

FRAS·LE[®]



*WE DO OUR PART
TO KEEP YOUR
LIFE IN MOTION.*

MANAGEMENT REPORT 2022

RI.FRAS-LE.COM.BR



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WORD FROM THE PRESIDENT



In a year marked by big challenges in a complex and changing global context, the result of Fras-le's journey reinforces elements that are very present in our beliefs and principles: resilience and solidity. To get here, our teams put into practice a robust and diverse business model, which translates into performance in operations and delivery of value to all our partners.

For Fras-le, the year 2022 represented a new milestone of consolidation of its business strategy, concentrated on auto parts for the motion control aftermarket, with geographical diversification and product portfolio. Once more, our financial indicators were the best and highest in our history. We also carried out a follow-on, which meant a vote of confidence from the market for our performance, rewarding our recent performance as a key element for the evolution Fras-le is continually undergoing. 2022 was a year with balanced and positive performance in all our operations in Brazil and worldwide.

Some of the Company's strategic projects entered new phases of maturation and development, such as the consolidation of our integrated distribution center in Extrema (MG) and a new operational center in Argentina, which leveraged the synergies between our companies. We continue

to evolve as we work to achieve the objectives outlined in our ESG Ambition through continuous investment in circular economy and reverse logistics initiatives, in addition to our commitment to clean energy for our operations by opening the first photovoltaic generation plant, at our in China plant .

It was also a year of restarting and reconnecting through many trade shows and meetings with our customers and partners, focused on what we have displayed in terms of new products and technologies in smart materials, at the editions of Automechanika, in Germany and Argentina, and at Fenatran, in Brazil. We also had a record year in terms of meetings with investors. Also deserving to be highlighted was the edition of our first Fras-le Universe at the Company's complex in Extrema.

We celebrated important milestones, such as the 65th and 70th anniversaries of our companies Control and Nakata, as well as the thirtieth anniversary of the CCQ Show – Quality Control Circles, a cultural event that symbolizes our permanent investment in efficient processes and in the safety of our professionals.

We believe that 2023 will be another important year for Fras-le. We know that the scenarios remain challenging, but we trust in our business model and in the competence of our people to design new projects and strategic solutions this year and in a new cycle that begins. Evidence of this is the recent investment in the European market that we have recently announced, that is, the acquisition of AML Juratek, a traditional company that operates in the aftermarket segment in the United Kingdom, inserting our Company in a mature market, with portfolio diversification and expansion. We will continue to invest even more in disruptive technologies, evolution of our brands and products, automation of processes, expansion of territories around the globe, and in the constant balance of our operations in Brazil and abroad, with the certainty that the future is built while in motion.

Sergio L. Carvalho, Fras-le President and CEO

COMPANY'S OVERVIEW

We are an aftermarket powerhouse in auto parts, dedicated to offering quality products with a focus on safety and motion control on roads, rails and tracks to ensure integrity of life. We were established in 1954, in Caxias do Sul (RS), Brazil, and are currently operating in more than 120 countries, with 11 industrial units, 6 warehouses, 4 sales offices and 2 technology and development centers, what make us the largest manufacturer of friction materials in Latin America and one of the world leaders. Since 1996, we have been part of Randon Companies, which develop different solutions for the transport sector.

Our purpose is to connect people and wealth, promoting prosperity and thereby strengthening and generating value for the community, our customers, suppliers, investors and our more than five thousand employees who bring our culture to our business units around the world.

With advanced technology and sustainability, we develop, produce and sell auto parts and services for various applications, namely cars, commercial vehicles, motorcycles, trains, planes, and for technical uses with a focus on the aftermarket. Throughout our history, we have built a diversified and defensive portfolio of products, which includes friction material, components for brake systems, transmission, engines, suspension, among others.

Adding value in a sustainable and humane way is how we are doing our part to support future growth and keep your life in motion.

OPERATING STRUCTURE



To learn more on our operations, please visit our institutional site by [clicking here](#).

2022 HIGHLIGHTS

Below are some highlights of the year 2022.



Follow-on (re-IPO)



Investments in renewable energies.



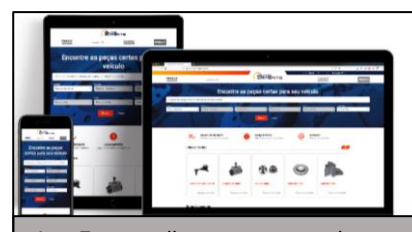
Smart Composites – Fenatran



Integrated Logistics Project in Extrema-MG



Expansion of four operations center in Argentina



AutoExperts allows you to search parts for your vehicle by your vehicle license plate.

RESEARCH, DEVELOPMENT & INNOVATION

Born with a DNA of innovation, we have become in more than six decades the global benchmark for high-performance friction materials, as a result of continued investment in technology and technical qualification in engineering, a combination that results in innovative products. In recent years, an average of 2% of our net revenue has been earmarked for projects aimed at developing more competitive, modern and sustainable technologies. This allows us to be competitive in new and specific markets and business niches, in addition to supporting the policy of continuous technical training of our technical engineering team, one of the pillars of our ability to respond to new challenges.

In 2022, we invested heavily in our greatest asset: our talents. We expanded our engineering teams, including those that work close to customers in different regions of the globe, in order to support our growth strategy. In addition, we are focused on changing our organizational culture, connecting our people, generating greater engagement, well-being and motivation in our teams.

The year was also marked by the consolidation and expansion of the portfolio of various products that carry the brand of sustainability. Fras-le Smart Composites product line, launched in 2021, won its first OEM customer with fender supports that will equip trucks in the domestic market as early as 2023, with the possibility of rapid expansion to the international market. This structural composite technology results in products with lower weight, better performance, innovative design and sustainability appeal. This line of products emerges as an alternative to steel and has, as a competitive advantage, design flexibility and lightness. These aspects provide longer durability to the part, as well as savings in fuel consumption and, consequently, in the reduction of pollutant emissions.

Research continues at full speed to enable the use of the inorganic binder technology (NOB – Non Organic Binder) in several product lines and, meanwhile, this technology is already a reality for the line of railway shoes, whose production plant is in full operation, significantly reducing energy consumption when compared to the previous product. This technology is already consolidated as a sustainable technological solution for several rail logistics operators in Brazil and in several Latin American countries.

The line of commercial air brake pads (ADB) was strengthened with the development of several formulations without the use of copper, aiming to comply with the American legislation that restricts the use of this metal and its alloys from 2025 onwards. Even though it was a restriction imposed by the United States, this legislation has affected markets globally. This change has leveraged important business for Fras-le in the European and North American markets, placing Fras-le at technological vanguard and showing the full capacity for innovation of our product research and development team.

In addition to these, we must mention NIONE, which was set up in 2021 to explore the discovery of a new method for obtaining niobium nanoparticles on a large scale. The innovation is unprecedented in the world market and is intended to generate new opportunities for different sectors of the manufacturing industry. The solution enhances the characteristics of other materials, providing greater durability, mechanical resistance and significantly altering their physical-chemical properties. In addition, it uses environmentally friendly methods, contributing to a sustainable process.

Currently, NIONE has a product being manufactured: a pre-mixture with niobium oxide nanoparticles used as a base for application in protective coatings, but there are more than 61 projects under study, of which 32 are in an advanced phase of application testing ranging from cast alloys to the cosmetics industry. Please see below a graph showing the potential market of the product (updated in February/23):



As shown in the graph above, NIONE's potential is great and the research is promising. However, the timing of each project depends on variables that are difficult to control and measure. This flow of approvals and all stages of Validation take time, as these are disruptive and highly complex products. For this reason, they have not yet been converted into revenue, which will gradually occur over the next few years.

MAIN FIGURES

	2022	2021	Δ %	2020	2019	2018
Net Revenue	3.058,2	2.582,2	18,4%	1.670,8	1.365,5	1.141,1
Domestic Market	1.882,1	1.590,6	18,3%	920,24	675,28	548,6
Foreign Market	1.176,0	991,5	18,6%	750,55	690,23	592,6
Foreign Market US\$	227,7	183,8	23,9%	145,81	174,87	163,0
Exports - Brazil US\$ *	105,7	84,7	24,7%	68,89	89,28	84,3
Gross Profit	903,5	748,3	20,7%	479,9	349,7	303,6
Gross Margin	29,5%	29,0%	0,6 pp	28,7%	25,6%	26,6%
Operating Profit	333,0	275,2	21,0%	240,0	106,7	139,8
Operating Margin	10,9%	10,7%	0,2 pp	14,4%	7,8%	12,2%
EBITDA	453,1	388,1	16,7%	330,9	175,2	183,9
EBITDA Margin	14,8%	15,0%	-0,2 pp	19,8%	12,8%	16,1%
Net Profit	203,3	210,6	-3,5%	182,0	32,8	88,6
Net Margin	6,6%	8,2%	-1,5 pp	10,9%	2,4%	7,8%
Adjusted EBITDA	475,6	413,3	15,1%	283,1	189,7	146,5
Adjusted EBITDA Margin	15,6%	16,0%	-0,5 pp	16,9%	13,8%	12,6%
Investments	106,4	115,6	-7,9%	56,0	83,2	80,2
ROIC	13,9%	12,4%	1,5 pp	9,3%	4,4%	11,4%
Average price of the US dollar	5,16	5,40	-4,3%	5,16	3,95	3,65

Values in R\$ million (except for exports, profit per share and percentage)

(*) Includes intercompany sales

The Company reaffirmed in a Material Fact released on August 10, 2022 its projections for the year 2022. Below, we present a comparative table between the projected and realized numbers for the year:

	Guidance 2022	Performed 2022
Consolidated Net revenue	R\$ 2,7 ≤ X ≤ R\$ 3,0 bilhões	R\$ 3,1 bilhões
Foreign Market Revenues¹	US\$ 190 ≤ X ≤ US\$ 210 milhões	US\$ 228 milhões
EBITDA Margin	14% ≤ X ≤ 16%	14,8%
Investments²	R\$ 90 ≤ X ≤ R\$ 120 milhões	R\$ 106 milhões

¹ Value relative to all exports out of Brazil and those generated by our operations abroad, net of intercompany operations;

² Value relative to organic investments.

Although 2022 was a challenging year in terms of continued impacts caused by the COVID 19, conflicts abroad and the Brazilian political scenario, the Company managed to end the year with Net Revenue reaching the top of the disclosed guidance. The volumes realized were in line with what was projected for the year and, as an alternative to contain inflation, there were price transfers, which helped increase revenue both in the domestic and international markets. Also noteworthy to mention are the operations located in Argentina (Fras-le Argentina and Armetal) where price transfers were higher to contain inflation in the country, in addition to the effect of hyperinflation, which in the full year had a positive impact on the conversion of revenue into Real. Another factor that impacted Foreign Market Revenues was the exchange rate, where an average rate of BRL 5.40 for each dollar was estimated against the average realized rate of BRL 5.17 in 2022.

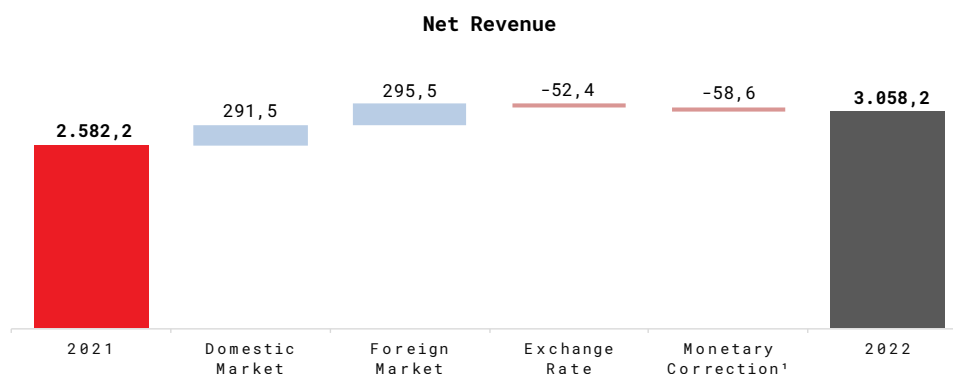
EBITDA was in line with projections, with a margin of 14.8%, however, excluding one-off effects, the result was 15.4%, reflecting the Company's good management and resilience in Revenues and margin.

With regard to investments, they were carried out pursuant to our expectations to meet the Company's strategies.

SALES PERFORMANCE

Sales performance shows Fras-le's resilience even in challenging scenarios such as that in 2022 and clearly reflects the robustness of its business model. Fras-le holds strong and desired brands focused on the aftermarket and its revenues come from a growing number of product families explored in different geographies.

The chart below shows the effects that changed the performance of consolidated net revenue in 2022, compared to 2021:



Amounts in BRL Millions

¹ Economic update in highly inflationary economy as provided for in CPC 42/IAS 29

Volume and Revenues by Material Family

		Sales Volumes by Product Line in millions of pieces or liters											
		2022		2021		3Q22		2020		2019			
			Δ %		Δ %		Δ %		Δ %		Δ %		
VOLUMES	Friction Material	98,5	-3,5%	102,1	25,5	-6,0%	94,7	102,8					
	Components for the Brake System	8,7	1,9%	8,5	2,2	-3,4%	7,2	7,9					
	Components for the Suspension, Steering and Powertrain	16,6	6,6%	15,6	4,2	6,4%	5,4	0,7					
	Total	123,8		126,2	31,9		107,3	111,4					
		Sales Revenue by Material in R\$ million											
		2022		2021		2Q22		2020		2019			
			Δ %		Δ %		Δ %		Δ %		Δ %		
NET REVENUE	Friction Material	1.502,7	49,1%	1.262,9	48,9%	15,8%	386,2	49,3%	0,6%	1.053,5	63,1%	1.007,9	73,8%
	Components for the Brake System	591,6	19,3%	492,9	19,1%	36,0%	147,4	18,8%	13,5%	308,0	18,4%	275,8	20,2%
	Components for the Suspension, Steering and Powertrain	821,0	26,8%	671,6	26,0%	39,7%	208,9	26,7%	9,6%	209,7	12,5%	33,1	2,4%
	Other products	142,8	4,7%	154,7	6,0%	11,7%	40,1	5,1%	-2,4%	99,6	6,0%	48,7	3,6%
	Total Net Revenue	3.058,2	100,0%	2.582,2	100,0%	25,4%	782,6	100,0%	5,3%	1.670,8	100,0%	1.365,5	100,0%

The components are detailed at the end of this report.

Friction Material

- ✓ Creation of an additional shift at the commercial brake linings line at Caxias do Sul plant, reducing delivery times and boosting sales in 2022.
- ✓ The Covid Zero policy established in China until the end of 2022 caused lockdowns mainly in 1H22, leading to a significant reduction in demand for that market.

Brake System Components

- ✓ With strong demand in the domestic and international markets, the year was marked by record volumes in discs/drums and master cylinders.

Suspension, Steering and Powertrain Components

- ✓ Growth in market share in the shock absorber line, as a result of the increased manufacturing capacity at Nakata in 2022.

Net Revenue by Market

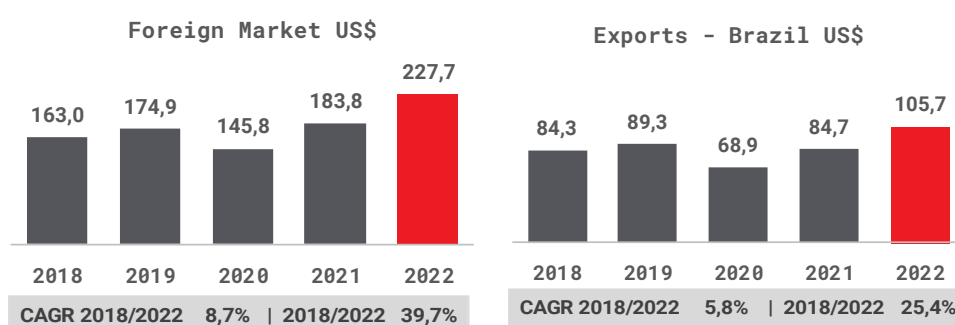
Net Revenue by Markets										
Markets	2022		2021		Δ %	2020		2019		
DM Aftermarket	1.660,1	54,3%	1.425,4	55,2%	16,5%	794,3	47,5%	551,8	40,4%	
DM OEM	222,0	7,3%	165,2	6,4%	34,4%	126,0	7,5%	123,5	9,0%	
Domestic Market	1.882,1	61,5%	1.590,6	61,6%	18,3%	920,2	55,1%	675,3	49,5%	
FM Aftermarket	1.000,6	32,7%	850,1	32,9%	17,7%	672,1	40,2%	641,9	47,0%	
FM OEM	175,5	5,7%	141,4	5,5%	24,0%	78,5	4,7%	48,3	3,5%	
Foreign Market	1.176,0	38,5%	991,5	38,4%	18,6%	750,5	44,9%	690,2	50,5%	
Total Aftermarket Net Revenue	2.660,7	87,0%	2.275,5	88,1%	16,9%	1.466,3	87,8%	1.193,7	87,4%	
Total OEM Net Revenue	397,5	13,0%	306,7	11,9%	29,6%	204,5	12,2%	171,8	12,6%	
Total Net Revenue	3.058,2	100%	2.582,2	100%	18,4%	1.670,8	100%	1.365,5	100%	

Values in R\$ million

Domestic Market

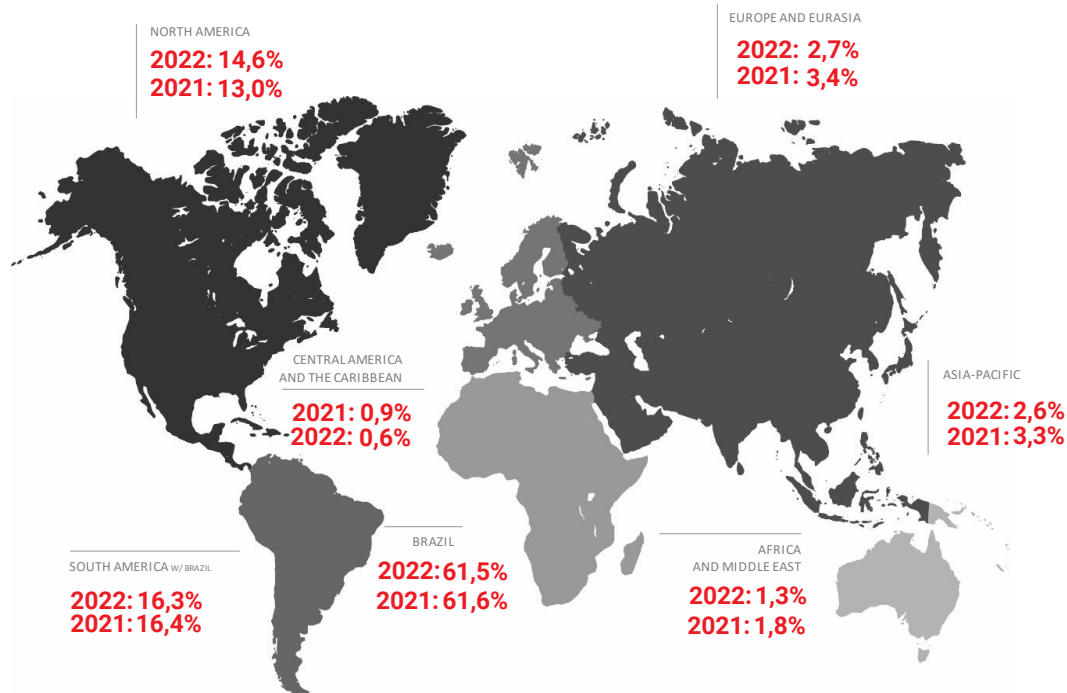
- ✓ In the Aftermarket, high inflation impacted household spending power, which generated greater competition, especially in light line items. In the commercial line, the year continued with high demand, mainly driven by the agribusiness and the resuming activities in urban transport.
- ✓ In the Automakers market, business disruptions in China hampered logistics, resulting in a lack of inputs for the entire production chain, especially during 1H22. With the normalization of supply, production returned, especially for rental companies, which renewed their fleets.

International Market



- ✓ Export demand remained strong during the year. The problems of production, logistics and high freight prices in China encouraged international markets to buy from Brazil.
- ✓ In the international market, the good export results, added of the performance of our operations abroad, brought growth of 25.1% in revenue in dollars when compared to the same period in 2021. The only retraction was in the Europe region, due to the current economic scenario and the devaluation of the EU x US\$. The positive highlight was in the US, which showed good volume in automakers, leveraged by new business and operations located in Argentina, which managed to strategically balance inventories during the year.

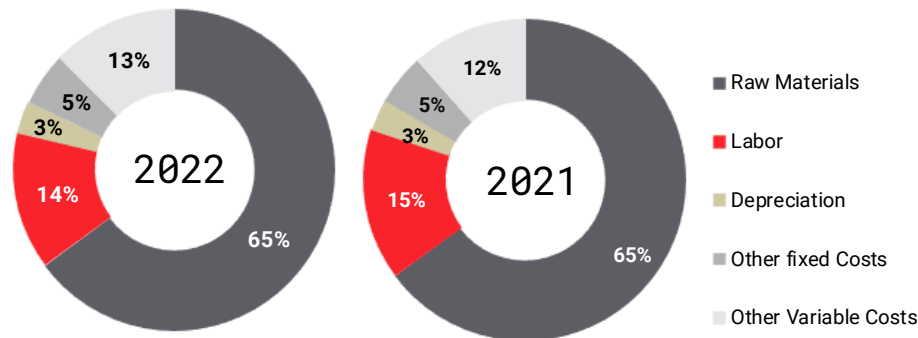
Net Revenue Breakdown in the Globe



- ✓ **North America:** New projects resulted in revenue and volume growth in 2022 in this market. In addition, the increase in production capacity at Fras-le Caxias do Sul also helped reduce production delays, ensuring the delivery of more products in the last quarter.
- ✓ **South America:** Restrictions related to imports are increasingly severe in Argentina. Product availability played an important role in this market in 2022. Our teams are attentive to demand in order to maintain a good supply level, given that it can be speculative due to the macroeconomy.
- ✓ **Europe and Eurasia:** Impacts related to the conflict in Ukraine, the energy crisis, and inflation, caused a change in consumption habits, creating a scenario that challenges the growth of this market. In addition, the devaluation of the local currency also impacted revenues.
- ✓ **Asia and the Pacific:** The easing of restrictions related to circulation improved as of 2H22 in China and, consequently, sales grew in this region. In Asia, the operation located in India showed growth related to the projects implemented this year and that serve the local market.

OPERATING PERFORMANCE

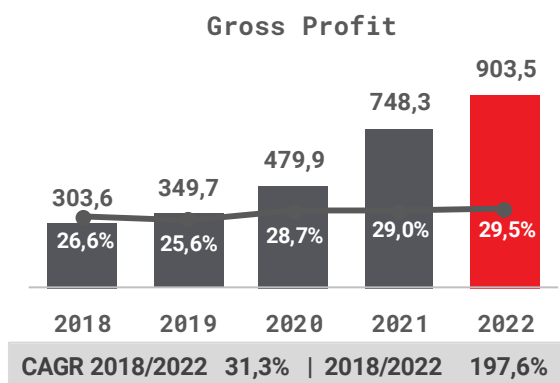
Cost of Goods Sold and Gross Profit



*General Manufacturing Expenses

Cost of Goods Sold amounted to R\$ 2.2 billion in 2022, accounting for 70.5% of net revenue for the period. In the annual comparison, it fell by 0.6 p.p. (71.0% in 2021) and resulted in Gross Profit of R\$ 903.5 million, with gross margin of 29.5%.

Below are the main highlights related to the Company's COGS and Gross Profit in 2022:



- Assertive price transfer and good supply management.
- Continued efforts to reduce costs and improve processes.
- Implementation of an additional shift at the block plant (heavy brake linings) at the Caxias do Sul unit. The purpose is to expand capacity and provide greater dilution of fixed costs due to gains in scale. The new shift began in June 2022. At the end of the year, it already had 313 employees.

- Organizational restructuring amounting to R\$ 2.7 million.
- Appreciation of the Real against the US Dollar of 4.3% in 2022, compared to 2021.

Operating Expenses

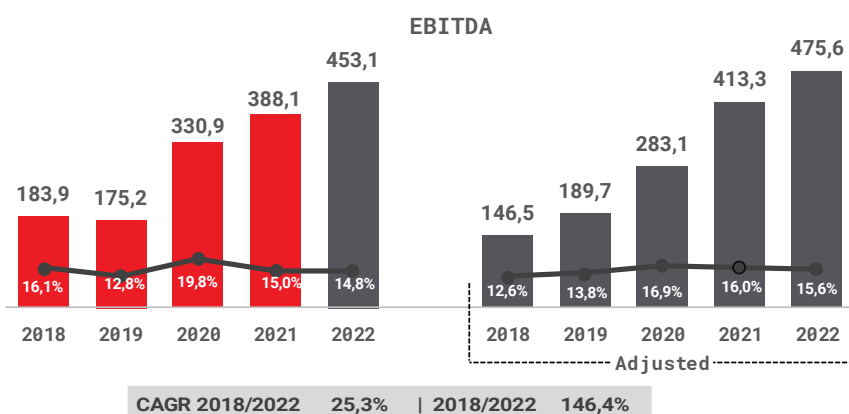
	2022		2021		Δ %	2020		2019		Δ %
Selling Expenses	-291,6	-9,5%	-237,2	-9,2%	22,9%	-147,9	-8,9%	-133,4	-9,8%	10,9%
Variable Expenses w/ Sales	-101,5	-3,3%	-77,1	-3,0%	31,6%	-49,5	-3,0%	-42,7	-3,1%	16,1%
Other Expenses w/ Sales	-190,1	-6,2%	-160,1	-6,2%	18,8%	-98,4	-5,9%	-90,7	-6,6%	8,5%
Administrative Expenses	-211,1	-6,9%	-187,2	-7,3%	12,7%	-146,3	-8,8%	-107,6	-7,9%	36,0%
Other Net Expenses/Income	-67,8	-2,2%	-49,2	-1,9%	37,7%	54,3	3,3%	-2,0	-0,1%	-2848,7%
Other Operating Expenses	-101,0	-3,3%	-91,2	-3,5%	10,7%	-99,3	-5,9%	-21,9	-1,6%	353,6%
Other Operating Income	33,2	1,1%	41,9	1,6%	-20,9%	153,6	9,2%	19,9	1,5%	671,4%
Equity Equivalence	0,0	0,0%	0,6	0,0%	-97,1%	0,0	0,0%	0,0	0,0%	0,0%
Total Operating Exp/Income	-570,4	-18,7%	-473,1	-18,3%	20,6%	-239,9	-14,4%	-243,0	-17,8%	-1,3%

Values in R\$ millions and % over Net Revenue

General selling expenses increased due mainly to two factors: strong restart, in 2022, of face-to-face activities such as travel, fairs and events, and high cost of freight. Administrative expenses, although growing in absolute terms, were below the historical average in terms of percentage of net revenue, showing the dilution of fixed expenses in the period. This item highlights expenses related to the acquisition (Due Diligence) of AML Juratek Limited in the amount of R\$ 1.4 million. (Considering the materiality of the amount and the connection with the Company's M&A strategy, these expenses will not be considered for adjusted EBITDA purposes.) Concerning other operating expenses and income, we highlight:

- The sale of the building where Fras-le Argentina used to be located, in San Martin. All activities were transferred to the new warehouse located in Garin, generating revenue of R\$ 1.8 million.
- Revenue related to the net effect (reversal and depreciation) of the Impairment carried out in 2017 at the subsidiary Fras-le Norte America in the amount of R\$ 1.3 million.
- Impairment of the subsidiary Fras-le Europa BV in the amount of R\$2.0 million.
- Update of the provision for hazard pay lawsuits (R\$ 3.3 million);
- Update of the provision for business combination of the subsidiary Nakata, in the amount of R\$ 16.2 million.
- Reversal of R\$ 5.6 million related to the tax gain recorded in 2Q20 in the subsidiary Jurid, related to the ICMS process on the PIS/COFINS calculation basis.

EBITDA



Consolidated EBITDA was R\$ 453.1 million in 2022, with EBITDA margin of 14.8% in the period. Adjusted EBITDA amounted to R\$ 475.6 million, with margin of 15.6%. Factors that have helped reach this result, among others:

- Good supply management, mitigating inflationary pressure on raw materials, through strategic purchases and early negotiations.
- Price adjustment of products sold, which, combined with the supply strategy, allowed us to keep margins.
- Continuity of good demand in the markets where the Company operates combined with the diversified business model, which provides resilience.

- Capturing synergies between the business units, such as the Nakata warehouse, which aims to reduce transport costs, optimize and consolidate cargo, and provide better delivery/customer service.

Adjusted Results

In line with the best governance practices, the Company shows, in the table below, the adjusted results, disregarding in its calculation one-off events of 2022, and showing, therefore, the values that best reflect the Company's cash generation.

EBITDA Reconciliation and Adjusted EBITDA	2022	2021	Δ %	2020	2019
Net Profit	203,3	210,6	-3,5%	182,0	32,8
Result using the Equity Method	0,0	-0,6	-97,1%	0,0	0,0
Financial Result	84,2	49,1	71,3%	-14,6	36,3
Depreciation	120,1	113,5	5,8%	90,9	68,5
Income Tax / Social Contribution	45,5	15,4	195,2%	72,5	37,5
EBITDA	453,1	388,1	16,7%	330,9	175,2
EBITDA Margin	14,8%	15,0%	-0,2 pp	19,8%	12,8%
Non-recurring Events	22,5	25,2	-10,5%	-47,8	14,5
Asset impairment	0,7	-24,8	-102,8%	34,5	0,0
SELIC tax credit impact	0,0	7,2	-100,0%	0,0	0,0
Various litigation proceedings	0,0	-1,1	-100,0%	0,0	0,0
Labor provision	0,0	19,4	-100,0%	0,0	0,0
Business combination update	16,2	24,4	0,0%	0,0	0,0
Reversal of gains on tax litigation proceedings	5,6	0,0	0,0%	0,0	0,0
Voluntary Separation	0,0	0,0	0,0%	3,6	0,0
Provision for loss of other receivables	0,0	0,0	0,0%	1,2	0,0
Asset decommissioning	0,0	0,0	0,0%	2,2	0,0
Change in pension plan recoverability expectation	0,0	0,0	0,0%	2,2	0,0
Corporate restructuring Subsidiaries	0,0	0,0	0,0%	0,0	-6,3
Adaptations in the structure	0,0	0,0	0,0%	1,8	6,5
Provision for litigation	0,0	0,0	0,0%	0,0	6,9
M & A Expenses	0,0	0,0	0,0%	0,0	3,5
Hedge Accounting	0,0	0,0	0,0%	0,0	3,9
Gains on tax litigation proceedings	0,0	0,0	0,0%	-93,4	0,0
Adjusted EBITDA	475,6	413,3	15,1%	283,1	189,7
EBITDA Margin - Adjusted	15,6%	16,0%	-0,5 pp	16,9%	13,8%

Values in R\$ million

- Reversal of Impairment¹ at Fras-le Norte America in the amount of R\$ 7.3 million referring to the evaluation of the impairment test of the physical structure of the operation. The balance also includes Impairment² at Fras-le Europa B.V in the amount of R\$ 2.0 million due to lower volumes and higher inflation, factors related to the conflict between Russia and Ukraine;
- Update of business combination³ refers to the update of future tax benefits of the

¹ Impairment Reversal: for more details see Note 15.2 - Assessment of the recoverable value of assets.

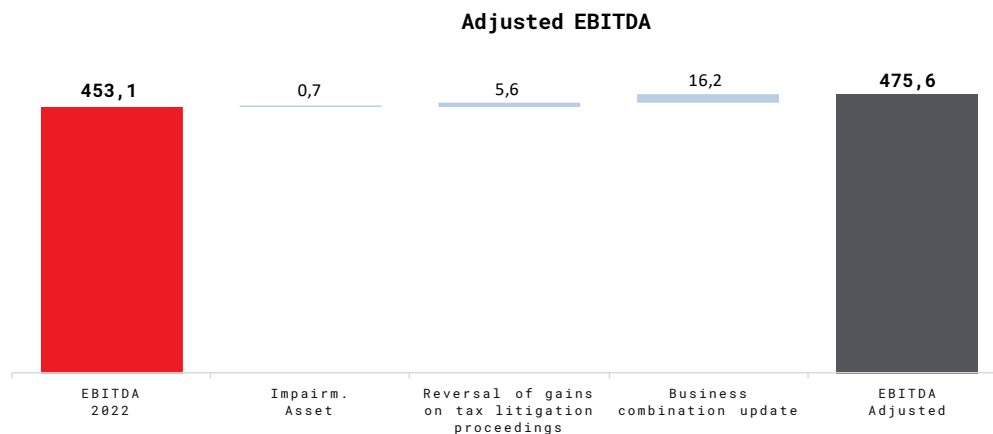
² Impairment: for more details, see Note 15.1 - Assessment of the recoverable value of investments.

³ Business combinations: for more details, see Note 2.3 - Business combinations and goodwill.

subsidiary Nakata that will be paid annually to the former partners until the end of 6 years, that is, this amount will be updated annually considering the future expectation of that operation. The update of this

- commitment refers to the excellent performance of that subsidiary, which is above our initial expectations regarding this amount.
- Reversal of the tax proceeding⁴ gain totaling R\$ 5.2 million from the subsidiary Jurid, regarding the rescission action filed by the Attorney General of the National Treasury to partially overrule the decision favorable to the action for the exclusion of ICMS from the PIS calculation base and COFINS, aiming to remove the compensation of amounts retroactive to March 15, 2017 (modulation of effects).

Expenses related to M&A were considered recurring and do not compose the basis of adjusted EBITDA. To access the Material Fact of the acquisition of Juratek and Bettaparts, disclosed to the market on February 16th, [click here](#).



Financial Result

	2022	2021	Δ %	2020	2019	Δ %
Exchange Variation	168,8	129,4	30,4%	178,2	121,0	47,2%
Interests on Capital Investment	108,6	25,5	325,0%	13,3	9,8	35,0%
Present Value Adjust	16,8	14,3	17,3%	12,9	5,3	143,7%
Other Financial Income	29,3	24,0	22,3%	57,8	3,1	1743,4%
Monetary adjustment (IAS 29)	55,2	43,1	28,1%	30,3	23,9	26,7%
Financial Income	378,6	236,3	60,2%	292,4	163,2	79,2%
Exchange Variation	-233,3	-152,9	52,6%	-203,3	-150,4	35,2%
Financing Interests	-112,0	-68,3	64,0%	-34,4	-17,4	97,9%
Present Value Adjust	-19,3	-21,6	-10,7%	-22,1	-9,5	132,1%
Bank Expenses	-52,0	-16,3	219,5%	-9,1	-9,9	-8,7%
Other Financial Expenses	-46,2	-26,3	75,5%	-8,9	-12,3	-27,1%
Financial Expenses	-462,8	-285,4	62,1%	-277,8	-199,5	39,2%
Financial Result	-84,2	-49,1	71,3%	14,6	-36,3	-140,1%

Values in R\$ millions

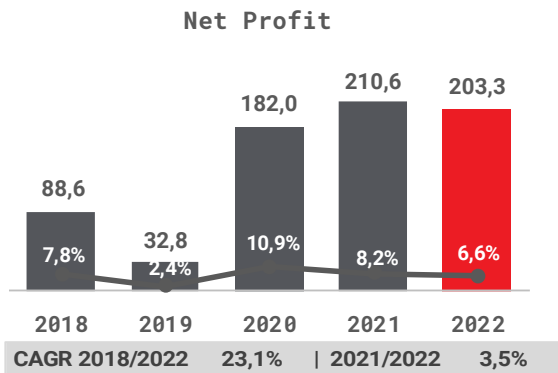
The Company's financial result in 2022 was R\$ 84.2 million negatives. Main highlights:

- The Selic rate rose from 9.25% p.a. to 13.75% p.a., leading to a significant increase in interest on earnings over financial investments.

⁴The reversal of tax proceeding gain. For more details, see Note 19.1 - Provision for Disputes.

- The increase in interest on financing linked to the CDI, due to the new levels of the Selic rate;
- Concerning one-off events, the Company recorded an impact on the financial result of R\$ 11.7 million related to tax proceedings, and R\$ 9.9 million referring to the present value update of the business combination of Nakata, totaling R\$ 21.6 million in 2021. In 2022, no non-one-off events were recorded in the financial result.

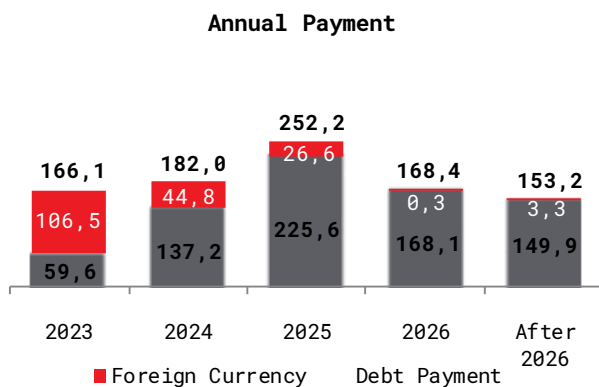
Net Profit



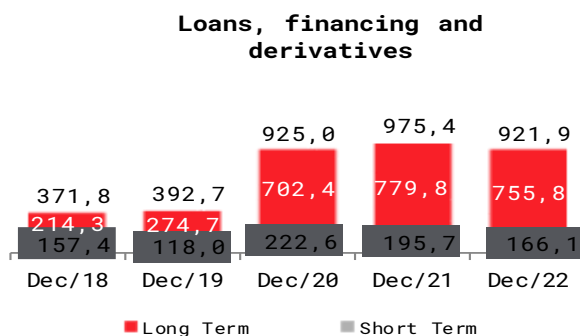
The Company's net income was R\$ 203.3 million in 2022, with a net margin of 6.6%. The one-off event of IRPJ and CSLL tax credits recognition positively impacted net income by R\$31.5 million in 2021, while in 2022 one-off events were recorded under the heading of taxes and contributions.

FINANCIAL MANAGEMENT

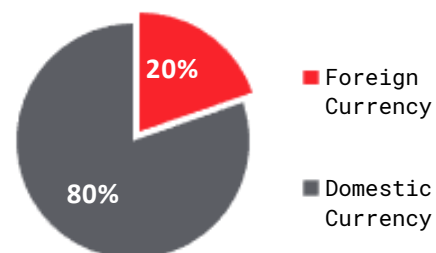
Financial Indebtedness



In 2022, the Company amortized R\$ 199.2 million, of which the controlling company amortized R\$ 63.1 million in financial debt, while the controlled units amortized R\$ 136.1 million. New loans were raised in the amount of R\$ 157.7 million, of which R\$ 65.6 million by the controlling company and R\$ 92.1 million by the controlled units.



Debt Origin - Dec/22



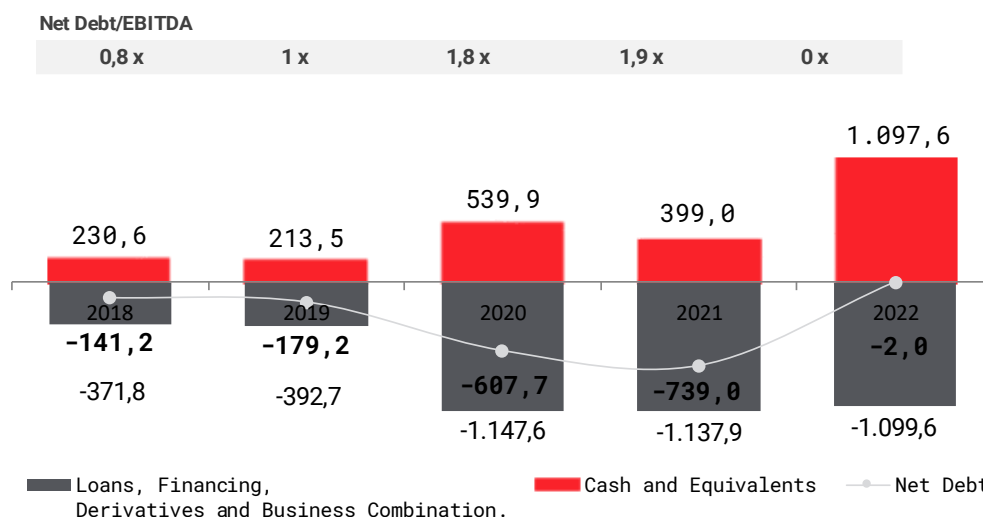
In 2020, the Company's debt increased significantly due to the acquisition of the subsidiary Nakata. In order to fulfil this commitment of approximately R\$ 457 million, the Company had two issues of debentures: the 3rd issue was carried out on June 15, 2020 and the 4th issue was on July 15, 2020, in the amounts of R\$ 210.0 million each, totalling R\$ 420.0 million, all of which took place through a private placement instrument with restricted efforts of simple, non-convertible, unsecured debentures, in a single series, under subscription. Their final maturity is June 15, 2027, and July 15, 2027, respectively.

The main indexes of consolidated gross debt at the end of 2022 were:

- Reais indexed to the CDI, which accounted for 77.67% (average CDI cost + 1.85%);
- Euros (Euro + 2.0% pa) with 0.55%.
- Dollars (US\$ + average of 4.0% per year) with 19.69%.
- Reais indexed to others, which accounted for 2.09% (average CDI cost + 1.82%).

Therefore, consolidated gross financial debt was, at the end of 2022, R\$ 1.1 billion, of which R\$ 921.9 million in loans and financing, (R\$ 166.1 million in short-term and R\$ 755.8 million long-term) R\$170.7 million in accounts payable by business combination and R\$6.4 million in debts with other related parties.

Net Debt Composition



The chart above shows the composition of the Company's consolidated net debt and its multiple with EBITDA in recent years. About the Company's net debt, we highlight:

- 2018 and 2019: In 2016, the Company carried out a capital increase through a share offering. In the following years, between 2017 and 2019, most of these funds were used to pay for acquisitions, gradually reducing the volume of funds invested.
- 2020: The Company had two issues of debentures in order to raise funds to pay the purchase price of shares related to the acquisition of Nakata, and also for cash reinforcement.
- 2021: There were no significant movements related to net debt.
- 2022: The Company held a public offering of shares (follow-on) where 52,450 million common shares were issued at the price, per share, of R\$ 12.00, totalling R\$ 629.4 million,

gross and net of R\$ 617.5 million. As a result of this capitalization, the Company's net debt, at the end of 2022, was R\$ 2 million, equivalent to a multiple of 0x EBITDA.

Working Capital

	2018	2019	2020	2021	2022
Resources Investment					
Customers	112,8	123,4	289,2	268,3	271,7
<i>In Days</i>	28 d	25 d	49 d	29 d	25 d
Inventory	368,3	333,3	494,1	825,2	857,7
<i>In Days</i>	91 d	69 d	84 d	89 d	80 d
Others Resources	61,9	42,9	221,9	150,6	116,4
Total of Resources Invested	542,9	499,6	1.005,2	1.244,2	1.245,8
Sources					
Suppliers	-95,7	-93,7	-265,4	-348,4	-388,2
<i>In Days</i>	24 d	19 d	45 d	38 d	36 d
Others Resources	-71,3	-82,6	-133,9	-155,0	-160,9
Total of Sources	-167,0	-176,3	-399,3	-503,4	-549,2
WC in R\$	375,9	323,3	606,0	740,8	696,6
<i>WC in Days</i>	93 d	67 d	103 d	80 d	65 d

Values in R\$ million

The acquisitions that have been made in recent years have added new industrial structures and warehouses, which means that the need for working capital is greater, mainly due to the nature of the operations, which require inventory to guarantee the stability and maintenance of the business. In 2020, the acquisition of Nakata added a manufacturing plant, a warehouse and an administrative headquarters/technology and development center to the business, and these additions explain why working capital increased over that period.

Regarding working capital in the period, the exchange rate appreciation influenced reduction in all lines due to the need of currency conversion in our Units abroad. Furthermore, throughout 2021, inventory levels were increased in order to mitigate possible risks of shortages and inflation. However, at the end of 2022, levels were already normalized.

Free Cash Flow

	2018	2019	2020	2021	2022
EBITDA	183,9	175,2	330,9	388,1	453,1
Investments	-61,5	-83,2	-56,0	-115,6	-106,4
Financial Result	-37,5	-36,3	14,6	-49,1	-84,2
Income and Social Taxes	-13,7	-37,5	-72,5	-15,4	-45,5
Working Capital Variation	-137,0	52,7	-272,6	-134,8	44,2
Operating Cash Flow	-65,9	70,8	-55,6	73,2	261,2
Dividends/ROE	-50,9	-73,6	-15,5	-78,9	-70,1
Capital Integr. / Business Acquis.	-301,8	0,0	-283,4	-57,6	595,8
Debt Exchange Variation	-0,4	0,0	0,0	0,0	0,0
Others	18,8	-35,3	-82,3	-59,7	-49,9
Free Cash Flow	-400,2	-38,0	-436,8	-123,0	737,0
NET DEBT (NET CASH)	-141,2	-179,2	-616,0	-739,0	-2,0

Values in R\$ million

In 2022, the Company generated R\$737.0 million in cash flow from operating activities, including:

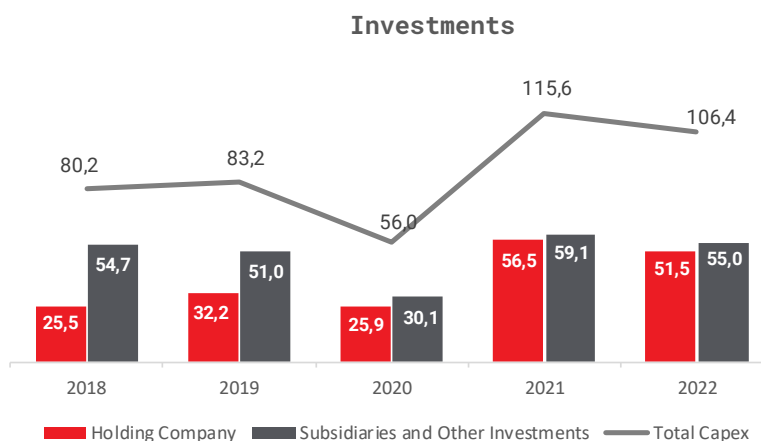
- Investments of R\$ 106.4 million, a reduction of 7.9% compared to 2021, given the moment of caution due to the macroeconomic scenario experienced in 2022.
- Financial result impacted by exchange variation, cost of debt and income from investments linked to the CDI.
- Payment of Dividends and Interest on Interest in the amount of R\$ 70.1 million as per the table below:

Approval Date	Earnings	Amount	Value per common share	Date of Payment	Ex-dividend
12/14/2022	Interest on Equity	46,7	0,17503	01/19/2023	12/22/2022
07/13/2022	Interest on Equity	23,8	0,08920	08/24/2022	07/20/2022
04/12/2022	Remaining Dividends	23,3	0,08720	04/28/2022	04/19/2022

Values in R\$ million

- The Company carried out a public offering of shares (follow-on) totalling a net amount of R\$617.5 million.

Investments



In 2022, investments totalled R\$ 106.4 million, the main ones being: R\$ 51.5 million in the controlling company, corresponding to the Iveco Project and others related to expansion, productivity and automation.

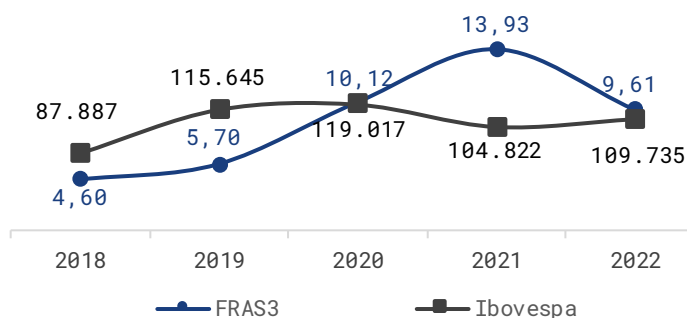
In the controlled units, R\$ 55 million were invested. The largest investments were focused on expansion: acquisition of machines to meet the strategy of Fras-le North America; and completion of the integrated logistics center of the subsidiary Nakata. The new operations center in Argentina was also opened, strengthening Latin America through centralization of operations.

CAPITAL MARKET

Performance of Shares

The value of Fras-le's common share, traded on B3 S.A. - *Brasil, Bolsa, Balcão* under the ticket "FRAS3" was R\$ 9.61 at the end of 2022. The IBOVESPA index, in turn, was 109.7 thousand points in the same period, growing by 4.47% compared to 2021.

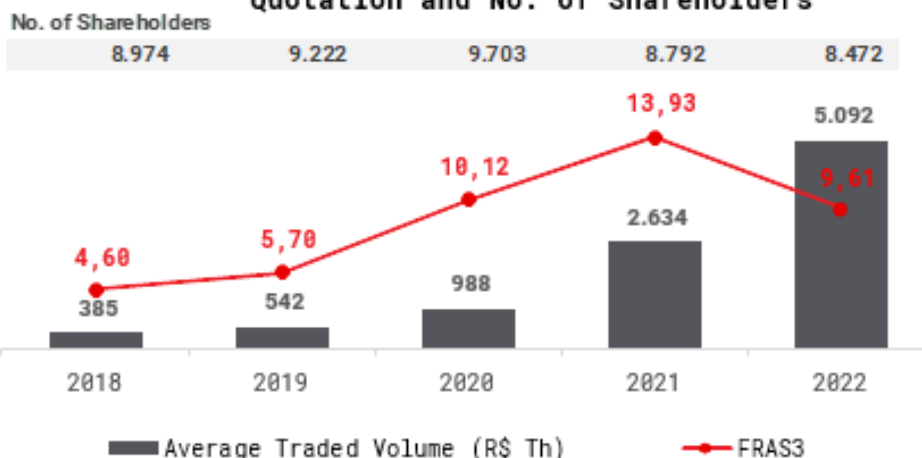
Variation FRAS3 x Ibovespa



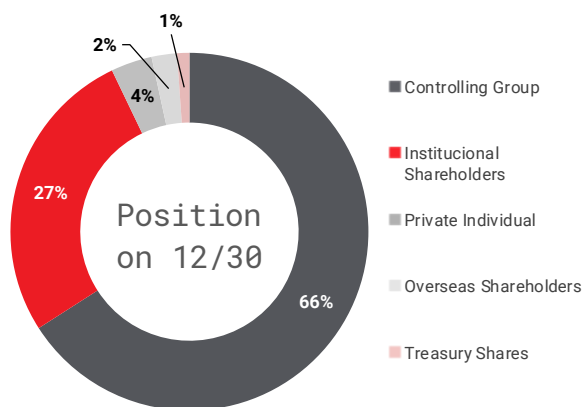
Volume of Shares Traded

In 2022, 321.98 thousand “FRAS3” shares were traded, 21.42% up from the previous year. Regarding volume in the same period, 1 billion was traded, accounting for 45.60% growth compared to 2021. The Company's market value at the end of December 2022 was R\$ 2.6 billion.

Average Daily Volume (R\$ thousand), Quotation and No. of Shareholders



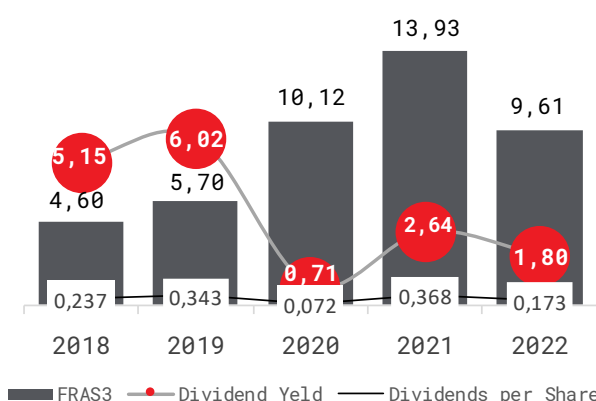
Shareholders` Profile



The Company's Free Float corresponded to 33.1% at the end of the year on the total paid-in shares. Statutory provisions guarantee equal treatment to minority shareholders, which ensures a Tag Along of 100% in the event of the Company's sale. Fras-le's shareholder base was made up of 8,472 shareholders at the end of December 2022. The composition of the Company's shares was represented by different shareholder profiles, as shown in the chart herein shown.

Shareholders` Remuneration

Dividend Yield



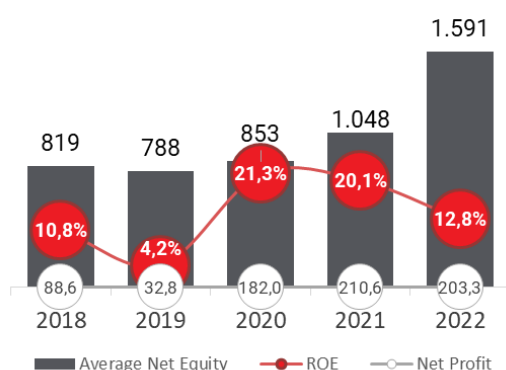
The Company credited Interest on Equity to shareholders, for the months from January to November 2022, according to the limits established by legislation and the following conditions: (i) R\$ 70.55 million credited and paid, which corresponds to R\$ 0.2642 per common share; (ii) the payments took place on August 24, 2022 and January 19, 2023; (iii) the shares were traded ex-rights from July 20, 2022 and December 22, 2022 respectively.

In 2022, shareholders were remunerated in the amount of R\$ 62.82 million (net of taxes), an amount that may be imputed

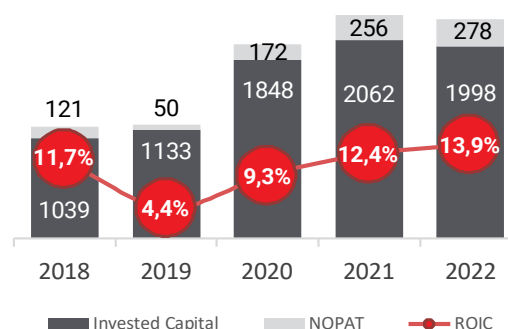
to dividends for the year 2022, as to be resolved at the next Annual General Meeting scheduled for the month of April 2023.

Below are graphs showing the return on invested capital and return on equity over the last 5 years:

ROE - Return On Equity



ROIC - Return on Invested Capital



CVM Instruction no. 381/2003 – Independent Auditors

In compliance with Instruction No. 381/2003 of the Brazilian Securities and Exchange Commission, Fras-le informs that:

In 2022, the Company paid fees to Ernst Young Auditores Independentes S/S in the amount of R\$ 4.0 million, which include external audit services and other services, the characteristics of which are shown below:

(a) Other Services			
Period	Duration	Fees Paid	% over the value of external audit services
January to December	12 months	0.2	4,5%
During the year ended December 31, 2022, additional fees were paid for tax advisory services.			

These services did not affect the restrictions of CVM Instruction 381/03, as they refer mainly to other specific works and were performed by professionals from an area totally different from that in which the professionals who perform the external audit services work, therefore not affecting the objectivity required for external audit services.

Mandatory External Audit Services

Period	Duration	Fees Paid	% over the total value paid to external audit.
January to December	12 months	3.8	95,5%

The mandatory legal external audit services included the review of quarterly information (ITRs) for the periods ended in March, June and September 2022 as well as the auditing of the financial statements for the year ended December 31, 2022.

Values denominated in thousands of Reais.

The Company's policy is to comply with the restrictions on the services of independent auditors, that is, to ensure that there is no conflict of interest, loss of independence or objectivity in the services provided by independent auditors, unrelated to the external audit. Such independence is achieved through the provision of services by professionals from areas independent from the auditing firm.

ESG (Environmental, Social and Corporate Governance)

ESG Ambition

Our ESG ambition is linked to our strategic planning and purpose, which is to connect people and wealth, generating prosperity. Throughout 2022 Fras-le and Randon Companies together reinforced their ESG commitments and the pillars that guide the announced ambition, which are: ethical and responsible driving, safety and quality as a value, commitment to the environment, sustainable innovation and prosperity for all.

Our public commitment has also strengthened our global culture and social responsibility, and together with our leaders we have broadened our vision of diversity through education and communication. We created affinity groups and committees to address issues such as gender, racial ethnicity, LGBTQia+, people with disabilities and generations. We promote equity by updating the code of ethical conduct and through a female mentoring project we encourage our representation in leadership positions.

For our future, in addition to continually evolving in the pillars, we aim to reduce greenhouse gas emissions by 40% by 2030. reduce 30% of consumption of natural gas, and 65% of consumption of diesel oil and CNG and LPG in industrial vehicles.

We are building the bridge to reach our goals. In 2022, we launched two photovoltaic plants generating clean energy for two manufacturing centers. Our founding and underpinning principles drive us to remain on the quest for eco-efficiency by looking at global trends and meeting local needs.

ENVIRONMENTAL

Environmental Responsibility

The Company was the first manufacturer of friction materials in South America to be awarded the certification under the ISO 14001 standard, known as Environmental ISO, which determined the creation of the Environmental Management System (EMS) in the 1990s. In 2017, the

Company was awarded the recertification for the ISO 14001:2015 version, which establishes new requirements and criteria in relation to concerns with the value chain, life cycle, risks and opportunities, among others. The new version requires, in addition to identifying the main environmental aspects, their management through mitigation, control or action plans, with full attention to possible impacts. It also has IATF 16949, ISO 9001 and ISO45001 certifications.

The Company's investments related to environmental conservation are guided by the Health, Safety and Environment Policy, and in the last fiscal year these investments totalled R\$ 6.9 million.

WATER

The Company's water consumption throughout 2022 reached 91.0 million liters. Fras-le has its own Effluent Treatment Station. In this process all effluents generated in daily activities, whether sanitary or industrial, are treated. In 2022, more than 63.9 m³ of effluents were treated and 39% of this volume was reused in activities that do not require the use of potable water, thus minimizing the environmental impact on water resources.

Below are the volumes of consumption, treatment and reuse of effluents in the last 5 (five) years:

Year	2018	2019	2020	2021	2022
Consumption (m ³)	63.553	68.706	63.486	75.242	91.056
Treaties (m ³)	65.185	45.653	49.432	61.411	63.902
Reused (m ³)	18.763	17.673	20.449	25.708	24.866
% reuse	29%	38%	41%	42%	39%

WASTE MANAGEMENT

Fras-le has a Waste Management Program that aims to eliminate or reduce waste in its production process and adequately dispose of waste that may cause damage to the environment. In addition to the legal implications, inadequate waste management causes soil degradation/contamination, pollution of water sources, air, and risks to the health and quality of life of the population.

For this reason, the waste generated by Fras-le receives adequate treatment, in accordance with the norms and standards required by the official environmental agencies, the Company's Environmental Policy and the Waste Management Program.

For more than 15 years, the company has not disposed of waste in industrial landfills. In 2022, more than 12,000 tons of waste were correctly disposed of, with over 57% of this volume being sent for recycling.

As sustainable practices, Fras-le has a solid waste composting activity at the Caxias do Sul unit, which in 2022 transformed more than 128 tons of waste into organic compost. The waste generated in the exhaustion of the friction material manufacturing process is also incorporated, with more than 17,800 tons being incorporated as raw material, which accounts for 83% of the waste generated.

As an additional and unique service offered to our customers, we have the Pro Environment Program, where Fras-le performs the reverse logistics of friction materials after use through environmentally correct collection and disposal. We currently have more than 365 registered customers and in 2022 we ensured the collection and correct disposal of more than 1,000 tons, which accounted for an investment of approximately R\$ 1.1 million.

Within the company's sustainability strategies and public commitments, in 2021 Fras-le established a partnership with Eureciclo, a technology company that operates in tracking the recycling chain and creating value for all agents involved in this process. Through the agreement, the company's companies encourage conscious consumption, financing environmental compensation actions for the impact caused by the packaging of products produced.

With the partnership, Eureciclo sends waste for recycling to associations of recyclers and encourages measures by the agents of this chain across the country in amounts equivalent to, at least, 22% of the total packaging generated with the products of the companies Fras-le, Controil, Fremax, Jurid and Nakata. This accounts for around 456 tons of waste recycled through offsets annually.

SOCIAL

Health and Safety

COVID-19

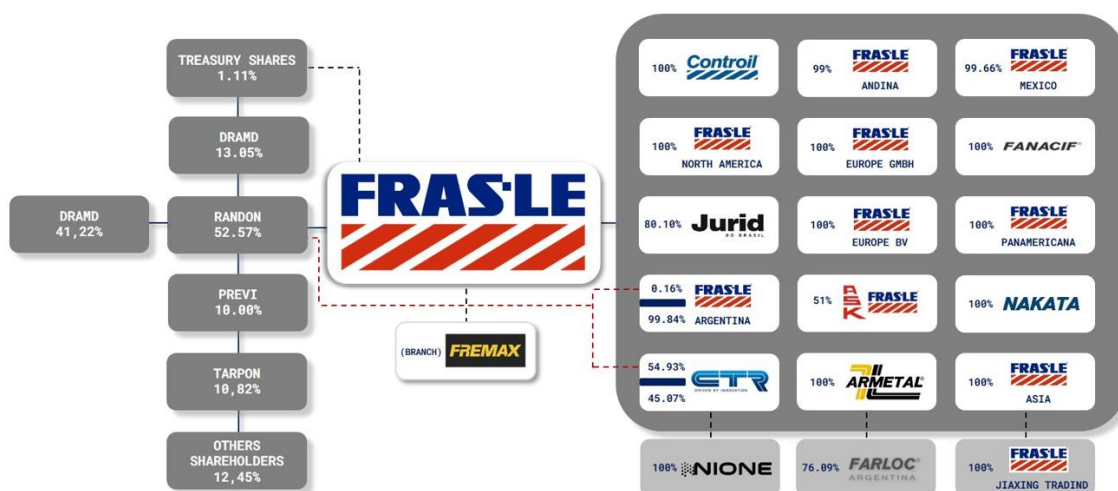
The Company underwent different moments in 2022 as far as the pandemic is concerned, going through significant levels of absenteeism up to weeks with zero active cases. Throughout the year, prevention protocols were rigorously followed, always in line with the best national practices and those of the (WHO World Health Organization). During 2022, more than 7,289 Covid-19 tests were carried out, 22,215 telemedicine consultations were carried out (These data refer to the units in Brazil that are served by the Company's Comprehensive Health System). All actions aimed at prevention and care helped the Company to reach a large number of employees in the vaccination campaign, with 95.1% vaccinated in the 1st and 2nd dose and 32.6 vaccinated with a booster dose. At the Caxias do Sul unit, 95.3% were vaccinated for the 1st dose and 25.4% of employees for the booster dose (update date 11/28/2022).

Accident Frequency Rate

During the year, Fras-le focused on eliminating, reducing and controlling the main occupational risks in its work environments, developing programs and projects with the involvement of all hierarchical levels. Adding to these works, programs such as S-Day, an annual event in which the entire company is dedicated to talking about safety, and HSE Giro - plant inspections carried out by management with a focus on safe behaviour and risk identification. These were some of the actions carried out so as to strengthen the Occupational Health and Safety culture, involving mainly the company's leaders in the dissemination and consolidation of this culture. As a result, Fras-le Caxias had, in 2021, an accident frequency rate of 9.63 accidents for every 1 million hours worked.

CORPORATE

Shareholding Structure

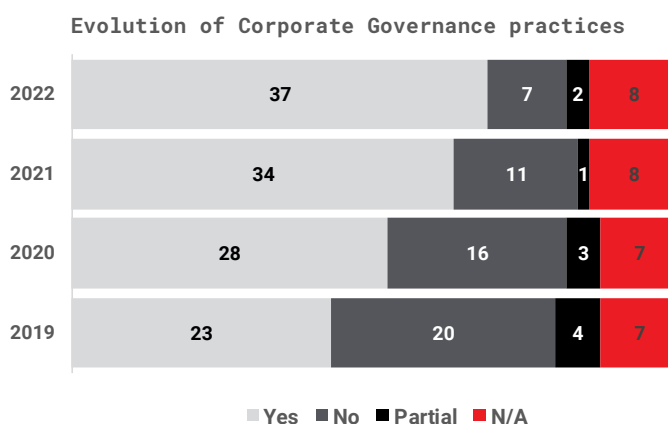


Note: Shareholding structure with data updated until 12/29/2022

Listed at Level 1

Fras-le is listed on B3's Corporate Governance Level 1 and is part of the IGEX - Special Corporate Governance Stock Index, as it adopts the best practices in corporate governance, such as transparency, fair disclosure of information to the market, and equality in the treatment of shareholders.

The Company is constantly seeking to improve its good governance practices, aiming to be in line with the best market practices. Based on CVM Instruction 586/2017 (Corporate Governance Report), the Company is, year after year, expanding its adherence to the practices recommended by the Brazilian Code of Corporate Governance, as it can be seen in the following chart:



Administrative Structure

Fras-le's administrative structure comprises a Board of Directors (composed of five members: two are independent members, one is appointed by a minority shareholder, and three are linked to the controlling shareholder) and an Executive Board, currently composed of three statutory members: one President Director, one Managing Director and an Investor Relations Officer, plus three employed members responsible for lines of business and engineering.

The Audit Committee is in place and comprises three full members and an equal number of alternates, two appointed by the controlling shareholder and one by minority shareholders.

Related Parties Committee

It is a non-statutory collegiate, of an advisory nature, which advises the Board of Directors. It is formed by three Directors, whose purpose is to ensure that transactions with related parties are based on the best interest of the Company, meeting commutative conditions through transparent processes based on ethics and in compliance with current legislation.

Management's Remuneration

Management compensation is in line with the Company's objectives, those of recognizing professionals for their experience and performance of their duties with the aim of encouraging them to contribute to the Company's purpose and increasingly seek business expansion and return to shareholders. The responsibilities of each member and the time devoted to their duties is always considered. Compensation also follows the guidelines of the Compensation Policy in effect and approved by the Board of Directors.

Risk Management

ETHICS: A PRINCIPLE WE TAKE VERY SERIOUSLY

Fras-le, in partnership with Randon Companies, is concerned with building an ethical organizational environment so that everyone can carry out their activities guided by honesty, transparency, integrity and seriousness and, through this, reaffirm their commitment to society.

In 2022, we implemented the Integrity Journey in the business units and launched an online training program on the Code of Ethical Conduct, confirming the importance of an ethical culture. These trainings provide clear understanding in adopting an ethical conduct, strengthening our principles and values.

BUSINESS PACT FOR INTEGRITY AND AGAINST CORRUPTION OF THE ETHOS INSTITUTE

In 2019, we became signatories of the Business Pact for Integrity and Against Corruption, of the Ethos Institute, making a public commitment in favour of integrity in the business environment. This pact is related to the 10th principle (Anti-Corruption) of the Global Compact of the United Nations Convention against Corruption.

CORPORATE RISK MAP

Randon Companies have monitored and kept updated, since 2018, their map of corporate risks. The identification of risks is made through a study carried out by different areas of the Company and includes a series of factors, such as threats and opportunities, vulnerabilities and capabilities, assessing the impact of changes in the external and internal environment.

The corporate risk map is evaluated every two years by a group of executives selected by the Company by crossing data between risk impact and probability, which is categorized into strategic, operational, financial or regulatory. The aim is to provide data for future analyses and develop a corporate vision, as described in the Company's Risk Management Policy.

PRIVACY OF PERSONAL DATA

Randon Companies are committed to ensuring compliance when treating personal data. To this end, the companies adopted good data protection practices and established guidelines and responsibilities in the governance of personal data privacy, which, in addition to the LGPD (Brazilian General Data Protection Act), complies with the General Protection Regulation Data Protection (GDPR) of the European Union. In 2022, the inventory of information was renewed, mapping the personal data processing activities to maintain adequate privacy governance.

ACKNOWLEDGEMENTS

2022 was a year to celebrate, even though we recognize that it was a challenging and hard-working year. In this concern, having an engaged and motivated team has made all the difference, and for that we express our special thanks to the more than 5,000 employees, to the partnership of our customers and suppliers, and to the trust of our investors, who were crucial to overcome all difficulties and thus deliver excellent results.

It is this union and partnership that makes us remain strong in the face of challenges and innovate for a better future. We thank all of you who were part of another brilliant year in the history of Fras-le.

Caxias do Sul, February 27, 2023.
Management

ADDRESSES AND CONTACTS

Board of Directors

David Abramo Randon – Chairman
Astor Milton Schmitt – Vice-Chairman
Daniel Raul Randon
Dan Antonio Marinho Conrado
Mônica Pires da Silva

Executive Board (Statutory)

Sérgio Lisboa Moreira de Carvalho – President and CEO
Anderson Pontalti – General Director
Hemerson Fernando de Souza – Director

Investor Relations

Hemerson Fernando de Souza – Investor Relations Officer
Jessica Cristina Cantele
Monica Rech
Renata Schwaizer

Address

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Independent Auditors

ERNST & YOUNG Auditores Independentes
S/S

Audit Committee

Geraldo Santa Catharina
Valmir Pedro Rossi
Wladimir Omiechuck

Accountant

Dionéia Canal
CRC-RS 61981/0-3

Shareholders` Services

Banco Bradesco S.A.
Núcleo Cidade de Deus, s/n
Vila Yara, Osasco - SP

Newspapers and Websites for Disclosure of Information

Pioneiro – Caxias do Sul - RS
Portal: <http://www.luzdigi.com.br>
(Atos e Fatos Relevantes)

Photography

Image Bank of Fras-le and Randon Companies

APPENDICES

CONSOLIDATED STATEMENT OF INCOME

Values in thousands of Reais

	2022	%	2021	%	Variations 2022/2021
Net Revenue	3.058.171	100,0%	2.582.166	100,0%	18,4%
COGS – Cost of Goods Sold	-2.154.694	-70,5%	-1.833.869	-71,0%	17,5%
Gross Profit	903.477	29,5%	748.297	29,0%	20,7%
Selling Expenses	-291.596	-9,5%	-237.211	-9,2%	22,9%
Administrative Expenses	-211.064	-6,9%	-187.216	-7,3%	12,7%
Other Operation Expens./Incom.	-67.792	-2,2%	-49.239	-1,9%	37,7%
Financial Result	-84.199	-2,8%	-49.145	-1,9%	-71,3%
Financial Income	378.638	12,4%	236.302	9,2%	60,2%
Financial Expenses	-462.837	-15,1%	-285.447	-11,1%	62,1%
Income Before Tax	248.841	8,1%	226.039	8,8%	10,1%
Income and Social Tax	-45.512	-1,5%	-15.417	-0,6%	195,2%
Net Profit	203.329	6,6%	210.622	8,2%	-3,5%
Attributable to non-controlling shar.	1.509	0,0%	-606	0,0%	-349,1%

Values in R\$ thousands

CONSOLIDATED BALANCE SHEET

Values in thousands of Reais

	12.31.22	12.31.21
Assets	3.765.876	3.082.318
Current Assets	2.289.336	1.611.991
Cash and Cash Equivalents	567.855	363.599
Financial Applications	494.133	59
Receivables	271.678	296.275
Inventory	857.667	825.226
Taxes Recoverable	68.012	123.454
Pension plans and post-employment benefits	658	0
Others Current Assets	29.333	3.378
Non-current Assets	1.476.540	1.470.327
Long-Term Realisable Assets	142.823	120.116
Investments	30.788	28.792
Investment Property	1.531	0
Fixed Assets and Leases	827.260	822.660
Intangible	474.138	498.759
Liabilities	3.765.876	3.082.318
Current Liabilities	862.126	825.520
Salaries and Charges	92.206	83.964
Suppliers	387.556	345.727
Tax Obligations	79.440	64.458
Loans and Financing	166.058	195.676
Others Obligations	127.369	128.534
Provisions	9.497	7.161
Non-current Liabilities	1.125.312	1.150.843
Loans and Financing	755.812	779.760
Others Obligations	313.897	329.565
Provisions	53.859	39.505
Profits and Revenues to Be Appropriated	1.744	2.013
Equity	1.778.438	1.105.955
Social Capital	1.212.844	595.377
Profit Reserves	587.153	461.464
Other Comprehensive Results	-36.096	38.728
Non-controlling Participation	14.537	10.386

Values in R\$ thousands

STATEMENTS OF CASH FLOW – INDIRECT METHOD

Values in thousands of Reais

	12.31.22	12.31.21
Operational Cash Flow		
Net operational cash	-105.071	245.036
Cash generated from operations	425.730	382.910
Net Income for the Period	203.329	210.622
Depreciation and Amortization	120.079	113.514
Provision for Disputes	14.354	17.805
Provision for Doubtful Settlement Credit	583	2.734
Other Provisions	-1.891	10.760
Residual Cost of Assets and Leases Downloaded and Sold	6.449	4.389
Variation on Loans, Derivatives and Leases	91.464	89.919
Equity	-16	-553
Provision for Income Tax and Current and Deferred Social Contribution	45.512	15.417
Provision for Obsolete Inventories and Negative Margin	9.223	-3.845
Monetary Correction Adjustment	-55.178	-43.090
Revenue from active lawsuits	-11.304	-9.250
Impairment reduction	-2.834	-25.512
Clearing retained amounts in business combination	5.960	0
Changes in assets and liabilities	-530.801	-137.874
Receivables	3.238	40.130
Accounts Receivable from Customers	-24.056	-9.448
Inventory	-37.024	-324.985
Suppliers	75.562	65.835
Accounts Payable	-94.252	74.212
Income Tax and Social Contribution Paid	-18.662	-39.303
Financial Investments	-497.782	56.396
Judicial Deposits	1.963	-711
Taxes to be recovered	60.212	0
Investment Cash Flow		
Net investment cash	-87.381	-195.344
Fixed and Intangible Purchases	-84.136	-107.563
Capital payment in affiliates	-3.245	-5.673
Business combination	0	-82.108
Cash From Financing Activities		
Net funding cash	396.708	-129.336
Payment Interest Equity and Dividends	-70.110	-72.569
Loans and Financial Instruments Taken	157.686	271.374
Payment of Loans and Financial Instruments	-199.192	-242.339
Interest Paid with Loans	-94.413	-46.730
Lease Payment	-26.663	-39.072
Payment of Capital	629.400	0
Funding Cash Flow	204.256	-79.644

Values in R\$ thousands