Fras-le S.A.

Financial statements
December 31, 2021 and 2020

Contents

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Independent auditors' report on the financial statements

To the Shareholders, Board of Directors and Officers of
Fras-le S.A.
Caxias do Sul - RS

Opinion

We have audited the individual and consolidated financial statements of Fras-le S.A. (the "Company"), identified as Individual and Consolidated, respectively, which comprise the statement of financial position as at December 31, 2021 and the statements of income, of comprehensive income, of changes in equity and cash flows for the year then ended, and notes to the financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying financial statements present fairly, in all material respects, (or give a true and fair view of) the individual and consolidated financial position of the Company as at December 31, 2021, and its individual and consolidated financial performance and its cash flows for the year then ended in accordance with the accounting practices adopted in Brazil and with the International Financial Reporting Standards (IFRS) issued by the International Accounting Standards Board (IASB).

Basis for opinion

We conducted our audit in accordance with Brazilian and International Standards on Auditing. Our responsibilities under those standards are further described in the "Auditor's responsibilities for the audit of the individual and consolidated financial statements" section of our report. We are independent of the Company and its subsidiaries in accordance with the International Ethics Standards Board for Accountants' International Code of Ethics for Professional Accountants (including International Independence Standards) (IESBA Code), together with the ethical requirements that are relevant to our audit of the financial statements in Brazil, and we have fulfilled our other ethical responsibilities in accordance with these requirements and the IESBA Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Key audit matters

Key audit matters are those matters that, in our professional judgment, were of most significance in the audit of the financial statements of the current period. These matters were addressed in the context of our audit of the individual and consolidated financial statements as a whole, and in forming the auditor's opinion thereon, and we do not provide a separate opinion on these matters. For each matter below, our description of how our audit addressed the matter is provided in that context.
We have fulfilled the responsibilities described in the Auditor's responsibilities for the audit of the individual and consolidated financial statements section of our report, including in relation to these matters. Accordingly, our audit included the performance of procedures designed to respond to our assessment of the risks of material misstatement of the financial statements.
The results of our audit procedures, including the procedures performed to address the matters below, provide the basis for our audit opinion on the accompanying financial statements.

Recognition of sales revenue

Determining compliance with performance obligations for recognition of sales revenue, which involves, among other requirements, analysis of the amount of revenue to be recognized, as well recognition timing, requires that Company management analyze in depth the sales terms and conditions, and use professional judgment. This professional judgment may give rise to the risk of inappropriate recognition of revenue, especially referring to the monthly accounting closing period. Revenues earned by the Company, including recognition criteria, are disclosed in Note 24.

Due to these aspects, we considered recognition of sales revenue a key audit matter.

How our audit addressed this matter

Our procedures included, among others: (i) understanding of the sales process at the Company and its subsidiaries, including the point in time when revenues and accounts receivable are recognized; (ii) analyzing the monthly changes in revenue balances recognized by the Company, in order to assess the existence of changes that go against our expectations determined based on our knowledge of the industry and of the Company; and (iii) for a sample of sales recorded during the year, we obtained the respective supporting documentation to assess whether revenue was recognized in the appropriate accounting period. As a result of these procedures, we have not identified any audit adjustments relating to sales revenue recognition.

In addition, we conducted extensive audit tests on sale transactions carried out at year end, in order to confirm whether the accounting policy for revenue recognition had been consistently applied.

Based on the result of the audit procedures performed, which are consistent with management’s assessment, we believe that the practice adopted by the Company relating to recognition of revenue and respective disclosures are reasonable in the context of the individual and consolidated financial statements taken as a whole.

Impairment of assets – property, plant and equipment and intangible assets

As described in Note 14, the individual and consolidated financial statements present intangible assets, including goodwill and revaluation surplus arising from the acquisition of subsidiaries. As a result, the Company assessed the existence of impairment indicators for its cash-generating units (“CGUs”) and tested indefinite-lived intangible assets and the corresponding revaluation surplus for impairment. The Company’s analysis to determine its cash-generating units, of the need to apply impairment tests, and of the quantification of any loss, by virtue of determining the market value or recoverable amount due to the use of assets, demands a significant degree of judgment. Due to the significance of the amounts involved, the level of subjectivity of the judgments made by the Company and its asset valuation specialists, and the possible impact of any changes in assumptions associated with these judgments on the individual and consolidated financial statements and on the investment amount recorded in the individual financial statements using the equity method, we considered this matter a key audit matter.

How our audit addressed this matter

Our audit procedures involved, among others:

- Understanding the operational processes of the Company and its subsidiaries in assessing any indicators of asset impairment;
- Assessing the significant judgments adopted by the Company and its subsidiaries to identify each cash-generating unit (CGU) and to determine the need to test intangible assets for impairment;

Building a better working world

- Checking the consistency of the bases used in the studies of CGU recoverable amounts prepared by management with the budgets and projections approved by the Company's governance body;
- With the help of projection assessment specialists, we analyzed significant assumptions and judgments adopted by the Company and its subsidiaries for discounted cash flow projection, such as sales behavior, costs and expenses for the projection period and discount rates; and
- Assessment of the adequacy of the disclosure of assumptions used by the Company and its subsidiaries to determine the recoverable amount of assets, according to Notes 4.2 and 14 to the individual and consolidated financial statements.

Based on the results of our audit procedures, which are consistent with the management's assessment, we considered the estimates prepared by management for testing indefinite-lived intangible assets and revaluation surplus for impairment, and related disclosures, acceptable in the context of the individual and consolidated financial statements as a whole.

Other matters

Statements of value added

The individual and consolidated statements of value added (SVA) for year ended December 31, 2021, prepared under the responsibility of Company management, and presented as supplementary information for purposes of IFRS, were submitted to audit procedures conducted together with the audit of the Company's financial statements. To form our opinion, we evaluated if these statements are reconciled to the financial statements and accounting records, as applicable, and if their form and content comply with the criteria defined by NBC TG 09 – Statement of Value Added. In our opinion, these statements of value added were prepared fairly, in all material respects, in accordance with the criteria defined in abovementioned accounting pronouncement, and are consistent in relation to the overall individual and consolidated financial statements.

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

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

In preparing the individual and consolidated financial statements, management is responsible for assessing the company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the company or to cease operations, or has no realistic alternative but to do so.

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

Auditor's responsibilities for the audit of the individual and consolidated financial statements

Our objectives are to obtain reasonable assurance about whether the individual and consolidated financial statements as a whole are free of material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with Brazilian and International standards on Auditing will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

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

- Identify and assess the risks of material misstatement of the individual and consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the company's and its subsidiaries' internal control.

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management

- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the individual and consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the company to cease to continue as a going concern.

- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the individual and consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation

- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the group to express an opinion on the individual and consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

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

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

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

Porto Alegre, February 21, 2022.

ERNST & YOUNG
Auditores Independentes S.S.
CRC-2SP015199/F-7

Américo F. Ferreira Neto
Contador CRC-1-SP 192685/O-9

A free translation from Portuguese into English of individual and consolidated financial statements prepared in Brazilian currency in accordance with accounting practices adopted in Brazil and International Financial Reporting Standards (IFRS), issued by International Accounting Standards Board – IASB

Balance sheets at December 31, 2021 and 2020

(In thousands of Reais)

		Parent Company		Consolidated	
	Note	2021	2020	2021	2020
Assets		**2,498,470**	**2,298,978**	**3,082,318**	**2,841,904**
Current assets		**859,490**	**801,324**	**1,611,991**	**1,446,975**
Cash and cash equivalents	6	**195,965**	288,444	**363,599**	443,243
Marketable securities	7	**-**	19,585	**59**	19,637
Trade accounts receivable	8	**270,676**	211,879	**268,005**	289,193
Inventories	9	**302,450**	150,658	**825,226**	494,103
Recoverable taxes and contributions	10	**65,777**	119,020	**123,454**	171,970
Derivative financial instruments	29	**-**	3	**3,378**	8,316
Pension plans and post-employment benefits	12	**652**	115	**709**	154
Dividends receivable	11	**9,375**	3,552	**-**	-
Other current assets		**14,595**	8,068	**27,561**	20,359
Non-current assets		**1,638,980**	**1,497,654**	**1,470,327**	**1,394,929**
Long-term assets		**144,831**	164,467	**120,116**	151,556
Marketable securities	7	**31,922**	68,740	**31,922**	68,740
Recoverable taxes and contributions	10	**41,980**	37,021	**51,760**	54,988
Dividends receivable	11	**145**	164	**-**	-
Deferred taxes	23	**-**	-	**2,906**	-
Judicial deposits	18	**14,086**	13,556	**22,716**	22,005
Related parties	11	**51,326**	44,596	**-**	-
Pension plans and post-employment benefits	12	**-**	390	**-**	390
Other noncurrent assets		**5,372**	-	**10,812**	5,433
Investments	13	**1,011,851**	853,715	**27,581**	140
Property, plant and equipment	15	**325,444**	321,506	**660,834**	594,682
Investment property		**-**	-	**1,211**	1,272
Intangible assets	16	**106,557**	110,705	**498,759**	505,978
Right-of-use assets	17	**50,297**	47,261	**161,826**	141,301

See the accompanying notes to the financial statements.

Balance sheets at December 31, 2021 and 2020

(In thousands of Reais)

		Parent Company		Consolidated	
	Nota	2021	2020	2021	2020
Liabilities and shareholders' equity		**2,498,470**	**2,298,978**	**3,082,318**	**2,841,904**
Current liabilities		**440,888**	450,367	**825,520**	818,435
Loans and financing	19	**81,912**	136,609	**195,676**	220,711
Derivative financial instruments	30	**-**	-	**1,199**	2,257
Suppliers		**147,347**	97,738	**310,068**	265,401
Reverse factoring		**14,079**	-	**35,659**	1,213
Taxes and contributions		**25,238**	49,183	**64,458**	78,207
Salaries and payroll charges		**32,414**	22,376	**54,521**	38,291
Advances from clients		**30,284**	10,628	**32,257**	14,131
Dividends payable	29	**13,315**	12,519	**13,315**	12,519
Interest on own capital payable	29	**20,537**	33,364	**20,537**	33,364
Employee profit sharing and Directors' fees		**20,571**	15,764	**29,443**	20,223
Commissions payable		**3,580**	2,952	**3,797**	3,224
Lease liabilities	17	**4,241**	4,618	**12,376**	16,776
Accounts payable for business combination		**-**	50,130	**-**	50,130
Accounts payable to clients		**28,310**	-	**-**	-
Other current liabilities		**19,060**	14,486	**52,214**	61,988
Non-current liabilities		**962,013**	904,782	**1,150,843**	1,068,658
Loans and financing	19	**686,973**	624,978	**779,760**	702,426
Derivative financial instruments	30	**-**	-	**155**	-
Deferred taxes	23	**27,423**	42,275	**-**	5,308
Provision for litigation	18	**27,274**	10,189	**39,505**	21,700
Unrealized government grant		**2,013**	2,281	**2,013**	2,281
Employee profit sharing and Directors' fees		**7,621**	6,663	**8,553**	7,330
Payables to related parties	11	**259**	241	**6,972**	7,082
Lease liabilities	17	**48,697**	44,369	**143,906**	128,860
Accounts payable for business combination	2	**154,184**	172,113	**154,184**	172,113
Other non-current liabilities		**7,569**	1,673	**15,795**	21,558
Total equity		**1,095,569**	943,829	**1,105,955**	954,811
Capital	20	**600,000**	600,000	**600,000**	600,000
Tax incentive reserve		**9,192**	6,738	**9,192**	6,738
Reserves and capital transactions		**(4,623)**	(4,623)	**(4,623)**	(4,623)
Income reserves		**465,624**	320,912	**465,624**	320,912
Treasury shares	20	**(13,352)**	(13,352)	**(13,352)**	(13,352)
Other comprehensive income	20	**38,728**	34,154	**38,728**	34,154
Total controlling interests		**1,095,569**	943,829	**1,095,569**	943,829
Non-controlling interests		**-**	-	**10,386**	10,982

See the accompanying notes to the financial statements.

Statements of income
Years ended December 31, 2021 and 2020

(In thousands of reais, except earnings per share)

		Parent Company		Consolidated	
	Nota	2021	2020	2021	2020
Net Revenue	24	**1,157,779**	814,661	**2,582,166**	1,670,789
Costs of products sold and services provided	25	**(854,198)**	(587,911)	**(1,833,869)**	(1,190,880)
Gross profit		**303,581**	226,750	**748,297**	479,909
Operating income (expenses)		**(106,944)**	(44,875)	**(473,113)**	(239,929)
Sales	25	**(95,481)**	(66,596)	**(237,211)**	(147,918)
Administrative and general	25	**(69,535)**	(64,463)	**(187,216)**	(146,339)
Equity pick up in net income of subsidiaries	13	**92,514**	50,899	**553**	-
Other operating income (expenses), net	27	**(34,442)**	35,285	**(49,239)**	54,328
Income before financial revenues and expenses		**196,637**	181,875	**275,184**	239,980
Financial expenses	28	**(133,506)**	(170,669)	**(285,447)**	(277,836)
Financial income	28	**101,985**	195,272	**193,212**	262,129
Inflation adjustment	28	**26,146**	18,569	**43,090**	30,280
Income before income taxes		**191,262**	225,047	**226,039**	254,553
Income tax and social contribution	23	**19,966**	(36,680)	**(15,417)**	(72,507)
Net income for the year		**211,228**	188,367	**210,622**	182,046
Attributable to non-controlling shareholders				**(606)**	(6,321)
Attributable to the parent company's shareholders		**211,228**	188,367	**211,228**	188,367
Basic and diluted profit per share					
Attributable to controlling shareholders - holders of common shares	22	**0.9844**	0.8779	**0.9844**	0.8779

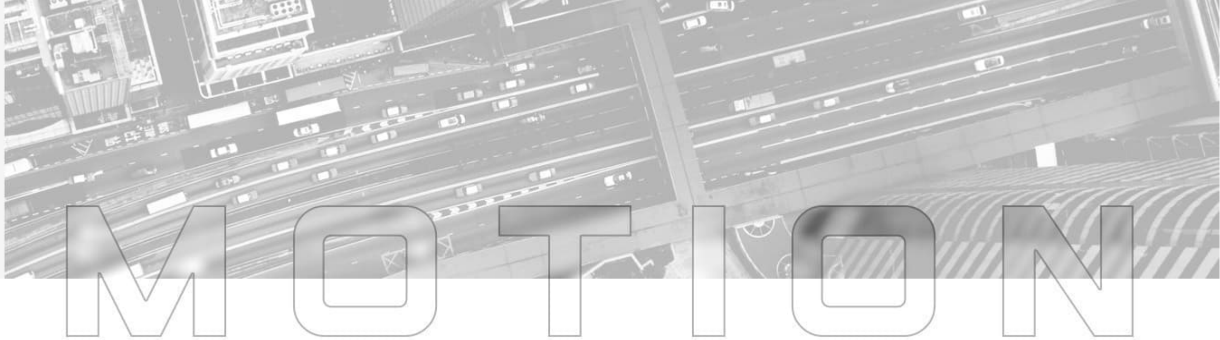
See the accompanying notes to the financial statements.

Statements of comprehensive income
Years ended December 31, 2021 and 2020

(In thousands of reais)

		Parent Company		Consolidated	
	Nota	2021	2020	2021	2020
Net income for the year		**211,228**	188,367	**210,622**	182,046
Items to be subsequently reclassified to income (loss)		**5,540**	42,269	**5,540**	42,269
Actuarial gain (loss), net		**168**	(953)	**168**	(953)
Total comprehensive income		**216,936**	229,683	**216,330**	223,362
Attributable to:					
Parent company's shareholders		**216,936**	229,683	**216,936**	229,683
Non-controlling shareholders		**-**	-	**(606)**	(6,321)
		216,936	229,683	**216,330**	223,362

See the accompanying notes to the financial statements.



Statements of changes in shareholders' equity
Years ended December 31, 2021 and 2020

(In thousands of reais)

	Capital	Capital reserves and transactions	Income reserves: Legal reserve	Income reserves: General profit reserve	Income reserves: Tax incentive reserve	Other comprehensive income and equity valuation adjustments	Retained earnings	Total controlling interest	Non-controlling interest	Total shareholders ' equity
Balances at December 31, 2019	**600,000**	**(4,623)**	**43,342**	**127,264**	**4,027**	**(5,851)**	**-**	**764,159**	**15,169**	**779,328**
Net income for the year	-	-	-	-	-	-	188,367	188,367	(6,321)	**182,046**
Accumulated translation adjustments	-	-	-	-	-	42,269	-	42,269	2,134	**44,403**
Actuarial evaluation	-	-	-	-	-	(953)	-	(953)	-	**(953)**
Tax incentive reserve	-	-	-	-	2,711	-	(2,711)	-	-	**-**
Realization of depreciation of the deemed cost	-	-	-	-	-	(1,311)	1,311	-	-	**-**
Proposed allocations:										
Reserves	-	-	9,418	127,536	-	-	(136,954)	-	-	**-**
Dividends	-	-	-	-	-	-	(12,513)	(12,513)	-	**(12,513)**
Interest on own capital - Law 9249/95	-	-	-	-	-	-	(37,500)	(37,500)	-	**(37,500)**
Balances at December 31, 2020	**600,000**	**(4,623)**	**52,760**	**254,800**	**6,738**	**34,154**	**-**	**943,829**	**10,982**	**954,811**
Net income for the year	**-**	**-**	**-**	**-**	**-**	**-**	**211,228**	**211,228**	**(606)**	**210,622**
Accumulated translation adjustments	**-**	**-**	**-**	**-**	**-**	**5,540**	**-**	**5,540**	**10**	**5,550**
Actuarial evaluation	**-**	**-**	**-**	**-**	**-**	**168**	**-**	**168**	**-**	**168**
Tax incentive reserve	**-**	**-**	**-**	**-**	**2,454**	**-**	**(2,454)**	**-**	**-**	**-**
Realization of depreciation of the deemed cost	**-**	**-**	**-**	**-**	**-**	**(1,134)**	**1,134**	**-**	**-**	**-**
Proposed allocations:										
Reserves	**-**	**-**	**10,439**	**143,151**	**-**	**-**	**(153,590)**	**-**	**-**	**-**
Additional Dividends	**-**	**-**	**-**	**(8,878)**	**-**	**-**	**-**	**(8,878)**	**-**	**(8,878)**
Dividends	**-**	**-**	**-**	**-**	**-**	**-**	**(13,311)**	**(13,311)**	**-**	**(13,311)**
Interest on own capital - Law 9249/95	**-**	**-**	**-**	**-**	**-**	**-**	**(43,007)**	**(43,007)**	**-**	**(43,007)**
Balances at December 31, 2021	**600,000**	**(4,623)**	**63,199**	**389,073**	**9,192**	**38,728**	**-**	**1,095,569**	**10,386**	**1,105,955**

See the accompanying notes to the financial statements.

Statements of cash flows
Years ended December 31, 2021 and 2020

(In thousands of reais)

	Parent Company		Consolidated	
	2021	2020	2021	2020
Cash flows from operating activities				
Net income for the year	**211,228**	188,367	**210,622**	182.046
Adjustments to reconcile income to net cash generated by (used in) operational activities				
Provision for current and deferred income tax and social contribution	**(19,966)**	36,680	**15,417**	72,507
Depreciation and amortization	**40,400**	37,189	**113,514**	90,906
Provision for disputes	**17,085**	(679)	**17,805**	2,367
Provision for expected credit losses	**510**	16	**2,734**	(125)
Provision for obsolete inventories	**(548)**	2,756	**(3,845)**	5,452
Other provisions	**6,393**	14,149	**11,016**	15,748
Residual cost of written-off and sold fixed assets	**372**	5,832	**4,389**	5,991
Equity pick up in net income of subsidiaries	**(92,514)**	(50,899)	**(553)**	-
Inflation adjustment	**(26,146)**	(18,569)	**(43,090)**	(30,280)
Income from legal proceedings, net of fees	**(9,949)**	(135,688)	**(9,250)**	(182,769)
Foreign exchange differences and interest on loans and leases	**57,990**	40,857	**85,884**	77,279
Changes in derivatives	**3**	(3)	**4,035**	5,639
Impairment/(reversal) of impairment	**(24,775)**	34,462	**(24,775)**	32,488
Revenue from government grant	**(268)**	(269)	**(268)**	(269)
Restatement (compensation) on retained values business combinations	**2,344**	-	**2,344**	-
Accounts Payable to clients	**28,310**	-	**30,542**	-
Changes in assets and liabilities				
Trade accounts receivable	**(56,667)**	(36,996)	**12,777**	(30,513)
Long-term marketable securities	**56,403**	(53,253)	**56,396**	(53,305)
Judicial deposits	**(530)**	1,924	**(711)**	(4,354)
Other accounts receivable	**(26,223)**	(37,006)	**(43,089)**	74,182
Inventories	**(151,501)**	5,315	**(324,985)**	(65,210)
Recoverable taxes	**58,233**	28,442	**60,994**	(37,886)
Suppliers	**49,609**	36,530	**65,835**	120,615
Other accounts payable	**73,240**	(719)	**40,601**	6,684
Cash generated (consumed) by operational activities	**193,033**	98,438	**284,339**	287,193
Income tax and social contribution	**(29,597)**	(22,261)	**(39,303)**	(45,977)
Net cash generated by operating activities	**163,436**	76,177	**245,036**	241,216
Cash flows from investment activities				
Business Combinations	**(82,108)**	(277,929)	**(82,108)**	(263,171)
Capital payment	**(5,672)**	-	**(5,673)**	
Cash from Merged Operation	**-**	21,568	**-**	-
Dividends received	**7,356**	2,529	**-**	-
Acquisition of property, plant and equipment and intangible assets	**(47,959)**	(28,066)	**(107,563)**	(56,469)
Net cash flow used in investment activities	**(128,383)**	(281,898)	**(195,344)**	(319,640)
Cash flows from financing activities				
Payment of interest on own capital and dividends	**(72,569)**	(14,060)	**(72,569)**	(14,060)
Loans	**111,874**	522,139	**271,374**	541,473
Payment of loans	**(125,716)**	(100,277)	**(242,339)**	(146,640)
Interest paid on loans	**(32,633)**	(16,708)	**(46,730)**	(18,395)
Leases paid	**(8,488)**	(6,307)	**(39,072)**	(19,102)
Net cash flow generated (used) in financing activities	**(127,532)**	384,787	**(129,336)**	343,276
Decrease in cash and cash equivalents	**(92,479)**	179,066	**(79,644)**	264,852
Statement of changes in cash and cash equivalents				
At the beginning of the year (Note 6)	**288,444**	109,378	**443,243**	178,391
At the end of the year (Note 6)	**195,965**	288,444	**363,599**	443,243
Decrease in cash and cash equivalents	**(92,479)**	179,066	**(79,644)**	264,852

See the accompanying notes to the financial statements.

Supplementary information on cash flow is presented in Note 29.

Statements of added value
Years ended December 31, 2021 and 2020

(In thousands of reais)

	Parent Company		Consolidated	
	2021	2020	2021	2020
Income				
Sales of products and services, (-) returns	**1,487,671**	1,073,588	**3,313,454**	2,105,367
Other income	**45,239**	101,324	**70,101**	153.251
Income from construction of own assets	**6,119**	15,080	**9,177**	17.384
Provision for expected credit losses	**(510)**	(16)	**(2,734)**	125
	1,538,519	1,189,976	**3,389,998**	2.276.127
Inputs acquired from third-parties (including tax)				
Raw materials used	**(614,933)**	(391,234)	**(1,136,084)**	(770,662)
Materials, energy, outsourced services and other operating expenses	**(314,095)**	(265,128)	**(815,131)**	(496,326)
Gross added value	**(929,028)**	(656,362)	**(1,951,215)**	(1,266,988)
Retentions				
Depreciation and amortization	**(40,400)**	(37,189)	**(113,514)**	(90,906)
Net added value generated by the Company	**569,091**	496,425	**1,325,269**	918,233
Added value received as transfer				
Equity pick up in net income of subsidiaries	**92,514**	50,899	**553**	-
Rents and royalties	**-**	33	**1,072**	364
Inflation adjustment	**26,146**	18,569	**43,090**	30,280
Financial income	**101,985**	195,272	**193,212**	262,129
	220,645	264,773	**237,927**	292,773
Total added value payable	**789,736**	761,198	**1,563,196**	1,211,006
Distribution of added value				
Personnel				
Direct remuneration	**168,736**	120,392	**333,664**	237,931
Benefits	**33,554**	21,719	**71,451**	42,003
Severance pay fund (FGTS)	**15,625**	12,464	**25,444**	16,923
Sales commissions	**-**	-	**320**	122
Directors' fees and profit sharing	**4,228**	4,146	**10,232**	6,563
Employees' profit sharing	**24,453**	22,999	**29,512**	28,438
Pension plan	**906**	(3)	**2,220**	454
	247,502	181,717	**472,843**	332,434
Taxes				
Federal	**118,650**	131,360	**322,066**	257,722
State	**69,737**	83,853	**247,015**	142,421
Municipal	**1,041**	761	**1,428**	1,122
	189,428	215,974	**570,509**	401,265
Lenders				
Financial income and expenses	**133,506**	170,669	**285,447**	277,836
Rentals	**8,072**	4,471	**23,775**	17,425
	141,578	175,140	**309,222**	295,261
Remuneration of own capital				
Interest on own capital and dividends	**56,322**	50,013	**56,322**	50,013
Non-controlling interest in retained earnings	**-**	-	**(606)**	(6,321)
Retained earnings for the year	**154,906**	138,354	**154,906**	138,354
Distributed added value	**789,736**	761,198	**1,563,196**	1,211,006

See the accompanying notes to the financial statements.

Notes to financial information

(In thousands of reais - R$, unless otherwise stated)

1 Company's General information

Fras-le S.A. ("Fras-le or Parent Company", in conjunction with its subsidiaries referred to as "Consolidated" or the "Company"), is a publicly-held corporation with shares traded in B3 S.A. – Brasil, Bolsa, Balcão (FRAS3), and with main offices in Caxias do Sul, state of Rio Grande do Sul. The Company is part of Level 1 of B3's Corporate Governance and belongs to Randon Group companies. The Company is the largest manufacturer of friction materials in Latin America and one of the world's leading companies in this industry.

The Company's individual and consolidated financial statements for the year ended December 31, 2021 were authorized for issue by the Executive Board in a meeting held on February 21, 2022.

2 Basis of preparation

The individual and consolidated financial statements were prepared in accordance with International Financial Reporting Standards (IFRS) issued by the International Accounting Standards Board (IASB) and with the accounting practices adopted in Brazil issued by the Brazilian Financial Accounting Standards Board (CPC), approved by the Brazilian Securities and Exchange Committee (CVM), effective as at December 31, 2021 and 2020.

Company financial statements were prepared for the purpose of disclosing only the information considered significant and that assists the users of the financial statements in their decision-making process. The information included in Company financial statements is consistent with the information used to manage the Company's operations. The individual and consolidated financial statements are presented in Reais, which is the Company's functional currency. All balances were rounded to the nearest thousand, unless otherwise stated.

Preparation of the financial statements requires the use of certain estimates and judgments and adoption of assumptions, which requires that management use judgment for applying the Company's accounting practices. These financial statements include estimates referring to accounting for certain assets, liabilities and other transactions.

The areas that involve a high level of judgment or complexity, or the areas in which the assumptions and estimates are significant for the preparation of the financial statements are described in Note 4.

2.1 Hyperinflationary economy (CPC 42/IAS 29)

Argentina was considered a hyperinflationary economy starting on July 01, 2018, after exceeding 100% accumulated inflation in the last three periods. For this reason, the financial statements of subsidiaries operating in hyperinflationary economies are restated by the change in the general purchasing power of the currency, in such a way that their amounts are stated in the monetary unit of measurement at the end of the period, as determined by CPC 42/IAS 29 - Financial Reporting in Hyperinflationary Economies.

Non-monetary assets and liabilities are recorded at historical cost, and restated considering the change in general purchasing power of the currency, applying a consumer price index. Shareholders' equity and the statement of incomed are also restated.

The impacts of inflation adjustment up to December 31, 2018 were recognized in the shareholders' equity of the subsidiaries, and the inflation adjustment of the subsequent periods were recognized directly in the statement of income in a specific account in financial results(Note 28).

The exchange rate used to translate the financial information of the subsidiaries in Argentina into the Company's reporting currency takes into account the closing conversion rate disclosed by the Central Bank of Brazil (BACEN).

In the consolidation, the differences resulting from currency translations were reflected in the Company's equity interest in Other Comprehensive Income.

The impacts of hyperinflation resulting from changes in the general purchasing power were reported in the financial results in Company's financial statements. As a result of the foregoing effects, on December 31, 2021 and 2020, the Company recognized in its statement of income the amounts of, respectively, R$ 26,146 in the Parent Company and R$ 43,090 in consolidated and R$ 18,569 in the Parent Company and R$ 30,280 in consolidated.

2.2 Basis of consolidation and investments in subsidiaries

The Company applied the accounting policies described below consistently to all the years presented in these individual and consolidated financial statements.

a. *Subsidiaries*

The Company controls an entity when it is exposed to, or has a right over the variable returns arising from its involvement with the entity and has the possibility to affect those returns exerting its power over the entity. The financial statements of the subsidiaries are included in the consolidated financial statements as from the date they start to be controlled by the Company until the date such control ceases.

The individual financial information of the parent company, financial information of subsidiaries is recognized under the equity method.

b. *Transactions eliminated upon consolidation*

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

The consolidated financial statements are comprised by the Companies and its subsidiaries as of December 31, 2021 and 2020, as follows:

Subsidiaries	Business Purpose	Host Country	2021 %	2020 %
Armetal Autopartes S.A. *(a)*	Distribution of auto parts	Argentina	100.00	100.00
ASK Fras-le Friction Private Limited (a)	Manufacturing and sales of auto parts	India	51.00	51.00
FANACIF S.A *(a)*	Manufacturing and sales of auto parts	Uruguay	100.00	100.00
FARLOC Argentina S.A.I.C YF (c)	Manufacture of brake fluid and coolant fluids	Argentina	76.09	76.09
Fras-le Andina Com. Y Repres. Ltda. *(a)*	Representativeness and sales of auto parts	Chile	99.00	99.00
Fras-le Argentina S.A. *(a) – Note 2.3*	Representativeness and sales of auto parts	Argentina	99.84	99.84
Fras-le Europe B.V. *(a)*	Distribution of auto parts	Netherlands	100.00	100.00
Fras-le Europe GmBH *(a)*	Representativeness and sales of auto parts	Germany	100.00	100.00
Fras-le Friction Material Pinghu Co Ltd.*(a)*	Manufacturing and sales of auto parts	China	100.00	100.00
Fras-le México S de RL de CV *(a)*	Representativeness and sales of auto parts	Mexico	99.66	99.66
Fras-le North America, Inc. *(a)*	Manufacturing and sales of auto parts	United States of America	100.00	100.00
Fras-le Panamericana S.A.S *(a)*	Representativeness and sales of auto parts	Colômbia	100.00	100.00
Freios Controil Ltda. *(b)*	Manufacturing of parts and accessories to automotive vehicles	Brazil	99.99	99.99
Jiaxing Bafu trading Co. Ltd (d)		China	100.00	100.00
Jurid do Brasil Sistemas Automotivos Ltda. *(b)*	Manufacturing of parts and accessories to automotive vehicles	Brazil	80.10	80.10
Nakata Automotiva Ltda. (b) – *Note 2.4*	Manufacturing and sales of parts and accessories for automotive vehicles	Brazil	100.00	100.00

(a) Subsidiaries controlled abroad.
(b) Subsidiaries controlled in the country.
(c) Foreign subsidiary with direct control retained by Armetal Autopartes S.A.
(d) Foreign subsidiary with direct control retained by Fras-le Friction Material Pinghu Co Ltd.

c. *Associates*

Associates are all entities over which the Company has significant influence, but not control, usually together with equity interest. Investments in associates are accounted for under the equity method and are initially recognized at cost.

The Company holds equity interest in the following associate:

Associate	Corporate purpose	Country	2021 %	2020 %
Centro Tecnológico Randon Ltda (a)	Service, development and management of experimental research projects	Brazil	45.07	-

(a) Information on capital payment in the associate Centro Tecnológico Randon Ltda is included in Note 13 Investments.

2.3 Merger of subsidiary Fremax Sistemas Automotivos Eireli

At the Special General Meeting held on July 1, 2020, the merger of the subsidiary Fremax Sistemas Automotivos Eireli ("Fremax") by the Company was approved. The merger did not result in capital increase at the Company, which will remains unchanged considering that the investment held by the Company in Fremax was canceled and replaced by the assets and liabilities absorbed as a result of the merger. On July 1, 2020, asset and liability balances of Fremax were merged by the Company for the carrying amount of R$ 61,567.

As of the merger, the goodwill and surplus values resulting from the business combination in the acquisition of Fremax were allocated as assets of the parent company. The goodwill corresponding to the merged entity is stated in the specific “Goodwill” account, in the group of intangible assets, in the individual and consolidated balance sheets. The total merged value, considering net assets, goodwill and added value of R$ 182,171.

With the merger of Fremax, the parent company now holds 99.84% of direct interest in the subsidiary Fras-le Argentina S.A., adding the amount of R$6,513 to the investment.

2.4 Business combination

Business combinations are recorded using the acquisition method when control is transferred to the Company. The cost of an acquisition is measured as the sum of the consideration transferred, measured at the fair value on the acquisition date, and the value of any non-controlling interests in the acquiree. For each business combination, the acquirer should measure non-controlling interests at fair value or based on the proportionate share in the identifiable net assets of the acquiree. Costs directly attributable to the acquisition are recognized as expenses, as incurred.

The consideration transferred does not include amounts referring to payment of preexisting relationships. These amounts are usually recognized in statements of income for the period in which they occur.

Any contingent consideration to be transferred by the acquirer will be recognized at fair value at the acquisition date. Contingent consideration classified as equity is not remeasured and its subsequent settlement is accounted for within equity. Other contingent consideration is measured at fair value at each reporting date with changes in fair value recognized in profit or loss for the period in which they occur.

Goodwill is initially measured as the excess of the consideration transferred in relation to net assets acquired (net identifiable assets acquired and liabilities assumed). If the consideration is lower than the fair value of net assets acquired, the difference is recognized as a gain in statements of income.

a. *Acquisition of the subsidiary Nakata Automotiva S.A.*

According to material news release dated December 17, 2019, the Company entered into a Share Purchase and Sale Agreement and Other Covenants with the objective of acquiring the totality of the capital stock of Nakata Automotiva S.A., a privately-held company headquartered in the city of São Paulo.

The Company's main objective with the business is to strengthen its performance in the auto parts replacement segment as a result of the increase in the product portfolio, which represents a competitive differential in this market.

The deal was effectively closed on September 1, 2020, after compliance with all the conditions precedent contained in the Share Purchase and Sale Agreement and Other Covenants, including approval by the Brazilian Antitrust Agency (CADE) on July 3, 2020 and by the Company's shareholders at the Special General Meeting held on July 23, 2020.

On February 17, 2021, the valuation report of the fair value of the acquired assets and liabilities assumed in this acquisition was completed, including the calculation and allocation of goodwill in accordance with CPC 15 (R1) - Business combinations (IFRS 3). In comparison to September 30, 2020, the date of the first allocation analysis, the experts carried out reviews of the fair value of intangible assets and present value adjustment of the contingent consideration, resulting in an increase in goodwill of R$1,463.

Assets acquired and liabilities assumed considering Nakata’s balance sheet as of August 31, 2020, and the fair value adjustments estimated based on the experts’ preliminary report are summarized below. The subsidiary’s income after acquisition are presented in Note 13.

	Carrying amount	Fair value
Assets	**322,537**	**612,406**
Current assets		
Cash and cash equivalents	14,758	14,758
Derivative financial instruments	11,854	11,854
Trade accounts receivable	116,895	116,895
Recoverable taxes and contributions	23,048	23,048
Inventories	100,474	100,474
Other assets	9,896	9,896
Non-current assets		
Property, plant, equipment and Intangible assets	23,691	313,560
Lease	21,921	21,921
Liabilities	**212,240**	**212,240**
Current liabilities		
Suppliers	51,070	51,070
Personnel obligations	29,706	29,706
Loans and financing	37,150	37,150
Lease liabilities	5,173	5,173
Other liabilities	25,702	25,702
Non-current liabilities		
Loans and financing	43,625	43,625
Sundry provisions	778	778
Lease liabilities	17,584	17,584
Other liabilities	1,452	1,452
Assets net of liabilities	**110,297**	**400,166**

Goodwill recognized as a result of the acquisition was determined as follows:

Consideration transferred (a)	376,265
Contingent consideration (b)	102,218
Total consideration	**478,483**
Equity acquired	110,297
Identifiable assets	
Property, plant and equipment (c)	13,765
Intangible assets (d)	276,104
Goodwill	**78,317**

(a) The consideration involved in this operation considered the fair value of all payments and debts assumed. The total consideration of the acquired company amounted to R$478,483, of which R$274,577 was paid on the business combination date, R$3,352 in December 2020, and R$98,336 will be paid within 8 years as from the acquisition date, accruing interests that vary between 100% and 115% of the CDI, where R$68,336 will derive from restricted liquidity investments until the contractual provisions are met. The contingent consideration comprises mainly amounts withheld relating to future tax benefits, in the amount of R$58,934, that will be divided with sellers, as adjusted to present value, and amounts withheld totaling R$43,285 that are conditioned on the business performance. The payment term ranges from 1 to 9 years. In the year ended December 31, 2021, the Company partially released restricted investments, in the amount of R$39,205, and the payment of amounts withheld that were conditioned on the business performance, in the amount of R$42,903. The Company reviewed the estimates of future tax benefits, taking into account the unit's revised projections. The calculation revision generated an additional liability of R$16,358, recognized in other operating expenses and finance income (costs). The Company offset the amounts withheld and tax benefits with contingencies paid in the period, amounting to R$8,641, and recognized an asset for the amounts not yet offset, amounting to R$5,373. The balance payable at the end of the period was R$132,662.

(b) The property, plant and equipment items of the acquiree on the acquisition date consisted mostly of machinery and equipment. The methods used for valuation of PP&E were direct market data, replacement cost and historical cost.

The first method analyzes market conditions and transactions comparable to the asset being valued, so that the fair value may be determined based on reliable and available sales data. The second method consists of assessing the value and associated values for substitution, replacement or reproduction of the assets. As for the historical cost valuation method, the value of the asset is calculated based on the monetary adjustment of its acquisition cost, determined in accounting records, and application of specific economic indexes, generally used by competent and official agencies. The fair value allocated to PP&E was of R$13,765.

The surplus value will be depreciated over the related useful life.

(c) The identified intangible assets whose value can be safely measured by the Company refer to the customer portfolio and trademarks. The customer portfolio was valued using the Multi Period Excess Earnings Method (MPEEM), which is based on a calculation that discounts cash flows from future economic benefits attributable to the customer base, net of eliminations of the contribution obligations implied in its generation. To estimate the remaining useful life of the customer base, a churn rate was applied to the revenue base, estimated based on analysis of the customer portfolio and historical revenue, representing an economic useful life of 13.33 years. The fair value allocated to customer relationship, on the acquisition date, was R$172,438, which will be amortized over its useful life.

The trademarks were valued using the Relief from Royalties method, which consists of assessing the asset with capitalization of the royalties that are saved due to the intellectual property held. In other words, the trademark owner makes a profit from owning the intangible asset instead of having to pay royalties for its use. The royalty savings were determined by applying a market royalty rate (expressed as a percentage of revenues) to future revenues that are expected to be obtained from the sale of the product or service associated with the intangible asset. The economic useful life considered for this intangible asset was 19.33 years and the fair value allocated, on the acquisition date, was R$103,666, amortized over the term of its useful life.

The goodwill calculated in the amount of R$78,317 represents the expected future economic benefit from synergies resulting from the acquisition. Nakata Automotiva S.A. contributed with net revenue of R$298,793 and net income of R$30,475 from the acquisition date until December 31, 2020 to statements of income for the year. Had the combination occurred at the beginning of that year, consolidated net revenue for 2020 would have totaled R$1,968,205.

b. *Accounts payable due to business combination*

At December 31 and 2021 and 2020, the balances payable in connection with business combination are broken down as follows:

Subsidiary	2021	2020
Armetal	9,597	9,721
Fremax	11,925	11,024
Nakata (Note 2.4)	132,662	201,498
Total	**154,184**	**222,243**
Current	**-**	**50,130**
Noncurrent	**154,184**	**172,113**

2.5 Covid-19 impacts

On January 30, 2020, the World Health Organization ("WHO") announced a global health emergency due to the outbreak of the Coronavirus (COVID-19) originating in Wuhan, China, alerting to the risks in the international community given the ability of the virus to spread globally, beyond its point of origin. In March 2020, the COVID-19 outbreak was classified as a pandemic by the WHO.

The Company adopts all necessary measures to protect employees and assist in combating Covid-19. The measures adopted include collective vacation granted in the period of interruption of most industrial activities and resumption of operations, firstly in the locations where the Company operates, with measurement of the temperature of employees, availability of masks and facial protectors, intensification in the cleaning of collective environments and of vehicles for transportation of employees, changes in the way meals are served in the cafeteria, in addition to adoption of distance work. The Company management continues to monitor and take actions in relation to COVID-19.

In the year ended December 31, 2020, the Company identified circumstances that could indicate impairment of nonfinancial assets, as mentioned in Note 14. Additionally, due to historical losses aggravated by the pandemic, the Company derecognized R$5,227 in deferred tax assets relating to the unit ASK Fras-le Friction (India).

At December 31, 2020 and December 31, 2021, management assessed key risks and accounting impacts, as well as uncertainties that could affect that information. Management understands that the COVID-19 pandemic did not have any significant impacts on Company's financial statements. The Company did not identify any going concern risks, nor any risks to accounting estimates and judgments.

3 Significant accounting policies

Significant accounting policies and practices are described in each corresponding explanatory note, except those presented below, which refer to more than one note. The accounting policies and practices were consistently applied for all years presented and for the individual and consolidated financial statements of the Company.

3.1 Translation of foreign currency balances

Each subsidiary of the Company determines its own functional currency, and for those whose functional currencies are different from the Real, the financial statements are translated into Real on the closing date.

The functional currency of each company is as follows:

Subsidiaries	Functional currency
Armetal Autopartes S.A.	Argentine peso
ASK Fras-le Friction Private Limited	Rupia
FANACIF S.A	US dollar
FARLOC Argentina S.A.I.C YF	Argentine peso
Fras-le Andina Com. Y Repres. Ltda.	Chilean Peso
Fras-le Argentina S.A.	Argentine peso
Fras-le Europe B.V.	Euro
Fras-le Europe GmBH	Euro
Fras-le Friction Material Pinghu Co Ltd.	Yuan
Fras-le México S de RL de CV	Mexican Peso
Fras-le North America, Inc.	US dollar
Fras-le Panamericana S.A.S	Colombia Peso
Freios Controil Ltda.	Real
Jiaxing Bafu trading Co. Ltd	Yuan
Jurid do Brasil Sistemas Automotivos Ltda.	Real
Nakata Automotiva Ltda.	Real

a. ***Transactions and balances***

Transactions in foreign currency are initially recorded at the exchange rate of the functional currency in force on the date of transaction. Monetary assets and liabilities denominated in foreign currencies are reconverted at the foreign exchange rate of the functional currency in force on the balance sheet date. All differences are reported in the statement of income.

b. ***Transactions and balances with subsidiaries***

The assets and liabilities of foreign subsidiaries are translated into Reais at the exchange rate on the balance sheet date, and the corresponding statements of income are translated at the monthly average rates for the period, except for operations in hyperinflationary economies, where all financial information is translated at the closing exchange rate. Foreign exchange differences derived from this translation are accounted for separately in other comprehensive income and accumulated in equity valuation adjustments.

3.2 Financial instruments

When fair value of financial assets and liabilities presented in the statement of financial position may not be obtained from active markets, it is determined using valuation techniques, including the discounted cash flow method. These methods use observable market data, whenever possible. Otherwise, a given judgment call is required in order to determine the fair value. Judgment includes consideration of the data used, such as liquidity risk, credit risk and volatility. Changes in assumptions on these factors could affect the reported fair value of financial instruments.

Debt instruments are subsequently measured at fair value through profit or loss, amortized cost or fair value through other comprehensive income. Classification is based on two criteria: the Company's business model for managing assets and whether the contractual cash flows from the instruments represent solely payments of principal and interest on the outstanding principal amount. The Company classifies its financial instruments based on the business model, which consists solely in payment of principal and interest on the outstanding principal amount. The Company designated no financial liabilities at fair value through profit or loss.

The Company is a party to reverse factoring transactions recorded in specific line items in the individual and consolidated financial statements, in which its suppliers assign receivables to financial institutions that agree to acquire such receivables, without the Company being involved. This transaction does not imply any change in the notes issued by suppliers, and the original amount and payment terms are maintained.

3.3 Adjustment to present value of assets and liabilities

Monetary assets and liabilities are adjusted at present value when the effect is considered material in relation to the financial statements taken as a whole. The calculation of the adjustment to present is based on interest rate that reflects the term and the risk of each transaction. For forward transactions, the Company and its subsidiaries use the change in the Interbank Deposit Certificate (CDI) rate, as this is the reference rate used in forward transactions.

The present value adjustment of accounts receivable is stated as a counterpart to "gross revenue" in income (loss) and the difference between a transaction's present value and a transaction's face value is deemed to be financial income, and will be appropriated at the extent of amortized cost and effective rate throughout the maturity date of the transaction.

The adjustment to present value of purchases is recorded in the accounts of suppliers and costs, and their realization has – as counterpart – the financial expense account, by the fruition of the term of its suppliers.

Other long-term liabilities, such as accounts payables due to business combination, are also adjusted at present value, based on the Interbank Deposit Certificate (CDI) rate, and their realization is matched against finance costs over the period incurred.

As of December 31, 2021 and 2020, no other transactions were identified that were considered material in relation to the financial statements taken as a whole.

3.4 Other employee benefits

Other benefits granted to employees and administrators of the Company include, in addition to a fixed compensation (salary and contributions to social security - Brazilian Social Security Agency ("INSS"), paid vacation, 13th monthly salary), variable compensation such as profit sharing and private pension plan - defined contribution (Note 26). These benefits are recorded in income for the year when the Company has an obligation on the accrual basis, as they are incurred.

3.5 Government grants

Government grants are recognized whenever there is reasonable certainty that the benefit will be received and all corresponding conditions will be met. When the benefit is related to an expense item it is recognized as revenue for the period the benefit was granted, on a systematic basis in relation to the costs offset by such benefit. When the benefit is related to an asset, it is recognized as deferred income and recorded in the income at equal amounts throughout the estimated useful life of the corresponding asset.

3.6 Statement of added value

The Company prepared individual and consolidated statements of added value in accordance with the rules of technical pronouncement CPC 09 - Statement of Added Value, which are presented as an integral part of the financial statements under BRGAAP applicable to publicly-held companies, whereas under IFRS they represent additional financial information.

4 Significant judgments, estimates and assumptions

In the preparation of these individual and consolidated financial statements, management used judgments, estimates and assumptions that affect the Company’s application of accounting principles and the reported amounts of assets, liabilities, income and expenses.

The estimates and respective assumptions are based on historical experience and other factors considered significant. Actual results may differ from these estimates.

Estimates and assumptions are reviewed on an ongoing basis. Revised estimates are recognized prospectively.

4.1 Judgments

The information about judgements applied in the preparation of the Company’s financial statements whose effect is more significant on the amounts recognized on individual and consolidated financial statements are included in the following notes:

- Note 2.4 – Business combinations
- Note 10 – Recoverable taxes and contributions
- Note 14 – Impairment
- Note 15 – Property, plant and equipment
- Note 16 – Intangible assets
- Note 17 – Leases
- Note 18 – Provision for claims

- Note 24 – Net revenue

4.2 Uncertainties on assumptions and estimates

Information on uncertainties as to assumptions and estimates that pose a high risk of resulting in a material adjustment within the year to end at December 31, 2021 are included in the following notes:

- Note 2.4 – Business combinations
- Note 08 – Trade accounts receivable
- Note 09 – Inventories
- Note 10 - Recoverable taxes and contributions
- Note 12 - Pension plans and post-employment benefits for employees
- Note 14 – Impairment
- Note 15 - Property, plant and equipment
- Note 16 - Intangible assets
- Note 18 - Provision for claims
- Note 23 - Income tax
- Note 28 - Financial results
- Note 30 - Objectives and policies for financial risk management

The main assumptions regarding sources of uncertainties in estimates for the future and other significant uncertainties related to the estimates in the balance sheet date, involving the risk of requiring significant adjustments in the carrying amount of assets and liabilities in the next year are highlighted as follows:

a. *Business combinations*

The Company applied judgments to determine the consideration, contingent liabilities and accounts payable resulting from the business combination, detailed in Note 2.4.

b. *Revenue from contracts with customers*

The Company applied judgments on contract revenues with the customer in relation to the determination of the amount and the timing of recognition of customer revenue in Note 24.

c. *Expected credit losses for accounts receivable and contract assets*

The Company uses a provision matrix to calculate the expected credit loss for accounts receivable and contract assets. The provision rates are based on days past due for groupings of various customer segments that have similar loss patterns (such as by customer type and rating, among others).

The provision matrix is initially based on the Group's historical observed default rates. The Company reviews the matrix to adjust the historical credit loss experience with forward-looking information.

Annually, the historical observed default rates are updated and changes in the forward-looking estimates are analyzed. The assessment of the correlation between historical observed default rates, forecast economic conditions and ECLs is a significant estimate.

The amount of ECLs is sensitive to changes in circumstances and of forecast economic conditions. The Company's historical credit loss experience and forecast of economic conditions may also not be representative of customer's actual default in the future.

d. ***Measurement at fair value of investment properties***

The fair value of investment properties was determined by independent external real estate appraisers, with appropriate and recognized professional qualification, and recent experience in the property location and category that is being appraised. The independent reviewers provide the fair value of the investment properties' portfolio on each reporting date.

e. ***Taxes***

There are uncertainties in relation to the interpretation of complex tax regulations and the amount and timing of future taxable income. Considering the many issues involved in international business relationships, as well as the long-term nature and the complexity of existing contractual instruments, differences between actual income and the adopted assumptions, or future changes in those assumptions, may lead to the necessity of future adjustments in already recorded tax expenses and income.

The deferred tax asset is recognized for all tax loss carryforwards not utilized to the extent that it is probable that there will be future taxable income against which they can be offset. Substantial judgment from Management is required to determine the amount of the deferred income tax and social contribution asset that can be recognized, based on the probable term and amount of future taxable income, with tax planning strategies.

For further details on deferred taxes, see Note 23.

Recoverable taxes and contributions are recorded based on current tax legislation and involve uncertainties regarding tax legal matters being discussed at courts, under the general resonance principle, which may result in significant changes in the estimates made by management at the date of the financial statements.

For more details on recoverable taxes and contributions, see Note 10.

f. *Retirement benefits*

The cost of retirement plans with defined benefits and other post-employment medical care benefits and present value of retirement liability is determined by means of actuarial evaluation methods. The actuarial evaluation requires the use of assumptions of discount rates, expected asset return rates, future salary increases and mortality rates and future increase of retirement and pension benefits. Defined benefit obligation is highly sensitive to changes in those assumptions. All assumptions are reviewed on the base dates

For further details on the assumptions used, see Note 12.

g. *Measurement at fair value of financial instruments*

The Company's accounting practice on the measurement of financial instruments is described in Note 3.2.

h. *Provisions for tax, civil, labor and social security risks*

The Company recognizes provision for tax, civil and labor claims. Determination of the likelihood of loss includes determination of evidences available, hierarchy of laws, jurisprudence available, more recent court decisions and relevance thereof in legal system, as well as evaluation of external lawyers. Provisions are reviewed and adjusted so as to consider changes in circumstances, such as applicable statute of limitations, conclusions of tax audits or additional exposures identified based on new matters or court rulings.

i. *Impairment loss of non-financial assets*

Management annually reviews the recoverable amount of assets for the purpose of assessing events or changes in economic, operating or technological circumstances that could indicate impairment or loss of their recoverable amount When such evidence is identified and carrying amount exceeds the recoverable amount, a provision for impairment is set up adjusting carrying amount to the recoverable amount. The recoverable amount of an asset or cash-generating unit is defined as the higher of value in use and fair value less cost of disposal.

In estimating value in use of assets, estimated future cash flows are discounted to present value, using a discount rate that reflects the weighted average cost of capital for the industry in which the cash-generating unit operates. Fair value net of selling expenses is calculated, whenever possible, based on recent market transactions between knowledgeable, willing parties involving similar assets. In the absence of this type of observable transactions, an appropriate valuation method is used. The calculations provided for in this model are corroborated by fair value indicators available such as quoted prices for listed entities.

The Company bases its impairment assessment on recent financial budgets and forecasts, which are prepared on an item-by-item basis by management for each cash-generating unit to which the assets are allocated. The projections based on these forecasts and budgets usually comprise a period of five years.

Impairment losses are recorded in statements of income consistently with the function of the impaired asset. Impairment is reversed only if the estimates used change. Reversal is limited to the carrying amount of the asset net of depreciation, amortization or depletion, and recorded in statements of income.

Goodwill is tested for impairment annually using October 31 basis or when the circumstances indicate that carrying amount is impaired.

Impairment losses of a cash-generating unit to which goodwill is related are recognized when the recoverable of the unit is lower than carrying amount. The loss is recognized and allocated to reduce the carrying amount of the assets in the following order: (a) reducing the amount of goodwill allocated to the cash-generating unit; and (b) subsequently, to the other assets of the unit in proportion to carrying amount of each asset. Impairment of goodwill is not reversed.

j. ***Evidence of hyperinflationary economy***

As disclosed in Note 2.1, the accounting and disclosure standards for highly inflationary economies, i.e., paragraph 3 of CPC 42/IAS 29, does not provide for the use of a specific price index, but allows judgment to be used in defining when the inflation adjustment of the financial statements becomes necessary. Thus, the indices used were based on the information provided by the National Institute of Statistics and Censuses of Argentina (INDEC): IPIM - Índice de Precios Internos al por Mayor [Internal] and IPC - Índice de precios al consumidor [Consumer].

5 Standards, amendments and interpretations

5.1 Standards effective as of January 1, 2021

The Company applied for the first time certain standards and amendments that are effective for annual periods beginning on or after January 1, 2021 (unless otherwise stated). The Company has decided not to early adopt any other standard, interpretation or amendment that has been issued but is not yet effective.

• Amendments to CPC 06 (R2), CPC 11, CPC 38, CPC 40 (R1) and CPC 48: Interest Rate Benchmark Reform: The amendments to CPC 38 and CPC 48 provide temporary reliefs which address the financial reporting effects when an interbank deposit certificate (CDI) is replaced with an alternative nearly risk-free interest rate (RFR). These amendments had no impact on the individual and consolidated financial statements.

• Amendments to CPC 06 (R2): Covid-19-Related Rent Concessions beyond June 30, 2021:

The Company has applied the practical expedient provided for in the revision of CPC 06 (R2) and CVM Rule No. 859 to all benefits granted under lease contracts in which:

(a) the change in lease payments resulted in a revised consideration to the lessor substantially equal to or less than the rent consideration immediately prior to the change;

(b) any reduction in lease payments affected only payments originally due before June 30, 2022; and

(c) there has been no substantive change in other terms and conditions of the contract.

In compliance with the requirements of this practical expedient, the Company has not made any changes in the calculation and allocation of leases affected by contingency actions relating to Covid-19. The amended contracts did not have material impacts.

5.2 Standards issued but not yet in force

The standards and interpretations issued but not yet adopted to the date of issuance of the financial statements of the Company, are shown below. The Company does not plan to adopt these standards in advance.

The following amendments and interpretations will have no significant impact on Company financial statements:

• Amendments to IAS 1: Classification of liabilities as current or noncurrent: In January 2020, the IASB issued amendments to paragraphs 69 to 76 of IAS 1, correlated with CPC 26, to specify the requirements for classifying liabilities as current or noncurrent. The amendments are effective for periods beginning on or after January 1, 2023.

• Amendments to IAS 8: Definition of accounting estimates: In February 2021, the IASB issued amendments to IAS 8 (correlated with CPC 23), in which it introduces a definition of 'accounting estimates'. The amendments clarify the distinction between changes in accounting estimates and changes in accounting policies and the correction of errors. Also, they clarify how entities use measurement techniques and inputs to develop accounting estimates. The amendments are effective for reporting periods beginning on or after January 1, 2023 and apply to changes in accounting policies and changes in accounting estimates that occur on or after the start of that period.

• Amendments to IAS 1 and IFRS Practice Statement 2: Disclosure of accounting policies: In February 2021, the IASB issued amendments to IAS 1 (correlated with CPC 26 (R1)) and IFRS Practice Statement 2 Making Materiality Judgements, in which it provides guidance and examples to help entities apply materiality judgements to accounting policy disclosures. The amendments aim to help entities provide accounting policy disclosures that are more useful by replacing the requirement for entities to disclose their 'significant' accounting policies with a requirement to disclose their 'material' accounting policies and adding guidance on how entities apply the concept of materiality in making decisions about accounting policy disclosures. The amendments to IAS 1 are applicable for annual periods beginning on or after January 1, 2023 with earlier adoption permitted.

6 Cash and cash equivalents

Accounting Policy

Cash and cash equivalents comprise bank deposits and short-term investments aimed at meeting short-term financial commitments rather than for investment or other purposes.

Short-term investments are readily convertible by the issuer in a known cash amount and not subject to the risk of significant change in value, are recorded at cost plus yield earned until the statement of financial position dates, not exceeding market or realizable value.

	Parent Company		Consolidated	
	2021	2020	2021	2020
Cash and banks	**35,373**	8,704	**98,462**	75,088
Cash in transit (a)	**26,751**	41,367	**28,461**	42,347
Interest earnings bank deposits (b)	**133,841**	238,373	**236,676**	325,808
	195,965	288,444	**363,599**	443,243

(a) Cash in Transit refer to receipts from exports maintained at a financial institution, pending the closing of foreign exchange contracts on the closing date of the financial statements.

(b) They are substantially represented by Bank deposit certificates (CDB) and fixed income funds, remunerated at rates that range between 97% and 102% (62% and 102% on December 31, 2019) of the Interbank Deposit Certificate (CDI).

Credit risk policy and practice are presented in Note 30.

7 Marketable securities

Accounting Policy

Short-term investments that are not highly liquid refer to investments in Bank Deposit Certificates (CDB), which are not readily convertible into cash at transaction date. Classification of short-term investments depends on the purpose for which they were acquired and are adjusted to fair value, based on their category. When applicable, costs directly attributable to acquisition of a financial asset are added to the amount originally recognized.

		Parent Company		Consolidated	
Investment	Average income	31/12/2021	31/12/2020	31/12/2021	31/12/2020
Current:					
CDB	From 101% of CDI or equivalent (from 97% to 102% as of December 31, de 2020)	**-**	19,585	**59**	19,637
Non-Current:					
CDB	95% of CDI	**31,922**	68,740	**31,922**	68,740
Total		**31,922**	88,325	**31,981**	88,377

The balance classified as noncurrent assets refers to consideration from the combination of Nakata Automotiva S.A., held in an escrow account, as mentioned in Note 2.4, given the requirement to meet certain provisions of the purchase and sale agreement regarding allocation of the funds.

8 Trade accounts receivable

Accounting Policy

Trade accounts receivable correspond to consideration amounts deriving from goods sold or services provided in the normal course of business, taking into consideration all relevant facts and circumstances in applying each step of revenue recognition standard.

If maturity occurs within a year (or a period that complies with the Company's normal operating cycle), accounts receivable are classified in current assets, otherwise they are presented in noncurrent assets.

Trade accounts receivable are initially recognized at fair value and subsequently measured at amortized cost using the effective interest rate method less provision for impairment.

The criterion for setting up allowance for doubtful accounts takes into consideration historical losses per portfolio maturity range: (Note 4.2c).

	Parent Company		Consolidated	
	2021	2020	**2021**	2020
Domestic	**12,953**	11,406	**77,928**	136,277
Third Parties	**1,951**	3,930	**43,720**	127,479
Related parties (Note 11)	**4,177**	3,291	**2,067**	1,315
Vendor	**6,825**	4,185	**32,141**	7,483
Abroad	**260,159**	201,945	**197,787**	157,416
Third Parties	**74,704**	34,969	**197,784**	157,416
Related parties (Note 11)	**185,455**	166,976	3	-
Subtotal	**273,112**	213,351	**275,715**	293,693
Less:				
Adjustment to present value	**(722)**	(268)	**(751)**	(275)
Provision for expected credit losses	**(1,714)**	(1,204)	**(6,959)**	(4,225)
Total	**270,676**	211,879	**268,005**	289,193

On December 31, 2021 and December 31, 2020, the average maturity of the domestic market was 08 days. For domestic market – related parties, the average maturity was 22 and 83 days. *For the foreign market subsidiaries, average maturity was* 48 and 54 days, and for the foreign market subsidiaries, average maturity was 163 and 176, respectively.

Changes in the allowance for doubtful accounts are as follows:

	Parent Company		Consolidated	
	2021	**2020**	**2021**	**2020**
Balance at the beginning of the year	**(1,204)**	(1,069)	**(4,225)**	(3,498)
Merger of Fremax (Note 2.3)	**-**	(119)	**-**	-
Acquisitions of new businesses (Note 2.4)	**-**	-	**-**	(852)
Additions	**(1,892)**	(2,298)	**(15,509)**	(6,258)
Write-offs/realizations	**1,382**	2,282	**12,775**	6,383
Balance at the end of the year	**(1,714)**	**(1,204)**	**(6,959)**	**(4,225)**

On December 31, 2021 and 2020, the analysis of balances of trade accounts receivable per maturity date is as follows:

	Parent Company		Consolidated	
	2021	2020	2021	2020
Falling due	**140,786**	90,054	**234,621**	262,712
Overdue (days):				
1–30	**28,230**	19,143	**21,288**	22,953
31–60	**22,265**	10,171	**5,547**	3,561
61–90	**19,417**	7,726	**4,881**	1,341
91–180	**41,170**	33,653	**7,035**	483
>181	**21,244**	52,604	**2,343**	2,643
Total	**273,112**	**213,351**	**275,715**	**293,693**

The Company does not require guarantees on forward sales. In the balances of the parent company, accounts receivable past due over 61 days are represented mainly by sale of products to subsidiaries (see Note 11).

The group's exposure to credit and currency risk related to trade accounts receivable is disclosed in note 30.

9 Inventories

Accounting Policy

Inventories are measured at the lower of cost and net realizable value. The cost of inventories is based on the average cost principle and includes expenditure incurred in acquiring the inventories, production or conversion costs, as well as other costs incurred in bringing them to their existing location and condition. In the case of manufactured inventories and work in progress, cost includes an appropriate share of overheads based on normal operating capacity.

Net realizable value is the estimated selling price in the ordinary course of business, less the estimated costs of its completion and sales expenses.

	Parent Company		Consolidated	
	2021	2020	2021	2020
Finished goods	**126,694**	75,890	**472,604**	253,911
Work in process	**25,888**	14,952	**48,401**	29,715
Raw materials	**131,525**	53,008	**196,067**	104,936
Auxiliary and maintenance materials	**10,588**	7,534	**22,233**	16,844
Advances to suppliers	**499**	526	**18,352**	10,891
Imports in transit	**15,795**	7,835	**77,760**	94,392
Provision for inventory losses	**(8,539)**	(9,087)	**(18,650)**	(22,495)
Effect of hyperinflation	**-**	-	**8,459**	5,909
	302,450	**150,658**	**825,226**	**494,103**

Changes in the provision for inventory losses are as follows:

	Parent Company		Consolidated	
	2021	2020	2021	2020
Balance at the beginning of the year	**(9,087)**	(4,748)	**(22,495)**	(14,424)
Merger of Fremax (Note 2.3)	**-**	(1,583)	**-**	-
Acquisitions of new businesses (Note 2.4)	**-**	-	**-**	(2,619)
Additions	**(167)**	(13,908)	**(3,440)**	(19,515)
Write-offs/realizations	**715**	11,152	**7,285**	14,063
Balance at the end of the year	**(8,539)**	**(9,087)**	**(18,650)**	**(22,495)**

10 Recoverable taxes and contributions

Accounting Policy

Recoverable taxes and contributions are recognized at cost to the extent that future economic benefits are likely to be obtained from these credits and considering the effective tax legislation. Tax credits arising from tax proceedings are restated using the SELIC rate, from the date the final and unappealable decision is handed down or from the time the Company is entitled to recognize the amounts.

In assessing the recoverability of these assets, the Company takes into account the most recent financial forecasts and budgets, which are prepared separately by management, as well as tax and legal criteria for the use of tax credits. If an asset is not expected to be recovered within the period determined by the taxation authorities, a loss is recognized in profit or loss for the year.

	Parent Company		Consolidated	
	2021	2020	2021	2020
PIS and COFINS – exclusion of ICMS from the tax base (a)	**42,528**	138,665	**64,754**	176,040
Undue Selic IRPJ/CSLL (b)	**23,871**	-	**32,220**	-
ICMS (c)	**12,129**	5,920	**23,465**	11,566
IR and CSLL (d)	**11,787**	4,057	**12,203**	4,117
Tax on imports (e)	**6,976**	2,089	**7,898**	2,463
COFINS (f)	**4,667**	3,667	**7,328**	4,457
PIS and COFINS over property, plant and equipment (g)	**3,507**	-	**3,507**	-
REINTEGRA (h)	**1,163**	748	**1,358**	944
PIS (f)	**1,013**	796	**1,596**	974
IPI (i)	**65**	48	**66**	84
IVA (j)	**-**	-	**13,202**	16,968
GST (k)	**-**	-	**4,063**	5,052
Other	**51**	51	**3,554**	4,293
Total	**107,757**	156,041	**175,214**	226,958
Current	**65,777**	119,020	**123,454**	171,970
Non-Current	**41,980**	37,021	**51,760**	54,988

a. *PIS and COFINS – exclusion of ICMS from the tax bases*

In 2020, the direct subsidiaries Freios Controil Ltda. and Jurid do Brasil Sistemas Automotivos Ltda., and the parent company Fras-le S.A. and its former subsidiary Fremax Sistemas Automotivos Eirelli were granted a favorable final decision on lawsuit filed for exclusion of ICMS from the PIS and COFINS tax basis, according to material news releases disclosed on October 29 and December 29, 2020.

The Company, with the support of its legal advisors, carried out the calculation and consequent recognition of the case amount in income for 2020, under other operating income and finance income (costs), determined on the amount disclosed in the shipping invoices, as determined in the decision handed down by the 4th Federal Regional Court. The calculation was made based on the tax and accounting documents of the units, reconciled with the accessory obligations of the respective periods.

After assessing CPC 25, on contingent assets, the Company considers that this pronouncement is not applicable to the matter in question, as a final decision has been granted for these cases, as already mentioned above; moreover, there are no uncertainties about the use of credits, which had already been offset in the period ended December 31, 2021. It should be noted that the Federal Supreme Court, in the trial ended May 13, 2021, maintained that the ICMS recorded in invoices must be excluded from the PIS and COFINS basis, reaffirming what had already been decided in the judgment of the appeal to the Supreme Court RE No. 574.706, in March 2017. In addition, the Supreme Court ruled that the exclusion takes effect from March 15, 2017, and is applicable to all lawsuits and administrative proceedings filed up to that date. It was not necessary to reassess the credits already accounted for by the Company.

The decisions on those lawsuits are clear and specific as regards the procedure to calculate the exclusion of ICMS using the tax amount posted on invoices.

This conclusion was reached after an analysis conducted with the support of lawyers and specialized consulting firms, approval of the Board of Directors' members and without any reservations from the Supervisory Board's members.

The lawsuits were filed after Law No. 118/2005, thus the lawsuits filed by the Company retroact 5 years, as shown in the table below.

The amounts below were recorded at December 31, 2020 and are presented under recoverable taxes at December 31, 2021. Management expects to use these tax credits in full within a maximum period of two (2) years. In 2021, Company compensated R$111,188 in (consolidated amount).

Company	Period considered for calculation	Amount including interests (SELIC)
Freios Controil Ltda	January 2012 to July 2020	16,483
Freios Controil Ltda (a)	October 1994 to December 2011	21,043
Jurid do Brasil Sistemas Automotivos Ltda	April 2012 to July 2020	8,942
Fras-le S.A.	January 2005 to October 2020	121,529
Fremax (branch)	January 2005 to November 2020	17,137
Total		**185,134**

(a) The amount calculated and compensated referring to the final decision regarding the period from 1994 to 2011 of Freios Controil is linked to the contractual obligation, acquired upon acquisition of the subsidiary, to transfer the amounts to the former members at the time of offset of the related amounts. Accordingly, the Company recorded the amount of R$20,525, net of taxes and fees, under other payables.

It is necessary to clarify that we analyzed the judicial decision in light of the requirements of CVM Official Letter 01/2021, and we understand that our judicial decision has the elements contained in such official communication.

b. ***Undue payment - SELIC - IRPJ/CSLL not levied on the SELIC rate on undue tax payments (case 962 of the Federal Supreme Court)***

On September 24, 2021, the Federal Supreme Court ("STF") ruled, under the general resonance principle, that IRPJ and CSLL should not be levied on the SELIC rate received by taxpayers upon refund of taxes unduly paid (lawsuit to recover taxes unduly paid, Case No. 962).

The Company and its subsidiaries have filed lawsuits in connection with this matter that still await a final decision. The Supreme Court's decision was granted under the general resonance principle, i.e. it applies to all other lawsuits of the same nature that may be judged even by lower courts of justice. However, that decision applies only on the merits of the suit and does not define the time from when its application is permitted.

With the support of its legal and tax advisors, in the context of ICPC 22 (IFRIC 23) - Uncertainty over Income Tax Treatments, the Company management understands that the Supreme Court's decision, and case laws and similar cases indicate that the relevant taxation authority is likely to accept not to charge IRPJ and CSLL on the SELIC rate.

Accordingly, the Company recognized the related amounts in its financial information at September 30 and December 31, 2021, under income taxes in profit or loss for the period, and monetary restatements under finance income (costs). The amounts were calculated considering the 5-year retroactive effects that apply from the date the lawsuit was filed.

Considering that the Company may only offset or refund the amounts of these credits after a final and unappealable decision has been handed down, the Company will estimate the date of such final decision, based on its best expectation, and from that date, it will make a financial projection for the recovery of the assets.

At September 30, 2021, the Company recognized IRPJ and CSLL recoverable amounting to R$21,851 for the Company and R$7,034 for its subsidiaries. At December 31, 2021, in connection with the same matter, the Company supplemented those amounts by R$1,647 for the Company and R$1,185 for its subsidiaries, in the line items IRPJ and CSLL recoverable.

The success fees determined for Nakata Automotiva Ltda. is contingent on the asset increase clause of the subsidiary acquisition agreement. A provision was recognized for the amount to be passed through to the sellers (R$5,603) in other liabilities of the buyer Fras-le S.A., in the amount of the estimated gain, net of taxes.

As the likelihood of success of the cases is probable, the Company recognized a provision for attorney's fees in the amount of R$1,217 for the Company and R$409 for its subsidiaries.

c. ***Value-Added Tax on Sales and Services (ICMS)***

The balance is comprised of credits calculated on market operations and acquisition of PP&E generated in the production units and commercial units of the Company.

d. ***Income tax and social contribution taxes ("IR and CS")***

Refers to withholding income tax on financial investments and income tax and social contribution prepayments through an offset against federal taxes and contributions due.

d.1 Income and social contribution taxes not levied on REINTEGRA

On October 25, 2021, the Company obtained a final and unappealable decision on a lawsuit addressing the exclusion of REINTEGRA (Special Tax Refund Regime for Exporters) from the income and social contribution tax basis, relating to 2012 and 2013, resulting from a Writ of Mandamus filed on November 23, 2012 seeking the declaration of unconstitutionality/illegality of these taxes on the amounts computed under the REINTEGRA regime. The Company obtained the right to exclude the amounts computed under the REINTEGRA regime from the IRPJ and CSLL bases from July 1, 2011, and also the right to recalculate CSLL or IRPJ losses, or the right to offset the related amounts overpaid. At December 31, 2021, the Company recorded R$6,826 under IRPJ and CSLL recoverable, matched against current taxes in profit or loss the year.

e. ***Import duty***

Recoverable taxes on foreign products imported by the Company and its subsidiaries. The triggering event of import duty is the entry of such products in the national territory.

f. ***Social Integration Program and Contribution for the Financing of Social Security (PIS and COFINS)***

Balance is comprised of credit amounts deriving from PIS and COFINS non-cumulative collection, ascertained mainly in operations acquisition of goods comprising fixed assets, which are offset in successive monthly installments, as determined by current legislation.

g. ***PIS and COFINS on property, plant and equipment***

At September 30, 2021, a final decision was granted to the lawsuit pleading the recognition of the right to use in full the PIS/COFINS credits on acquisition of all assets and rights relating to property, plant and equipment items acquired by the companies until the limitation imposed by Article 31 of Law 10865/2004.

h. ***REINTEGRA***

The "Reintegra" balance refers to a tax regime in which the Company takes credit of federal taxes in cases of exports of manufactured goods existing in its production chain. The offsetting of such credits occurs upon payment of any other federal tax.

i. *Excise tax ("IPI")*

The balance is substantially comprised of amounts arising from market operations and may be offset with taxes of the same nature.

j. *Value added tax (IVA)*

The balance is composed of value added tax credits recoverable from the subsidiary Fras-le Argentina S.A, Armetal Autopartes S.A, Fanacif S.A. and Farloc Argentina S.A.I.C YF. There is no statutory limitation on said credits.

k. *Goods and Services Tax (GST) India*

This balance is composed of tax credits referring to goods and services to be recovered by subsidiary ASK Fras-le Friction Private Limited.

11 Related Parties

Accounting Policy

Related-party sales transactions refer to sales of goods to supply the markets in which they are based and sales of inputs used in production, and to provision of services. Purchases from related parties refer to the supply of inputs used in the Company's production process. Other transactions with the parent company include shared administrative services.

Current-account balances, related to loan agreements between parent company, subsidiaries and other related parties, have an indeterminate maturity date and are updated on a pro-rated basis by the "DI-Extra" rate, published by Anbima.

The outstanding balances of the year ended are not guaranteed, and are not subject to interest and are settled in cash. There were no guarantees granted or received in connection with any accounts receivable or payable involving related parties.

The main balances of assets and liabilities as of December 31, 2021 and 2020, as well as the transactions that influenced income for the year, relating to operations with related parties, result from transactions of the Company with its parent company and subsidiaries, which were carried out under specific conditions considering the volume of operations and payment terms, not comparable to operations with third parties not related.

	Assets		Liabilities		Income			
	2021	2020	2021	2020	2021	2020	Average term 2021	Average term 2020
Ask Fras-le Friction (c)								
Loans Receivable	9,339	8,191	-	-	-	-	-	-
Accounts Payable	-	-	(3,306)	-	-	-	-	-
Sale of products and services	-	-	-	-	95	-	23	-
Purchase of products and services	-	-	-	-	(16,077)	-	71	-
Other net income/operating and financial expenses	-	-	-	-	754	-	-	-
	9,339	8,191	(3,306)	-	(15,228)	-	-	-
Fanacif S.A. (c)								
Accounts receivable from sale	132	153	-	-	-	-	-	-
Accounts Payable	-	-	(223)	(130)	-	-	-	-
Loans Payable	-	-	(259)	(241)	-	-	-	-
Sale of products and services	-	-	-	-	890	894	17	81
Purchase of products and services	-	-	-	-	(4,256)	-	37	-
	132	153	(482)	(371)	(3,366)	894	-	-
Fras-le Argentina S.A.(c)								
Accounts receivable from sale	2,703	6,347	-	-	-	-	-	-
Dividends receivable	145	164	-	-	-	-	-	-
Loans Receivable	41,987	36,405	-	-	-	-	-	-
Sale of products and services	-	-	-	-	22,908	15,341	18	82
Purchase of products and services	-	-	-	-	-	(2)	-	17
Other net income/operating and financial expenses	-	-	-	-	2,803	-	-	-
	44,835	42,916	-	-	25,711	15,339	-	-
Fras-le Europe B.V.* (c)								
Accounts receivable from sale	2,917	5,597	-	-	-	-	-	-
Accounts Payable	-	-	(145)	-	-	-	-	-
Sale of products and services	-	-	-	-	12,425	5,648	69	69
Other net income/operating and financial expenses	-	-	-	-	(384)	(92)	-	-
	2,917	5,597	(145)	-	12,041	5,556	-	-
Fras-le Friction Material Pinghu co Ltd (c)								
Accounts receivable from sale	1,178	420	-	-	-	-	-	-
Sale of products and services	-	-	-	-	689	407	53	322
Purchase of products and services	-	-	-	-	(6,940)	(1,092)	84	63
Other net income/operating and financial expenses	-	-	-	-	(523)	(184)	-	-
	1,178	420	-	-	(6,774)	(869)	-	-
Fras-le North America, Inc. (c)								
Accounts receivable from sale	153,845	137,083	-	-	-	-	-	-
Accounts Payable	-	-	(17)	(4)	-	-	-	-
Sale of products and services	-	-	-	-	169,434	123,742	184	530
Purchase of products and services	-	-	-	-	(11)	(8)	37	17
Other net income/operating and financial expenses	-	-	-	-	(1,248)	(2,133)	-	-
	153,845	137,083	(17)	(4)	168,175	121,601	-	-
Fras-le Panamericana (c)								
Accounts receivable from sale	24,680	16,147	-	-	-	-	-	-
Sale of products and services	-	-	-	-	34,877	21,598	66	246
Other net income/operating and financial expenses	-	-	-	-	(572)	(461)	-	-
	24,680	16,147	-	-	34,305	21,137	-	-
Jurid do Brasil Sistemas Automotivos Ltda. (e)								
Accounts receivable from sale	1,492	2,688	-	-	-	-	-	-
Accounts Payable	-	-	(76)	(142)	-	-	-	-
Sale of products and services	-	-	-	-	9,159	7,659	72	342
Purchase of products and services	-	-	-	-	(11,071)	-	15	17
Other net income/operating and financial expenses	-	-	-	-	1,408	29	-	-
	1,492	2,688	(76)	(142)	(504)	7,688	-	-
Nakata Automotiva Ltda. (e)								
Dividends receivable	5,191	3,552	-	-	-	-	-	-
	5,191	3,552	-	-	-	-	-	-
Other subsidiaries (a)								
Accounts receivable from sale	615	764	-	-	-	-	-	-
Other receivables	9	-	-	-	-	-	-	-
Dividends receivable	4,184	-	-	-	-	-	-	-
Accounts Payable	-	-	(20)	-	-	-	-	-
Sale of products and services	-	-	-	-	2,756	2,723	-	-
Purchase of products and services	-	-	-	-	(51)	(12)	-	-
Other net income/operating and financial expenses	-	-	-	-	(1,715)	(2,477)	-	-
	4,808	764	(20)	-	990	234		

Total - Subsidiaries	**248,417**	**217,511**	**(4,046)**	**(517)**	**215,350**	**171,580**	**-**	**-**
ASK Automotive Private Limited (f)		-		-		-		-
Loans payable	-	-	(6,972)	(7,082)	-	-	-	-
	-	-	(6,972)	(7,082)	-	-	-	-
Banco Randon S.A. (d)								
Other net income/operating and financial expenses	-	-	-	-	(9,675)	(6,705)	-	-
	-	-	-	-	(9,675)	(6,705)	-	-
Castertech Fundição e Tecnologia Ltda.(d)								
Accounts receivable from sale	1,542	122	-	-	-	-	-	-
Other receivables	100	-	-	-	-	-	-	-
Other payables	-	-	(19)	-	-	-	-	-
Sale of products and services	-	-	-	-	1,255	750	15	24
Purchase of products and services	-	-	-	-	(642)	(137)	11	23
Other net income/operating and financial expenses	-	-	-	-	10,121	4,538	-	-
	1,642	122	(19)	-	10,734	5,151	-	-
Dramd Participações e Administração Ltda (g)								
Dividends payable	-	-	(4,117)	(5,564)	-	-	-	-
	-	-	(4,117)	(5,564)	-	-	-	-
Instituto Elisabetha Randon (a)								
Donations/assistance grants	-	-	-	-	(587)	(507)	-	-
	-	-	-	-	(587)	(507)	-	-
Instituto Hercilio Randon (a)								
Donations/assistance grants	-	-	-	-	(2,633)	(358)	-	-
	-	-	-	-	(2,633)	(358)	-	-
Master Sistemas Automotivos Ltda. (d)								
Accounts receivable from sale	488	817	-	-	-	-	-	-
Other receivables	49	-	-	-	-	-	-	-
Accounts Payable	-	-	(3)	-	-	-	-	-
Sale of products and services	-	-	-	-	59,345	37,658	9	10
Purchase of products and services	-	-	-	-	(1,513)	(6)	20	20
Other net income/operating and financial expenses	-	-	-	-	1,190	2,720	-	-
	537	817	(3)	-	59,022	40,372	-	-
Randon S.A. Implementos e Participações (b)								
Accounts receivable from sale	-	71	-	-	-	-	-	-
Other receivables	154	-	-	-	-	-	-	-
Accounts Payable	-	-	(814)	(4,051)	-	-	-	-
Dividends payable	-	-	(17,034)	(23,023)	-	-	-	-
Other payables	-	-	(2,593)	-	-	-	-	-
Sale of products and services	-	-	-	-	5,410	8,934	16	16
Purchase of products and services	-	-	-	-	(10,928)	(7,880)	19	29
Other net income/operating and financial expenses	-	-	-	-	(25,974)	(12,740)	-	-
	154	71	(20,441)	(27,074)	(31,492)	(11,686)	-	-
Other subsidiaries (a)		-						
Accounts receivable from sale	40	305	-	-	-	-	-	-
Other receivables	7	-	-	-	-	-	-	-
Accounts Payable	-	-	(508)	-	-	-	-	-
Dividends payable	-	-	(12,670)	(17,296)	-	-	-	-
Other payables	-	-	(17)	-	-	-	-	-
Sale of products and services	-	-	-	-	455	964	-	-
Purchase of products and services	-	-	-	-	(4,701)	(16)	-	-
Other net income/operating and financial expenses	-	-	-	-	(521)	354	-	-
	47	305	(13,195)	(17,296)	(4,767)	1,302	-	-
Total – Other Related Parties	**2,380**	**1,315**	**(44,747)**	**(57,016)**	**20,602**	**27,569**	**-**	**-**
Total – Related Parties	**250,797**	**218,826**	**(48,793)**	**(57,533)**	**235,952**	**199,149**	**-**	**-**

(a) Balances held with other related parties.
(b) Company's direct parent company. The Company's ultimate parent company is Dramd Participações e Administração Ltda.
(c) Foreign subsidiaries.
(d) Companies controlled by the direct shareholder Randon S.A. Implementos e Participações.
(e) Subsidiaries in Brazil.
(f) Noncontrolling shareholder of ASK Fras-le Friction.
(g) Final Parent Company.

* Eurobrakes changed its name to Fras-le Europe B.V.

The summary of related parties statements are presented below:

	Parent Company		Consolidated	
	2021	2020	2021	2020
Accounts receivable from sale	**189,632**	170,514	**2,070**	1,315
Other receivables	**319**	-	**310**	-
Dividends receivable	**9,520**	3,716	**-**	-
Loans receivable	**51,326**	44,596	**-**	-
Accounts payable	**(5,112)**	(4,327)	**(1,325)**	(4,051)
Other payables	**(2,629)**	-	**(2,629)**	-
Dividends payable	**(33,821)**	(45,883)	**(33,821)**	(45,883)
Loans payable	**(259)**	(241)	**(6,972)**	(7,082)
Total	**208,976**	**168,375**	**(42,367)**	**(55,701)**

11.1 Remuneration of key management personnel of the Companies and its subsidiaries

The Company assigned as Key Management Personnel: (i) the Board of Directors, the Statutory Executive Board and the Tax council. The amounts related to the remuneration of the key management personnel are as follows:

	Parent Company		Consolidated	
	2021	2020	2021	2020
Short-term benefits (salaries, wages, profit sharing, medical care Expenses)	**7,980**	6,491	**12,044**	7,016
Post-employment benefits - contributions to Randonprev	**233**	121	**266**	152
Total	**8,213**	6,612	**12,310**	7,168

The Company paid key management personnel no compensation in other categories of i) long-term benefits; ii) employment termination benefits; or iii) share-based payment.

12 Pension plans and post-employment benefits for employees

Accounting Policy

The Company sponsors a defined contribution-type supplementary pension plan, and a Minimum Guaranteed Benefit, equivalent to one (1) contractual basic salary for every 10 years of service rendered to Randon Companies, limited to 30 years, which gives it the characteristic of a Mixed Plan.

The Pension Plan, managed by the Randonprev Pension Fund, a Closed Supplementary Pension Plan Entity, is primarily aimed at supplementing post-career Income, to the employees of Randon Companies.

The referred Plan includes the following benefits: normal retirement, early retirement, disability pension, death pension, proportional benefit and guaranteed minimum benefit.

The Company recognizes its obligation with the benefit plan to its employees and, regarding the related costs, net of the plan's assets, adopts the following practices:

- The costs on the Pension Plan and post-employment benefits acquired by employees are determined actuarially using the projected credit unit method and Management's best estimate of the expected performance of the plan's investments for funds, salary growth, employees' retirement age. The discount rate used to measure the obligations of the Randon Companies, regarding payment of post-employment benefits, is based on the long-term financial market rate;
- Assets of the pension plan are marked-to-market;
- Past service costs arising from corrections to the plan were amortized on a straight-line basis during the first 20 years, which began in June 1994, not having a remaining balance of previous service rendered by the active employees;
- Actuarial gains and losses are immediately recognized in "other comprehensive income" for the year;
- Plan reductions result from significant changes in the expected time of service of the active employees. A net loss is recognized with reduction when the event is probable and can be estimated, while the net gain with reduction is deferred until its realization.

In accounting for pension and post-employment benefits, various statistics and other factors are used to anticipate future events in the calculation of the expense and obligations relating to the Plan. These factors include assumptions about the discount rate, expected return on plan assets and salary growth rate.

Additionally, actuarial consultants also use subjective factors such as employee termination, turnover, and mortality rates to estimate these factors. The actuarial assumptions used by the Company are based on adherence studies carried out by the actuary, such as long-term inflation compatible with the payment flows of the evaluated obligations, hypotheses of turn-over with the application of the probabilities of the tables "WTW Experience", and hypotheses of mortality and Invalids.

The following tables summarize the components of the net benefit expense recognized in the statement of income, as well as the status and amounts recognized in the balance sheet:

	Parent Company		Consolidated	
	2021	**2020**	**2021**	2020
Net expense on benefit (recognized in cost of sales)				
Cost of current service	**(223)**	(195)	(244)	(218)
Cost of interest on benefit liabilities	**(235)**	(253)	(252)	(276)
Interest income plan assets	**269**	558	289	610
Cost of defined benefit in income	**(189)**	110	(207)	116
Actual yield of plan assets	**552**	**1,880**	**557**	**2,716**

Benefit Assets

	Parent Company		Consolidated	
	2021	2020	2021	2020
Defined benefit obligation	**(3,173)**	(3,682)	**(3,455)**	(3,964)
Fair value of the plan assets	**4,259**	4,187	**4,636**	4,508
Non-recoverable surplus (effect of the asset limit)	**(434)**	-	**(472)**	-
Benefit assets	**652**	**505**	**709**	**544**
Current	**652**	115	**709**	154
Non-Current	**-**	390	**-**	390

The changes in the present value of obligation with defined benefit are as follows:

	Parent Company	Consolidated
Defined benefit obligation as of December 31, 2019	(3,822)	(4,450)
Interest cost	(253)	(276)
Cost of current service	(195)	(216)
Benefits paid	300	313
Actuarial losses on liabilities	288	665
Defined benefit obligation as of December 31, 2020	**(3,682)**	**(3,964)**
Interest cost	(235)	(252)
Cost of current service	(223)	(244)
Benefits paid	73	73
Actuarial losses on liabilities	894	934
Cost of past services – implementation of benefits	-	(2)
Defined benefit obligation as of December 31, 2021	**(3,173)**	**(3,455)**

Changes in fair value of pension plan assets are as follows:

	Parent Company	Consolidated
Fair value of plan assets on December 31, 2019	**8,108**	**9,163**
Return on investment	**(765)**	**(1,501)**
Contribution of the employer	**127**	**141**
Benefits paid	**(300)**	**(313)**
Write-offs	**(2,983)**	**(2,982)**
Fair value of plan assets on December 31, 2020	**4,187**	**4,508**
Return on investment	**(14)**	**21**
Contribution of the employer	**159**	**181**
Benefits paid	**(73)**	**(73)**
Fair value of plan assets on December 31, 2021	**4,259**	**4,636**

The Company expects to contribute R$ 1,001 to its defined benefit pension plans in 2021. Main categories of plan assets with a percentage of fair value of total plan assets are as follows:

	Parent Company		Consolidated	
	2021	2020	2021	2020
Shares	**1,005**	966	**1,096**	1,018
Securities	**3,254**	3,221	**3,540**	3,490
	4,259	4,187	**4,636**	4,508

The total expected rate of return on assets is determined based on the market expectations existing on that date, applicable to the year in which the obligation is to be settled. These expectations are reflected in the key assumptions below.

	2021	2020
Discount rate	**8.91%**	6.72%
Salary growth rate	**5.52%**	5.52%
Benefit growth rate	**3.25%**	3.25%
Life expectancy (in years) in private pension plans for 60 year-old assisted participants:		
Men	24.59	24.59
Women	24.72	24.72

Estimated expectations of benefits defined for the next fiscal year are as follows:

	Parent Company	Consolidated
Maturity profile of defined benefit liability		
Payment of expected benefits in the year to end on December 31, 2022.	**276**	**301**
Payments of expected benefits in the years to end from December 31, 2022 to December 31, 2030	**3,448**	**3,748**
	3,724	**4,049**
Analysis of defined benefit liability per category of participant		
Active participants	**3,173**	**3,455**
Equity information		
Percentage of total allocation at December 31, 2021:		
Variable income	**21%**	**21%**
Fixed Income	**49%**	**49%**
Properties	**1%**	**1%**
Other	**29%**	**29%**
	100%	**100%**
Income (loss) for the year		
Cost of current service	**200**	**225**
Net interest on net liabilities/assets	**(66)**	**(73)**
Income for the year	**134**	**152**

The chart below presents the sensitivity analysis of obligation's present value as of December 31, 2021:

Sponsor	Present value of obligation 2021	1% Increase - Effect on PVL	1% Reduction - Effect on PVL
Fras-le S.A.	3,173	(193)	219
Freios Controil	280	(17)	21
Nakata Ltda.	2	-	-
Total	**3,455**	**(210)**	**240**

According to item 145 of CPC33 (R1) – Employee Benefits, and according to the results of the study, the effect in the present value of obligation was calculated considering one percentage point higher and lower in the discount rate. The combination of the real discount rate with the inflation rate results in the nominal discount rate equal to 8,91% p.a.. Considering the 1% increase in the discount rate, this sensitivity will represent an increase of R$ 487 in the PVL, with a 1% reduction in this rate, there will be a R$ 595 reduction in the PVL.

13 Investments

Accounting Policy

Business combinations are recorded using the acquisition method when control is transferred to the Company. Consideration transferred is usually measured at fair value, and so are the identifiable net assets acquired. Any goodwill arising from the transactions is annually tested for impairment. Transaction costs are recorded in statements of income as incurred, except cost relating to issue of debt instruments or equity.

Investments in subsidiaries are determined by the equity method of accounting, as CPC18 (R2)/ IAS28, for the purpose of the parent company's financial statements. Other investments that do not fit into the category above are stated at cost of acquisition, less the provision for devaluation, when applicable.

13.1 Breakdown of balances

	Parent Company		Consolidated	
	2021	2020	2021	2020
Interest in controlled companies	**915,401**	784,611	**-**	-
Interest in related parties	**27,459**	-	**27,459**	-
Other investments	**-**	-	**122**	140
Goodwill	**78,317**	78,317	**-**	-
Unearned income from inventories	**(9,326)**	(9,213)	**-**	-
Total – Non-current assets	**1,011,851**	853,715	**27,581**	140

13.2 Changes in balances

Changes in investments are as follows:

	Parent Company		Consolidated	
	2021	2020	2021	2020
Balances at the beginning of the year	**853,715**	435,350	**140**	152
Equity pick up in net income of subsidiaries	**92,514**	50,899	**553**	-
Paid-up capital (a)	**26,906**	51,700	**26,906**	-
Monetary adjustment (b)	**26,146**	18,569	**-**	-
Impairment (note 14)	**26,841**	(34,462)	**-**	-
Unearned income from parent company’s inventories	**(113)**	(4,106)	**-**	-
Exchange rate effect (b)	**(11,554)**	(1,364)	**-**	-
Exchange-rate change of investees	**10,724**	35,927	**(18)**	(12)
Addition due to business combination (Note 2.4)	**-**	400,166	**-**	-
Goodwill arising from business combination (Note 2.4)	**-**	78,317	**-**	-
Increase in direct equity interest due to merger (Note 2.3)	**-**	6,514	**-**	-
Actuarial valuation	**51**	(270)	**-**	-
Payment of dividends (note 29)	**(13,379)**	(1,354)	**-**	-
Merger of Fremax (Note 2.3)	**-**	(182,171)	**-**	-
Balances at the end of the year	**1,011,851**	853,715	**27,581**	140

(a) On April 28, 2021, the Company organized Centro Tecnológico Randon Ltda. (CTR) with the Company and its parent company Randon S.A. Implementos e Participações ("Randon") holding equity interest. The capital amounting to R$49,686 was subscribed in the proportion of 45.07% by the Company, and 54.93% by Randon, and the amount of R$46,919 was paid by using property, plant and equipment items and inventories of the two companies, at book value (R$21,233 by Fras-le and R$25,685 by Randon), and the remaining balance in domestic currency (R$1,159 by Fras-le and R$1,608 by Randon). The purpose of the transaction is to allocate CTR operations into an autonomous business unit dedicated to exploring new consumer markets for engineering services, testing and specialized testing. On August 27, 2021, in order to establish a new subsidiary (“NiOne Ltda.”), whose direct member will be Centro Tecnológico Randon Ltda. (CTR), the Company made a capital contribution in the amount of R$4,514, subscribed in domestic currency, corresponding to 45.07% of the total of R$10,014, proportionally to its equity interest in CTR. Its parent company, Randon S.A. Implementos e Participações (“Randon”) contributed R$5,500 in domestic currency, corresponding to an equity interest of 54.93%.

(b) The effect of exchange fluctuation and monetary adjustment comprises surplus value and goodwill. Monetary adjustment of goodwill is presented in Note 16.

13.3 Information of the subsidiaries and changes in balances per subsidiary

	Information of the subsidiaries					Changes in Investments									
	Ownership interest at the end of the year - %	Net Assets and Liabilities	Adjusted Equity	Net income	Balances in 2019	Equity pick up in net income of subsidiaries	Paid-up capital	Accumulated translation adjustments	Monetary adjustment	Exchange rate effect	Actuarial evaluation	Payment of dividends	Merger and acquisitions	Impairment	Balances in 2020
Fremax	100	-	-	81,971	102,387	2,074	-	(40)	-	-	-	4,727	(109,148)	-	-
Nakata	100	137,219	137,219	234,614	-	23,862		-	-	-	-	(3,552)	400,166	-	420,476
Armetal	100	24,382	21,848	99,476	54,905	(4,418)	-	4,882	12,217	(1,987)	-	-	-	(2,884)	62,715
FANACIF	100	48,597	48,597	59,565	53,531	2,930	-	10,693	-	4,796	-	(2,529)	-	(14,416)	55,005
Fras-le Friction	100	72,915	72,915	81,828	51,363	2,718	-	18,834	-	-	-	-	-	-	72,915
Freios Controil	99.99	58,955	58,955	110,930	45,201	14,024	-	-	-	-	(270)	-	-	-	58,955
Jurid	80.1	17,614	17,614	47,020	41,605	1,869	-	-	-	-	-	-	-	(12,175)	31,299
ASK	51	12,072	12,072	27,647	11,786	(7,998)	-	2,369	-	-	-	-	-	-	6,157
Fras-le Europe BV	100	14,943	14,943	26,358	11,950	866	-	4,091	-	898	-	-	-	-	17,805
Fras-le Europe	100	11,911	11,911	18,989	7,617	1,001	-	3,293	-	-	-	--	-	-	11,911
Fras-le Argentina	99.84	19,659	16,604	90,120	9,379	6,082	-	(476)	869	(226)	-	-	6,514	-	22,142
Fras-le Panamericana	100	3,641	3,641	34,120	916	2,458	-	267	-	-	-	-	-	-	3,641
Fras-le México	99.66	804	804	543	873	(250)	-	177	-	-	-	-	-	-	800
Fras-le Andina	99	480	480	606	243	125	-	107	-	-	-	-	-	-	475
Fras-le Africa	100	-	-	-	222	(223)	-	1	-	-	-	-	-	-	-
Fras-le North América	100	20,315	20,315	204,931	(28,892)	5,779	51,700	(8,272)	-	-	-	-	-	-	20,315
Total	**-**				**363,086**	**50,899**	**51,700**	**35,926**	**13,086**	**3,481**	**(270)**	**(1,354)**	**297,532**	**(29,475)**	**784,611**

	Information of the subsidiaries						Changes in Investments						
	Ownership interest at the end of the year - %	Net Assets and Liabilities	Adjusted Equity	Net income	Balances in 2020	Equity pick up in net income of subsidiaries	Accumulated translation adjustments	Monetary adjustment	Exchange rate effect	Actuarial evaluation	Payment of dividends	Impairment	Balances in 2021
Nakata	100	175,739	175,739	691,088	420,476	23,875	-	-	-	-	(5,191)	-	439,160
Armetal	100	41,858	41,858	159,175	62,715	1,754	10,885	17,693	(3,823)	-	-	7,238	96,462
Fras-le Friction	100	80,293	80,293	82,777	72,915	(361)	7,739	-	-	-	-	-	80,293
Fanacif	100	55,634	55,634	63,253	55,005	5,554	3,817	-	289	-	(2,869)	7,428	69,224
Freios Controil	99.99	69,827	69,827	150,026	58,955	16,140	-	-	-	51	(5,319)	-	69,827
Jurid	80.1	23,392	23,392	67,595	31,299	3,673	-	-	-	-	-	12,175	47,147
Fras-le Argentina	99.84	42,618	42,618	145,722	22,142	35,459	(13,260)	955	(499)	-	-	-	44,797
Fras-le North América	100	27,139	27,139	222,950	20,315	5,146	1,678	-	-	-	-	-	27,139
Fras-le Europe BV	100	16,562	16,562	26,296	17,805	1,480	(153)	-	(23)	-	-	-	19,109
Fras-le Europe	100	11,475	11,475	19,314	11,911	(327)	(109)	-	-	-	-	-	11,475
Fras-le Panamericana	100	6,399	6,399	50,243	3,641	3,113	(355)	-	-	-	-	-	6,399
ASK	51	6,124	6,124	71,780	6,157	(3,517)	483	-	-	-	-	-	3,123
Fras-le México	99.66	822	822	768	800	(19)	39	-	-	-	-	-	820
Fras-le Andina	99	430	430	366	475	(9)	(40)	-	-	-	-	-	426
Total		**558,312**	**558,312**	**1,751,353**	**784,611**	**91,961**	**10,724**	**18,648**	**(4,056)**	**51**	**(13,379)**	**26,841**	**915,401**

13.4 Information of the related parties and changes in balances per related party

	Information of the subsidiaries				Changes in Investments			
	Ownership interest at the end of the year - %	Net Assets and Liabilities	Adjusted Equity	Net income	Balances in 2020	Equity in net income	Paid-up capital	Balances in 2021
Centro Tecnológico Randon Ltda.	45.07	60,924	60,924	15,187	-	553	26,906	27,459
Total					**-**	**553**	**26,906**	**27,459**

14 Impairment

Accounting Policy

a. *Non-derivative financial assets*

Financial assets not classified as financial assets at fair value through profit or loss, including investments recorded under the equity method, are assessed at each statement of financial position date to determine whether there is objective evidence of impairment.

Objective evidence that financial assets are impaired includes:

- Debtor's default or delay in payment;
- Restructuring of an amount payable to the Company under conditions not considered usual;
- Indications that the debtor or issuer will file for bankruptcy/in-court reorganization;
- Negative changes in the payment status of debtors or issuers;
- Disappearance of an active market for the instrument; or
- Observable data indicating that there was a decrease in measurement of expected cash flows for a group of financial assets.

b. *Financial assets measured at amortized cost*

The Company considers evidence of impairment of assets measured at amortized cost both individually and collectively. All individually significant assets are tested for impairment. Those identified as not impaired individually are assessed collectively regarding any loss of value that may have occurred but which has not yet been identified. The assets that are not individually significant are tested collectively for impairment based on the grouping of assets with similar risk characteristics.

In assessing impairment loss collectively, the Company takes into consideration historical trends of the timing of recoveries and the amounts of loss incurred, adjusted for management's judgment on current economic and credit conditions.

An impairment loss is calculated as the difference between the carrying amount and the present value of estimated future cash flows discounted at the asset's original effective interest rate. Losses are recognized in statements of income and reflected in a provision account. When the Company considers that there are no reasonable expectations of recovery, the amounts are written off. Whenever a subsequent event indicates a reduction in the amount of loss, such reduction is reversed through statements of income.

The determination of a cash-generating unit (CGU) is carried out considering the group of assets responsible for generating cash independently from other assets or operations. At December 31, 2020, the Company did not change the determination of its CGUs.

c. *Investees accounted for under the equity method*

Impairment losses referring to an investee assessed by the equity method are measured by comparing the recoverable value of the investment with its book value. Impairment losses are recorded in statements of income and are reversed if there is a favorable change in the estimates used for calculating recoverable value.

d. *Allocation of impairment*

The impairment loss in cash-generating units is first allocated to goodwill for expected future profitability, if any, and then to the other assets of the unit. The Company allocates the remaining losses to goodwill, firstly to intangible assets determined by future cash flows upon recognition (customer relationship and trademarks intangibles) and then to the most significant fixed assets of the cash-generating unit.

14.1 Impairment of investments

As at December 31, 2021, goodwill and surplus value amounts were measured at their recoverable amount.

Company	Average gross margin	Discount rate	2021	2020
Armetal (a)	38.96%	13.17% (16.43% in 2020)	6,403	(7,872)
Fanacif (b)	19.10%	12.45% (14.35% in 2020)	6,197	(14,416)
Fremax	24.63%	10.17% (11.83% in 2020)	Not identified	Not identified
Jurid (c)	23.30%	10.17% (11.83% in 2020)	12,175	(12,175)
Nakata	28.04%	10.17% (11.83% in 2020)	Not identified	Not identified
Total			**24,775**	**(34,463)**

(a) In the year ended December 31, 2021, the recoverable amount was compared with the book balance of the CGU's assets and, as a result of this analysis and the application of discounted cash flows assumptions to determine impairment of assets, management did not identify the need to recognize impairment of the CGU's assets. In the year ended December 31, 2020, the Company recognized an impairment in the amount of R$7,872, which was fully reversed in the current year, except for the impairment recognized on goodwill. The total amount reversed was R$6,403, including foreign exchange effects. The significant assumptions that had an impact on the changes in this unit's impairment testing were the expected increase in sales in the Argentine market and the improved discount rate.

(b) In the year ended December 31, 2020, the Company recognized impairment in CGU Fanacif in the amount of R$14,416, mainly due to the restructuring of the plant in Uruguay, where subsidiary FANACIF S.A. is based, which consisted of transferring the canvas production line to Brazil. At March 31, 2021, as a result of a calculation review made in December 2020, the Company identified and recognized a reversal of R$4,251. At December 31, 2021, considering the current cash flow projections, the CGU total recoverability was identified, mainly due to an increase in sales projections and to an improved discount rate. The reversal recognized at December 31, 2021 amounted to R$6,197, considering the foreign exchange effects.

(c) At December 31, 2019, the Company identified, through the impairment analyses, impairment in the subsidiary Jurid of R$5,686, which was not recorded at the time. On March 31, 2020, considering the scenario of uncertainties and insecurity in relation to the evolution of the pandemic, the Company fully recognized the impairment on the investment calculated based on the study carried out as of December 31, 2019. At December 31, 2020, based on the updated cash flow projections, the Company recognized additional impairment of R$6,489. For 2021, an expected growth and improvement in business performance was observed, in addition to the improvement in the economic scenario that resulted in decreasing financial risk spreads, thus management did not identify an impairment, which was reversed in full, in the amount of R$12,175.

The key assumptions used as of December 31, 2021, in addition to those presented above specifically for each cash-generating unit, were as follows: (i) updating of costs and expenses based on historical price curves and sector reports; (ii) growth rate based on historical growth. The recoverable amount was compared with the carrying amount of the assets that comprise the CGU and, as a result of this analysis, management did not identify the need to recognize impairment for other Cash Generating Units.

The Company projected optimistic and pessimistic scenarios, considering the following sensitivity scenarios: (i) EBITDA 2% downwards and upwards and (ii) discount rate 2% downwards and upwards. The results are presented below:

Company	Actual scenario	Optimistic scenario	Pessimistic scenario
Armetal	68,455	117,377	34,114
Fanacif *(a)*	4,217	19,554	(6,270)
Fremax	157,118	361,451	45,354
Jurid	6,749	11,724	2,287
Nakata	790,610	1,441,367	434,758

(a) In making projections for a pessimistic scenario using the assumptions above, the Company identified a potential impairment; however, management uses scenarios that are based on appropriate projections, already considering market risks. For the other CGUs, no alternative scenarios were identified that would result in impairment.

14.2 Impairment of operating assets

At December 31, 2017, when conducting the impairment testing of assets, the Company identified that the Block cash-generating unit, located at the subsidiary Fras-le North-America Inc., was not economically feasible at the time and management did not have any expectation of the full recovery of the amounts invested in the project, having recognized provision for impairment losses of R$21,160. The Company reviewed its estimate of recovery of the investment in the Block unit and reversed the amounts of R$7,392 and R$1,975, previously recognized as of December 31, 2018 and December 31, 2020, respectively. The total impairment of this unit as of December 31, 2021 is R$20,646 (R$21,383 as of December 31, 2020). The foreign exchange impact resulting from the translation of the subsidiary's balance sheet was R$11,182 in 2021 (R$9,590 in 2020).

With the exception of the above, the Company has not identified any indication of other assets that could be recognized for in an amount above their recoverable amount.

14.2 Changes in provision for impairment

Changes in provision for impairment are as follows:

	Individual		Consolidated	
	2021	2020	2021	2020
Balance at beginning of year	**(34,462)**	-	**(55,845)**	(20,069)
Additions	**-**	(34,462)	**-**	(34,462)
Reversals	**24,775**	-	**24,775**	1,975
Foreign exchange difference	**-**	-	**737**	(3,289)
Balance at end of year	**(9,687)**	**(34,462)**	**(30,333)**	**(55,845)**

15 Property, plant and equipment

Accounting Policy

a. ***Recognition and measurement***

PPE items are measured at historical acquisition or build-up cost, less accumulated depreciation and accumulated impairment losses (accounting policy for impairment of property, plant and equipment is described in Note 4.2).

Cost includes expenses not directly attributable to acquisition of an asset. The cost of assets built by the Company includes cost of materials and direct labor, any other costs to place the asset on site and under the necessary conditions for such asset to be able to operate as intended by management, costs relating to disassembly and restauration of the location of these assets and borrowing costs on qualifiable assets.

When parts of a PPE item have different useful lives, these parts are recorded as individual (main component) PPE items. Any gains or losses arising from disposal of a PPE item are recorded in statements of income.

Subsequent costs are capitalized to the extent that future economic benefits associated with these costs are likely to be earned by the Company. Recurring maintenance and repair expenses are recorded in income.

A PPE item is written off after disposal or when no future economic benefits are expected from its continuous use. Gains or loss arising from sale or write-off are recorded in statements of income when incurred.

b. ***Depreciation***

Fixed assets items are depreciated using the straight-line method in the profit or loss of the year based on the estimated economic useful life of each component. Leased assets are depreciated over the shorter of the estimated useful life of the asset and the contractual term, unless it is certain that the Company will become the owner of the asset at the end of the lease term. Land is not depreciated.

Estimated average useful lives for the current and comparative year are as follows:

	Consolidated	
	Average useful life	% year
Buildings	36 years	2.75
Machinery and equipment	10 years	9.57
Molds	8 years	12.91
Vehicles	8 years	12.40
Furniture and fixtures	9 years	11.57
IT equipment	5 years	21.09

Parent Company

Cost of the gross fixed assets	Land and buildings	Machinery, equipment and molds	Furniture and fixtures	IT equipment	Vehicles	Property, plant and equipment in progress	Total
Balance at December 31, 2019	**145,081**	**465,467**	**11,432**	**9,525**	**1,105**	**22,188**	**654,798**
Merger of Fremax	5,267	95,340	1,201	1,149	-	-	102,957
Acquisitions	1,076	6,709	99	1,384	-	18,274	27,542
Write-offs	(2,538)	(53,578)	(4,834)	(5,133)	(736)	-	(66,819)
Transfers	2,913	8,694	551	407	-	(13,055)	(490)
Balance at December 31, 2020	**151,799**	**522,632**	**8,449**	**7,332**	**369**	**27,407**	**717,988**
Acquisitions	**803**	**10,682**	**571**	**892**	**14**	**34,141**	**47,103**
Write-offs	**(299)**	**(3,200)**	**(158)**	**(48)**	**-**	**-**	**(3,705)**
Write-offs – paid-in capital	**(33,826)**	**(8,341)**	**(444)**	**(175)**	**(62)**	**-**	**(42,848)**
Transfers	**8,642**	**8,185**	**73**	**(6)**	**47**	**(17,238)**	**(297)**
Balance at December 31, 2021	**127,119**	**529,958**	**8,491**	**7,995**	**368**	**44,310**	**718,241**
Depreciation							
Balance at December 31, 2019	**(55,418)**	**(320,966)**	**(9,065)**	**(7,990)**	**(1,012)**	**-**	**(394,451)**
Merger of Fremax	(1,199)	(35,885)	(518)	(458)	-	-	(38,060)
Acquisitions	(3,924)	(23,103)	(421)	(644)	(18)	-	(28,110)
Write-offs	2,417	50,142	4,747	5,100	728	-	63,134
Transfers	(1)	-	1	-	-	-	-
Balance at December 31, 2020	**(58,125)**	**(329,812)**	**(5,256)**	**(3,992)**	**(302)**	**-**	**(397,487)**
Acquisitions	**(3,159)**	**(25,885)**	**(488)**	**(841)**	**(17)**	**-**	**(30,390)**
Write-offs	**64**	**2,530**	**96**	**232**	**-**	**-**	**2,922**
Write-offs – paid-in capital	**18,797**	**3,633**	**195**	**43**	**60**	**-**	**22,728**
Transfers	**2,613**	**(2,571)**	**(7)**	**25**	**(30)**	**-**	**30**
Balance at December 31, 2021	**(39,810)**	**(352,105)**	**(5,460)**	**(4,533)**	**(289)**	**-**	**(402,197)**
Carrying amount							
Balance at December 31, 2020	**93,674**	**192,820**	**3,193**	**3,340**	**67**	**27,407**	**320,501**
Balance at December 31, 2021	**87,309**	**177,853**	**3,031**	**3,462**	**79**	**44,310**	**316,044**

Consolidated

Cost of the gross fixed assets	Land and buildings	Machinery, equipment and molds	Furniture and fixtures	IT equipment	Vehicles	Property, plant and equipment in progress	Total
Balance at December 31, 2019	**231,954**	**811,055**	**27,664**	**17,002**	**5,022**	**90,575**	**1,183,272**
Acquisitions	1,076	11,938	368	2,736	19	39,929	56,066
Acquisition of new businesses	2,789	34,310	5,281	8,188	937	-	51,505
Write-offs	(2,545)	(55,776)	(5,136)	(5,936)	(1,031)	(854)	(71,278)
Transfers	3,574	70,821	2,291	631	177	(78,697)	(1,203)
Exchange-rate change	13,021	35,724	4,694	912	29	13,887	68,267
Surplus (note 2.4)	-	12,047	1,371	-	346	-	13,764
Inflation Adjustment	2,138	3,206	137	909	339	204	6,933
Balance at December 31, 2020	**252,007**	**923,325**	**36,670**	**24,442**	**5,838**	**65,044**	**1,307,326**
Acquisitions	**839**	**37,287**	**2,123**	**2,854**	**32**	**63,132**	**106,267**
Write-offs	**(2,551)**	**(13,618)**	**(930)**	**(427)**	**-**	**-**	**(17,526)**
Write-offs – Paid-in capital	**(33,826)**	**(8,341)**	**(444)**	**(175)**	**(62)**	**-**	**(42,848)**
Transfers	**9,806**	**53,986**	**4,876**	**174**	**32**	**(69,195)**	**(321)**
Exchange-rate change	**2,897**	**14,879**	**1,643**	**133**	**(273)**	**2,692**	**21,971**
Inflation Adjustment	**2,815**	**6,296**	**282**	**1,278**	**1,512**	**236**	**12,419**
Balance at December 31, 2021	**231,987**	**1,013,814**	**44,220**	**28,279**	**7,079**	**61,909**	**1,387,288**
Depreciation and impairment loss							
Balance at December 31, 2019	**(82,032)**	**(528,762)**	**(19,861)**	**(13,568)**	**(2,863)**	**(1,619)**	**(648,705)**
Depreciation	(6,205)	(46,479)	(1,932)	(1,878)	(238)	-	(56,732)
Acquisition of new businesses	(2,293)	(19,655)	(2,116)	(5,084)	(226)	-	(29,374)
Write-offs	2,442	53,200	4,982	5,950	860	-	67,434
Transfers	(1)	-	1	-	-	-	-
Exchange-rate change	(4,678)	(19,855)	(3,171)	(894)	(274)	(469)	(29,341)
Inflation Adjustment	(728)	(657)	(1,735)	1,084	35	-	(2,001)
mpairment	(3)	(16,495)	-	-	-	49	(16,449)
Balance at December 31, 2020	**(93,498)**	**(578,703)**	**(23,832)**	**(14,390)**	**(2,706)**	**(2,039)**	**(715,168)**
Depreciation	**(5,455)**	**(51,044)**	**(2,963)**	**(2,803)**	**(250)**	**-**	**(62,515)**
Write-offs	**2,079**	**9,012**	**813**	**706**	**-**	**-**	**12,610**
Write-offs – paid-in capital	**18,797**	**3,633**	**195**	**43**	**62**	**-**	**22,730**
Transfers	**2,613**	**(2,546)**	**(11)**	**(8)**	**(6)**	**-**	**42**
Exchange-rate change	**4,936**	**(12,901)**	**(1,047)**	**(237)**	**100**	**2,091**	**(7,058)**
Inflation Adjustment	**(1,257)**	**(2,888)**	**(1,130)**	**21**	**(802)**	**-**	**(6,056)**
Impairment	**-**	**18,431**	**-**	**-**	**-**	**-**	**18,431**
Balance at December 31, 2021	**(71,785)**	**(617,006)**	**(27,975)**	**(16,668)**	**(3,602)**	**52**	**(736,984)**
Carrying amount							
Balance at December 31, 2020	**158,509**	**344,622**	**12,838**	**10,052**	**3,132**	**63,005**	**592,158**
Balance at December 31, 2021	**160,202**	**396,808**	**16,245**	**11,611**	**3,477**	**61,961**	**650,304**

15.1 Breakdown of property, plant and equipment

PPE asset and liability balances are broken down as follows:

	Parent Company		Consolidated	
	2021	2020	2021	2020
PPE in operation	**316,044**	320,501	**650,304**	592,158
Advances to suppliers and imports in transit	**9,400**	1,005	**10,530**	2,524
	325,444	321,506	**660,834**	594,682

15.2 Property, plant and equipment in progress

Consolidated constructions in progress are substantially presented by projects of expansion and optimization of the units as follows:

	Parent Company		Consolidated	
	2021	2020	2021	2020
Manufacturing of tools	**541**	228	**1,698**	1,954
Manufacturing and installation of machinery and equipment	**10,638**	13,940	**11,142**	40,233
Constructions and improvements in real estate property	**29,637**	12,551	**41,725**	13,322
Other	**3,494**	688	**7,396**	7,496
	44,310	27,407	**61,961**	63,005

15.3 Loan cost capitalized

The amount of capitalized loan costs during the year ended December 31, 2021 was R$ 503 (R$ 185 on December 31, 2020). Rate used to determine the amount of loan costs subject to capitalization was 0.43% per month (0.50% per month as of December 31, 2020), which represents the effective rate of specific loans.

16 Intangible assets

Accounting Policy

a. ***Software***

Acquired software licenses are recorded as capital expenditures at the costs incurred to acquire the software and prepare them for use. These costs are amortized over their estimated useful life up to 5 years.

Software maintenance costs are recognized as an expense, as incurred. Development costs that are directly attributable to software product design and testing, and are identifiable and exclusive, controlled by the Company, are recognized as intangible assets when the asset is available to be used or sold and Management can reliably measure the expenditure attributable to the software and from which future economic benefits are expected.

The directly attributable costs, which are capitalized as part of the software product, include costs on employees allocated to the software development and an adequate portion of the direct relevant disbursements. The costs also include financing costs related to software acquisition.

Other development expenditures not meeting those criteria are expensed as incurred. Development costs previously expensed are not recognized as asset in a subsequent period.

Software development costs recognized as assets are amortized through the estimated useful life of the software, not greater than 8 years.

Intangible assets are written off when sold or when no future economic benefits relating to these assets are expected, and recorded in statements of income upon write-off.

b. *Amortization*

Amortization is calculated to amortize the cost of items of intangible assets, net of their estimated residual values, using the straight-line method based on estimated useful lives of such items. Amortization is usually recognized in income.

c. *Business combinations and goodwill*

Intangible assets acquired in a business combination refer substantially to goodwill computed upon acquisition of investments, trademarks and customer portfolios. In the consolidated financial statements, intangible assets acquired in a business combination and recognized separately from goodwill are recorded at fair value at acquisition date, which is equivalent to cost, and are amortized over their estimated useful life on a straight-line basis.

d. *Goodwill*

Goodwill is represented by the positive difference between the amount paid or payable and the net amount of fair value of assets and liabilities of the acquired entity. Goodwill from acquisition of subsidiaries is recorded as intangible assets. If the acquirer computes bargain purchase gain, such amount should be recorded as gains in statements of income for the period, at acquisition date. Goodwill is annually tested for impairment and recorded at cost less accumulated impairment losses, which are not reversed. Gains and losses deriving from sale of an entity include the carrying amount of goodwill relating to the entity sold.

Goodwill is allocated to the cash-generating units (CGU) for impairment testing purposes. Goodwill amounts are allocated to the CGUs or groups of CGUs that should benefit from the business combination from which goodwill originated, duly segregated, in accordance with the operating segment.

The Company’s goodwill recorded in intangible assets derives from business combination of Fremax and Nakata.

Changes in intangible assets are as follows:

Parent Company

Cost	Intangible in progress	Software and licenses	Customer Portfolios	Trademarks	Goodwill	Total
Balance at December 31, 2019	**878**	**30,254**	**-**	**-**	**-**	**31,132**
Merger of Fremax	-	3,873	28,313	10,640	73,024	115,850
Acquisitions	489	35	-	-	-	524
Write-offs	-	(4,869)	-	-	-	(4,869)
Transfers	(876)	1,366	-	-	-	490
Balance at December 31, 2020	**491**	**30,659**	**28,313**	**10,640**	**73,024**	**143,127**
Acquisitions	**502**	**354**	**-**	**-**	**-**	**856**
Write-offs – Paid-in capital	**-**	**(991)**	**-**	**-**	**-**	**(991)**
Transfers	**(308)**	**605**	**-**	**-**	**-**	**297**
Balance at December 31, 2021	**685**	**30,627**	**28,313**	**10,640**	**73,024**	**143,289**
Amortization						
Balance at December 31, 2019	**-**	**(27,206)**				**(27,206)**
Merger of Fremax		(637)	(4,290)	(696)	-	(5,623)
Amortization	-	(2,601)	(1,501)	(348)	-	(4,450)
Write-offs	-	4,857	-	-	-	4,857
Balance at December 31, 2020	**-**	**(25,587)**	**(5,791)**	**(1,044)**	**-**	**(32,422)**
Amortization	**-**	**(1,376)**	**(2,574)**	**(464)**	**-**	**(4,414)**
Write-offs – Paid-in capital	**-**	**134**	**-**	**-**	**-**	**134**
Transfers	**-**	**(30)**	**-**	**-**	**-**	**(30)**
Balance at December 31, 2021	**-**	**(26,859)**	**(8,365)**	**(1,508)**	**-**	**(36,732)**
Carrying amount						
Balance at December 31, 2020	**491**	**5,072**	**22,522**	**9,596**	**73,024**	**110,705**
Balance at December 31, 2021	**685**	**3,768**	**19,948**	**9,132**	**73,024**	**106,557**

Consolidated

Cost	Intangible in progress	Software licenses	Client portfolio	Trademarks	Goodwill	Right to use assets	Total
Balance at December 31, 2019	**1,351**	**43,185**	**65,145**	**20,231**	**77,372**	**1,322**	**208,606**
Acquisition of business combination	-	7,034	-	-	-	-	7,034
Acquisitions	16	387	-	-	-	-	403
Write-offs	-	(4,914)	-	-	-	-	(4,914)
Transfer	(876)	2,079	-	-	-	-	1,203
Exchange-rate change	-	524	(614)	(226)	(4,879)	-	(5,195)
Surplus	-	-	172,439	103,666	78,317		354,422
Inflation adjustment	-	156	11,624	1,405	5,483	-	18,668
Balance at December 31, 2020	**491**	**48,451**	**248,594**	**125,076**	**156,293**	**1,322**	**580,227**
Acquisitions	**502**	**794**	**-**	**-**	**-**	**-**	**1,296**
Write-offs	**-**	**(349)**	**-**	**-**	**-**	**-**	**(349)**
Write-offs – Paid-in capital	**-**	**(990)**	**-**	**-**	**-**	**-**	**(990)**
Transfers	**(307)**	**628**	**(1,167)**	**1,167**	**-**	**-**	**321**
Exchange-rate change	**-**	**241**	**(7,375)**	**(555)**	**(2,763)**	**-**	**(10,452)**
Inflation adjustment	**-**	**166**	**16,621**	**2,027**	**7,498**	**-**	**26,312**
Balance at December 31, 2021	**686**	**48,941**	**256,673**	**127,715**	**161,028**	**1,322**	**596,365**
Amortization and impairment							
Balance at December 31, 2019	**-**	**(33,134)**	**(6,433)**	**(808)**	**-**	**-**	**(40,375)**
Acquisition of business combination	-	(5,474)	-	-	-	-	(5,474)
Amortization	-	(3,638)	(7,774)	(2,452)	-	-	(13,864)
Write-offs	-	4,903		-	-	-	4,903
Exchange-rate change	-	(697)		-	-	-	(697)
Inflation adjustment	-	(17)	(2,582)	(104)	-	-	(2,703)
Impairment	-	-	(2,140)	(7,632)	(4,945)	(1,322)	(16,039)
Balance at December 31, 2020	**-**	**(38,057)**	**(18,929)**	**(10,996)**	**(4,945)**	**(1,322)**	**(74,249)**
Amortization	**-**	**(2,659)**	**(21,033)**	**(6,268)**	**-**	**-**	**(29,960)**
Write-offs	**-**	**349**	**-**	**-**	**-**	**-**	**349**
Write-offs – Paid-in capital	**-**	**133**	**-**	**-**	**-**	**-**	**133**
Transfers	**-**	**(43)**	**-**	**-**	**-**	**-**	**(43)**
Exchange-rate change	**-**	**(170)**	**16**	**-**	**-**	**-**	**(154)**
Inflation adjustment	**-**	**(26)**	**-**	**-**	**-**	**-**	**(26)**
Impairment	**-**	**-**	**2,133**	**7,632**	**(4,743)**	**1,322**	**6,344**
Balance at December 31, 2021	**-**	**(40,473)**	**(37,813)**	**(9,632)**	**(9,688)**	**-**	**(97,606)**
Carrying amount							
Balance at December 31, 2020	**491**	**10,394**	**229,665**	**114,080**	**151,348**	**-**	**505,978**
Balance at December 31, 2021	**686**	**8,468**	**218,860**	**118,083**	**151,340**	**1,322**	**498,759**

d.1 Goodwill and surplus of Armetal Group

Goodwill of Armetal Group arose from a business combination made effective in November 2017. The Company acquired equity interest in PALR S.A., Armetal Autopartes S.A., Farloc Argentina S.A.C. y F., in Argentina, and FANACIF S.A. in Uruguay. On August 31, 2019, the Board of Directors approved the corporate structure change in the Argentina-based companies, and PALR was merged into Armetal. After the merger, the Company became the direct parent of Armetal.

The purchase price of the acquired companies was R$ 97,547, of which R$ 87,508 were paid in cash and R$ 8,414 of which were withheld for a period of up to 8 years, as from acquisition date. These amounts are adjusted by reference to Interbank Deposit Certificates (CDI). At December 31, 2021, the amount payable totaled R$9,597 (R$9,721 in 2019).

d.2 Goodwill and surplus value in direct subsidiary Fremax

Goodwill arising from acquisition of direct subsidiary Fremax was computed by means of Purchase Price Allocation (PPA) issued on January 31, 2019. This acquisition effects were recognized in 2018. The assets identified were measured in accordance with the following accounting policy:

Consideration transferred	180,287
Equity acquired	45,921
Surplus value of assets	
Inventories	130
Property, plant and equipment	19.747
Intangible assets	43.228
Deferred income and social contribution taxes	(1,763)
Goodwill	**73,024**

The purchase price of the acquired companies was R$ 180,287, of which R$ 162,287 were paid in cash and R$ 18,000 of which were withheld for a period of up to 8 years, as from acquisition date. These amounts are adjusted by reference to Interbank Deposit Certificates (CDI). At December 31, 2021, the amount payable was R$11,925 (R$11,024 in 2020). On July 1, 2020, the subsidiary was merged by the parent company, as described in Note 2.3.

d.3 Surplus value of direct subsidiary Jurid

Surplus value arising from acquisition of direct subsidiary Jurid was computed by means of Purchase Price Allocation (PPA) issued on January 18, 2018. This acquisition effects were recognized in 2018. The assets identified were measured in accordance with the following accounting policy:

Consideration transferred	-
Equity	25,321
Noncontrolling interests	(5,039)
Equity acquired	20,282
Surplus value of assets	
Property, plant and equipment	25,470
Intangible assets	7,729
Deferred income and social contribution taxes	(18,183)
Bargain purchase gain amount computed in the operation	**35,298**

17 Leases

Accounting Policy

The Company assesses at contract inception whether a contract is, or contains, a lease. That is, if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration. The Company applies a single recognition and measurement approach for all leases, except for short-term leases and leases of low-value assets.

17.1 Right-of-use assets

Accounting policy

Right-of-use assets are recognized at the commencement date of the lease and are depreciated on a straight-line basis over the useful life of the contract or the useful life of the leased asset. The cost of right-of-use assets includes the amount of lease liabilities recognized, initial direct costs incurred, and lease payments made at or before the commencement date less any lease incentives received.

The estimated average useful lives of right-of-use assets for the current year are as follows:

	Consolidated	
	Average useful life	% year
Buildings	9 years	11%
Machinery and equipment	5 years	19%
Vehicles	5 years	20%

Breakdown of and changes in right-of-use assets in the year ended December 31, 2020 are as follows:

	Parent Company			
	Rights-of-use of machinery and equipment	Rights-of-use of buildings and land	Rights-of-use of vehicles	Total
At January 01, 2020	**11,306**	**5,175**	**430**	**16,911**
Additions	6,601	-	488	7,089
Write-offs	(761)	(1,374)	-	(2,135)
Depreciation	(2,956)	(1,237)	(436)	(4,629)
Merger of Fremax (Note 2.3)	764	29,261	-	30,025
At December 31, 2020	**14,954**	**31,825**	**482**	**47,261**
Additions	**9,833**	**17,945**	**58**	**27,836**
Write-offs	**(5,736)**	**(13,435)**	**(33)**	**(19,203)**
Depreciation	**(3,066)**	**(2,460)**	**(70)**	**(5,596)**
At December 31, 2021	**15,985**	**33,875**	**437**	**50,297**

	Consolidated			
	Rights-of-use of machinery and equipment	Rights-of-use of buildings and land	Rights-of-use of vehicles	Total
At January 01, 2020	**35,492**	**65,432**	**705**	**101,629**
Additions	6,964	16,879	488	24,331
Write-offs	(762)	(1,374)	-	(2,136)
Inflation Adjustment	6,467	-	-	6,467
Exchange-rate change	1,239	3,356	100	4,695
Depreciation	(8,389)	(6,583)	(635)	(15,606)
Acquisition of business combination (note 2.4)	-	21,921	-	21,921
At December 31, 2020	**41,011**	**99,632**	**658**	**141,301**
Additions	**19,821**	**34,415**	**159**	**54,395**
Write-offs	**(5,739)**	**(14,245)**	**(55)**	**(20,039)**
Inflation Adjustment	**8,336**	**-**	**0**	**(8,336)**
Exchange-rate change	**(2,096)**	**966**	**2**	**(1,128)**
Depreciation	**(7,914)**	**(12,913)**	**(212)**	**(21,040)**
At December 31, 2021	**53,419**	**107,855**	**552**	**161,826**

17.2 Lease liabilities

Accounting policy

At the commencement date of the lease, the Company recognizes lease liabilities measured at the present value of lease payments to be made over the lease term. The present value of leases is calculated using an incremental rate.

The lease payments include fixed payments (including in-substance fixed payments) less any lease incentives receivable, variable lease payments that depend on an index or a rate, and amounts expected to be paid under residual value guarantees. The lease payments also include the exercise price of a purchase option reasonably certain to be exercised by the Company and payments of penalties for terminating the lease, if the lease term reflects the Company exercising the option to terminate.

Variable lease payments that do not depend on an index or a rate are recognized as expenses in the period in which the event or condition that triggers the payment occurs and presented in Note 25 Expenses by nature.

The carrying amount of lease liabilities is remeasured if there is a modification in rates, in lease payments or terms, except for the exemption from applying the practical expedient described in Note 5.1, and any impacts are recognized in profit or loss for the year.

Changes in lease liabilities at December 31, 2020 are as follows:

	Parent Company	Consolidated
At January 01, 2020	**17,096**	**101,033**
Additions	7,089	24,332
Write-offs	(2,201)	(2,201)
Present value adjustment of leases	2,579	9,821
Payments	(6,307)	(19,102)
Merger of Fremax (Note 2.3)	30,731	-
Acquisition of business combination (note 2.4)	-	22,757
Exchange-rate change	-	8,996
At December 31, 2020	**48,987**	**145,636**
Additions	**27,836**	**54,395**
Write-offs	**(19,614)**	**(20,567)**
Present value adjustment of leases	**4,217**	**13,075**
Payments	**(8,488)**	**(39,072)**
Exchange-rate change	**-**	**2,815**
At December 31, 2021	**52,938**	**156,282**
Current	**4,241**	**12,376**
Non-current	**48,697**	**143,906**

At December 31, 2020, aging list of lease liabilities is as follows

Maturity	Parent Company 2021	Parent Company 2020	Consolidated 2021	Consolidated 2020
2021	-	4,618	-	16,776
2022	4,241	5,674	12,376	19,083
2023	3,924	5,312	17,388	18,265
2024	3,355	5,312	16,234	18,265
2025 onwards	41,418	28,071	110,284	73,247
Total	**52,938**	**48,987**	**156,282**	**145,636**

The Company has no sublease agreements or leaseback transactions.

In accordance with the guidance set out in CVM Memorandum Letter No. 02/19, management calculated future cash flows based on a nominal rate for user assessment purposes in case the Company had adopted the nominal rate in the statement of financial position. As at December 31, 2021, impacts of depreciation in Company statements of income would amount to R$ 5,086 – Individual and R$ 20,281 – Consolidated. Interest deriving from leases in the individual and consolidated financial statements would amount to R$ 4,821 and R$ 13,989, respectively.

18 Provision for claims

Accounting Policy

The Company and its subsidiaries are parties to judicial and administrative proceedings in various courts and governmental agencies, arising from the normal course of operations, involving tax, labor, social security and civil issues. The estimated loss was provisioned in non-current liabilities, based on the opinion of its legal counsel, for cases in which the loss is considered as probable.

18.1 Provision for claims

The following table shows the estimated contingent risk (loss) amounts on December 31, 2021 and 2020, according to the opinion of the Company's legal counsel:

	Parent Company 2021	Parent Company 2020	Consolidated 2021	Consolidated 2020
a) labor	**26,556**	8,536	**38,713**	15,618
b) tax	**683**	675	**757**	788
c) civil	**35**	978	**35**	5,294
Total	**27,274**	**10,189**	**39,505**	**21,700**

(a) Labor - Provisions to cover probable losses relating to labor claims mostly filed by former employees of the Company and service providers. Changes for the fourth quarter of 2021 arise from changes in labor claims in the discovery phase, decisions that change the likelihood of loss from possible to probable, amounting approximately to R$19,400, which is in line with the provision-related practices used by the Company. The Company calculated the estimate considering the best assumptions available and based on the assessments of its legal advisors.

(b) Tax - Provisions to cover probable losses relating to tax proceedings represented by federal, state and municipal tax notices, some of which are under way in the administrative sphere and some in the legal sphere, deriving from differing interpretation of tax legislation by the Company and by the tax authorities.

(c) Civil – Provisions to cover probable losses relating to civil proceedings represented by indemnification actions mostly filed by customers against the Company.

18.2 Judicial deposits

These correspond to amounts deposited in court, relating to civil, tax, labor and social security proceedings, to ensure the execution of these actions or suspend collection of the amounts under discussion.

	Parent Company		Consolidated	
	2021	2020	2021	2020
a) labor	**10,289**	10,076	**11,633**	11,609
b) tax	**3,694**	3,377	**10,530**	10,126
c) social Security	**68**	68	**68**	68
d) civil	**35**	35	**485**	202
Total	**14,086**	**13,556**	**22,716**	**22,005**

18.3 Contingent liabilities

The Company and its subsidiaries respond for lawsuits in progress, for which, when there is a likelihood of a possible loss, no provisions for contingencies were recorded.

	Parent Company		Consolidated	
	2021	2020	2021	2020
a) labor	**39,262**	34,802	**52,197**	47,597
b) tax	**27,591**	25,892	**37,592**	38,206
c) civil	**635**	198	**1,454**	746
d) social security	**-**	173	**-**	173
Total	**67,488**	61,065	**91,243**	86,722

The main lawsuits with possible risk of loss are as follows:

a. *Labor*

Several labor complaints, mostly related to claims for indemnification, overtime pay, and additional pay for unhealthy working conditions.

b. *Tax*

b.1 Social Contribution referring to profit sharing of managers and coordinators - Parent company Fras-le was notified by Brazil's Federal Revenue Service, due to alleged non-compliance with the requirements of Law 10.101/2000, when the profits and results are shared with their managers and coordinators. The debt was the subject of administrative and judicial discussion. In October 2015, the Company joined the Program for Reduction of Tax Litigation (PRORELIT) to settle this debt. The process is suspended until the installment is settled. The amount involved is R$ 9,014.

b.2 Drawback – This refers to Notice of Delinquency No. 11077.720261/2018-18 issued by the Brazilian IRS against the Company, aimed at collection of Federal VAT (IPI), Import Tax (II), federal contribution taxes on gross revenue for Social Integration Program (PIS) and for Social Security Financing (COFINS), Freight surcharge for renovation of the Merchant Marine (AFRMM) levied on import, plus late-payment fine of 20% and automatic fine of 75%. Worth stressing, 80% of the tax delinquency notice in question refers to amounts within the sphere of Drawback Granting Statute No. 20100074081, which is settled, considering its inclusion, in 2017, in the Tax Settlement Program (PRT). This proceeding awaits decision in the administrative sphere. The amount involved is of R$ 6,919.

b.3 Social Contribution Tax – The Company filed a Protest Letter against the Interlocutory Decision that denied the offset of credits on income and social contribution tax losses, declared in 2003 Corporate Income Tax return (DIPJ), base year 2002. Proceeding No. 11020.900-968/2010-04 awaits decision on the Voluntary Appeal lodged by the Company. The amount involved is of R$ 944.

b.4 Import - On May 4, 2010, the Federal Taxation Authorities served a Tax Delinquency Notice because they understood that subsidiary Nakata could not benefit from the tax benefit that reduces the Import Duty provided for in Article 5 of Law No. 10182/01, since it does not process the imported parts (industrial processing would entitle it to the tax benefit). Therefore, the authorities ordered the cancellation of the benefit and demanded payment of II, IPI, PIS and COFINS relating to imports conducted in the period from February 1, 2007 to March 23, 2009, plus an automatic fine of 75% and late payment interest. That company challenged the Delinquency Notice, proving that it effectively processes the imported auto parts, and is thus entitled to the tax benefit. The Challenge was dismissed, and a Voluntary Appeal was filed and accepted by the Administrative Board of Tax Appeals (CARF) on October 5, 2018. Since then, the Company awaits trial by CARF. The amount involved is R$7,049.

18.4 Changes in provision for claims

Changes in lawsuits are as follows:

Individual

	2020	Addition	Incurred	2021
Labor	8,536	**20,506**	**(2,486)**	**26,556**
Civil	978	**-**	**(943)**	**35**
Tax	675	**8**	**-**	**683**
Total	**10,189**	**20,514**	**(3,429)**	**27,274**

Consolidated

	2020	Addition	Incurred	2021
Labor	15,618	**26,562**	**(3,467)**	**38,713**
Civil	5,294	**-**	**(5,259)**	**35**
Tax	788	**10**	**(41)**	**757**
Total	**21,700**	**26,572**	**(8,767)**	**39,505**

18.5 Contingent assets

The Company records contingent assets and figures as plaintiff in proceedings of a civil, tax and social security nature. In the financial statements, the Company does not recognize the contingent assets, and recognizes gains when considered virtually certain.

At December 31, 2021, contingent assets totaled R$140 (R$160 at December 31, 2020), parent company and consolidated.

The statement, as of December 31, 2021, containing information on contingent assets (gain), according to the opinion of the Company's legal advisors, is detailed below.

(a) **Civil** - these refer to credit recovery proceedings (collection and execution), for which provision for losses was recorded. However, these proceedings are still following their procedural steps and, should a decision in favor of the Company be issued, the provision will be reversed. As at December 31, 2021, Company contingent assets deriving from civil proceedings amounted to R$ 140 (R$ 140 in 2020) – Individual and Consolidated.

(b) **Tax -** The Company and its subsidiaries are plaintiffs in lawsuits, at the state and federal levels. However, at December 31, 2021, the likelihood of success in such lawsuits is not considered probable. Thus, the Company's contingent assets arising from those lawsuits were nil in Individual and Consolidated (R$ 20 in 2020 in Individual and Consolidated).

(c)

19 Loans and financing

	Index	Interest	Final maturity date of contract	Parent Company 2021	Parent Company 2020	Consolidated 2021	Consolidated 2020
Current							
Local currency:							
NCE	CDI	115.75% a 123.00% a.a.	set/25	**15,715**	13,022	**26,389**	22,440
Debentures	CDI	1.45% a.a.	jul/27	**8,016**	2,952	**8,016**	2,952
Vendor	CDI	4% a 6.86% a.a.	jan/22	**6,825**	4,185	**32,141**	7,483
Fundopem	IPCA	3.0% a.a.	mai/27	**3,673**	4,152	**3,673**	4,152
Bank loan - FINEP	TJLP/Fixed rate	0.8%	mar/30	**1,195**	23	**1,195**	23
Working Capital Loan	CDI	118.50% a 125.00% a.a.	ago/24	**-**	-	**143**	24,616
Working Capital Loan	CDI	2.15%a.a.	abr/21	**-**	31,031	**-**	31,031
BNDES – FINAME	Fixed	3.15% a.a.	dez/24	**-**	-	**135**	4
Direct financial loan – Law 4.131	CDI	125% a.a.	fev/23	**-**	-	**19,113**	-
Foreign Currency:							
PPE	Libor + Fixed + Exchange rate change	2.97%	jul/25	**27,568**	25,842	**27,568**	25,842
NCE	Fixed rate + Exchange rate change	3.65% a.a.	jul/25	**18,920**	18,701	**18,920**	18,701
ACC	Fixed rate + Exchange rate change	3.15% a 3.75%a.a.	mai/21	**-**	34,702	**-**	34,702
Working Capital Loan	Libor + Fixed + Exchange rate change	2.75%a 9.41%a.a.	jan/27	**-**	-	**49,964**	38,276
FINEX	Fixed rate + Exchange rate change	3.09% a 3.40% a.a.	jun/21	**-**	1,999	**-**	1,999
Tearm Loan	Fixed rate + Exchange rate change	2.00% a 2.75% a.a.	ago/38	**-**	-	**8,419**	8,490
Total				**81,912**	136,609	**195,676**	220,711
Non current							
Local currency:							
Debentures	CDI	1.45% a.a.	jul/27	**417,434**	416,864	**417,434**	416,864
NCE	CDI	115.75% a 123.00 % a.a.	set/25	**135,120**	37,680	**191,683**	48,618
Bank loan - FINEP	TJLP/Fixed rate	0.8%	mar/30	**10,140**	10,000	**10,140**	10,000
Fundopem	IPCA	3.0% a.a.	mai/27	**7,518**	9,829	**7,518**	9,829
Working Capital Loan	CDI	118.50% a 125.00% a.a.	ago/24	**-**	-	**5,000**	27,426
irect financial loan – Law 4.131	CDI	125% a.a.	fev/23	**-**	-	**3,175**	-
BNDES - FINAME	Fixed	3.15% a.a.	dez/24	**-**	-	**264**	528
Foreign currency:							
PPE	Libor + Fixed + Exchange rate change	2.97%	jul/25	**80,488**	99,937	**80,488**	99,937
NCE	Fixed rate + Exchange rate change	3.65% a.a.	jul/25	**36,273**	50,668	**36,273**	50,668
Loan – Working capital	Libor + Fixed + Exchange rate change	2.75% a 9.14%a.a.	jan/27	**-**	-	**14,211**	16,335
Tearm Loan	Fixed rate + Exchange rate change	2.00% a 2.75% a.a.	ago/38	**-**	-	**13,574**	22,221
Total				**686,973**	624,978	**779,760**	702,426
Total loans				**768,885**	761,587	**975,436**	923,137

ICE Benchmark Administration, the LIBOR administrator, announced that at December 31, 2021 the LIBOR rate was discontinued, with the exception of the LIBOR USD rate, which will be maintained until June 2023. The Company and its subsidiaries have existing contracts that are restated using the LIBOR USD rate, for which no significant impacts are expected.

In 2021, there were no new fundings requiring collateral.

a. *Covenants*

The Company and its subsidiaries have debenture and working capital contracts in the amount of R$437,170 that provide for compliance with covenants, calculated using gross debt ratio added to interest and EBITDA. In the period ended December 31, 2021, such covenants were complied with.

The financing agreements entered into with Banco Nacional de Desenvolvimento Econômico e Social (BNDES), the Brazilian development bank, which were settled in the year ended December 31, 2020, contained covenants such as early maturity, partially or in full, when certain financial ratios (consolidated equity/assets) were not achieved.

b. *Fundopem/RS*

The Company has a government grant/tax incentive granted by Rio Grande do Sul state (Fundopem), which consists in a postponement of payment of a portion of the ICMS debt generated monthly, with a 33 to 54-month grace period and payment term between 54 to 96 months, adjusted for inflation by the IPCA/IBGE index and interest rate at 3% p.a.. As of December 31, 2021, the open amount totaled R$ 11,191 in the parent company (R$ 13,981 as of December 31, 2020).

c. *Vendor*

As of December 31, 2021, the Company has outstanding vendor financial operations with clients in the amount of R$ 6,825 in the parent company and R$ 32,141 in consolidated (R$ 4,185 in the parent company and R$ 7,483 in consolidated as of December 31, 2020), in which participates as an intervening guarantor.

In these operations, the Company settles the outstanding operations in the event that the customer-debtor of accounts receivable, linked to the operation, fails to make the payment to the financial institution within the time limit agreed between the parties.

These operations are carried out by associated company Banco Randon S.A., which assumes part of the risks related to delinquency and/or late payment by the customer.

The amount recognized as a financial liability is a counterpart of the amounts advanced by the financial institution to the Company, whose accounts receivable of origin have not yet been unrecognized, considering the retention of risks by the Company related to delinquency and/or late payment by the customer. Average term of maturity of these operations is 42 days.

d. *Debentures*

The debentures refer to funding issued on June 15, 2020 and July 15, 2020, in the amounts of R$210,000 each, totaling R$420,000, all of which occurred through private placement with restricted efforts of simple, unsecured, nonconvertible debentures in a single series, under the subscription regime. Final maturity is June 15, 2027 and July 15, 2027, respectively.

20 Capital and reserves

20.1 Amount of authorized shares

	As of December 31, 2021 and 2020
Common shares	500,000
	500,000

20.2 Common shares issued and fully paid-up

	In thousands of shares	In thousands of R$
As of December 31, 2021 and 2020	214,566	600,000

20.3 Treasury shares

Accounting Policy

When shares recognized as equity are repurchased, the value of the consideration paid which includes any costs directly attributable, net of any tax effects is recognized as a deduction from equity. The repurchased shares are classified as treasury shares and presented as a deduction from equity. When treasury shares are sold or reissued subsequently, the amount received is recognized as an increase in net assets, and the resulting gain or loss from the transaction is shown as capital reserve, according to destination given by the Company`s Management.

	In thousands	R$
As of December 31, 2021 and 2020	3,000	13,352

20.4 Profit reserves and retention

a. *Legal reserve*

In compliance with article 193 of Law 6,404/76, the reserve was formed at the rate of 5% of the net income for the year, up to the limit of 20% of the capital.

b. *General profit reserve*

Its purpose is to ensure working capital. It is formed with the balance of adjusted profit after deducting the mandatory dividend from it, and will have as maximum limit the amount that cannot exceed 80% of capital stock.

c. *Tax incentive reserve*

The Company benefits from tax incentives relating to ICMS, Fundopem (tax incentive program of the Rio Grande do Sul State), and Rota 2030 (tax incentive program for the automotive industry). In view of the publication of Supplementary Law No. 160/17 and in accordance with Law No. 6404/76, management has allocated them to the tax incentive reserve in equity. At December 31, 2021, the balance is R$9,192 (R$6,738 at December 31, 2020).

20.5 Other comprehensive income and Equity valuation adjustment

Other comprehensive income in shareholders' equity is comprised as follows:

	Equity adjustment					
	Foreign exchange difference - investments	Deemed cost - PPE	Foreign exchange difference - loans	Foreign exchange difference – deferred taxes	Actuarial valuation	Total
Balances at December 31, 2019	**(44,179)**	**30,032**	**1,244**	**4,121**	**2,931**	**(5,851)**
Additions (write-offs) in the year	34,563	(1,311)	7,582	124	(953)	40,005
Balances at December 31, 2020	**(9,616)**	**28,721**	**8,826**	**4,245**	**1,978**	**34,154**
Additions (write-offs) in the year	**(830)**	**(1,134)**	**2,778**	**3,592**	**168**	**4,574**
Balances at December 31, 2021	**(10,446)**	**27,587**	**11,604**	**7,837**	**2,146**	**38,728**

a. ***Foreign exchange differences on investments***

Represented by the recording of exchange rate differences arising from the translation of the financial statements of subsidiaries abroad, pursuant to Technical Pronouncement CPC 02 (R2) – Effects of changes in exchange rates and translation of financial statements.

b. ***PP&E deemed cost***

Formed as a result of fair value evaluation of fixed assets according to technical pronouncement CPC 27 - Fixed assets and ICPC 10, recorded based on an appraisal report prepared by specialized company.

c. ***Foreign exchange differences on intercompany loans***

Foreign exchange differences on intercompany loan with subsidiary Fras-le Argentina, with characteristics of net investment, pursuant to CPC 02 - Effects of Changes in Exchange Rates and Translation of Financial Statements.

d. ***Reserve for actuarial evaluation***

Reserve arising from the recording of actuarial gains on the employee benefit plan, pursuant to Technical Pronouncement CPC33 (R1) – Employee Benefits.

21 Dividends and interest on own capital paid and proposed

Accounting Policy

The by-laws determine the distribution of a minimum dividend of 25% of the net income for the year.

Dividends were calculated as follows:

	2021	2020
Net income for the year	**211,228**	188,367
Tax incentive reserve	**(2,454)**	(2,711)
Legal reserve (5%)	**(10,439)**	(9,418)
Realization of depreciation of deemed cost	**1,134**	1,311
Base income for distribution	**199,469**	177,549
Minimum compulsory dividend (25%)	**49,867**	44,388
Interest on own capital	**43,007**	37,500
Income tax	**(6,451)**	(5,625)
Net interest on own capital	**36,556**	31,875
Dividends to be distributed	**13,311**	12,513

Changes in dividends payable are disclosed in Note 29.

21.1 Interest on own capital

In accordance with the option provided in Law 9249/95, the Company computed and paid interest on own capital of R$ 43,007, 0.20044 per share (R$ 37,500, 0.17477 per share as of December 31, 2020), as approved by the Board Meeting, by using the benchmark interest rate (TJLP) in effect for the year. This interest was recorded under financial expenses, as required by tax legislation. For the purposes of these financial statements, this interest was eliminated from financial expenses for the year and was charged to retained earnings.

The income tax and social contribution for the year were reduced by R$ 14,622 (R$ 12,750 as of December 31, 2020), as a result of the deduction of these taxes by interest on own capital credited to shareholders.

21.2 Dividends

On April 13, 2021, the Company approved dividends in the amount of R$8,778, in addition to the minimum dividends proposed in 2020. This amount was paid in May 2021 and was deducted from the income reserves.

22 Earnings per share

Accounting Policy

Earnings per share is basically calculated by dividing net income for the period attributed to holders of the parent company’s common shares by the weighted average number of common shares available during the year.

Diluted earnings per share are calculated by dividing net income attributed to the Parent Company's common shareholders by weighted average number of common shares available in the year. There are no potential dilutive shares. The table below shows data of income and shares used in calculating basic and diluted earnings per share:

	Parent Company and Consolidated	
	2021	**2020**
Net income for the year	**211,228**	188,367
Weighted average of shares issued (in thousands)	**214,566**	214,566
Basic and diluted earnings per share (In reais)	**0.9844**	0.8779

23 Income taxes

Accounting Policy

The income tax and social contribution, both current and deferred, are calculated based on the applicable rates and considering applicable legislation for each country where entity operates.

Expense with income tax and social contribution comprises both current and deferred taxes. Current taxes and deferred taxes are recognized in income (loss) unless they are related to the business combination, or items directly recognized in shareholders' equity or other comprehensive income.

23.1 Current tax

Current taxes are the taxes payable or receivable on the taxable income or loss for the year and any adjustments to taxes payable in relation to prior years. It is measured based on rates enacted or substantively enacted at the balance sheet date. Current tax also includes any tax liability arising from the declaration of dividends.

Current tax asset and liability are offset only when certain criteria are met.

The breakdown of income tax and social contribution expense in years ended December 31, 2021 and 2020 is summarized as follows:

	Parent Company		Consolidated	
	2021	**2020**	**2021**	**2020**
Current income tax and social contribution:				
Current income tax and social contribution expenses	**6,072**	(55,410)	**(20,809)**	(84,385)
Deferred income tax and social contribution:				
Regarding the formation and reversal of temporary differences and tax losses	**13,894**	18,730	**5,392**	11,878
Income tax and social contribution expense presented in the statement of income	**19,966**	(36,680)	**(15,417)**	(72,507)

	Parent Company		Consolidated	
	2021	2020	2021	2020
Statement of comprehensive income				
Deferred income tax and social contribution related to items directly debited or credited to the shareholders' equity during the year:				
Foreign exchange differences on surplus value	**899**	1,851	**2,756**	1,851
Comprehensive income - Randonprev	**59**	352	**66**	352
	958	2,203	**2,822**	2,203

The reconciliation between tax expense and the result of the multiplication of income at local tax rate in the years ended December 31, 2021 and 2020 and is described below:

	Parent Company		Consolidated	
	2021	2020	2021	2020
Income before income taxes	**191,262**	225,047	**226,039**	254,553
At the tax rate of 34%	**(65,029)**	(76,516)	**(76,853)**	(86,548)
Nondeductible expenses	**(3,763)**	(2,706)	**(10,669)**	(4,957)
Equity pickup	**31,455**	17,306	**188**	-
Amortization of surplus value	**8,650**	5,129	**8,650**	5,129
Incentivized expense	**4,679**	3,547	**10,316**	6,158
Interest on own capital	**14,623**	12,750	**14,623**	12,750
Rate adjustment – abroad	**-**	-	**(3,979)**	(2,336)
Selic IRPJ/CSLL Undue	**21,225**	-	**28,827**	-
Reintegra	**4,060**	-	**4,060**	-
Other nondeductible income (expenses)	**4,066**	3,810	**9,420**	2,524
Write-off of deferred tax on tax losses	**-**	-	**-**	(5,227)
Income and social contribution taxes in income for the year	**19,966**	(36,680)	**(15,417)**	(72,507)
Effective rate	**(10.44%)**	16.43%	**6.82%**	28.48%

23.2 Deferred tax

Deferred taxes are recognized in relation to the temporary differences between the carrying amount of assets and liabilities for financial statement purpose and the related amounts used for taxation purposes. Deferred taxes are not recognized for:

- Temporary differences on the initial recognition of assets and liabilities in a transaction that is not a business combination, and not affecting the taxable, accounting income or loss;
- Temporary differences related to investments in subsidiaries to the extent that the Company is able to control the timing of the reversal of the temporary differences and it is probable that they will not be reversed in the foreseeable future.

A deferred income tax and social contribution asset is recognized for unused tax losses, tax credits and deductible temporary differences, to the extent that it is probable that future taxable income will be available against which the unused tax losses and credits can be utilized. Deferred income tax and social contribution assets are reviewed at each balance sheet date and reduced when their realization is no longer probable.

Deferred taxes are measured at tax rates expected to be applied to temporary differences when they are reversed, based on rates enacted or substantively decreed up to the date of balance sheet.

The measurement of deferred tax reflects the tax consequences that would follow the manner in which the Company expects to recover or settle the book value of its assets and liabilities. Deferred tax assets and liabilities are offset only if some criteria are met.

Deferred income tax and social contribution in years ended December 31, 2021 and 2020 refer to:

Parent Company

	Balance Sheet		Shareholders' equity		Income	
	2021	2020	2021	2020	2021	2020
Surplus value and goodwill	(33,442)	(36,915)	899	1,851	2,574	(1,428)
Depreciation - useful life/tax	(19,551)	(19,615)	-	-	64	(367)
Deemed cost of adjustment of property, plant and equipment	(14,211)	(14,795)	-	-	584	676
Present value adjustment	(4,212)	(1,126)	-	-	(3,086)	41
Accelerated depreciation	(1,529)	(2,006)	-	-	477	(1,672)
Randonprev - actuarial evaluation	(1,186)	(1,111)	59	352	(134)	(1,463)
Consideration payable to clients	9,625	-	-	-	9,625	-
Profit sharing	9,585	7,625	-	-	1,960	5,387
Provision for litigation	9,273	3,464	-	-	5,809	(821)
Update of contingent consideration	8,991	-	-		8,991	-
Sundry provisions and other	(2,540)	2,875	-	-	(5,415)	389
Impairment	3,271	11,977	-	-	(8,706)	11,977
Unearned income from inventories	3,171	3,133	-	-	38	1,396
Provision for obsolete inventories	2,903	3,089	-	-	(186)	1,921
Provision to commissions and freight	1,846	721	-	-	1,125	448
Provision for expected credit losses	583	409	-	-	174	44
Income (expenses) from income tax and social contribution – deferred					13,894	16,528
Deferred tax liabilities	(27,423)	(42,275)				
Shareholders' equity			958	2,203		

Consolidated

	Balance Sheet		Shareholders' equity		Income	
	2021	2020	2021	2020	2021	2020
Surplus value and goodwill	(33,442)	(36,915)	2,756	1,851	717	(21,700)
Depreciation - useful life/tax	(33,431)	(23,731)	-	-	(9,700)	(2,023)
Deemed cost of adjustment of property, plant and equipment	(15,536)	(16,447)	-	-	911	920
Inflation adjustment	(12,453)	5,962	-	-	(18,415)	5,490
Present value adjustment	(1,918)	(799)	-	-	(1,119)	480
Accelerated depreciation	(1,529)	(2,006)	-	-	477	(2,006)
Actuarial evaluation	(1,189)	(1,106)	66	492	(149)	(1,598)
Indemnification assets	(772)	(772)	-	-	-	-
Tax losses to be offset	33,296	28,126	-	-	5,170	(1,390)
Sundry provisions and Other	2,181	(968)	-	-	3,149	7,421
Profit sharing	13,394	9,560	-	-	3,834	7,593
Provision for litigation	13,132	7,378	-	-	5,754	805
Consideration payable to customers	9,625	-	-	-	9,625	-
Update of contingent consideration	8,991	-	-		8,991	-
Provision for obsolete inventories	7,610	5,734	-	-	1,876	2,440
Impairment	8,845	18,177	-	-	(9,332)	11,977
Derivatives transactions	2,360	(1)	-	-	2,361	
Provision to commissions and freight	2,224	1,106	-	-	1,118	560
Provision for expected credit losses	1,518	1,394	-	-	124	566
Income from income tax and social contribution – deferred					5,392	9,535
Deferred tax (liabilities)	(44,325)	(51,956)				-
Deferred tax assets	47,231	46,648				-
Shareholders' equity			2,822	2,343		-

The tax carryforward losses for the Company and its subsidiaries amounted to R$122,751 (R$156,473 at December 31, 2020). Such tax carryforward losses can be offset with future taxable profits of the company in which they were generated. Deferred income and social contribution tax assets are recorded and maintained based on a study prepared by management, which proves the ability of the Company and its subsidiaries to generate future taxable profits that ensure the realization of tax credits.

The estimated recovery of tax credits recorded on income and social contribution tax carryforward losses was based on projected taxable profits, taking into account various financial and business assumptions at year. As such, these estimates may not be realized in the future due to the uncertainties inherent in such forecasts.

24 Net Revenue

Accounting Policy

IFRS 15 / CPC 47 – Revenue from Contracts with Customers establishes a model that aims at evidencing whether the accounting criteria have or have not been met. This process steps comprise:

i) Identifying the contract with the customer;

ii) Identifying the performance obligations;

iii) Establishing transaction price;

iv) Allocating transaction price; and

v) Recognizing revenue by fulfilling the performance obligations.

Taking into consideration the aspects above, revenues are recognized for the amount that reflects the Company's expectation to receive consideration for the financial services and products offered to its customers.

Net income from sales is broken down as follows:

	Parent Company		Consolidated	
	2021	2020	2021	2020
Gross sales	**1,521,872**	1,076,898	**3,357,652**	2,112,153
Sales returns	**(29,817)**	(1,149)	**(39,519)**	(4,231)
Adjustment to present value	**(4,384)**	(2,161)	**(4,679)**	(2,555)
Sales tax	**(329,892)**	(258,927)	**(731,288)**	(434,578)
Net operating income	**1,157,779**	814,661	**2,582,166**	1,670,789

(a) The Company has granted a contractual discount to a customer, which will be paid with consideration. The discounts granted refer to revenues obtained in 2021, and based on the guidance of CPC 47/IFRS 15, were recorded as reducing the transaction price and, consequently, the revenues for the same period, in the amount of R$28,310 in Individual and R$30,542 in Consolidated.

25 Expenses per type

The Company's statements of profit or loss are presented by function. Detailed information on expenses by nature is as follows.

	Parent Company		Consolidated	
	2021	2020	2021	2020
Expenses according to the role				
Cost of products sold and services rendered	**(854,198)**	(587,911)	**(1,833,869)**	(1,190,880)
Sales expenses	**(95,481)**	(66,596)	**(237,211)**	(147,918)
Administrative and general expenses	**(69,535)**	(64,463)	**(187,216)**	(146,339)
Total	**(1,019,214)**	(718,970)	**(2,258,296)**	(1,485,137)
Expenses per type				
Raw materials and use and consumption materials	**(479,114)**	(319,910)	(1,220,546)	(732,817)
Personnel expenses	**(257,696)**	(188,237)	(489,326)	(355,225)
Conservation and maintenance	**(43,895)**	(27,282)	(77,610)	(51,021)
Depreciation and amortization	**(40,400)**	(37,189)	(113,514)	(90,906)
Freight	**(39,294)**	(27,536)	(72,238)	(48,847)
Electric power	**(33,086)**	(22,690)	(54,493)	(44,383)
Administrative services	**(25,640)**	(16,823)	(37,243)	(20,997)
Professional fees	**(20,931)**	(18,530)	(33,903)	(26,041)
Commissions	**(9,253)**	(7,961)	(6,988)	(3,820)
Rentals	**(8,072)**	(4,471)	(23,775)	(17,425)
IT Consultancy	**(5,376)**	(4,647)	(10,935)	(7,633)
Directors' fees and profit sharing	**(4,228)**	(4,146)	**(10,232)**	(6,563)
Other expenses	**(52,229)**	(39,548)	**(107,493)**	(79,459)
Total	**(1,019,214)**	(718,970)	**(2,258,296)**	(1,485,137)

26 Personnel and profit sharing expenses

	Parent Company		Consolidated	
	2021	2020	2021	2020
Salaries and wages	**(188,291)**	(139,628)	**(354,374)**	(269,618)
Social security costs	**(39,433)**	(28,761)	**(67,082)**	(47,515)
Benefits granted	**(29,972)**	(19,848)	**(67,870)**	(38,092)
	(257,696)	(188,237)	**(489,326)**	(355,225)

The participation of employees was calculated as provided in the Profit Sharing Program approved in unions of categories in accordance with the provisions of Law 10101 of December 19, 2000. The amount of profit sharing calculated as of December 31, 2021 was in the amount of R$ 29,512 (R$ 28,438 at December 31, 2020).

27 Other operating income and expenses

	Parent Company		Consolidated	
	2021	2020	2021	2020
Other operating income:				
Reversal of impairment (b)	**24,775**	-	**24,775**	1,975
Realization of provision for restructuring (a)	-	-	**17,397**	-
Compensation of retained values – business combination (d)	**14,013**	-	**14,013**	-
Tax Incentives	**1,311**	1,306	**1,583**	1,306
Cost of Write-offs – leasing	**411**	65	**528**	65
Rentals	**-**	-	**1,072**	-
Sale of electricity	**419**	3,287	**419**	5,742
Sale of assets	**107**	1,671	**975**	1,787
Income from legal proceedings (c)	**1,601**	93,123	**2,274**	135,803
Other income	**2,602**	1,905	**8,137**	6,937
Total	**45,239**	101,357	**71,173**	153,615
Other operating expenses:				
Accounts payable – business combination (d)	**(26,445)**	-	**(26,445)**	-
Employee profit sharing	**(20,523)**	(16,393)	**(26,293)**	(21,002)
Provision for litigation	**(17,085)**	(643)	**(17,805)**	(2,445)
Supervenience in business combination – asset (c)	**(5,603)**	-	**(5,603)**	-
Expenses with legal proceedings	**(3,673)**	(5,493)	**(22,836)**	(9,598)
Tax	**(2,058)**	(3,731)	**(6,137)**	(3,731)
Cost of taxes in write-off and disposal of permanent assets	**(1,315)**	(100)	**(1,315)**	(100)
Cost of write-off and disposal of permanent assets	**(783)**	(4,360)	**(4,917)**	(5,675)
Impairment (b)	**-**	(34,462)	**-**	(34,462)
Provision for losses on other receivables	**-**	-	**(1,928)**	(1,238)
Other expenses	**(2,196)**	(890)	**(7,133)**	(21,036)
Total	**(79,681)**	(66,072)	**(120,412)**	(99,287)
Other operating income (expenses), net	**(34,442)**	35,285	**(49,239)**	54,328

(a) The realization of the provision for restructuring refers to the expenses incurred for the transfer of Nakata Automotiva Ltda.'s branch from the city of Diadema, in ABC Paulista, to the municipality of Extrema, in Minas Gerais State, as communicated to the market of February 1, 2021.

(b) The Company revised the impairment calculations as at December 31, 2021, resulting in the reversal of the amounts recognized in previous years, as described in Note 14.

(c) The amount of other revenues in the consolidated statements mainly refers to the amount arising from the proceeding addressing ICMS exclusion from the PIS and COFINS base, and other tax proceedings mentioned in Note 10.

(d) The business combination amounts have been restated as mentioned in Note 2.

Income from legal proceedings is detailed in Note 10.

28 Financial results

Accounting Policy

Interest income and expenses are recorded in statements of income using the effective interest rate method. The Company classifies loans and financing as financing activities since they refer to costs of obtaining financial resources.

	Parent Company		Consolidated	
	2021	2020	2021	2020
Financial income:				
Exchange-rate change	**64,440**	136,895	**129,393**	178,172
Adjustment to present value	**3,929**	2,363	**4,203**	12,880
Income from legal proceedings	**12,901**	8,559	**25,547**	13,267
Adjustment to present value on the contingent consideration of business combination	**10,087**	-	**10,087**	-
Income from legal proceedings	**10,159**	45,720	**10,301**	52,903
Income from derivative operations	**9**	-	**4,083**	2,264
Other financial income	**460**	1,735	**9,598**	2,643
Total	**101,985**	195,272	**193,212**	262,129
Financial expenses:				
Exchange-rate change	**(62,588)**	(131,602)	**(152,907)**	(203,321)
Interest on financing	**(37,092)**	(20,433)	**(68,313)**	(34,369)
Bank expenses	**(9,732)**	(6,883)	**(16,271)**	(9,054)
Financial operations taxes	**(5,219)**	(1,221)	**(7,717)**	(6,762)
Adjustment to present value	**(4,323)**	(1,674)	**(8,541)**	(12,328)
Adjustment to present value – leases	**(4,217)**	(2,579)	**(13,075)**	(9,821)
Granted discounts	**(1,208)**	-	**(1,450)**	-
Late payment interest	**(99)**	(286)	**(136)**	(286)
Derivative operations losses	**-**	-	**(3,565)**	(154)
Other financial expenses	**(9,028)**	(5,991)	**(13,472)**	(1,741)
Total	**(133,506)**	(170,669)	**(285,447)**	(277,836)
Inflation adjustment	**26,146**	18,569	**43,090**	30,280
Net financial income (loss)	**(5,375)**	43,172	**(49,145)**	14,573

29 Supplementary information to cash flows

	Parent Company					Consolidated				
	Dividends receivable	Leases	Loans, financing and debentures	Financial instruments (Assets)	Dividends and Interest on equity	Leases	Loans, financing and debentures	Financial instruments (Assets)	Financial instruments (Liabilities)	Dividends and Interest on equity
Balance at December 31, 2019	4,727	17,096	275,839	-	14,078	101,033	391,313	-	156	14,078
Changes in cash										
Receipt (payment) of financing activities	-	(6,307)	421,862	-	-	(19,102)	394,833	-	-	-
Interest paid on loans, financing and debentures	-	-	(16,708)	-	-	-	(18,395)	-	-	
Dividends and IOE paid	-	-	-	-	(14,059)	-	-	-	-	(14,059)
Dividends received	-	-	-	-	-	-	-	-	-	
Total	4,727	10,789	680,993	-	19	81,931	767,751	-	156	19
Changes not affecting cash										
Accrued interest expenses	-	-	20,722	-	-	-	23,935	-	-	-
Interest expenses on leases		2,579	-	-	-	9,821	-	-	-	-
Foreign exchange differences on loans and financing	-	-	12,668	-	-	-	34,527	-	-	-
Foreign exchange differences on financial instruments	-	-	-	3	-	-	-	(3,538)	2,101	-
Dividends and IOE paid	-	-	-	-	45,864	-	-	-	-	45,864
Merger of Fremax (Note 2.3)	-	30,731	47,204	-	-	-	-	-	-	-
Additions due to business combinations (note 2.4)	-	-	-	-	-	22,757	96,924	11,854	-	-
Additions/write-offs and foreign exchange differences – leases	-	4,888	-	-	-	31,127	-	-	-	-
Provision (Reversal) of dividends receivable	(1,175)	-	-	-	-	-	-	-	-	-
Balance at December 31, 2020	3,552	48,987	761,587	3	45,883	145,636	923,137	8,316	2,257	45,883
Changes in cash										
Receipt (payment) of financing activities	-	(8,488)	(13,842)	(3)	-	(39,072)	29,035	-	-	-
Interest paid on loans, financing and debentures	-	-	(32,633)	-	-	-	(46,730)	-	-	-
Dividends and IOE paid	-	-	-	-	(72,569)	-	-	-	-	(72,569)
Dividends received	(7,356)	-	-	-		-	-	-	-	
Total	(3,804)	40,499	715,112	-	(26,686)	106,564	905,442	8,316	2,257	(26,686)
Changes not affecting cash	-	-		-	-	-				-
Accrued interest expenses	-	-	38,156	-	-	-	45,012	-	-	-
Interest expenses on leases	-	4,217	-	-	-	13,075	-	-	-	-
Foreign exchange differences on loans and financing	-	-	15,617	-	-	-	24,982	-	-	-
Foreign exchange differences on financial instruments	-	-	-	-	-	-	-	(4,938)	(903)	-
Dividends and IOE paid	-	-	-	-	60,538	-	-	-	-	60,538
Provision of dividends receivable	13,379			-	-	-	-	-	-	
Other	(200)	-	-	-	-	2,815	-	-	-	-
Additions/write-offs and foreign exchange differences – leases	-	8,222	-	-	-	33,828	-	-	-	-
Balance at December 31, 2021	9,375	52,938	768,885	-	33,852	156,282	975,436	3,378	1,354	33,852

30 Objectives and policies for financial risk management

The Companies and its subsidiaries are parties to operations involving financial instruments, all recorded in assets and liabilities, which are designed to satisfy the operating needs, specially credits and investments of funds, market risks (foreign exchange and interest) and liquidity risk, which the Company understands that is exposed, according to the business nature and operational structure.

A portion of the revenues of the Company and its subsidiaries is generated by the sale of products to the foreign market. Accordingly, volatility of foreign exchange rate are market risks to which the Company and its subsidiaries are exposed.

In addition, the Company and its subsidiaries contract financing transactions in the financial market at fixed or floating rates. Therefore, the Company is exposed to the of interest rate change in indebtedness contracted at pre and post-fixed interest rates.

Fair values are determined based on market price quotations, when available, or, in their absence, on present value of expected cash flows. Fair values of long-term marketable securities, trade accounts receivable, short-term debt and trade accounts payable are equivalent to their carrying amounts. Fair values of other long-term assets and liabilities do not significantly differ from their carrying amounts.

The management of these risks is performed by means of the definition of strategies prepared and approved by Company's Management, tied to establishment of control systems and determination of limit of positions.

The Company and its subsidiaries do not invest in derivatives or any other risk assets on a speculative basis.

Company's risks are as follows.

30.1 Market risk

The market risk is the risk that the fair value of future cash flows of a financial instrument will float due to changes in market prices. Market prices encompass two types of risk: interest rate risk and foreign exchange risk. Financial instruments affected by market risk include loans receivable and payable, financial instruments measured at fair value through profit or loss and derivative financial instruments.

A comparison by class of carrying amount and fair value of Company's financial instruments presented in the financial statements is as follows:

Parent Company

	Note	Hierarchy	Carrying Amount 2021	Carrying Amount 2020	Fair value 2021	Fair value 2020
Assets						
Fair value through profit or loss						
Cash and cash equivalents	6	(2)	**195,965**	288,444	**195,965**	288,444
Interest earnings bank deposits	7	(2)	**31,922**	88,325	**31,922**	88,325
Derivative financial instruments		(2)	**-**	3	**-**	3
Amortized cost						
Trade accounts receivable	8		**270,676**	211,879	**270,676**	211,879
Payables to related parties	11		**51,326**	44,596	**51,326**	44,596
Liabilities						
Liabilities at amortized cost						
Suppliers			**(147,347)**	(97,738)	**(147,347)**	(97,738)
Reverse factoring			**(14,079)**	-	**(14,079)**	-
Payables to related parties	11		**(259)**	(241)	**(259)**	(241)
Accounts payable due to business combination			**(154,184)**	(222,243)	**(154,184)**	(222,243)
Loans and financing	19		**(768,885)**	(761,587)	**(581,310)**	(674,427)
Total			**(534,865)**	(448,562)	**(347,290)**	(361,402)

Consolidated

	Note	Hierarchy	Carrying Amount 2021	Carrying Amount 2020	Fair Value 2021	Fair Value 2020
Assets						
Fair value through profit or loss						
Cash and cash equivalents	6	(2)	**363,599**	443,243	**363,599**	443,243
Interest earnings bank deposits	7	(2)	**31,981**	88,377	**31,981**	88,377
Derivative financial instruments		(2)	**3,378**	8,316	**3,378**	8,316
Amortized cost						
Trade accounts receivable	8		**268,005**	289,193	**268,005**	289,193
Liabilities						
Fair value through profit or loss						
Derivative financial instruments		(2)	**(1,354)**	(2,257)	**(1,354)**	(2,257)
Liabilities at amortized cost						
Suppliers			**(310,068)**	(265,400)	**(310,068)**	(265,400)
Reverse factoring			**(35,659)**	(1,213)	**(35,659)**	(1,213)
Payables to related parties	11		**(6,972)**	(7,082)	**(6,972)**	(7,082)
Accounts payable due to business combination			**(154,184)**	(222,243)	**(154,184)**	(222,243)
Loans and financing	19		**(975,436)**	(923,137)	**(768,820)**	(826,007)
Total			**(816,710**	(592,203)	**(610,094)**	(495,073)

30.2 Fair value hierarchy

The Company applies CPC 40 (R1) (IFRS 7) for financial instruments measured in the balance sheet at fair value, which requires disclosure of fair value measurements at the level of the following fair value measurement hierarchy:

- **Level 1:** quoted prices (unadjusted) in active markets for identical assets or liabilities;
- **Level 2:** other techniques for which all data that has significant effect on the recorded fair value is observable, either directly or indirectly;
- **Level 3:** Techniques that use data that have significant effect on the recorded fair value, and that are not based on data observable in the market.

There were no transfers between the levels 1, 2 and 3 in the period ended December 31, 2021

30.3 Interest rate risk

Interest rate risk is the risk that fair values of a financial instrument future cash flows change due to changes in market interest rates.

The Company's exposure to the risk of changes market interest rates refer mainly to long-term obligations subject to variable interest rates.

The Company manages interest rate risk maintaining a balanced portfolio of loans receivable and payable bearing fixed and variable rates. Aiming to mitigate these risks, the practice adopted by the Company and its subsidiaries is to diversify funding in terms of prefixed or post-fixed rates, permanent analysis of risks of financial institutions and in certain circumstances, evaluate the need to contract hedge operations to lock the financial cost of the operations.

The yield from interest earning bank deposits, as well as financial expenses from the Company's loans and financing are affected by the changes in the interest rates, such as TJLP, IPCA, Libor, URTJ, USD and CDI and changes in USD rates.

a. *Sensitivity to interest rate*

The table below shows the sensitivity to a possible change in the interest rates, keeping all the other variables constant in the Company's income before taxation (it is affected by the impact of the loans payable subject to variable rates).

Three scenarios were considered and the probable scenario is adopted by the Company, in addition to two scenarios with impairment of 25% and 50% of the considered risk variable. These scenarios were defined based on the management's expectation on interest rate changes on the maturity dates of the respective contracts subject to these risks.

The sensitivity analysis takes into account the open positions on the reference date of December 31, 2021, based on nominal values and interest of each instrument contracted.

Parent Company

Operation	Currency	Probable scenario	Possible scenario	Remote scenario
Deterioration of financial income				
Interest earnings bank deposits	**R$**	**17,931**	**13,448**	**8,965**
Rate appreciation at			**25%**	**50%**
Reference to financial income				
CDI %		**9.15%**	**6.86%**	**4.58%**
Increase in financial expenses				
Financial institutions	**R$**	**(70,381)**	**(84,922)**	**(125,478)**
Rate appreciation at			**25%**	**50%**
Reference for financial liabilities				
TJLP		**6.08%**	**7.60%**	**9.12%**
CDI		**9.15%**	**6.86%**	**4.58%**
US$		**5.58**	**6.98**	**8.37**
Six-month LIBOR		**0.34%**	**0.43%**	**0.51%**
IPCA		**10.06%**	**12.58%**	**15.09%**

Consolidated

Operation	Currency	Probable scenario	Possible scenario	Remote scenario
Deterioration of financial income				
Interest earnings bank deposits	**R$**	**33,275**	**24,956**	**16.637**
Rate appreciation at			**25%**	**50%**
Reference to financial income				
CDI %		**9.15%**	**6.86%**	**4.58%**
Increase in financial expenses				
Financial institutions	**R$**	**(88,767)**	**(105,869)**	**(148,985)**
Rate appreciation at			**25%**	**50%**
Reference for financial liabilities				
TJLP		**6.08%**	**7.60%**	**9.12%**
CDI		**9.15%**	**6.86%**	**4.58%**
US$		**5.58**	**6.98**	**8.37**
Six-month LIBOR		**0.34%**	**0.43%**	**0.51%**
IPCA		**10.06%**	**12.58%**	**15.09%**

The sources of information for the rates used above were obtained from the Central Bank of Brazil (BCB), Bolsa Brasil Balcão - B3, Brazilian Development Bank (BNDES) and Bloomberg.

30.4 Foreign exchange risk

Foreign exchange risk is the risk that fair values of a financial instrument future cash flows change due to changes in foreign exchange rates. The Company's exposure to the risk of changes in foreign exchange rates is mainly related to Company’s operating activities (when income or expenses are denominated in a currency different from Company’s functional currency) and net investments of the Company in foreign subsidiaries.

The Company operates abroad and is exposed to foreign exchange risk resulting from exposures to some currencies, especially regarding US dollar, which, in the year ended December 31, 2021 had a positive change of 7.4% (28.9% positive as of December 31, 2020). Foreign exchange risk also arises from commercial and financial operations, assets and liabilities recognized and net foreign investments assets. The Companies and its subsidiaries managed the exchange risk regarding its functional currency. In addition to accounts receivable stemming from exports in Brazil and investments abroad that constitute a natural hedge, the Company constantly evaluates its currency exposure and, when necessary, contracts a derivative financial instrument for the sole purpose of hedging.

Moreover, the Company designates “Financing” operations aimed at protecting the exposure of highly probable future sales in currencies other than the functional currency. These operations are documented to be recorded using the hedge accounting methodology, in compliance with CPC 48 (IFRS 9). The Company records in a specific account of shareholders' equity unrealized effects of these instruments contracted for own operations. At December 31, 2021, the Company did not have outstanding transactions classified as hedge accounting.

These operations are carried out directly with financial institutions. The impact on the cash flow of the Company and its subsidiaries only occurs on the settlement date of the contracts. However, it should be considered that the settlement of these financial operations is associated with the receipt of sales, which are also associated with exchange-rate change, hence offsetting any gains or losses in the hedge instruments due to changes in the exchange rate.

a. *Foreign Exchange exposure:*

As of December 31, 2021 and 2020, the foreign exchange exposure of the Company and its subsidiaries for operations in foreign currency are as follows:

	Thousands of US$			
	Parent Company		Parent Company	
	2021	2020	2021	2020
A. Net assets in US dollars	**111,574**	93,429	**24,991**	23,581
B. Loans/financing in US Dollars	**29,253**	44,614	**44,695**	61,227
C. Fair value of derivative financial instruments	**-**	-	**363**	-
D. Surplus (Deficit) determined (A-B+C)	**82,321**	48,815	**(19,341)**	(37,646)

b. *Sensitivity to foreign exchange rate*

The table below shows sensitivity to a change that may occur in Dollar exchange rates, remaining constant all other variables, and in the Company’s income before taxation (due to changes in fair value of monetary assets and liabilities) and shareholders’ equity. Three scenarios are considered and the probable scenario is adopted by the Company, in addition to two scenarios with impairment of 25% and 50% of the considered risk variable. These scenarios were defined based on the management's expectation on foreign exchange rate changes on the maturity dates of the respective contracts subject to these risks.

Operation	Risk	Parent Company		
		Probable scenario	Possible scenario	Remote scenario
Instrument's net exposure	Increase in US$	**459,351**	**574,600**	**689,026**
Financial	Decrease in US$	**459,351**	**344,513**	**229,676**

Operation	Risk	Consolidated		
		Probable scenario	Possible scenario	Remote scenario
Instrument's net exposure	Increase in US$	**(107,923)**	**(135,000)**	**(161,884)**
Financial	Decrease in US$	**(107,923)**	**(80,942)**	**(53,961)**

30.5 Capital structure risk

The Company's capital management main objective is to ensure that the Company maintains a strong credit score and capital ratio free from problems in order to support businesses and maximize shareholders' value.

The Company administrates capital structure and adjusts it considering changes in economic conditions. The capital structure or financial risk result from the choice between own capital (capital transfers and profit retention) and third party capital that the Company and its subsidiaries make to finance its operations. To mitigate liquidity risks and optimize capital weighted average cost, the Company and its subsidiaries permanently monitor indebtedness level in accordance with market standards and index compliance ("covenants") provided for in loan, financing and financing contracts.

The Company includes in the net debt the loans and financing with yield, less cash, cash equivalents and interest earning bank deposits as stated below:

Parent Company

	Note	2021	2020
Loans, financing and financial instruments	19 e 30.7	**768,885**	761,587
Payables to other related parties	11	**259**	241
Accounts payable due to business combination	2.4	**154,184**	222,243
(-) Cash and cash equivalents and long-term marketable securities	6 and 7	**(227,887)**	(376,769)
(-) Derivative financial instruments	30.7	**-**	(3)
Net debt		**695,441**	607,299
Shareholders' equity		**1,095,600**	943,829
Shareholders' equity and net debt		**1,791,041**	1,551,128
Leverage ratio		**39%**	39%

Consolidated

	Note	2021	2020
Loans, financing and financial instruments	19 e 30.7	**976,790**	925,394
Payables to other related parties	11	**6,972**	7,082
Accounts payable due to business combination	2.4	**154,184**	222,243
(-) Cash and cash equivalents and long-term marketable securities	6 and 7	**(395,580)**	(531,620)
(-) Derivative financial instruments	30.7	**(3,378)**	(8,316)
Net debt		**738,988**	614,783
Shareholders' equity		**1,095,600**	943,829
Shareholders' equity and net debt		**1,834,588**	1,558,612
Leverage ratio		**40%**	39%

30.6 Credit risk

Credit risk is the risk that a counterparty will not meet its obligations under a financial instrument or customer contract, leading to a financial loss. The Company is exposed to credit risk from its operating activities (primarily regarding trade accounts receivable) and from its financing activities, including financial institutions, foreign exchange transactions and other financial instruments. The maximum exposure to credit risk at the reporting date is the amount recognized for each class of contractual assets mentioned in Notes 5, 6 and 7.

a. *Credit risk*

Customer credit risk is managed by each business unit and is subject to the Company's established procedures, controls and policies on such risk. Credit limits are set for all customers based on internal rating criteria. The customers' credit quality is assessed based on an internal credit rating system and history of losses. Outstanding trade accounts receivable are regularly monitored. At December 31, 2021, the Company had approximately 30 customers that owed more than R$8,788 each (at December 31, 2020, the Company had approximately 34 customers that owed more than R$4,158 each), and were responsible for approximately 70% of all receivables due. The other 30% were represented by 368 customers that owed approximately R$258 each on average. The provision for impairment is assessed at each reporting date. Furthermore, a large number of trade accounts receivable with lower balances is grouped into homogenous groups and, in such cases, impairment is analyzed collectively.

b. *Financial instruments and bank deposits*

Balance credit risk in banks and financial institutions is administered by the Company's treasury in accordance with the policy established. Surplus funds are only invested in financial institutions which were authorized and approved by the Planning and Finance Committee, co-signed by the Executive Board, pursuant to credit limits established, which are established in order to mitigate financial losses in case of possible bankruptcy of a counterparty.

30.7 Liquidity risk

The liquidity risk consists of the eventuality of the Company and its subsidiaries not having sufficient financial resources to honor their commitments on account of the different currencies and settlement terms of their rights and obligations.

Control of the liquidity and cash flow of the Company and its subsidiaries is monitored daily by the Company's management areas, in order to guarantee that operating cash generation and the previous obtainment of funding, when necessary, are sufficient for the maintenance of its schedule of commitments, not generating liquidity risks for the Company and its subsidiaries.

The table below summarizes the maturity profile of the financial liability of the Companies and its subsidiaries as of December 31, 2021 and 2020, based on contractual payments not discounted.

Parent Company

Year ended December 31, 2021	Up to 3 months	3–12 months	1–5 years	>5 years	Cash flow	Book value
Loans and financing	35,609	89,294	915,693	3,369	1,043,965	768,885
Accounts payable due to business combination	-	-	72,057	82,127	154,184	154,184
Suppliers	143,534	4,425	31	-	147,990	147,347
Reverse factoring	14,079	-	-	-	14,079	14,079
Total	193,222	93,719	987,781	85,496	1,360,218	1,084,495

Year ended December 31, 2020	Up to 3 months	3–12 months	1–5 years	>5 years	Cash flow	Book value
Loans and financing	42,142	109,843	601,883	111,819	865,687	761,587
Accounts payable due to business combination	-	50,131	75,429	96,683	222,243	222,243
Suppliers	97,823	-	-	-	97,823	97,738
Total	139,965	159,974	677,312	208,502	1,185,753	1,081,568

Consolidated

Year ended December 31, 2021	Up to 3 months	3–12 months	1–5 years	>5 years	Cash flow	Book value
Loans and financing	72,385	158,242	1,019,699	7,185	1,257,511	975,436
Accounts payable due to business combination	-	-	72,057	82,127	154,184	154,184
Suppliers	284,635	25,966	108	-	310,709	310,068
Reverse factoring	35,659	-	-	-	35,659	35,659
Total	392,679	184,208	1,091,864	89,312	1,758,063	1,475,347

Year ended December 31, 2020	Up to 3 months	3–12 months	1–5 years	>5 years	Cash flow	Book value
Loans and financing	62.300	176.008	680.606	117.625	1.036.539	923.137
Accounts payable due to business combination	-	50.131	75.429	96.683	222.243	222.243
Suppliers	265.506	-	-	-	265.506	265.401
Reverse factoring	1.213	-	-	-	1.213	1.213
Total	329.019	226.139	756.035	214.308	1.525.501	1.411.994

a. *Derivative financial instruments*

The Company conducts transactions with derivative instruments to mitigate the risks of loans and financing exposed to interest rates and exchange differences. The position of financial instruments as of December 31, 2021 is detailed below:

Consolidated

	Reference Value Notional - in thousands of Reais		Fair value - (credit) / debit		Accumulated effect in 2021 (credit)/debit		Accumulated effect in 2020 (credit)/debit	
Description/ Counterparty	2021	2020	2021	2020	Amount received	Amount Paid	Amount received	Amount Paid
NDF (ITAÚ)	**1,395**	12,992	**(282)**	(1,582)	-	**(2,556)**	-	-
SWAP (BBVA)	**-**	-	**(155)**	(366)	-	**(204)**	-	(154)
NDF (PATAGONIA)	**1,395**	-	**(165)**	-	-	**(805)**	-	-
NDF (GALICIA)	**6,697**	5,197	**(752)**	(309)	-	**-**	-	-
SWAP (ITAÚ)	**22,225**	41,632	**3,378**	8,316	**4,083**	**-**	2,264	-
Total	**31,712**	59,821	**2,024**	6,059	**4,083**	**(3,565)**	2,264	(154)

In the chart below, three scenarios are presented and the most probable is the one adopted by the Company. These scenarios were defined based on the management's expectation on foreign exchange rate changes on the maturity dates of the respective contracts subject to these risks. In addition to this scenario, the Company presents other two scenarios with erosion of 25% and 50% of the variable of risk considered.

Consolidated

Operation	Risk	Probable scenario	Scenario A	Scenario B
SWAP (BBVA)	Decrease in Libor rate	**(155)**	**(193)**	**(196)**
NDF (GALICIA)	Depreciation Argentine Peso	**(752)**	**(2,613)**	**(5,405)**
NDF (PATAGONIA)	Depreciation Argentine Peso	**(165)**	**(575)**	**(1,191)**
NDF (ITAÚ)	Depreciation Argentine Peso	**(282)**	**(645)**	**(1,190)**
SWAP (ITAÚ)	Depreciation Real/Euro	**3,378**	**(5,556)**	**(11,113)**
Total		**2,024**	**(9,582)**	**(19,095)**

31 Segment information

Operating segments are presented consistently with the internal report provided to the Board of Directors, which is Company's main decision-maker and responsible for allocating funds and assessing performance of these operating segments. For management purposes, the Company is divided into business units, based on products and services, with two operational segments subject to the disclosure of information, namely:

- **Segment of carmakers:** refer to consolidated income (loss) for the years ended December 31, 2021 and 2020 of Fras-le S.A. related to friction material to the carmaker market.

- **Segment of spare parts:** refer to consolidated income (loss) for the years ended December 31, 2021 and 2020 of Fras-le S.A. related to friction material to the spare part market.

a. *Information per business segment*

	Carmakers		Replacement		Total	
	2021	2020	2021	2020	2021	2020
Net revenue for third parties	**306,669**	204,477	**2,275,497**	1,466,312	**2,582,166**	1,670,789
Cost of products sold and services rendered	**(203,616)**	(118,507)	**(1,630,253)**	(1,072,373)	**(1,833,869)**	(1,190,880)
Gross income	**103,053**	85,970	**645,244**	393,939	**748,297**	479,909
Operating expenses		-		-	**(473,113)**	(239,929)
Net financial income		-		-	**(49,145)**	14,573
Income (before income tax)					**226,039**	**254,553**

Operating expenses, assets and liabilities were not disclosed per segment, since such items evaluated at management level, not being informed in a segregated manner to the head decision maker.

b. *Net sales per geographical segments*

	Carmakers		Replacement		Total consolidated	
	2021	2020	2021	2020	2021	2020
Region:						
Domestic Market	**165,223**	126,620	**1,425,409**	793,622	**1,590,632**	920,242
North America	**107,590**	49,869	**229,278**	238,127	**336,868**	287,996
Mercosur	**21,202**	13,544	**401,475**	258,104	**422,677**	271,648
Asia and Oceania	**7,229**	8,885	**67,815**	41,107	**75,044**	49,992
Europe	**2,612**	2,483	**84,785**	77,837	**87,397**	80,320
Africa	**-**	-	**34,622**	17,498	**34,622**	17,498
Other	**2,812**	3,076	**32,114**	40,017	**34,926**	43,093
Total	**306,668**	204,477	**2,275,498**	1,466,312	**2,582,166**	1,670,789

The foregoing information on revenue considered the customer’s location.

c. *Asset per geographic area*

	Assets*	
	2021	2020
Brazil	**1,164,615**	1,159,344
Argentina	**106,782**	90,970
China	**77,212**	77,048
India	**60,766**	52,654
United States	**50,207**	43,944
Uruguay	**42,488**	20,075
Holland	**12,863**	13,535
Other	**1,793**	1,342
Eliminations	**(76,885)**	(63,983)
Total	**1,439,841**	1,394,929

* Total assets comprise total noncurrent assets less deferred taxes and investments.

32 Insurance coverage

The Company adopts the policy of contracting insurance coverage for assets subject to risks considering the nature of its activity. The major insurance coverage included:

		Consolidated Total indemnity limits	
	Risk covered	2021	2020
Buildings, inventories, machinery and loss of profits	Fire, windstorm, electrical damage and general risks.	**180,988**	180,227
Vehicles	Hull	**195**	198
Export credit	Commercial and political	**91,818**	64,797
Civil liability	Civil liability	**12,772**	6,740
Personal accidents	Bodily injury	**3,546**	3,255
		289,319	255,217