Frasle Mobility

Financial statements

December 31, 2023 and 2022

Contents

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A free translation from Portuguese into English of Independent Auditor's Report on individual and consolidated financial statements prepared in Brazilian currency in accordance with accounting practices adopted in Brazil

Independent auditor's report on individual and consolidated 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. ("Company"), identified as Individual and Consolidated, respectively, which comprise the statement of financial position as at December 31, 2023, and the statements of profit or loss, of comprehensive income, of changes in equity, and of cash flows for the year then ended, and notes to the financial statements, including material accounting policies and other explanatory information.

In our opinion, the accompanying individual and consolidated financial statements present fairly, in all material respects, the individual and consolidated financial position of the Company as at December 31, 2023, and its individual and consolidated financial performance and individual and consolidated cash flows for the year then ended, in accordance with 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 relevant ethical principles set forth in the Code of Professional Ethics for Accountants and the professional standards issued by Brazil's National Association of State Boards of Accountancy (CFC), and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Key audit matters

Key audit matters are those that, in our professional judgment, were of most significance in our audit of the financial statements of the current year. These matters were addressed in the context of our audit of the individual and consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide an individual opinion on these matters. For each matter below, our description of how our audit addressed the matter, including any commentary on the findings or outcome of our procedures, 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.

<u>Recognition of sales revenue</u>

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 timing of the recognition, requires that Company's executive board 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 28.

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 did not identify 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 was consistently applied.

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

<u>Business combination</u>

As detailed in Note 5 to the individual and consolidated financial statements, the Company, through its subsidiary Fras-le Europe B.V. concluded the process of acquiring all the shares of the company AML Juratek Limited ("AML") in February 2023, obtaining control of the entity as of March 1, 2023.

This transaction was accounted for under the acquisition method. The application of the acquisition method requires, among other procedures, that the Company determines the date of effective acquisition of control, the fair value of the consideration transferred, the fair value of the assets acquired and liabilities assumed and the determination of goodwill based on expected future profitability or gain from a bargain purchase in the transaction. Such procedures usually involve a high degree of judgment and the need to develop estimates of fair values based on calculations and assumptions related to the future performance of the acquired business and which are subject to a high degree of uncertainty. Due to the high degree of judgment related and the impact that any changes in assumptions could have on the financial statements, we consider this to be a significant matter for our audit.

How our audit addressed this matter

Our audit procedures involved, among others:

- Reading the documents that formally stated the transaction, such as contracts and minutes and obtaining the evidence that supported the determination of the date of acquisition of control and the determination of the fair value of the consideration transferred;
- With the assistance of our valuation specialists, we analyzed the methodology used to measure the fair value of assets acquired and liabilities assumed and evaluated the reasonableness of the assumptions used and calculations made, comparing them, when available, with market information;
- Evaluating the calculations for determining the goodwill due to future profitability determined in the transaction; and
- Assessing the adequacy of the disclosures presented by the Company.

Based on the result of the audit procedures carried out on the business combination related to the acquisition of AML Juratek, which is consistent with the management's assessment, we consider that the criteria and assumptions used by the management in accounting for the business combination, as well as the respective disclosures made are acceptable in the context of the financial statements taken as a whole.

Impairment of intangible assets – goodwill and revaluation surplus

As described in Note 15, 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;
- Checking the consistency of the bases used in the studies of CGU recoverable amounts prepared by the executive board 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 and 15 to the individual and consolidated financial statements.

Based on the results of our audit procedures, which are consistent with the executive board's assessment, we considered the estimates prepared by the executive board 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, 2023, prepared under the responsibility of the Company's executive board, and presented as supplementary information for purposes of IFRS, were submitted to audit procedures conducted together with the audit of the Company's individual and consolidated financial statements. In order to form our opinion, we analyzed whether these statements are reconciled to the financial statements and accounting records, as applicable, and whether their form and content meet the criteria defined in Accounting Pronouncement NBC TG 09 – Statements of Value Added. In our opinion, these individual and consolidated statements of value added were fairly prepared, in all material respects, in accordance with the criteria defined in this Accounting Pronouncement and are consistent with the individual and consolidated financial statements taken as a whole.

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

The executive board is responsible for such other information, which comprises the Management Report.

Our opinion on the individual and consolidated financial statements does not cover the Management Report and we do not express any form of assurance conclusion thereon.

In connection with our audit of the individual and consolidated financial statements, our responsibility is to read the Management Report and, in doing so, consider whether this report is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If, based on the work we have performed, we conclude that there is a material misstatement of the Management Report, we are required to report that fact. We have nothing to report in this regard.

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

The executive board is responsible for the preparation and fair presentation of the individual and consolidated financial statements in accordance with 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 it determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the individual and consolidated financial statements, the executive board 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 the executive board 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 from 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:

- Identified and assessed the risks of material misstatement of the individual and consolidated financial statements, whether due to fraud or error, designed and performed audit procedures responsive to those risks, and obtained 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.

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- Obtained 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.

- Evaluated the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the executive board.

- Concluded on the appropriateness of the executive board'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 report. However, future events or conditions may cause the Company to cease to continue as a going concern.

- Evaluated 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.

- Obtained 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's audit and, consequently, for the 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, including applicable independence requirements, and communicated with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with those charged with governance, we determined those matters that were of most significance in the audit of the financial statements of the current year 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, March 08, 2024.

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

Arthur Ramos Arruda
Accountant CRC RS-096102/O-0

Statements of financial position at December 31, 2023 and 2022

(In thousands of Reais)

		Parent Company		Consolidated	
	Note	2023	2022	2023	2022
Assets		3,177,838	3,184,554	3,911,999	3,765,876
Current assets		1,249,966	1,467,764	2,372,623	2,289,336
Cash and cash equivalents	7	624,267	251,893	1,050,412	567,855
Short-term investments	8	–	494,079	52	494,133
Trade accounts receivable	9	256,562	321,560	420,656	271,678
Inventories	10	287,792	350,683	783,465	857,667
Recoverable taxes and contributions	11	43,252	23,638	88,903	68,012
Pension plans and post-employment benefits	13	253	537	311	658
Dividends receivable		29,157	13,266	–	–
Other current assets		8,683	12,108	28,824	29,333
Noncurrent assets		1,927,872	1,716,790	1,539,376	1,476,540
Financial investments	8	39,079	35,630	39,079	35,630
Recoverable taxes and contributions	11	16,575	38,211	32,123	58,294
Dividends receivable		16	79	–	–
Deferred taxes	27	–	–	1,964	16,100
Judicial deposits	21	8,933	11,621	17,610	20,753
Intercompany loan receivable	12	49,348	50,284	–	–
Other noncurrent assets		2,467	5,280	8,348	12,046
Investments	14	1,266,677	1,075,280	32,109	30,788
Property, plant and equipment	16	393,614	346,170	703,443	672,431
Investment property		–	–	2,201	1,531
Intangible assets	17	101,112	103,309	554,564	474,138
Right of use in leases	18	50,051	50,926	147,935	154,829

See the accompanying notes to the financial statements.

Statements of financial position at December 31, 2023 and 2022

(In thousands of Reais)

		Parent Company		Consolidated	
	Note	2023	2022	2023	2022
Liabilities and equity		3,177,838	3,184,554	3,911,999	3,765,876
Current liabilities		586,787	474,343	1,113,326	862,126
Loans and financing	22	175,002	89,748	304,819	166,058
Derivative financial instruments	23	-	-	-	589
Suppliers	19	164,010	174,408	414,337	385,630
Reverse factoring	20	20,121	1,699	21,523	1,926
Taxes and contributions		40,269	31,457	106,561	79,440
Salaries and payroll charges		33,880	35,553	50,138	63,873
Advances from customers		11,390	9,436	12,972	11,766
Dividends payable	12	10	10	10	10
Interest on equity payable	12	54,879	41,631	54,879	41,631
Employee profit sharing and Directors' fees		21,772	20,259	40,532	28,333
Commissions payable		2,388	5,663	2,580	5,869
Lease liabilities	18	5,575	6,284	16,846	15,184
Accounts payable for business combination	5	42,269	18,984	42,269	18,984
Trade accounts payable		467	20,051	-	-
Other current liabilities		14,755	19,160	45,860	42,833
Noncurrent liabilities		752,863	946,310	937,559	1,125,312
Loans and financing	22	540,008	686,652	573,323	755,812
Deferred taxes	27	11,784	8,452	-	-
Provision for litigation	21	45,563	35,688	96,263	53,859
Unrealized government grant		1,475	1,744	1,475	1,744
Employee profit sharing and Directors' fees		3,484	5,346	3,899	5,969
Payables to related parties		225	242	6,192	6,423
Lease liabilities	18	49,974	48,818	138,127	134,468
Accounts payable for business combination	5	92,068	151,719	103,463	151,719
Other Noncurrent liabilities		8,282	7,649	14,817	15,318
Total equity		1,838,188	1,763,901	1,861,114	1,778,438
Capital	24	1,229,400	1,229,400	1,229,400	1,229,400
Tax incentive reserve	24	15,317	12,463	15,317	12,463
Reserves and capital transactions	24	(16,556)	(16,556)	(16,556)	(16,556)
Income reserves	24	837,180	588,042	837,180	588,042
Treasury shares	24	(13,352)	(13,352)	(13,352)	(13,352)
Other comprehensive income	24	(213,801)	(36,096)	(213,801)	(36,096)
Total controlling interests		1,838,188	1,763,901	1,838,188	1,763,901
Non-controlling interests		-	-	22,926	14,537

See the accompanying notes to the financial statements.

Statements of profit or loss
Years ended December 31, 2023 and 2022

(In thousands of reais, except earnings per share)

		Parent Company		Consolidated	
	Nota	2023	2022	2023	2022
Net Revenue	28	1,510,980	1,409,019	3,388,657	3,058,171
Costs of products sold and services provided	29	(1,083,103)	(1,059,828)	(2,250,056)	(2,154,694)
Gross profit		427,877	349,191	1,138,601	903,477
Operating income (expenses)		(18,374)	(144,609)	(596,048)	(570,437)
Sales	29	(139,585)	(139,311)	(313,025)	(291,596)
Administrative and general	29	(94,752)	(79,284)	(250,044)	(211,064)
Equity pickup	14	196,973	108,197	(452)	16
Other operating income (expenses), net	31	18,990	(34,211)	(32,527)	(67,793)
Income before financial revenues and expenses		409,503	204,582	542,553	333,040
Finance costs	32	(240,973)	(209,967)	(434,203)	(462,837)
Finance income	32	155,216	156,262	337,397	323,460
Inflation adjustment	32	79,008	50,132	80,935	55,178
Income before income taxes		402,754	201,009	526,682	248,841
Income tax and social contribution	27	(25,369)	3,829	(137,950)	(45,512)
Net income for the year		377,385	204,838	388,732	203,329
Attributable to non-controlling shareholders		-	-	11,347	(1,509)
Attributable to the parent company's shareholders		377,385	204,838	377,385	204,838
Basic and diluted profit per share					
Attributable to controlling shareholders - holders of common shares	26	1.4133	0.8117	1.4133	0.8117

See the accompanying notes to the financial statements.

Statements of comprehensive income
Years ended December 31, 2023 and 2022
(In thousands of reais)

	Parent Company		Consolidated	
	2023	2022	2023	2022
Net income for the year	377,385	204,838	388,732	203,329
Items to be subsequently reclassified to income (loss)	(176,361)	(73,334)	(176,361)	(73,334)
Actuarial gain (loss), net	(323)	(112)	(323)	(112)
Total comprehensive income	200,701	131,392	212,048	129,883
Attributable to:				
Parent company's shareholders	200,701	131,392	200,701	131,392
Non-controlling shareholders	-	-	11,347	(1,509)
	200,701	131,392	212,048	129,883

See the accompanying notes to the financial statements.

Statements of changes in equity

Years ended December 31, 2023 and 2022

(In thousands of reais

			Income reserves							
	Capital	Capital reserves and transactions	Legal reserve	General profit reserve	Tax incentive reserve	Other comprehensive income and equity valuation adjustments	Retained earnings	Total controlling interest	Non-controlling interest	Total equity
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
Net income for the year	–	–	–	–	–	–	204,838	204,838	(1,509)	203,329
Share issue expenses	–	(11,933)	–	–	–	–	–	(11,933)	–	(11,933)
Accumulated translation adjustments	–	–	–	–	–	(73,334)	–	(73,334)	5,660	(67,674)
Actuarial evaluation	–	–	–	–	–	(112)	–	(112)	–	(112)
Tax incentive reserve	–	–	–	–	3,271	–	(3,271)	–	–	–
Realization of depreciation of the deemed cost	–	–	–	–	–	(1,378)	1,378	–	–	–
Proposed allocations:										
Reserves	–	–	10,078	122,314	–	–	(132,392)	–	–	–
Additional Dividends	–	–	–	(9,974)	–	–	–	(9,974)	–	(9,974)
Interest on equity	–	–	–	–	–	–	(70,553)	(7	–	(70,553)
Capital increase	629,400	–	–	–	–	–	–	629,400	–	629,400
Balances at December 31, 2022	1,229,400	(16,556)	73,277	501,413	12,463	(36,096)	–	1,763,901	14,537	1,778,438
Net income for the year	–	–	–	–	–	–	377,385	377,385	11,347	388,732
Accumulated translation adjustments	–	–	–	–	–	(176,361)	–	(176,361)	(2,958)	(179,319)
Actuarial evaluation	–	–	–	–	–	(323)	–	(323)	–	(323)
Onerous contracts	–	–	–	–	–	26	–	26	–	26
Tax incentive reserve	–	–	–	–	2,854	–	(2,854)	–	–	–
Realization of depreciation of the deemed cost	–	–	–	–	–	(1,047)	1,047	–	–	–
Proposed allocations:										
Reserves	–	–	18,728	230,410	–	–	(249,138)	–	–	–
Interest on equity	–	–	–	–	–	–	(126,440)	(126,440)	–	(126,440)
Balances at December 31, 2023	1,229,400	(16,556)	92,005	731,823	15,317	(213,801)	–	1,838,188	22,926	1,861,114

See the accompanying notes to the financial statements.

Statements of cash flows
Years ended December 31, 2023 and 2022
(In thousands of reais)

	Parent Company		Consolidated	
	2023	2022	2023	2022
Cash flows from operating activities				
Net income for the year	377,385	204,838	388,732	203,329
Provision for current and deferred income tax and social contribution	25,369	(3,829)	137,950	45,512
Depreciation and amortization	44,100	41,409	124,695	120,079
Provision for disputes	9,875	8,414	42,404	14,354
Allowance for expected credit losses	(871)	423	(529)	583
Provision for obsolete inventories	(3,745)	3,737	(5,432)	9,223
Other provisions	(4,373)	(504)	6,840	(1,622)
Residual cost of written-off and sold fixed assets	1,506	225	5,511	6,449
Equity pick up in net income of subsidiaries	(196,973)	(108,197)	452	(16)
Inflation adjustment	(79,008)	(50,132)	(80,935)	(55,178)
Income from legal proceedings, net of fees	(462)	(10,484)	(462)	(11,304)
Foreign exchange differences and interest on loans and leases	94,582	86,717	106,012	84,327
Changes in derivatives	–	1,673	300	7,137
Impairment/(reversal) of impairment	4,374	4,484	2,238	(2,834)
Revenue from government grant	(269)	(269)	(269)	(269)
Restatement (compensation) on retained values business combinations	(57,620)	5,960	(57,620)	5,960
Trade accounts payable	(19,584)	(8,259)	–	–
Changes in assets and liabilities				
Trade accounts receivable	(32,491)	(52,164)	(104,950)	(24,056)
Short-term investments	490,630	(497,787)	490,632	(497,782)
Judicial deposits	2,688	2,465	3,143	1,963
Other accounts receivable	6,886	12,722	1,397	3,238
Inventories	66,636	(51,970)	115,724	(37,024)
Recoverable taxes	2,484	56,392	5,742	60,212
Trade accounts payable and reverse factoring	8,024	14,681	34,608	41,829
Other accounts payable	24,341	(22,923)	(122,773)	(60,519)
Income tax and social contribution	(743)	(773)	(55,894)	(18,662)
Net cash generated by operating activities	762,741	(363,151)	1,037,516	(105,071)
Cash flows from investment activities				
Business Combinations	(110,894)	–	(100,885)	–
Capital payment	–	(8,092)	–	–
Cash from Merged Operation	(1,803)	(3,245)	(1,803)	(3,245)
Dividends received	79,766	11,577	–	–
Acquisition of property, plant and equipment and intangible assets	(82,826)	(53,450)	(133,700)	(84,136)
Net cash flow used in investment activities	(115,757)	(53,210)	(236,388)	(87,381)
Cash flows from financing activities				
Payment of interest on equity and dividends	(111,267)	(70,110)	(111,267)	(70,110)
Payment of capital	–	629,400	–	629,400
Payment of loans	3,861	65,570	94,734	157,686
Payment of loans and derivatives	(57,466)	(63,117)	(161,210)	(199,192)
Interest paid on loans	(97,249)	(78,487)	(108,813)	(94,413)
Leases paid	(12,489)	(10,967)	(32,015)	(26,663)
Net cash flow generated (used) in financing activities	(274,610)	472,289	(318,571)	396,708
Decrease in cash and cash equivalents	372,374	55,928	482,557	204,256
Statement of changes in cash and cash equivalents				
At the beginning of the year (Note 7)	251,893	195,965	567,855	363,599
At the end of the year (Note 7)	624,267	251,893	1,050,412	567,855
Decrease in cash and cash equivalents	372,374	55,928	482,557	204,256

See the accompanying notes to the financial statements.

Statements of value added
Years ended December 31, 2023 and 2022

(In thousands of reais)

	Parent Company		Consolidated	
	2023	2022	2023	2022
Income	2,021,478	1,810,108	4,415,343	3,906,378
Sales of products and services, (-) returns	1,936,012	1777,988	4,321,654	3,858,991
Other income	64,016	18,290	66,534	32,916
Income from construction of own assets	20,579	14,253	26,626	15,054
Allowance for expected credit losses	871	(423)	529	(583)
Inputs acquired from third-parties (including tax)	(1,294,657)	(1,235,499)	(2,667,127)	(2,451,176)
Raw materials used	(828,559)	(633,712)	(1,827,547)	(1,473,795)
Materials, energy, outsourced services and other operating expenses	(466,098)	(601,787)	(839,580)	(977,381)
Retentions	(44,100)	(41,409)	(124,695)	(120,079)
Depreciation and amortization	(44,100)	(41,409)	(124,695)	(120,079)
Gross added value	682,721	533,200	1,623,521	1,335,123
Added value received as transfer	431,197	314,591	420,846	378,902
Equity pick up in net income of subsidiaries	196,973	108,197	(452)	16
Rents and royalties	-	-	2,966	248
Inflation adjustment	79,008	50,132	80,935	55,178
Finance income	155,216	156,262	337,397	323,460
Total added value payable	1,113,918	847,791	2,044,367	1,714,025
Distribution of added value				
Personnel	282,868	264,321	510,284	453,203
Direct remuneration	197,374	188,131	359,140	315,769
Benefits	38,791	35,438	73,450	63,227
Severance pay fund (FGTS)	17,536	18,637	24,964	27,803
Sales commissions	-	-	5,916	-
Directors' fees and profit sharing	5,056	4,534	11,072	10,483
Employees' profit sharing	23,097	16,610	31,788	33,363
Pension plan	1,014	971	3,954	2,558
Taxes	200,973	160,561	691,280	574,171
Federal	150,091	99,960	423,941	331,513
State	49,822	59,727	261,916	241,327
Municipal	1,060	874	5,423	1,331
Lenders	252,692	218,071	454,071	483,322
Finance income (costs)	240,973	209,967	434,203	462,837
Rentals	11,719	8,104	19,868	20,485
Remuneration of own capital	126,440	70,553	137,787	69,044
Interest on equity and dividends	126,440	70,553	126,440	70,553
Non-controlling interest in retained earnings	-	-	11,347	(1,509)
Retained earnings for the year	250,945	134,285	250,945	134,285
Distributed added value	1,113,918	847,791	2,044,367	1,714,025

See the accompanying notes to the financial statements.

Notes to financial information

(In thousands of Reais, 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.

On April 6, 2023, the Company released its new corporate brand identity, **Frasle Mobility**. The construction of the new identity repositions the Company as a house of brands, associated with the intense expansion cycles experienced in the last 10 years, with new companies, geographic expansion, products and services incorporated into the solutions portfolio, envisioning a future of new possibilities for evolution and growth.

On April 28, 2023, the Company's Parent released its new corporate brand identity, **Randoncorp**. This brand represents the evolution experienced in recent years, transforming into a complete ecosystem of transport solutions and representing an increasingly multiple company, with sustainable solutions and reflecting - in an even better way - the purpose of connecting people and wealth, generating prosperity.

2 Basis for preparation and presentation of the individual and consolidated financial statements

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, 2022 and 2023.

According to Technical Guidance OCPC 7 and deliberation CVM n.° 727/2014 the company discloses 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.

For the year ended December 31, 2023, the financial statements were authorized for issue at a board meeting held on March 7, 2024.

2.1 Accounting Policies

The Company consistently applies accounting policies and they are presented in each explanatory note.

2.2 Translation of foreign currency balances

The financial statements are presented in Brazilian reais (R$), which is the Company's functional currency. All financial information presented in Brazilian reais has been rounded to the nearest thousand, unless otherwise stated. For subsidiaries abroad, which operate in a stable economic environment with another functional currency, the statements of profit or loss are converted into Reais at the average monthly exchange rate and assets and liabilities at the last prevailing rate. For those operating in a hyperinflationary economy, the statements are adjusted for the change in the general purchasing power of the currency, and the balances of assets, liabilities and accumulated profit or loss are converted at the last prevailing rate. Equity items are held at the historical rate in all scenarios.

The functional currency of each company is as follows:

Subsidiaries	Functional currency
AML Juratek Limited	Pound Sterling
Armetal Autopartes S.A.	Argentine peso
ASK Fras-le Friction Private Limited	Rupia
Bettaparts Limited	Pound Sterling
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	Renminbi
Fras-le México S. De R.L. De C.V.	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	Renminbi
Juratek Limited	Pound Sterling
Jurid do Brasil Sistemas Automotivos Ltda.	Real
Nakata Automotiva Ltda.	Real
Tekjur Limited	Pound Sterling

2.3 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.

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.

a. *Subsidiaries*

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

b. 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.

c. *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, 2023 and 2022, as follows:

Subsidiaries	Business Purpose	Host Country	Participation percentage 2023		2022	
			Direct	Indirect	Direct	Indirect
AML Juratek Limited *(e)*	Holding	United Kingdom	-	100.00	-	-
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	-
Bettaparts Limited *(f)*	Distribution of auto parts	United Kingdom	-	100.00	-	-
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)*	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 R.L. De C.V.(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	100.00	-	100.00	-
Jiaxing Bafu Trading Co. Ltd *(d)*	Export of vehicles parts and accessories	China	-	100.00	-	100.00
Juratek Limited *(f)*	Distribution of auto parts	United Kingdom	-	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)*	Manufacturing of parts and accessories to automotive vehicles	Brazil	100.00	-	100.00	-
Tekjur Limited *(f)*	Holding	United Kingdom	-	100.00	-	-

Associates	Business Purpose	Host Country	Participation percentage 2023		2022	
			Direct	Indirect	Direct	Indirect
Centro Tecnológico Randon Ltda *(g)*	Service, development and management of experimental research projects	Brazil	45.07	-	45.07	-

(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.

(e) Foreign subsidiary with direct control retained by Fras-le Europe B.V.

(f) Foreign subsidiary with direct control retained by Fras-le AML Juratek Limited.

(g) Associates in the country.

3 Standards, amendments and interpretations

There are no new standards or interpretations in force as of January 1, 2023 that would have a significant impact on the financial statements as at December 31, 2023.

4 Significant judgments, estimates and assumptions

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

Information on uncertainties about assumptions and estimates that have a significant risk of resulting in a material adjustment in the year ended December 31, 2023 is included in the following notes:

Judgments
Note 5 – Business combinations and goodwill
Note 11 – Recoverable taxes and contributions
Note 15 – Impairment
Note 16 – Property, plant and equipment
Note 17 – Intangible assets
Note 18 – Leases
Note 21 – Provision for claims
Note 28 – Net revenue

Uncertainties on assumptions and estimates
Note 5 – Business combinations and goodwill
Note 9 – Trade accounts receivable
Note 10 – Inventories
Note 11 – Recoverable taxes and contributions
Note 13 - Pension plans and post-employment benefits for employees
Note 15 – Impairment
Note 16 – Property, plant and equipment
Note 17 – Intangible assets
Note 18 – Leases
Note 21 – Provision for claims
Note 23 – Objectives and policies for financial risk management
Note 27 - Income taxes
Note 28 - Net revenue from sales

5 Business combinations and goodwill

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 profit or loss 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 profit or loss.

a. *Acquisitions and transactions in 2023*

- *Acquisition of AML Juratek Limited.*

According to a material fact disclosed on February 16, 2023, subsidiary Frasle Europe B.V. entered into a Purchase and Sale Agreement to acquire all the shares of the company AML Juratek Limited ("AML"), based in Doncaster, United Kingdom. AML is the parent of Juratek and Bettaparts, which are operating companies with a long history in the European auto parts replacement market.

This is a move in the Company's strategy of expanding business in the replacement segment in mature markets, through product diversification and expansion of brands in its portfolio.

The deal was effectively closed on March 1, 2023, after compliance with all conditions precedent contained in the Purchase and Sale Agreement, and is not subject to approval by competition defense bodies in any jurisdiction.

On September 11, 2023, the assessment report on the fair value of the assets acquired and the 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 the disclosure made on March 31, 2023, there were changes that impacted the surplus value of customers matched against goodwill in the amount of R$ 1,877, which was adjusted within the period of June 30, 2023.

Below is a summary of the assets acquired and liabilities assumed, considering AML's statement of financial position as at March 1, 2023, and the estimated fair value adjustments based on the experts' report.

	Book value	Fair value
Assets	84,486	178,849
Current assets		
Cash and cash equivalents	2,191	2,191
Trade accounts receivable	43,499	43,499
Inventories	24,474	24,474
Other assets	351	351
Noncurrent assets		
Property, plant and equipment	1,267	1,267
Intangible assets	-	94,363
Leases	12,704	12,704
Liabilities	75,664	75,664
Current liabilities		
Suppliers	13,696	13,696
Loans and financing	29,119	29,119
Leases	1,835	1,835
Other liabilities	15,476	15,476
Noncurrent		
Loans and financing	4,496	4,496
Leases	10,869	10,869
Other Noncurrent liabilities	173	173
Assets net of liabilities	8,822	103,185

Goodwill recognized as a result of acquisitions was determined as follows:

	114,478
Equity acquired	8,822
Identifiable assets	
Intangible assets (b)	94,363
Deferred income and social contribution taxes	(23,591)
Goodwill determined in the transaction	34,884

(a) The consideration transferred considered the fair value of all payments and debts assumed. The total consideration of the acquiree was £ 18,303, equivalent to R$114.478 on March 01, 2023. Of this amount £ 16,085 (R$100,605) was paid when the deal was closed and £2,218 (R$13,873) is payable within two (2) years from the date of acquisition, of which £1,823 R$11,402) arising from financial investments of restricted liquidity until the fulfillment of the contractual provisions. In addition, the amount of £395 (R$2,471) was recognized referring to the difference in working capital set when the deal was closed in relation to the amount presented in AML Juratek statement of financial position on the closing date of the transaction. As of December 31, 2023, the restated balance payable totaled R$11,395.

(b) 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 and 16 years (Bettaparts and Juratek, respectively). The fair value allocated to customer relationship on the acquisition date was £ 13,189, equivalent to R$82,497 on March 1, 2023, 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 10 years and the fair value allocated, on the acquisition date, was US$7,000, equivalent to R$36,799, on November 1, 2022, amortized over the term of its useful life.

The goodwill determined in the amount of £5,577, equivalent to R$34,884 on March 1, 2023, represents the expected future economic benefit from synergies arising from the acquisition and expansion of operations in the replacement segment in mature markets, through product diversification and expansion of brands in its portfolio. AML Juratek contributed net revenue of R$ 153,448 and net income of R$ 17,078 from the date of acquisition until December 31, 2023. If the combination had occurred at the beginning of said year, consolidated net revenue for 2023 would have totaled R$ 3,426 ,681, and consolidated net income for 2023 would total R$401,453.

b. *Acquisitions and transactions prior to 2023*

- *Acquisition of Nakata Automotiva S.A.*

In the year ended December 31, 2023, the Company revised its estimates for future tax benefits, considering the new projections and changes introduced by Law No. 14789/2023, which modified taxation on tax incentives. This review resulted in a decrease in liabilities in Accounts payable due to business combination in the amount of R$16,701, with R$28,498 recognized as Other operating income and R$(11,797) as an adjustment to present value under Finance income (costs). As at December 31, 2022, this review generated an increase of R$16,229.

Additionally, the Company reduced its obligations with business combinations in the amount of R$24,517, related to the termination action described in Note 21. This amount represents the net cash disbursement expected for the coming periods. The amount was originally retained through an escrow account provided for in the Share Purchase and Sale Agreement and Other Covenants. Furthermore, an additional reduction of R$7,419 (R$10,361 as of December 31, 2022) was recorded, relating to contingencies paid in the year.

c. *Accounts payable due to business combination*

At December 31, 2023 and 2022, the balances payable in connection with business combination are broken down as follows:

	Parent Company		Consolidated	
	2023	2022	2023	2022
Armetal	12,750	11,265	12,750	11,265
Fremax	14,625	12,938	14,625	12,938
Nakata	106,962	146,500	106,962	146,500
AML Juratek	-	-	11,395	-
Total	134,337	170,703	145,732	170,703
Current	42,269	18,984	42,269	18,984
Noncurrent	92,068	151,719	103,463	151,719

The business combinations are monetarily restated, as follows:

6 Information by segment

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 operating segments subject to the disclosure of information.

- **Automakers segment**: this refers to the consolidated results for the years ended December 31, 2023 and 2022 of Frasle Mobility, of friction materials for the automakers market.
- **Replacement segment**: this refers to the consolidated results for the years ended December 31, 2023 and 2022 of Frasle Mobility of friction materials for the auto parts replacement market.

a. ***Information by business segments***

	Automakers		Replacement		Total	
	2023	2022	2023	2022	2023	2022
Net revenue for third parties	404,444	396,261	2,984,213	2,661,910	3,388,657	3,058,171
Cost of products sold and services rendered	(295,052)	(305,085)	(1,955,004)	(1,849,609)	(2,250,056)	(2,154,694)
Gross profit	109,392	91,176	1,029,209	812,301	1,138,601	903,477
Operating expenses					(596,048)	(570,437)
Finance income (costs), net					(15,871)	(84,199)
Pre-tax income					526,682	248,841

* Operating expenses, assets and liabilities were not disclosed by segment, as such items are managed within the Company and are not reported separately to those responsible for decision-making.

b. ***Assets by geographic area***

	Assets*	
	2023	2022
Brazil	1,129,348	1,113,537
England	134,021	-
Argentina	64,718	92,587
United States	64,310	64,736
China	47,908	58,858
India	40,524	49,996
Uruguay	17,629	40,961
Netherlands	6,286	8,565
Others	559	412
Total	1,505,303	1,429,652

* Total assets are made up of total long-term assets minus deferred taxes and investments.

7 Cash and cash equivalents

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.

	Indexer	Remuneration	Parent Company		Consolidated	
			2023	2022	2023	2022
Cash and banks			6,921	12,653	92,352	49,596
Cash in transit (a)			11,250	7,378	11,674	8,731
Interest earnings bank deposits	CDI	91% to 110%	606,096	231,862	946,386	509,528
Total			624,267	251,893	1,050,412	567,855

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

Credit risk policy and practice are presented in Note 23.

8 Marketable securities

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.

Investment income	Average	Indexer	Pay	Parent Company 2023	Parent Company 2022	Consolidated 2023	Consolidated 2022
Current:							
CDB		CDI	96%	–	494,079	52	494,133
Noncurrent							
CDB		CDI	96%	39,079	35,630	39,079	35,630
Total				39,079	529,709	39,131	529,763

9 Trade accounts receivable

These correspond to the amounts of consideration arising from the sale of goods or provision of services in the normal course of the Company's activities, considering all relevant facts and circumstances when applying each stage of the contract model with its customers.

If the collection period is equivalent to one year or less (or another that meets the Company's normal operating cycle), accounts receivable are classified in current assets. Otherwise, they are stated in noncurrent assets.

Trade accounts receivable are recognized at amortized cost, discounted to present value using the effective interest method less provision for impairment.

The criterion for establishing the allowance for expected credit losses considers an allowance matrix to calculate the expected credit loss for accounts receivable and contract assets with customers.

The allowance matrix is initially based on the historical loss rates observed by the Company. The Company reviews the matrix prospectively to adjust it according to historical credit loss experience.

Annually, historical loss rates observed are restated and changes in forward-looking estimates are analyzed. Assessing the correlation between observed historical loss rates, predicted economic conditions, and expected credit losses is a meaningful estimate.

	Parent Company		Consolidated	
	2023	2022	2023	2022
In the Country	30,567	16,293	180,359	54,114
From third parties	17,288	5,864	167,322	41,698
Related parties (Note 12)	5,315	4,461	2,001	75
Vendor	7,964	5,968	11,036	12,341
Abroad	228,815	309,136	249,225	226,967
From third parties	57,709	81,465	249,225	226,966
Related parties (Note 12)	171,106	227,671	–	1
Subtotal	259,382	325,429	429,584	281,081
Less:				
Adjustment to present value	(1,554)	(1,732)	(1,620)	(1,861)
Allowance for expected credit losses	(1,266)	(2,137)	(7,308)	(7,542)
Total	256,562	321,560	420,656	271,678

At December 31, 2023 and 2022, the consolidated average collection periods for the domestic third-party market were 44 and 26 days, respectively, and 32 and 44 days for the domestic related party market, respectively. For the foreign market, 40 and 32 days for third parties, respectively, and 40 and 34 days for related parties, respectively

Changes in the allowance for expected credit losses are as under:

	Parent Company		Consolidated	
	2023	2022	2023	2022
Balance at beginning of year	(2,137)	(1,714)	(7,542)	(6,959)
Additions	(2,111)	(2,396)	(19,545)	(17,409)
Addition by business combination	–	–	(295)	-
Write-offs / realizations	2,982	1,973	20,074	16,826
Balance at end of year	(1,266)	(2,137)	(7,308)	(7,542)

As at December 31, 2023 and 2022, the analysis of trade accounts receivable balances by maturity is as follows:

	Parent Company		Consolidated	
	2023	2022	2023	2022
Falling due	157,395	164,892	392,531	243,157
Overdue:				
From 1 to 30 days	20,884	27,812	21,487	23,193
From 31 to 60 days	11,037	41,647	5,967	7,792
From 61 to 90 days	23,790	16,538	3,909	1,547
From 91 to 180 days	32,203	57,961	1,779	2,700
Above 181 days	14,073	16,579	3,911	2,692
Balance at end of year	259,382	325,429	429,584	281,081

The Company does not require guarantees on credit sales. In the parent company's balances, Accounts receivable overdue for more than 91 days is mainly represented by sales of products to subsidiaries (see Note 12).

Exposure to credit and currency risks related to Trade accounts receivable is disclosed in Note 23.

10 Inventories

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.

	Parent Company		Consolidated	
	2023	2022	2023	2022
Finished Goods	144,214	172,052	427,536	481,976
Work in process	32,315	35,896	54,792	58,124
Raw materials	103,546	125,105	189,260	205,307
Auxiliary and maintenance materials	13,176	12,840	27,158	24,367
Advances to suppliers	2,388	15,678	80,744	93,361
Imports in transit	684	1,388	2,764	9,306
Provision for inventory losses	–	–	24,715	13,099
Work in process	(8,531)	(12,276)	(23,504)	(27,873)
	287,792	350,683	783,465	857,667

The Company uses estimates to evaluate the realization of inventories. The realizable value is estimated considering the estimated sales price less estimated completion costs and expenses to sell. The provision for inventory losses is established considering the history of losses in realizable value and inventory turnover. Changes in the provision for inventory losses are as under:

	Parent Company		Consolidated	
	2023	2022	2023	2022
Balance at the beginning of the year	(12,276)	(8,539)	(27,873)	(18,650)
Addition by business combination	-	-	(1,063)	-
Additions	(6,185)	(4,531)	(11,884)	(13,130)
Write-offs/realizations	9,930	794	17,316	3,907
Balance at the end of the year	(8,531)	(12,276)	(23,504)	(27,873)

11 Recoverable taxes and contributions

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 repercussion principle, which may result in significant changes in the estimates made by management at the date of the financial statements.

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	
	2023	2022	2023	2022
Corporate income tax (IRPJ) and Social contribution tax on net profit (CSLL) *(a)*	30,045	8,226	31,941	8,446
Contribution Taxes on Gross Revenue for Social Integration Program (PIS) and Social Security Financing (COFINS) *(b)*	9,828	7,619	12,819	10,235
State Value-added Tax (ICMS) *(c)*	8,578	12,095	22,040	25,610
Import Taxes *(d)*	5,254	7,246	7,155	8,133
Selic rate undue on IRPJ/CSLL *(e)*	4,506	25,395	13,810	34,697
REINTEGRA *(f)*	1,599	1,142	1,808	1,350
Federal VAT (Excise tax -IPI) *(g)*	17	109	17	251
Value-added tax (VAT) *(h)*	-	-	24,005	32,441
Goods and Services Tax (GST) India *(i)*	-	-	1,041	658
Others	-	17	6,390	4,485
Total	59,827	61,849	121,026	126,306
Current	43,252	23,638	88,903	68,012
Noncurrent	16,575	38,211	32,123	58,294

a. *Income tax and social contribution taxes ("IRPJ and CSLL")*

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

b. *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.

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. *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.

e. *Undue payment - SELIC - IRPJ/CSLL*

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).

Based on the decision awarded by the Federal Supreme Court (STF) and the support of its legal and tax advisors, in the context of ICPC 22 (IFRIC 23) – Uncertainty over Income Tax Treatments, the Company recognized as IRPJ and CSLL taxes recoverable the amounts of R$23,871 in the parent company and R$32,220 in the consolidated in the year ended December 31, 2021.

On August 4, 2023, the Company was successful in the aforementioned legal action, obtaining the right to offset the amounts unduly paid from June 8, 2005, as duly adjusted by reference to the Selic benchmark interest rate, resulting from a Writ of Mandamus filed on August 8, 2023. June 2010. And on November 20, 2023, the parent company had its request for authorization recognized by a court decision.

The amount of the favorable decision achieved for Nakata Automotiva Ltda. is related to the supervening assets contractual clause of the subsidiary's acquisition contract. The amount of the transfer to the sellers corresponding to R$5,603 was provisioned in Other liabilities, at the buyer Frasle Mobility, in the amount of the estimated gain, net of taxes.

At December 31, 2023, the balance in assets arising from the action seeking exclusion of SELIC rate from the IRPJ and CSLL calculation base was R$4,506 in the parent company and R$13,810 in the consolidated, (R$25,395 and R$34,697 as at December 31, 2022, respectively). From the initial recognition of the asset until the year ended December 31, 2023, the amount of R$23,223 was offset in the parent company.

f. *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.

g. *Excise tax ("IPI")*

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

h. *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.

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.

12 Related Parties

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 2022 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, 2022 and 2021, 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.

Transactions with subsidiaries	ASK Frasle Friction	Fanacif	Fras-le Argentina	Fras-le Europe B.V.	Fras-le Friction Pinghu	Fras-le North America	Fras-le Panamericana	Jurid	Nakata	Other subsidiaries	Total subsidiaries
Trade accounts receivable	1,625	91	25,589	333	116	114,909	27,895	4,320	–	582	175,460
JSCP and dividends receivable	–	–	16	–	–	–	–	–	24,948	4,209	29,173
Intercompany loan receivable	7,332	–	42,016	–	–	–	–	–	–	–	49,348
Suppliers	(327)	–	–	–	(18)	(31)	–	(18)	(232)	(93)	(719)
Other payable accounts	–	–	–	–	–	–	–	–	(502)	–	(502)
Intercompany loan payable	–	(225)	–	–	–	–	–	–	–	–	(225)
Asset (liability) balance as of December 31, 2023	8,630	(134)	67,621	333	98	114,878	27,895	4,302	24,214	4,698	252,535
Sale of products and services	–	506	27,663	3,868	1,605	221,250	34,404	11,748	14	2,611	303,669
Purchase of products and services	(5,599)	–	–	–	(2,210)	(70)	–	–	(9,594)	(53)	(17,526)
Other operating income/expenses, net	366	–	2,979	(213)	(974)	(911)	(935)	386	(8,089)	(3,407)	(10,798)
Balances at December 31, 2023	(5,233)	506	30,642	3,655	(1,579)	220,269	33,469	12,134	(17,669)	(849)	275,345

Transactions with subsidiaries	ASK Fras-le Friction	Fanacif	Fras-le Argentina	Fras-le Europe B.V.	Fras-le Friction Pinghu	Fras-le North America	Fras-le Panamericana	Jurid	Nakata	Other subsidiaries	Total subsidiaries
Trade accounts receivable	559	477	12,942	2,414	998	182,240	28,041	2,448	–	1,937	232,056
JSCP and dividends receivable	–	–	79	–	–	–	–	–	9,258	4,008	13,345
Intercompany loan receivable	8,122		42,162	–	–	–	–	–	–	–	50,284
Suppliers	(775)	(558)	–	(6)	–	–	–	(289)	(4,827)	–	(6,455)
Intercompany loan payable	–	(242)	–	–	–	–	–	–	–	–	(242)
Asset (liability) balance as of December 31, 2023	7,906	(323)	55,183	2,408	998	182,240	28,041	2,159	4,431	5,945	288,988
Sale of products and services	377	919	33,854	7,916	931	195,902	43,108	9,519	2,515	3,814	298,855
Purchase of products and services	(30,821)	–	–	–	(13,910)	(69)	–	–	–	(24)	(44,824)
Other operating income/expenses, net	561	–	2,862	(394)	(443)	(1,208)	(504)	222	(4,827)	(1,359)	(5,090)
Balances at December 31, 2023	(29,883)	919	36,716	7,522	(13,422)	194,625	42,604	9,741	(2,312)	2,431	248,941

Transactions with other related parties	Banco Randon	Castertech	Dramd	Instituto Elisabetha Randon	Instituto Hercílio Randon	Master	Randon	Other related parties	Total related parties
Trade accounts receivable	–	72	–	–	–	–	2	2	76
Other accounts receivable	–	–	–	–	–	–	5	–	5
Suppliers	–	–	–	–	–	–	(760)	(297)	(1,057)
Other accounts payable	–	–	–	–	–	–	(47)	–	(47)
Other liabilities	(5,968)	–	–	–	–	–	–	–	(5,968)
Reverse factoring	(1,699)	–	–	–	–	–	–	–	(1,699)
JSCP and payable dividends	–	–	(5,242)	–	–	–	(21,118)	(15,281)	(41,641)
Asset (liability) balance as of December 31, 2023	(7,667)	72	(5,242)	–	–	–	(21,918)	(15,576)	(50,331)
Sale of products and services	–	134	–	–	–	56,110	4,612	179	61,035
Purchase of products and services	–	(7,576)	–	–	–	(152)	(10,536)	(8,926)	(27,190)
Other operating income/expenses, net	(20,520)	2,006	–	–	–	780	(48,883)	(323)	(66,940)
Donations/ assistance grants	–	–	–	(839)	–	–	–	–	(839)
Innovation projects	–	–	–	–	(6,850)	–	–	–	(6,850)
Balances at December 31, 2023	(20,520)	(5,436)	–	(839)	(6,850)	56,738	(54,807)	(9,070)	(40,784)

Transactions with other related parties	Banco Randon	Castertech	Dramd	Instituto Elisabetha Randon	Instituto Hercílio Randon	Master	Randon	Other related parties	Total related parties
Trade accounts receivable	–	–	–	–	–	130	39	792	961
Other accounts receivable	–	–	–	–	–	–	1,069	–	1,069
Suppliers	–	–	–	–	–	–	(155)	(601)	(756)
Other accounts payable	–	–	–	–	–	–	–	(2)	(2)
Other liabilities	(7,964)	–	–	–	–	–	–	–	(7,964)
Reverse factoring	(20,121)	–	–	–	–	–	–	–	(20,121)
JSCP and payable dividends	–	–	(6,943)	–	–	–	(27,975)	(19,971)	(54,889)
Asset (liability) balance as of December 31, 2023	(28,085)	–	(6,943)	–	–	130	(27,022)	(19,782)	(81,702)
Sale of products and services	–	41	–	–	–	44,878	3,485	1,722	50,126
Purchase of products and services	–	(1,361)	–	–	–	(20)	(26,954)	(9,808)	(38,143)
Other operating income/expenses, net	(23,123)	371	–	–	–	266	(49,358)	(74)	(71,918)
Donations/ assistance grants	–	–	–	(991)	–	–	–	–	(991)
Innovation projects	–	–	–	–	(6,650)	–	–	–	(6,650)
Balances at December 31, 2023	(23,123)	(949)	–	(991)	(6,650)	45,124	(72,827)	(8,160)	(67,576)

12.1 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	
	2023	2022	2023	2022
Short-term benefits (salaries, wages, profit sharing, medical care	6,934	7,302	10,622	11,135
Post-employment benefits - contributions to Randonprev	197	162	234	198
Total	7,131	7,464	10,856	11,333

(a) Short-term benefits comprise salaries, wages, profit sharing, health care expenses, and termination benefits. Long-term benefits consist of profit sharing, paid every three years of holding the position, according to the achievement of the Company's results, and are linked to the executives' performance indicators.

The Company paid key management personnel no compensation in other categories of i) employment termination benefits and ii) share-based payment.

13 Pension plans and post-employment benefits for employees

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.

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 statement of financial position:

	Parent Company		Consolidated	
	2023	2022	2023	2022
Net expense on benefit				
Cost of current service	(178)	(200)	(215)	(225)
Cost of interest on benefit liabilities	(278)	(263)	(332)	(285)
Interest income plan assets	381	368	459	400
Interest on nonrecoverable surplus	(41)	39	(50)	42
Cost of defined benefit in income	(116)	(56)	(138)	(68)

	Parent Company		Consolidated	
	2023	2022	2023	2022
Real return on plan assets				
Return on plan assets	804	562	1,049	86
Interest income on plan assets	381	368	459	400
Real return on plan assets	1,185	930	1,508	486

	Parent Company		Consolidated	
	2023	2022	2023	2022
Benefit assets				
Defined benefit obligation	(3,318)	(3,145)	(4,073)	(3,855)
Fair value of the plan assets	3,651	4,107	4,481	5,034
Due adjustment	(80)	(425)	(97)	(521)
Benefit assets	253	537	311	658
Current	253	537	311	658

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

	Parent Company	Consolidated
Defined benefit obligation as of December 31, 2021	(3,173)	(3,455)
Interest cost	(263)	(285)
Cost of current service	(200)	(225)
Benefits paid	123	136
Actuarial losses on liabilities	368	(26)
Defined benefit obligation as of December 31, 2022	(3,145)	(3,855)
Interest cost	(278)	(332)
Cost of current service	(178)	(215)
Benefits paid	237	241
Actuarial losses on liabilities	46	88
Defined benefit obligation as of December 31, 2023	(3,318)	(4,073)

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

	Parent Company	Consolidated
Fair value of plan assets on December 31, 2021	4,259	4,636
Return on investment	(194)	314
Contribution of the employer	165	220
Benefits paid	(123)	(136)
Fair value of plan assets on December 31, 2022	4,107	5,034
Return on investment	(424)	(590)
Contribution of the employer	205	278
Benefits paid	(237)	(241)
Fair value of plan assets on December 31, 2023	3,651	4,481

The Company expects to contribute R$ 3.577 to its defined benefit pension plans in 2023. Main categories of plan assets with a percentage of fair value of total plan assets are as follows:

	Parent Company		Consolidated	
	2023	2022	2023	2022
Shares	835	932	1,025	1,142
Securities	2,816	3,175	3,456	3,892
Total	3,651	4,107	4,481	5,034

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.

	2023	2022
Discount rate	9.19%	9.67%
Salary growth rate	6.57%	6.61%
Life expectancy (in years) in private pension plans for 60 year-old assisted participants:		
Men	24.59	24.59
Women	27.42	27.42

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, 2024	595	904
Payments of expected benefits in the years to end from December 31, 2025 to December 31, 2033	3,744	4,390
Total	4,339	5,294
Analysis of defined benefit liability per category of participant		
Equity information		
Percentage of total allocation at December 31, 2023:		
Variable income	23%	23%
Fixed Income	43%	43%
Properties	1%	1%
Other	32%	32%
Year end result:		
Cost of current service	193	235
Net interest on net liabilities/assets	(33)	(42)
Year end result	160	193

The chart below presents the sensitivity analysis of obligation's present value as of December 31, 2023:

Sponsor	Present value of obligation (VPO) 2022	1% Increase – Effect on VPO	1% Reduction – Effect on VPO	Present value on obligation (VPO) 2023	1 % Increase – Effect on VPO	1% Reduction – Effect on VPO
Fras-le S.A	3,145	(152)	171	3,318	(278)	76
Freios Controil	216	(10)	12	246	(20)	6
Nakata	494	(11)	13	508	(28)	(4)
Total	3,855	(173)	196	4,072	(326)	78

According to item 145 of CPC 33 (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 9.19% p.a. in 2022, December 31 (9.67% p.a. 2022 and December 31).

14 Investments

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.

14.1 Breakdown of balances

	Parent Company		Consolidated	
	2023	2022	2023	2022
Interest in controlled companies	1,171,015	981,742	–	–
Interest in related parties	32,096	30,721	32,096	30,721
Other investments	–	–	13	67
Goodwill	78,317	78,317	–	–
Unearned income from inventories	(14,751)	(15,500)	–	–
Total	1,266,677	1,075,280	32,109	30,788

14.2 Changes in balances

Changes in investments are as follows:

	Parent Company		Consolidated	
	2023	2022	2023	2022
Balances at the beginning of the year	1,075,280	1,011,851	30,788	27,581
Equity pick up in net income	196,973	108,197	(452)	16
Monetary adjustment (a)	79,008	50,132	–	–
Paid-up capital	211,057	11,337	1,803	3,245
Unearned income from parent company's inventories	749	(6,174)	–	–
Impairment	(3,578)	(4,484)	–	–
Payment of dividends	(97,784)	(15,469)	–	–
Exchange rate effect (a)	(98,294)	(43,212)	–	–
Exchange-rate change of investees	(96,682)	(36,917)	(54)	(55)
Onerous contracts	26	–	26	–
Actuarial valuation	(78)	19	(2)	1
Balances at the end of the year	1,266,677	1,075,280	32,109	30,788

(a) The effect of exchange fluctuation and monetary adjustment comprises revaluation surplus and goodwill.

14.3 Information of the subsidiaries and changes in balances per subsidiary

	Balances in 2022	Equity equivalence result	Accumulated translation adjustments	Monetary adjustment	Exchange rate effect	Actuarial evaluation	Impairment	Payment of dividends	Payment of capital	Balances in 2023
Armetal	108,802	(17,083)	(21,559)	52,748	(62,178)	–	–	–	–	60,730
ASK Fras-le Friction	4,720	7,839	(496)	–	–	–	–	–	–	12,063
Fanacif	78,769	9,513	(4,525)	–	(1,403)	–	(11,897)	–	–	70,457
Fras-le Andina	354	(137)	(24)	–	–	–	–	–	–	193
Fras-le Argentina	50,079	13,723	(59,957)	886	(1,268)	–	–	–	–	3,463
Fras-le Europe	10,831	454	(436)	–	–	–	–	–	–	10,849
Fras-le Europe BV	13,270	10,370	(1,566)	–	(76)	–	324	110,894	–	133,216
Fras-le Friction Pinghu	69,987	6,811	(7,099)	–	–	–	–	–	–	69,699
Fras-le México	780	899	76	–	–	–	–	–	–	1,755
Fras-le North América	23,198	6,784	(3,500)	–	–	–	–	98,360	–	124,842
Fras-le Panamericana	8,442	5965	2,404	–	–	–	–	–	–	16,811
Freios Controil	81,189	18,209	–	–	–	(20)	–	–	(16,976)	82,402
Jurid	57,547	11,623	–	–	–	–	–	–	–	69,170
Nakata	473,774	122,455	–	–	–	(56)	–	–	(80,808)	515,365
Total	981,742	197,425	(96,682)	53,634	(64,925)	(76)	(11,573)	209,254	(97,784)	1,171,015

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

	Balances in 2022	Equity equivalence result	Onerous contracts	Actuarial valuation	Paid-up capital	Balances in 2023
Centro Tecnológico Randon	30,721	(452)	26	(2)	1,803	32,096
Total	30,721	(452)	26	(2)	1,803	32,096

14.5 Changes in dividends and interest on equity receivable

Additional information to cash flow	Parent Company
Balances in December 31, 2021	9,375
Cash changes:	
Dividends received	(11,577)
Total	(2,202)
Changes that do not affect cash:	
Provision for dividends receivable	15,547
Balances in December 31, 2022	13,345
Cash changes:	
Dividends received	(79,766)
Total	(66,421)
Non-cash transactions:	
Provision for dividends receivable	95,657
Exchange variation	(63)
Balances in December 31, 2023	29,173

15 Impairment

Management annually tests the recoverable amount of assets to determine whether there are any events or changes in economic, operating, or technological circumstances that could indicate deterioration or impairment. When such evidence is identified and the net carrying amount exceeds the recoverable amount, a provision for impairment is recognized, and the net carrying amount is adjusted to the recoverable amount. The recoverable amount of an asset or a cash- generating unit is defined as the higher of value in use and fair value less costs to sell.

In estimating the asset's value in use, 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. The net fair value of selling costs is determined, where possible, based on recent market transactions between knowledgeable and willing parties with similar assets. In the absence of observable transactions in this sense, an appropriate valuation methodology is used. The calculations under this model are corroborated by available fair value indicators, such as quoted prices for publicly traded companies or other available fair value indicators.

The Company bases its impairment assessment on most recent budgets and forecasts, which are prepared separately for each of the CGUs to which the individual assets are allocated. Projections based on these estimates and budgets usually cover a five-year period.

Impairment loss is recognized in P&L consistently with the function of the asset subject to impairment. Impairment loss is reversed, with the exception of goodwill, only if there has been a change in the estimates used. Reversal is limited to the carrying amount of the asset net of depreciation, amortization or depletion. Such reversal is stated in P&L.

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: (i) Debtor's default or delay in payment; (ii)Restructuring of an amount payable to the Company under conditions not considered usual; (iii) Indications that the debtor or issuer will file for bankruptcy/in-court reorganization; (iv) Negative changes in the payment status of debtors or issuers; (v) Disappearance of an active market for the instrument; (vi) 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 profit or loss 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 profit or loss.

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, 2023, 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 profit or loss 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.

15.1 Impairment assessment

The assumptions applied for the year ended December 31, 2023 were: updating costs and expenses based on historical basis and price curves, sectoral reports, in addition to growth rate. The recoverable amount was compared with book value of the assets that comprise the CGU and, as a result of this analysis, management identified the need to recognize impairment for the cash-generating units Fanacif and Fras-le Europe B.V., as per the following information:

Company	Average gross margin	Discount rate	2023	2022
Fras-le Argentina	46.57%	18.90% (20.97% in 2022)	Not identified	Not identified
Armetal	44.33%	18.90% (20.97% in 2022)	Not identified	Not identified
ASK Fras-le Friction	38.59%	12.07% (12.91% in 2022)	Not identified	Not identified
Nakata	37.29%	12.32% (12.28% in 2022)	Not identified	Not identified
Fremax	35.82%	12.32% (12.28% in 2022)	Not identified	Not identified
Jurid	31.63%	12.32% (12.28% in 2022)	Not identified	Not identified
Fanacif	29.95%	14.20% (13.36% in 2022)	(11,897)	Not identified
Fras-le Friction Pinghu	27.35%	10.00% (9.67% in 2022)	Not identified	Not identified
Fras-le Europe B.V.	26.33%	12.54% (13.27% in 2022)	(633)	(1,987)
Fras-le Panamericana	24.50%	12.54% (12.87% in 2022)	Not identified	Not identified
Fras-le North America	15.15%	10.49% (9.72% in 2022)	Not identified	Not identified
Total			(12,530)	(1,987)

15.2 Impairment assessment– property, plant and equipment and intangible assets

a. *Fanacif*

In the year ended December 31, 2023, after applying the investment recoverable value assessment test, the FGU demonstrated partial non-recoverability, thus, on the unit's residual revaluation surplus balance, which was R$ 17,754, impairment was recorded in the amount of R$ 11,897, of which R$ 8,394 related to property, plant and equipment and R$ 3,503 related to brands.

b. *Fras-le Europe B.V.*

In the year ended December 31, 2023, after applying the investment recoverable value assessment test, the CGU demonstrated partial non-recoverability of the amount of its operational assets., Thus, the residual balance of its property, plant and equipment items was recognized directly in the CGU, impairment in the amount of R$633. The residual balance of operational fixed assets is R$1,194. As at December 31, 2022, impairment was recorded in the amount of R$ 1,987, referring to the CGU's capital gains, directly with the Parent Company in an investment reduction account.

The parent company has no intention of discontinuing the operation of this CGU, and this is the applicable procedure at the moment.

c. *Fras-le North America*

In the year ended December 31, 2023, after applying the investment recoverable value assessment test, the CGU demonstrated recoverability, enabling a reversal of the provision, in the amount of R$ 1,905 (R$ 7,318 at December 31, 2022). The total impairment of this unit as of December 31, 2023, is R$9,220 (R$11,986 as of December 31, 2022). The Company has no indication that other assets could be recorded above their recoverable value.

d. *Fras-le Parent Company*

At December 31, 2023, the Company identified four fixed assets and respective sub-items in disuse, without generating cash flow and with no expectation of recoverability Therefore, an impairment was created on the total amount of these assets, corresponding to R$796. The Company continues to evaluate the effective destination of the assets.

e. *Sensitivity analysis*

The Company carried out a sensitivity analysis projecting optimistic and pessimistic scenarios for its investments, considering the following assumptions: (i) EBITDA 2% downwards and upwards and (ii) discount rate 2% downwards and upwards. The result of the analysis is presented below:

Company	Actual scenario	Optimistic scenario	Pessimistic scenario
Nakata	1,746,800	2,415,514	1,314,659
Fras-le North America	64,569	68,878	60,547
Fremax *(a)*	62,104	182,649	(14,888)
Fras-le Argentina	54,828	57,831	51,974
Armetal	40,024	48,141	32,602
Jurid	37,354	44,085	31,317
Fras-le Friction	23,356	31,248	16,278
ASK Fras-le Friction	10,357	12,822	8,110
Fras-le Panamericana	8,594	9,401	7,822
Fras-le Europe B.V.	(633)	(165)	(1,075)
Fanacif	(11,897)	(7,556)	(15,867)
Total	2,035,456	2,862,848	1,491,479

(a) In making projections for a pessimistic scenario using the assumptions above, the Company identified a possible 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.

15.3 Changes in provision for impairment

Changes in provision for impairment are as follows:

	Parent Company		Consolidated	
	2023	2022	2023	2022
Balances at the beginning of the year	**(14,172)**	(9,687)	**(26,162)**	(30,333)
Establishment of impairment for the period	**(12,693)**	(1,987)	**(13,326)**	(1,987)
Reversals / (adjustments) *(a)*	**8,319**	(2,498)	**11,088**	6,158
Balances in December 31, 2023	(18,546)	(14,172)	(28,400)	(26,162)

(a) These refer to changes occurred in the year presented, which are effects of impairment recognized in previous years of subsidiaries Armetal, Fanacif, Fras-le Europe B.V. and Fras-le North America.

16 Property, plant and equipment

a. *Recognition and measurement*

PPE items are measured at historical acquisition or build-up cost, less accumulated depreciation and accumulated impairment losses.

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 profit or loss.

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 profit or loss 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	26 years	3.9
Machinery and equipment	10 years	10
Molds	7 years	14.1
Vehicles	7 years	14.1
Furniture and fixtures	9 years	11.3
IT equipment	5 years	20

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
Balances in December 31, 2021	127,119	529,958	8,491	7,995	368	44,310	718,241
Acquisitions	137	13,801	594	2,396	6	35,636	52,570
Write-offs	(266)	(791)	(20)	(108)	–	–	(1,185)
Transfers	7,311	11,460	646	269	392	(19,885)	193
Balances in December 31, 2022	134,301	554,428	9,711	10,552	766	60,061	769,819
Acquisitions	166	7,473	333	324	8	40,343	48,647
Write-offs	–	(5,830)	(24)	(95)	–	–	(5,949)
Transfers	8,991	36,279	3,256	2,058	111	(50,707)	(12)
Balances in December 31, 2023	143,458	592,350	13,276	12,839	885	49,697	812,505
Depreciation and impairment loss							
Balances in December 31, 2021	(39,810)	(352,105)	(5,460)	(4,533)	(289)	–	(402,197)
Depreciation expense for the year	(2,746)	(25,586)	(533)	(886)	(21)	–	(29,772)
Write-offs	128	681	11	106	–	–	926
Transfers	–	–	–	(7)	–	–	(7)
Balances in December 31, 2022	(42,428)	(377,010)	(5,982)	(5,320)	(310)	–	(431,050)
Depreciation expense for the year	(3,357)	(26,265)	(680)	(1,074)	(59)	–	(31,435)
Write-offs	–	4,354	18	71	–	–	4,443
Losses due to impairment	–	(796)	–	–	–	–	(796)
Balances in December 31, 2023	(45,785)	(399,717)	(6,644)	(6,323)	(369)	–	(458,838)
Residual value							
Balances in December 31, 202	91,873	177,418	3,729	5,232	456	60,061	338,769
Balances in December 31, 2023	97,673	192633	6,632	6,516	516	49,697	353,667

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
Balances in December 31, 2021	231,987	1,013,814	44,220	28,279	7,079	61,909	1,387,288
Acquisitions	138	26,571	3,809	4,521	1,165	46,093	82,297
Write-offs	(1,674)	(4,551)	(1,574)	(592)	(277)	(2,464)	(11,132)
Transfers	11,662	22,071	1,486	625	395	(36,046)	193
Exchange variation	(9,379)	(36,676)	(3,833)	(2,612)	(1,984)	(467)	(54,951)
Inflation adjustment	623	10,517	1,443	971	2,533	–	16,087
Balances in December 31, 2022	233,357	1,031,746	45,551	31,192	8,911	69,025	1,419,782
Acquisitions	388	29,407	4,002	3,318	318	78,670	116,103
Additions by business combination	72	3,920	1,551	1,123	577	–	7,243
Write-offs	(774)	(35,037)	(773)	(1,017)	(367)	–	(37,968)
Transfers	9,247	63,672	4,119	2,494	119	(79,663)	(12)
Exchange variation	(6,576)	(34,308)	(3,569)	(2,898)	(5,160)	(305)	(52,816)
Inflation adjustment	486	11,653	2,869	1,839	3,838	–	20,685
Balances in December 31, 2023	236,200	1,071,053	53,750	36,051	8,236	67,727	1,473,017
Depreciation and impairment loss							
Balances in December 31, 2021	(71,785)	(617,006)	(27,975)	(16,668)	(3,602)	52	(736,984)
Depreciation charges for the year	(5,362)	(58,424)	(3,238)	(2,306)	(197)	–	(69,527)
Write-offs	762	2,464	766	575	116	–	4,683
Transfers	–	–	–	(7)	–	–	(7)
Exchange variation	2,710	14,803	3,824	(12)	868	(3)	22,190
Inflation adjustment	(355)	(3,897)	(909)	(617)	(2,036)	–	(7,814)
Impairment losses	5,206	2,112	–	–	–	–	7,318
Balances in December 31, 2022	(68,824)	(659,948)	(27,532)	(19,035)	(4,851)	49	(780,141)
Depreciation charges for the year	(5,532)	(53,199)	(3,139)	(2,713)	(436)	–	(65,019)
Additions by business combination	(68)	(3,075)	(1,450)	(1,078)	(305)	–	(5,976)
Write-offs	758	29,833	687	1,020	159	–	32,457
Transfers	(5,885)	18,889	3,028	1,296	3,032	(3)	20,357
Exchange variation	(264)	(5,722)	(1,184)	(2,403)	(2,429)	–	(12,002)
Impairment losses	(7,521)	467	–	–	–	–	(7,054)
Balances in December 31, 2023	(87,336)	(672,755)	(29,590)	(22,913)	(4,830)	46	(817,378)
Residual value							
Balances in December 31, 2022	164,533	371,798	18,019	12,157	4,060	69,074	639,641
Balances in December 31, 2023	148,864	398,298	24,160	13,138	3,406	67,773	655,639

16.1 Breakdown of property, plant and equipment

PPE asset and liability balances are broken down as follows:

	Parent Company		Consolidated	
	2023	2022	2023	2022
PPE in operation	353,667	338,769	655,639	639,641
Advances to suppliers and imports in transit	39,947	7,401	47,804	32,790
Total	393,614	346,170	703,443	672,431

16.2 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	
	2023	2022	2023	2022
Manufacturing of tools	2,217	1,888	5,167	2,993
Manufacturing and installation of machinery and equipment	48,266	42,788	62,290	46,509
Constructions and improvements in real estate property	11,974	8,324	12,267	8,324
Other	9,504	7,061	11,202	11,248
Total	71,961	60,061	90,926	69,074

16.3 Loan cost capitalized

During the year ended December 31, 2023 we had no capitalized loan costs (R$ 62 in December 31, 2022, rate 0.26% of specific loans).

17 Intangible assets

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

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.

Intangible assets are written off when sold or when no future economic benefits relating to these assets are expected and recorded in statements of profit or loss 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.

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 profit or loss 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 Armetal, Fanacif, Fremax, Juratek and Nakata.

Estimated useful lives for the current year are as follows:

	Consolidated	
	Average useful life	% year
Software and licenses	7 years	14.3
Customer Portfolios	12 years	8.3
Trademarks	24 years	4.2

Changes in intangible assets are as follows:

Parent Company

Costs	Intangible in progress	Software and licenses	Customer Portfolios	Trademarks	Goodwill	Total
Balances in December 31, 2021	685	30,627	28,313	10,640	73,024	143,289
Acquisitions	846	34	–	–	–	880
Transfers	(686)	493	–	–	–	(193)
Balances in December 31, 2022	845	31,154	28,313	10,640	73,024	143,976
Acquisitions	1,633	–	–	–	–	1,633
Write-offs	–	(29)	–	–	–	(29)
Transfers	(347)	359	–	–	–	12
Balances in December 31, 2023	2,131	31,484	28,313	10,640	73,024	145,592
Amortization						
Balances in December 31, 2021	–	(26,859)	(8,365)	(1,508)	–	(36,732)
Amortization expenditure at the end of the year	–	(904)	(2,574)	(464)	–	(3,942)
Write-offs	–	7	–	–	–	7
Balances in December 31, 2022	–	(27,756)	(10,939)	(1,972)	–	(40,667)
Amortization expenditure at the end of the year	–	(803)	(2,574)	(465)	–	(3,842)
Write-offs	–	29	–	–	–	29
Balances in December 31, 2023	–	(28,530)	(13,513)	(2,437)	–	(44,480)
Residual value						
Balances in December 31, 2022	845	3,398	17,374	8,668	73,024	103,309
Balances in December 31, 2023	2,131	2,954	14,800	8,203	73,024	101,112

Cost	Intangible in progress	Software licenses	Client portfolio	Trademarks	Goodwill	Right to use assets	Total
Balances in December 31, 2021	686	48,941	256,673	127,715	161,028	1,322	596,365
Acquisitions	1,008	831	–	–	–	–	1,839
Write-offs	–	(829)	–	–	–	–	(829)
Transfers	(720)	527	–	–	–	–	(193)
Exchange variation	–	(901)	(22,275)	(5,531)	(13,296)	–	(42,003)
Inflation adjustment	–	244	30,576	3,762	15,794	–	50,376
Balances at December 31, 2022	974	48,813	264,974	125,946	163,526	1,322	605,555
Acquisitions	1,633	950	–	–	–	–	2,583
Additions by business combination	–	–	82,492	11,871	34,884	–	129,247
Write-offs	–	(179)	–	–	–	–	(179)
Transfers	(347)	359	–	–	–	–	12
Exchange variation	–	(707)	(60,063)	(8,569)	(35,322)	–	(104,661)
Inflation adjustment	–	215	47,822	5,813	25,374	–	79224
Balances at December 31, 2023	2,260	49,451	335,225	135,061	188,462	1,322	711,781
Amortization and impairment loss							
Balances at December 31, 2021	–	(40,473)	(37,813)	(9,632)	(9,688)	–	(97,606)
Amortization charge for the year	–	(2,150)	(22,115)	(6,292)	–	–	(30,557)
Write-offs	–	829	–	–	–	–	829
Transfers	–	7	–	–	–	–	7
Exchange variation	–	432	–	–	–	–	432
Inflation adjustment	–	(38)	–	–	–	–	(38)
Impairment losses	–	–	(1,987)	–	(2,497)	–	(4,484)
Balances at December 31, 2022	–	(41,393)	(61,915)	(15,924)	(12,185)	–	(131,417)
Amortization charges for the year	–	(7,251)	(22,749)	(6,287)	–	–	(36,287)
Write-offs	–	179	–	–	–	–	179
Transfers	–	5,526	–	–	–	–	5,526
Exchange variation	–	(34)	–	–	–	–	(34)
Impairment	–	–	324	(3,503)	7,995	–	4,816
Balances at December 31, 2023	–	(42,973)	(84,340)	(25,714)	(4,190)	–	(157,217)
Residual value							
Balances at December 31, 2022	974	7,420	203,059	110,022	151,341	1,322	474,138
Balances at December 31, 2023	2.260	6,478	250,885	109,347	184,272	1,322	554,564

Consolidated

18 Leases

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

18.1 Right-of-use assets

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
Machinery and equipment	4.2 years	24
Buildings	8.2 years	12
Vehicles	2.5 years	40

Breakdown of and changes in right-of-use assets in the year ended December 31, 2023 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
Balances at December 31, 2021	15,985	33,875	437	50,297
Additions	6,873	2,650	87	9,610
Write-offs	(1,286)	-	-	(1,286)
Amortization	(4,732)	(2,883)	(80)	(7,695)
Balances at December 31, 2022	16,840	33,642	444	50,926
Additions	8,203	1,674	267	10,144
Write-offs	(1,892)	-	(304)	(2,196)
Amortization	(5,606)	(3,119)	(98)	(8,823)
Balances at December 31, 2023	17,545	32,197	309	50,051
	Consolidated			
	Rights-of-use of machinery and equipment	Rights-of-use of buildings and land	Rights-of-use of vehicles	Total
Balances at December 31, 2021	53,419	107,856	551	161,826
Additions	7,573	9,185	97	16,855
Write-offs	(1,310)	(1,850)	-	(3,160)
Inflation Adjustment	14,430	-	-	14,430
Exchange-rate change	(11,887)	(3,233)	(7)	(15,127)
Amortization	(5,658)	(14,178)	(159)	(19,995)
Balances at December 31, 2022	56,567	97,780	482	154,829
Additions	8,670	9,259	269	18,198
Additions by business combination	-	12,495	209	12,704
Write-offs	(2,068)	-	(304)	(2,372)
Inflation Adjustment	-	11,946	-	11,946
Exchange-rate change	(22,615)	(1,362)	(4)	(23,981)
Transfers	(15,282)	15,282	-	-
Amortization	(6,330)	(16,803)	(256)	(23,389)
Balances at December 31, 2023	18,942	128,597	396	147,935

18.2 Lease liabilities

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.

The carrying amount of lease liabilities is remeasured if there is a modification in rates, in lease payments or terms, and the impacts are recognized in profit or loss for the year.

Changes in lease liabilities at December 31, 2023 are as follows:

	Parent Company	Consolidated
At December 31, 2021	52,938	156,282
Additions	9,610	16,855
Write-offs	(1,320)	(3,320)
Present value adjustment of leases	4,841	14,958
Payments	(10,967)	(26,663)
Exchange-rate change	-	(8460)
At December 31, 2022	55,102	149,652
Additions	10,144	18,198
Additions by business combination	-	12,704
Write-offs	(2,326)	(2,521)
Present value adjustment of leases	5,118	24,696
Payments	(12,489)	(32,015)
Exchange-rate change	-	(15,741)
At December 31, 2023	55,549	154,973
Current	5,575	16,846
Noncurrent	49,974	138,127

a. *Additional information to cash flow*

	Parent Company	Consolidated
Balances at December 31, 2021	52,938	156,282
Cash changes:		
Receiving (payment)	(10,967)	(26,663)
Total	41,971	129,619
Changes that do not affect cash:		
Interest Expense	4,841	14,958
Additions/deductions	8,290	13,535
Exchange-rate change	-	(8,460)
Balances at December 31, 2022	55,102	149,652
Additions by business combination	-	12,704
Cash changes:		
Receiving (payment)	(12,489)	(32,015)
Total	42,613	130,341
Changes that do not affect cash:		
Interest Expense	5,118	24,696
Additions/deductions	7,818	15,677
Exchange-rate change	-	(15,741)
Balances at December 31, 2023	55,549	154,973

At December 31, 2023, aging list of lease liabilities is as follows:

	Parent Company		Consolidated	
Maturity	2023	2022	2023	2022
2023	-	6,284	-	15,184
2024	5,575	3,786	16,846	16,673
2025	4,891	4,000	21,264	17,749
2026	5,093	41,032	22,873	
2027 and later	39,990	-	93,990	100,046
Total	55,549	55,102	154,973	149,652

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, 2023, impacts of depreciation in Company statements of profit or loss would amount to R$ 7,956 – Individual and R$ 22,017 – Consolidated. Interest deriving from leases in the individual and consolidated financial statements would amount to R$ 6,012 and R$ 26,470, respectively.

19 Suppliers

These are obligations payable for the acquisition of goods or services classified as current liabilities due to maturity within one year. These amounts are initially recognized at fair value and then measured at amortized cost.

The balance of trade accounts payable at December 31, 2023 and 2022 is represented as follows:

	Parent Company		Consolidated	
	2023	2022	2023	2022
In the country	122,925	159,090	189,146	202,210
From third-parties	121,919	152,917	175,177	194,747
Related parts	1,006	6,173	13,969	7,463
Abroad	41,638	15,973	225,865	184,175
From third-parties	41,169	14,634	225,865	184,175
Related parts	469	1,339	-	-
Subtotal	164,563	175,063	415,011	386,385
Adjust to present value	(553)	(655)	(674)	(755)
Total	164,010	174,408	414,337	385,630

20 Reverse factoring transactions

The Company has agreements with financial institutions to enable its suppliers to anticipate their receivables through the reverse factoring transaction. In this transaction, suppliers transfer the right to receive the notes to a financial institution, which, in turn, becomes entitled to the credits from such suppliers. The Company monitors the portfolio composition and the conditions established with the suppliers, and no changes in the terms and amounts agreed in relation to the original transactions were identified.

As of December 31, 2023, reverse factoring transactions totaled R$20.121 and R$21.523, parent company and consolidated, respectively (R$1,699 and R$1,926, respectively, as of December 31, 2022). The transactions are carried out with Banco Randon.

21 Provision for claims

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:

Labor - Provisions to cover probable losses relating to labor claims mostly filed by former employees of the Company and service providers.

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.

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

Assessment of the likelihood of loss includes an analysis of available evidence, the hierarchy of laws, available case law, the latest decisions of courts of law and their relevance in the legal system, as well as the opinion of outside legal advisors. Provisions are reviewed and adjusted to take into consideration changes in circumstances, such as applicable statute of limitations, conclusions of tax audits or additional exposures identified based on new matters or court decisions.

21.1 Provision for claims

The following table shows the estimated contingent risk (loss) amounts according to the opinion of the Company's legal counsel:

	Parent Company		Consolidated	
	2023	2022	2023	2022
Labor	44,789	34,936	51,921	47,422
Tax	739	717	44,297	6,370
Civil	35	35	45	67
Total	45,563	35,688	96,263	53,859

21.1.1 Changes in provision for claims

Changes in lawsuits are as follows:

	Parent Company				Consolidated			
	Balance in 2022	Addition	Incurred	Balance in 2023	Balance in 2022	Addition	Incurred	Balance in 2023
Labor	34,936	14,161	(4,309)	44,788	47,422	15,086	(10,586)	51,922
Tax	717	23	–	740	6,370	37,927	–	44,297
Civil	35	–	–	35	67	–	(23)	44
Total	35,688	14,184	(4,309)	45,563	53,859	53,013	(10,609)	96,263

The direct subsidiaries Jurid and Nakata had rescission actions filed by the Office of the Attorney General of the National Treasury ("PGFN") for partial elimination of the effects of the decision in favor of the companies regarding the action for exclusion of ICMS from the PIS and COFINS tax bases, specifically aiming to avoid the offset of amounts relating to periods prior to March 15, 2017 (limitation of the effects of the decision in time). The amounts recognized as a provision are R$6,367 at December 31, 2023 (R$5,615 at December 31, 2022) in subsidiary Jurid and R$37,146 at December 31, 2023 and 2022 in subsidiary Nakata.

The parent company has a collective action filed by the Metallurgical Industries Workers' Union of Caxias do Sul, for payment of health exposure premiums for certain functions. Said action began in October 2019, and at December 31, 2023 the amount recognized as a provision was R$36,104 (R$27,125 at December 31, 2022).

21.2 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	
	2023	2022	2023	2022
Labor	5,684	8,354	6,649	9,799
Tax	3,147	3,164	10,859	10,401
Social security	67	68	67	68
Civil	35	35	35	485
Total	8,933	11,621	17,610	20,753

21.3 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	
	2023	2022	2023	2022
Labor	45,247	45,365	56,921	56,974
Tax	34,476	37,003	59,512	45,745
Civil	335	213	994	985
Total	80,058	82,581	117,427	103,704

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

Drawback – This refers to Notice of Delinquency issued by the Brazilian IRS against the Company, aimed at collection of Federal VAT (IPI), II, PIS, COFINS, 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 the Drawback Granting Statute, which is settled, considering its inclusion, in 2017, in the Tax Settlement Program. This proceeding awaits decision in the administrative sphere. The amount involved is of R$ 8.604.

Import Tax - 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 of R$ 8.004.

Unapproved PIS and COFINS offsetting – The Company presented a Protest Letter against the Decisional Order that did not approve the reported offset of credits under Pis and Cofins on positive exchange differences resulting from exports (sales transactions or provision of services abroad). This proceeding awaits decision in the administrative sphere. The amount involved is R$6,932.

ICMS - The Company is under tax execution by the State of Rio Grande do Sul concerning the collection of ICMS arising from an administrative proceeding related to an Assessment Notice with respect to appropriation of ICMS tax credits on the acquisition of packaging in the period from May 2013 to March 2018. The proceeding is in the stays of execution phase, awaiting judgment on appeal. The amount involved is R$2,268.

21.4 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.

Contingent assets as of December 31, 2023 and December 31, 2022, refer to credit recovery proceedings (collection and execution), for which provision for losses was recorded. Should a decision in favor of the Company be issued, the provision will be reversed. The amounts total R$ 95 in the parent company and R$ 263 in the consolidated (R$ 71 and R$ 155, in December 31, 2022, respectively).

22 Loans and financing

These are initially recognized at fair value, upon receipt of the funds. They are then measured at amortized cost, i.e., plus charges, interest calculated at the effective rate and monetary and exchange variations and amortization charges as contractually provided, incurred up to the statement of financial position dates.

				Parent Company		Consolidated	
	Indexer	Interest	Final maturity date of contract	2023	2022	2023	2022
Current							
Local currency:							
NCE	CDI+	1.29% to 2.60%	Feb/27	74,430	20,867	103,836	24,611
Debentures (a)	CDI+	1.45%	Jul/27	49,094	14,935	49,094	14,935
Vendor (b)	CDI+	4.00%	Jan/24	7,964	5,968	11,036	12,341
Fundopem (c)	IPCA+	1.00% to 3.00%	Jun/36	1,834	2,869	1,834	2,869
FINEP	TJLP+	0.80%	Mar/30	1,424	1,428	1,424	1,428
Working Capital	CDI+	1.93%	Aug/24	–	–	5,251	277
FINAME	IPCAI+	4.92%	Dec/24	–	–	132	133
Direct financial loan	CDI+	1.32%	Feb/23	–	–	–	2,984
Foreign Currency							
PPE	Term Sofr 6M	3.23% to 3.53%	Jul/25	24,284	26,226	24,284	26,226
NCE	Fixed	3.65%	Oct/24	15,972	17,455	15,972	17,455
Working Capital	Fixed	6.25% to 9.14%	Jun/24	–	–	55,010	33,741
Working Capital	Sofr+	2.25%	May/24	–	–	19,991	21,570
Term Loan	Libor 3M+	2.75%	Jul/23	–	–	–	6,940
Term Loan	Fixed	2.00%	Aug/28	–	–	527	548
Overdraft	UK base rate+	2.30%	May/24	–	–	16,428	–
Total				175,002	89,748	304,819	166,058
Noncurrent							
Local currency:							
Debentures	CDI+	1.45%	Jul/27	383,575	418,004	383,575	418,004
NCE	CDI+	1.29% to 2.60%	Feb/27	120,000	187,560	147,500	242,560
FINEP	TJLP+	0.80%	Mar/30	7,343	8,741	7,343	8,741
Fundopem (c)	IPCA+	1.00% to 3.00%	Jun/36	5,815	5,219	7,792	6,406
Working Capital Loan	CDI+	2.22%	Aug/24	–	–	–	5,000
FINAME	IPCAI+	4.92%	Dec/24	–	–	–	132
Foreign Currency							
PPE	Term Sofr 6M	3.23% to 3.53%	Jul/25	23,275	50,170	23,275	50,170
NCE	Fixed	3.65%	Oct/24	–	16,958	–	16,958
Working Capital	Fixed	6.25% to 9.14%	Jun/24	–	–	–	3,300
Term Loan	Fixed	2.00%	Aug/28	–	–	3,838	4,541
Total				540,008	686,652	573,323	755,812
Total Loans				715,010	776,400	878,142	921,870

(a) 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 a private placement instrument with restricted efforts, of simple nonconvertible unsecured debentures, in a single series, under the subscription regime. The final maturity is June 15, 2027 and July 15, 2027, respectively.

(b) Vendor operations are carried out with right of recourse..

(c) The Company benefits from a tax incentive from the State of Rio Grande do Sul (Fundopem) which consists of postponing the payment of a portion of the ICMS debt generated monthly, with a grace period of 33 to 54 months and payment period between 54 and 96 months, from each debt, restated by IPCA/IBGE and interest rate of 3% p.a.

In the year ended December 31, 2023, the Company has financing and loans guaranteed by guarantees/sureties from Randon S.A. Implementos e Participações in the amount of R$7,649 (R$0 as of December 31, 2022). Frasle Mobility provides guarantees and sureties to its subsidiaries in the total amount of R$162,705 (R$142,354 as of December 31, 2022) in loan and financing transactions.

a. *Covenants*

The Company and its subsidiaries have debenture and working capital contracts in the amount of R$ 434.094 that provide for compliance with covenants, calculated using gross debt ratio added to interest and EBITDA. In the period ended December 31, 2023 and December 31,2022, such covenants were complied with.

b. *Complementary information to cash flow*

	Parent Company	Consolidated
Balances at December 31, 2021	768,885	975,436
Cash changes:		
Receiving (payment)	4,126	(36,982)
Interest paid	(78,487)	(94,413)
Total	694,524	844,041
Changes that do not affect cash:		
Interest Expense	91,385	103,317
Exchange rate change	(9,509)	(25,488)
Balances at December 31, 2022	776,400	921,870
Addition due to business combination	-	33,615
Cash changes:		
Receiving (payment)	(53,605)	(65,587)
Interest paid	(97,249)	(108,813)
Total	625,546	781,085
Changes that do not affect cash:		
Interest Expense	99,671	122,545
Exchange rate change	(10,207)	(25,488)
Balances at December 31, 2023	715,010	878,142

23 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.

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.

Company's risks are as follows.

23.1 Market risk

The Company and its subsidiaries are not engaged in investments for speculative purposes, in derivatives, or any other risk assets.

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

			Carrying Amount		Fair value	
	Note	Hierarchy	2023	2022	2023	2022
Assets						
Fair value through profit or loss						
Cash and cash equivalents	7	(2)	624,267	251,893	624,267	251,893
Interest earnings bank deposits	8	(2)	39,079	529,709	38,851	528,332
Amortized cost						
Trade accounts receivable	9		256,562	321,560	256,562	321,560
Liabilities						
Liabilities at amortized cost						
Suppliers	19		(164,010)	(174,408)	(164,010)	(174,408)
Reverse factoring	20		(20,121)	(1,699)	(20,121)	(1,699)
Leases	18		(55,549)	(55,102)	(55,549)	(55,102)
Payables to related parties			(134,337)	(170,703)	(134,337)	(170,703)
Accounts payable due to business combination	22		(715,010)	(776,400)	(719,217)	(783,895)
Total			(169,119)	(75,150)	(173,554)	(84,022)

Consolidated

	Note	Hierarchy	Carrying Amount		Fair value	
			2023	2022	2023	2022
Assets						
Fair value through profit or loss						
Cash and cash equivalents	7	(2)	1,050,412	567,855	1,050,412	567,855
Interest earnings bank deposits	8	(2)	39,131	529,763	38,903	528,386
Amortized cost						
Trade accounts receivable	9		420,656	271,678	420,656	271,678
Liabilities						
Fair value through profit or loss						
Derivative financial instruments		(2)	-	(589)	-	(589)
Liabilities at amortized cost						
Suppliers	19		(414,337)	(385,630)	(414,337)	(385,630)
Reverse factoring	20		(21,523)	(1,926)	(21,523)	(1,926)
Leases	18		(154,973)	(149,652)	(154,973)	(149,652)
Payables to related parties			(6,192)	(6,423)	(6,192)	(6,423)
Accounts payable due to business combination			(145,732)	(170,703)	(145,732)	(170,703)
Loans and financing	22		(878,142)	(921,870)	(882,350)	(929,365)
Total			(110,700)	(267,497)	(115,136)	(276,369)

23.2 Fair value hierarchy

The Company applies CPC 40 (R1) (IFRS 7) for financial instruments measured in the statement of financial position 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, 2023.

23.3 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 Finance costs from the Company's loans and financing are affected by the changes in the interest rates, such as TJLP, IPCA, Libor, URTJ, BADLAR and CDI and changes in US$ 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 sources of information for the rates used below were obtained from Banco Central do Brasil – BCB, Bolsa Brasil Balcão - B3, Banco Nacional do Desenvolvimento – BNDES and Bloomberg.

Reference for financial liabilities	Probable scenario	Possible scenario	Remote scenario
US$	4.84	6.05	7.26
IPCA	4.62%	5.78%	6.93%
SOFR	5.38%	6.73%	8.07%
UK BASE RATE	5.25%	6.56%	7.88%
TJLP	6.53%	8.16%	9.80%
CDI	11.65%	14.56%	17.48%

The sensitivity analysis takes into account the open positions on the reference date of December 31, 2023, based on nominal values and interest of each instrument contracted.

Parent Company

Operation	Currency	Probable scenario	Possible scenario	Remote scenario
Deterioration of Finance income				
Interest earnings bank deposits	R$	72,727	54,545	36,364
			25%	50%
Rate appreciation at				
Reference to Finance income				
CDI %		11.65%	8.74%	5.83%
Increase in Finance costs				
Financial institutions	R$	(90,556)	(110,723)	(130,890)
			25%	50%

Consolidated

Operation	Currency	Probable scenario	Possible scenario	Remote scenario
Deterioration of Finance income				
Interest earnings bank deposits	R$	122,379	91,784	61,190
			25%	50%
Rate appreciation at Reference to Finance income				
CDI %		11.65%	8.74%	5.83%
Increase in Finance costs				
Financial institutions	R$	(106,643)	(129,432)	(152,221)
			25%	50%

23.4 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, 2023 had a negative change of 7.2% (6.5% negative as of December 31, 2022). 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.

b. ***Foreign Exchange exposure:***

As of December 31, 2023 and 2022, the foreign exchange exposure of the Company and its subsidiaries for operations in foreign currency are as follows:

	US$ Thousand			
	Parent Company		Consolidated	
	2023	2022	2023	2022
A. Net assets in US dollars	**144,213**	125,212	**48,098**	29,294
B. Loans/financing in US Dollars	**(13,123)**	(21,237)	**(32,909)**	(34,775)
C. Fair value of derivative financial instruments	-	-	-	(113)
D. Surplus (Deficit) determined (A-B+C)	131,090	103,975	15,189	(5,594)

c. ***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 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.

		Parent Company		
Operation	Risk	Probable scenario	Possible scenario	Remote scenario
Instrument's net exposure	Increase in US$	634,476	793,095	951,713
Rate		4.84	6.05	7.26
Instrument's net exposure	Deacrease in US$	634,476	475,857	317,238
Rate		4.84	6.05	7.26

		Consolidated		
Operation	Risk	Probable scenario	Possible scenario	Remote scenario
Net exposure of financial Instruments	Increase in US$	73,515	91,893	110,272
Rate		4.84	6.05	7.26
Net exposure of financial Instruments	Decrease in US$	73,515	55,136	36,757
Rate		4.84	6.05	7.26

23.5 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	2023	2022
Loans, financing and financial instruments	22	715,010	776,400
Loan agreement payable	12	225	242
Accounts payable due to business combination		134,337	170,703
(-) Cash and cash equivalents and long-term marketable securities	7 and 8	(663,346)	(781,602)
Net debt		186,226	165,743
Equity		1,838,188	1,763,901
Equity and net debt		2,024,414	1,929,644
Leverage ratio		9%	9%

Consolidated

	Note	2023	2022
Loans, financing and financial instruments	22	878,142	922,459
Loan agreement payable		6,192	6,423
Accounts payable due to business combination		145,732	170,703
(-) Cash and cash equivalents and long-term marketable securities	7 and 8	(1,089,543)	(1,097,618)
Net debt		(59,477)	1,967
Equity		1,838,188	1,763,901
Equity and net debt		1,778,711	1,765,868
Leverage ratio		(3%)	0%

23.6 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 7, 8 and 9.

a. Account Receivables

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, 2023, the Company had approximately 35 customers that owed more than R$5,547 each (at December 31, 2022, the Company had approximately 30 customers that owed more than R$5,926 each), and were responsible for approximately 87% of all receivables due. The other 13% were represented by 351 customers that owed approximately R$89 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

The credit risk of balances with banks and financial institutions is managed by the Company's Treasury in accordance with the established policy. Surplus resources are only invested in financial institutions that comply with the guidelines of the Financial Policy approved by the Board of Directors

23.7 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, 2023 and 2022, based on contractual payments not discounted.

Parent Company

Year ended December 31, 2023	Up to 3 months	3 -12 months	1 -5 years	>5 years	Cash flow	Book value
Loans and financing	43,468	184,290	645,976	2,389	876,123	715,010
Accounts payable due to business combination	10,692	31,577	90,664	1,404	134,337	134,337
Suppliers	154,242	9,596	172	-	164,010	164,010
Reverse factoring	20,121	-	-	-	20,121	20,121
Leases	2,137	3,439	26,311	23,662	55,549	55,549
Total	230,660	228,902	763,123	27,455	1,250,140	1,089,027

Year ended December 31, 2022	Up to 3 months	3 -12 months	1 -5 years	>5 years	Cash flow	Book value
Loans and financing	85,306	109,209	901,694	1,826	1,098,035	776,400
Accounts payable due to business combination	–	18,984	123,045	28,674	170,703	170,703
Suppliers	166,880	7,063	38	–	173,981	174,408
Reverse factoring	1,699	–	–	–	1,699	1,699
Leases	–	–	14,070	41,032	55,102	55,102
Total	253,885	135,256	1,038,847	71,532	1,499,520	1,178,312

Consolidated

Year ended December 31, 2023	Up to 3 months	3 -12 months	1 -5 years	>5 years	Cash flow	Book value
Loans and financing	76,247	264,375	674,071	3,771	1,018,464	878,142
Accounts payable due to business combination	10,692	31,577	102,059	1,404	145,732	145,732
Suppliers	296,622	117,530	185	–	414,337	414,337
Reverse factoring	21,523	–	–	–	21,523	21,523
Leases	4,908	11,938	105,046	33,081	154,973	154,973
Total	409,992	425,420	881,361	38,256	1,755,029	1,614,707

Year ended December 31, 2022	Up to 3 months	3 -12 months	1 -5 years	>5 years	Cash flow	Book value
Loans and financing	105,895	164,930	974,983	4,120	1,249,928	921,870
Accounts payable due to business combination	–	18,984	123,045	28,674	170,703	170,703
Suppliers	218,093	165,962	113	–	384,168	385,630
Reverse factoring	1,926	–	–	–	1,926	1,926
Leases	–	–	49,606	100,046	149,652	149,652
Total	325,914	349,876	1,147,747	132,840	1,956,377	1,629,781

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, 2023 and 2022 is detailed below:

Parent Company

	Reference Value Notional – in thousands of R$		Fair Value – (credit) / debit		Accumulated effect in 2023 (credit)/ debit		Accumulated effect in 2022 (credit)/ debit	
Description/ Counterparty	2023	2022	2023	2022	Amount received	Amount Paid	Amount received	Amount Paid
NDF	–	–	–	–	–	–	1,673	–
Total	–	–	–	–	–	–	1,673	–

Consolidated

	Reference Value Notional – in thousands of R$		Fair Value – (credit) / debit		Accumulated effect in 2023 (credit)/ debit		Accumulated effect in 2022 (credit)/ debit	
Description/ Counterparty	2023	2022	2023	2022	Amount received	Amount Paid	Amount received	Amount Paid
SWAP	–	2,798	–	(445)	–	(363)	254	(1,293)
NDF	–	5,740	–	(144)	–	(526)	1,673	(5,158)
Total	–	8,538	–	(589)	–	(889)	1,927	(6,451)

Active financial instruments (liabilities)

Additional information to cash flow	Parent Company	Consolidated
Balances in December 31, 2021	–	2,024
Cash changes		
Receiving (payment)	1,673	4,524
Total	1,673	6,548
Changes that do not affect cash:		
Exchange rate variation	(1,673)	(7,137)
Balances in December 31, 2022	–	(589)
Cash changes		
Receiving (payment)	–	889
Total	–	300
Changes that do not affect cash:		
Exchange rate variation	–	(300)
Balances in December 31, 2023	–	–

23.8 High volatility risk of commodities

This risk is related to the possibility of significant fluctuations in the prices of the Company's main raw materials such as steel, resins, rubber and other inputs used in the production process. Since it operates in a commodities market, the Company's costs of products sold may be affected by changes in the prices of the raw materials it purchases. In order to minimize this risk, the Company constantly monitors price variations in national and international markets, makes advance purchases and locks in prices with its main suppliers.

24 Capital and reserves

On March 30, 2022, the Board of Directors approved the public offering for the issue of 52,450,000 new primary shares and 10,683,708 shares held by shareholders.

The liquidation of the offering at B3 S.A. – Brasil, Bolsa, Balcão took place on April 12, 2022, at a price per share of R$12.00 (twelve reais), totaling an effective capital increase of R$629,400, without modification of the Company's controlling shareholder, which now holds 52.57% interest. The Company's capital now totals R$1,229,400, represented by 270,016,343 registered book-entry common shares with no par value.

Expenses with the issuance of shares, in the amount of R$11,933 net of taxes, were recognized in an account reducing capital, in equity.

The Company's objective with the transaction is to expand the business, including acquisitions, greenfields, joint ventures and/or other strategic commercial agreements, investments in the businesses and products developed by the Company, including the exploration of new technologies and expansion of current production units. Net residual resources will be used to strengthen the Company's cash position and working capital.

24.1. Number of authorized shares

	In thousands of shares	In thousands of real
At December 31, 2022 and 2023	270,016	1.229,400

24.3 Treasury shares

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 December 31, 2023 and 2022 the Company had 3,000 of shares that represent R$ 13,352.

24.4 Profit reserves and retention

a. *Legal reserve*

It is constituted at the rate of 5% of the net profit determined deducted from the tax incentive reserve, in each fiscal year, In compliance with article 193 of Law 6.404/76, up to the limit of 20% of the capital. In December 31, 2023 the balance was of R$ 92,005 (R$ 73,277 in December 31, 2022).

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. In December 31, 2023 the balance was R$ 731,823 (R$ 501,413 in December 31, 2022).

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, 2023, the balance was R$ 15,317 (R$ 12,463 at December 31, 2022).

d. *Capital reserve and transactions*

Capital reserves and transactions represent share issue costs. In the year ended December 31, 2023 and 2022, the balance was R$ (16,556).

24.5 Other comprehensive income and Equity valuation adjustment

		Equity adjustment				
	Cost assigned to fixed assets	Foreign exchange difference - investments	Foreign exchange difference - loans	Foreign exchange difference – deferred taxes	Actuarial valuation and onerous contracts	Total
Balances at December 31, 2021	27,587	(10,446)	11,604	7,837	2,146	38,728
Additions (write-offs) in the year	(1,378)	(77,442)	(2,687)	6,795	(112)	(74,824)
Balances at December 31, 2022	26,209	(87,888)	8,917	14,632	2,034	(36,096)
Additions (write-offs) in the year	(1,047)	(191,850)	(3,126)	18,615	(297)	(177,705)
Balances at December 31, 2023	25,162	(279,738)	5,791	33,247	1,737	(213,801)

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. *Actuarial evaluation*

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

25 Dividends and interest on equity paid and proposed

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

Dividends were calculated as follows:

	2023	2022
Net income for the year	377,385	204,838
Tax incentive reserve	(2,854)	(3,271)
Legal reserve (5%)	(18,728)	(10,078)
Realization of depreciation of deemed cost	1,047	1,378
Base income for distribution	356,850	192,867
Minimum compulsory dividend (25%)	89,213	48,217
Interest on equity	126,440	70,553
Income tax	(18,966)	(10,583)
Net interest on equity	107,474	59,970
Dividends to be distributed	-	-

25.1 Interest on equity

In accordance with the option provided in Law 9249/95, the Company computed and paid interest on equity, attributed as dividends, as approved by the Board Meeting, by using the benchmark interest rate (TJLP) in effect for the year. This interest was recorded under Finance costs, as required by tax legislation. For the purposes of these financial statements, this interest was eliminated from Finance costs for the year and was charged to retained earnings.

The income tax and social contribution for the year were reduced in the Parent Company by R$ 42,990 and in the Consolidated by R$ 47.809 as a result of the deduction of these taxes by interest on equity credited to shareholders.

Period	R$/share	Number of shares (in thousands)	Credit	Payment	Amount
3Q23	0.24166	267,016	07/31/2023	08/11/2023	64,529
4Q23	0.23186	267,016	12/31/2023	01/23/2024	61,911

Period	R$/share	Number of shares (in thousands)	Credit	Payment	Amount
3Q22	0.08919	267,016	07/29/2022	08/24/2022	23,816
4Q22	0.17503	267,016	12/31/2022	01/19/2023	46,737

The amounts are presented as recorded in minutes, gross of income tax.

25.2 Cash flow movement

Dividends and Interest on Equity payable	Parent Company
Balances at December 31, 2021	33,852
Cash changes:	
Dividends and JSCP received (paid)	(70,110)
Total	(36,258)
Changes that do not affect cash:	
Dividends and JSCP received (paid)	77,899
Balances at December 31, 2022	41,641
Cash changes:	
Dividends and JSCP received (paid)	(111,267)
Total	(69,626)
Changes that do not affect cash:	
Dividend distribution and JSCP	124,515
Exchange rate variation	-
Balances at December 31, 2023	54,889

26 Earnings per share

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	
	2023	2022
Net income for the year	377,385	204,838
Weighted average of shares issued (in thousands)	267,016	252,359
Basic and diluted earnings per share (In real)	1.4133	0.8117

27 Income taxes

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 equity or other comprehensive income.

27.1 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 statement of financial position date.

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, 2023 and 2022 is summarized as follows:

	Parent Company		Consolidated	
	2023	2022	2023	2022
Current income tax and social contribution	(167)	(5,645)	(113,684)	(50,028)
Deferred income tax and social contribution	(25,202)	9,474	(24,266)	4,516
Income tax and social contribution expenses presented in the income statement	(25,369)	3,829	(137,950)	(45,512)

The reconciliation between tax expense and the result of the multiplication of income at local tax rate in the years ended December 31, 2023 and 2022 and is described below:

	Parent Company		Consolidated	
	2023	2022	2023	2022
Income before income taxes	402,754	201,009	526,682	248,841
At the tax rate of 34%	(136,936)	(68,343)	(179,072)	(84,606)
Nondeductible expenses	(4,793)	(5,282)	(8,799)	(9,975)
Equity pickup (a)	75,247	47,352	8,122	10,570
Incentivized expense	803	3,824	16,573	15,186
Subsidiaries' rate difference	–	–	5,488	(1,774)
Revenues exempt from taxes	1,014	2,594	1,278	2,905
Other nondeductible income (expenses)	1,126	179	(40,514)	(7,833)
Interest on equity	38,170	23,988	42,990	23,988
Selic IRPJ/CSLL Undue	–	(483)	–	(483)
Accrual of deferred taxes on tax loss carryforward	–	–	15,984	6,510
Income and social contribution taxes in income for the year	(25,369)	3,829	(137,950)	(45,512)
Effective rate	6.30%	(1.90%)	26.19%	18.29%

(a) Equity pickup is stated net of amortization of revaluation surplus.

27.2 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.

There are uncertainties regarding the interpretation of complex tax regulations, as well as the amount and timing of future taxable profits. Given the wide range of international business relationships and the long-term nature and complexity of existing contracts, differences between actual results and the assumptions made, or future changes in such assumptions, could require future adjustments to tax income and expenses already recorded.

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 reporting 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 statement of financial position.

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, 2023 and 2022 refer to:

Parent Company

	Statement of financial position		Equity		Income	
	2023	2022	2023	2022	2023	2022
Surplus value and goodwill	(36,373)	(35,037)	21,997	9,547	(23,333)	(11,142)
Depreciation – useful life/tax	(20,731)	(20,112)	–	–	(619)	(561)
Deemed cost of adjustment of property, plant and equipment	(12,962)	(13,501)	–	–	539	710
Present value adjustment	1,019	(3,667)	–	–	4,686	545
Sundry provisions and other	(1,542)	(1,705)	–	–	163	835
Actuarial evaluation	(1,050)	(1,147)	(127)	(50)	224	89
Accelerated depreciation	(161)	(855)	–	–	694	674
Allowance for expected credit losses	431	727	–	–	(296)	144
Provision for commissions and freight	1,419	1,772	–	–	(353)	(74)
Consideration payable to customers	159	6,817	–	–	(6,658)	(2,808)
Provision for losses on inventories	2,901	4,174	–	–	(1,273)	1,271
Unearned income on inventories	5,015	5,270	–	–	(255)	2,099
Impairment	6,306	4,818	–	–	1,488	1,547
Profit sharing	8,587	8,706	–	–	(119)	(879)
Tax losses to offset	14,887	8,645	–	–	6,242	8,645
Restatement of contingent consideration	4,820	14,509	–	–	(9,689)	5,518
Provision for contingencies	15,491	12,134	–	–	3,357	2,861
Income (expenses) from income tax and social contribution – deferred	–	–	–	–	(25,202)	9,474
Deferred tax liabilities	(11,784)	(8,452)	–	–	–	–
Equity	–	–	21,870	9,497		

Consolidated

	Statement of financial position		Equity		Income	
	2023	2022	2023	2022	2023	2022
Surplus value and goodwill	(36,373)	(35,037)	21,997	8,752	(23,333)	(10,347)
Depreciation - useful life/tax	(27,617)	(26,981)	-	-	(636)	6,450
Deemed cost of adjustment of property, plant and equipment	(22,484)	-	-	-	-	-
Present value adjustment	(23,210)	(13,361)	10,773	-	(20,622)	(908)
Sundry provisions and other	(14,185)	(14,692)	-	-	507	844
Actuarial evaluation	2,611	(2,614)	-	-	5,225	(696)
Accelerated depreciation	(1,028)	(1,160)	(156)	(74)	288	103
Surplus value and goodwill	(1,322)	(772)	-	-	(550)	-
Depreciation - useful life/tax	(56)	(855)	-	-	799	674
Varied provisions and others	(4,462)	1,370	-	-	(5,832)	(811)
Transactions with derivative instruments	-	178	-	-	(178)	(2,182)
Provision for commissions and freight	1,550	2,106	-	-	(556)	(118)
Allowance for expected credit losses	1,620	1,982	-	-	(362)	464
Considerations payable to customers	159	6,817	-	-	(6,658)	(2,808)
Impairment	4,051	1,887	-	-	2,164	(6,958)
Provision for losses on inventories	6,580	7,771	-	-	(1,191)	161
Profit sharing	15,601	12,962	-	-	2,639	(432)
Restatement of contingent consideration	4,820	14,509	-	-	(9,689)	5,518
Provision for contingencies	33,292	17,653	-	-	15,639	4,521
Tax loss carryforward	62,417	44,337	-	-	18,080	11,041
Deferred income and social contribution tax expenses	-	-	-		(24,266)	4,516
Deferred tax assets (liabilities)	1,964	16,100	-	-	-	-
Equity	-	-	32,614	8,678	-	-

The tax carryforward losses for the Company and its subsidiaries amounted to R$ 188.707 (R$194.592 at December 31, 2022). Such tax carryforward losses can be offset with future taxable profits of the company in which they were generated.

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. The Company carries out recoverability studies for its deferred assets, for the year ending December 31, 2023, the procedure applied identified an opportunity to recognize deferred assets on tax losses for the subsidiaries ASK Fras-le Friction and Jurid, in the amounts of R R$8,464 and R$7,520, respectively. No uncertainties were identified regarding the recoverability of deferred tax assets recorded in the period ended December 31, 2023.

28 Net Revenue

Revenues are recognized for the amount that reflects the Company's expectation of receiving consideration for the services and products offered to its customers. They are recognized in profit or loss as the performance obligations agreed with the customers are fulfilled.

Net income from sales is broken down as follows:

	Parent Company		Consolidated	
	2023	2022	2023	2022
Gross sales	**1,957,370**	1,791,232	**4,391,473**	3,882,500
Sales tax	**(425,032)**	(368,969)	**(932,997)**	(800,820)
Adjustment to present value	**(17,929)**	(11,760)	**(19,372)**	(12,946)
Sales returns and other deductions *(a)*	**(3,429)**	(1,484)	**(50,447)**	(10,563)
Operating revenue, net	1,510,980	1,409,019	3,388,657	3,058,171

(a) The Company adopts rebate practices for commercial purposes. At December 31, 2023, the amount was R$31,989, stated in "Returns and other deductions.

29 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	
	2023	2022	2023	2022
Expenses according to the role				
Cost of products sold and services rendered	**(1,083,103)**	(1,059,828)	**(2,250,056)**	(2,154,694)
Sales expenses	**(139,585)**	(139,311)	**(313,025)**	(291,596)
Administrative and general expenses	**(94,752)**	(79,284)	**(250,044)**	(211,064)
Total	(1,317,440)	(1,278,423)	(2,813,125)	(2,657,354)
Expenses per type				
Raw materials and use and consumption materials	**(632,321)**	(633,712)	**(1,555,575)**	(1,473,795)
Personnel expenses	**(303,162)**	(286,485)	**(549,094)**	(516,159)
Freight	**(57,845)**	(60,507)	**(101,751)**	(91,741)
Administrative services	**(56,386)**	(38,221)	**(72,926)**	(54,106)
Conservation and maintenance	**(50,544)**	(46,903)	**(88,029)**	(85,757)
Depreciation and amortization	**(44,100)**	(41,409)	**(124,695)**	(120,079)
Electric power	**(34,354)**	(37,418)	**(57,132)**	(61,436)
Professional fees	**(18,320)**	(15,378)	**(29,346)**	(26,747)
Rentals	**(11,719)**	(8,104)	**(19,868)**	(20,485)
Import expenses	**(10,647)**	(14,182)	**(13,289)**	(14,891)
Commissions	**(9,734)**	(11,285)	**(3,440)**	(9,817)
Directors' fees and profit sharing	**(5,056)**	(4,534)	**(11,072)**	(10,483)
IT Consultancy	**(3,264)**	(4,943)	**(8,862)**	(11,536)
Other expenses	**(79,988)**	(75,342)	**(178,046)**	(160,322)
Total	(1,317,440)	(1,278,423)	(2,813,125)	(2,657,354)

30 Personnel and profit sharing expenses

	Parent Company		Consolidated	
	2023	2022	2023	2022
Salaries and wages	(219,277)	(209,837)	(401,720)	(383,213)
Social security costs	(44,468)	(42,481)	(73,475)	(67,041)
Benefits granted	(39,417)	(34,167)	(73,899)	(65,905)
Total	(303,162)	(286,485)	(549,094)	(516,159)

The amount of profit sharing calculated on December 31, 2023 was R$21,613 (R$33,363 on December 31, 2022).

31 Other operating income and expenses

	Parent Company		Consolidated	
	2023	2022	2023	2022
Other operating income:				
Reversal of escrow and supervening assets – business combination	53,015	–	53,015	–
Compensation of retained values – business combination	4,605	10,269	4,605	10,269
Sale of electricity	2,151	1,268	2,151	1,288
Tax Incentives	1,836	1,787	1,976	3,229
Income from legal proceedings	462	2,982	462	3,432
Sale of assets	80	459	537	4,354
Impairment	–	–	1,905	7,318
Rentals	–	–	2,966	248
Other income	1,867	1,525	1,883	3,026
Total	64,016	18,290	69,500	33,164
Other operating expenses:				
Employee profit sharing	(18,730)	(16,610)	(21,613)	(33,363)
Provision for litigation	(9,875)	(8,414)	(42,404)	(14,354)
Expenses with legal proceedings	(8,988)	(3,098)	(14,859)	(14,558)
Impairment	(4,374)	(4,484)	(4,143)	(4,484)
Costs with write-off of assets held for resale	(1,506)	(225)	(5,511)	(6,449)
Tax	(565)	(974)	(3,923)	(7,951)
Cost of taxes in write-off and disposal of permanent assets	(21)	(6)	(80)	(6)
Supervenience in business combination – asset	–	(16,229)	–	(16,229)
Costs with write-off of assets held for resale	–	(1,286)	–	(1,286)
Other expenses	(967)	(1,175)	(9,494)	(2,277)
Total	(45,026)	(52,501)	(102,027)	(100,957)
Other operating income (expenses), net	18,990	(34,211)	(32,527)	(67,793)

32 Finance income (costs)

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

	Parent Company		Consolidated	
	2023	2022	2023	2022
Finance income:				
Income from financial investments	74,681	73,579	218,988	108,578
Exchange-rate change	57,831	53,355	93,342	175,929
Adjustment to present value	18,125	16,157	19,661	17,242
Income from legal proceedings	2,712	7,775	3,053	8,145
Income from derivative operations	–	5,229	–	2,044
Other finance income	1,867	167	2,353	11,522
Total	155,216	156,262	337,397	323,460
Finance costs:				
Interest on financing	(95,134)	(91,318)	(109,094)	(112,014)
Exchange-rate change	(70,375)	(58,862)	(201,173)	(226,161)
Adjustment to present value *(a)*	(27,791)	(16,198)	(37,904)	(27,498)
Bank expenses	(25,153)	(21,148)	(47,097)	(51,981)
Financial operations taxes	(7,718)	(6,084)	(14,196)	(7,220)
Granted discounts	(1,477)	(462)	(1,605)	(5,843)
Derivative operations losses	–	(3,556)	–	(9,181)
Other Finance costs	(13,325)	(12,339)	(23,134)	(22,939)
Total	(240,973)	(209,967)	(434,203)	(462,837)
Inflation adjustment	79,008	50,132	80,935	55,178
Net finance income (costs)	(6,749)	(3,573)	(15,871)	(84,199)

(a) Includes restatement of supervening assets of business combination in the amount of R$ 11,797, as mentioned in Note 5.

33 Hyperinflationary economy

The financial statements of subsidiaries that operate in a hyperinflationary economy are adjusted for changes in the general purchasing power of the local currency, so that their amounts are stated in the monetary unit of measurement at the end of the period as determined by CPC 42 / IAS 29 – Accounting in a Hyperinflationary Economy.

In year 2023, Argentina presented 211.4% of 12-month accumulated inflation (94.8% at December 31, 2022). Its effects are reflected in the table below:

Impact on finance income (costs)	2023	2022
Armetal	2,060	12,908
Frasle Argentina	(133)	(7,862)
Frasle parent company	79,008	50,132
Total	80,935	55,178

Additionally, in December 2023 the Argentine Peso suffered a significant exchange rate depreciation of 56.2% due to economic and political issues in Argentina (79.7% and 45.6% depreciation in the accumulated figures for the years 2023 and 2022, respectively).

34 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	2023	2022
Buildings, inventories, machinery and loss of profits	Fire, windstorm, electrical damage and general risks.	183,593	148,936
Export credit	Commercial and political	86,427	94,565
Civil liability	Civil liability	28,838	13,571
Personal accidents	Bodily injury	4,934	4,892
Vehicles	Hull	-	264
Total		303,792	262,228

35 Events after the reporting period

On February 28, 2024, the Company entered into a financing agreement with the International Finance Corporation "IFC", a member of the World Bank Group. The funding amounts to R$250,000, with a payment period of up to 9 years and a grace period of 2 years. The funds will be allocated mainly to projects aimed at sustainability, linked to the public commitment to reduce 40% of greenhouse gas emissions. Reaching this target will bring a discount on the financing interest from 2026 onwards.