it to effectively respond to the adverse economic scenario in the Brazilian economy. It should be noted that there are still uncertainties in relation to the economic and political environment in Brazil that could adversely impact the Company's expected results.

Additionally, management prepared a monthly cash flow for 2017, projecting a positive cash balance for every month of the year. Investment and growth assumptions were used in accordance with the annual budget approved by the Company's Board of Directors, macroeconomic indicators in the Focus report of the Central Bank of Brazil, the historical cash collection ratio, rollover of principal and interest of installments of debentures up to the conclusion of the renegotiation process and working capital funding. The assumptions used to prepare said monthly cash flow were consistent with the ones used in the impairment test of long lived assets (See Note 13).

Management believes that the annual budget approved by the Board of Directors demonstrate that the Company will continue as a going concern.

On August 16, 2017, the Company and Boulevard Acquisition Corp II ("Boulevard"), a blank check company sponsored by an affiliate of Avenue Capital Group, jointly announced that they have entered into a definitive agreement pursuant to which Boulevard will merge with the Company. Under the terms of the transaction, a new Cayman holding company ("Holdco") will be formed and all or substantially all of the shareholders of the Company will exchange their shares of the Company for shares of Holdco and as a result the Company will become a subsidiary of Holdco. At the closing, Boulevard will also become a subsidiary of Holdco, through the exchange of approximately

1. Operations (Continued)

1.2. Business perspectives (Continued)

US$370 million, which is the cash currently held in trust by Boulevard, for shares of Holdco. The US$370 million is expected to be used to retire US$200 million of existing debt of the Company, at a discount to its outstanding principal amount, and to fund the Company's growth plans and its working capital requirements, as well as transaction expenses.

The transaction, which has been approved by the Boards of Directors of Boulevard and Estre, is expected to be concluded in the fourth quarter of 2017. Conclusion is subject to approval by Boulevard's shareholders and the satisfaction of other customary closing conditions.

1.3. Divestiture

1.3.1. *Sale of Estre Óleo e Gás Holding S.A. ("Estre O&G")*

On September 1, 2014, Estre and Wilson Quintella Filho, Estre's founding shareholder, signed a non-cash share barter agreement pursuant to which Mr. Quintella exchanged 2,053,983 of Estre's common shares owned by him (corresponding to 1.9% of the total common shares he then owned with a book value of R$37,403) for 53,701,027 common shares issued by Estre Óleo e Gás Holding S.A., or Estre O&G, then held by Estre. At that time, Estre O&G was Estre's 100%-owned consolidated subsidiary engaged in providing tank cleaning, oil sludge treatment, pipeline construction and maintenance services in various locations under agreements entered into with Petrobras. Estre O&G had a 100% interest in Pollydutos Montagem e Construção Ltda., which, in turn, held a 100% interest in Estre Petróleo, Gás e Energia Ltda., or Estre Petróleo. Upon closing of the transaction on January 2, 2015, Estre O&G was transferred to Mr. Quintella, and Estre held in treasury those common shares previously held by Mr. Quintella. The difference between Estre's investment balance in Estre O&G (R$46,166) and the book value of the shares contributed by Mr. Quintella (R$37,403), of R$8,763, was recorded in equity as it represents a transaction between the Company and its shareholder.

While Estre O&G was fully transferred to Mr. Quintella in connection with this transaction, Estre was unable to assign certain of the contracts related to the transferred business, and therefore, retained responsibility for these contracts until January 2017.

1.3.2. *Sale of Azaléia Empreendimentos e Participações S.A. (Azaléia)*

On May 5, 2015, the Company's wholly-owned investee, "Geo", sold through an Agreement for Purchase and Sale of Shares and Other Covenants, 100% of its interest in "Azaléia" shares to Limpus—Soluções Ambientais Ltda. (Limpus) for R$30,255. The transaction resulted in the recognition of a loss of R$ 1,445 (see Note 8).

1.3.3. *Sale of Estrans S.A. ("Estrans")*

On December 4, 2015, the Company entered into an agreement for the of sale of 75% of its foreign investment in Estrans SA, based in Argentina, for US$580 thousand at the Ptax selling

1. Operations (Continued)

1.3. Divestiture (Continued)

1.3.3. *Sale of Estrans S.A. ("Estrans")* (Continued)

rate as reported by the Central Bank of Brazil ("BACEN") dated 12/4/2015, of R$3.7575, equivalent to R$2,179.

The sale amount was offset by existing debts that were previously agreed between the Company and the shareholders during the process of acquisition of interest, and the balance receivable after clearing those debts was waivered in favor of shareholders. The amounts are as follows:

Type of offsetting	Amount in US$ 000	Amount in R$
Sale amount	580	2,179
Indemnification by payments previously agreed between shareholder Alejandro Enrique Bonazzola and the Company	(100)	(376)
Indemnification by payments previously agreed between shareholder Júlio Cersar Bonazzola and the Company	(300)	(1,127)
Total receivable by the Company through final settlement of accounts	180	676
Debt waiver in favor of shareholders	(180)	(676)
Gain calculated on the sale	—	—

In this transaction, the Company reduced the outstanding investment balance with its investee, which generated a loss on this transaction of R$ 12,087, as follows:

Description	R$
Balance of investment in Estre Ambiental on the date of the sale	**(8,005)**
Balance of dividends receivable in Estre Ambiental on the date of the sale	**(3,252)**
Balance of intercompany loans receivable in Estre Ambiental on the date of the sale	**(830)**
(=) Loss on divestiture (Note 29)	**(12,087)**

1.3.4 *Agency agreement for the sale of CGR Doña Juana S.A ESP. ("Doña Juana")*

On January 9, 2016, Estre entered into an agency agreement with USA Global MKT, or USA Global, for the sale of Estre's 51% interest in CGR Doña Juana S.A ESP, or Doña Juana, based in Colombia. Pursuant to the terms of the agreement, USA Global, Estre's partner and co-investor in Doña Juana, agreed to seek a compatible buyer for Estre's interest in Doña Juana and, in the meantime, advance payments to Estre for the sale. The initial term of this agency agreement was 18 months, during which time Estre received 75.0% of the purchase price for Doña Juana of R$5,856 from USA Global in four installments over the course of 2016. As of the date of issuance of these financial statements USA Global has not yet secured

(In thousands of Brazilian Reais, unless otherwise stated)

1. Operations (Continued)

1.3. Divestiture (Continued)

1.3.4 *Agency agreement for the sale of CGR Doña Juana S.A ESP. ("Doña Juana")* (Continued)

a buyer for Estre's interest in Doña Juana and, accordingly, extended the term of the agency agreement by 12 months. In the event that USA Global is unsuccessful in securing a buyer for Estre's interest during this extended period, (i) Estre will recover full financial rights over the shares (which will be restricted following payment of all amounts by USA Global) without any obligation to return the amounts received from USA Global and (ii) concurrently, Doña Juana has to initiate the termination of the services agreement with UAESP through the appropriate procedures.

It was agreed that the selling price would be received by the Company from USA Global in four instalments in accordance with the negotiated amounts described below:

Type of remuneration	Amount in US$	Amount in R$
Payment received on March 10, 2016 (Rate of 3.2591)	541	1,761
Payment received on June 17, 2016 (Rate of 3.2591)	370	1,204
Payment received on November 11, 2016 (Rate of 3.2591)	320	1,043
Payment received on December 12, 2016 (Rate of 3.2591)	567	1,848
Total received by the Company through final settlement of accounts	**1,798**	**5,856**

Upon signing the agency agreement the Company classified the investment in Doña Juana as an asset held for sale, pursuant to IFRS 5, Non-current Assets Held for Sale and Discontinued Operations ("IFRS 5") at its carrying amount which was lower than its fair value. After the investment in Doña Juana was classified as held for sale, the Company accounts for such investment under the equity method in accordance to IAS 28. See Note 11.2.

1.3.5 *Sale of CDR Pedreira—Centro de Disposição de Resíduos ("CDR Pedreira")*

In October 2014, Estre entered into a purchase and sale agreement with BTG Pactual (through AZPSPE) for the sale of 65% of CDR Pedreira—Centro de Disposição de Resíduos, or CDR Pedreira, for a total purchase price of R$180,006 paid in three installments over the course of 2014. In connection with this transaction, Estre recorded a gain of R$154,689 under other operating income in 2014, reflecting the difference between the purchase price and the book value of CDR Pedreira.

This amount was paid by BTG Pactual to the Company in three (3) installments, as follows:

Installments	Amount	Payments
1st	15,006	October/2014
2nd	141,000	October/2014
3rd	24,000	December/2014
	180,006	

(In thousands of Brazilian Reais, unless otherwise stated)

1. Operations (Continued)

1.3. Divestiture (Continued)

1.3.5 *Sale of CDR Pedreira—Centro de Disposição de Resíduos ("CDR Pedreira")* (Continued)

The amounts recorded on the transaction date are as follows:

Description	R$
Sale amount	**180,006**
Balance of investment in Estre Ambiental on the date of the sale	**(25,317)**
(=) Gain on divestiture (Note 29)	**154,689**

In addition, simultaneous with this sale, Estre entered into call and put option agreements in connection with its potential repurchase of CDR Pedreira from AZPSPE, originally set to expire on October 2017. The call and put option amount was R$180,006, plus 25% fixed interest per year from October 2014 and an additional put option premium equivalent to R$1.00 per share. The put option premium would be due on the earlier of (i) the exercise date of the put option or (ii) the last day of the period to exercise the put option. The fair value of the call option was R$20,865 million and R$31,570 as of December 31, 2015 and 2014, respectively, recorded in non-current assets against other operating income. Despite the call option, following Estre's execution of the purchase and sale agreement in October 2014, it ceased all control and influence in the operation and management of CDR Pedreira.

On May 19, 2016, in connection with the sale by BTG Pactual (through AZSPE) of CDR Pedreira to an independent third party, Estre agreed to terminate the right corresponding to the call and put options, the fair value of which totaled R$20.8 million at that time and, accordingly, fully wrote it off as a loss under "Other Operating Expense" in 2016.

1.3.6. *Sale of the Essencis S.A.*

On March 3, 2011, the Company, through its indirect subsidiary DMTSPE Empreendimentos e Participações S.A. ("DMTSPE"), acquired 100% of Cavo shares which, in its turn, owned a 50% stake in Essencis Soluções Ambientais S.A. (Essencis).

Essencis is a joint venture, whose control is shared between DMTSPE companies (formerly Cavo) and Solvi Participações S.A. ("Solvi"), which also has a 50% stake in Essencis.

The shareholders agreement signed by and between Cavo and Solvi established the right of first refusal in case of sale of Essencis shares by one of the shareholders. Accordingly, when DMTSPE indirectly acquired the joint control of Essencis, through the acquisition of Cavo, Solvi understood that its preemptive rights had not been observed, and appealed to the Chamber of Settlement, Mediation and Arbitration of São Paulo.

On December 10, 2012, the court handed down a partial arbitration award recognizing Solvi's right of first refusal regarding the acquisition of 50% equity interest of Essencis, requiring that Essencis shares should be sold to Solvi, and that Solvi should pay Cavo the value of shares within no later than 30 days from the date the arbitration ruling was concluded.

(In thousands of Brazilian Reais, unless otherwise stated)

1. Operations (Continued)

1.3. Divestiture (Continued)

1.3.6. *Sale of the Essencis S.A.* (Continued)

The Special General Meeting held on October 1, 2014 approved Cavo contributing to Essencis the land located at Avenida General Vidal, on the corner with Avenida Gonçalo Madeira, 300 and 400, in the City of São Paulo, State of São Paulo, valued at a book value of R$ 20,000 as stated in the report signed by HG Contacom Contabilidade Ltda. issued on November 28, 2014 as of November 30, 2014. In connection with the capital increase, Cavo now holds a 2% equity interest in Essencis with 2,405,370 shares, diluting the Estre stake by 2%, whose equity interest decreased from 50% to 48%.

On November 30, 2014 the arbitration process was completed for the sale of Estre stake in Essencis to the Solvi Group, who had the right of first refusal to purchase shares for R$ 488,000.

On December 1, 2014, DMTSPE and its direct holding company BTG Pactual Delta III FIP merged with Estre, which went on to participate directly in the capital of Essencis. The merged net worth was R$ 390,339.

The operation took place on December 3, 2014, when all the conditions precedent had been fulfilled and / or waived, allowing the settlement of the sale, and total sales value for R$ 488,000 were fully paid in December 2014.

On December 18, 2014, the arbitration award was handed down ending the process in connection with the "Private Share Purchase Agreement and Other Covenants" which was previously signed by Solví, Estre and Cavo (October 1, 2014) providing for the terms of sale of Essencis shares held by DMTSPE (a Company's investee) to the Solví Group.

The result of the barter agreement is as follows:

Description	R$
Sale amount	488,000
Investment Cavo	(20,000)
Investment Estre	(110,344)
Goodwill and intangible assets	(276,148)
(=) Gain on divestiture (Note 29)	81,508

1.4. Investigation

1.4.1. *Operation "Lava-Jato" and its impacts on the Company and its investees*

In 2014, the Brazilian Federal Police ("PF") began an investigation intended to check for irregularities perpetrated by criminal organizations in several Brazilian states, involving Petrobras and its subsidiaries.

1. Operations (Continued)

1.4. Investigation (Continued)

1.4.1. *Operation "Lava-Jato" and its impacts on the Company and its investees* (Continued)

In connection with the investigations conducted by the Federal Public Prosecutor ("MPF"), Mr. Paulo Roberto Costa, former director of Petrobras, signed a leniency agreement, partly citing the Company in depositions on September 5, 2014, but made public by the MPF on March 6, 2015. Estre was also partly cited in the leniency program of Mr. Sergio Machado, former CEO of Transpetro, made public in June 2016.

Company management states that it is not aware of the affirmations mentioned in the deposition and that the Company does not admit any illegal acts, in accordance with the commitment made in its Code of Ethics and Anti-Corruption Policy. As a commitment to transparency and ethical conduct, the Company and its management members made every effort to (i) obtain greater knowledge of the facts through the involvement of the Company's internal legal department, the Compliance area and the hiring of independent investigation experts; (ii) continue to improve the Company's governance, internal controls and integrity program; (iii) continue to monitor the matter in 2017.

Management and the Board of Directors do not tolerate any unlawful acts and therefore the Company has been developing and implementing a number of measures to improve governance, control and risk management since 2014.

As a result of these efforts, the Company has developed several initiatives to improve its corporate governance and integrity control system, as shown in follows:

(a) Approval by the Board of Directors on January 22, 2015, for the creation of the Compliance department and the hiring of a senior level Compliance Officer;

(b) The Risk Management and Compliance Department was created on June 1, 2015, in order to structure Estre's Integrity Program, create a risk management program and assess, remediate and monitor the Company's internal control environment.

(c) Estre's Executive Board and Board of Directors established Compliance targets, linked to payment of bonus and the profit sharing plan, for adherence to the internal controls in the Integrity Program, necessary to comply with the requirements of the Brazilian Anti-Corruption Law (Law No. 12846), Decree No. 8420/15 and CGU Administrative Rulings No. 909 and No. 910;

(d) Creation of an Ethics Committee and the preparation, approval and disclosure of the following policies: Anticorruption, approval of suppliers, sponsorship and donations, agreements, compliance, bidding processes and relationship with public officials;

(e) On-site training on the Code of Ethics, Business Conduct and the Anti-Corruption Policy as well as obtaining the terms of association and types of relationship with public officials duly signed by the employees trained;

1. Operations (Continued)

1.4. Investigation (Continued)

1.4.1. *Operation "Lava-Jato" and its impacts on the Company and its investees* (Continued)

(f) Program to strengthen communication of the Estre Hotline, in addition to disclosure on Estre's website of the integrity and hotline policies;

(g) Inclusion of anticorruption policies in agreements and training sessions with suppliers, partners and intermediary agents as well as obtaining, whenever required, signature of agreements to comply with Estre's integrity policies;

(h) Pursuit of the Pro-Ethics Company certification, evaluation under the Integrity Program of the Ministry of Transparency, Supervision and Controls, and certification ISO 37001 (Anti-bribery);

(i) Realization of the First Compliance Day in March 2017. This event brought together approximately 120 people, among Board members, Executive Officers, managers, customers, suppliers and external speakers, and was an opportunity to strength communication of the Company's commitment to Integrity;

(j) Implementation of an integrity diligence program for the engagement of suppliers, sponsorship and donation payments, government customers, contracts, executives, and merger and acquisition processes;

(k) Hiring independent experts, more specifically their forensics area, to conduct specific investigations on the abovementioned allegations. These investigations were conducted under the guidance and supervision of the Company's Ethic Committee. The findings of these investigations do not show any indication that confirms the accusations made in the leniency program.

The Company continually evaluates its internal controls, including those inherent in the process of preparing the financial statements, and any improvements required for its control environment shall be implemented, in accordance with the objectives of the Integrity Program.

At December 31, 2016 and until the date of these financial statements, the Company and its Executives were not formally requested to provide clarification or for legal proceedings linked to the allegations in the deposition.

1.4.2 *Review of the Company's internal procedures*

In connection with the abovementioned investigation undertaken for Operation "Lava-Jato", the Company management, with the approval of the Board of Directors, in view of an inconclusive report presented in 2016, engaged new independent experts to further analyze the findings presented in the 2016 report, widening the scope of work to 56 suppliers and

1. Operations (Continued)

1.4. Investigation (Continued)

1.4.2 *Review of the Company's internal procedures* (Continued)

extending the period under investigation from 2010 through 2016, with the following main objectives:

- Suppliers—assessment of agreements, payments and evidence of services (services provided to the Company and its investees) and goods purchased from the main suppliers and service providers;
- Integrity due diligence—56 suppliers and current and past management members relating to the period under analysis;
- Analysis of emails—of the current main Executive Officers and of those who worked for the Company during the scope period.

As a result of the findings presented in the independent experts' report, despite the lack of conclusive evidence of illegal payments related to allegations made in Operation "Lava-Jato" (Note 1.4.1), Estre's management made an accounting adjustment resulting in the write-off of property, plant and equipment items totaling R$53,407, related to payments made that are not properly supported by evidence of any process to hire professionals or services or buy materials.. Additionally, Estre's Management, with the Board of Directors' approval, engaged experts to conduct an investigation of bidding processes won by Estre with supplier Petrobras, which will be concluded in 2017.

Through the efforts made by Estre up to the date of issuing these financial statements, management believes that all significant issues identified in the independent forensic experts' report have been adjusted and that there is no risk of additional charges being recorded in relation to the matter. Consequently, there is no related provision recognized in these financial statements. However, despite the significant progress in terms of internal controls, the Company believes that there are still improvement opportunities to be achieved during 2017, as well as specific insights regarding inconsistencies documented in the forensics experts' report prior to 2017.

2. Presentation of financial statements and significant accounting practices adopted

2.1. Basis of preparation and presentation of financial statements

The preparation of the consolidated financial statements requires the use of certain critical accounting estimates and also the exercise of judgment by Company management in the process of application of its accounting practices. Areas involving a higher degree of judgment, with greater complexity, and areas where assumptions and estimates that are significant to the consolidated financial statements are disclosed in Note 2.23.

2. Presentation of financial statements and significant accounting practices adopted (Continued)

2.1. Basis of preparation and presentation of financial statements (Continued)

a) *Basis of preparation*

The Company's consolidated financial statements have been prepared in accordance with International Financial Reporting Standards ("IFRS") issued by the International Accounting Standards Board ("IASB") and interpretations issued by the International Financial Reporting Interpretations Committee ("IFRIC").

The financial statements were approved by the Board of Directors and by the Executive Board on August 29, 2017.

The consolidated financial statements have been prepared on a historical cost basis, except for certain financial instruments at fair value described in Note 2.7 and certain assets measured at fair value on the date of the business combination, described in Note 2.4.

The consolidated financial statements are presented in Brazilian Reais (R$) and all values are rounded to the nearest thousand (R$000), except when otherwise indicated.

(In thousands of Brazilian Reais, unless otherwise stated)

2. Presentation of financial statements and significant accounting practices adopted (Continued)

2.2. Basis of consolidation

The consolidated financial statements include the following subsidiaries:

Subsidiary	Main activity	Country of incorporation	2016	2015	2014
Água e Solo Consultoria Ambiental Ltda.	Laboratory analysis	Brazil	**100%**	100%	100%
Ambiental Sul Brasil—Central Regional de Tratamento de Resíduos Ltda.	Waste management center	Brazil	**100%**	100%	100%
Cavo Serviços e Saneamento S.A.	Cleaning and collection services	Brazil	**100%**	100%	100%
Pilares Participação Ltda.	*Holding*	Brazil	**100%**	100%	100%
Oxil Manufatura Reversa Ltda.	Recycling	Brazil	**100%**	100%	100%
LMG Participações Ltda.	Holding	Brazil	**100%**	100%	100%
Tahaa Transportes Ltda.(a)	Waste transportation	Brazil	**—**	100%	100%
Viva Ambiental e Serviços S.A.	Cleaning and collection services	Brazil	**100%**	100%	100%
V2 Ambiental SPE S.A.	Waste management center	Brazil	**100%**	100%	100%
Resicontrol Soluções Ltda.	Waste management center	Brazil	**100%**	100%	100%
CGR Doña Juana(a)	Waste management center	Colombia	**—**	51%	51%
CTR Itaboraí—Centro de Tratamento de Resíduos de Itaboraí Ltda.	Waste management center	Brazil	**100%**	100%	100%
Esergia Estratégias Energéticas Ambientais Ltda.	Energy use services	Brazil	**50%**	50%	50%
Estação Ecologia S.A.	Recycling	Brazil	**100%**	100%	100%
Estre Coleta S.A	*Holding*	Brazil	**—**	100%	100%
Geo Vision Soluções Ambientais e Energia S.A.	*Holding*	Brazil	**100%**	100%	100%
CGR Guatapará—Centro de Gerenciamento de Resíduos Ltda.	Waste management center	Brazil	**100%**	100%	100%
Estre SPI S.A.	Cleaning and collection services	Brazil	**100%**	100%	100%
NGA—Núcleo de Gerenciamento Ambiental	Waste treatment	Brazil	**100%**	100%	100%
NGA Jardinópolis—Núcleo de Gerenciamento Ambiental Ltda.	Waste treatment	Brazil	**100%**	100%	100%
NGA Ribeirão Preto Núcleo de Gerenciamento	Waste treatment	Brazil	**100%**	100%	100%
Reciclax—Reciclagem de Resíduos da Construções Civil Ltda.	Recycling	Brazil	**88%**	88%	88%
Guatapará Energia S.A.	Energy use services	Brazil	**90%**	90%	90%
CTR Porto Seguro	Waste management center	Brazil	**100%**	100%	100%
Estre Energia Renovável Part. S.A.	Energy generation center	Brazil	**90%**	90%	90%
SPE Paulínia	Equity interest in other companies	Brazil	**100%**	100%	100%
SPE Tremembé	Equity interest in other companies	Brazil	**100%**	100%	100%
SPE Curitiba	Equity interest in other companies	Brazil	**100%**	100%	100%
Terrestre Energia	Equity interest in other companies	Brazil	**100%**	100%	100%
CTR Arapiraca	Waste treatment center	Brazil	**100%**	100%	100%
RSS Holding S.A.	Equity interest in other companies	Brazil	**100%**	100%	100%
Estre Valorização Holding S.A.	Equity interest in other companies	Brazil	**100%**	100%	100%
Estre Tratamento Holding	Equity interest in other companies	Brazil	**—**	100%	100%
Estre Águas Holding S.A.	Equity interest in other companies	Brazil	**100%**	100%	100%

2. Presentation of financial statements and significant accounting practices adopted (Continued)

2.2. Basis of consolidation (Continued)

A subsidiary is fully consolidated from the date the control is obtained, and ceases when the Company loses control of the subsidiary. The Company evaluates existence and effect of potential voting rights currently exercisable or convertible, shareholders agreement and company management policies are taken into account in determining whether the Company controls the entity or not.

Control is achieved when the Company is exposed, or has rights, to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee. Specifically, the Company controls an investee if, and only if, the Company has:

- Power over the investee (i.e., existing rights that give it the current ability to direct the relevant activities of the investee)
- Exposure, or rights, to variable returns from its involvement with the investee
- The ability to use its power over the investee to affect its returns

Generally, there is a presumption that a majority of voting rights results in control. To support this presumption and when the Company has less than a majority of the voting or similar rights of an investee, the Company considers all relevant facts and circumstances in assessing whether it has power over an investee, including:

- The contractual arrangement(s) with the other vote holders of the investee
- Rights arising from other contractual arrangements
- The Company's voting rights and potential voting rights

The financial years and the closing periods of direct and indirect subsidiaries included in the consolidation are the same as those of the Company, and accounting practices and policies have been consistently applied by the consolidated companies and are consistent with those used in the previous years. All consolidated intercompany balances and transactions were eliminated in consolidation.

2.3. Foreign currency translation

a) *Functional and reporting currencies*

The Company's consolidated financial statements are presented in Brazilian Reais (R$), which is the functional currency of the Company, except for its subsidiary CGR Doña Juana, whose functional currency is the Colombian peso.

The financial statements of each subsidiary included in the Company's consolidation and those used as a basis for valuation of investments using the equity method are prepared using the functional currency of each entity, and for entities whose functional currencies are different from the Company's reporting currency, their assets and liabilities are translated into the Company's reporting currency at the closing date and their statements of profit or loss are translated at exchange rate prevailing at the dates of the transactions.

2. Presentation of financial statements and significant accounting practices adopted (Continued)

2.3. Foreign currency translation (Continued)

a) *Functional and reporting currencies* (Continued)

The exchange differences arising on translation for consolidation are recognized in other comprehensive income.

b) *Transactions and balances*

Transactions in foreign currencies are translated using the exchange rates prevailing on the transaction dates or on the valuation date, for remeasured items. The foreign exchange gains and losses stemming from the settlement of these transactions and resulting from the translation at exchange rates at the end of the year relating to monetary assets and liabilities denominated in foreign currencies are recognized in the statement of profit or loss.

2.4. Business combination

Business combinations are accounted for using the acquisition method. The cost of an acquisition is measured as total consideration transferred, measured at fair value at the acquisition date, and the amount of any non-controlling interests in the acquiree. For each business combination, the Company elects whether to measure the non-controlling interest in the acquiree at fair value or at the proportionate share of the acquire's identifiable net assets. Costs directly attributable to the acquisition are expensed as incurred.

When acquiring a business, the Company assesses the financial assets and liabilities assumed, for appropriate classification and designation in accordance with contractual terms, economic circumstances and pertinent conditions at the acquisition date.

If the business combination is achieved in stages, the fair value at the acquisition date of the previously held equity interest in the acquiree is remeasured at fair value at the acquisition date, and impacts are recognized in the statement of profit or loss.

Any contingent consideration to be transferred by the acquirer will be recognized at fair value at the acquisition date. Subsequent changes to the fair value of the contingent consideration considered as an asset or liability will be recognized in the statements of profit or loss.

Goodwill is initially measured at cost (being the excess of the aggregate of the consideration transferred and the fair value of net assets acquired. If the consideration is lower than the fair value of net assets acquired, the difference is recognized as a gain in the statement of profit or loss.

After initial recognition, goodwill is measured at cost, less any accumulated impairment losses. For impairment test purposes, goodwill acquired in a business combination is allocated to each of the Company's cash-generating units that are expected to benefit from the synergies arising from the combination, irrespective of whether other assets or liabilities of the acquiree are assigned to those units.

(In thousands of Brazilian Reais, unless otherwise stated)

2. Presentation of financial statements and significant accounting practices adopted (Continued)

2.4. Business combination (Continued)

When goodwill forms part of a cash generating unit and a portion of that unit is disposed of, the goodwill associated to the disposed portion must be included in the transaction upon carrying amount of the operation when determining disposal gains or losses. Goodwill disposed in these circumstances is measured based on the relative values of the disposed operations and the cash generating unit retained.

2.5. Investment in associates and joint ventures

An associate is an entity of which the Company exercises significant influence. Significant influence is the power to participate in decisions on operating policies of the investee. It does not hold, however, control or joint control over those policies.

The Company's investments in its associates, shown in the table below, are accounted for using the equity method:

Denomination	Main activity	Host country	Interest held	2016	2015	2014
Unconsolidated investees						
Attend Ambiental Ltda.	Treatment of liquid effluents	Brazil	Direct	**55%**	55%	55%
Metropolitana Serviços Ambientais Ltda.	Waste management center	Brazil	Direct	**50%**	50%	50%
Terrestre Ambiental Ltda.	Waste management center	Brazil	Direct	**40%**	40%	40%
CGR Catanduva—Centro Ger. Resíduos Ltda.	Waste management center	Brazil	Indirect	**50%**	50%	50%
Logística Ambiental de São Paulo S.A. (Loga)	Cleaning and collection services	Brazil	Direct and indirect	**38%**	38%	38%
Unidade de Tratamento de Resíduos—UTR S.A.	Waste management center	Brazil	Indirect	**54%**	54%	54%

2.5.1. *Investment in associates*

Under the equity method, the investment in associate is initially recognized at cost. The carrying amount of the investment is adjusted to recognize changes in the Company's share in the net assets of the associate since the acquisition date. Goodwill relating to the associate is included in the investment and is not tested for impairment separately.

The statement of profit or loss reflects the Company's share of the results of operations of the associate. Any changes in other comprehensive income in these investees is presented in the Company's other comprehensive income. In addition, when there has been a change directly recognized in the equity of the associate the Company recognizes its share of any changes, in the statements of changes in equity when applicable. Unrealized gains and losses resulting from transactions between the Company and the associate are eliminated to the extent of the interest in the associate.

(In thousands of Brazilian Reais, unless otherwise stated)

2. Presentation of financial statements and significant accounting practices adopted (Continued)

2.5. Investment in associates and joint ventures (Continued)

2.5.1. *Investment in associates* (Continued)

The aggregate of the Company's share of profit or loss of an associate is stated in the statements of profit or loss representing profit after tax and interest held by non-controlling interest in the subsidiaries of the associate.

2.5.2. *Material partially-owned subsidiaries*

Financial information of subsidiaries that have material non-controlling interests is provided below:

Proportion of equity interest held by non-controlling interests:

Name	Country of incorporation and operation	2016	2015	2014
CGR Doña Juana	Colômbia	**51%**	51%	51%
Esergia Estratégias Energ. Amb. Ltda.	Brazil	**50%**	50%	50%
Reciclax—Reciclagem de Residuos da Const. Civil Ltda.	Brazil	**87,5%**	87,5%	87,5%
Guatapará Energia S.A.	Brazil	**90%**	90%	90%
Estre Energia Renovável Part. S.A.	Brazil	**90%**	90%	90%
Leccaros Participações S.A.	Brazil	**50%**	50%	50%
Estrans S.A.	Argentina	**—**	75%	75%

Summarized statement of profit or loss for 2016:

	Estre Energia Renovável	Guatapará Energia	Reciclax	Esergia
Revenue from services rendered	—	8,251	1,320	—
Cost of services rendered	—	(4,725)	(2,475)	—
General and administrative expenses	(666)	(180)	(236)	—
Other Operating income (expenses), net	1,329	2,482	(231)	(525)
Financial expenses, net	(1,906)	(1,007)	(126)	—
Profit before tax	**(1,243)**	**4,821**	**(1,748)**	**(525)**
Income tax	—	(331)	—	—
Profit for the year from continuing operations	**(1,243)**	**4,490**	**(1,748)**	**(525)**
Total comprehensive income	(1,243)	4,490	(1,748)	(525)
Attributable to non-controlling interests	(124)	449	(219)	(263)
Dividends paid to non-controlling interests	375	1,066	—	—

(In thousands of Brazilian Reais, unless otherwise stated)

2. Presentation of financial statements and significant accounting practices adopted (Continued)

2.5. Investment in associates and joint ventures (Continued)

2.5.2. *Material partially-owned subsidiaries* (Continued)

Summarized statement of profit or loss for 2015:

	Estre Energia Renovável	Guatapará Energia	Reciclax	Doña Juana	Estrans S.A.
Revenue from services rendered	—	9,960	4,330	78,129	34,470
Cost of services rendered	—	(2,582)	(3,508)	(52,937)	(14,646)
General and administrative expenses	(576)	(166)	(239)	(12,789)	(5,371)
Other Operating income, net	(22)	—	(180)	(6,096)	(9)
Financial expenses, net	(1)	(1,177)	(357)	(10,277)	(4,040)
Profit before tax	**(599)**	**6,035**	**46**	**(3,970)**	**10,404**
Income tax	—	(358)	(41)	(551)	(3,640)
Profit for the year from continuing operations	**(599)**	**5,677**	**5**	**(4,521)**	**6,764**
Total comprehensive income	(599)	5,677	5	(4,521)	6,764
Attributable to non-controlling interests	(60)	568	1	(2,215)	1,691
Dividends paid to non-controlling interests	—	1,311	—	—	—

Summarized statement of profit or loss for 2014:

	Guatapará Energia	Reciclax	Doña Juana	Estrans S.A.
Revenue from services rendered	11,076	4,109	48,953	24,219
Cost of services rendered	(9,526)	(3,492)	(30,956)	(12,033)
General and administrative expenses	(563)	(392)	(7,326)	(3,537)
Other Operating income (expenses), net	(500)	(31)	(46,121)	65
Financial expenses, net	(648)	(227)	(4,511)	(5,085)
Profit before tax	**(161)**	**(33)**	**(39,961)**	**3,629**
Income tax	(377)	(26)	(354)	(2,089)
Profit for the year from continuing operations	**(538)**	**(59)**	**(40,315)**	**1,540**
Total comprehensive income	(538)	(59)	(40,315)	1,540
Attributable to non-controlling interests	(54)	(7)	(19,754)	385
Dividends paid to non-controlling interests	—	—	—	—

(In thousands of Brazilian Reais, unless otherwise stated)

2. Presentation of financial statements and significant accounting practices adopted (Continued)

2.5. Investment in associates and joint ventures (Continued)

2.5.2. *Material partially-owned subsidiaries* (Continued)

Summarized statement of financial position as at 31 December 2016:

	Estre Energia Renovável	Guatapará Energia	Reciclax	Esergia
Assets				
Current assets				
Cash and cash equivalents	33	39	—	19
Trade accounts receivable	—	690	—	1,236
Taxes recoverable	1	1,212	—	8
Advances to suppliers	7	1	—	11
Other current assets	—	1,114	—	12
Total current assets	41	3,056	—	1,286
Non-current assets				
Related parties	17	39	—	1,891
Other non-current assets	—	—	—	18
Investments	23,253	—	—	—
Property, plant and equipment	9,890	20,866	—	8,166
Intangible assets	—	—	—	1
Total non-current assets	33,160	20,905	—	10,076
Total assets	33,201	23,961	—	11,362

(In thousands of Brazilian Reais, unless otherwise stated)

2. Presentation of financial statements and significant accounting practices adopted (Continued)

2.5. Investment in associates and joint ventures (Continued)

2.5.2. *Material partially-owned subsidiaries* (Continued)

	Estre Energia Renovável	Guatapará Energia	Reciclax	Esergia
Liabilities				
Current liabilities	—	—	—	—
Loans and Financing	—	—	—	—
Trade accounts payable	4	3,310	—	449
Labor liabilities	80	—	—	204
Tax liabilities	73	382	—	741
Debt to related parties	21,499	—	537	3,782
Other current liabilities	375	2,301	—	27
Total current liabilities	22,031	5,993	537	5,203
Non-current liabilities				
Provision for legal proceedings	—	—	3	63
Other liabilities	—	—	186	140
Total non-current liabilities	—	—	189	203
Capital	12,000	10,682	1	4,714
Reserves	—	483	—	4,430
Accumulated losses	(830)	6,803	(727)	(3,188)
Total equity	**11,170**	**17,968**	**(726)**	**5,956**
Total liabilities and equity	**33,201**	**23,961**	**—**	**11,362**
Attributable to:				
Equity holders of parent	10,053	16,171	(635)	2,978
Non-controlling interest	1,117	1,797	(91)	2,978

(In thousands of Brazilian Reais, unless otherwise stated)

2. Presentation of financial statements and significant accounting practices adopted (Continued)

2.5. Investment in associates and joint ventures (Continued)

2.5.2. *Material partially-owned subsidiaries* (Continued)

Summarized statement of financial position as at 31 December 2015:

	Estre Energia Renovável	Guatapará Energia	Reciclax	Doña Juana	Estrans S.A.
Assets					
Current assets					
Cash and cash equivalents	113	658	28	2,270	—
Trade accounts receivable	—	985	1,951	12,606	—
Taxes recoverable	1	645	29	736	—
Advances to suppliers	2,588	—	—	1,648	—
Other current assets	—	4	1	5,208	—
Total current assets	**2,702**	**2,292**	**2,009**	**22,468**	**—**
Non-current assets					
Related parties	14,084	39	1,898	—	—
Other non-current assets	—	—	57	—	—
Property, plant and equipment	—	18,347	8,283	10,974	—
Intangible assets	—	—	1	284	—
Total non-current assets	**14,084**	**18,386**	**10,239**	**11,258**	**—**
Total assets	**16,786**	**20,678**	**12,248**	**33,726**	**—**

(In thousands of Brazilian Reais, unless otherwise stated)

2. Presentation of financial statements and significant accounting practices adopted (Continued)

2.5. Investment in associates and joint ventures (Continued)

2.5.2. *Material partially-owned subsidiaries* (Continued)

	Estre Energia Renovável	Guatapará Energia	Reciclax	Doña Juana	Estrans S.A.
Liabilities					
Current liabilities					
Loans and Financing	1	2,500	2	40,880	—
Trade accounts payable	1	338	540	13,436	—
Labor liabilities	63	—	208	923	—
Tax liabilities	—	229	857	3,627	—
Debt to related parties	5,300	1,818	2,566	1,301	—
Other current liabilities	—	1,222	11	4,350	—
Total current liabilities	**5,365**	**6,107**	**4,184**	**64,517**	**—**
Non-current liabilities					
Provision for legal proceedings	—	—	54	—	—
Other liabilities	22	—	321	4,313	—
Total non-current liabilities	**22**	**—**	**375**	**4,313**	**—**
Capital	12,000	10,682	4,714	6,858	—
Reserves	—	255	4,542	647	—
Accumulated losses	(600)	3,634	(1,567)	(42,609)	—
Total equity	**11,400**	**14,571**	**7,689**	**(35,104)**	**—**
Total liabilities and equity	**16,787**	**20,678**	**12,248**	**33,726**	**—**
Attributable to:					
Equity holders of parent	10,260	13,114	6,728	(17,903)	—
Non-controlling interest	1,140	1,457	961	(17,201)	—

Summarized cash flow information for year ended 31 December 2016:

	Estre Energia Renovável	Guatapará Energia	Esergia	Reciclax
Operating activities	(33,063)	(4,400)	—	124
Investing activities	33,143	2,519	—	(117)
Financing activities	1	2,500	—	2
Net cash generated/(used)	81	619	—	9

(In thousands of Brazilian Reais, unless otherwise stated)

2. Presentation of financial statements and significant accounting practices adopted (Continued)

2.5. Investment in associates and joint ventures (Continued)

2.5.2. *Material partially-owned subsidiaries* (Continued)

Summarized cash flow information for year ended 31 December 2015:

	Estre Energia Renovável	Guatapará Energia	Reciclax	Doña Juana	Estrans S.A.
Operating activities	12,094	(5,534)	(599)	(2,221)	(2,598)
Investing activities	(12,000)	632	593	665	276
Financing activities	(1)	5,000	(2)	4,191	2,318
Net cash generated/(used)	93	98	(8)	2,635	(4)

Summarized cash flow information for year ended 31 December 2014:

	Guatapará Energia	Reciclax	Doña Juana	Estrans S.A.
Operating activities	(475)	3,502	21,438	781
Investing activities	7,240	(2,227)	(16,787)	(129)
Financing activities	(7,500)	—	(7,468)	(183)
Net cash (used) generated	(735)	1,275	(2,817)	469

2.6. Current versus non-current classification

The Company presents assets and liabilities in the statement of financial position based on current and non-current classification. An asset is classified as current when:

- It is expected to be realized within 12 months from the reporting date; or
- It consists of cash and cash equivalents, unless restricted from being exchanged or used to settle a liability for at least 12 months after the reporting period.

All other assets are to be classified as non-current.

A liability is classified as current when it is due within 12 months after the reporting period.

The Company classified all other liabilities as non-current. Deferred tax assets and liabilities are classified as non-current assets and liabilities.

2.7. Fair value measurement

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants on the measurement date. Fair value measurement is based on the presumption that the transaction to sell the asset or transfer the liability takes place either:

- In the principal market for the asset or liability; or

2. Presentation of financial statements and significant accounting practices adopted (Continued)

2.7. Fair value measurement (Continued)

- In the absence of a principal market, in the most advantageous market for the asset or liability.

The fair value of an asset or a liability is measured using the assumptions that market participants would use when pricing an asset or liability, assuming that market participants act in their economic best interest.

The fair value measurement of a non-financial asset takes into consideration the ability of a market participant to generate economic benefits through the optimal use of the asset or selling it to another market participant that would also optimally use the asset.

The Company uses valuation techniques appropriate for the circumstances and for which there is sufficient data for fair value measurement, maximizing the use of relevant available information and minimizing the use of unavailable information.

All assets and liabilities for which the fair value is measured in the financial statements are categorized within the fair value hierarchy described below, based on the lowest level of information that is significant to the fair value measurement as a whole:

- Level 1—quoted prices (unadjusted) in active markets for identical assets or liabilities;
- Level 2—valuation techniques for which the lowest level input that is significant to the fair value measurement is either directly or indirectly observable; and
- Level 3—valuation techniques for which the lowest level input that is significant to the fair value measurement is unobservable.

For assets and liabilities that are recognized in the financial statements on a recurring basis, the Company determines whether there were transfers between hierarchy levels, by re-assessing categorization (based on the lowest level input that is significant to the fair value measurement as a whole) at the end of each reporting period.

For the purposes of fair value disclosures, the Company has determined classes of assets and liabilities based on the nature, characteristics and risks of assets or liabilities and the fair value hierarchy level, as mentioned above.

The fair values of financial instruments measured at amortized cost are disclosed in Note 32.

2.8. Revenue recognition

Revenue is recognized to the extent it is probable that economic benefits will flow to the Company and the revenue can be reliably measured regardless of when payment is received. Revenues are measured at fair value of consideration received or receivable, net of any trade discounts and/or bonuses granted.

Revenues for services are recognized when earned on an accrual basis, unbilled services at the end of the period are recorded in "Services to be billed." Upon actual billing and issuance of invoices, the respective amounts are reclassified to "Accounts receivable".

2. Presentation of financial statements and significant accounting practices adopted (Continued)

2.8. Revenue recognition (Continued)

Revenue recognition—carbon credits

a) *The Kyoto Protocol*

Signed in 1997, the Kyoto Protocol is an environmental treaty that aims to stabilize the emission of Greenhouse Gases (GHGs) into the atmosphere.

The signatory countries of the Kyoto Protocol were divided into two groups according to their level of industrialization:

(i) Annex I—developed countries; and

(ii) Non-Annex I—developing countries.

The developed countries that adhered to the Kyoto protocol committed to reduce GHG emissions at an average of 5.2% in relation to the levels emitted in 1990, 2008-2012.

The Kyoto Protocol created the Clean Development Mechanism (CDM), which provides for the reduction of certified emissions. Once this certification is achieved, those countries that promote the reduction of greenhouse gas emissions are entitled to carbon credits and may sell them to countries that have targets to meet.

b) *Conversion of biogas into Renewable Energy Certificates (RECs)*

Based on the agreement terms, the quantity of RECs are converted according to the basic official standard called "baseline", before international bodies associated with the UNFCCC (United Nations Framework Convention on Climate Change).

The Company plans and performs processes and procedures, besides the necessary investments for obtaining RECs, in accordance with the rules set forth by the Kyoto Protocol and in subsequent meetings, to be claimed before the UNFCCC.

REC production must be approved by a company specialized in quality assessment and certification, whose report must be submitted to the company that is mediating REC purchase and sale negotiations before the United Nations (UN). The UN is the body responsible for registering and obtaining confirmation of credit transfers between the parties involved in the process.

The Company recognizes revenue from carbon credits monthly, based on its measurement of biogas burn, for landfills whose projects are approved by the UN and agreements entered into with carbon credit buying customers.

The Company suspended its negotiations in the carbon credit market due to the crisis affecting European countries in 2014, and resumed them in 2015 at the fixed price of €1.98. The Company recognized revenue from carbon credits for an amount of R$1,141 in 2016, R$3,610 in 2015 and R$0 in 2014.

2. Presentation of financial statements and significant accounting practices adopted (Continued)

2.9. Tax

Current income and social contribution taxes

Current income and social contribution taxes are calculated in accordance with tax legislation and tax rates currently enacted, at the statutory rates of 15%, plus a surtax 10% for income tax and 9% for social contribution tax.

Current income and social contribution taxes related to items recognized directly in equity are also recognized in equity. Management regularly assesses the tax positions in circumstances in which tax regulations require interpretation, and sets up provisions when appropriate.

Deferred taxes

Deferred tax is provided using the liability model or temporary differences between the tax bases of asset and liability and the carrying amount for financial reporting purposes at the reporting date.

Deferred tax assets are recognized for all deductible temporary differences, credits and unused tax losses, to the extent it is probable that taxable profit will be available so that deductible temporary differences may be realized and unused credits and tax losses may be used. Deferred tax liabilities are recognized for all taxable temporary differences except:

- When a deferred tax liability arises upon initial recognition of goodwill or of an asset or liability in a transaction other than a business combination and, at the time of the transaction affects neither the accounting profit nor taxable profit or loss; and
- On taxable temporary differences related to investments in subsidiaries, when the timing of the reversal of temporary differences can be controlled and the temporary differences will likely not reverse in the near future.

The carrying amount of deferred tax assets is reviewed at each statement of financial position date and reduced to the extent that it is no longer probable that future taxable profits will be available to allow all or part of the deferred tax asset to be utilized. Deferred tax assets written off are re-assessed at each reporting date and recognized to the extent that it is probable that future taxable profit will allow deferred tax assets to be recovered.

Deferred tax assets and liabilities are measured at the tax rates expected to apply in the year when the asset is realized or the liability settled, based on tax rates (and tax laws) that have been enacted at the reporting date.

Deferred taxes related to items recognized directly in equity are also recognized in equity, and not recognized in the statements of profit or loss. Deferred tax items are recognized based on the transaction which gave rise to the deferred tax, in comprehensive income or directly in equity.

Deferred tax assets and liabilities are presented net if there is a legal or contractual right to offset tax assets against tax liabilities and the deferred taxes relate to the same taxed entity and are subject to the same taxing authority.

(In thousands of Brazilian Reais, unless otherwise stated)

2. Presentation of financial statements and significant accounting practices adopted (Continued)

2.9. Tax (Continued)

Sales taxes

Revenues, expenses and assets are recognized net of sales tax, except:

- When the sales taxes incurred on the purchase of goods or services are not recoverable from tax authorities, in which case the sales tax is recognized as part of the cost of acquiring the asset or expense item, as applicable;
- When the amounts receivable or payable are stated with the amount of sales taxes included.

The net amount of sales taxes, recoverable or payable to the tax authority, is included as part of receivables or payables in the statement of financial position.

Sales revenues in Brazil are subject to taxes and contributions, at the following statutory rates:

	Rates
Withholding taxes—PIS, COFINS and CSLL	4.65%
Social Security Tax (INSS)	11.00%
Contribution Tax on Gross Revenue for Social Security Financing (COFINS) (a)	7.60%
Contribution Tax on Gross Revenue for Social Integration Program (PIS) (a)	1.65%
Withholding Income Tax (IRRF)	1.50%
Services Tax (ISS)	5.00%
VAT Tax (ICMS) (b)	18.00%

(a) Brazilian tax legislation allows smaller entities with less than R$78 million in annual gross revenues to opt to declare income taxes on the presumed profits basis. These are subject to lower COFINS and PIS rates of 3.00% and 0.65%, respectively. However, PIS and COFINS taxes on purchases may not be claimed back and will not generate tax credits under the presumed profits basis.

(b) ICMS is taxed on the movement of goods. The tax payable is due on sales net of purchases. The rates vary across different products and Brazilian states. The State of São Paulo levies ICMS at a standard rate of 18.00%.

ISS rates vary according to the municipality; the ISS rate stated in the table is most commonly levied on the Company's operations.

Taxes on purchases

Taxes paid on purchases of goods and services can normally be claimed back as tax credits, at the following statutory rates:

	Rates
Contribution Tax on Service Rendered for Social Security Financing (COFINS)	7.60%
Contribution Tax on Service Rendered for Social Integration Program (PIS)	1.65%

In addition, please see Note 29(a) for information in relation to PIS/COFINS paid in prior periods and recovered subsequently.

2. Presentation of financial statements and significant accounting practices adopted (Continued)

Withholding of taxes on purchases

On certain purchases of services and use of third-party labor we are required to withhold a percentage of the amounts billed by our suppliers and pay tax on their behalf, at the following statutory rates:

	Rates
Withholding taxes—PIS, COFINS and CSLL	4.65%
Social Security Tax (INSS)	11.00%
Withholding Income Tax (IRRF)	1.50%
Services Tax (ISS)	5.00%

2.10. Non-current assets held for sale and discontinued operations

2.10.1. *Non-recurrent assets held for sale*

The Company classifies assets and liabilities held for sale from discontinued operations if the carrying amounts are expected to be recovered principally through a sale transaction rather than through continuing use. These assets and liabilities classified as held for sale are measured at the lower carrying amount and fair value, less costs to sell. Costs incurred in a sales transaction are incremental costs directly attributable to the sale, excluding finance expenses and income tax expenses.

The criteria for classification of items held for sale are considered as having been met only when a sales transaction is highly probable to occur and when such items are available for immediate sale in the present condition.

Management should be committed to the completion of the sale within one year from the date of classification of assets and liabilities as held for sale.

Property, plant and equipment and intangible assets are no longer depreciated or amortized from the moment they are classified as held for sale or distribution.

2.10.2. *Nonrecurrent assets held for distribution*

Assets and liabilities classified as held for distribution are presented separately as current items on the statement of financial position.

A disposal group qualifies as a discontinued operation if it represents a component of an entity that has been sold or classified as held for sale, and:

- Represents a separate major line of business or geographical area of operations;
- Is part of a single coordinated plan to dispose of a separate major line of business or geographical area of operations; or
- Is a subsidiary acquired exclusively for the purpose of resale.

2. Presentation of financial statements and significant accounting practices adopted (Continued)

2.10. Non-current assets held for sale and discontinued operations (Continued)

2.10.2. *Nonrecurrent assets held for distribution* (Continued)

Discontinued operations are excluded from profit or loss of continuing operations, and presented as a single amount in profit or loss after taxes under discontinued operations in the statement of profit or loss.

Further disclosures are presented in Note 11.2. All other notes to the financial statements include amounts for continuing operations, unless otherwise stated.

2.11. Property, plant and equipment

Property, plant and equipment is stated at historical cost of acquisition or construction cost, less accumulated depreciation and accumulated impairment losses, if any.

Ordinary maintenance expenses are recognized in the statement of profit or loss in the period they are incurred.

Depreciation is calculated on a straight-line basis over the estimated useful lives of the assets. The residual values and useful lives are reviewed at least at each year-end and adjusted prospectively, if appropriate.

The useful life is the length of time the Company expects to use the asset. The weighted average rates of depreciation used for each asset class are described in Note 12.

An item of property, plant and equipment is derecognized upon disposal or when no future economic benefits are expected from its use or disposal. Any gain or loss on derecognition of the asset (calculated as the difference the net disposal proceed and the carrying amount of the asset) is recorded in "Other operating income (expenses)" in the statement of profit or loss.

2.12. Intangible assets

Intangible assets acquired separately are measured at cost upon their initial recognition. The cost of intangible assets acquired in a business combination is the fair value at the acquisition date. After initial recognition, intangible assets are stated at cost less accumulated amortization and accumulated impairment losses. Internally generated intangible assets, excluding capitalized development costs, are not capitalized and the related expenditure is reflected in the statement of profit or loss for the period they are incurred.

Intangible assets are assessed as having finite or indefinite useful lives. Intangible assets with finite lives are amortized over the useful economic life and assessed for impairment whenever there is indication that the intangible asset may be impaired.

2. Presentation of financial statements and significant accounting practices adopted (Continued)

2.12. Intangible assets (Continued)

The period and the amortization method for intangible assets with finite lives are reviewed at least once a year. Changes in estimated useful life or the expected consumption of the future economic benefits of these assets are accounted for by changing the amortization period or method, as appropriate, and treated as changes in accounting estimates. Amortization of intangible assets with finite lives is recognized in the statement of profit or loss in the expense category consistent with the use of intangible assets.

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

Gains and losses arising from derecognition of an intangible asset are measured as the difference between the net disposal proceeds and the carrying value of the asset, and recognized in the statement of profit or loss.

2.13. Loss on impairment of non-financial assets

Management annually reviews the carrying amount of assets for purposes of evaluating events or changes in economic, operating or technological circumstances that may indicate impairment or loss of their recoverable value. When such evidence is identified, and the carrying amount of an asset exceeds its recoverable amount, the asset is considered impaired and is written down to its recoverable amount.

The recoverable amount of an asset or of a given cash generating unit is defined as the higher of the value in use and fair value less costs to sell.

In estimating the asset value-in-use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects the weighted average cost of capital for the industry in which the cash generating unit operates. The net sales value is determined, whenever possible, based on a firm sales agreement in an arm's length transaction between knowledgeable, willing parties, adjusted by expenses attributable to the asset sale, or when there is no binding sale agreement based on the market price of an active market, or in the most recent transaction price with similar assets.

The following criteria are also applied in assessing impairment of specific assets:

Fixed assets

The test of fixed assets impairment is performed annually or when circumstances indicate an impairment of the carrying value.

2. Presentation of financial statements and significant accounting practices adopted (Continued)

2.13. Loss on impairment of non-financial assets (Continued)

Goodwill

The test of goodwill impairment is performed annually at December 31st at the cash generating unit level or when circumstances indicate an impairment of the carrying value.

Intangible assets

Intangible assets with indefinite useful lives are tested for impairment annually at December 31, either individually or at the level of cash generating unit, as appropriate, and when circumstances indicate an impairment of the carrying amount.

At December 31, 2016, 2015 and 2014, the Company conducted impairment tests and recognized impairment losses on identifiable intangible assets and goodwill arising from business combinations (See Note 13).

2.14. Financial instruments

Financial assets

i) *Initial recognition and measurement*

Financial assets are classified, on initial recognition, as financial assets at fair value through profit or loss, loans and receivables, held-to-maturity investments and financial assets available for sale, or derivatives classified as effective hedging instruments, as appropriate. All financial assets are recognized initially at fair value, plus, in the case of financial assets not recorded at fair value through profit or loss, transaction costs that are directly attributable to the acquisition of the financial asset.

Sales and purchases of financial assets that require delivery of assets within a time frame established by regulation or convention in the marketplace (regular way trades) are recognized on the trade date, i.e., the date on which the Company commits to purchase or sell the asset. The Company determines the classification of its financial assets upon initial recognition, when it becomes a party to the instrument's contractual provisions.

The Company's financial assets include mainly cash and cash equivalents, marketable securities, trade accounts receivable, receivables from related parties and other receivables.

ii) *Subsequent measurement*

After initial recognition, financial instruments are measured as follows:

a) *Financial assets measured at fair value through profit or loss*

These include financial assets held for trading and financial assets initially recognized at fair value through profit or loss. They are classified as held for trading if originated for the purpose of sale in the short term.

2. Presentation of financial statements and significant accounting practices adopted (Continued)

2.14. Financial instruments (Continued)

Financial assets (Continued)

ii) *Subsequent measurement* (Continued)

a) *Financial assets measured at fair value through profit or loss* (Continued)

Financial assets at fair value through profit or loss are stated in the statement of financial position at fair value, and corresponding gains or losses are recognized in profit or loss for the year.

For the years ended on December 31, 2016, 2015 and 2014, the Company had no assets designated at fair value through profit or loss upon initial recognition.

b) *Loans and receivables*

Loans and receivables are non-derivative financial assets with fixed or determinable payments that, are not quoted in an active market. After their initial measurement, financial assets are carried at amortized cost using the effective interest method, less impairment. Amortized cost is calculated considering any discount or "premium" on acquisition and charges or costs incurred. Amortization by the effective interest method is included in the finance income account in the statement of profit or loss. Impairment is recognized as finance expenses in the statement of profit or loss.

The Company classifies accounts receivable, receivables from related parties and other accounts receivable as loans and receivables.

c) *Financial assets available for sale*

Financial assets available for sale are those non-derivative financial assets that are not classified as (a) loans and receivables, (b) investments held to maturity or (c) financial assets at fair value through profit or loss.

After initial recognition, financial assets available for sale are measured at fair value with unrealized gains and losses recognized directly in equity in other comprehensive income until the investment is derecognized. When the investment is derecognized or when an impairment is determined, the cumulative gain or loss previously recognized in other comprehensive results are recognized in profit or loss.

For the years ended on December 31, 2016, 2015 and 2014, the Company had no financial assets available for sale.

2. Presentation of financial statements and significant accounting practices adopted (Continued)

2.14. Financial instruments (Continued)

Financial assets (Continued)

iii) *Derecognition*

A financial asset (or, when applicable, a part of a financial asset or part of a group of similar financial assets) is primarily derecognized when:

- The rights to receive cash flows from the asset have expired;
- The Company transfers its right to receive cash flows from an asset or has assumed an the obligation to pay the received cash flows in full, without significant delay, to a third party by virtue of a "pass-through" agreement; and (a) the Company substantially transfers all the asset's risks and rewards, or (b) the Company neither transfers nor substantially retains all risks and rewards related to an asset, but does transfer control over such asset.

When the Company has transferred its rights to receive the cash flows from an asset or has entered into a pass-through arrangement, and has neither transferred nor retained substantially all the risks and rewards related to the asset, the Company continues to recognize a financial asset to the extent of its continuing involvement in the financial asset. In this case, the Company also recognizes an associated liability. The transferred asset and the associated liability are measured on a basis that reflects the rights and obligations of the Company.

The continuing involvement as a guarantee over the transferred asset is measured at the lower of the carrying amount value of the asset and the maximum amount of consideration that the Company could be required to pay.

iv) *Impairment of financial assets*

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

An impairment evidence may include indications that the debtors or group of debtors is experiencing through a time of significant financial difficulty. The likelihood that borrowers will go bankrupt or undergo any other type of financial restructuring, default or delay the payment of interest or principal and when there is indication of a measurable decrease in future estimated cash flow, such as changes in arrears or economic conditions that correlate in this defaults.

2. Presentation of financial statements and significant accounting practices adopted (Continued)

2.14. Financial instruments (Continued)

Financial assets (Continued)

iv) *Impairment of financial assets* (Continued)

Any impairment loss is measured as the difference between the assets is carrying amount and the present value of the estimated future cash flow, (excluding future expected credit losses that have not yet been incurred). The present value of estimated future cash flows is discounted at the financial assets original effective interest rate.

The carrying amount of the asset is reduced through the use of an allowance and the loss is recognized in the statements of profit or loss. Receivables, together with the associated allowance, are written off when there is no realistic prospect of future recovery and all collateral has been realized or transferred to the Company. If in a subsequent year the estimated impairment losses increases or reduces due to an event occurring after the impairment loss recognition, the previously recognized impairment loss is increased or reduced by adjusting to the allowance account. If a write off is recorded the recovery is recognized in the statements of profit or loss.

Financial liabilities

i) *Initial recognition and measurement*

Financial liabilities are classified at initial recognition as financial liabilities at fair value through profit and loss, loans and financing, accounts payable or derivatives classified as hedge instruments, as appropriate.

The Company's financial liabilities are initially classified at fair value and, in the case of loans and financing, net of directly attributable transaction costs.

The main financial liabilities primarily include loans and financing, debentures, trade accounts payable, accounts payable for acquisition of interest, accounts payable for purchase of investments, related party debts and other liabilities.

ii) *Subsequent measurement*

The measurement of financial liabilities depends on their classification, which can be as follows:

a) *Financial liabilities measured at fair value through profit or loss*

Financial liabilities at fair value through profit or loss include financial liabilities held for trading and financial liabilities measured upon initial recognition at fair value through profit or loss. Financial liabilities are classified as held for trading if acquired to be sold within the short term. This category includes derivative Financial Instruments entered into by the Company which do not meet the hedge accounting criteria as defined by IAS 39, including embedded derivatives which are not related to the host contract and which must be separated, and are also classified as held for trading unless classified as effective hedging instruments.

2. Presentation of financial statements and significant accounting practices adopted (Continued)

2.14. Financial instruments (Continued)

Financial liabilities (Continued)

ii) *Subsequent measurement* (Continued)

a) *Financial liabilities measured at fair value through profit or loss* (Continued)

Gains and losses of liabilities held for trading are recognized in the statement of profit or loss.

b) *Loans and financing*

After initial recognition, loans and financing subject to interest are subsequently measured at amortized cost, using the effective interest method. Gains and losses are recognized in the statements of profit or loss upon derecognition of liabilities, as well as upon amortization by the effective interest method.

iii) *Derecognition (write-off)*

A financial liability is derecognized when the liability is discharged, cancelled or expires.

When an existing financial liability is replaced by another from the same lender, under substantially different terms, or when the terms of an existing liability are substantially modified, this replacement or modification is treated as a derecognition of the original liability and recognition of a new liability, and the difference in the corresponding carrying amounts is recognized in the statement of profit or loss.

Offsetting of financial instrument

Financial assets and liabilities are offset and the net amount is reported in the statement of financial position if, and only if, there is a current and enforceable legal right to offset amounts recognized and if the Company has the intention to offset or realize the asset and settle the liability simultaneously.

2.15. Inventories

Inventories are valued at the lower of cost and net realizable value. Inventories are mainly comprised of maintenance materials. Net realizable value is the estimated selling price in the ordinary course of business, less estimated costs of completion and costs the estimated costs necessary to make the sales.

2.16. Cash and cash equivalents

Cash and cash equivalents comprise cash at banks, on hand and short-term investments with maturities of less than three months and which are subject to an insignificant risk of changes in value. Short-term investments included in cash equivalents are comprised of bank deposit certificates and repurchase agreements, both with daily liquidity, stated at acquisition cost plus accrued interest.

2. Presentation of financial statements and significant accounting practices adopted (Continued)

2.17. Provisions

Provisions are recognized when the Company has a present obligation (legal or constructive) as a result of a past event, it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and a reliable estimate can be made of the amount of the obligation. When the Company expects some or all of a provision to be reimbursed, for example, under an insurance contract, the reimbursement is recognized as a separate asset, but only when the reimbursement is virtually certain.

The expense related to any provision is presented in the statement of profit or loss, net of any expected reimbursement.

Provision for landfill closure

The Company records the provision for decommissioning costs in relation to the closure and post-closure of landfill as the capacity of the landfill is consumed. The significant accounting aspects are summarized below:

Decommissioning costs are recorded for at the present value of expected costs to settle the obligation using estimated cash flows and are recognized as part of the cost of the relevant asset.

The cash flows are discounted using the Company's pre-tax long-term weighted average cost of capital rate. The unwinding of the discount is expensed as incurred and recognized in the statement of profit or loss. The estimated future costs of decommissioning are reviewed annually and adjusted as appropriate. Changes in the estimated future costs, or in the discount rate applied, are added to or deducted from the cost of the asset.

- The estimated costs are recorded taking into account the present value of the obligation, discounted using the Company's pre-tax long-term weighted average cost of capital rate of 14.30%.
- Cost estimates are reviewed annually, with the consequent review of present value calculation, adjusting the amounts of assets and liabilities already accounted for.

Provisions for contingencies

The Company recognizes a provision for civil, labor and tax claims for those where likelihood of loss was assessed as probable by the legal advisors of the Company.

2.18. Leases

Assessment of the probability of loss includes an evaluation of available evidence, hierarchy of laws, available case laws, most recent court rulings and their relevance in the legal system, as well as the opinion of external legal counsel.

2. Presentation of financial statements and significant accounting practices adopted (Continued)

2.18. Leases (Continued)

The provisions are periodically reviewed and adjusted to take into consideration changes in circumstances such as applicable statutes of limitation, conclusions of tax audits or additional exposures identified based on new issues or court decisions.

Company as a lessee

The determination of whether an arrangement is (or contain) a lease is based on the substance of the arrangement at the inception of the lease.

A lease is classified at the inception date as a finance lease or operating lease.

A leases that transfers substantially all the risks and rewards incidental benefits relating to ownership to the Company is classified as a finance lease. Finance lease are capitalized at the inception of the lease at fair value of the leased property or, if lower, at the present value of minimum lease payments.

Finance lease payments are apportioned between finance charges and reduction of lease liability, so as to achieve a constant rate of interest on the remaining balance of the liability. Finance charges are recognized in the statement of profit or loss.

The leased assets are depreciated over their useful lives. However, when there is no reasonable certainty that the Company will obtain ownership by the end of lease term, the asset is depreciated over the shorter of its estimated useful life or the lease term.

Operating lease payments are recognized as an expense in the statement of profit or loss on a straight-line basis over the lease term.

2.19. Treasury shares

Treasury shares are equity instruments that are repurchased (treasury shares), recognized at cost, and deducted from equity. No gain or loss is recognized in the statements of profit or loss upon purchase, sale, issue or cancellation of Company's own equity instruments. Any difference between carrying amount and consideration is recognized in other capital reserves.

2.20. Basic and diluted earnings (loss) per share

Basic earnings/loss per share are calculated by dividing profit or loss attributable to shareholders by the weighted average number of common shares outstanding during the period.

As the Company does not have any material potential instruments convertible into shares, diluted earnings/loss per share are equal to basic earnings/loss per share.

2. Presentation of financial statements and significant accounting practices adopted (Continued)

2.21. Significant accounting judgments, estimates and assumptions

The preparation of the Company's consolidated financial statements requires management to make judgments, estimates and assumptions that affect the reported amounts revenues, expenses, assets and liabilities and the accompanying disclosures, and the disclosures of contingent liabilities.

i) *Estimates and assumptions*

The key assumptions concerning the future and other key sources of estimation uncertainty at the reporting date that have a significant risk of causing a material adjustment to carrying amounts of assets and liabilities within the next financial year, are described below.

The Company based its assumptions and estimates on information available when the consolidated financial statements were prepared. Existing circumstances and assumptions about future developments, however, may change due to market changes or circumstances arising that are beyond the control of the Company. Such changes are reflected in the assumptions when they occur.

Allowance for doubtful accounts

Trade receivables are recorded net of an allowance for doubtful accounts. The allowance for doubtful accounts is recorded based on the aging of the accounts receivable and also considering past loss experience, risk analysis of the client portfolio on an individual basis, guarantees obtained, settlement of debt agreements signed with clients and the collection probability. Management believes that the allowance for doubtful accounts is recorded for an amount considered sufficient to cover possible losses. The Company periodically reviews the balance of the allowance for doubtful accounts and makes adjustments when appropriate. Further details can be found in Note 6.

Impairment of non-financial assets

Impairment exists when the carrying amount of an asset or cash-generating unit exceeds its recoverable amount, which is the higher of its fair value less cost to sell and its value in use. Fair value less cost to sell is calculated based on information available about similar assets sold or market prices less additional costs to dispose of the asset item. The calculation of value in use is based on discounted cash flow model, which does not include reorganization activities to which the Company has not yet committed or significant future investments that will improve the asset base of the object generating unit cash test. The recoverable amount is sensitive to the discount rate used in the discounted cash flow method, as well as expected future cash receipts and growth rate used for extrapolation purposes.

2. Presentation of financial statements and significant accounting practices adopted (Continued)

2.21. Significant accounting judgments, estimates and assumptions (Continued)

i) *Estimates and assumptions* (Continued)

Provision for legal proceedings

Provisions are recorded for tax, civil and labor contingencies. Assessment of the probability of loss includes the assessment of available evidence, hierarchy of laws, most recent court rulings and their relevance in the legal system, as well as the opinion of internal and external legal counsels. The provisions are periodically reviewed and adjusted to take into consideration changes in circumstances such as applicable statutes of limitation, conclusions of tax audits or additional exposures identified based on new issues or court decisions. Actual settlement of claims involving these estimates may result in amounts different from those estimated, due to the degree of judgement involved. The Company reviews its estimates and assumptions at least on an annual basis.

Provision for landfill closure

The Company recognized a decommissioning liability for landfill closure at the present value of expected costs to settle the obligation using estimated cash flows. In determining the fair value of the provision, assumptions and estimates are made in relation to discount rates, the expected cost for landfill closure and future maintenance of the site and the expected timing of those costs.

Tax

Deferred tax assets are recognized for all unused tax losses to the extent that it is probable that taxable profit will be available against which the losses can be used. Management's significant judgment is required so as to determine the amount of deferred tax assets amount than can be recognized based upon the likely and level of future taxable profit, together with future tax planning strategies.

Fair value measurement of stock option

Estimating fair value for share-based payment transactions requires determination of the most appropriate valuation model, which depends on the terms and conditions of the grant. This estimate also requires determination of the most appropriate inputs to the valuation model including the expected life of the share option, volatility and dividend yield and making assumptions about them.

2.22. New IFRS and interpretations of the IFRS Interpretations Committee (IFRIC)

The Company adopted for the first time, certain standards and amendments, effective for annual periods beginning as of January 1, 2016 and thereafter. The Company decided not to adopt any other standard, interpretation or amendment that had been issued but is not yet effective.

2. Presentation of financial statements and significant accounting practices adopted (Continued)

2.22. New IFRS and interpretations of the IFRS Interpretations Committee (IFRIC) (Continued)

These rules and amendments that have been adopted for the first time in 2016 did not have a significant impact on the Company's individual and consolidated financial statements.

Improvements to IFRS 2012-2014

The annual improvements projects provide a vehicle for making non-urgent but necessary amendments to IFRSs, with the aim of removing inconsistencies and clarifying wording. These improvements do not have a significant impact on the results or financial position of the Company.

Amendments to IFRS 11, Accounting for Acquisitions of Interests in Joint Operations.

The amendments to IFRS 11 require that a joint operator accounting for the acquisition of an interest in a joint operation, in which the activity of the joint operation constitutes a business, must apply the relevant IFRS 3 Business Combinations principles for business combination accounting. These amendments do not have any impact on the Company as there has been no interest acquired in a joint operation during the period.

Amendments to IAS 16 and IAS 38, Clarification of Acceptable Methods of Depreciation and Amortization

The amendments clarify the principle in IAS 16 Property, Plant and Equipment and IAS 38 Intangible Assets that revenue reflects a pattern of economic benefits that are generated from operating a business (of which the asset is a part) rather than the economic benefits that are consumed through use of the asset. As a result, a revenue-based method cannot be used to depreciate property, plant and equipment and may only be used in very limited circumstances to amortize intangible assets. These amendments do not have any impact to the Company given that the Company does not use a revenue-based method to depreciate its non-current assets.

Amendments to IAS 1, Disclosure Initiative

The amendments to IAS 1 clarify, rather than significantly change, existing IAS 1 requirements.

The amendments clarify:

- The materiality requirements in IAS 1.
- That specific line items in the statement(s) of profit or loss and OCI and the statement of financial position may be disaggregated.
- That entities have flexibility as to the order in which they present the notes to financial statements.
- That the share of OCI of associates and joint ventures accounted for using the equity method must be presented in aggregate as a single line item, and classified between those items that will or will not be subsequently reclassified to profit or loss.

(In thousands of Brazilian Reais, unless otherwise stated)

2. Presentation of financial statements and significant accounting practices adopted (Continued)

2.22. New IFRS and interpretations of the IFRS Interpretations Committee (IFRIC) (Continued)

Amendments to IAS 1, Disclosure Initiative (Continued)

Furthermore, the amendments clarify the requirements that apply when additional subtotals are presented in the statement of financial position and the statement of profit or loss and OCI.

The Company has considered these amendments in the preparation of the consolidated financial statements.

Amendments to IFRS 10, IFRS 12 and IAS 28, Investment Entities: Applying the Consolidation Exception

The amendments address issues that have arisen in applying the investment entities exception under IFRS 10 Consolidated Financial Statements. These amendments have not been endorsed by the European Union (EU) for use in Europe, but they do not have any impact on the Company as the Group does not apply the consolidation exception.

2.23. New standards and amendments to standards issued but not effected as of December 31, 2016

At the date of preparation of these financial statements, the following new statements and amendments to IFRS had already been published, but were not mandatory.

Standards	Effective date
IAS 7—Statement of Cash Flows, revision.	January 1, 2017
IAS 12—Income Taxes, revision.	January 1, 2017
IAS 40—Transfers of Investment Property, revision.	January 1, 2018
IFRS 2—Classification and Measurement of Share-based Payment Transactions, revision.	January 1, 2018
IFRS 4—Insurance Contracts, revision.	January 1, 2018
IFRS 9—Financial Instruments, issue of the final version.	January 1, 2018
IFRS 10, 12 and IAS 28—Investment Entities: Applying the Consolidation Exception, revision.	To be defined
IFRS 15—Revenue from contracts with customers, issue.	January 1, 2018
IFRS 16—Leases, issue.	January 1, 2019
IFRS 19—Financial Instruments issues.	January 1, 2018
Annual Improvements to IFRS, 2014 - 2016 Cycle, issue.	January 1, 2017/2018
IFRIC 22—Foreign Currency Transactions and Advance Consideration, issue.	January 1, 2018

Based on the analyses made to date, the Company estimates that the adoption of many of these standards, amendments and interpretations will not have a significant impact on the consolidated financial statements in the initial period of application. The Company is undertaking the process of implementing the new requirements, but due to the significant items potentially affected and the complexity of estimations, quantifying reasonably the implications of this standard is not possible at present.

2. Presentation of financial statements and significant accounting practices adopted (Continued)

2.23. New standards and amendments to standards issued but not effected as of December 31, 2016 (Continued)

IFRS 15 Revenues from Contracts with Customers

IFRS 15 sets out the requirements for recognizing revenue from contracts with customers. The Company is currently assessing the impact of the application of this new standard on its contracts. The Company expects changes in the documentation of policies to recognize the revenue. The Company is undertaking the process of implementing the new requirements, but due to the significant items potentially affected and the complexity of estimations, quantifying reasonably the implications of this standard is not possible at present.

IFRS 9 Financial Instruments

IFRS 9 is applicable to financial assets and financial liabilities, and covers requirements for classification, measurement, impairment and de-recognition of financial assets and financial liabilities, together with a new hedge accounting model. The Company expects the key changes to be relates to documentation of policies and hedging strategies, as well as the estimation of expected losses on all financial assets. Changes introduced by IFRS 9 will affect the recognition and measurement of financial assets and financial instruments from January 1, 2018. The Company is undertaking the process of implementing the new requirements, but due to the significant items potentially affected and the complexity of estimations, quantifying reasonably the implications of this standard is not possible at present.

IFRS 16 Leases

IFRS 16 requires lessees to recognize assets and liabilities arising from all leases (except for short-term leases and leases of low-value assets) in the statement of financial position. The Company acts as a lessee on a very significant number of lease agreements over different assets, such as office buildings, equipment's and landfill.

A significant portion of these contracts is accounted for as operating lease under the current lease standard, with lease payments being recognized generally on a straight-line basis over the contract term. The Company is currently in the process of estimating the impact of this new standard on such contracts.

This analysis includes the estimation of the lease term, based on the non-cancellable period and the periods covered if the option to extend the lease is exercised, where exercise is reasonably certain, which will depend, to a large extent, on the expected use of the Company's own assets jointly with the underlying leased assets. In addition to this, the Company will make assumptions to calculate the discount rate, which will mainly be based on the incremental borrowing rate of interest for the estimated term. In addition to the mentioned estimations, the standard allows for two transition methods: retrospectively for all periods presented, or using a modified retrospective approach where the cumulative effect of adoption is recognized at the date of initial application. Also, certain practical expedients are available on first-time application in connection with the

(In thousands of Brazilian Reais, unless otherwise stated)

2. Presentation of financial statements and significant accounting practices adopted (Continued)

2.23. New standards and amendments to standards issued but not effected as of December 31, 2016 (Continued)

IFRS 16 Leases (Continued)

lease liability measurement, discount rates, impairment, leases that finish within the twelve months subsequent to the date of first application, initial direct costs, and term of the lease. Therefore, the impacts of the first application will depend on the transition method used.

Due to the different alternatives available, together with the complexity of the estimations and the significant number of lease contracts, the Company has not yet completed the implementation process, so at present it is not possible to make a reasonable estimation of the impact of initial application of the new requirements.

Classification of lease payments in the statement of cash flows will also be affected by the requirements under the new lease standard.

3. Capital and financial risk management

3.1. Capital management

The Company's main objectives when managing capital are to safeguard its ability to continue as a going-concern, to provide returns to shareholders and maximize shareholder value, provide better cash management to ensure availability of credit lines in order to maintain liquidity and obtain funds at the lowest cost possible.

The Company manages its capital structure based on the financial leverage ratio corresponding to net debt divided by total capital and adjustments are made considering the changes in economic conditions. Net debt is defined as loans, financing, and debentures, less cash and cash equivalents and marketable securities. Total capital is defined as equity plus net debt.

There were no changes in the objectives, policies or processes for managing capital during the years ended December 31, 2016, 2015 and 2014.

	2016	2015
Loans and financing (Note 14)	**26,697**	84,310
Debentures (Note 15)	**1,665,629**	1,417,081
(−) Cash and cash equivalents (Note 4)	**(31,083)**	(47,793)
(−) Marketable securities (Note 5)	**(14)**	(36,264)
Net debt	**1,661,229**	1,417,334
Equity (capital deficiency)	**(621,236)**	(287,782)
Equity and net debt	**1,039,993**	1,129,552
Financial leverage ratio—%	**160%**	125%

(In thousands of Brazilian Reais, unless otherwise stated)

4. Cash and cash equivalents

Cash and cash equivalents is a follows:

Description	2016	2015
Cash	**110**	78
Bank account	**2,861**	13,614
Bank Deposit Certificates(a)	**28,112**	34,101
Total	**31,083**	47,793

(a) Refers to highly-liquid Bank Deposit Certificates (CDBs) under repurchase agreements with returns substantially tied to variation ranging between 90.0% and 102.0% of the Brazilian Interbank Deposit Certificate (CDI) rate.

5. Marketable securities

Description	2016	2015
Restricted short-term investments(a)	**14**	36,264
Total	**14**	36,264
Current	**—**	12,088
Non-current	**14**	24,176

(a) On March 23, 2012, an agreement for the acquisition of shares of Viva Company was entered into, whereby the amount of R$44,000 was retained, as collateral by the Company for potential operating losses as contractually defined. On January 27, 2016, the Company negotiated with the sellers through April 2018 the release of the amount retained and as a result, of which R$25,650 was released to the sellers and R$10,872 was retained by Company. A portion of the amount released to the Company relates to administrative, tax and/or labor proceeding indemnifications, and R$8,566 (restated on December 31, 2016 in the amount of R$9,712) will be paid to the sellers in two installments (adjusted at 100% of the CDI) in April 2017 and April 2018, provided that no new contingencies materialize through April 2018.

(In thousands of Brazilian Reais, unless otherwise stated)

6. Trade accounts receivable

Description	2016	2015
Trade accounts receivable—billed	**695,346**	558,743
Trade accounts receivable—unbilled	**179,465**	122,955
	874,811	681,698
Carbon credits (a)	**3,023**	4,053
	877,834	685,751
(−) Allowance for doubtful accounts (b)	**(141,068)**	(153,937)
Total	**736,766**	531,814
Current	**716,791**	512,722
Non-current	**19,975**	19,092

(a) Refers to the Clean Development Mechanism (MDL), whereby the biogas generated in a landfill, burnt and transformed into carbon credit. The Company entered into an agreement on June 17, 2015 with Nordic Environment Finance Corporation, which management expects to realize in 2017.

(b) The provision considers receivables over paste due 360 days.

The aging of trade accounts receivable is as follows:

Description	2016	2015
Unbilled	**179,466**	122,955
Falling due	**146,979**	145,596
Overdue up to 30 days	**72,000**	58,053
Overdue from 31 to 60 days	**53,277**	53,124
Overdue from 61 to 90 days	**59,034**	38,476
Overdue from 91 to 180 days	**121,657**	70,507
Overdue for more than 181 days	**93,930**	39,903
Overdue for more than 360 days	**151,491**	157,137
Total	**877,834**	685,751

Changes in allowance for doubtful accounts are as follows:

Description	2016	2015
Opening balance	**(153,937)**	(169,112)
Additional allowance	**(304,436)**	(322,185)
Reversal of allowance	**317,279**	337,360
Transfer to discontinued operations	**26**	—
Closing balance	**(141,068)**	(153,937)

(In thousands of Brazilian Reais, unless otherwise stated)

7. Taxes recoverable

Description	2016	2015
Corporate income tax (IRPJ)	**50,636**	2,100
Social contribution tax on net profit (CSLL)	**9,846**	749
Social security contribution tax (INSS)	**30,029**	25,339
Integration program (PIS) / Social security financing (COFINS)/ Social contribution tax	**3,203**	8,916
Withholding income tax (IRRF)	**10,425**	49,347
PIS/COFINS recoverable on acquisition of assets(a)	**8,173**	19,289
Other	**9,922**	8,508
Total	**122,234**	114,248
Current	**117,782**	92,085
Non-current	**4,452**	22,163

(a) The Company reassessed its operations that entitle it to recover previously unused PIS/COFINS tax credits, in accordance with prevailing legislation, and recorded a receivable of R$13,965 in 2015 (see Note 29).

For further information on the types and nature of the taxes we are subject to, please see the disclosures and footnotes to Note 18.

8. Receivables from divestiture

Azaléia Empreendimentos e Participações S.A.

On May 5, 2015, Estre entered into a purchase and sale agreement to sell 100% of its interest in Azaléia, to Limpus, for R$30,300. The purpose of such transaction was to divest of certain of Estre's collections operations in the region of Ribeirao Preto conducted through Geo Vision Soluções Ambientais e Energia S.A., ("Geo Vision"), which it acquired in 2012. The Company spun-off these collections operations into Azaléia, a newly-formed entity, which it later sold to Limpus, an entity that was controlled by the original sellers of Geo Vision.

There was no cash exchanged as part of the Azaléia transaction. In connection with the original acquisition of Geo Vision by the Company, the Company had a remaining balance of R$39,800 to be paid to the seller as of December 31, 2016. As Limpus was an entity wholly-owned by the original sellers of Geo Vision, at the time of settlement of the sale of Azaléia in 2016, the Company fully offset its accounts receivable from this transaction, amounting to R$41,300 as of December 31, 2016, as adjusted by interest, with Estre's accounts payable on the original Geo Vision of transaction of R$39,800.

(In thousands of Brazilian Reais, unless otherwise stated)

9. Other receivables

Description	2016	2015
Judicial deposits	**6,791**	12,073
Advances to employees	**5,849**	1,634
Accounts receivable from associates (a)	**19,125**	15,922
Advances to suppliers	**1,637**	5,323
Dividends receivable	**155**	925
Prepaid expenses	**7,356**	6,319
Other	**5,536**	5,090
Total	**46,449**	47,286
Current	**38,763**	34,587
Non-current	**7,686**	12,699

(a) Refers basically to the balance receivable from the Soma consortium with its minority investor, Corpus Saneamento e Obras Ltda.

10. Related parties

a) *Accounts receivable and payable*

In the ordinary course of business the Company receives or loans cash to its associates as part of its cash management.

At December 31, 2016 and 2015, balances with associates are as follows:

	2016	2015
Assets		
CGR Catanduva Centro Ger Resíduos Ltda.	**595**	599
Doña Juana	**—**	1,301
Attend Ambiental	**9,157**	8,744
Metropolitana Serviços Ambientais Ltda.	**—**	4,966
Azaléia Participações	**—**	1,835
Estre Ambiental Sucursal Colômbia	**—**	1,408
Other	**—**	2,423
Total	**9,752**	21,276

	2016	2015
Liabilities		
Consorcio Soma	**1,350**	20,815
Enc Energy Sgps, S.A.	**1,000**	1,154
Other	**229**	1,091
Total	**2,579**	23,060

(In thousands of Brazilian Reais, unless otherwise stated)

10. Related parties (Continued)

b) *Other related-party transactions*

The Company conducts transactions under specific conditions and terms with related parties, as agreed between the parties, based on the type of operation. Thus, revenue and expenses from such transactions could be different had they been conducted with third parties.

Revenues and accounts receivable from related parties for waste management services provided, included under Revenue from services and Accounts receivable, respectively, are as follows:

	Revenues			Trade accounts receivable	
	2016	**2015**	**2014**	**2016**	**2015**
Consórcio Soma	**13,704**	12,110	5,988	**9,898**	8,218
CGR Catanduva Centro Ger. Resíduos Ltda.	**247**	298	282	**507**	726
Logística Ambiental de São Paulo—Loga	**—**	—	705	**—**	—
Attend Ambiental	**69**	—	—	**94**	25
Other	**92**	—	1,132	**15**	2
Total	**14,112**	12,408	8,107	**10,514**	8,971

Costs and accounts payable to related parties for waste management services provided, included under Cost of services and Trade accounts payable, respectively, are as follows:

	Cost			Trade accounts payable	
	2016	**2015**	**2014**	**2016**	**2015**
Terrestre Ambiental Ltda.	**55**	5	—	**—**	5
Consórcio Soma	**1,847**	76	357	**472**	140
Unidade de Tratamento de Resíduos S.A.	**361**	—	378	**53**	—
Logística Ambiental de São Paulo—Loga.	**50**	—	10	**35**	—
Attend Ambiental	**1,350**	—	—	**1,349**	10
Other	**—**	—	101	**—**	97
Total	**3,663**	81	846	**1,909**	252

c) *Interest expense and restatement of loans and debentures*

As mentioned in Note 15, the Company has debentures issued held by its shareholder BTG Pactual.

	Financial expenses			Debt	
Related parties	**2016**	**2015**	**2014**	**2016**	**2015**
Debentures with Banco BTG Pactual S.A.	**(134,062)**	(110,511)	(93,176)	**906,729**	773,190

(In thousands of Brazilian Reais, unless otherwise stated)

10. Related parties (Continued)

d) *Key management personnel compensation*

Key management personnel compensation of the Company is as follows:

Description	2016	2015	2014
Salaries and social security charges	**6,999**	5,643	6,981
Bonuses and social security charges	**6,124**	2,068	4,068
Total compensation	**13,123**	7,711	11,049

The compensation of key management personnel of the Company includes salaries and bonuses, vacation benefits and 13th monthly salary pay, social security contribution tax (INSS), unemployment compensation fund (FGTS) and variable compensation program.

The Company does not offer any additional post-employment benefit to its employees, and does not offer other addition benefits.

Balances payable to the Company's key management personnel are recorded in Labor payable.

11. Investments and assets and liabilities held for sale

11.1. Investments

Investments are classified as follows:

Description	2016	2015
Investments	**44,467**	31,254
Goodwill on investment acquisition	**70,185**	73,008
Total investments	**114,652**	104,262
Provision for investment losses	**(185)**	(186)
Presented in discontinued operations (Note 11.2)	**(18,364)**	(17,903)
Investments, net	**96,103**	86,173

We present below the percentage of the Company's ownership interest in associates and key information as at December 31, 2016, 2015 and 2014.

(In thousands of Brazilian Reais, unless otherwise stated)

11. Investments and assets and liabilities held for sale (Continued)

11.1. Investments (Continued)

	December 31, 2016							
Investees	Interest held	Assets Current	Non-current Assets	Liabilities Current	Non-current Liabilities	Equity	Net revenue	Net income/loss
Logística Ambiental de São Paulo—Loga	**37.65%**	**106,582**	**180,851**	**169,914**	**73,175**	**44,344**	**476,195**	**26,153**
Unidade de Tratamento de Resíduos—UTR S.A.	**54.00%**	**11,978**	**4,494**	**3,596**	**577**	**12,299**	**25,346**	**7,729**
CGR—Catanduva Centro Ger. Resíduos Ltda.	**50.00%**	**3,465**	**14,956**	**7,439**	**2,188**	**8,794**	**10,355**	**426**
Terrestre Ambiental Ltda.	**40.00%**	**8,236**	**24,835**	**4,985**	**8,106**	**19,980**	**39,890**	**(1,279)**
ATTEND Ambiental Ltda.	**55.00%**	**10,143**	**38,342**	**43,635**	**925**	**3,925**	**28,639**	**159**
Metropolitana Serviços Ambientais Ltda.	**50.00%**	**5,208**	**8,609**	**278**	**379**	**13,160**	**—**	**(1,671)**

	December 31, 2015							
Associates	Interest held	Assets Current	Non-current Assets	Liabilities Current	Non-current Liabilities	Equity	Net revenue	Net income/loss
Logística Ambiental de São Paulo—Loga	37.65%	99,761	137,520	114,304	99,069	23,908	428,759	14,057
Unidade de Tratamento de Resíduos—UTR S.A.	54.00%	8,059	6,138	4,193	634	9,370	28,134	8,562
CGR—Catanduva Centro Ger. Resíduos Ltda.	50.00%	1,551	7,665	3,906	963	4,347	4,573	655
Terrestre Ambiental Ltda.	40.00%	10,151	21,825	3,386	7,321	21,269	44,210	3,912
ATTEND Ambiental Ltda.	55.00%	4,008	22,656	24,593	—	2,071	12,785	332
Metropolitana Serviços Ambientais Ltda.	50.00%	5,335	8,318	276	8,842	4,535	—	(2,769)

(In thousands of Brazilian Reais, unless otherwise stated)

11. Investments and assets and liabilities held for sale (Continued)

11.1. Investments (Continued)

Changes in investments at December 31, 2016 are as follows:

Investees	Balances at 12/31/2015	Capital contribution and future capital contribution	Share of profit of an associate	Dividends	Corporate restructuring	Other	Balances at 12/31/2016
Terrestre Ambiental Ltda.	8,508	—	(511)	—	—	(2)	**7,995**
ATTEND Ambiental Ltda.	2,071	—	87	—	—	—	**2,158**
Metropolitana Serviços Ambientais Ltda.	2,266	4,916	(836)	—	—	232	**6,578**
Logística Ambiental de São Paulo—Loga	9,002	—	9,848	(2,153)	—	—	**16,697**
Unidade de Tratamento de Resíduos—UTR S.A.	5,061	—	4,174	(2,592)	—	—	**6,643**
CGR—Catanduva Centro Ger. Resíduos Ltda.	4,346	—	213	(180)	—	17	**4,396**
	31,254	4,916	12,975	(4,925)	—	247	**44,467**
Goodwill on investments	73,008	—	(2,823)	—	—	—	**70,185**
	104,262	4,916	10,152	(4,925)	—	247	**114,652**
CGR Doña Juana	(17,903)	—	41	—	—	(502)	**(18,364)**
Biopar Soluções Ambientais Ltda.	(186)	—	—	—	—	1	**(185)**
	86,173	4,916	10,193	(4,925)	—	(254)	**96,103**

Changes in investments at December 31, 2015 are as follows:

Investees	Balances at 12/31/2014	Share of profit of an associate	Dividends	Amortization	Other	Corporate restructuring	Balances at 12/31/2015
Terrestre Ambiental Ltda.	7,948	1,565	(999)	—	(6)	—	8,508
Attend Ambiental Ltda.	1,739	332	—	—	—	—	2,071
Metropolitana Serviços Ambientais Ltda.	4,879	(1,385)	—	—	(1,228)	—	2,266
Logística Ambiental de São Paulo—Loga	9,227	5,293	(5,518)	—	—	—	9,002
Unidade de Tratamento de Resíduos—UTR S.A.	6,475	4,623	(6,037)	—	—	—	5,061
CGR—Catanduva Centro Ger. Resíduos Ltda.	3,707	657	—	—	(18)	—	4,346
	33,975	11,085	(12,554)	—	(1,252)	—	31,254
Goodwill on investments	73,656	—	—	(648)	—	—	73,008
	107,631	11,085	(12,554)	(648)	(1,252)	—	104,262
CGR Doña Juana	—	—	—	—	—	(17,903)	(17,903)
Biopar Soluções Ambientais Ltda.	(186)	—	—	—	—	—	(186)
	107,445	11,085	(12,554)	(648)	(1,252)	(17,903)	86,173

(In thousands of Brazilian Reais, unless otherwise stated)

11. Investments and assets and liabilities held for sale (Continued)

11.1. Investments (Continued)

Changes in investments at December 31, 2014 are as follows:

Investees	Balances at 12/31/2013	Capital contribution	Share of profit of an associate	Dividends	Amortization	Other	Investment sales	Balances at 12/31/2014
Terrestre Ambiental Ltda.	7,541	—	2,045	(1,600)	—	(38)	—	7,948
CDR Pedreira—Centro de Disposição de Residuos Ltda. (a)	26,012	—	22,424	(25,025)		1,906	(25,317)	—
Attend Ambiental Ltda.	4,057	—	(2,319)	—	—	1	—	1,739
Metropolitana Serviços Ambientais Ltda.	5,985	420	(1,527)	—	—	1	—	4,879
Logística Ambiental de São Paulo—Loga	10,744	—	2,243	(3,760)	—	—	—	9,227
Essencis Soluções Ambientais (consolidated)	103,426	20,000	6,917	—		—	(130,343)	—
Unidade de Tratamento de Resíduos—UTR S.A.	6,964	—	10,559	(11,879)	—	831	—	6,475
CGR—Catanduva Centro Ger. Resíduos Ltda.	3,707	—	—	—	—	—	—	3,707
	168,436	20,420	40,342	(42,264)	—	2,701	(155,660)	33,975
Goodwill on investments	364,617	—	—	—	(14,813)	—	(276,148)	73,656
	533,053	20,420	40,342	(42,264)	(14,813)	2,701	(431,808)	107,631
Biopar Soluções Ambientais Ltda.	(186)		—	—	—	—	—	(186)
	532,867	20,420	40,342	(42,264)	(14,813)	2,701	(431,808)	107,445

11.2. Discontinued operation

Discontinued operation is comprised by:

	2016	2015	2014
a) Income Statements			
Doña Juana (11.2.1)	**41**	(4,521)	(40,315)
Estre Oleo (11.2.2)	**—**	—	(3,913)
Total	**41**	(4,521)	(44,228)
b) Liabilities			
Doña Juana (11.2.1)	**24,220**	17,903	—

11.2.1. *Doña Juana*

At December 31, 2016, the Company classified Doña Juana investment and asset held for sale in accordance with IFRS 5. After the investment in Doña Juana was classified as held for sale, the Company accounts for such investment under the equity method in accordance to IAS 28. (see Note 1.3.4).

(In thousands of Brazilian Reais, unless otherwise stated)

11. Investments and assets and liabilities held for sale (Continued)

11.2. Discontinued operation (Continued)

11.2.1. *Doña Juana* (Continued)

For the years ended December 31, 2016, 2015 and 2014, Doña Juana's profit or loss for the year is as follows:

	2016	2015	2014
Revenue from services rendered	**52,000**	78,129	48,953
Cost of services	**(38,807)**	(52,937)	(30,956)
Gross loss	**13,193**	25,192	17,997
General and administrative expenses	**(4,856)**	(12,789)	(7,326)
Other Operating income (expenses)	**(1,253)**	(6,096)	(46,121)
Finance income (costs)	**(6,076)**	(10,277)	(4,511)
Current and deferred income and social contribution taxes	**(927)**	(551)	(354)
Profit (loss) for the year (a)	**81**	(4,521)	(40,315)

(a) As described in the note 1.3, investment in Doña Juana ceased being consolidated in 2016 and was accounted for under the equity method. The Company´s interest as of December 31, 2016 included in discontinued operations amounts to R$41 (51% of R$81).

Main classes of assets and liabilities of Doña Juana classified as held for sale at December 31, 2016 and 2015 are as follows:

	2016	2015
Assets		
Current assets		
Cash and cash equivalents	**1,416**	2,270
Trade accounts receivable	**8,152**	12,606
Taxes recoverable	**198**	736
Advances to suppliers	**4,567**	1,648
Other current assets	**4,330**	5,208
Total current assets	**18,663**	22,468
Non-current assets		
Property, plant and equipment	**8,573**	10,974
Intangible assets	**6,304**	284
Other current assets	**1,244**	—
Total non-current assets	**16,121**	11,258
Total assets	**34,784**	33,726

(In thousands of Brazilian Reais, unless otherwise stated)

11. Investments and assets and liabilities held for sale (Continued)

11.2. Discontinued operation (Continued)

11.2.1. *Doña Juana* (Continued)

	2016	2015
Liabilities		
Current liabilities		
Loans and financing	**33,846**	40,880
Trade accounts payable	**22,573**	13,436
Labor payable	**833**	923
Tax liabilities	**10,072**	3,627
Other current liabilities	**3,468**	5,651
Total current liabilities	**70,792**	64,517
Non-current liabilities		
Other liabilities	**—**	4,313
Capital	**6,858**	6,858
Accumulated losses	**(42,866)**	(41,962)
Total equity	**(36,008)**	(35,104)
Total liabilities and equity	**34,784**	33,726

Net cash flows incurred by Doña Juana are as follows:

	2016	2015	2014
Operating activities	**26,477**	(2,221)	21,438
Investing activities	**(14,216)**	665	(16,787)
Financing activities	**(13,115)**	4,191	(7,468)
Net cash generated/(used)	**(854)**	2,635	(2,817)

a) The breakdown of the investment in Doña Juana is as follows:

	2016	2015
Doña Juana's equity	**(36,008)**	(35,104)
Investment—Estre Ambiental—51% (interest) (Note 11.1)	**(18,364)**	(17,903)
Advances received	**(5,856)**	—
Total	**(24,220)**	(17,903)

11.2.2. *Estre O&G*

At December 31, 2014, the Company classified Estre O&G investment as discontinued operations (See Note 1.3.1).

(In thousands of Brazilian Reais, unless otherwise stated)

11. Investments and assets and liabilities held for sale (Continued)

11.2. Discontinued operation (Continued)

11.2.2. *Estre O&G* (Continued)

For the year ended December 31, 2014, in accordance with IFRS 5, Estre O&G profit or loss has as follows:

	2014
Revenue from services rendered	82,668
Cost of services rendered	(84,269)
Gross loss	(1,601)
General and administrative expenses	(17,088)
Other Operating income (expenses)	22,412
Financial income (expenses)	(1,537)
Current and deferred income and social contribution taxes	(6,099)
Loss for the year	(3,913)

Major classes of assets and liabilities of Estre O&G classified as held for sale at December 31, 2014 are as follows:

	2014
Assets	
Current assets	
Trade accounts receivable	8,585
Taxes recoverable	15,261
Advances to suppliers	3,619
Other current assets	3,875
Total current assets	31,340
Non-current assets	
Intercompany loans	3,561
Property, plant and equipment	31,516
Intangible assets	6,648
Other non-current assets	783
Total non-current assets	42,508
Total assets	73,848

(In thousands of Brazilian Reais, unless otherwise stated)

11. Investments and assets and liabilities held for sale (Continued)

11.2. Discontinued operation (Continued)

11.2.2. *Estre O&G* (Continued)

	2014
Liabilities	
Current liabilities	
Trade accounts payable	3,004
Labor liabilities	5,483
Tax liabilities	12,380
Other current liabilities	1,080
Total current liabilities	21,947
Non-current liabilities	
Provision for legal proceedings	4,420
Tax liabilities	635
Other liabilities	680
Total non-current liabilities	5,735
Capital	53,701
Accumulated losses	(7,535)
Total equity	46,166
Total liabilities and equity	73,848

Net cash flows incurred by Estre O&G are as follows:

	2014
Operating activities	28,013
Investing activities	7,936
Financing activities	(35,630)
Net cash generated/(used)	319

(In thousands of Brazilian Reais, unless otherwise stated)

12. Property, plant and equipment

Description	Weighted average rate p.a. %	Costs	Accumulated depreciation	Net 2016	Net 2015
Landfills—land and implementation of cells (a)	14.46	638,346	(351,258)	**287,088**	296,613
Buildings and facilities	2.32	180,179	(52,871)	**127,308**	126,419
Biogas burning facilities	7.65	9,255	(2,070)	**7,185**	7,173
Operating equipment	4.46	191,545	(82,648)	**108,897**	90,038
Furniture and fixtures	5.49	8,878	(4,961)	**3,917**	4,260
Computers and peripherals	5.53	10,579	(7,466)	**3,113**	3,825
Vehicles	9.27	300,422	(211,527)	**88,895**	98,036
Aircraft	4.03	16,791	(6,335)	**10,456**	11,723
UVR—Waste recovery unit	8.1	60,700	(18,325)	**42,375**	46,958
Other property, plant and equipment	6.41	456	(337)	**119**	170
Advances to suppliers	—	5,177	—	**5,177**	—
Construction in progress (b)	—	13,439	—	**13,439**	13,562
Total		1,435,767	(737,798)	**697,969**	698,777

(a) Land intended for landfills and respective buildings are subject to depletion and depreciation calculated based on the usage volume of the landfill. In 2016, depletion and depreciation had weighted average rates of 14.46% p.a. Landfills include decommissioning cost as explained in Note 21.

(b) Construction in progress refers basically to landfill cell projects of the Company.

Guarantee

Financing of property, plant and equipment of the subsidiaries are secured by the Company's guarantee. Project financing is subject to additional bank guarantee and financing of machinery and equipment items are guaranteed by lien on assets and finance lease.

Useful lives of property, plant and equipment

The Company reviews the estimated useful lives of property, plant and equipment items at the end of each reporting period, based on the estimated useful lives of the assets reviewed, according to technical appraisal report prepared internally.

Finance lease agreements

The net carrying amount of property, plant and equipment under finance lease agreements at December 31, 2016 and 2015 was R$6,540 and R$854, respectively.

Impairment test for cash generating units

Management annually reviews the net carrying amount of assets in order to assess events or changes in economic, operating or technological circumstances that may indicate deterioration or impairment. When such evidence is identified and carrying amount exceeds recoverable amount, a provision for impairment is recorded to adjust the carrying amount to the recoverable amount.

(In thousands of Brazilian Reais, unless otherwise stated)

12. Property, plant and equipment (Continued)

Impairment test for cash generating units (Continued)

Changes in property, plant and equipment for the years 2016, 2015 and 2014 were as follows:

	December 31, 2015	Additions	Write-offs (b)	Transfer	December 31, 2016
Costs					
Landfills (land and implementation of cells)	566,840	**18,612**	**(1,556)**	**54,450**	**638,346**
Buildings	171,387	**1,727**	**(986)**	**8,051**	**180,179**
Biogas burning facilities	8,795	**—**	**—**	**460**	**9,255**
Operating equipment	157,369	**12,673**	**(1,319)**	**22,822**	**191,545**
Furniture and fixtures	8,414	**272**	**(1)**	**193**	**8,878**
Computers and peripherals	10,020	**127**	**(1)**	**433**	**10,579**
Vehicles	273,443	**6,540**	**(1,847)**	**22,286**	**300,422**
Aircraft	16,791	**—**	**—**	**—**	**16,791**
UVR—Waste recovery unit	60,700	**—**	**—**	**—**	**60,700**
Other property, plant and equipment	456	**—**	**(69)**	**69**	**456**
Advances to suppliers	—	**21,924**	**—**	**(16,747)**	**5,177**
Construction in progress (a)	12,381	**93,105**	**(30)**	**(92,017)**	**13,439**
Total costs	1,286,596	**154,980**	**(5,809)**	**—**	**1,435,767**
Depreciation					
Landfills (land and implementation of cells)	(279,979)	**(71,847)**	**568**	**—**	**(351,258)**
Buildings	(43,490)	**(9,740)**	**359**	**—**	**(52,871)**
Biogas burning facilities	(1,622)	**(448)**	**—**	**—**	**(2,070)**
Operating equipment	(63,984)	**(19,144)**	**480**	**—**	**(82,648)**
Furniture and fixtures	(4,226)	**(735)**	**—**	**—**	**(4,961)**
Computers and peripherals	(6,188)	**(1,278)**	**—**	**—**	**(7,466)**
Vehicles	(170,405)	**(41,795)**	**673**	**—**	**(211,527)**
Aircraft	(5,068)	**(1,267)**	**—**	**—**	**(6,335)**
UVR—Waste recovery unit	(13,742)	**(4,583)**	**—**	**—**	**(18,325)**
Other property, plant and equipment	885	**(1,257)**	**35**	**—**	**(337)**
Total depreciation	(587,819)	**(152,094)**	**2,115**	**—**	**(737,798)**
Total property, plant and equipment, net	698,777	**2,886**	**(3,694)**	**—**	**697,969**

(a) Construction in progress refers basically to landfill cell projects of the Company.

(b) Mainly related to assets write-off as a result of the investigation described in Note 1.4.2.

(In thousands of Brazilian Reais, unless otherwise stated)

12. Property, plant and equipment (Continued)

Impairment test for cash generating units (Continued)

	December 31, 2014	Additions	Write-offs (b)	Transfer	December 31, 2015
Costs					
Landfills (land and implementation of cells)	488,503	24,067	(4,502)	58,772	566,840
Buildings	161,839	3,081	—	6,467	171,387
Biogas burning facilities	8,795	—	—	—	8,795
Operating equipment	156,135	3,290	(7,781)	5,725	157,369
Furniture and fixtures	7,938	311	(154)	319	8,414
Computers and peripherals	8,871	125	(205)	1,229	10,020
Vehicles	260,868	11,865	(156)	866	273,443
Aircraft	16,791	—	—	—	16,791
UVR—Waste recovery unit	60,700	—	—	—	60,700
Other property, plant and equipment	450	—	—	6	456
Advances to suppliers	727	—	—	(727)	—
Construction in progress (a)	3,904	89,441	(8,307)	(72,657)	12,381
Total costs	1,175,521	132,180	(21,105)	—	1,286,596
Depreciation					
Landfills (land and implementation of cells)	(210,359)	(70,254)	634	—	(279,979)
Buildings	(38,846)	(4,644)	—	—	(43,490)
Biogas burning facilities	(1,178)	(444)	—	—	(1,622)
Operating equipment	(57,854)	(7,226)	1,096	—	(63,984)
Furniture and fixtures	(3,534)	(714)	22	—	(4,226)
Computers and peripherals	(4,857)	(1,360)	29	—	(6,188)
Vehicles	(138,243)	(32,184)	22	—	(170,405)
Aircraft	(3,801)	(1,267)	—	—	(5,068)
UVR—Waste recovery unit	(9,161)	(4,581)	—	—	(13,742)
Other property, plant and equipment	(240)	(46)	1,171	—	885
Total depreciation	(468,073)	(122,720)	2,974	—	(587,819)
Total property, plant and equipment, net	707,448	9,460	(18,131)	—	698,777

(a) Construction in progress refers basically to landfill cell projects of the Company and its subsidiaries.

(b) Mainly related to assets write-off as a result of the investigation described in Note 1.4.2.

(In thousands of Brazilian Reais, unless otherwise stated)

12. Property, plant and equipment (Continued)

Impairment test for cash generating units (Continued)

	December 31, 2013	Additions	Write-offs (b)	Transfer	December 31, 2014
Costs					
Landfills (land and implementation of cells)	423,740	11,919	(11,431)	64,275	488,503
Buildings	160,250	249	(1)	1,341	161,839
Biogas burning facilities	8,778	3	—	14	8,795
Operating equipment	167,829	205	(13,007)	1,108	156,135
Furniture and fixtures	8,028	27	(265)	148	7,938
Computers and peripherals	9,054	40	(438)	215	8,871
Vehicles	244,811	16,386	(329)	—	260,868
Aircraft	16,783	1	—	7	16,791
UVR—Waste recovery unit	60,700	—	—	—	60,700
Other property, plant and equipment	449	—	—	1	450
Advances to suppliers	727	10,233	—	(10,233)	727
Construction in progress (a)	3,904	56,876	—	(56,876)	3,904
Total costs	1,105,053	95,939	(25,471)	—	1,175,521
Depreciation					
Landfills (land and implementation of cells)	(157,328)	(60,182)	7,151	—	(210,359)
Buildings	(24,335)	(14,511)	—	—	(38,846)
Biogas burning facilities	(737)	(441)	—	—	(1,178)
Operating equipment	(49,938)	(8,858)	942	—	(57,854)
Furniture and fixtures	(2,964)	(646)	76	—	(3,534)
Computers and peripherals	(3,633)	(1,334)	110	—	(4,857)
Vehicles	(106,946)	(31,297)	—	—	(138,243)
Aircraft	(2,534)	(1,267)	—	—	(3,801)
UVR—Waste recovery unit	(4,580)	(4,581)	—	—	(9,161)
Other property, plant and equipment	(179)	(61)	—	—	(240)
Total depreciation	(353,174)	(123,178)	8,279	—	(468,073)
Total property, plant and equipment, net	751,879	(27,239)	(17,192)	—	707,448

(a) Construction in progress refers basically to landfill cell projects of the Company and its subsidiaries.

(b) Mainly related to assets write-off as a result of the investigation described in Note 1.4.2.

(In thousands of Brazilian Reais, unless otherwise stated)

13. Intangible assets

At December 31, 2016 and 2015, breakdown of intangible assets is as follows:

Description	Useful life (months)	Cost	Accumulated amortization/impairment	2016 Net	2015 Net
Software	60	22,893	(13,099)	**9,794**	5,440
Other intangible assets		20,621	(6,638)	**13,983**	13,983
Customer relationship	(a)	130,690	(94,536)	**36,154**	49,011
Licenses	(a)	24,705	—	**24,705**	24,705
Goodwill on acquisitions	—	513,986	(44,790)	**469,196**	513,986
Total		712,895	(159,063)	**553,832**	607,125

(a) The Company engaged a valuation specialist to determine the fair value of identifiable intangible assets, consisting mainly of customer relationships, which are subject to amortization based on the contractual conditions set forth in each case.

Changes in intangible assets at the years 2016, 2015 and 2014 are as follows:

	December 31, 2015	Additions	Impairment	December 31, 2016
Costs				
Software	15,380	**7,513**	—	**22,893**
Other intangible assets	20,621	—	—	**20,621**
Customer relationship	130,690	—	—	**130,690**
Projects in progress	24,705	—	—	**24,705**
Goodwill on Acquisitions	513,986	—	**(44,790)**	**469,196**
	705,382	**7,513**	**(44,790)**	**668,105**
Amortization				
(−) Software	(9,940)	**(3,159)**	—	**(13,099)**
(−) Other intangible assets	(6,638)	—	—	**(6,638)**
Customer relationship	(81,679)	**(12,857)**	—	**(94,536)**
Total amortization	(98,257)	**(16,016)**	—	**(114,273)**
Total intangible assets, net	607,125	**(8,503)**	**(44,790)**	**553,832**

(In thousands of Brazilian Reais, unless otherwise stated)

13. Intangible assets (Continued)

	December 31, 2014	Additions	Impairment	Transfer	December 31, 2015
Costs					
Software	15,329	50	—	1	15,380
Other intangible assets	13,456	6,633	—	532	20,621
Customer relationship	139,838	—	—	(9,148)	130,690
Projects in progress	23,861	—	—	844	24,705
Goodwill on acquisitions	528,828	—	(14,842)	—	513,986
	721,312	6,683	(14,842)	(7,771)	705,382
Amortization					
(−) Software	(8,594)	(1,351)	—	5	(9,940)
(−) Other intangible assets	—	(6,633)	—	(5)	(6,638)
Customer relationship	(62,360)	(27,090)	—	7,771	(81,679)
Total amortization	(70,954)	(35,074)	—	7,771	(98,257)
Total intangible assets, net	650,358	(28,391)	(14,842)	—	607,125

	December 31, 2013	Additions	Disposals	Impairment	Transfer	December 31, 2014
Costs						
Software	16,762	1,790	(3,223)	—	—	15,329
Other intangible assets	23,774	—	(10,318)	—	—	13,456
Customer relationship	138,994	1,375	—	—	(531)	139,838
Projects in progress	9,203	14,127	—	—	531	23,861
Goodwill on Acquisitions	578,459	—	(6,477)	(43,154)	—	528,828
	767,192	17,292	(20,018)	(43,154)	—	721,312
Amortization						
(−) Software	(12,890)	(2,740)	7,036	—	—	(8,594)
(−) Other intangible assets	(4,353)	—	4,353	—	—	—
Customer relationship	(46,560)	(15,800)	—	—	—	(62,360)
Total amortization	(63,803)	(18,540)	11,389	—	—	(70,954)
Total intangible assets, net	703,389	(1,248)	(8,629)	(43,154)	—	650,358

Impairment test for cash generating units

A cash generating unit ("CGU") is defined as the smallest identifiable group of assets that generates cash inflows that are largely independent of the cash inflows from other assets or groups of assets. Historically, the acquisitions that generated such goodwill balances were mainly related to the expansion and development of business in different regions, such as the acquisition of Resicontrol, with operations on the city of Tremembé, CTR Itaboraí, with operations on the Rio de Janeiro state,

(In thousands of Brazilian Reais, unless otherwise stated)

13. Intangible assets (Continued)

Impairment test for cash generating units (Continued)

Grupo Viva, with operations on the states of Bahia and Alagoas, Grupo Geo Vision, on the city of Ribeirao Preto.

The operation and cash generation of such CGUs is directly related to the services rendered on each geographical region that consist in an integrated operation and, as such, are tested for impairment as separate CGUs, considering the geographical aspect inherent to the respective service and the lack of interrelation and synergies among the operations for the different CGUs.

For impairment testing purposes, goodwill arising from business combinations was allocated to the CGU, as of December 31, 2016, 2015 and 2014 as follows:

December 31, 2016

CGU	Projection period	Discount rate	Perpetuity	Assets of CGU	Goodwill tested for impairment	Carrying amount of CGU tested for impairment	Value in use	Goodwill impairment charge	Goodwill balance
Grupo Geo Vision	01/01/17 to 12/31/21	18.80%	8.00%	142,722	242,803	385,525	455,870	—	242,803
Resicontrol	01/01/17 to 12/31/21	17.60%	8.00%	92,945	87,639	180,584	196,631	—	87,639
Grupo Viva	01/01/17 to 12/31/21	18.95%	8.00%	135,473	136,315	271,788	416,694	—	136,315
CTR Itaboraí	01/01/17 to 12/31/21	17.90%	8.00%	25,728	47,229	72,957	28,167	(44,790)	2,439
TOTAL				**396,868**	**513,986**	**910,854**	**1,097,362**	**(44,790)**	**469,196**

December 31, 2015

CGU	Projection period	Discount rate	Perpetuity	Assets of CGU	Goodwill tested for impairment	Carrying amount of CGU tested for impairment	Value in use	Goodwill impairment charge	Goodwill balance
Grupo Geo Vision	01/01/16 to 12/31/20	18.75%	8.00%	68,700	242,803	311,503	394,157	—	242,803
Resicontrol	01/01/16 to 12/31/20	19.20%	8.00%	84,492	91,693	176,185	172,131	(4,054)	87,639
Grupo Viva	01/01/16 to 12/31/20	20.55%	8.00%	34,690	136,315	171,005	377,143	—	136,315
CTR Itaboraí	01/01/16 to 12/31/20	18.20%	8.00%	26,818	58,017	84,835	74,047	(10,788)	47,229
TOTAL				**214,700**	**528,828**	**743,528**	**1,017,478**	**(14,842)**	**513,986**

December 31, 2014

CGU	Projection period	Discount rate	Perpetuity	Assets of CGU	Goodwill tested for impairment	Carrying amount of CGU tested for impairment	Value in use	Goodwill impairment charge	Goodwill balance
Grupo Geo Vision	01/01/15 to 12/31/19	12.86%	8.85%	88,656	242,803	331,459	402,176	—	242,803
Resicontrol	01/01/15 to 12/31/19	12.86%	8.85%	81,006	134,847	215,853	171,123	(43,154)	91,693
Grupo Viva	01/01/15 to 12/31/19	12.86%	8.85%	755	136,315	137,070	335,366	—	136,315
CTR Itaboraí	01/01/15 to 12/31/19	11.20%	8.85%	37,659	58,017	95,676	264,979	—	58,017
TOTAL				**208,076**	**571,982**	**780,058**	**1,173,644**	**(43,154)**	**528,828**

(In thousands of Brazilian Reais, unless otherwise stated)

13. Intangible assets (Continued)

Impairment test for cash generating units (Continued)

The recoverable amount of the cash generating units shown above was computed based on the calculation of the value in use, considering cash flow projections from financial budgets approved by the board of directors, discounted to present value.

The assumptions used in the calculation of the value-in-use for the cash generating unit is as follows:

- Projected cash flows period: January 1, 2016 to December 31, 2021.
- Currency: Brazilian Reais (R$).
- Direct taxes: taxes on gross revenue applicable to the Company's operations were considered.
- Financial projections are presented in nominal terms, i.e., considering the estimated inflation over the projected period.
- Discount rate: calculated according to the WACC (Weighted Average Cost of Capital) methodology, before income taxes.
- Perpetuity: calculated based on the long-term view, taking into consideration the projected long-term inflation rates and gross domestic product ("GDP").
- Projections: budget approved by the Board of Directors for January 1, 2017 to December 31, 2021.

As a result of the impairment test, the Company recorded impairment in the following cash generation units (Note 29).

Description	2016	2015	2014
CTR Itaboraí	**44,790**	10,788	—
Resicontrol	**—**	4,054	43,154
Total Impairment	**44,790**	14,842	43,154

(In thousands of Brazilian Reais, unless otherwise stated)

14. Loans and financing

Breakdown of loans and financing is as follows:

Description		Additional information	Annual charges	2016	2015
Working capital	Working capital	(a)	CDI + Interest from 7%	**1**	2,500
	Working capital	(a)	IPC + Interest from 7%	**2,406**	6,690
	Working capital	(a)	CDI + Interest from 7.44% to 8.08%	**—**	42
	Working capital	(a)	CDI + Interest from 0.5% to 8%	**—**	11,591
	Working capital	(a)	CDI + Interest from 9.38%	**—**	16,297
BNDES	FINAME	(b)	TJLP + Interest from 3.9% to 5.5%	**4,538**	14,387
	FINAME	(b)	TJLP + Interest from 10.30% to 12.90%	**64**	164
	FINAME	(b)	TJLP + Interest from 1.40% to 11%	**—**	714
	FINAME	(b)	TJLP + Interest from 1% to 12.9%	**1,294**	4,002
	FINAME	(b)	TJLP + Interest from 2.5% to 4.6%	**6,239**	12,816
	FINAME	(b)	TJLP + Interest from 5.1% to 9%	**6,376**	13,648
Lease	Lease	(c)/(e)	CDI + Interest from 4.08%/ Interest from 7.17% to 13.97%	**5,779**	—
	Lease	(c)/(f)	CDI + Interest from 3.86%/ Interest from 9.90% to 23.27%	**—**	81
IFC	IFC	(d)	CDI + Interest from 4.25%	**—**	1,378
Total loans and financing				**26,697**	84,310
Current				**16,732**	64,133
Non-current		(e)		**9,965**	20,177

(a) Loans raised for capital expenditure, new business acquisitions and other projects. Guarantees provided consist of receivables, promissory notes and shareholders' collateral signatures.

In 2015, three credit lines were withdraw from Banco Original, amounting to a total of R$31,000, and from BIC Banco, amounting to R$20,000. These credit lines were fully settled in 2016.

(b) Financing for investment in infrastructure and implementation of new waste treatment units and fleet renewal. The related assets pledge as collateral in addition to the Company's and shareholders' collateral signatures.

(c) Finance lease, guaranteed by the leased item.

(d) In accordance with the agreement executed on June 19, 2009, and amendments executed in July 2010, amounting to R$40,000, the financing operation with the International Finance Corporation (IFC) was conducted to finance new investments in property, plant and equipment, enhance conditions of existing landfills, acquire new companies, create new landfills, expand gas collection and generate fuel gas in landfills and other information system management projects.

On the same date, IFC provided another financing facility, in Euros, equivalent to US$4,500,000 (four million, five hundred thousand US dollars). This facility is subject to the euro exchange fluctuation and bears interest at 15% p.a.

In 2015, the Company failed to meet the loan repayment schedule, and communicated the lender that the debt would be settled in 2016. The debt was fully settled in January 2016.

(In thousands of Brazilian Reais, unless otherwise stated)

14. Loans and financing (Continued)

(e) The loans and financing repayment schedule at December 31, 2016 and 2015 was as follows:

Period	2016	2015
Through December 2017	—	7,073
Through December 2018	**5,548**	9,593
Through December 2019	**3,551**	3,511
Through December 2020	**866**	—
Total	**9,965**	20,177

(f) Leases

Future minimum lease payments, under finance lease agreements together with the present value of net minimum lease payments are as follows:

	2016		2015	
	Minimum payments	Present value of payments	Minimum payments	Present value of payments
Within one year	**4,858**	**1,522**	**68**	**21**
After one year, but before five years	**12,405**	**3,057**	**174**	**43**
Total minimum lease payments	**17,263**	**4,579**	**242**	**64**
Less amounts representing financial charges	**(11,484)**	**—**	**(161)**	**—**
Present value of minimum lease payments	**5,779**	**4,579**	**81**	**64**

During 2016, the Company entered into financial lease agreements for certain vehicles.

Changes in loans

	2016	2015
(=) Opening balance	**84,310**	230,915
(+) Loans raised	**6,540**	42,160
(−) Payment of principal	**(60,514)**	(189,012)
(−) Payment of interest	**(9,506)**	(28,049)
(+) Allocation of interest	**5,867**	31,162
(−) Exchange variation	**—**	(2,866)
(=) Closing balance	**26,697**	84,310

15. Debentures

Description	Additional information	Annual charges	2016	2015
1st issue (Note 10)	(a)	CDI + Interest from 2.95%	**906,729**	773,190
2nd issue	(b)	CDI + Interest from 2.60%	**761,307**	651,472
Borrowing costs	(c)		**(2,407)**	(7,581)
Total			**1,665,629**	1,417,081

15. Debentures (Continued)

(a) 1st issue of debentures

On June 27, 2011, the Company conducted its 1st issue of unsecured, subordinated debentures, not convertible into shares, with collateral and additional personal guarantee, for public distribution with restricted placement efforts, for issue the of 2,720 debentures, with a face value of R$250, fully paid by Banco BTG Pactual S.A., with semi-annual payments starting of September 2013 and final maturity on March 9, 2017.

The proceeds from the issue of these debentures were used to settle loans outstanding from Banco BTG Pactual.

In December 2012, the Company debenture holders agreed to adjust the interest rate to be charge in new issuances. Such interest rate was reduced and it is based on the CDI rate plus 2.95% spread per year.

During the years 2013 to 2016, the Company renegotiated the portions of principal maturing in September 2013, March 2014, September 2014, March 2015, September 2015, March 2016 and September 2016, which will be paid together with the remaining installments.

The debentures provide for accelerated maturity clauses should the following events take place: (i) corporate transactions (merger, spin-off etc.) carried out by the Company and its subsidiaries; (ii) disclosure of financial information; (iii) default in connection with transactions carried out with financial institutions; (iv) failure to meet financial ratios set forth in the transaction's contractual terms; (v) payment of dividends and/or interest on equity exceeding R$45,000 and (vi) assets disposed of or given in guarantee to third parties whose individual or combined amounts exceed R$25,000. At December 31, 2016 and 2015, the Company failed to comply with the covenants related to the maintenance of certain financial ratios as well as failed to meet the principal repayment schedule. As of December 31, 2016 and 2015, the Company have not obtained the waiver of debenture holders therefore the debentures have been included as liabilities in the statement of financial position.

The Company expects to repay the debentures upon completion of the transaction described in Note 1.2.

(b) 2nd issue of debentures

On December 14, 2012, the Company completed its second issue of unsecured debentures, not convertible into shares, with collateral and additional personal guarantee, for public distribution with restricted placement efforts, for the issue of 3,000 debentures with a face value of R$250. The actual issuance was for 2,600 debentures. The debentures mature in five years and bear interest at the CDI rate plus of 2.60% p.a. Principal will be repaid semiannually, in seven installments beginning in December 2014.

In 2015 and 2016, the Company renegotiated installments maturing June 2015, December 2015, June 2016 and December 2016, with payment in 2017.

The proceeds from the issue of the debentures were used to settle bank loans, to extend the debt maturities in working capital.

(In thousands of Brazilian Reais, unless otherwise stated)

15. Debentures (Continued)

(b) 2nd issue of debentures (Continued)

The debentures provides for accelerated maturity clauses should the following events take place: (i) corporate transactions (merger, spin-off etc.) carried out by the Company and its subsidiaries; (ii) disclosure of financial information; (iii) default in connection with transactions carried out with financial institutions; (iv) failure to comply with financial ratios set forth in the transaction's contractual terms; (v) payment of dividends and/or interest on equity exceeding R$30,000 and (vi) assets disposed of or given in guarantee to third parties whose individual or combined amounts exceed R$100,000. As of December 31, 2016 and 2015, the Company failed to comply with the covenants relating to the maintenance of certain financial ratios as well as failed to meet the principal repayment schedule. As of December 31, 2016 and 2015, the Company have not obtained the waiver of debenture holders therefore the debentures have been included as liabilities in the statement of financial position.

The Company expects to repay the debentures upon completion of the transaction described in Note 1.2.

(c) Transaction costs

Transaction costs were classified as a reduction of liabilities and are recognized in profit or loss based on the effective interest rate:

Description	2016	2015
Transaction cost	**(7,581)**	(12,755)
Accumulated amortization	**5,174**	5,174
Transaction cost to be amortized	**(2,407)**	(7,581)
Current	**(2,407)**	(7,581)

16. Trade accounts payable

Description	2016	2015
Invoices payable	**101,296**	89,153
Services to be billed	**5,230**	7,067
Related parties	**1,909**	252
Total	**108,435**	96,472

(In thousands of Brazilian Reais, unless otherwise stated)

16. Trade accounts payable (Continued)

The aging list of trade accounts payable is as follows:

Description	2016	2015
Unbilled	**5,230**	7,067
Falling due	**74,577**	49,720
Overdue up to 30 days	**12,097**	12,058
Overdue from 30 to 60 days	**1,713**	6,627
Overdue from 31 to 90 days	**2,479**	2,987
Overdue from 91 to 180 days	**1,472**	4,066
Overdue from 181 to 360 days	**1,219**	1,942
Overdue for more than 360 days	**9,648**	12,005
Total	**108,435**	96,472

17. Labor payable

Description	2016	2015
Salaries	**16,015**	16,757
Bonus and profit sharing payable	**28,194**	24,438
Social charges		
FGTS	**4,696**	4,261
INSS—Social security	**8,231**	8,902
IRRF	**2,585**	2,182
Sundry taxes	**462**	801
Accrual for vacation pay and related charges	**46,725**	40,240
Total	**106,908**	97,581

(In thousands of Brazilian Reais, unless otherwise stated)

18. Tax liabilities

Description	2016	2015
PIS payable (a)	**36,676**	23,115
COFINS payable (a)	**166,285**	109,855
Service tax (ISS) payable (b)	**34,198**	23,652
Withholding service tax payable	**333**	3,457
IRPJ payable (c)	**57,742**	51,367
CSLL payable (c)	**26,765**	20,784
PIS/COFINS/CSLL payable (d)	**391**	1,744
Installment payment of federal taxes (e)	**99,034**	67,153
Installment payment of state taxes	**—**	318
Installment payment of local taxes (f)	**574**	741
Installment payment of taxes—Law No. 12996/14 Refis Copa (g)	**105,385**	120,239
Withholding INSS (h)	**142**	905
Withholding IRPJ (i)	**329**	3,442
Other taxes	**2,575**	178
Total	**530,429**	426,950
Current	**294,333**	213,850
Non-current	**236,096**	213,100

(a) PIS and COFINS are taxes levied by the Brazilian federal government on gross revenues. The standard rates are 7.60% for PIS and 1.65% for COFINS applicable to entities declaring income tax and social contribution on the 'actual profits' basis. These amounts are invoiced to and collected from our customers and recognized as deductions to gross revenue (Note 25) against Tax liabilities, as we are acting as agents collecting these taxes on behalf of the government. PIS and COFINS taxes paid on certain purchases may be claimed back as tax credits to offset PIS and COFINS payable. These amounts are recognized as Taxes recoverable (Note 7) and on a monthly basis are offset against PIS and COFINS Tax payable, and presented net as the amounts are due to the same tax authority. Brazilian tax legislation allows smaller entities with less than R$78 million in annual gross revenues to opt to declare income taxes on the 'presumed profits' basis. These are subject to lower COFINS and PIS rates of 3.00% and 0.65%, respectively. However, PIS and COFINS taxes on purchases may not be claimed back and will not generate tax credits under the presumed profits basis. At the balance sheet date, the PIS and COFINS payables and receivables (accounted for in Note 7—Taxes recoverable) were disclosed net as a payable.

(b) ISS is a tax levied by municipalities on revenues from the provision of services. ISS tax is added to amounts invoiced to our customers for the provision of services we provide. These are recognized as deductions to gross revenue (Note 25—Taxes levied—ISSQN) against Tax liabilities, as we are acting as agents collecting these taxes on behalf of municipal governments. The rates may vary from 2.00% to 5.00% however most of the municipalities in which we operate levy ISS at the higher rate. Each municipality sets slightly different rules regarding the use of credits and withholding of ISS tax on payments to suppliers.

(c) IRPJ and CSLL are corporate income taxes levied by the Brazilian federal government. The IRPJ rate is 25% and the CSLL rate is 9%, resulting in a combined federal corporate income tax rate of 34% on taxable profits. The expense for current income tax is recognized in the statement of profit or loss under 'Current income and social contribution taxes' against tax payable. However, for some entities in the group, advances for the payment of income tax are paid on a quarterly basis during the tax year and are recognized as an asset under Taxes recoverable (Note 7—'Corporate income tax (IRPJ)' and 'Social contribution tax on net profit (CSLL)'). Income tax is levied on legal entities individually, with no right of offset between entities in a group. Smaller entities opting to declare income taxes on the 'presumed profits' basis are taxed at the same rates on a 'presumed profit' of 32% of gross revenues.

(In thousands of Brazilian Reais, unless otherwise stated)

18. Tax liabilities (Continued)

(d) Purchases of certain materials or services require us to retain and pay taxes on behalf of our suppliers. The rate of 4.65% in relation to PIS, COFINS and CSLL tax on applicable purchases is withheld from payments made to suppliers and recognized as a tax liability, with no impact to the statement of profit or loss.

(e) Refers to installment payment of IRPJ, CSLL, PIS and COFINS, which payment is deferred in 30 to 60 installments, adjusted by the SELIC rate. The accrual of interest on this liability is recognized as a financial expense under the line item—'Interest for late payment of taxes' (Note 30).

(f) Refers mainly to ISS payable to the Paulínia City Government in 36 installments, not subject to inflation adjustment or interest.

(g) In August 2014, enactment of Federal Law No. 12996/2014 ("REFIS da Copa") enabled the inclusion of new tax contingencies in REFIS (tax installment payment program). The Company included the overdue taxes in REFIS da Copa in order to benefit from interest and fine amnesty. The accrual of interest on this liability is recognized as a financial expense under the line item—'Interest for late payment of taxes' (Note 30).

(h) INSS is a social security charge levied on wages paid to employees. On certain purchases of services we are required to withhold 11% of the amounts billed by our suppliers and pay INSS tax on their behalf, with no impact to the statement of profit or loss.

(i) On certain purchases of services we are required to withhold 1.5% of the amounts billed by our suppliers and pay IRPJ (Income tax) on their behalf, with no impact to the statement of profit or loss.

Eligible tax debt balances below refer to REFIS da Copa are:

	2016	2015
Principal	**128,132**	128,132
Fine and SELIC interest	**100,541**	100,541
Reduction due to amnesty of interest, fines and legal charges	**(53,981)**	(53,981)
Repayments by prepayments	**(30,902)**	(30,902)
Payment in installments	**(30,353)**	(10,071)
SELIC restatement	**21,161**	15,733
Use of unused tax loss carryforwards	**(29,213)**	(29,213)
Balance payable	**105,385**	120,239

At December 31, 2015, the Company was compliant with all conditions to be part of the tax payment installments program, and the use of unused tax loss carryforwards of REFIS "Copa" totaled R$5,605. See Note 24.1. Installments with maturity beginning 2016 were restated considering 1% of SELIC rate interest p.m. and mature as follows:

Year of maturity	2016	2015
2016	**—**	8,198
2017	**7,908**	8,198
2018	**7,908**	8,198
2019	**7,908**	95,645
2020 onwards	**81,661**	—
Total	**105,385**	120,239

The Company elected to enroll to the program, collected and prepaid amounts under REFIS da Copa for all debts that matured through December 31, 2013 in 180 installments.

(In thousands of Brazilian Reais, unless otherwise stated)

18. Tax liabilities (Continued)

On September 8, 2015, the period for consolidation of Social security tax debts in the REFIS da Copa installment payment program started, and the Company consolidated all its social security tax debts electronically on the Brazilian IRS web site, except for debts referring to IRPJ and CSLL prepayments, which were consolidated manually through specific forms.

19. Accounts payable from acquisition of investments

Balances payable for acquisition of investments are detailed below:

	2016	2015
Equity interest acquired:		
Viva (b)	**9,712**	34,811
Geo Vision—Public Private Partnerships (a)	**—**	33,686
Geo Vision—Price adjustment (b)	**—**	5,254
	9,712	73,751
Current	**4,856**	47,041
Non-current	**4,856**	26,710

(a) The Company agreed to make to the selling shareholders of Geo Vision an additional payment of R$29,415 if a Public-Private Partnership between the Company and city in the state of São Paulo is signed, for provision of collection, sweeping and street cleaning services. At December 31, 2014, the consideration increased to R$30,428 and in 2015, to R$33,686. Restatement is by reference to IPCA variation;

(b) The amounts of purchase and sales agreements are adjusted by the accumulated variation of 100% of CDI between the closing date and the payment date. At December 31, 2016, Estre SPI and Geo Vision assumed the debt, and the accounts were settled using the balance receivable from Azaléia. (Note 8).

20. Accounts payable from land acquisition

Description	2016	2015
Land purchase (a)/(b)	**19,319**	30,044
Present value adjustment (c)	**(2,564)**	(6,340)
Total	**16,755**	23,704
Current	**9,112**	10,625
Non-current	**7,643**	13,079

(a) On December 27, 2013, Estre acquired a plot of land in Jardim Lídia from Banco Pine, for R$30,000, of which R$1,325 was paid in cash and the remainder will be settled in 60 fixed installments, beginning June 30, 2014. The remaining balance at December 31, 2016 was R$16,449.

(b) In June 2006, Estre entered into negotiation with Masa—Comércio e Serviços de Terraplanagem Ltda., to acquire land in the city of Itapevi, initially for R$4,400 in legal discussion; after renegotiation in 2014 and through Private Debt Acknowledgment and Novation Agreement and other Covenants of May 14, 2015, the selling price was restated by IGPM and increased by legal late payment interest of 1% per month, totaling R$9,584, to be paid in 24 fixed installments of R$399, with first payment maturing on June 1, 2015. The remaining balance at December 31, 2016 was R$2,870.

(c) At December 31, 2016, the rate used was 16.80% (17.80% at December 31, 2015).

(In thousands of Brazilian Reais, unless otherwise stated)

21. Provision for landfill closure

NBR standard No. 13896/1997 defines some rules that the Company, as owner of landfills, must comply with during closure and post-closure of landfills.

Decommissioning liability are provided for the present value of expected costs to settle the obligation using estimated cash flows and are recognized as part of the cost of the relevant asset. The provision includes the estimated costs to be incurred for the final closure of landfills, including the leachate drainage, collection and treatment, biogas collection and treatment, sampling and laboratory analysis of ground water and surface water, among other.

The costs to be incurred until the closure of a landfill or during the long-term monitoring period (20 years) were discounted to present value at an average rate of 14.30% for year ended in December 31, 2016, which reflects the Company's cost of capital.

The balances by landfill are as follows:

Description	2016	2015
Paulínia	**51,531**	43,643
Curitiba	**18,307**	14,166
Itapevi	**9,611**	8,114
Aracajú	**1,774**	1,001
CGR Guatapará	**8,651**	7,184
CGR Guatapará—Jardinópolis	**1,378**	1,079
CGR Guatapará—Piratininga	**440**	240
Resicontrol—Tremembé	**6,180**	5,198
Maceió	**2,100**	1,444
Feira de Santana	**1,020**	520
Itaboraí	**628**	482
Total	**101,620**	83,071
Current	**15,499**	—
Non-current	**86,121**	83,071

Changes in provisions are as follows:

	2016	2015
Balance at beginning of period	**83,071**	65,584
Additions	**10,094**	11,577
Effect of passage of time	**8,455**	5,910
Balance at end of period	**101,620**	83,071

(In thousands of Brazilian Reais, unless otherwise stated)

21. Provision for landfill closure (Continued)

The expected timing of outflows are as follows:

Period	2016
Up to 1 year	**15,499**
1 to 5 years	**17,534**
After 5 years	**68,587**
Total	**101,620**

22. Provision for legal proceedings

In the ordinary course of business, the Company are exposed to certain contingencies and risks. The provision for contingencies includes labor, tax and civil proceedings under dispute at the administrative and legal levels, based on management's analysis and the opinion of the Company's legal counsel, for cases in which the likelihood of loss is considered probable, as follows:

Nature	2016	2015
Labor proceedings (a)	**48,658**	41,256
Tax proceedings (b)	**98,231**	70,827
Civil proceedings	**1,565**	2,410
Total	**148,454**	114,493

(a) Primarily consists of law suits filed by former employees claiming severance payment, overtime, additional payment for transfers, among others, for individually significant amounts.

(b) The Company recorded a provision for tax contingency regarding levy of taxes, substantially concerning Tax on Financial Transactions (IOF) and INSS.

The Company has the following contingent liabilities referring to proceedings classified by legal counsels as possible losses, for which no provision has been recorded:

Nature	2016	2015
Labor proceedings (a)	**10,043**	7,558
Tax proceedings (b)	**—**	288,023
Civil proceedings (c)	**35,456**	57,549
Total	**45,499**	353,130

(a) Refers mainly to labor lawsuits arising from employees and third party claims, joint liability, hazard pay and health hazard allowance.

(b) Relates to a tax assessment on income and revenue taxes in 2009 for which an unfavourable outcome was assessed as possible in 2015, on which the Company successfully challenged in an appeals court in 2016. The Brazilian IRS did not challenge the decision of the appeals court, and hence the Company, with the aid of its legal counsel, has reassessed the likelihood of loss in respect of this contingency to remote.

(c) Refers basically to: i) lawsuit filed by the São Paulo State Prosecutor's Office challenging the lawfulness of five agreements entered into between the city government of Taboão da Serra and the investee Viva Ambiental regarding provision of public cleaning services. In 2014, the Federal Prosecutor's Office ("MPF") requested the return of total emergency agreements entered into by and between Viva and Taboão City, which amounted to

(In thousands of Brazilian Reais, unless otherwise stated)

22. Provision for legal proceedings (Continued)

R$154,123. In 2015, sellers of VIVA filed an injunction for early presentation of proof, and requested legal expert inspection that detected misstatements in amounts requested by the MPF. The outcome of this inspection indicated a possible loss amount of approximately R$19,123; ii) indemnification claim for payment of suspended use of patented technology of royalty payment and pain and suffering of indirect subsidiary Pollydutos, whose amount under discussion in 2014 amounted to R$43,309. Beginning January 2015, Pollydutos, which was part of the Company, left the Company through a barter transaction (see Note 1.3).

Changes in provisions for contingencies are as follows:

	Labor proceedings	Tax proceedings	Civil proceedings	Total
Balance at December 31, 2014	26,106	49,424	1,784	77,314
Additions	31,532	50,398	6,094	88,024
Reversals	(11,038)	(28,995)	(4,928)	(44,961)
Payments	(5,344)	—	(540)	(5,884)
Balance on December 31, 2015	41,256	70,827	2,410	114,493
Additions	**22,536**	**34,179**	**1,175**	**57,890**
Reversals	**(9,032)**	**(6,775)**	**(1,576)**	**(17,383)**
Payments	**(6,102)**	**—**	**(444)**	**(6,546)**
Balance at December 31, 2016	**48,658**	**98,231**	**1,565**	**148,454**

23. Equity

23.1. Capital

At December 31, 2016 and 2015, the Company's capital was comprised of 108,104,368 common shares issued and outstanding, with no par value, and no changes since December 31, 2012.

Shareholders	Participation	Shares
Wilson Quintela Filho	41.5%	44,863,312
Gisele Mara de Moraes	8.6%	9,296,976
BPMB Digama (BTG)	27.4%	29,620,597
Hulsholf (WQF)	6.6%	7,134,888
A.Z.A.S.P.A (BTG)	0.5%	540,522
Wilson De Lara	5.3%	5,729,532
Angra Infra FIP	8.2%	8,864,558
Treasury shares	1.9%	2,053,983

23. Equity (Continued)

The Company is not required to amend its articles of incorporation to increase its capital to a limit of 500 million shares, by resolution of the Board of Directors, which will decide on the payment conditions, characteristics of the shares to be issued and the issue price.

23.2. Treasury shares

Description	Number of shares	R$ (in thousands)	Price per share—R$
Treasury shares	2,053,983	37,403	18.21

Correspond to treasury shares resulting from the transaction explained in Note 1.3.1.

23.3. Share-based payment reserve

On September 15, 2015, the Board of Directors approved at the Special General Shareholders' Meeting, a stock option granted to certain directors and employees and the total numbers of options granted under the plan. The options vest in 3 tranches, subject to the following vesting conditions:

(i) At the first anniversary of the date on which the employee becomes a manager or employees of the Company, 34% of the options will become available and may be exercised;

(ii) At the second anniversary of the date on which the employee becomes a manager or employee of the Company, an additional 33% of the options will become available and may be exercised; and

(iii) At the third anniversary of the date on which the employee becomes a manager or employee of the Company, an additional 33% of the options will become available and may be exercised.

The options granted are classified as "Time Based Options" (TBO), and entitle the period to acquire shares at a determined price.

The stock options may be exercised during a period of 11 years from the date the stock option contract is signed.

(In thousands of Brazilian Reais, unless otherwise stated)

23. Equity (Continued)

23.3. Share-based payment reserve (Continued)

The options was priced based on the "Black & Scholes" model and the significant assumptions included in the model in 2015 were:

Details	Plan 1	Plan 2	Plan 3
Start date (first grant)	10/28/2015	10/28/2015	10/28/2015
Number of options—TBO (thousands)	2,486	432	649
Exercise value—R$	0.9250	0.9250	0.9250
Expected volatility	24.03%	24.03%	24.03%
Future risk-free rate—p.a.	14.48%	14.48%	14.48%
Estimated maturity term (weighted average in years)	0.6778	1.1287	1.9176
Fair value of option—R$	11.58	11.63	11.72

The term of the options is based on historical data and current expectations and is not necessarily indicative of exercise patterns that may occur. The expected volatility reflects the assumption that the historical volatility over a period similar to the life of the options is indicative of future trends, which may not necessarily be the actual outcome. The comparison expense for the years ended December 31, 2016 and in 2015 amounted to R$28,937 and R$9,151, respectively and the balance at December 31, 2016 recorded in equity amounted to R$ 14,033.

Changes in the stock option plan are detailed below:

	Options
December 31, 2014	—
Granted	3,567
Expired	—
Exercised	—
December 31, 2015	3,567
Granted	**—**
Expired	**—**
Exercised	**(2,996)**
December 31, 2016	**571**

(In thousands of Brazilian Reais, unless otherwise stated)

23. Equity (Continued)

23.3. Share-based payment reserve (Continued)

From the date of approval of the Stock Option Plan until December 31, 2016, a total of 2,996 thousand options were exercised, amounting to R$24,055, which were settled in cash. Compensation expense be recognized in future service period is as follows:

	Amount
Year	
2017	R$2,615
2018	R$ 711
Total	**R$3,326**

23.4. Appropriation of net income

According to the Company's articles of incorporation and in accordance with the Brazilian Corporation Laws (No. 6404/76 and No. 11638/07), net income for the year, after offsetting accumulated losses and deducting of managing officers' profit sharing, up to the maximum legal limit, is appropriate as follows: (i) 5% to legal reserve up to the limit of 20% of paid-in capital; and (ii) 25% of remaining balance to payment of mandatory dividend.

23.5. Currency translation adjustments

This refers to the gain (loss) from translation of financial statements in foreign currency to Brazilian Reais of the investments in CGR Doña Juana, in Colombia. Also see Note 2.3.

23.6. Capital reserve

The premium reserve refers to the difference between the subscription price that shareholders paid for the shares and their nominal value. The capital reserve may only be used for capital increase, loss absorption, redemption or repurchase of shares or payment of cumulative dividend on preferred shares.

23.7. Non-controlling interest

See Note 2.5.2 for information on material partially-owned subordinaries.

(In thousands of Brazilian Reais, unless otherwise stated)

24. Income and social contribution taxes

24.1. Reconciliation of income and social contribution taxes expenses and accounting profit or loss

Tax legislation in Brazil require that income and social contribution tax returns be filed and paid by each legal entity.

	2016	2015	2014
Loss before income and social contribution taxes	**(233,282)**	(196,985)	(91,472)
Statutory rate	**34%**	34%	34%
Estimated income and social contribution taxes	**79,316**	66,975	31,100
Tax effect on:			
Share of profit of an associate	**3,452**	3,769	13,790
Permanent differences—non-deductible expenses	**(30,941)**	(10,064)	(29,380)
Permanent differences—gain of investment sale	**—**	—	80,307
Permanent differences—Tax benefit of goodwill non-recognized	**10,935**	13,082	2,254
Permanent differences—taxable profit computed as a percentage of gross revenue	**502**	1,044	1,029
Temporary differences—Deferred tax on Revenues from government entities	**19,942**	6,966	3,010
Temporary differences—non-recognized	**(63,351)**	18,447	(21,936)
Incentive reserve	**1,140**	204	—
Tax loss for the year	**(126,185)**	(99,254)	(110,197)
Use of tax benefit of tax income and social contribution tax losses against REFIS "COPA" (see Note 18).	**—**	5,725	23,488
Total	**(105,190)**	6,894	(6,535)
Current	**(55,435)**	(5,710)	(48,109)
Deferred	**(49,755)**	12,604	41,574

Effective tax rate calculation	2016	2015	2014
Profit before taxes	**(233,282)**	(196,985)	(91,472)
Income and social contribution taxes	**(105,190)**	6,894	(6,535)
Effective income tax rate	**45,09%**	(3,50)%	7,14%

(In thousands of Brazilian Reais, unless otherwise stated)

24. Income and social contribution taxes (Continued)

24.2. Deferred taxes

	2016	2015
Assets		
IRPJ and CSLL effect on:		
Allowance for doubtful accounts	**2,036**	1,331
Other temporarily non-deductible provisions	**5,869**	—
Sundry provisions	**6,212**	6,133
Provision for profit sharing	**4,169**	2,607
Labor, civil and tax proceedings	**22,771**	15,803
Total assets	**41,057**	25,874

	2016	2015
Liabilities		
IRPJ and CSLL effect on:		
Appreciation of property, plant and equipment	**17,054**	18,843
Customer relationship and license	**12,299**	16,823
Business combination/goodwill	**92,055**	42,344
Government entities (a)	**32,309**	30,886
Other	**21,839**	1,722
Total	**175,556**	110,618

(a) The amount relates to deferral of income until its realization. According to current legislation, the portion of income proportional to revenue considered in profit or loss and not received by the statement of financial position date may be excluded from the calculation.

Changes in deferred income tax are as follows:

	2015	Additions	Write-offs	2016	Impact on profit or loss
Deferred income tax assets	25,874	**15,183**	**—**	**41,057**	15,183
Deferred income tax liabilities	(110,618)	**(64,938)**	**—**	**(175,556)**	(64,938)
Effect on deferred profit or loss					(49,755)

	2014	Additions	Write-offs	2015	Refis (Note 18)/(b)	Impact on profit or loss
Deferred income tax assets	20,116	5,758	—	25,874	5,725	11,484
Deferred income tax liabilities	(111,738)	—	1,120	(110,618)	—	1,120
Effect on deferred profit or loss						12,604

(In thousands of Brazilian Reais, unless otherwise stated)

24. Income and social contribution taxes (Continued)

24.2. Deferred taxes (Continued)

	2013	Additions	Write-offs	2014	Refis (Note 18)/(b)	Impact on profit or loss
Deferred income tax assets	19,221	895	—	**20,116**	25,368	26,262
Deferred income tax liabilities	(127,050)	—	15,312	**(111,738)**	—	15,312
Effect on deferred profit or loss						**41,574**

(b) As mentioned in Note 18, the Company was benefitted by reduction of part of the interest and fines arising from taxes (included in the REFIS). The benefit was calculated based on the tax loss, and therefore a credit was recorded in deferred income tax, in profit or loss, against a reduction in the tax payable balance (included in the REFIS). The application for inclusion in REFIS was filed with the Brazilian IRS, see note 18.

The Company did not recognize deferred income and social contribution tax assets on temporary differences and accumulated tax losses of certain subsidiaries.

The income and social contribution tax loss carryforwards are as follows:

	2016	2015
Total income and social contribution tax loss carryforwards(a)	**1,263,689**	1,030,407

(a) In accordance with the Brazilian tax legislation, this balance may be offset to the limit of 30% of taxable profit computed for the year, with no expiration.

Changes in the income and social contribution tax losses are as follows:

Description	2016	2015
Balance at the beginning of the year	**1,030,407**	850,260
Income and social contribution tax losses for the year	**233,282**	196,985
Use of REFIS base	**—**	(16,838)
Balance at the end of the year	**1,263,689**	1,030,407

25. Net operating revenue

	2016	2015	2014
Gross revenue from services	**1,655,816**	1,558,962	1,506,841
(−) Discounts and cancellations	**(28,718)**	(4,901)	(5,665)
(−) Taxes levied—PIS	**(27,777)**	(25,520)	(24,647)
(−) Taxes levied—COFINS	**(127,944)**	(117,467)	(113,955)
(−) Taxes levied—ICMS	**(1,364)**	(1,602)	(1,044)
(−) Taxes levied—ISSQN	**(76,980)**	(70,581)	(67,893)
Net revenue from services rendered	**1,393,033**	1,338,891	1,293,637

(In thousands of Brazilian Reais, unless otherwise stated)

26. Cost of services

Costs of services rendered are as follows:

Description	2016	2015	2014
Payroll, charges and benefits	**(542,730)**	(500,656)	(496,843)
Treatment and disposal of leachate	**(15,241)**	(12,873)	(15,377)
Fuel/lubricant	**(60,872)**	(58,483)	(51,713)
Transportation	**(12,593)**	(35,810)	(11,711)
Lease of machinery and equipment	**(46,475)**	(56,435)	(71,254)
Waste treatment	**(33,767)**	(23,810)	(28,966)
Materials to operate landfills	**(28,746)**	(21,322)	(25,028)
Technical assistance	**(6,491)**	(10,434)	(9,984)
Depreciation/amortization/depletion	**(136,785)**	(135,623)	(114,777)
Analysis and monitoring	**(9,191)**	(10,417)	(11,056)
Lease of real estate, equipment and vehicles	**(13,452)**	(15,790)	(9,819)
Travel and lodging	**(11,205)**	(6,163)	(1,944)
Equipment maintenance	**(21,079)**	(21,387)	(30,951)
Landfill maintenance	**(1,130)**	(3,932)	(3,905)
Other	**(76,067)**	(74,924)	(87,813)
Total costs	**(1,015,824)**	(988,059)	(971,141)

27. General and administrative expenses

General and administrative expenses were as follows:

Description	2016	2015	2014
Payroll, charges and benefits	**(116,889)**	(102,337)	(77,121)
Transportation	**(573)**	(962)	(1,359)
Advisory services	**(17,449)**	(18,129)	(18,694)
Depreciation/amortization/depletion	**(31,326)**	(22,171)	(26,932)
Lease of real estate, equipment and vehicles	**(4,973)**	(9,095)	(13,096)
Legal advisory services	**(22,169)**	(16,403)	(20,502)
Travel and lodging	**(4,865)**	(5,780)	(5,583)
Equipment maintenance	**(1,720)**	(2,572)	(6,296)
System maintenance	**(986)**	(671)	(826)
Provision for legal proceedings	**583**	(11,426)	(28,257)
Consumer materials	**(4,690)**	(3,666)	(2,855)
Third-party services	**(3,907)**	(8,600)	(13,736)
Other	**(22,968)**	(21,480)	(33,599)
Total general and administrative expenses	**(231,932)**	(223,292)	(248,856)

(In thousands of Brazilian Reais, unless otherwise stated)

28. Selling expenses

Description	2016	2015	2014
Advertising and promotion expenses	**(2,348)**	(1,885)	(3,867)
Reversal (addition) of allowance for doubtful accounts	**12,843**	15,175	(38,172)
	10,495	13,290	(42,039)

29. Other operating income (expenses)

Description	2016	2015	2014
Impairment—CTR Itaboraí (Note 13)	**(44,790)**	(10,788)	—
Impairment—Resicontrol (Note 13)	**—**	(4,054)	(43,154)
Capital loss on disposal of Estrans (Note 1.3.3)	**—**	(12,087)	—
Write-off of the CDR Pedreira call option (Note 1.3.5)	**(20,865)**	(10,705)	186,259
Gain from the sale of Essencis S.A. (Note 1.3.6)	**—**	—	81,508
Gain on sale of property, plant and equipment	**2,123**	—	—
Donations	**(1,883)**	(2,030)	(10,633)
Realization of Tax credit relating to prior periods(a)	**13,298**	22,605	1,619
Other operating (expenses) income, net	**(17,102)**	7,028	(18,218)
Total	**(69,219)**	(10,031)	197,381

(a) Taxes paid in connection with the acquisition of materials and equipment, which Estre has not used to offset against the payment of other taxes in the years in which such receivables were generated, but that as a result of a further analysis of the applicable tax law, Estre subsequently recognized as recoverable taxes against income.

30. Finance income and expenses, net

	2016	2015	2014
Finance expenses			
Interest of loans/debentures	**(263,251)**	(234,612)	(259,955)
Discounts granted	**(14,650)**	(15,727)	(13,247)
Interest for late payment to suppliers	**(6,665)**	(11,651)	(13,637)
Interest for late payment of taxes	**(57,610)**	(66,156)	(63,939)
Other finance expenses	**(41,474)**	(40,915)	(37,647)
Total finance expenses	**(383,650)**	(369,061)	(388,425)
Finance income			
Interest income	**19,195**	10,946	2,518
Interest on investments	**5,006**	8,926	8,843
Other financial income	**2,606**	10,320	16,051
Interest of taxes credit(a)	**26,815**	—	—
Total finance income	**53,622**	30,192	27,412
Total finance expenses, net	**(330,028)**	(338,869)	(361,013)

(a) Inflation adjustments related to income and social contribution tax and withheld INSS.

31. Segment reporting

Business segment information is presented according to management's definition of the operational management framework and based on the reports used by the Company's chief operating decision makers.

Management separately monitors operating income (loss) of business units in order to make decisions on resources allocation and performance assessment. Information on the business only considers transactions and balances directly attributable to the segments, and that can be allocated on a reasonable basis, and, as such, are restricted to the calculation of operating income (expenses) before financial income (expenses), not including assets and liabilities, financial income and expenses, and income and social contribution taxes.

Company's financing (including financing income and expenses) and income taxes are managed at corporate level, and are not allocated to operating segments.

Revenue between related parties is eliminated upon consolidation and reflected in the column "Eliminations."

The Company has the following segments:

Collection & Cleaning Services: includes industrial collection from large business generators and local household collection, transportation and temporary storage for environmental liability emergencies, industrial accidents and preparation of waste for final disposal. Logistical planning is performed to reduce the risks and environmental impacts involved in internal and external transportation of waste to the final destination.

O&G: soil treatment and restoration services throughout Brazil, and cleaning of storage tanks.

Landfill: services provided by treatment and waste disposal centers, such as ground sealing, drainage and treatment of percolated liquid (leachate), rainwater catchment and soil treatment with hydrocarbons.

Value Recovery: energy recycling services, carefully combining two or more industrial waste products (hazardous waste), aimed at producing a "blend" (homogeneous mixture), which can be used as an alternative fuel of high calorific value in industrial furnaces of the cement industry. It also includes the process of dismantlement and mischaracterization of electrical-electronic products.

(In thousands of Brazilian Reais, unless otherwise stated)

31. Segment reporting (Continued)

The business segment information reviewed by the chief operating decision maker for the years ended December 31, 2016, 2015 and 2014 are as follows:

	Collection & Cleaning Services	O&G	Landfills	Value Recovery	Corporate	Eliminations	Consolidated
December 31, 2016							
Foreign customers	—	—	—	—	—	—	—
Domestic customers	869,333	62,799	420,293	40,608	—	—	1,393,033
Inter-segment	52,689	78	29,505	1,632	—	(83,904)	—
Total revenue from services	**922,022**	**62,877**	**449,798**	**42,240**	**—**	**(83,904)**	**1,393,033**
Cost of services	(678,058)	(41,583)	(340,823)	(30,590)	(8,674)	83,904	(1,015,824)
Gross profit	**243,964**	**21,294**	**108,975**	**11,650**	**(8,674)**	**—**	**377,209**
Operating income/(expenses)							
General and administrative expenses	(38,105)	(783)	(10,206)	(1,225)	(163,680)	(17,933)	(231,932)
Selling expenses	268	897	26,293	8,532	(25,495)		10,495
Share of profit of an associate	—	—	—	—	139,714	(129,562)	10,152
Other operating income (expenses)	(3,683)	213	962	2,617	(69,328)	—	(69,219)
	(41,520)	**327**	**17,049**	**9,924**	**(118,789)**	**(147,495)**	**(280,504)**
Earnings before finance income and costs	202,444	21,621	126,024	21,574	(127,463)	(147,495)	96,705
Finance costs	(9,958)	(1,326)	(732)	(3,770)	(367,864)	—	(383,650)
Finance income	1,506	1	18	1,975	50,122	—	53,622
Loss before income and social contribution taxes	**193,992**	**20,296**	**125,310**	**19,779**	**(445,205)**	**(147,495)**	**(233,323)**
(−) Current income and social contribution taxes	—	—	—	(1,099)	(54,336)	—	(55,435)
(−) Deferred income and social contribution taxes	—	—	—	—	(49,755)	—	(49,755)
Profit or loss for the year	**193,992**	**20,296**	**125,310**	**18,680**	**(549,296)**	**(147,495)**	**(338,513)**
Discontinued operations							
Loss after tax for the year resulting from continuing operations	—	—	41	—	—		41
Net income (loss) for the year	**193,992**	**20,296**	**125,351**	**18,680**	**(549,296)**	**(147,495)**	**(338,472)**

(In thousands of Brazilian Reais, unless otherwise stated)

31. Segment reporting (Continued)

	Collection & Cleaning Services	O&G	Landfills	Value Recovery	Corporate	Eliminations	Consolidated
December 31, 2015							
Foreign customers	—	—	34,470	—	—		34,470
Domestic customers	806,974	99,126	355,617	42,704	—	—	1,304,421
Inter-segment	27,556	4,568	23,732	2,085	—	(57,941)	—
Total revenue from services	**834,530**	**103,694**	**413,819**	**44,789**	**—**	**(57,941)**	**1,338,891**
Cost of services	(646,211)	(64,639)	(288,617)	(33,863)	(15,144)	60,415	(988,059)
Gross profit	**188,319**	**39,055**	**125,202**	**10,926**	**(15,144)**	**2,474**	**350,832**
Operating income/(expenses):							
General and administrative expenses	(59,645)	(5,571)	8,333	(2,285)	(164,124)	—	(223,292)
Selling expenses	19,990	2,102	45,941	(52,867)	(1,876)	—	13,290
Share of profit of an associate	(78)	—	—	(22)	117,123	(105,938)	11,085
Other operating income (expenses)	4,851	(413)	(3,489)	54	(8,560)	(2,474)	(10,031)
	(34,882)	**(3,882)**	**50,785**	**(55,120)**	**(57,437)**	**(108,412)**	**(208,948)**
Earnings before finance income and costs	153,437	35,173	175,987	(44,194)	(72,581)	(105,938)	141,884
Finance costs	(10,042)	(1,327)	(14,459)	(1,242)	(341,991)	—	(369,061)
Finance income	3,955	—	549	496	25,192	—	30,192
Loss before income and social contribution taxes	**147,350**	**33,846**	**162,077**	**(44,940)**	**(389,380)**	**(105,938)**	**(196,985)**
(−) Current income and social contribution taxes	—	—	(4,191)	(358)	(1,161)	—	(5,710)
(−) Deferred income and social contribution taxes	—	—	—	—	12,604	—	12,604
Profit or loss for the year	**147,350**	**33,846**	**157,886**	**(45,298)**	**(377,937)**	**(105,938)**	**(190,091)**
Discontinued operations							
Loss after tax for the year resulting from continuing operations	—	—	(4,521)	—	—	—	(4,521)
Net income (loss) for the year	**147,350**	**33,846**	**153,365**	**(45,298)**	**(377,937)**	**(105,938)**	**(194,612)**

(In thousands of Brazilian Reais, unless otherwise stated)

31. Segment reporting (Continued)

	Collection & Cleaning Services	O&G	Landfills	Value Recovery	Corporate	Eliminations	Consolidated
December 31, 2014							
Foreign customers	—	—	24,218	—	—	—	24,218
Domestic customers	820,480	82,395	323,365	43,179	—	—	1,269,419
Inter-segment	7,717	6	39,987	2,404		(50,114)	—
Total revenue from services	**828,197**	**82,401**	**387,570**	**45,583**	**—**	**(50,114)**	**1,293,637**
Cost of services	(632,208)	(63,559)	(189,494)	(41,042)	(47,449)	2,611	(971,141)
Gross profit	**195,989**	**18,842**	**198,076**	**4,541**	**(47,449)**	**(47,503)**	**322,496**
Operating income/(expenses):							
General and administrative expenses	(49,024)	(6,034)	(14,808)	(2,077)	(224,416)	47,503	(248,856)
Selling expenses	(41,718)	(2,153)	(44,258)	(820)	46,910	—	(42,039)
Share of profit of an associate	—	—	—	—	(13,664)	54,223	40,559
Other operating income (expenses)	5,087	6,511	1,202	1,543	183,038	—	197,381
	(85,655)	**(1,676)**	**(57,864)**	**(1,354)**	**(8,132)**	**101,726**	**(52,955)**
Earnings before finance income and costs	110,334	17,166	140,212	3,187	(55,581)	54,223	269,541
Finance costs	(7,752)	1,541	(8,806)	(776)	(372,632)	—	(388,425)
Finance income	8,798	13	3,157	88	15,356	—	27,412
Loss before income and social contribution taxes	**111,380**	**18,720**	**134,563**	**2,499**	**(412,857)**	**54,223**	**(91,472)**
(−) Current income and social contribution taxes	(95)	9,168	(3,005)	(395)	(53,781)	—	(48,109)
(−) Deferred income and social contribution taxes	—	(3,106)	—	—	44,680	—	41,574
Profit or loss for the year	**111,285**	**24,782**	**131,558**	**2,104**	**(421,958)**	**54,223**	**(98,007)**
Discontinued operations							
Loss after tax for the year resulting from continuing operations	—	(3,913)	(40,315)	—	—	—	(44,228)
Net income (loss) for the year	**111,285**	**20,869**	**91,243**	**2,104**	**(421,958)**	**54,223**	**(142,235)**

32. Financial instruments

The financial instruments currently used by the Company are restricted to investments, contracts with customers, agreements to sell carbon credits, loans, financing, debentures and agreements for purchase Company shares, all of which under normal market conditions.

These instruments are managed through operating strategies, considering liquidity, profitability and risk minimization.

(In thousands of Brazilian Reais, unless otherwise stated)

32. Financial instruments (Continued)

Operations of the Company are subject to the following risk factors:

i) *Credit risk*

The Company minimizes its exposure to credit risks associated with cash and cash equivalents and marketable securities by maintaining its investments in first-tier financial institutions and with returns in short-term securities.

The carrying amount of the financial assets represent the maximum exposure of the credit. The maximum exposure of the credit risk at the date of the financial statements is:

	Note	2016	2015
Financial assets			
Cash and cash equivalents	4	**31,083**	47,793
Marketable securities	5	**14**	36,264
Trade accounts receivable	6	**736,766**	531,814
Receivables from related parties	10	**9,752**	21,276

The maximum exposure of the credit risk for trade account receivable segregated by the counterparty may be shown as follows:

	2016	2015
Public	662,991	473,658
Private	73,775	58,156

The maximum exposure of the credit risk for trade account receivable per risk concentration may be shown as follows:

	2016	%	2015	%
Largest debtor	96,153	15%	110,594	22%
10 largest debtors	433,605	68%	345,391	69%
20 largest debtors	512,394	81%	409,973	81%
50 largest debtors	578,639	91%	460,816	91%

Trade accounts receivable

This risk arises from the possibility of the Company's incurring in losses resulting from the difficulty in receiving amounts billed to its customers.

Customer credit risk is managed by each business unit, subject to the procedures, policies and controls established by the Company in relation to this risk. Invoices are issued only after formal approval given by the customer.

Trade accounts receivable are mainly denominated in Brazilian Reais. Management monitors the risk involved and adopts necessary measures and procedures, in addition to recording an allowance for doubtful accounts as appropriate.

(In thousands of Brazilian Reais, unless otherwise stated)

32. Financial instruments (Continued)

ii) *Interest rate risk*

Such risk arises from the Company's exposure to fluctuations in interest rates on their financial assets and liabilities. In order to mitigate this risk, the Company seeks to diversify by raising fund subject to fixed or floating rate.

The Company is exposed to risks of interest rate fluctuations on its investments, accounts payable for acquisition of investments, loans and financing and debentures.

The Company conducted sensitivity analyses of the interest rate risks to which its financial instruments are exposed. For the analysis of sensitivity to changes in interest rates, management adopted as probable scenario the future interest rates according to quotations obtained from BM&FBOVESPA of 11.05% for CDI and to 5% for TJLP. Scenarios II and III were estimated with an increase of 25% and 50%, respectively, whereas scenarios IV and V estimate an additional decrease of 25% and 50%, respectively, of the rates in the probable scenario.

The following table shows the possible impacts on profit or loss in each scenarios for 2016:

			Scenarios				
	Exposure	**Risk**	**I—Probable**	**II 25%**	**III 50%**	**IV—25%**	**V—50%**
1—Financial assets							
Investments	14	CDI variation	2	1	1	0	(1)
			2	1	1	0	(1)
2—Financial liabilities							
Loans and financing							
Working capital	(2,407)	CDI variation	(338)	(95)	(169)	84	169
Finame	(18,511)	TJLP variation	(1,388)	(347)	(694)	347	694
Leasing	(5,779)	CDI variation	(813)	(203)	(407)	203	406
Accounts payable for investment acquisition	(9,112)	CDI variation	(1,366)	(342)	(683)	341	683
Debentures	(1,665,629)	CDI variation	(234,187)	(58,547)	(117,094)	58,547	117,093
			(238,092)	(59,534)	(119,047)	59,522	119,045
Net financial liabilities			**(238,090)**	**(59,533)**	**(119,046)**	**59,522**	**119,044**

iii) *Liquidity risk*

This is the risk of the Company not having liquid funds sufficient to meet their financial commitments and financial liabilities (which are settled in cash or by means of other financial assets), due to the mismatch of terms or volume of expected receipts and payments. In order to manage cash liquidity, assumptions are established regarding future payables or receivables,

(In thousands of Brazilian Reais, unless otherwise stated)

32. Financial instruments (Continued)

iii) *Liquidity risk* (Continued)

and are daily monitored by the Treasury. The Company's objectives of managing cash follow these priorities:

(i) Preserving the value of invested capital;

(ii) Keeping a liquidity level appropriate to the commitments assumed; and

(iii) Obtaining an appropriate return of the investment portfolio.

The Company's exposure to the liquidity risk is as follows:

	2016				2015			
	Up to 12 months	**1 - 2 years**	**2 - 5 years**	**> 5 years**	**Up to 12 months**	**1 - 2 years**	**2 - 5 years**	**> 5 years**
Financial liabilities								
Loans and financing	**16,732**	**9,277**	**688**	**—**	64,133	16,075	4,101	—
Debentures	**1,665,629**	**—**	**—**	**—**	1,417,081	—	—	—
Trade accounts payable	**108,435**	**—**	**—**	**—**	96,472	—	—	—
Labor payable	**106,908**	**—**	**—**	**—**	97,581	—	—	—
Tax liabilities	**294,333**	**236,096**	**—**	**—**	213,850	213,100	—	—
Accounts payable for acquisition of investment	**4,856**	**4,856**	**—**	**—**	47,041	26,710	—	—
Accounts payable for land acquisition	**9,112**	**7,643**	**—**	**—**	10,625	13,079	—	—

iv) *Fair value*

The estimated fair values were determined using available market information and adequate valuation methodologies. However, considerable judgment is necessary to analyze market information and estimate fair value. Accordingly, the estimates presented herein are not necessarily indications of amounts that the Company could realize in the current market. The use of different market assumptions and/or estimate methodologies may lead to significant effects in estimated fair values.

The fair value of trade accounts receivable and related-party payables/receivables approximates their carrying amounts mostly due to their short-term maturity.

(In thousands of Brazilian Reais, unless otherwise stated)

32. Financial instruments (Continued)

iv) *Fair value* (Continued)

The carrying amounts and fair values of the Company's main financial instruments (and other assets and liabilities accounted for based on the fair value or for which fair value is disclosed) at December 31, 2016 and 2015 are as follows:

			2016		2015	
	Category		Carrying amount	Fair value	Carrying amount	Fair value
Financial assets						
Cash and cash equivalents	Fair value through profit or loss	Level 1	**31,083**	**31,083**	47,793	47,793
Marketable securities	Fair value through profit or loss	Level 2	**14**	**14**	36,264	36,264
Trade accounts receivable	Loans and receivables	Level 2	**736,766**	**736,766**	531,814	531,814
Receivables from related parties	Loans and receivables	Level 2	**9,752**	**9,752**	21,276	21,276
			777,615	**777,615**	637,147	637,147
Financial liabilities						
Loans and financing	Loans and financing	Level 2	**26,697**	**26,697**	84,310	84,310
Trade accounts payable	Loans and financing	Level 2	**108,435**	**108,435**	96,472	96,472
Debentures	Loans and financing	Level 2	**1,665,629**	**1,665,629**	1,417,081	1,417,081
Loans from related parties	Loans and financing	Level 2	**2,579**	**2,579**	23,060	23,060
Accounts payable from investment acquisition	Loans and financing	Level 2	**9,712**	**9,712**	73,751	73,751
Accounts payable from land acquisition	Loans and financing	Level 2	**16,755**	**16,755**	23,704	23,704
Obligations relating to discontinued operation	Loans and financing	Level 3	**24,220**	**24,220**	17,903	17,903
			1,854,027	**1,854,027**	1,736,281	1,736,281

33. Commitments

Total minimum lease payments, under non-cancellable operating leases, are as follows:

	2016	2015
Less than one year	**803**	45
More than one year and less than five years	**28,349**	39,015
More than five years	**—**	—
	29,152	39,060

The operating lease expenses for the year ended December 31, 2016 totaled R$11,221 (R$9,792 in 2015).

(In thousands of Brazilian Reais, unless otherwise stated)

33. Commitments (Continued)

All agreements that have a clause establishing a fine in the event of breach of contract provide for a penalty of up to three months of rent. If the Company terminated these agreements, the total penalties would be approximately R$1,228.

34. Insurance coverage

The Company's insurance coverage is as follows:

Description	2016	2015
Civil liability—Environment	**20,000**	20,000
Civil liability—pain and suffering and contingent risks, fire, lightning, explosion (a)	**343,652**	356,122
Sundry risks (b)	**129,800**	134,468
Total	**493,452**	510,590

(a) In 2016, the Company maintained most of its insurance and coverage, including those of its subsidiaries. Accordingly, there were no significant variations in coverage compared to 2015.

(b) On March 23, 2016, the Company contracted executive officer and management liability insurance—D&O with TOKIO MARINE SEGURADORA S.A., valid from March 23, 2016 to March 23, 2017, in order to ensure against any event that produces damages covered by the insurance and attributed by alleged aggrieved third parties to the insured parties.

The Company has a policy of contracting insurance coverage for goods and work subject to risk at amounts considered by management sufficient to cover possible losses, considering the nature of its activity. Management believes that the coverage is compatible with the Company's size and operations, and consistent with other companies of similar size operating in the same industry.

Management considers insurance coverage is sufficient to cover any potential losses.

35. Earnings (loss) per share

Basic and diluted earnings (loss) per share are as follows:

Earnings per share

	2016	2015	2014
Loss attributable to equity holders of the parent	**(338,472)**	(194,612)	(142,235)
Weighted average number of common shares (shares/thousand)	**108,104**	108,104	108,104
Basic and diluted loss per share	**R$ (3.1310)**	R$ (1.8002)	R$ (1.3157)

The shares related to stock options plan were excluded from the calculation of diluted loss per share because their effect would have been antidilutive.

(In thousands of Brazilian Reais, unless otherwise stated)

35. Earnings (loss) per share (Continued)

Earnings per share for continuing operations

	2016	2015	2014
Loss from continuing operations attributable to equity holders of the parent	**(338,513)**	(190,091)	(98,007)
Weighted average number of common shares (shares/thousand)	**108,104**	108,104	108,104
Basic and diluted loss per share	**R$ (3.1314)**	R$ (1.7584)	R$(0.9066)

36. Subsequent event

As described in the note 1.2 on August 16, 2017 was announced that Boulevard Acquisition Corp. II (NASDAQ: BLVD) ("Boulevard"), a blank check company sponsored by an affiliate of Avenue Capital Group, and Estre, jointly announced that they have entered into a definitive agreement pursuant to which Boulevard will combine with Estre.

Under the terms of the transaction, a new Cayman holding company ("Holdco") will be formed and, prior to the consummation of the business combination, all or substantially all of the shareholders of Estre will exchange their shares of Estre for shares of Holdco at a fixed value and as a result Estre will become a subsidiary of Holdco. At the closing, Boulevard will also become a subsidiary of Holdco, which will be the publicly traded entity with its shares listed on NASDAQ, and the outstanding Boulevard shares will be converted in the business combination into shares of Holdco at a fixed exchange rate of one-to-one. All outstanding warrants to purchase Boulevard shares will, by their terms, become warrants to purchase shares of Holdco.

Estre shareholders are not receiving any cash consideration in the transaction and will receive shares of the new publicly traded holding company. After giving effect to the transaction and assuming no redemptions by the existing Boulevard stockholders, existing Estre shareholders will hold approximately 43% of the shares of the public company, while existing Boulevard stockholders will hold the remaining shares. It is anticipated that the cash held in trust by Boulevard (currently US$370 million) will be used to retire US$200 million of existing debt of Estre, at a discount to its outstanding principal amount, and to fund the company's growth plans and its working capital requirements, as well as transaction expenses.

The transaction, which has been approved by the Boards of Directors of Boulevard and Estre, is expected to close in the fourth quarter of 2017. Closing is subject to approval by Boulevard's shareholders and the satisfaction of other customary closing conditions.