Randoncorp

Financial Statements
December 31, 2023 and 2022

RANDONCORP

Contents

Building a better
working world

Iguatemi Business
Avenida Nilo Peçanha, 2.900
9º andar - Chácara das Pedras
91.330-001- Porto Alegre - RS - Brasil

Tel: +55 51 3204-5500
ey.com.br

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 the accounting practices adopted in Brazil and with the International Financial Reporting Standards (IFRS), issued by International Accounting Standards Board (IASB)

Independent Auditor's Report on Individual and Consolidated Financial Statements

To the Shareholders, Board of Directors and Officers of
Randon S.A. Implementos e Participações
Caxias do Sul - RS

Opinion

We have audited the individual and consolidated financial statements of Randon S.A. Implementos e Participações (the "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 policy information.

In our opinion, the accompanying 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 cash flows for the year then ended in accordance with the accounting practices adopted in Brazil and the International Financial Reporting Standards (IFRS), issued by the International Accounting Standards Board (IASB).

Basis for opinion

We conducted our audit in accordance with the 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, 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 key audit 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 Company's financial statements.

Recognition of sales revenue

Determining compliance with performance obligations for recognition of sales revenue, which involves, among other requirements, analysis of the amount of revenue to be recognized, as well 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.

Business combination

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

This transaction was accounted for by the acquisition method. The application of the acquisition method requires, among other procedures, that the Company determines the acquisition date of the effective control, the fair value of the consideration transferred, the fair value of the assets acquired and liabilities assumed as well as determination of goodwill for expected future profitability or gain on bargain purchase in the transaction. These procedures usually involve a high degree of judgment and the need to develop fair value estimates based on calculations and assumptions related to the future performance of the business acquired, which are subject to a high degree of uncertainty. In view of the related high degree of judgment and the impact that changes, if any, in assumptions could have on the financial statements, this issue was considered a key audit matter.

How our audit addressed this matter

Our audit procedures included, among others:

- The reading of the documents that formalized the transaction, such as contracts and minutes, obtaining 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 experts, we analyzed the methodology used to measure the fair value of the assets acquired and liabilities assumed and evaluated the reasonableness of assumptions used and calculations made, crosschecking them, when available, against market information;
- Evaluation of the calculations for determining goodwill for future profitability calculated in the operation; and
- Assessment of the adequacy of disclosures made by the Company.

Based on the result of audit procedures performed on the business combination related to the acquisition of AML Juratek, which is consistent with the executive board’s assessment, we consider that the criteria and assumptions used by the executive board in accounting for business combinations, 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 loss, if any, 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 experts, 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 included, among others:

- Understanding the operational processes of the Company and its subsidiaries in assessing any indication 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 experts, 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.

Building a better working world

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. To form our opinion, we evaluated if these statements are reconciled to the financial statements and accounting records, as applicable, and if their form and content comply with the criteria defined by NBC TG 09 - Statement of Value Added. In our opinion, these individual and consolidated statements of value added were prepared fairly, in all material respects, in accordance with the criteria defined in the abovementioned accounting pronouncement and are consistent in relation to 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 the accounting practices adopted in Brazil and with the International Financial Reporting Standards (IFRS) issued by the International Accounting Standards Board (IASB), and for such internal control as the executive board 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 the Brazilian and International Standards on Auditing will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

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

- Identify and assess the risks of material misstatement of the individual and consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than one resulting from error, as fraud may involve override of internal controls, collusion, forgery, intentional omissions or misrepresentations.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's and its subsidiaries' internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the executive board.
- Conclude 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 auditor's report. However, future events or conditions may cause the Company to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the individual and consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the group to express an opinion on the individual and consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

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

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

Porto Alegre, March 12, 2024.

ERNST & YOUNG
Auditores Independentes S/S Ltda.
CRC SP-015199/F

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

Statements of financial position as at December 31, 2023 and 2022

(In thousands of Reais)

		Parent Company		Consolidated	
	Note	2023	2022	2023	2022
Assets		6,309,912	6,531,069	12,820,143	12,882,347
Current assets		2,171,321	2,573,533	7,387,648	7,829,913
Cash and cash equivalents	7	1,126,503	1,119,611	2,864,807	2,504,862
Long-term assets	8	-	65,140	52	624,009
Derivative financial instruments	23	564	889	564	889
Customers	9	277,673	466,675	2,139,863	1,914,901
Inventories	10	388,701	580,548	1,773,228	2,204,861
Assets held for sale		2,110	3,225	8,578	10,010
Recoverable taxes and contributions	11	245,551	208,849	484,951	477,476
Prepaid expenses		18,695	9,359	68,959	44,723
Pension plans and post-employment benefits	13	286	607	822	1,701
Rights due to consortium resources		-	-	2,815	2,728
Interest on equity and dividends	25	98,492	100,394	-	-
Other current assets		12,746	18,236	40,257	38,346
Assets from discontinued operations	35	-	-	2,752	5,407
Non-current		4,138,591	3,957,536	5,432,495	5,052,434
Long-term assets	8	-	-	100,090	89,024
Customers	9	-	-	783,390	612,500
Consortia shares		-	-	22,233	18,570
Deferred taxes	27	176,954	112,678	197,431	171,946
Related-party receivables	12	85,704	93,883	-	-
Recoverable taxes and contributions	11	397,184	573,307	500,146	717,539
Judicial deposits	21	5,581	9,079	28,322	37,904
Interest on equity and dividends	25	-	1,748	-	-
Other non-current assets		-	-	234,574	104,330
Investments	14	2,774,550	2,491,205	100,900	11,930
Investment properties		-	-	2,201	1,531
Property, Plant and Equipment (PPE)	16	665,889	647,498	2,277,594	2,188,122
Intangible assets	17	4,856	6,248	918,597	828,241
Right-of-use assets	18	27,873	21,890	267,017	270,797

See the accompanying notes to the financial statements.

Statement of financial position as at December 31, 2023 and 2022

(In thousands of Reais)

		Parent Company		Consolidated	
	Note	2023	2022	2023	2022
Liabilities and equity		6,309,912	6,531,069	12,820,143	12,882,347
Current liabilities		1,109,298	1,134,297	4,070,902	3,900,956
Loans and financing	22	301,921	228,762	1,217,464	947,454
Derivative financial instruments	23	-	-	7,309	4,245
Suppliers	19	476,165	600,807	1,201,208	1,443,574
Reverse factoring	20	8,055	3,832	-	-
Taxes and contributions		46,263	35,542	211,883	182,935
Income tax and social contribution		-	-	49,350	70,535
Salaries and payroll charges		45,676	46,708	156,719	169,300
Advances from customers		29,474	24,862	117,604	119,626
Bill-and-hold sale		2,800	2,922	3,508	9,203
Interest on own capital payable and dividends	25	104,171	84,110	150,992	123,559
Employee profit sharing and Directors' fees		31,097	36,849	117,887	116,769
Commissions payable		7,523	9,893	39,350	37,301
Lease liabilities	18	3,536	6,601	35,554	36,948
Accounts payable for business combination	5	-	-	179,314	173,094
Provision for warranties		22,365	21,703	35,422	34,220
Fundraising with third parties		-	-	382,983	300,104
Other current liabilities		30,252	31,706	161,603	126,682
Liabilities from discontinued operations	35	-	-	2,752	5,407
Non-current liabilities		2,422,839	2,652,007	4,853,851	5,160,125
Loans and financing	22	2,331,451	2,566,846	4,121,368	4,470,224
Provision for litigation	21	17,268	15,773	128,116	86,143
Unrealized government grant		-	-	2,580	3,163
Provision for investment loss	14	30,603	16,100	-	-
Payables to related parties		10,721	13,240	19,101	25,935
Related parts		-	-	6,192	6,423
Lease liabilities	18	25,711	16,324	243,576	228,755
Accounts payable for business combination	5	925	817	168,635	188,070
Taxes and contributions		-	-	3,692	7,898
Obligations arising from consortium members' resources		-	-	2,058	2,729
Fundraising with third parties		-	-	56,928	54,471
Other non-current liabilities		6,160	22,907	101,605	86,314
Total equity		2,777,775	2,744,765	3,895,390	3,821,266
Capital	24	1,293,170	1,293,170	1,293,170	1,293,170
Reserves and capital transactions		(235,208)	(235,738)	(235,208)	(235,738)
Income reserves		1,867,241	1,675,086	1,867,241	1,675,086
Other comprehensive income	24	(147,428)	12,247	(147,428)	12,247
Total controlling interests		2,777,775	2,744,765	2,777,775	2,744,765
Non-controlling interests			-	1,117,615	1,076,501

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)

	Note	Parent Company		Consolidated	
		2023	2022	2023	2022
Continuing operations					
Net Revenue	28	4,035,627	4,095,074	10,887,843	11,152,417
Costs of products sold and services provided	29	(3,413,826)	(3,513,104)	(8,094,488)	(8,527,655)
Gross profit		621,801	581,970	2,793,355	2,624,762
Operating income (expenses)					
Sales	29	(189,290)	(150,379)	(757,506)	(717,075)
Administrative and general	29	(180,668)	(149,296)	(663,445)	(541,434)
Equity pickup in net income of subsidiaries	14	525,572	427,336	(2,070)	(280)
Other operating income (expenses), net	31	(130,679)	(20,908)	(85,766)	(113,717)
Income before financial revenues and expenses		646,736	688,723	1,284,568	1,252,256
Financial expenses	32	(583,688)	(557,410)	(1,190,236)	(1,162,179)
Financial income	32	255,477	285,937	719,514	709,834
Inflation adjustment (*IAS* 29)	32	-	-	127,394	82,044
Income before income taxes		318,525	417,250	941,240	881,955
Income tax and social contribution	27	63,162	54,470	(278,015)	(216,205)
Net income for the year from continuing operations		381,687	471,720	663,225	665,750
Discontinued operations		-	-	264	652
Income from discontinued operations	35		-	264	652
Net income for the year		381,687	471,720	663,489	666,402
Attributable to non-controlling shareholders			-	281,802	194,682
Attributable to the parent company's shareholders		381,687	471,720	381,687	471,720
Basic and diluted profit per share					
Attributable to controlling shareholders - holders of common shares	26	1.1626	1.4341	1.1626	1.4341
Attributable to controlling shareholders - holders of preferred shares	26	1.1626	1.4341	1.1626	1.4341

See the accompanying notes to the financial statements.

RANDONCORP

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 from continuing operations	381,687	471,720	663,489	666,402
Cumulative conversion adjustments	(164,268)	(54,582)	(240,822)	(83,379)
Actuarial gain (loss)	(880)	(441)	(880)	(441)
Deferred income tax and social contribution on gain (loss)	223	150	223	150
Actuarial gain (loss), net	(657)	(291)	(657)	(291)
Hedge accounting	6,673	8,769	6,673	8,769
Total comprehensive income	223,435	425,616	428,683	591,501
Attributable to:				
Parent company's shareholders	223,435	425,616	223,435	425,616
Non-controlling shareholders	-	-	205,248	165,885
	223,435	425,616	428,683	591,501

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	Treasury shares	Legal reserve	Reserve for investment and working capital	Tax incentive reserve	Other comprehensive income and equity valuation adjustments	Retained earnings	Total controlling interest	Non-controlling interest	Total shareholders' equity
Balances at December 31, 2021	1,293,170	(210,412)	-	195,785	1,156,917	24,690	60,069	-	2,520,219	754,521	3,274,740
Net income for the year	-	-	-	-	-	-	-	471,720	471,720	194,682	666,402
Accumulated translation adjustments	-	-	-	-	-	-	(54,582)	-	(54,582)	(28,797)	(83,379)
Actuarial evaluation	-	-	-	-	-	-	(291)	-	(291)	-	(291)
Tax incentive reserve	-	-	-	-	-	3,590	-	(3,590)	-	167	167
Realization of depreciation of the deemed cost of the subsidiaries	-	-	-	-	-	-	(870)	870	-	-	-
Acquisition of shares	-	-	(9,997)	-	-	-	-	-	(9,997)	-	(9,997)
Realization of depreciation of the assigned cost	-	-	-	-	-	-	(803)	803	-	-	-
Realization of the net tax revaluation reserve	-	-	-	-	-	-	(45)	45	-	-	-
Hedge accounting	-	-	-	-	-	-	8,769	-	8,769	-	8,769
Onerous contracts	-	-	-	-	-	-	-	(387)	(387)	(26)	(413)
Payment of capital in jointly controlled company	-	(306)	-	-	-	-	-	-	(306)	306	-
Change of interest in controlled company	-	(25,020)	-	-	-	-	-	-	(25,020)	274,611	249,591
Proposed destination:											
Legal reserve	-	-	-	23,407	-	-	-	(23,407)	-	-	-
Reserve for investment and working capital	-	-	-	-	280,694	-	-	(280,694)	-	-	-
Interest on own capital	-	-		-	-	-	-	(165,360)	(165,360)	(45,634)	(210,994)
Dividends	-	-		-	-	-	-	-	-	(73,329)	(73,329)
Balances at December 31, 2022	1,293,170	(235,738)	(9,997)	219,192	1,437,611	28,280	12,247	-	2,744,765	1,076,501	3,821,266
Net income for the year	-	-	-	-	-	-	-	381,687	381,687	281,802	663,489
Initial adoption of CPC48 / IFRS 9 - Expected losses	-	-	-	-	5,585	-	-	(5,585)	-	-	-
Accumulated translation adjustments	-	-	-	-	-	-	(164,268)	-	(164,268)	(76,554)	(240,822)
Actuarial evaluation	-	-	-	-	-	-	(657)	-	(657)	-	(657)
Tax incentive reserve	-	-	-	-	-	6,076	-	(6,076)	-	(3,528)	(3,528)
Realization of depreciation of the deemed cost of the subsidiaries	-	-	-	-	-	-	(802)	802	-	-	-
Realization of depreciation of the deemed cost	-	-	-	-	-	-	(576)	576	-	-	-
Realization of the net tax revaluation reserve	-	-	-	-	-	-	(45)	45	-	-	-
Hedge accounting	-	-	-	-	-	-	6,673	-	6,673	-	6,673
Onerous contracts	-	-	-	-	-	-	-	33	33	26	59
Change of interest in controlled company	-	530	-	-	-	-	-	-	530	-	530
Proposed destination:											
Legal reserve	-	-	-	18,780	-	-	-	(18,780)	-	-	-
Reserve for investment and working capital	-	-	-	-	161,714	-	-	(161,714)	-	-	-
Interest on own capital	-	-	-	-	-	-	-	(190,988)	(190,988)	(73,472)	(264,460)
Dividends	-	-	-	-	-	-	-	-	-	(87,160)	(87,160)
Balances at December 31, 2023	1,293,170	(235,208)	(9,997)	237,972	1,604,910	34,356	(147,428)	-	2,777,775	1,117,615	3,895,390

See the accompanying notes to the financial statements.

Statements of cash flows
Years ended December 31, 2022 and 2021

(In thousands of reais)

	Parent Company		Consolidated	
	2023	2022	2023	2022
Cash flows from operating activities				
Net income for the year	381,687	471,720	663,489	666,402
Provision for current and deferred income tax and social contribution	(63,162)	(54,470)	278,015	216,205
Exchange rate variation and interest on loans	354,686	395,464	744,097	589,426
Exchange rate variation and interest on leases	2,412	2,134	17,319	23,668
Depreciation and amortization	50,798	47,921	285,652	252,708
Other provisions	(11,164)	(17,046)	(5,716)	(5,363)
Provision for disputes	1,495	(1,041)	41,973	13,109
Changes in derivatives	325	(714)	4,418	14,262
Residual cost of written-off and sold fixed assets	1,560	6,787	14,427	20,760
Allowance for expected credit losses	(15,461)	2,517	(19,512)	10,572
Provision for inventory losses	(6,124)	9,770	(6,728)	22,999
Equity pickup	(525,572)	(427,336)	2,070	280
Income from legal proceedings, net of fees	(1,269)	(42,084)	(3,187)	(79,397)
Reversal of (provision for) impairment	(33)	32	9,608	(3,423)
Inflation adjustment	-	-	(127,394)	(82,044)
Restatement (compensation) on retained values business combinations		-	(57,620)	5,960
	170,178	393,654	1,840,911	1,666,124
Changes in assets and liabilities				
Financial investments	65,140	285,105	612,891	(307,956)
Accounts receivable from customers	204,286	(228,774)	(314,057)	(525,194)
Inventories	197,971	52,801	481,175	(88,317)
Recoverable taxes	160,442	19,166	292,012	135,054
Other assets	129,919	55,498	(72,754)	(12,042)
Suppliers - drawee risk	(120,419)	142,956	(263,077)	462,748
Other accounts payable	(173,832)	(115,441)	(164,761)	(83,788)
Net changes from discontinued operations		-	2,655	1,292
Cash from operational activities	633,685	604,965	2,414,995	1,247,921
Income tax and social contribution	-	-	(233,104)	(118,106)
Net cash from operating activities	633,685	604,965	2,181,891	1,129,815
Cash flows from investing activities				
Receiving of profits and dividends from subsidiaries	324,795	175,989	-	-
Payment of capital in subsidiary	(224,868)	(725,971)	-	-
Loans granted to subsidiaries	8,179	84,431	-	-
Acquisition of ownership interest in jointly-controlled entity	-	-	(90,000)	(10,000)
Acquisition of intangible assets	(552)	(750)	(18,059)	(11,648)
Acquisition of property, plant and equipment	(60,254)	(70,807)	(327,562)	(356,236)
Business combination	-	(10,947)	(171,381)	(283,522)
Net cash flow used in investment activities	47,300	(548,055)	(607,002)	(661,406)
Cash flows from financing activities				
Payment of interest on own capital and dividends	(147,697)	(224,570)	(294,182)	(331,646)
Payment of derivatives	-	(255)	(1,029)	(10,985)
Loans	-	1,739,478	1,017,667	2,939,793
Payment of loans	(134,109)	(1,164,836)	(1,187,474)	(2,029,677)
Acquisition of treasury shares	-	(9,997)	-	(9,997)
Interest paid on loans	(382,813)	(386,382)	(686,751)	(604,026)
Intercompany loans	-	-	(231)	(6,186)
Payment of leases	(9,474)	(9,205)	(62,944)	(51,277)
Capital increase in subsidiary		-	-	249,695
Net cash flow from (used in) financing activities	(674,093)	(55,767)	(1,214,944)	145,694
Statement of changes in cash and cash equivalents				
At the beginning of the year (Note 7)	1,119,611	1,118,468	2,504,862	1,890,759
At the end of the year (Note 7)	1,126,503	1,119,611	2,864,807	2,504,862
Increase in cash and cash equivalents	6,892	1,143	359,945	614,103

See the accompanying notes to the financial statements.

Supplementary information on cash flow is presented in Notes 18, 22, 23 and 25.

Statements of value added

Years ended December 31, 2023 and 2022

(In thousands of reais)

	Parent Company		Consolidated	
	2023	2022	2023	2022
Income				
Sales of products and services, (-) returns and other deductions	4,853,878	4,921,138	13,304,119	13,632,876
Income from construction of own assets	22,713	22,001	81,246	50,615
Other income	8,652	11,088	120,049	80,204
Allowance for expected credit losses	15,461	(2,517)	19,512	(11,327)
	4,900,704	4,951,710	13,524,926	13,752,368
Inputs acquired from third parties (including tax)				
Raw materials used	(3,590,895)	(3,728,833)	(6,933,132)	(7,590,086)
Materials, energy, outsourced services and other operating expenses	(585,765)	(414,987)	(2,444,878)	(2,238,722)
Gross added value	(4,176,660)	(4,143,820)	(9,378,010)	(9,828,808)
Retentions				
Depreciation and amortization	(50,798)	(47,921)	(285,652)	(252,708)
Net added value generated by the Company	673,246	759,969	3,861,264	3,670,852
Added value received in transfer				
Equity pickup in net income	525,572	427,336	(2,070)	(280)
Rents and royalties	459	605	13,272	8,870
Inflation adjustment (IAS 29)	-	-	127,394	82,044
Financial income	255,477	285,937	719,514	709,834
	781,508	713,878	858,110	800,468
Total value added payable	1,454,754	1,473,847	4,719,374	4,471,320
Distribution of value added				
Personnel				
Direct remuneration	221,906	192,088	1,030,921	890,261
Benefits	45,355	40,958	185,278	161,775
Severance pay fund (*FGTS*)	27,613	25,424	88,911	84,569
Employees' profit sharing	12,342	10,624	28,501	25,967
Pension plan	32,566	29,463	105,724	111,333
Employees' profit sharing	2,925	2,720	9,113	6,966
	342,707	301,277	1,448,448	1,280,871
Taxes				
Federal	90,344	82,410	843,035	738,857
State	29,531	34,757	485,600	544,460
Municipal	4,255	3,364	19,244	11,399
	124,130	120,531	1,347,879	1,294,716
Lenders				
Financial income and expenses	583,688	557,410	1,190,236	1,162,179
Rentals	22,542	22,909	69,058	63,495
	606,230	580,319	1,259,294	1,225,674
Equity Remuneration				
Interest on equity and dividends	190,988	165,360	351,620	284,323
Non-controlling interest in retained earnings	-	-	281,802	197,687
Retained earnings for the year	190,699	306,360	30,067	187,397
Income from discontinued operations	-	-	264	652
Distributed value added	1,454,754	1,473,847	4,719,374	4,471,320

See the accompanying notes to the financial statements.

Notes to financial information

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

1 Company's General information

Randon S.A. Implementos e Participações ("Randoncorp" 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 operates with automakers, movement control, services, auto parts and advanced technology industry.

On April 28, 2023, the Company released its new corporate brand identity, Randoncorp. This brand represents the progress experienced by the Company in recent years, becoming a complete ecosystem of transportation solutions and representing an increasingly multiple company, with sustainable solutions and reflecting even better the purpose of connecting people and wealth generating prosperity.

2 Basis of preparation and presentation of 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, 2023.

According to Technical Guidance OCPC 7 and the deliberation CVM n.º 727/2014 the Company only discloses 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 8, 2024.

2.1 Accounting policies

The Company consistently applies the accounting policies in the years presented in the explanatory notes.

2.2 Functional and presentation currency

The financial statements are presented in Brazilian reais (R$), the Company's functional currency, and balances were rounded to the nearest thousand, except otherwise indicated. For foreign subsidiaries operating in a stable economic environment and with a different functional currency, the statements of profit or loss are translated into Brazilian reais at the average monthly exchange rate. Assets and liabilities are translated at the closing rate. For subsidiaries operating in a hyperinflationary environment, the balances of assets, liabilities and retained earnings (accumulated losses) are translated at the closing rate. For subsidiaries operating in countries with hyperinflationary economies, the financial statements are restated by the change in the general purchasing power of the currency, and the balances of assets, liabilities and retained earnings (accumulated losses) are translated at the closing rate. Equity items are maintained 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
Banco Randon S.A.	Real
Bettaparts Limited	Pound sterling
Castertech Fundição e Tecnologia Ltda.	Real
Castertech Mogi Guaçu Ltda.	Real
Castertech Schroeder Ltda.	Real
Castertech Schroeder Usinagem Ltda.	Real
Castertech Usinagem e Tecnologia Ltda.	Real
Centro Tecnológico Randon Ltda.	Real
Conexo Serviços Digitais e Coworking Ltda.	Real
DBServer Assessoria em Sistemas de Informação Ltda.	Real
Fanacif S.A.	US Dollar
Farloc Argentina S.A.I.C YF	Argentine peso
Ferrari Indústria Metalúrgica Ltda.	Real
Fras-le Andina Com. Y Repres. Ltda.	Peso Chileno
Fras-le Argentina S.A.	Argentine peso
Fras-le Europe GmBH	Euro
Fras-le Europe B.V.	Euro
Fras-le Friction Material Pinghu Co Ltda.	Renminbi
Fras-le México S de RL de CV	Mexican peso
Fras-le North America, Inc.	US Dollar
Fras-le Panamericana S.A.S	Colombian peso
Frasle Mobility	Real
Freios Controil Ltda.	Real
Fundituba – Indústria Metalúrgica Ltda.	Real
Jiaxing Bafu trading Co. Ltd	Renminbi
Jost Brasil Sistemas Automotivos Ltda.	Real
Jurid do Brasil Sistemas Automotivos Ltda.	Real
Hercules Enterprises, LLC	US Dollar
Master Sistemas Automotivos Ltda.	Real
Nakata Automotiva Ltda.	Real
Nione Ltda.	Real
Randon Administradora de Consórcios Ltda.	Real
Randon Argentina S.A.	Argentine peso
Randon Automotive Systems LLC	Dollar
Randon Auttom Automação e Robótica Ltda.	Real
Randon Auttom USA LLC	US Dollar
Randon Collection Comércio de Artigos Promocionais Ltda.	Real
Randon Corretora de Seguros Ltda.	Real
Randon Holdco USA LLC	US Dollar
Randon Implementos para o Transporte Ltda.	Real
Randon Investimentos Ltda.	Real
Randon Messias Implementos para o Transporte Eireli	Real
Randon North America LLC	Dollar
Randon Perú S.A.C.	New Sol
Randon Auttom Ltda.	Real
Randon Triel-HT Implementos Rodoviários Ltda.	Real
Randon USA	US Dollar
Randon Veículos Ltda.	Real
Randon Serviços e Participações Ltda.	Real
RVC Venture Capital Participações e Investimentos Ltda.	Real
R4 Digital S.A.	Real
Suspensys Automotive Systems	Mexican peso
Suspensys Mogi Guaçu Ltda.	Real
Tekjur Limited	Pound sterling
Venice Implementos Rodoviários Ltda.	Real

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.

a. Subsidiaries

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 and are 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 Randoncorp and its subsidiaries as of December 31, 2023 and 2022, as follows:

			Equity interest percentage			
			2023		2022	
Subsidiaries	Business Purpose	Host Country	Direct	Indirect	Direct	Indirect
AML Juratek Limited *(c)*	Holding	United Kingdom	-	100	-	-
Armetal Autopartes S.A *(c)*	Distribution of auto parts	Argentina	-	100	-	100
ASK Fras-le Friction Private Limited *(c)*	Manufacturing and sales of auto parts	India	-	51	-	51
Banco Randon S.A. *(j)*	Financial institution	Brazil	-	100	-	100
Bettaparts *(p)*	Distribution of auto parts	United Kingdom	-	100	-	-
Castertech Fundição e Tecnologia Ltda. *(b)*	Casting of iron and steel and machining	Brazil	100	-	100	-
Castertech Mogi Guaçu *(k)*	Technical testing and analysis	Brazil	-	100	-	100
Castertech Schroeder Ltda. *(k)*	Casting of iron and steel	Brazil	-	100	-	100
Castertech Schroeder Usinagem Ltda. *(k)*	Machining	Brazil	-	100	-	100
Castertech Usinagem e Tecnologia Ltda. *(k)*	Machining	Brazil	-	100	-	100
Centro Tecnológico Randon Ltda. *(b)*	Service, development and management of experimental research projects	Brazil	54.93	45.07	54.93	45.07
Conexo Serviços Digitais e Coworking Ltda. *(b)*	Development and licensing of digital applications and platforms	Brazil	100	-	100	-
Fanacif S.A. *(c)*	Manufacturing and sales of autoparts	Uruguay	-	100	-	100
Farloc Argentina S.A.IC. YF *(e)*	Manufacture of brake fluids and refrigerant fluids	Argentina	-	76.09	-	76.09
Ferrari Indústria Metalúrgica Ltda. (g)	Injection molding – aluminum parts	Brazil	-	-	-	100
Fras-le Andina Com. Y Repres. Ltda. *(c)*	Representativeness and sales of autoparts	Chile	-	99	-	99
Fras-le Argentina S.A. *(c)*	Representativeness and sales of autoparts	Argentina	0.16	99.84	0.16	99.84
Fras-le Europe *(c)*	Representativeness and sales of autoparts	Germany	-	100	-	100
Fras-le Europe B.V. *(c)*	Distribution of autoparts	Netherlands	-	100	-	100
Fras-le Friction Material Pinghu Co Ltd. *(c)*	Manufacturing and sales of autoparts	China	-	100	-	100
Fras-le México S de RL de CV *(c)*	Representativeness and sales of autoparts	Mexico	-	99.66	-	99.66
Fras-le North America, Inc. *(c)*	Manufacturing and sales of autoparts	USA	-	100	-	100
Fras-le Panamericana S.A.S. *(c)*	Representativeness and sales of autoparts	Colombia	-	100	-	100
Frasle Mobility. *(b)*	Manufacturing of parts and accessories to break system in automotive vehicles	Brazil	52.57	-	52.57	-
Freios Controil Ltda. *(d)*	Manufacturing of parts and accessories for automotive vehicles	Brazil	-	100	-	100
Funditubа – Indústria Metalúrgica Ltda. (k)	Casting of iron and steel	Brazil	-	100	-	100
Jiaxing Bafu trading Co. Ltd *(h)*	Export of parts and accessories for vehicles	China	-	100	-	100
Jost Brasil Sistemas Automotivos Ltda. *(b)*	Manufacturing of parts and accessories to automotive vehicles	Brazil	51	-	51	-
Juratek Limited *(p)*	Distribution of autoparts	United Kingdom	-	100	-	-
Jurid do Brasil Sistemas Automotivos Ltda. *(d)*	Manufacturing of parts and accessories for automotive vehicles	Brazil	-	80.10	-	80.10
Hercules Enterprises, LLC *(o)*	Manufacturing and sales of road inputs	USA	-	100	-	100
Master Sistemas Automotivos Ltda. *(b)*	Manufacturing of parts and accessories for automotive vehicles	Brazil	51	-	51	-
Nakata Automotiva Ltda. *(d)*	Manufacturing and sales of parts and accessories for automotive vehicles	Brazil	-	100	-	100
Nione Ltda. *(l)*	Nanotechnology research, production and application unit	Brazil	-	100	-	100
Randon Administradora de Consórcios Ltda. *(b)*	Management of consortia for acquisition of assets and rights	Brazil	99.57	-	99.57	-
Randon Argentina S.A. *(a)*	Manufacturing and sales of road inputs	Argentina	95.12	4.88	95.12	4.88
Randon Automotive Systems USA LLC *(o)*	Operate warehouses for import, storage, supply and distribution of automotive components	USA	-	100	-	-
Randon Auttom Automação e Robótica Ltda. *(b)*	Technological solutions in industrial automation and robotics	Brazil	100	-	100	-
Randon Auttom USA LLC *(n)*	Technological solutions in industrial automation and robotics	USA	-	100	-	100
Randon Collection Comércio de Artigos Promocionais Ltda *(b)*	Retail trade of articles and accessories for clothing	Brazil	100	-	100	-
Randon Corretora de Seguros Ltda. *(b)*	Insurance	Brazil	100	-	100	-
Randon HoldCo USA LLC *(a)*	Holding of non-financial institutions	USA	100	-	100	-
Randon Implementos para o Transporte Ltda. *(b)*	Manufacture of cabins, bodies and trailers for trucks	Brazil	100	-	100	-
Randon Investimentos Ltda. *(b)*	Holding of financial institutions	Brazil	100	-	100	-
Randon Messias Implementos para o Transporte Eireli *(b)*	Manufacture and trade of road implements	Brazil	100	-	100	-
Randon North America LLC	Manufacture and sale of chassis, trailers, transportation equipment and components	USA	100	-	100	-
Randon Perú S.A.C *(a)*	Manufacture, assembly and trade of road implements	Peru	100	-	100	-
Randon Auttom Automação e Robótica Ltda. *(b)*	Manufacture and sale of robot cells, machines and devices	Brazil	96	-	100	-
Randon Triel-HT Implementos Rodoviários Ltda. (b)	Manufacture and trade of road implements	Brazil	51	-	51	-
Randon Veículos Ltda. *(i)*	Manufacturing of machinery and equipment for earth-moving, paving and construction	Brazil	100	-	100	-
Randon Serviços e Participações Ltda. (b)	Holding of non-financial institutions	Brazil	100	-	100	-
Randon USA LLC (a)	Own, manage, develop, promote, invest and trade companies and businesses in the automotive and transport sector	USA	100	-	100	-
RVC Venture Capital Partic. e Invest. Ltda. *(b)*	Holding of non-financial institutions	Brazil	100	-	100	-
R4 Digital S.A *(m)*	Development in logistics and transportation	Brazil	-	-	-	100
Suspensys Automotive Systems (f)	Manufacturing of parts and accessories for automotive vehicles	Mexico	0.12	99.8	0.50	99.5
Suspensys Mogi Guaçu Ltda. (k)	Manufacture of mechanical and air suspensions, third axles, hubs and drums, parts and accessories for motor vehicles	Brazil	-	100	-	-
Tekjur Limited *(p)*	Holding	United Kingdom	-	100	-	-
Venice Implementos Rodoviários Ltda. *(b)*	Manufacturing and sales of road inputs	Brazil	100	-	100	-

Associates	Business Purpose	Host Country	Equity interest percentage			
			2023		2022	
			Direct	Indirect	Direct	Indirect
Addiante S.A (q)	Rental, maintenance and repair of transportation vehicles and machinery and equipment	Brazil	50	-	50	-

(a) Subsidiaries controlled abroad.

(b) Subsidiaries controlled in the country.

(c) Foreign subsidiary with direct control retained by Frasle Mobility.

(d) Subsidiary with direct control retained by Fras-le Mobility in the country.

(e) Foreign subsidiary with direct control retained by Armetal Autopartes S.A.

(f) Foreign subsidiary with direct control retained by Castertech Fundição e Tecnologia Ltda.

(g) Foreign subsidiary with direct control retained by Castertech Fundição e Tecnologia Ltda.

(h) Subsidiary with direct control held by Fras-le Friction Material Pinghu Co Ltda.

(i) Subsidiary in the country and discontinued operation.

(j) Subsidiary with direct control held by Randon Investimentos Ltda.

(k) Subsidiary with direct control held by Castertech Fundição e Tecnologia Ltda. in the country.

(l) Subsidiary with direct control held by Centro Tecnológico Randon Ltda. in the country.

(m) Subsidiary with direct control held by RVC Venture Capital Partic. and Invest. Ltda. in the country.

(n) Foreign subsidiary with direct control retained by Randon Auttom Automação and Robótica Ltda.

(o) Foreign subsidiary with direct control retained by Randon Holdco USA LLC.

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

(q) Associate with participation of Randon Serviços e Participações Ltda.

3 Standards, amendments and interpretations

a. Initial application – Revision of CPC 25- Provisions, Contingent Liabilities and Contingent Assets

On January 1, 2022, the Company carried out the initial application of revision of CPC 25 (IAS 37), which included and amended the paragraphs related to provision for onerous contracts.

As of December 31, 2023, the balance recognized by the Company totals R$355 (R$33 as of December 31, 2022) in equity, as an adjustment of the opening balance, resulting from the initial application of this standard, according to the guidance of revised CPC 19, as approved by the Brazilian FASB (“CPC”) on October 1, 2021.

b. BCB Ruling No. 120/21 of the Central Bank of Brazil

On July 27, 2021, the Central Bank of Brazil substantiated a proposal to issue a ruling that establishes general principles for the accounting recognition, measurement, bookkeeping and disclosure aligned with the Accounting Pronouncements regarding the Conceptual Framework for Financial Reporting (CPC 00), Impairment of Assets (CPC 01), Accounting Policies, Changes in Accounting Estimates and Errors (CPC 23), Fair Value Measurement (CPC 46) and Revenue from Contracts with Customers (CPC 47). The standard is directed to consortium administrators and payment institutions authorized by the Central Bank of Brazil. This Ruling is forward-looking and became effective as of January 1, 2022.

With application of the standard by subsidiary Randon Administradora de Consórcios Ltda., which took place in the 4Q2022, the Company presented a consolidated balance, as of December 31, 2023, of Assets increased by R$252,964 (R$96,627 as of December 31, 2022), mainly referring to prepaid commission expenses, and Liabilities increased by R$124,850 (R$65,286 as of December 31, 2022), mostly related to recognition of deferred revenue. In the statement of profit or loss for the year ended December 31, 2023, the impact occurred mainly on revenues, with a decrease of R$50,980, and on selling expenses, with a decrease of R$149,148, related to commissions, and an increase of R$1,396 in the allowance for expected credit losses. Net impact on P&L for the year was R$92,772.

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 judgments, uncertainties related to assumptions and estimates that pose a significant risk of material adjustment within the year ended December 31, 2023 is included in the notes as follows:

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 – Customers
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 23 - Objectives and policies for financial risk management
Note 27 – Income taxes
Note 28 – Net sales revenue
Note 32 – Financial result

5 Business combinations and goodwill

Business combinations are accounted for using the acquisition method when control is transferred to the Company. The cost of an acquisition is measured as the aggregate of the consideration transferred, which is measured at acquisition date fair value, and the amount of any noncontrolling interests in the acquiree. For each business combination, the acquirer shall measure the noncontrolling interests in the acquiree at fair value or at its proportionate share of the acquiree's identifiable net assets. Acquisition-related costs are expensed as incurred.

The consideration transferred does not include amounts relating to the payment of existing relationships. These amounts are generally recognized in profit or loss the period in which they occur.

Any contingent consideration payable is measured at fair value on the date of acquisition. If the contingent consideration is classified as an equity instrument, then it is not remeasured, and its settlement is accounted for within equity. Other contingent considerations are remeasured at fair value at each reporting date with subsequent changes in fair value accounted for 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 less than the fair value of net assets acquired, the difference should be recognized as a gain in the statement of profit or loss under other operating expenses.

a. Acquisitions and transaction in 2023

- Acquisition of AML Juratek Limited.

As communicated to the market on February 16, 2023, subsidiary Fras-le Europe B.V. entered into the Purchase and Sale Agreement for the purpose of acquiring all the shares of AML Juratek Limited. ("AML"), based in Doncaster, United

Kingdom. AML is the parent company of Juratek and Bettaparts, operating companies with a long history in the European auto parts aftermarket.

This is a move in the Company's strategy to expand business in the aftermarket segment in mature markets, through product diversification and expansion of trademarks in its portfolio.

The transaction took place effectively on March 1, 2023, after compliance with all conditions precedent contained in the Purchase and Sale Agreement, and is not subject to approval by antitrust bodies in any jurisdiction.

On September 11, 2023, the appraisal report of the fair value of assets acquired and liabilities assumed in this acquisition was completed, including the calculation and allocation of goodwill in accordance with CPC 15 (R1) - Business Combination (IFRS 3). Compared to the disclosure made as of 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.

Assets acquired and liabilities assumed considering AMS' statement of financial position as of March 1, 2023, and the fair value adjustments estimated based on the experts' preliminary report are summarized below.

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

Goodwill recognized as acquisition gain or loss was determined as follows:

Consideration transferred (a)	114,478
Equity acquired	8,822
Identifiable assets	
Intangible (b)	94,363
Deferred income tax and social contribution	(23,591)
Goodwill computed for 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 thousand, equivalent to R$ 114,478 on March 1, 2023. Of this amount £ 16,085 mil (R$ 100,605) was paid in the transaction closing and £ 2,218 thousand (R$ 13,873) payable within two (2) years from the date of acquisition, of which £ 1,823 thousand (R$ 11,402) arising from financial investments of restricted liquidity until the fulfillment of the contractual provisions. Additionally, the amount of £ 395 thousand (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's statement of financial position on the closing date of the transaction. As of December 31, 2023, the 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 thousand, equivalent to R$ 82,492 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 15 years and the fair value allocated, on the acquisition date, was £ 1,898 thousand, equivalent to R$ 11,871 on March 1, 2023 amortized over the term of its useful life.

The goodwill calculated in the amount of £ 5,577 thousand, equivalent to R$ 34,884 on March 1, 2023, represents the expected future economic benefit of the synergies arising from the acquisition and expansion of operations in the international market of road implements, in line with strategic guidelines. AML Juratek contributed with net revenue of R$ 153,448 and net income of R$ 17,078 from the acquisition date until December 31, 2023. Had the combination occurred at the beginning of that year, consolidated net revenue for 2023 would have totaled R$ 10,913,081, and consolidated net income for 2023 would have totaled R$ 383,336.

- Acquisition of DBServer Assessoria em Sistemas de Informação Ltda.

As communicated to the market on December 16, 2022, subsidiary Randon Serviços e Participações Ltda. entered into the Purchase and Sale Agreement for the purpose of acquiring 51% of the units of interest of the DB Server Assessoria em Sistemas de Informação Ltda. capital. (“DB”), which operates in the business-to-business (B2B) segment, with professional services specialized in technology and innovation, serving large corporations in Brazil and abroad, and participating in all stages of the life cycle of a digital product, located in the city of Porto Alegre, state of Rio Grande do Sul.

The Company’s main objective with this transaction is to expand the portfolio of digital solutions and accelerate the digitalization process of Randoncorp.

The transaction took place effectively on February 15, 2023, after compliance with all condition’s precedent contained in the Purchase and Sale Agreement, and is not subject to approval by antitrust bodies in any jurisdiction.

On February 02, 2024, the work of expert appraisers engaged to determine the fair value of the assets acquired and the liabilities assumed in the acquisition, including calculation and allocation of goodwill, in accordance with CPC 15 (R1) - Business Combinations (IFRS 3), were completed, and presented adjustments compared with the recognition initially made. In the period ended June 30, 2023, the Company identified an adjustment in the initial recognition of Equity, which entailed a contra entry in goodwill in the amount of R$5,079; with the completion of the experts’ work, the amounts of revaluation surplus identified were adjusted, as well as the price adjustment in the amount of R$4,118 related to working capital.

Assets acquired and liabilities assumed considering DB’ statement of financial position as of February 1, 2023, and the fair value adjustments estimated based on the experts’ report are summarized below.

	Carrying amount	Fair value
Assets	29,605	45,080
Current		
Cash and cash equivalents	5,228	5,228
Customers	18,784	18,784
Other assets	5,593	5,593
Non-current		
Property, plant and equipment	-	994
Intangible	-	14,481
Liabilities	13,446	13,446
Current		
Suppliers	7,015	7,015
Salaries and charges	3,053	3,053
Other liabilities	3,378	3,378
Assets net of liabilities	16,159	31,634

The Company recognized the acquisition of 100% control over the acquiree, based on the Early Acquisition method, in accordance with CPC 15 (R1) – Business Combination (IFRS 3).

The balance payable of the remaining amount referring to the 49% was determined at a fixed amount in the contract, which can be made by the Company from the date provided for in the contract (February 2026). Management, based on the structure of the transaction, concluded that the essence of the operation does not constitute a contractual option.

Goodwill recognized as acquisition gain or loss was determined as follows:

Consideration transferred (a)	49,618
Equity acquired	16,159
Identifiable assets	
Property, plant and equipment	994
Intangible (b)	14,481
Deferred income tax and social contribution	(5,261)
Goodwill computed for the transaction	23,245

(a) The consideration involved in this operation considered the fair value of all payments and debts assumed. The total consideration of the acquiree was R$49,618 on February 1, 2023. Of this amount, R$7,735 were paid on February 15, 2023, R$17,570 payable within two (2) years from the date of acquisition and R$24,313 payable at the time of the exercise of the remaining acquisition, which occurs within 4 (four) years. The amount of consideration transferred may be reviewed within 90 days from the transaction closing date. At December 31, 2023, the balance payable was R$43,588, since it was restated by the positive variation of the Extended Consumer Price Index (IPCA), as described in the contract, in the amount of R$1,705.

(b) The identified intangible asset whose value can be safely measured by the Company refers to the customer portfolio. 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 8.92 years. The fair value allocated to client relationships on the acquisition date was R$ 14.481 at February 1, 2023, which will be amortized over its useful life.

The goodwill calculated in the amount of R$23,245 on February 1, 2023 represents the expected future economic benefit of the synergies arising from the acquisition. DB contributed with net revenue of R$102,693 and net income of R$11,947 from the acquisition date until December 31, 2023 to P&L for the year. Had the combination occurred at the beginning of that year, consolidated net revenue for 2023 would have totaled R$10,900,860, and consolidated net income for 2023 would have totaled R$390,819.

- Incorporation of Ferrari Indústria Metalúrgica Ltda. by Master Sistemas Automotivos Ltda.

On April 01, 2023, the Management approved the merger of Ferrari Indústria Metalúrgica into Master Sistemas Automotivos Ltda. The merger did not result in a capital increase, which will remain unchanged, considering that the investment that Master had in Ferrari was cancelled and replaced by the assets and liabilities absorbed as a result of the merger.

On April 01, 2023, Ferrari's asset and liability balances were incorporated by Master at the carrying amount shown below:

	Carring amount 03/31/2023
Assets	10,764
Current	8,713
Cash and cash equivalents	1,320
Customers	3,659
Inventories	3,581
Recoverable taxes	33
Other assets	120
Non-current	2,051
Recoverable taxes	54
Deferred taxes	70
Judicial deposits	29
Property, plant and equipment	1,291
Intangible	8
Loans	599
Liabilities	10,764
Current	5,136
Suppliers	3,267
Property, plant and equipment	1,137
Provisions	322
Client advances	93
Leases	317
Non-current	448
Deferred taxes	106
Leases	342
Equity	5,180
Capital	9,230
Accumulated losses	(5,405)
Results at the year end	1,355

b. Acquisitions and transactions in 2022

- Acquisition of Hercules Enterprises, LLC

According to material news released on July 7, 2022, subsidiary Randon HoldCo USA LLC ("HoldCo") entered into a Membership Interest Purchase Agreement ("MIPA") for the purpose of acquiring the entire membership interests of Hercules Enterprise, LLC, engaged in trailer and semi-trailer manufacturing activities, located in the state of New Jersey, United States of America.

The main objective of the acquisition of the business is to expand operations in the international road equipment market in line with its strategic guidelines.

The operation took place effectively on November 1, 2022, after compliance with all conditions precedent contained in the Purchase and Sale Agreement, and is not subject to approval by antitrust bodies in any jurisdiction.

On February 27, 2023, the work of expert appraisers engaged to determine the fair value of the assets acquired and the liabilities assumed in the acquisition, including calculation and allocation of goodwill, in accordance with CPC 15 (R1) - Business Combinations (*IFRS* 3), were completed, and presented no adjustments compared with the recognition initially made.

Assets acquired and liabilities assumed considering Hercules' statement of financial position as of November 1, 2022, and the fair value adjustments estimated based on the experts' report are summarized below.

	Carrying amount	Fair Value
Assets	158,658	332,675
Current		
Cash and cash equivalents	1,719	1,719
Customers	27,691	27,691
Inventories	92,510	93,687
Other assets	130	130
Non-current		
Property, plant and equipment	7,093	15,915
Intangible	-	164,018
Leases	29,515	29,515
Liabilities	71,350	71,350
Current		
Suppliers	33,166	33,166
Leases	3,102	3,102
Other liabilities	8,614	8,614
Non-current		
Leases	26,413	26,413
Other non-current liabilities	55	55
Assets net of liabilities	87,308	261,325

Goodwill recognized as acquisition gain or loss was determined as follows:

Consideration transferred (a)	405,750
Equity acquired	87,308
Identifiable assets	
Property, plant and equipment (b)	1,177
Intangible assets (c)	8,822
Deferred income tax and social contribution (d)	164,018
Goodwill computed for the transaction	144,425

(a) The consideration involved in this operation considered the fair value of all payments and debts assumed. The total consideration of the acquiree was US$77,183 thousand, equivalent to R$405,750 on November 1, 2022. Of this amount, US$43,280 (R$227,522) were paid in 2022 end and US$33,903 thousand (R$178,228) payable within three (3) years from the date of acquisition. Of this amount, US$5,500 thousand (R$28,914) derive from financial investments of restricted liquidity until the fulfillment of contractual clauses. The contingent consideration comprises mainly amounts retained totaling US$25,800 thousand (R$135,631) that are conditioned on business performance. The term for payment of these amounts is of one (1) year. In addition, the amount of US$2,603 (R$13,684) was recognized referring to the difference in working capital set when the deal was closed in relation to the amount presented in Hercules' statement of financial position on the transaction closing date. In the 1st quarter of 2023, the Company made the partial release in restricted investments, in the amount of US$1,000 thousand (R$5,208) and the payment of the working capital difference in the amount of US$2,603 thousand (R$13,528). As of December 31, 2023, the restated balance payable was US$30,376 thousand (R$147,059).

(b) Inventories of the acquiree on the date of acquisition comprised raw materials, work in process and finished products. For the valuation of inventories, the items were counted and measured at fair value. The fair value allocated to inventories was US$224, equivalent to R$1,177, on November 1, 2022.

(c) The property, plant and equipment items of the acquiree on the acquisition date consisted mostly of industrial machinery and equipment. For valuation of PPE, the direct market data comparative, cost quantification methods and historical cost were used.

The first method analyzes market conditions and transactions comparable to the asset being valued, so that the fair value may be determined based on reliable and available sales data. The second method consists of assessing the value and associated amounts for substitution, replacement or reproduction of the assets. As for the historical cost valuation method, the value of the asset is determined based on the monetary restatement of its cost of acquisition, calculated in accounting records, and by applying specific economic indexes, generally used by competent and official agencies. The fair value allocated to PPE was US$1,678 thousand, equivalent to R$8,822, on November 1, 2022.

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

(d)The identified intangible asset whose value can be safely measured by the Company refers to the customer portfolio. 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 19 years. The fair value allocated to customer relationship, on the acquisition date, was US$24,200 thousand, equivalent to R$127,219 on November 1, 2022, 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 thousand, equivalent to R$36,799, on November 1, 2022, amortized over the term of its useful life.

The goodwill calculated in the amount of US$27,473, equivalent to R$144,425 on November 1, 2022, represents the expected future economic benefit of the synergies arising from the acquisition and expansion of operations in the international market of road implements, in line with strategic guidelines. Hercules LLC contributed with net revenue of R$52,502 and net income of R$6,664 from the acquisition date until December 31, 2022 to P&L for the year. Had the combination occurred at the beginning of that year, consolidated net revenue for 2022 would have totaled R$11,459,232, and consolidated net income for 2022 would have totaled R$477,190.

- Acquisition of Isolated Production Unit Mogi

As communicated to the market, the Company won in a judicial auction held on November 4, 2022, through its subsidiary Castertech Araraquara Ltda., the Single Generating Unit Mogi (“UPI Mogi”), located in Mogi Guaçu (SP), owned by Fundição Balancins Ltda. under in-court reorganization. The acquisition involves the assets of UPI Mogi, without any succession of debts and contingencies, and was acquired for the total amount of R$40,000.

As this concerns acquisition of assets, the transaction does not meet the recognition requirements under CPC 15 - Business Combination (IFRS 3). All assets were acquired free of any encumbrance, and there was no succession of the buyer in the debtor’s obligations of any nature, including, but not limited to, those of an environmental, regulatory, administrative, criminal, anti-corruption, tax and labor natures.

The assets acquired were registered at the acquisition amount and registered as assets in subsidiary Castertech Araraquara Ltda., which will have its location transferred to the city of Mogi Guaçu, São Paulo.

The objective of the acquisition is to increase the installed capacity of cast and machined items, expanding the performance in this market, which is in rapid growth, driven by the automotive and agribusiness sectors. Start-up is estimated to occur in 2024.

- Acquisition of shareholdig of Castertech Schroeder Ltda pela Master Sistemas Automotivos Ltda.

On September 1, 2022, the Company's subsidiaries Master Sistemas Automotivos Ltda. and Castertech Fundição e Tecnologia Ltda. signed a Purchase and Sale Agreement for 20% of the units of interest of Castertech Schroeder Ltda., an entity controlled by the Company.

The price paid for the purchase of ownership interest in the acquiree was R$19,860 paid at the time of the transaction.

The value of the transaction was measured considering on an economic-financial valuation of Castertech Schroeder, using the Discounted Cash Flow method, based on the future profitability of the business, which does not present significant differences when compared to the carrying amount.

Net assets and liabilities of the acquisition were measured considering Castertech Schroeder's statement of financial position as of August 31, 2022. The surplus price resulting from the acquisition of the subsidiary under common control was accounted for in equity of the Subsidiaries, using the interest combination method as accounting policy (or method of accounting for the predecessor cost). The amounts recorded in Equity of the Subsidiaries are eliminated upon the consolidation of the Company's information.

c. Accounts payable by business combination

The composition of the accounts payable by business combination, on December 31, 2023 and December 31, 2022, respectively, are shown as follows:

	Parent Company		Consolidated	
	12/31/2023	12/31/2022	12/31/2023	12/31/2022
Hercules Enterprises LLC.	-	-	147,059	176,896
Nakata Automotiva Ltda.	-	-	106,962	146,500
DBServer Assessoria em Sistemas de Informação Ltda.	-	-	43,588	-
Fremax Sistemas Automotivos Eireli	-	-	14,625	12,938
AML Juratek Limited.	-	-	11,395	-
Armetal Autopartes S.A.	-	-	12,750	11,265
CNCS Indústria Metalúrgica Ltda.	-	-	3,840	5,325
Fundituba Indústria Metalúrgica Ltda.	-	-	4,058	5,007
Ferrari Indústria Metalúrgica Ltda.	-	-	2,747	2,416
Randon Corretora de Seguros Ltda.	925	817	925	817
Total	925	817	347,949	361,164
Current	-	-	179,314	173,094
Non-current	925	817	168,635	188,070

Business combinations undergo monetary restatement, as follows: Hercules - variation from the translation of the statement of financial position; Nakata - 115% of the CDI; DBServer - positive variation of the IPCA; Fremax - 102% of the CDI; AML - Juratek 4.25% p.a.; Armetal - 100% of the CDI; CNCS - 100% of the CDI; Fundituba - for the use of loss tax; Ferrari - 105% of the CDI; and Randon Corretora - 100% of the CDI.

In the year ended December 31, 2023, Subsidiary Frasle Mobility reviewed its estimates for future tax benefits, taking into consideration the new projections and changes introduced by Law No. 14789/2023, which modified the taxation on tax incentives of Subsidiary Nakata Automotiva Ltda. This review resulted in a decrease in the liability in "accounts payable" due to business combination, in the amount of R$16,701, of which R$28,498 were recognized as other operating income and (R$11,797) as a present value adjustment, in finance income (costs). As of December 31, 2022, the review generated an increase of R$16,229.

In addition, the Company reduced its obligations with business combinations, in the amount of R$24,517, related to the rescission action described in Note 21. This amount represents the net expectation of cash disbursement expected for the coming periods. The amount was originally retained through an escrow account, established 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 the payment of contingencies that occurred over the year.

In the year ended December 31, 2023, subsidiary Castertech Fundição e Tecnologia Ltda. made part of the payment for the business combination of CNCS Indústria Metalúrgica Ltda., in the amount of R$629.

6 Information by segment

As of 2022, with the growth and expansion of the business, the Company revisited the segregation and presentation of its operating segments. The new segregation of information by segment is presented below and takes into account the operating results that the Company management uses in business decision-making. Segment performance is evaluated based on operating profit or loss, and company financing (including financing income and expense) and income taxes are managed within the consolidated scope, not allocated to operating segments. The Company reflected changes in segments for the years ended December 31, 2022 and 2021 in order to maintain the comparability of information.

(a) Assembly plant segment: comprises the results of the business units of implements, trailers, semi-trailers, railroad cars, off-highway trucks, backhoes, among other road implements.

(b) Auto parts segment: comprises the results of the business units of axle beams, suspension components, air brakes and coupling systems, and joints for trucks.

(c) Motion control segment: comprises the results of the friction materials business units.

(d) Financial services segment: comprises the results of the consortium, financial services and insurance business units.

(e) Advanced technology segment and headquarters: comprise the results of the industrial automation and technology and innovation services business units managed by the headquarters, as well as shared corporate services and equity interests.

6.1Information per business segment

	Assembly		Motion Control		Digital and financial services		Auto parts		Advanced tech and HQ		Adjustments and eliminations		Total consolidated	
	2023	2022	2023	2022	2023	2022	2023	2022	2023	2022	2023	2022	2023	2022
Net operating income	4,549,945	4,601,293	3,388,657	3,058,171	704,675	447,368	3,280,158	4,145,356	163,252	155,524	(1,198,844)	(1,255,295)	10,887,843	11,152,417
Costs of products sold and services provided	(3,915,720)	(3,985,924)	(2,250,055)	(2,154,694)	(270,931)	(149,155)	(2,587,445)	(3,265,477)	(65,936)	(74,282)	995,599	1,101,877	(8,094,488)	(8,527,655)
Gross Income	634,225	615,369	1,138,602	903,477	433,744	298,213	692,713	879,879	97,316	81,242	(203,245)	(153,418)	2,793,355	2,624,762
Operating expenses	(372,299)	(305,423)	(595,596)	(570,453)	(259,611)	(178,537)	(259,753)	(278,349)	(142,536)	(120,544)	123,078	81,080	(1,506,717)	(1,372,226)
Equity in net income	-	-	(452)	16	(2,070)	(280)	-	-	480,233	534,028	(479,781)	(534,044)	(2,070)	(280)
Net financial result	(205,112)	(196,224)	(15,871)	(84,200)	6,272	4,228	(55,721)	(54,598)	(150,433)	(110,459)	77,537	70,952	(343,328)	(370,301)
Segment profit (before taxes on profit)	56,814	113,722	526,683	248,840	178,335	123,624	377,239	546,932	284,580	384,267	(482,411)	(535,430)	941,240	881,955

6.2Net sales per geographical segments

	Assets	
	2023	2022
Brazil	4,629,032	4,301,541
United States	414,305	442,384
England	134,021	-
Argentina	90,424	127,461
China	47,908	58,858
India	40,524	49,996
Uruguay	18,673	42,086
Netherlands	6,286	8,565
Mexico	2,288	7,123
Germany	217	68
Colombia	183	190
Chile	90	117
Elimination	(148,887)	(157,901)
Total	5,235,064	4,880,488

*Total assets are made up of total long-term assets less 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.

			Parent Company		Consolidated	
	Indexer	Remuneration	2023	2022	2023	2022
Cash and banks			76,111	24,498	246,761	83,354
Cash in transit *(a)*			9,312	15,675	30,526	35,400
Financial Investments	CDB and CDI	75% to 106.35%	1,041,080	1,079,438	2,587,520	2,386,108
Total			1,126,503	1,119,611	2,864,807	2,504,862

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

Note 23 describes the credit risk practice and policy.

8 Long-term 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, and Financial Treasury Bills (LFT), federal public securities. Classification of short-term investments depends on the purpose for which they were acquired and are adjusted to fair value, based on their category. When applicable, costs directly attributable to acquisition of a financial asset are added to the amount originally recognized.

			Parent Company		Consolidated	
Investments	Indexer	Remuneration	2023	2022	2023	2022
CDB and repurchase agreements	CDB and CDI	102%-104%	-	65,140	61,284	687,031
LFT	CDI	100%		-	38,858	26,002
Total			-	65,140	100,142	713,033
Current			-	65,140	52	624,009
Non-current				-	100,090	89,024

9 Customers

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

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

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

The criterion for setting up allowance for doubtful accounts takes into consideration historical losses per portfolio maturity bracket.

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

Annually, the observed historical loss rates are updated and changes in the forward-looking estimates are analyzed. The assessment of the correlation between observed historical loss rates, forecast economic conditions, and expected credit losses are significant estimates.

	Parent Company		Consolidated	
	2023	2022	2023	2022
Domestic	139,251	254,067	2,535,823	2,175,447
- Third Parties	71,458	130,093	2,505,532	2,119,217
- Related parties (note 12)	67,483	123,487	29,033	42,217
- Vendor	310	487	1,258	14,013
Abroad	145,947	238,199	429,900	415,316
- Third Parties	105,933	140,643	332,753	380,396
- Related parties (note 12)	40,014	97,556	97,147	34,920
Subtotal	285,198	492,266	2,965,723	2,590,763
Less:				
- Adjustment to present value	(2,055)	(4,660)	(5,693)	(7,073)
- Allowance for expected credit losses	(5,470)	(20,931)	(36,777)	(56,289)
Total	277,673	466,675	2,923,253	2,527,401
Current	277,673	466,675	2,139,863	1,914,901
Non-current	-	-	783,390	612,500

At December 31, 2023 and 2022, the parent company has days sales outstanding in the domestic market of 29 and 38 days respectively, and in the foreign market of 83 and 84 days, respectively. Days sales outstanding of noncurrent assets in the consolidated statements are of 1024 days in December 31, 2023, and 959 days in December 31, 2022, and refer mostly to transactions with financial institutions. Changes in the allowance for doubtful accounts are as follows:

	Parent Company		Consolidated	
	2023	2022	2023	2022
Balance at the beginning of the year	(20,931)	(18,414)	(56,289)	(44,962)
Additions due to business combination	-	-	(359)	(755)
Additions	(6,211)	(8,205)	(38,482)	(45,315)
Recoveries/realization	10,661	5,688	47,342	34,743
Reversal of allowance – first-time adoption of CPC 48/IFRS9	11,011	-	11,011	-
Balances at the end of the year	(5,470)	(20,931)	(36,777)	(56,289)

On December 31, 2023 and 2022, the analysis of balances of trade accounts receivable per maturity date is as follows

	Parent Company		Consolidated	
	2023	2022	2023	2022
Falling due	170,247	381,921	2,765,341	2,391,287
Overdue(days):				
1 - 30	68,961	20,705	149,581	109,447
31 - 60	12,285	10,618	15,849	27,152
61 - 90	5,148	9,260	7,530	10,381
91 - 180	11,107	10,041	12,238	13,747
> 181	17,450	59,721	15,184	38,749
Total	285,198	492,266	2,965,723	2,590,763

In the parent company's balances, accounts receivable overdue over 91 days is represented mainly by sales of products to subsidiaries, according to Note 12.

The exposure of the group to credit and currency risk related to trade accounts receivable is presented 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
Work in process	125,167	168,914	340,783	415,326
Raw materials	121,192	141,836	605,426	799,074
Auxiliary and maintenance materials	85,733	113,873	316,584	353,351
Finished goods	59,554	133,543	397,645	495,615
Imports in transit	7,275	36,451	126,379	167,208
Advances to suppliers	1,146	3,421	6,566	18,447
Inflation adjustment	-	-	33,474	15,134
Provision for inventory losses	(11,366)	(17,490)	(53,629)	(59,294)
Total	388,701	580,548	1,773,228	2,204,861

The Company uses estimates to evaluate inventories realization. Net realizable value is the estimated selling price in the ordinary course of business, less the estimated costs of its completion and sales expenses. The provision for inventory losses is set up considering historical losses on the realizable value and inventory turnover. Changes in the provision for inventory losses are as follows:

	Parent Company		Consolidated	
	2023	2022	2023	2022
Balance at the beginning of the year	(17,490)	(7,720)	(59,294)	(33,465)
Addition due to business combination	-	-	(1,063)	(2,830)
Additions	(12,808)	(13,698)	(50,947)	(43,351)
Write-offs/realizations	18,932	3,928	57,675	20,352
Balances at the end of the year	(11,366)	(17,490)	(53,629)	(59,294)

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
Pis and Cofins (a)	325,111	419,957	426,248	579,959
IRPJ and CSLL (b)	209,770	158,820	295,548	243,322
ICMS (c)	62,543	98,131	128,629	162,860
IPI (d)	41,118	95,886	51,447	113,675
IVA (f)	-	-	37,868	54,356
Import Tax (e)	-	8,397	27,407	19,892
Reintegra (h)	1,191	769	3,591	2,551
Goods and Services Tax (GTS) India (g)	-	-	1,041	658
Others	3,002	196	13,318	17,742
Total	642,735	782,156	985,097	1,195,015
Current	245,551	208,849	484,951	477,476
Non-current	397,184	573,307	500,146	717,539

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

The Company has a balance in assets arising from the action to exclude ICMS from the PIS and COFINS tax base, which as of December 31, 2023 totaled R$303,961 in the parent company and R$326,261 in the consolidated financial statements (R$395,943 and R$419,221, as of December 31, 2022, respectively).
In June 2023, the Parent Company filed a claim for tax refund, aiming to recognize the right to receive undue tax payment, through court-ordered debt notes ("precatórios"), in the amount of R$178,890. From the initial recognition of the asset until the year ended December 31, 2023, the consolidated amount of R$660,721 was offset.
The Company also has noncumulative PIS and COFINS tax credits, mainly deriving from purchase of property, plant and equipment, which are offset in monthly consecutive installments, as determined by legislation.

b. Income Tax (IRPJ) and Social Contribution (CSLL) and exclusion of SELIC from tax bases

Refers to withholding income tax on financial investments and income tax and social contribution prepayments through an offset against federal taxes and contributions due.
On September 24, 2021, in judging an appeal with general repercussion, the Federal Supreme Court (STF) decided that levy of IRPJ and CSLL on the restatement of the Central Bank Benchmark rate (SELIC), imposed on undue tax payments, is unconstitutional.
the Company recognized IRPJ and CSLL recoverable of R$96,572 and R$160,170, individual and consolidated, respectively, in the year ended December 31, 2021. As of December 31, 2022, the balance in assets arising from the lawsuit for exclusion of SELIC from the IRPJ and CSLL tax bases totaled R$106,098 and R$175,399, individual and consolidated, respectively.
The other amounts that are not included in the claim described above refer to amounts calculated in the operations.

Legal entities Frasle Mobility, Jost Brasil Sistemas Automotivos Ltda., Master Sistemas Automotivos Ltda. and Randon Administradora de Consórcios Ltda., were handed down a favorable and unappealable court decision as well as administrative validation granted by the Tax Authorities.

Legal entities Randon S.A. Implementos e Participações, Fremax Sistemas Automotivos, and Jurid do Brasil Sistemas Automotivos LTDA. were handed down a favorable and unappealable court decision and are in the phase of credit validation before the Tax Authorities.

Legal entities Nakata Automotiva Ltda., Freios Controil Ltda., Ferrari Indústria Metalúrgica Ltda., Castertech Fundição e Tecnologia Ltda., and Fundituba Indústria Metalúrgica Ltda. are awaiting the final and unappealable decision on their related lawsuits regarding this thesis.

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

From the initial recognition of the asset until the year ended December 31, 2023, the consolidated amount of R$33,166,933 was offset.

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. Excise tax (IPI)

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

e. Import duty (II)

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

f. Value added tax (IVA)

The balance is composed of value added tax credits recoverable from the subsidiary Randon Argentina S.A., 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.

g. 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.

h. Reintegra

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

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. 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. Intercompany loan balances between parent company and foreign subsidiaries have a fixed maturity and are restated by sovereign bond trading rates.

The commercial transactions carried out with these related parties follow specific pricing policies and terms established in an association agreement between the parties. The commercial agreement takes into account the term, volume and specificity of products purchased by related parties, which are not comparable to those sold to unrelated parties.

For commercial transactions of the parent company with term maturities, the Company uses the Interbank Deposit Certificate (CDI) as the interest rate, which is the same reference rate for commercial transactions with third parties. For commercial transactions with payment in cash, no interest is charged.

The main balances of assets and liabilities as of December 31, 2023 and 2022, as well as the transactions that influenced income for the years ended on December 31, 2023 and 2022, elating 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.

The Company's main operations with subsidiaries and other related parties are presented below:

Operations with related parties	Banco Randon	Castertech and subsidiaries	Frasle and subsidiaries	Jost	Master and subsidiaries	Randon Consórcios	Randon Argentina	Randon Implementos Transportes	Venice	Other subsidiaries	Total subsidiaries
Customers	202	2,468	10,927	351	1,893	-	24,979	1,250	48,903	16,359	107,332
Short-term investments and others	117,961	-	-	-	-	-	-	-	-	-	117,961
Interest on own capital and dividends receivable	2,694	29,009	28,071	4,460	11,958	22,300	-	-	-	-	98,492
Intercompany loans receivable	-	-	-	-	-	-	12,476	72,782	-	446	85,704
Other account receivables	-	-	-	819	-	-	-	-	-	2	821
Suppliers	-	(26,913)	(40)	(18,493)	(7,392)	-	-	(3,918)	-	(745)	(57,501)
Advances to customers	(2)	(325)	-	(12)	(27)	(1)	-	-	-	(128)	(495)
Other liabilities	(8,365)	-	-	-	-	-	-	-	-	-	(8,365)
Other accounts payable	(206)	(1,451)	(2,422)	(19)	(769)	(253)	(144)	(105)	-	(579)	(5,948)
Assets (Liabilities) balance in December 31, 2023	112,284	2,788	36,536	(12,894)	5,663	22,046	37,311	70,009	48,903	15,355	338,001
Sales of products and services	2,098	32,017	40,877	1,690	11,616	2,730	41,489	91,149	227,337	34,550	485,553
Purchases of products and services	-	(752,413)	(4,910)	(230,751)	(103,216)	-	(59)	(60,894)	(3,825)	(16,004)	(1,172,072)
Other net income/operating and financial expenses	(29,662)	30,345	45,934	6,671	16,931	7,248	(102,298)	11,593	506	7,809	(4,923)
Balances at December 31, 2023	(27,564)	(690,051)	81,901	(222,390)	(74,669)	9,978	(60,868)	41,848	224,018	26,355	(691,442)

Operations with related parties	Banco Randon	Castertech and subsidiaries	Frasle and subsidiaries	Jost	Master and subsidiaries	Randon Consórcios	Randon Argentina	Randon Implementos Transportes	Venice	Other subsidiaries	Total subsidiaries
Customers	-	2,697	5,204	-	1,493	-	84,872	41,937	62,428	22,378	221,009
Short-term investments and others	261,099	-	-	-	-	-	-	-	-	-	261,099
Interest on own capital and dividends receivable	3,939	40,791	21,215	4,227	15,506	14,716	1,748	-	-	-	102,142
Intercompany loans receivable	3	29,297	-	-	-	-	16,441	42,283	-	5,859	93,883
Other account receivables	88	29	47	-	-	-	-	-	-	40	204
Suppliers	(72)	(37,504)	(2)	(12,819)	(6,905)	-	-	(19,188)	-	(2,217)	(78,707)
Advances to customers	-	(17)	-	-	(57)	-	-	-	-	(55)	(129)
Other liabilities	(4,319)	-	-	-	-	-	-	-	-	-	(4,319)
Other accounts payable	-	(9)	(5)	(3)	(35)	(26)	-	-	-	(15)	(93)
Asset (liability) balance as of December 31, 2022	260,738	35,284	26,459	(8,595)	10,002	14,690	103,061	65,032	62,428	25,990	595,089
Sales of products and services	1,410	40,749	19,118	519	11,756	2,941	69,933	73,872	124,572	29,957	374,827
Purchases of products and services	-	(837,304)	(6,083)	(223,357)	(111,338)	-	(89)	(64,570)	(1,715)	(13,543)	(1,257,999)
Other net income/operating and financial expenses	(20,693)	49,233	46,425	5,614	15,391	4,773	1,116	4,388	110	4,424	110,781
Balances at December 31, 2022	(19,283)	(747,322)	59,460	(217,224)	(84,191)	7,714	70,960	13,690	122,967	20,838	(772,391)

Operations with other related parties	Addiante S.A.	Dramd	Instituto Elisabetha Randon	Instituto Hercílio Randon	Other related parties	Total other related parties
Customers	-	-	42	-	123	165
Suppliers	-	-	-	-	(121)	(121)
Advances to customers	(10,292)	-	-	-	(7)	(10,299)
Interest on equity and dividends receivable	-	(40,956)	-	-	(63,215)	(104,171)
Assets (Liabilities) balance at December 31, 2023	(10,292)	(40,956)	42	-	(63,220)	(114,426)
Sales of products and services	77,633	182	263	985	49	79,112
Purchases of products and services	-	-	-	-	(1,419)	(1,419)
Other net income/operating and financial expenses	-	61	-	-	(182)	(121)
Innovation projects – other expenses	-	-	-	(18,664)	-	(18,664)
Donations/assistance grants	-	-	(1,313)	-	-	(1,313)
Balances at December 31, 2023	77,633	243	(1,050)	(17,679)	(1,552)	57,595

Operations with other related parties	Addiante S.A.	Dramd	Instituto Elisabetha Randon	Instituto Hercílio Randon	Other related parties
Customers	-	22	12	-	34
Suppliers	-	-	-	(230)	(230)
Advances to Customers	-	-	-	(12)	(12)
Interest on own capital and dividends receivable	(33,139)	-	-	(50,971)	(84,110)
Assets (Liabilities) balance as of December 31, 2022	(33,139)	22	12	(51,213)	(84,318)
Sales of products and services	109	159	609	472	1,349
Purchases of products and services	-	-	-	(1,826)	(1,826)
Other net income/operating and financial expenses	135	-	-	(149)	(14)
Innovation projects – other expenses	-	-	(16,600)	-	(16,600)
Donations/assistance grants	-	(1,148)	-	-	(1,148)
Balances at December 31, 2022	244	(989)	(15,991)	(1,503)	(18,239)

12.1 Drop down of assets and liabilities of Randon Auttom Automação e Robótica Ltda. by Randon Auttom Ltda.

On May 01, 2023, Management approved the drop down of assets and liabilities of Randon Auttom Automação e Robótica Ltda. by Randon Auttom Ltda. The transferred assets and liabilities were valued by independent external consultants at carrying amount, resulting in a net asset of R$1,775, which is now shown as capital of Randon Auttom Ltda.

On May 01, 2023, Randon Auttom Automação e Robótica Ltda. 's asset and liability balances were incorporated by Randon Auttom Ltda. at the carrying amount shown below:

	Carrying amount at 04/30/2023
Assets	11,466
Current	9,205
Cash and cash equivalents	1,615
Customers	2,456
Inventories	4,743
Recoverable taxes and contributions	250
Other assets	141
Non-current	2,261
Recoverable taxes and contributions	23
Deferred taxes	785
Property, plant and equipment	1,298
Intangible	155
Liabilities and equity	9,691
Current	9,331
Suppliers	2,659
Salaries and social wages	997
Recoverable taxes and contributions	2,145
Advances to Customers	1,725
Other debits	1,805
Non-current	360
Deferred taxes	360
Equity	1,775
Capital	1,775

12.2 Debt relief with subsidiary Randon Argentina

In the second half of 2023, due to the economic scenario and restrictions on remittances from outside the country of Argentina, Management approved the debt relief with subsidiary Randon Argentina. This operation resulted in the write-off, as a loss of receivables, of notes amounting to USD20 million (R$99,502). Likewise, the amount of USD785 thousand (R$3,847) referring to the interest on the intercompany loan that Randon Argentina has with the Parent Company was written off, as described in Notes 31 and 32, respectively.

12.3 Key management personnel compensation - Company and subsidiaries

The Company and its subsidiaries have defined as key personnel: the Board of Directors, the Statutory Board, the Supervisory Board, the Non-Statutory Board and the main executives of the subsidiaries. The amounts referring to key management personnel compensation are as follows:

	Parent Company		Consolidated	
	2023	2022	2023	2022
Short- and long-term benefits (a)	37,408	45,464	57,328	71,121
Post-employment benefits – Pension plan	1,386	1,320	2,086	2,012
Total	38,794	46,784	59,414	73,133

(a) Short-term benefits comprise wages, salaries, profit sharing, health care expenses, and severance pay. Long-term benefits include profit sharing, payable every three years to the professional who remains in the position, according to achievement of the Company's results, and is linked to performance indicators of the executives.

The Company did not pay share-based compensation to its key Management personnel.

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 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 profit or loss, as well as the status and amounts recognized in the statement of financial position:

Net expense on benefit	Parent Company		Consolidated	
	2023	2022	2023	2022
Cost of current service	(232)	(254)	(660)	(685)
Cost of interest on benefit liabilities	(310)	(292)	(879)	(780)
Interest income plan assets	433	416	1.217	1.096
Interest on unrecoverable surplus	(46)	44	(130)	112
Cost of defined benefit in income	(155)	(86)	(452)	(257)

Actual yield of plan assets	Parent Company		Consolidated	
	2023	2022	2023	2022
Return on plan assets	1,049	643	2,766	1,144
Interest income on plan assets	433	416	1,217	1,096
Actual yield of plan assets	1,482	1,059	3,983	2,240

Benefit Assets	Parent Company		Consolidated	
	2023	2022	2023	2022
Defined benefit obligation	(3,750)	(3,555)	(10,750)	(9,963)
Fair value of the plan assets	4,126	4,642	11,828	13,009
Payment adjustment	(90)	(480)	(256)	(1,345)
Benefit Assets	286	607	822	1,701
Current assets	286	607	822	1,701

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

	Parent Company	Consolidated
Defined benefit obligation as of December 31, 2021	(3,573)	(9,365)
Interest cost	(292)	(780)
Cost of current service	(254)	(685)
Benefits paid	179	341
Actuarial gains/losses on liabilities	350	625
Transfers	35	-
Implementation of benefit	-	(99)
Defined benefit obligation as of December 31, 2022	(3,555)	(9,963)
Interest cost	(310)	(879)
Cost of current service	(232)	(660)
Benefits paid	145	559
Actuarial gains/losses on liabilities	102	192
Transfers	100	-
Defined benefit obligation as of December 31, 2022	(3,750)	(10,751)

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

	Parent Company	Consolidated
Fair value of plan assets as of December 31, 2021	4,801	12,528
Return on investment	(228)	(48)
Employer's contribution	283	870
Benefits paid	(179)	(341)
Amounts written off	(35)	-
Fair value of plan assets as of December 31, 2022	4,642	13,009
Return on investment	(616)	(1,548)
Employer's contribution	345	926
Benefits paid	(145)	(559)
Amounts written off	(100)	-
Fair value of plan assets on December 31, 2023	4,126	11,828

The Company expects to contribute R$ 18,272 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	944	1,053	2,706	2,948
Securities	3,182	3,589	9,122	10,061
	4,126	4,642	11,828	13,009

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	6.54%	6.61%
Life expectancy (years) in private pension plans for participants aged 60:		
Men	24.59	24.59
Women	27.42	27.42

The estimated expected benefit for the next fiscal year are as follows:

Maturity profile of defined benefit liability	Parent Company	Consolidated
Payment of expected benefits in the year to end on December 31, 2024.	726	1,968
Payments of expected benefits in the years to end from December 31, 2025 to December 31, 2033	4,217	12,406
Total	4,943	14,374
Analysis of defined benefit obligation by participant category		
Equity information		
Percentage of total allocation at December 31, 2023		
Variable income	23%	23%
Fixed Income	44%	44%
Properties	1%	1%
Others	32%	32%
Subtotal	100%	100%
Income (loss) for the year		
Cost of current service	246	(738)
Net interest on liabilities/(assets) net	(42)	119
Income (loss) for the year	204	(619)

The chart below presents the sensitivity analysis of obligation's present value as of December 31, 2023 and 2022:

Sponsor	Present value of obligation (PVL) 2023	1% Increase - Effect on PVL	1% Reduction - Effect on PVL	Present value of obligation (PVL) 2023	1% Increase - Effect on PVL	1% Reduction - Effect on PVL
Randon S.A. Implementos e Participações	3,750	(316)	89	3,555	(179)	203
Frasle Mobility	3,318	(278)	76	3,145	(152)	171
Castertech Fundição e Tecnologia Ltda.	1,109	(110)	45	977	(65)	74
Master Sistemas Automotivos Ltda.	836	(75)	25	764	(45)	51
Jost Brasil Sistemas Automotivos Ltda.	308	(29)	11	323	(19)	21
Freios Controil Ltda.	246	(21)	6	216	(10)	12
Randon Administradora de Consórcios Ltda.	171	(14)	3	206	(10)	11
Randon Triel HT Implementos Rodoviários Ltda	79	(8)	3	65	(4)	4
Centro Tecnológico Randon Ltda.	32	(3)	2	32	(2)	3
Randon Implementos Para o Transporte Ltda.	103	(6)	(1)	-	-	-
Banco Randon S.A.	62	(5)	1	49	(2)	3
Nakata Automotiva Ltda.	508	(28)	(4)	494	(11)	13
Fundituba – Indústria Metalúrgica Ltda.	134	(10)	1	104	(4)	4
Nione Ltda.	3	-	-	2	-	-
Randon Auttom Ltda.	37	(4)	3	31	(3)	3
Venice Implementos Rodoviários Ltda.	54	(4)	-	-	-	-
Total	10,750	(911)	260	9,963	(506)	573

According to item 145 of CPC33 (R1) – Employee Benefits, and according to the results of the study, the effect on the value of the PVL 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.y. in December 31, 2023 (9.67% in December 31, 2022).

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	2,746,123	2,480,624	-	-
Other investments	1,722	1,272	3,250	2,210
Investments in joint business	-	-	97,650	9,720
Unearned income from inventories/real state	(3,898)	(6,791)	-	-
Total	2,743,947	2,475,105	100,900	11,930
Classification in noncurrent assets				
Interest in controlled companies	2,774,550	2,491,205	-	-
Other investments	-	-	3,250	2,210
Investments in joint business	-	-	97,650	9,720
Classification in noncurrent liabilities				
Provision for losses on investments	(30,603)	(16,100)	-	-
Total – Non-current assets	2,743,947	2,475,105	100,900	11,930

14.2 Changes in balances

Changes in investments may be stated as follows:

	Parent Company		Consolidated	
	2023	2022	2023	2022
Balances at the beginning of the year	2,475,105	1,605,053	11,930	2,295
Payment of capital	224,868	732,471	-	-
Payment of capital in jointly-controlled entity (a)	-	-	90,000	10,000
Acquisition due to business combination and jointly-controlled entity	-	(306)	-	-
Equity pickup	525,572	427,336	(2,070)	(280)
Exchange rate differences in foreign investees	(163,098)	(51,615)	-	-
Unearned income on inventories/real estate	2,893	3,853	-	-
Interest on equity and dividends	(322,084)	(214,227)	-	-
Changes in interest held in subsidiary (Note 5)	530	(26,936)	-	-
Other comprehensive income of subsidiaries	161	(524)	1,040	(85)
Balances at the end of the year	2,743,947	2,475,105	100,900	11,930

(a) As communicated to the market on September 1, 2022, the Company approved a strategic partnership for establishment of Addiante S.A., between the Company's subsidiary, Randon Serviços e Participações Ltda. and Gerdau Next S.A., with an equal equity interest of 50% held by each party in the capital. The objective of the project is to deliver appropriate solutions for carriers or shippers, with the provision of rental services for products related to cargo transportation and handling. On November 11, 2022, the Company paid up capital in the amount of R$10,000 in the jointly-controlled entity. On February 1, 2023, made a new payment in the amount of R$ 40,000 and on November 7, 2023, paid up capital in the amount of R$ 50,000.

14.3 Information of the subsidiaries and changes in balances per subsidiary

	Balance in 2022	Equity pickup	Payment of capital	IOE and dividends received	Cumulative translation adjustments	Change in interest held in subsidiary	Onerous contracts	Evaluation Actuarial	IOE and dividends received
Frasle Mobility (a)	926,218	199,599	-	(67,215)	(92,729)	-	-	(140)	965,733
Castertech Fundição e Tecnologia Ltda. (a)	525,006	89,911	-	(74,921)	(607)	-	-	(88)	539,301
Randon Investimentos Ltda.	272,787	18,946	71,000	(2,753)	-	-	-	(3)	359,977
Master Sistemas Automotivos Ltda. (a)	144,194	54,930	-	(61,438)	-	-	-	(34)	137,652
Jost Brasil Sistemas Automotivos Ltda. (a)	89,124	36,632	-	(39,025)	-	-	-	(15)	86,716
Randon Administradora de Consórcios Ltda.	76,268	91,342	-	(66,993)	-	-	-	(27)	100,590
Randon Implementos para o Transporte Ltda.	56,921	(39,139)	-	-	-	-	-	-	17,782
Centro Tecnológico Randon Ltda.	37,443	(551)	2,197	-	-	-	31	(2)	39,118
RVC Venture Capital Participações e Investimentos Ltda.	41,912	1,028	7,000	-	-	-	-	-	49,940
Randon Auttom Automação e Robótica Ltda. (b)	11,561	(8,490)	5,291	-	(20)	-	-	-	8,342
Randon Auttom Ltda.	7,343	(10,663)	21,309	-	-	530	-	(6)	18,513
Randon Messias Implementos para o Transporte Eireli	11,563	(708)	15,000	-	-	-	-	-	25,855
Venice Implementos Rodoviários Ltda.	12,548	7,144	-	(6,548)	-	-	-	-	13,144
Randon Corretora de Seguros Ltda.	5,447	1,346	-	(4,000)	-	-	-	-	2,793
Randon Triel-HT Implementos Rodoviários Ltda.	93	1,314	5,100	-	-	-	-	(5)	6,502
HoldCO USA	265,610	27,592	-	-	(20,809)	-	-	-	272,393
Conexo Serviços Digitais e Coworking Ltda.	1,095	164	-	-	-	-	-	-	1,259
Randon Collection Comércio de Artigos Promocionais Ltda.	128	(41)	-	-	-	-	-	-	87
Randon Perú S.A.C	244	(142)	-	-	(2)	-	-	-	100
Fras-le Argentina S.A.	78	40	-	-	(113)	-	-	-	5
Suspensys Automotive Systems	(38)	(21)	-	-	(7)	-	-	-	(66)
Randon Argentina S.A.	(14,696)	53,900	-	809	(48,811)	-	-	-	(8,798)
Randon Serviços	9,775	1,439	97,971	-	-	-	-	-	109,185
Total	2,480,624	525,572	224,868	(322,084)	(163,098)	530	31	(320)	2,746,123

(a) Excludes unearned income on inventories: Fras-le Mobility (BRL 602), Master Sistemas Automotivos Ltda. (BRL 709), Jost Brasil Sistemas Automotivos Ltda. (BRL 987) e Castertech Fundição e Tecnologia Ltda. (BRL 1,174). Excludes unearned income on PPE: Randon Auttom Automação e Robótica Ltda (BRL 749). Randon Auttom Ltda (BRL 4,247). In addition, excludes effect of IFRS 16 leases: Master Sistemas Automotivos Ltda. BRL 50 and Jost Brasil Sistemas Automotivos Ltda. BRL 123 and Venice Implementos Rodoviários Ltda. BRL 4 and goodwill/revaluation surplus of Randon Auttom Automação e Robótica Ltda BRL 1,403.

(b) The balance of BRL 8,342 as of December 31, 2023 (BRL 11,561 as of December 31, 2022) comprises provision for losses on investments (BRL 1,366), goodwill of BRL 11,524 and revaluation surplus of BRL 1,403.

14.4 Changes in balances per jointly-controlled entity

	Balance in 2022	Equity pick-up	Payment of capital	Balance in 2023
Addiante S.A.	9,720	(2,070)	90,000	97,650
Total	9,720	(2,070)	90,000	97,650

14.5 Public offering of primary and secondary distribution of shares of subsidiary Frasle Mobility

On March 30, 2022, the Company published a material news release with the Board of Directors' approval of the exercise of the preemptive right in the context of the public offering of primary and secondary distribution of shares of subsidiary Frasle Mobility, through subscription and payment of shares in a number that ensures that the Company's ownership interest after the Restricted Offer is of, at least, 50.10% of Frasle Mobility's common shares, with observance of the proportional subscription limit.

The Public Offering consisted of the primary and secondary distribution of common shares, with restricted placement efforts, with issue of 52,540 million new primary shares and 10,684 million shares owned by the selling shareholders, and was carried out in Brazil and abroad through the Coordinators of the offering and the International Placement Agents.

The settlement 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, totaling an issue of 52,450 million shares and an effective total capital increase in Frasle of R$629.00.The Company's interest in subsidiary Frasle increased to 52.57%, with the acquisition of 30,648 million shares. The subsidiary's new capital now totals R$1,229,400, represented by 270,016 common registered book-entry shares with no par value.

The Company's objective with this 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 subsidiary, including the exploration of new technologies and expansion of current production units. Net residual resources will be used to strengthen the subsidiary's cash position and working capital.

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. An impairment loss of an asset previously recognized is reversed only if there has been change in the estimates used to determine the recoverable amount of the asset since recognition of the last impairment loss. The reversal is limited so that the carrying amount of the asset does not exceed the carrying amount that would have been determined (net of depreciation, amortization or depletion) had no impairment loss been recognized for the asset in prior years. 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; 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, 2022, 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

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.

15.1 Impairment test

The assumptions applied for the year ended December 31, 2023 were: restatement of costs and expenses based on price history and curves, industry reports, and growth rate. The recoverable amount was compared with book balance of the assets that comprise the CGU and, as a result of this analysis, management identified the need to record *impairment* for cash-generating units Fanacif, Fras-le Europe B.V., Randon Implementos para o Transporte Ltda., and Suspensys Automotive Systems, as follows:

Company	Average gross margin	Discount rate	2023	2022
Armetal	44.33%	18.90% (20.97% in 2022)	Not identified	Not identified
ASK Frasle Friction	38.59%	12.07% (12.91% in 2022)	Not identified	Not identified
Fanacif	29.95%	14.20% (13.36% in 2022)	(11,897)	Not identified
Frasle Argentina	46.57%	18.90% (20.97% in 2022)	Not identified	Not identified
Frasle Friction Material Pinghu	27.35%	10.00% (9.67% in 2022)	Not identified	Not identified
Fras-le Europe B.V.	26.33%	12.54% (13.54% in 2022)	(633)	(1,987)
Frasle North America	15.15%	10.49% (9.72% in 2022)	Not identified	Not identified
Frasle Panamericana	24.50%	12.54% (12.87% in 2022)	Not identified	Not identified
Fremax	35.82%	13.22% (12.28% in 2022)	Not identified	Not identified
Jurid	31.63%	12.32% (12.28% in 2022)	Not identified	Not identified
Nakata	37.29%	12.32% (12.28% in 2022)	Not identified	Not identified
Castertech Usinagem	21.18%	12.28% (12.28% in 2022)	Not identified	Not identified
DBServer	30.51%	12.32%	Not identified	Not identified
Funditubа Indústria Metalúrgica	27.84%	12.32% (12.28% in 2022)	Not identified	Not identified
Hercules Enterprises LLC	16.88%	10.49%	Not identified	Not identified
Master Sistemas Automotivos Ltda.	21.51%	12.32% (12.28 in 2022)	Not identified	Not identified
Randon Argentina	16.49%	18.90% (20.97% in 2022)	Not identified	Not identified
Randon Auttom Ltda.	19.19%	12.32% (12.28% in 2022)	Not identified	Not identified
Randon Corretora de Seguros	50.94%	12.32% (12.28% in 2022)	Not identified	Not identified
Randon Impl. para o Transporte Ltda.	9.88%	12.32% (12.28% in 2022)	(30,894)	Not identified
Randon Triel HT	20.13%	12.32% (12.28% in 2022)	Not identified	Not identified
Suspensys Automotive Systens	10.85%	12.26% (12.28% in 2022)	(5,989)	Not identified
Total			(49,413)	(1,987)

15.2 Impairment test of property, plant and equipment and intangible assets

a. Fanacif

In the year ended December 31, 2023, after applying the impairment test for investments, the CGU presented partial non-recoverability, therefore, on the residual balance of revaluation surplus of the unit, which was R$17,754, impairment was recorded in the amount of R$11,897, of which R$8,394 on PPE and R$3,503 on trademarks.

b. Fras-le Europe B.V.

In the year ended December 31, 2023, after applying the impairment test for investments, the CGU presented partial non-recoverability of the amount of its operating assets, therefore, on the residual balance of its PPE, the impairment of R$633 was recorded directly in the CGU. The residual balance of operating PPE is R$1,194. At December 31, 2022, an impairment in the amount of R$1,987 was recorded, referring to the surplus value of the UGC, directly in the Parent Company in an account reducing investments.

The Parent Company has no intention to discontinue the operation of this CGU, at the moment this is the applicable procedure.

c. Fras-le North America Inc.

In the year ended December 31, 2023, after applying the impairment test for investments, the UGC presented recoverability, enabling a reversal of the provision, in the amount of R$1,905 (R$7,318 as of 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 did not identify any indication that other assets could be recorded at an amount above their recoverable amount.

d. Master Sistemas Automotivos Ltda.

In March 2020, Master acquired all the shares of Ferrari Indústria Metalúrgica Ltda. ("Ferrari"). As a result of this transaction, revaluation surpluses on PPE and intangible assets were identified and allocated to Master, which, added to the fair value of the company’s other assets and liabilities, also resulted in the allocation of a goodwill on Master's investments. Therefore, from that date onwards, CGU Ferrari (which was renamed CGU Master - Flores da Cunha) began to be tested annually for the impairment of its assets. However, in April 2023, Ferrari was merged into Master. After the merger, it was no longer possible to separate the balances of the operating assets and liabilities of CGU Master - Flores da Cunha. Accordingly, the goodwill recorded in Master's statement of financial position, together with its respective balances of operating assets and liabilities (working capital, PPE and intangible assets) made up the carrying amount of CGU Master. The purpose of this study was to test the accounting balances related to the Carrying Amount of CGU Master (internal), through estimated Value in Use. No impairment was identified for this CGU in 2023.

e. Randon Implementos para o Transporte Ltda.

On December 17, 2021, the Company transferred *Randon Implementos para o Transporte Ltda*. unit from the municipality of Guarulhos to Araraquara, both located in the state of São Paulo. The Company remained with the same corporate name and started using the trade name Araraquara II. In the year ended December 31, 2022, the Company identified no impairment in the test applied. For 2023, the study carried out aimed to test the accounting balances of the unit's PPE for impairment, through the estimated value in use, considering their remaining useful lives. An impairment loss was identified in the test applied in the amount of (R$30,894). According to CPC 01, item 59 "If, and only if, the recoverable amount of an asset is less than its carrying amount, the carrying amount of the asset shall be reduced to its recoverable amount. That reduction is an impairment loss". The residual balance of PPE as of December 31, 2023 is R$7,532. The recording of the loss in 2023 was accounted for in the Subsidiary as a reduction of PPE, in the amount of R$5,061. The Parent Company has no intention to discontinue the operation of this CGU, at the moment this is the applicable procedure.

f. Suspensys Automotive Systems

In the test applied in 2022, no impairment was identified for this subsidiary. For 2023, the study carried out aimed to test the accounting balances of Suspensys's PPE for impairment, through the estimated value in use, considering their remaining useful lives. The balance tested was the carrying amount of Suspensys, composed of its net PPE and intangible assets, as well as the assets and liabilities involved in the operation of these assets. An impairment loss was identified in the test applied. The residual balance of PPE as of December 31, 2023 is R$2,870 and was recorded and accounted for as impairment of PPE. The Parent Company has no intention to discontinue the operation of this CGU, at the moment this is the applicable procedure.

g . Sensitivity analysis

The Company conducted 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 sensitivity analysis is as follows:

Company	Actual scenario	Optimistic scenario	Pessimistic scenario
Armetal	40,024	48,141	32,602
ASK Frasle Friction	10,357	12,822	8,110
Castertech Usinagem	98,960	133,649	76,618
DBServer	78,053	111,031	56,899
Fanacif	(11,897)	(7,556)	(15,867)
Fras-le Argentina	54,828	57,831	51,974
Fras-le Friction	23,356	31,248	16,278
Frasle Europe B.V.	(633)	(165)	(1,075)
Frasle North America	64,569	68,878	60,547
Frasle Panamericana	8,594	9,401	7,822
Fremax (a)	62,104	182,649	(14,888)
Fundituba	46,412	51,212	55,295
Hercules Enterprises LLC	169,879	358,613	31,317
Jurid	37,354	44,085	31,317
Master	475,291	651,971	360,861
Nakata	1,746,800	2,415,514	1,314,659
Randon Argentina S.A.	31,353	32,650	30,118
Randon Auttom Ltda	22,300	37,849	12,385
Randon Corretora de Seguros	28,766	40,828	20,979
Randon Implementos para o Transporte Ltda	(30,894)	(23,658)	(36,961)
Randon Triel HT	45,579	54,638	37,956
Suspensys Automotive Systems	(5,989)	(5,313)	(6,582)

(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 Impairment of operating assets

a. Randon S.A.

In the year ended December 31, 2021, the Company identified the existence of impairment of assets held for sale, through an appraisal report at market value, and recognized a provision for loss of R$2,763. As of December 31, 2021, the total impairment recorded in this unit was R$3,912, of which R$608 was reversed by September 30, 2022, according to the sale of assets. This transaction resulted in a loss of R$559.

In 2023, a new appraisal report was prepared at the market value of assets held for sale and an impairment loss of R$640 was identified, which was recognized as provision for loss at the Parent Company. In this same appraisal, recoverability of assets was identified and the provision for loss was reversed in the amount of R$1,149.

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

b. Randon Perú S.A.C.

Management has opted to discontinue the subsidiary's manufacturing activities at the end of 2022. The subsidiary recognized provision for impairment losses of R$1,647, related to no recoverability of taxes. In addition, the amount of R$2,503 related to outstanding notes payable to the Parent Company was recognized, which do not generate impacts on the consolidated financial statements.

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

c. Randon Auttom Ltda.

In the year ended December 31, 2023, through an appraisal report at market value, the Company identified the existence of impairment of machinery, which was recognized for an amount above market value, and recognized a provision for loss of R$1,394. For 2023, the study carried out aimed to test the accounting balances of Randon Auttom Ltda.'s PPE for impairment, through the estimated value in use, considering their remaining useful lives, and no impairment was identified in the test applied to this unit in the year.

15.4 Changes in provision for impairment

Changes in provision for impairment are as follows:

	Parent Company		Consolidated	
	2023	2022	2023	2022
Balance at the beginning of period/year	(2,795)	(2,763)	(32,870)	(36,293)
Recognition of impairment for the period	(1,116)	(640)	(22,374)	(2,627)
Reversals/updates (a)	1,149	608	12,766	6,050
Balance at the year end	(2,762)	(2,795)	(42,478)	(32,870)

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

16 Property, Plant and Equipment (PPE)

a. Recognition and measurement

PPE items are measured at historical acquisition or build-up cost, less accumulated depreciation and accumulated impairment losses (accounting policy for impairment of property, plant and equipment is described in Note 15).

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 P&L.

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 P&L.

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 P&L 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	% p.y.
Buildings	29 years	3.5%
Machinery and equipment	10 years	10.0%
Furniture and fixtures	9 years	10.6%
Right of use of substation	9 years	11.1%
Molds	10 years	10.2%
Vehicles	9 years	10.7%
IT Equipment	5 years	18.3%

Parent Company

Cost of the gross fixed assets	Land and buildings	Machinery equipment and molds	Furniture and Equipment	IT Equipment	Vehicles	Property, plant and Equipment in Progress	Total
Balances at December 31, 2021	444,753	434,066	13,533	20,967	10,922	41,650	965,891
Acquisitions	4,236	20,856	1,553	4,302	459	39,401	70,807
Write-offs	(4,039)	(52,841)	(4,507)	(6,902)	(3,421)	-	(71,710)
Transfers	26,082	8,430	2,651	2,416	263	(40,688)	(846)
Balances at December 31, 2022	471,032	410,511	13,230	20,783	8,223	40,363	964,142
Acquisitions	10,034	4,859	747	1,526	233	29,182	46,581
Write-offs	(107)	(7,297)	(74)	(120)	-	-	(7,598)
Transfers	2,875	39,224	314	222	133	(43,084)	(316)
Balances at December 31, 2023	483,834	447,297	14,217	22,411	8,589	26,461	1,002,809
Depreciation and losses per impairment							
Balances at December 31, 2021	(96,585)	(233,760)	(7,815)	(12,791)	(8,618)	-	(359,569)
Depreciation expense in the year	(7,553)	(26,432)	(824)	(2,868)	(382)	-	(38,059)
Write-offs	2,574	50,524	4,219	6,621	3,412	-	67,350
Transfers	13	(13)	-	-	-	-	-
Balances at December 31, 2022	(101,551)	(209,681)	(4,420)	(9,038)	(5,588)	-	(330,278)
Depreciation expense in the year	(7,720)	(28,379)	(1,031)	(3,589)	(432)	-	(41,151)
Write-offs	85	5,824	56	88	-	-	6,053
Transfers	-	1,149	-	-	-	-	1,149
Balances at December 31, 2023	(109,186)	(231,087)	(5,395)	(12,539)	(6,020)	-	(364,227)
Residual value (net)							
Balances at December 31, 2022	369,481	200,830	8,810	11,745	2,635	40,363	633,864
Balances at December 31, 2023	374,648	216,210	8,822	9,872	2,569	26,461	638,582

Consolidated

Cost of the gross fixed assets	Land and buildings	Machinery equipment	Furniture and fixtures	IT Equipment	Vehicles	Property, plant and Equipment In progress	Total
Balances at December 31, 2021	1,041,804	2,260,223	85,758	62,672	23,304	177,996	3,651,757
Acquisitions	11,033	75,214	9,188	13,756	2,059	244,986	356,236
Acquisition of new businesses	1,008	15,894	256	-	654	-	17,812
Write-offs	(6,018)	(65,558)	(6,226)	(7,800)	(3,982)	(4,963)	(94,547)
Transfers	49,171	67,065	5,144	3,804	739	(126,457)	(534)
Revaluation surplus	205	7,582	5	-	1,030	-	8,822
Exchange rate differences	(21,489)	(45,513)	(7,583)	(2,771)	(2,248)	(1,748)	(81,352)
Inflation Adjustment	15,959	21,279	6,249	1,145	2,822	(60)	47,394
Balances at December 31, 2022	1,091,673	2,336,186	92,791	70,806	24,378	289,754	3,905,588
Acquisitions	15,772	65,700	7,293	7,901	844	187,360	284,870
Acquisition of new businesses	72	3,920	1,551	1,123	577	-	7,243
Write-offs	(1,024)	(54,315)	(1,825)	(2,365)	(1,096)	(910)	(61,535)
Transfers	53,542	164,674	7,098	4,488	723	(231,517)	(992)
Exchange rate differences	(31,901)	(54,404)	(11,823)	(3,141)	(5,748)	(729)	(107,746)
Inflation Adjustment	14,560	22,166	7,853	1,996	4,101	489	51,165
Balances at December 31, 2023	1,142,694	2,483,927	102,938	80,808	23,779	244,447	4,078,593
Depreciation and losses per impairment							
Balances at December 31, 2021	(245,804)	(1,339,149)	(53,239)	(37,120)	(16,055)	52	(1,691,315)
Depreciation expense in the year	(19,856)	(138,472)	(5,798)	(7,271)	(997)	-	(172,394)
Acquisition of new businesses	(260)	(9,750)	(123)	-	(586)	-	(10,719)
Write-offs	3,345	56,952	5,113	7,383	3,720	-	76,513
Losses due to impairment	5,206	2,496	7	133	97	-	7,939
Transfer	3	24	(4)	4	(34)	-	(7)
Exchange rate differences	6,200	22,040	6,972	43	1,124	(3)	36,376
Inflation Adjustment	(4,601)	(11,288)	(4,758)	(694)	(2,326)	-	(23,667)
Balances at December 31, 2022	(255,767)	(1,417,147)	(51,830)	(37,522)	(15,057)	49	(1,777,274)
Depreciation expense in the year	(21,211)	(137,546)	(6,304)	(9,981)	(1,513)	-	(176,555)
Acquisition of new businesses	(68)	(3,075)	(1,450)	(1,078)	(305)	-	(5,976)
Write-offs	961	41,969	1,420	1,991	814	-	47,155
Losses due to impairment	(10,434)	(1,715)	(297)	(692)	(150)	(20)	(13,308)
Transfer	465	(98)	(866)	784	(296)	-	(11)
Exchange rate differences	2,076	32,406	9,597	2,196	3,691	(3)	49,963
Inflation Adjustment	(4,341)	(13,041)	(4,932)	(2,488)	(2,691)	-	(27,493)
Balances at December 31, 2023	(288,319)	(1,498,247)	(54,662)	(46,790)	(15,507)	26	(1,903,499)
Residual value (net)							
Balances at December 31, 2022	835,906	919,039	40,961	33,284	9,321	289,803	2,128,314
Balances at December 31, 2023	854,375	985,680	48,276	34,018	8,272	244,473	2,175,094

PPE asset and liability balances are broken down as follows:

	Parent Company		Consolidated	
	2023	2022	2023	2022
PPE in operation	638,582	633,864	2,175,094	2,128,314
Advances to suppliers and imports in transit	27,307	13,634	102,500	59,808
	665,889	647,498	2,277,594	2,188,122

16.1 Property, plant and equipment in progress

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

	Parent Company		Consolidated	
	2023	2022	2023	2022
Constructions and improvements in real estate property	1,880	3,349	23,536	61,945
Manufacturing and installation of machinery and equipment	19,066	33,882	193,423	192,466
Manufacturing of tools	2,383	2,355	10,079	13,305
Others	3,132	777	17,435	22,087
	26,461	40,363	244,473	289,803

16.2 Capitalized borrowing cost

In the year ended December 31, 2023, there was no capitalized borrowing cost (R$1,039 as of December 31, 2022 and the rate used to determine the amount of borrowing costs subject to capitalization was 0.29% p. m, which represents the effective rate 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 its future economic benefits.

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 expenses. The costs also include financing costs related to software acquisition.

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

Software development costs recognized as assets are amortized through the estimated useful life of the software

Intangible assets are written off when sold or when no future economic benefits relating to these assets are expected, and recorded in P&L 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 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 negative goodwill, such amount should be recorded as gains in P&L 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 book value 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.

Revaluation surplus and goodwill arising from acquisition of business combinations carried out in 2022 and 2021 are detailed in Note 4.

Estimated useful lives for the current year are as follows:

	Consolidated	
	Average useful life	% year
Software and licenses	5 years	21.8%
Trademarks and patents	12 years	8.3%
Customer portfolio	24 years	4.2%

Changes in intangible assets are as follows:

Parent Company

Cost or evaluation	Trademarks and patents	Intangible in progress	Software and licenses	Total
Balances at December 31, 2021	202	28	97,402	97,632
Acquisitions	-	-	750	750
Write-offs	-	-	(832)	(832)
Transfers	-	-	846	846
Balances at December 31, 2022	202	28	98,166	98,396
Acquisitions	-	299	253	552
Write-offs	-	-	(33)	(33)
Transfers	-	(28)	344	316
Balances at December 31, 2023	202	299	98,730	99,231
Amortization				
Balances at December 31, 2021	-	-	(90,007)	(90,007)
Amortization expense for the year	-	-	(2,446)	(2,446)
Write-offs	-	-	305	305
Balances at December 31, 2022	-	-	(92,148)	(92,148)
Amortization expense for the year	-	-	(2,245)	(2,245)
Write-offs	-	-	18	18
Balances at December 31, 2023	-	-	(94,375)	(94,375)
Net residual value				
Balances at December 31, 2022	202	28	6,018	6,248
Balances at December 31, 2023	202	299	4,355	4,856

Consolidated

Cost or evaluation	Trademarks and patents	Intangible in progress	Software and licenses	Client portfolio	Goodwill	Right to use electric power substation	Right to use assets	Total
Balances at December 31, 2021	130,389	3,067	210,666	263,070	175,275	16,914	1,322	800,703
Acquisitions of new businesses	-	-	78	-	144,425	-	-	144,503
Acquisitions	-	5,368	6,282	-	-	-	-	11,650
Write-offs	-	(60)	(1,754)	-	-	-	-	(1,814)
Revaluation surplus	36,799	-	-	127,219	-	-	-	164,018
Transfers	(1,149)	(3,324)	5,007	-	-	-	-	534
Exchange-rate change	(5,805)	-	(1,402)	(23,224)	(14,379)	-	-	(44,810)
Inflation adjustment	3,762	-	808	30,576	15,795	-	-	50,941
Balances at December 31, 2022	163,996	5,051	219,685	397,641	321,116	16,914	1,322	1,125,725
Acquisitions of new businesses	11,871	-	-	96,973	58,129	-	-	166,973
Acquisitions	-	14,335	3,616	-	108	-	-	18,059
Write-offs	-	-	(428)	-	-	-	-	(428)
Revaluation surplus	-	(3,981)	4,973	-	-	-	-	992
Transfers	(11,268)	-	(908)	(69,624)	(45,851)	-	-	(127,651)
Exchange-rate change	5,813	-	726	47,822	25,374	-	-	79,735
Balances at December 31, 2023	170,412	15,405	227,664	472,812	358,876	16,914	1,322	1,263,405
Amortization and loss due to impairment								
Balances at December 31, 2021	(10,390)	-	(181,166)	(38,045)	(9,687)	(16,888)	-	(256,176)
Amortization expense for the year	(6,359)	-	(9,080)	(22,794)	-	(3)	-	(38,236)
Addition by business combinations	-	-	(78)	-	-	-	-	(78)
Write-offs	-	-	1,161	-	-	-	-	1,161
Loss due to impairment	-	-	-	(1,987)	(2,497)	-	-	(4,484)
Transfer	708	-	125	(828)	-	2	-	7
Exchange-rate change	-	-	900	-	-	-	-	900
Inflation adjustment	-	-	(578)	-	-	-	-	(578)
Balances at December 31, 2022	(16,041)	-	(188,716)	(63,654)	(12,184)	(16,889)	-	(297,484)
Amortization expense for the year	(11,466)	-	(15,003)	(32,052)	-	(3)	-	(58,524)
Addition by business combinations	-	-	381	-	-	-	-	381
Write-offs	(3,503)	-	-	324	7,995	-	-	4,816
Loss due to impairment	-	-	11	-	-	-	-	11
Transfer	35	-	6,395	92	-	-	-	6,522
Inflation adjustment	-	-	(530)	-	-	-	-	(530)
Balances at December 31, 2023	(30,975)	-	(197,462)	(95,290)	(4,189)	(16,892)	-	(344,808)
Net residual value								
Balances at December 31, 2022	147,955	5,051	30,969	333,987	308,932	25	1,322	828,241
Balances at December 31, 2023	139,437	15,405	30,202	377,522	354,687	22	1,322	918,597

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.

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

	Consolidated	
	Average useful life	% year
Machinery and equipment	5	20%
Buildings	18	6%
Vehicles	5	21%

Breakdown of and changes in right-of-use assets in the years ended December 31, 2023 and 2022 are as follows:

	Parent Company			
	Rights of use of machinery and equipment	Rights of use of buildings and land	Rights of use of Vehicles	Total
At December 31, 2021	10,280	5,633	871	16,784
Acquisitions	12,056	390	2,386	14,832
Write-offs	(1,727)	(234)	(349)	(2,310)
Amortization	(5,778)	(1,133)	(505)	(7,416)
At December 31, 2022	14,831	4,656	2,403	21,890
Acquisitions	7,263	7,489	1,481	16,233
Write-offs	(1,975)	(871)	-	(2,846)
Amortization	(5,750)	(1,038)	(616)	(7,404)
At December 31, 2023	14,369	10,236	3,268	27,873

	Consolidated			
	Rights of use of machinery and equipment	Rights of use of buildings and land	Rights of use of Vehicles	Total
At December 31, 2021	75,713	163,369	2,641	241,723
Acquisitions	29,245	17,535	2,699	49,479
Additions due to business combination	366	29,150	-	29,516
Write-offs	(3,988)	(2,415)	(349)	(6,752)
Inflation Adjustment	14,430	-	-	14,430
Exchange rate differences	(11,890)	(3,622)	(8)	(15,520)
Amortization	(16,781)	(24,192)	(1,106)	(42,079)
At December 31, 2022	87,095	179,825	3,877	270,797
Acquisitions	27,894	30,474	2,218	60,586
Additions due to business combination	-	12,495	209	12,704
Write-offs	(6,818)	(5,751)	(354)	(12,923)
Inflation Adjustment	(15,442)	15,442	-	-
Exchange rate differences	-	11,946	-	11,946
Amortization	(22,475)	(3,042)	(3)	(25,520)
Acquisitions	(20,383)	(28,637)	(1,553)	(50,573)
At December 31, 2023	49,871	212,752	4,394	267,017

18.2 Lease liability

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.

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

Variable lease payments that do not depend on an index or a rate are recognized as expenses in the period in which the event or condition that triggers the payment occurs and presented in Note 29.

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

Changes in lease liabilities at December 31, 2023 and 2022 are as follows:

	Parent Company	Consolidated
At December 31, 2021	17,513	230,411
Acquisitions	14,832	49,480
Additions due to business combination	-	29,515
Write-offs	(2,349)	(7,288)
Present value adjustment of leases	2,134	23,668
Payments	(9,205)	(51,277)
Exchange-rate change	-	(8,806)
At December 31, 2022	22,925	265,703
Acquisitions	16,233	60,648
Additions due to business combination	-	12,704
Write-offs	(2,849)	(14,300)
Present value adjustment of leases	2,412	35,459
Payments	(9,474)	(62,944)
Exchange-rate change	-	(18,140)
At December 31, 2023	29,247	279,130
Current	3,536	35,554
Non-current	25,711	243,576

Maturity of lease liabilities is as follows:

Additional information to cash flow	Parent Company	Consolidated
Balances at December 31, 2021	17,513	230,411
Change in cash flow:		
Receiving (payment)	(9,205)	(51,277)
Subtotal	(9,205)	(51,277)
Changes that do not affect cash:		
Interest Expense	2,134	23,668
Additions/deductions	12,483	71,707
Others	-	(8,806)
Subtotal	14,617	86,569
Balances at December 31, 2022	22,925	265,703
Additions due to business combination	-	12,704
Change in cash flow:		
Receipt (payment)	(9,474)	(62,944)
Subtotal	(9,474)	(62,944)
Changes that do not affect cash:		
Interest Expense	2,412	35,459
Additions/deductions	13,384	46,348
Exchange-rate change	-	(18,140)
Subtotal	15,796	63,667
Balances at December 31, 2023	29,247	279,130

At December 31, 2022, maturity of lease liabilities is as follows:

Maturity	Parent Company 2023	Consolidated 2023
2024	3,536	35,734
2025	2,444	35,427
2026	2,596	34,883
2027 and later	20,671	173,086
Total	29,247	279,130

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 P&L would amount to R$6,670 – Individual and R$47,529 – Consolidated. Interest deriving from leases in the individual and consolidated financial statements would amount to R$2,712 and R$40,337, respectively.

The Company has no sublease agreements or leaseback transactions.

19 Suppliers

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

The balance payable with suppliers on December 31, 2023 are as follows:

	Parent Company		Consolidated	
	2023	2022	2023	2022
Domestic	458,317	589,451	913,345	1,232,989
Third Parties	400,695	510,514	913,345	1,232,989
Related parties	57,622	78,937	-	-
Abroad	19,692	13,551	290,797	215,651
Third Parties	19,692	13,551	290,797	215,651
Subtotal	478,009	603,002	1,204,142	1,448,640
Adjustment to present value	(1,844)	(2,195)	(2,934)	(5,066)
Total	476,165	600,807	1,201,208	1,443,574

20 Forfait 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, the reverse factoring transactions totaled R$8,055 and R$0, individual and consolidated, respectively (as the transactions were carried out with Banco Randon, a subsidiary of the Company, and eliminated upon consolidation). At December 31, 2022, balances totaled R$3,832 and R$ 0, individual and consolidated, respectively.

21 Provision for claims

The Company and its subsidiaries are parties to legal and administrative proceedings at various courts and government agencies, arising in the ordinary 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
a) Labor	8,796	7,918	73,560	70,222
b) Tax	7,745	7,368	53,779	15,362
c) Civil	727	487	777	559
Total	17,268	15,773	128,116	86,143

Changes in provision for claims:

	Parent Company				Consolidated			
	Balance in 2022	Addition	Incurred	Balance in 2023	Balance in 2022	Addition	Incurred	Balance in 2023
a) Labor	7,918	3,766	(2,888)	8,796	70,222	25,668	(22,329)	73,561
b) Tax	7,368	377	-	7,745	15,362	38,417	-	53,779
c) Civil	487	240	-	727	559	240	(23)	776
Total	15,773	4,383	(2,888)	17,268	86,143	64,325	(22,352)	128,116

Indirect subsidiaries Jurid and Nakata were cited in rescission actions filed by the Brazilian Attorney General's Office of the National Treasury ("PGFN") for partial elimination of the effects of the decision in favor of the companies regarding the lawsuit 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 provisioned are R$6,367 (R$5,615 as of December 31, 2022) and R$37,146, respectively.

Direct subsidiary Frasle Mobility is involved in a class action filed by the Labor Union in the Metallurgical Industries of Caxias do Sul, for payment of health exposure premiums to certain functions. This action started in October 2019, and as of December 31, 2023 the amount recognized as a provision was R$36,104 (R$27,125 as of 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
a) Labor	4,948	8,382	16,023	25,202
b) Tax	213	273	11,766	11,674
c) Civil	90	94	136	622
d) Social security	330	330	397	406
Total	5,581	9,079	28,322	37,904

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
a) Tax	97,444	96,396	195,754	216,852
b) Labor	70,149	60,724	163,124	152,508
c) Civil	8,047	9,283	11,910	12,671
d) Social security	330	-	416	86
Total	175,970	166,403	371,204	382,117

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

21.3.1) PIS and COFINS - The Company is being enforced by the Federal Government regarding the payment of PIS and COFINS arising from administrative processes that address requests for offset of debts with IPI credits acquired from third parties. The amount involved is of R$ 40,024.

21.3.2) Offset with negative IRPJ/CSLL balance - The Company was assessed by the Brazilian Federal Revenue Service for the rejection of the compensation statements for negative IRPJ/CSLL balances calculated in the fiscal years 2004, 2005 and 2006. The amount totals R$25,024.

21.3.3) COFINS - Tax enforcement filed by the Federal Government in relation to tax credits from administrative proceedings arising from alleged COFINS (FINSOCIAL) debts, currently in the stay of execution phase, awaiting judgment of appeal. The amount involved is of R$13,196, for the Parent Company.

21.3.4) PDI - Research and Technological Development Incentive - Disallowance of expenses considered in the calculation of the Research and Technological Development Incentive by the Brazilian IRS, based on their non-agreement with the Company's R&D (subsidiary Castertech – subsidiary Suspensys - in the amount of R$ 9,075 and subsidiary Jost in the amount of R$3,428). The amount involved is R$ 12,503.

21.3.5) Drawback - Notices drawn up by the Internal Revenue Service Office, seeking payment of IPI, II, PIS, COFINS and AFRMM on imports, duly increased by legal charges. The amount involved is R$ 11,596.

21.3.6) Drawback – Notices drawn up by the Internal Revenue Service Office against subsidiaries Fras-le Mobility and Master (estimated amount of R$7,581) and subsidiary Master, seeking payment of IPI, II, PIS, COFINS and AFRMM on imports, increased by 20% late payment fine and 75% automatic fine. The amount involved is R$ 8,604 for Frasle and R$ 2,300 for Master, totalizing the amount of R$ 10,904.

21.3.7) II, IPI, PIS and COFINS – Refers to the notice drawn up by the Internal Revenue Service Office against subsidiary Nakata Automotiva Ltda., requiring payment of II, IPI, PIS and COFINS debts related to imports made from 2007 to 2009. The amount involved is of R$ 8,004.

21.3.8) IPI – Notices drawn up by the Internal Revenue Service against subsidiary Castertech, seeking payment of IPI. The amount involved is of R$ 6,577.

21.3.9) IRPJ e CSLL - Collection made by the tax authorities as IRPJ and CSLL levied on the amounts accounted for by *Randon Implementos para o Transporte* due to the exclusion of ICMS from the PIS and COFINS tax bases, according to a court decision. The amount involved is of R$6,395.

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, except when it is judged that the gain is practically certain, or when there are real guarantees or favorable court decisions, over which there are no further appeals. As of December 31, 2023, the total contingent assets of the Parent Company were R$4,246 (R$11,987 as of December 31, 2022) and R$5,969 of the Consolidated (R$13,729 as of December 31, 2022).

22 Loans and Financing

Loans, financing and debentures are initially recognized at fair value upon receipt of the funds. They are then measured at amortized cost, i.e., plus charges, interest calculated by the effective rate, monetary variation, foreign exchange differences, and repayments, as contracted, incurred up to the statement of financial position dates.

	Index	Interest	Final maturity date of contract	Parent Company		Consolidated	
				2023	2022	2023	2022
Current							
Local currency							
Working capital	CDI+/Fixed rate	0.00% to 3.75%	Jan/29	-	13	188,950	250,865
FINAME	IPCA+/ Fixed rate	4.92% to 8.5%	Jun/29	-	-	304,455	222,789
Debentures	CDI+	1.10% to 4.07%	Nov/29	264,584	139,640	313,677	154,574
NCE	CDI+/ Fixed rate	1.29% to 14.84%	May/27	11,618	13,408	159,122	48,522
NC	CDI+	1.85%	Jul/27	-	-	10,770	11,204
Vendor	CDI+	4.00%	Jan/24	310	487	13,386	14,013
Exim pre-shipment	CDI+	0.80% to 1.25%	Jan/28	-	-	47,018	98
Fundopem	IPCA+	1.00% to 3.00%	Jun/36	-	-	4,521	9,165
Finep	TJLP+	0.80% to 3.30%	Jul/33	-	-	1,435	7,962
Res. 4131	CDI+	1.32%	Feb/23	-	-	-	2,984
Foreign currency:							
ACC	Fixed	7.04% to 7.89%	Mar/24	-	47,699	-	81,877
Working capital	Fixed/SOFR+	2.25% to 151.53%	Oct/26	-	4	91,240	64,435
Pre-export financing	SOFR	3.23% to 3.53%	Jul/25	24,704	26,751	48,988	52,977
Overdraft	UK BASE RATE+	2.30%	May/24	-	-	16,425	-
NCE	Fixed	3.65% to 5.64%	May/29	705	760	16,950	18,500
Term Loan	Fixed	2.00% to 2.75%	Aug/28	-	-	527	7,489
				301,921	228,762	1,217,464	947,454
Non-current							
Local currency							
Debentures	CDI+	1.10% to 4.07%	Nov/29	1,512,006	1,708,138	1,895,581	2,126,141
NCE	CDI+	1.29% to 14.84%	Jul/27	650,000	650,000	1,078,333	1,219,260
Finame	IPCA+/ Fixed rate	4.92% to 8.50%	Jun/29	-	-	634,474	467,546
Exim pre-shipment	CDI+	0.80% to 1.25%	Jan/28	-	-	156,944	180,000
Working capital	CDI+	0.00% to 2.89%	Jan/29	-	-	77,167	107,167
Fundopem	IPCA+	1.00% to 3.00%	Jun/36	-	-	14,566	15,782
Finep	TJLP+	0.80% to 3.30%	Jul/33	-	-	13,139	8,741
Foreign currency:							
NCE	Fixed rate	3.65 to 5.64%	May/29	145,239	156,531	199,011	231,442
Pre-export financing	SOFR	3.23% to 3.53%	Jul/25	24,206	52,177	47,482	102,347
Working capital	Fixed	6.25% to 151.53%	Oct/26	-	-	834	7,256
Term Loan	Fixed	2.00%	Aug/28	-	-	3,837	4,542
				2,331,451	2,566,846	4,121,368	4,470,224
Total Loans				2,633,372	2,795,608	5,338,832	5,417,678

Financing and loans are guaranteed by sureties and guarantees to subsidiaries in the amount of R$963,327 (R$ 878,306 as of December 31, 2022).

Subsidiary Frasle Mobility provide guarantees for its subsidiaries in the amount of R$162,705 (R$142,354 as of December 31, 2022) for loans and financing transactions.

Additionally, the Company and its subsidiaries has financing agreements and debentures in the amount of R$ 3,289,915 which foresees the fulfillment of financial commitments (Covenants) on the closing dates of each fiscal year, calculated by the ratio between net debt and EBITDA, without effect of the Subsidiary Randon Investimentos Ltda., on the base closing dates of each fiscal year.

As of December 31, 2023 and 2022, financial ratios are being addressed by the Company and its subsidiaries.

Changes in individual and consolidated loans are described in Note 22.

a. Debentures

Debentures refer to amounts raised through private instrument for placement of simple non-convertible unsecured debentures, with restricted placement efforts, under the subscription regime.

Issue date	Series	Expiration date	Parent Company Valuation	Consolidated
November 30, 2016	1st	November 30, 2024	130,000	130,000
April 10, 2019	Only	April 10, 2026	400,000	400,000
June 15, 2020	Only	June 15, 2027	-	210,000
July 15, 2020	Only	July 15, 2027	-	210,000
January 21, 2021	Only	January 11, 2026	250,000	250,000
February 11, 2022	1st	February 3, 2027	250,000	250,000
February 11, 2022	2nd	February 3, 2029	250,000	250,000
November 9, 2022	1st	November 9, 2027	229,000	229,000
November 9, 2022	2nd	November 9, 2029	271,000	271,000

In 4Q22, the Company settled a single installment of debentures issued on July 2, 2018, in the amount of R$300,000.

b. Fundopem/RS

The Company benefits from the Rio Grande do Sul state tax incentive (Fundopem), which consists of deferral of payment of a portion of the ICMS debt generated monthly, with a grace period of 33 to 54 months and a payment between 54 and 96 months, as from of each debt, restated by IPCA/IBGE and subject to 1% to 3% annual interest.

c. Vendor

As of December 31, 2023, the Company has outstanding vendor financial operations with Customers in the amount of R$ 310 (R$ 487 as of December 31, 2022) in the parent company and R$ 13,386 (R$ 14,013 as of December 31, 2022) in the consolidated. These operations are carried out with right of return.

d. Collaterals

As of December 31, 2023 and 2022, the Company presented the following amounts of collateral represented by guarantees, sureties, fiduciary property and mortgages provided to the companies:

		Consolidated	
	Type of guarantee	2023	2022
Master Sistemas Automotivos Ltda.	Guarantees	7,300	15,661
Banco Randon S.A.	Sureties	300,000	173,285
Centro Tecnológico Randon	Guarantees	3,190	-
Castertech Usinagem	Guarantees	2,005	-
Frasle Mobility	Guarantees	7,649	-
Randon Automotive	Sureties	2,495	-
Randon Holdco	Sureties	12,988	-
Randon Auttom Automação e Robótica Ltda	Guarantees	2,174	3,983
Randon Argentina S.A.	Stand By	888	7,827
Jost Brasil Sistemas Automotivos Ltda.	Guarantees	1,817	2,183
Randon Triel-HT Impl. Rodoviários Ltda.	Guarantees	11,774	30,518
Castertech Fundição e Tecnologia Ltda.	Guarantees	611,047	644,849
Total		963,327	878,306

In addition to the guarantees and sureties granted to the companies mentioned above, the Company grants guarantees and sureties to third parties in the amount of R$2,955 as of December 31, 2023 (R$2,500 as of December 31, 2022).

The Company has no other long-term commitments.

22.1 Changes in loans, financing and debentures

Loans, Financing and Debentures	Parent Company	Consolidated
Balances at December 31, 2021	2,210,807	4,522,417
Changes in cash:		
Receiving (payment)	574,642	910,116
Interest paid	(386,382)	(604,026)
Subtotal	188,260	306,090
Changes that do not affect cash		
Accrued interest expenses	398,792	618,715
Exchange rate variation	(3,328)	(29,289)
Others	1,077	(255)
Subtotal	396,541	589,171
Balances at December 31, 2022	2,795,608	5,417,678
Additions by business combination	-	33,615
Changes in cash:		
Receiving (payment)	(134,109)	(169,807)
Interest paid	(382,813)	(686,751)
Subtotal	(516,922)	(856,558)
Changes that do not affect cash		
Accrued interest expenses	373,875	782,649
Exchange rate variation	(19,012)	(53,617)
Others	(177)	15,065
Subtotal	354,686	744,097
Balances at December 31, 2023	2,633,372	5,338,832

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 Company's revenues is generated by the sale of products to the foreign market, exposed to the risk of exchange rate volatility. Additionally, it contracts financing operations in the financial market with pre-fixed or post-fixed rates, exposed to the risk of interest rate volatility. Fair values are determined based on market price quotations, when available, or, in the absence of these, valuation techniques are used, including the discounted cash flow method.

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.

The risks of the Company and its subsidiaries are described below.

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 three types of risk: interest rate risk, foreign exchange risk and price risk from commodities, shares, and others. 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)	1,126,503	1,119,611	1,126,503	1,119,611
Short-term investments that are not highly liquid	8	(2)	-	65,140	-	65,140
Derivative financial instruments	23.7	(2)	564	889	564	889
Amortized cost						
Customers	9		277,673	466,675	277,673	466,675
Liabilities						
Fair value through profit or loss						
Derivative financial instruments	23.7	(2)	-	-	-	-
Liabilities at amortized cost						
Suppliers	19		(476,165)	(600,807)	(476,165)	(600,807)
Reverse factoring	20		(8,055)	(3,832)	(8,055)	(3,832)
Leases – IFRS 16			(29,247)	(22,925)	(29,247)	(22,925)
Accounts payable due to business combination	3		(925)	(817)	(925)	(817)
Loans and financing	22		(2,633,372)	(2,795,608)	(2,648,893)	(2,824,105)
Total			(1,743,024)	(1,771,674)	(1,758,545)	(1,800,171)

Consolidated

	Note	Hierarchy	Carrying Amount		Fair value	
			2023	2022	2023	2022
Assets						
Fair value through profit or loss						
Cash and cash equivalents	7	(2)	2,864,807	2,504,862	2,864,807	2,504,862
Short-term investments that are not highly liquid	8	(2)	100,142	713,033	99,914	711,656
Derivative financial instruments	23.7	(2)	564	889	564	889
Rights due to consortium resources		(2)	25,048	21,298	25,048	21,298
Amortized cost						
Customers	9		2,139,863	2,527,401	2,139,863	2,527,401
Liabilities						
Fair value through profit or loss						
Derivative financial instruments	23.7	(2)	(7,309)	(4,245)	(7,309)	(4,245)
Liabilities at amortized cost						
Suppliers	19		(1,201,208)	(1,443,574)	(1,201,208)	(1,443,574)
Reverse factoring	20		-	-	-	-
Leases – IFRS 16			(279,130)	(265,703)	(279,130)	(265,703)
Accounts payable due to business combination	3		(347,949)	(361,164)	(347,949)	(361,164)
Loans and financing	22		(5,338,832)	(5,417,678)	(5,361,654)	(5,457,015)
Total			(2,044,004)	(1,724,881)	(2,067,054)	(1,765,595)

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.

The Company has only derivative financial instruments measured at fair value considering Level 2 valuation technique. There were no transfers between levels 1, 2 and 3 during the year ended December 31, 2023.

23.3 Interest rate risk

Interest rate risk is the risk that the fair value of future cash flows from a financial instrument may fluctuate due to changes in market interest rates.

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

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

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

In the chart below, three scenarios are presented and the most probable is the one adopted by the Company. These scenarios were defined based on the management's expectation on foreign exchange rate changes on the maturity dates of the respective contracts subject to these risks. In addition to this scenario, CVM through Instruction No. 475 determined that other two scenarios were presented with erosion of 25% and 50% of the variable of risk considered. These scenarios are being presented according to the CVM regulation.

Operation	Risk	Consolidated		
		Probable scenario	Scenario A	Scenario B
SWAP	Increase in CDI rate	(7,309)	(9,136)	(10,964)
SWAP	Increase in CDI rate	564	270	(12)
Total		(6,745)	(8,866)	(10,976)

a. Interest rate sensitivity

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

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

The sensitivity analysis considers the open positions on the reference date of December 31, 2022, based on nominal values and interest of each instrument contracted.

Parent Company

Operation	Currency	Probable Scenario	Possible Scenario	Remote scenario
Devaluation of finance income				
Financial Investments	BRL	131,238	98,428	65,619
Devaluation of reference rate for finance income				
CDI %		11.65%	8.74%	5.83%
Increase in financial expense				
Loans and financing	BRL	(350,084)	(422,649)	(495,214)
Appreciation of reference rate for financial liabilities				
TJLP		6.53%	8.16%	9.80%
CDI		11.65%	14.56%	17.48%
IPCA		4.62%	5.78%	6.93%
USD		4.84	6.05	7.26
LIBOR Biannual		5.59%	7.35%	8.82%
SOFR		5.38%	6.64%	7.97%
TEC-3		154.58%	193.23%	231.87%
UK BASE RATE		5.25%	6.56%	7.88%

Consolidated

Operation	Currency	Probable Scenario	Possible Scenario	Remote scenario
Devaluation of finance income				
Financial Investments	BRL	345,417	259,062	172,708
Devaluation of reference rate for finance income				
CDI %		11,65%	8,74%	5,83%
Increase in financial expense				
Loans and financing	BRL	(734,405)	(876,271)	(1,089,379)
Appreciation of reference rate for financial liabilities				
TJLP		6.53%	8.16%	9.80%
CDI		11.65%	14.56%	17.48%
IPCA		4.62%	5.78%	6.93%
USD		4.84	6.05	7.26
LIBOR Biannual		5.59%	7.35%	8.82%
SOFR		5.38%	6.64%	7.97%
TEC-3		154.58%	193.23%	231.87%
UK BASE RATE		5.25%	6.56%	7.88%

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

23.4 Foreign exchange risk

The Company adopts hedge accounting, in accordance with market practices (CPC 48/IFRS 9) and corporate by-laws, for the purpose of eliminating the volatility of the exchange variation of the Company's earnings.

The Company formally designated for cash flow hedge accounting the derivative instruments top hedge highly probable future exports, in Dollars, with the aim of reducing the volatility in its income from export due to changes exchange rate change in relation to Real.

The adoption of hedge accounting is supported by the effectiveness of export expectations over time, when compared to the flow of maturities of commitments subject to changes in foreign currency, mainly the US dollar, which are diluted in the long term.

The use of this practice is intended to better reflect the Company's earnings, in relation to assets and liabilities exposed to changes in foreign currency.

The hedge structure consists of hedging a group of liabilities, firm commitments, highly probable forecast transactions with risk characteristics similar to those to be settled in foreign currency (USD), against the risk of changes in exchange rate in relation to the Brazilian Real (BRL), adopting non-derivative financial instruments (financing) as current hedging instrument, in amounts and maturities equivalent to the budget of sale of manufactured products.

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 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, which, in the year ended December 31, 2023 had a negative change of 7.20% (6.50% positive in 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.

Moreover, the Company designates "Financing" operations aimed at protecting the exposure of highly probable future sales in currencies other than the functional currency. These transactions are documented to be recorded using the hedge accounting methodology, in conformity with CPC 48. The Company records in a specific account of equity unrealized effects of these instruments contracted for own operations.

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

a. Financial instruments designated as hedge accounting:

	Parent Company and Consolidated					
Counterparty	Type	Contracting Fee	Designation rate	Notional (in thousands of US Dollars)	Exchange-rate change calculated in equity	Book value
Safra Bank	PPE	3.7430	3.7430	3,000	3,295	14,520
Safra Bank	PPE	3.7491	3.7491	3,000	3,276	14,520
Total				6,000	6,571	29,040

Detailed maturities schedule of derivative transactions and deferred exchange-rate change classified in hedge accounting methodology is as follows:

Parent Company and Consolidated

Base year	Value designated for financing - in thousands of USD	Base year	Designated sales in thousands of USD
2024	3,000	2024	3,000
2025	3,000	2025	3,000
Total	6,000	Total	6,000

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:

	Thousands of US$			
	Parent Company		Consolidated	
	2023	2022	2023	2022
A. Net assets in US dollars	25,818	49,442	89,882	103,672
B. Loans/financing in US Dollars	(40,259)	(54,391)	(87,871)	(109,361)
C. Fair value of derivative financial instruments	6,000	-	11,107	15,799
D. Future exports designated to hedge accounting	6,000	9,000	6,000	9,000
E. Surplus (Deficit) determined	(2,441)	4,051	19,118	19,110

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 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			Consolidated		
Operation	Risk	Probable scenario	Scenario A	Scenario B	Probable scenario	Scenario A	Scenario B
Rate*	Increase in US$	4.84	6.05	7.26	4.84	6.05	7.26
Surplus calculated		(11,814)	(14,768)	(17,722)	92,531	115,664	138,797
Rate*	Decrease in US$	4.84	3.63	2.42	4.84	3.63	2.42
Deficit **calculated**		(11,814)	(8,861)	(5,907)	92,531	69,398	46,266

(*) The sources of information for the rates used above were obtained from the Central Bank of Brazil (BCB).

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.

A 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.

Objectives, policies and procedures were not changed during years ended December 31, 2023 and 2022. The Company includes in the net debt the loans and financing with yield, less cash and cash equivalents and non-immediate liquidity investments as stated below:

		Parent Company		Consolidated	
	Note	2023	2022	2023	2022
Loans and financing	22	2,633,372	2,795,608	5,338,832	5,417,678
Derivative financial instruments	23.3	-	-	7,309	4,245
Accounts payable business combination	5	925	817	347,949	361,164
Payables to other related parties	12	-	-	6,192	6,423
Fundraising with third parties		-	-	439,911	354,575
(-) Cash and cash equivalents	7	(1,126,503)	(1,119,611)	(2,864,807)	(2,504,862)
(-) Non-immediate liquidity	8	-	(65,140)	(100,142)	(713,033)
(-) Interest earning bank deposits	23.3	(564)	(889)	(564)	(889)
Net debt		1,507,230	1,610,785	3,174,680	2,925,301
Equity		2,777,775	2,744,765	2,777,775	2,744,765
Equity and net debt		4,285,005	4,355,550	5,952,455	5,670,066
Leverage ratio		35.17%	36.98%	53.33%	51.59%

23.6 Risk of credit

Credit risk is the risk of a business counterpart not complying with obligations provided in a financial instrument or contract with client, resulting in financial loss. The Company is exposed to credit risk during their operating and financing activities (mainly in relation to accounts receivable), including deposits in banks and financial institutions, foreign exchange transactions and other financial instruments. The maximum exposure to credit risk on the base date is the recorded amount of each class of contractual assets mentioned in Note 8, 9 and 10.

a. Accounts receivable

The client's credit risk is managed by each business unit, subject to the procedures, controls and policies established by the Company in relation to this risk. Credit limits are established for all Customers based on internal rating criteria, the credit analysis is carried out by the indirect subsidiary Banco Randon S.A. The credit quality of the client is assessed based on a comprehensive internal credit rating system. Some sales are financed through the indirect subsidiary Banco Randon S.A. where the Company equalizes rates and is a guarantor of some operations. Moreover, some sales are guaranteed by the network of distributors. Client receivables outstanding are monitored frequently. On December 31, 2022, the Company had approximately 27 customers (22 customers as of December 31, 2022) who owed the Company more than R$ 10,000 each and accounted for approximately 75% (75% as of December 31, 2022) of all trade receivables. The need of a provision for impairment is analyzed on each reporting date, reported on an individual basis for main customers. Additionally, a large number of accounts receivable with smaller balances is grouped into homogeneous groups and, in such cases, the recoverable loss is evaluated collectively. The calculation is based on actual historical data.

b. Financial instruments and bank deposits

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

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.

The table below summarizes the maturity profile of the financial liability of the Companies and its subsidiaries as of December 31, 2023, 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	60,948	488,993	3,029,001	-	3,578,942	2,633,372
Accounts payable due to business combination	-	-	925	-	925	925
Suppliers	462,344	15,132	529	4	478,009	476,165
Reverse factoring	8,055	-	-	-	8,055	8,055
Leases	1,833	1,703	12,786	12,925	29,247	29,247
Total	533,180	505,828	3,043,241	12,929	4,095,178	3,147,764

Year ended December 31, 2022	Up to 3 months	3–12 months	1–5 years	>5 years	Cash flow	Book value
Loans and financing	83,873	443,402	3,387,480	343,775	4,258,530	2,795,608
Accounts payable due to business combination	-	-	817	-	817	817
Suppliers	598,257	4,302	439	4	603,002	600,807
Reverse factoring	3,832	-	-	-	3,832	3,832
Leases	-	6,601	16,324	-	22,925	22,925
Total	685,962	454,305	3,405,060	343,779	4,889,106	3,423,989

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	321,427	816,438	4,102,478	538,399	5,778,742	5,338,832
Accounts payable due to business combination	10,692	168,622	160,025	8,610	347,949	347,949
Suppliers	1,031,774	167,361	6,959	32	1,206,126	1,201,208
Leases	11,709	23,845	156,125	87,451	279,130	279,130
Total	1,375,602	1,176,266	4,425,587	634,492	7,611,947	7,167,119

Year ended December 31, 2022	Up to 3 months	3–12 months	1–5 years	>5 years	Cash flow	Book value
Loans and financing	448,204	668,144	5,160,606	357,372	6,634,326	5,417,678
Accounts payable due to business combination	2,415	170,679	151,408	36,662	361,164	361,164
Suppliers	1,269,714	175,169	874	4	1,445,761	1,443,574
Leases	-	36,948	228,755	-	265,703	265,703
Total	1,720,333	1,050,940	5,541,643	394,038	8,706,954	7,488,119

a. Derivative financial instruments

The Company and its subsidiaries have the policy of making transactions with derivative financial instruments for the purpose of mitigating or eliminating risks inherent to its operations.

The management of the Company and its subsidiaries permanently monitors the contracted derivative financial instruments through its internal controls.

Currently, the derivative financial instruments contracted by the Company, all registered with CETIP, are due to foreign exchange risk, with the specific objective of hedging its estimated exposure in foreign currency.

The derivative instruments contracted by the Company and its subsidiaries were substantially related to operations with Non-Deliverable Forwards (NDFs), aimed at hedging future expected sales to customers abroad for which the Company expects to be highly probable to carry out the transactions and credit balance denominated in foreign currency, and foreign exchange swap operations, aimed at hedging the exchange variation of some loans in foreign currency. In this type of operation, the Company has duties and obligations based on a quotation previously contracted at the time of its maturity, i.e., the forward contracts contracted by the Company do not have variation margins. The net result of these operations is recorded per reporting period in its financial information.

In the chart below we present the positions of the Companies and its subsidiaries, verified on December 31, 2023 and 2022, with the nominal and fair values of each instrument contracted, grouped by main risk categories:

		Parent Company		Consolidated	
Foreign exchange hedge operations	Currency	2023	2022	2023	2022
Financial Derivatives	R$	3,468	(954)	(6,451)	3,430
Total	R$	3,468	(954)	(6,451)	3,430

The tables below show the Company's derivative balances.

Parent Company

Description/ Counterparty	Reference value National – in thousands of R$		Fair Value (credit/debit)		Accumulated effect in 2023 (credit)/ debit		Accumulated effect in 2022 (credit)/ debit	
	2023	2022	2023	2022	Amount received	Payment value	Amount received	Payment value
SWAP	29,048	46,963	564	889	3,812	-	-	(1,332)
NDF	-	-	-	-	-	-	-	(1,673)
Total	29,048	46,963	564	889	3,812	-	-	(3,005)

Consolidated

Description/ Counterparty	Reference value National – in thousands of R$		Fair Value (credit/debit)		Accumulated effect in 2023 (credit)/ debit		Accumulated effect in 2022 (credit)/ debit	
	2023	2022	2023	2022	Amount received	Payment value	Amount received	Payment value
SWAP	82,820	108,004	(6,745)	(2,308)	3,812	(3,075)	254	(2,625)
NDF	-	21,393	-	(1,048)	-	(1,766)	-	(8,359)
Total	82,820	129,397	(6,745)	(3,356)	3,812	(4,841)	254	(10,984)

Changes in derivative financial instruments	Assets		Liability	
	Parent Company	Consolidated	Parent Company	Consolidated
Balances at December 31, 2021	-	3,378	1,157	3,202
Change in cash flow				
Receiving (payment)	-	(255)	(1,332)	(10,985)
Subtotal	-	(255)	(1,332)	(10,985)
Changes that do not affect cash:				
Exchange rate variation	889	(2,234)	175	12,028
Subtotal	889	(2,234)	175	12,028
Balances at December 31, 2022	889	889	-	4,245
Change in cash flow				
Exchange rate variation	-	-	-	(1,029)
Subtotal	-	-	-	(1,029)
Changes that do not affect cash:				
Exchange rate variation	(325)	(325)	-	4,093
Subtotal	(325)	(325)	-	4,093
Balances at December 31, 2023	564	564	-	7,309

23.8 Risk of high commodity volatility

This risk is related to the possibility of significant fluctuations in the prices of the Company's main raw materials, such as steel, resins, rubbers and other inputs used in the production process. Since the Company operates in a commodity market, the Company's costs of goods 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 the domestic and international markets, makes advance purchases and locks in prices with its major suppliers.

24 Information about share capital

24.1 Number of authorized shares

	As of December 31, 2023 and 2022
Common Shares	200,000
Preferred shares	400,000
Total of shares	600,000

24.2 Common shares issued and fully paid-up

	Common		Preferred	
	In thousands of quotas	BRL	In thousands of quotas	BRL
Balances at December 31, 2023	116,516	457,518	211,778	825,655

24.3 Treasury shares

When shares recognized as net assets 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 net assets. The repurchased shares are classified as treasury shares and presented as a deduction from net assets. 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.

The Company initiated a preferred share buyback program (RAPT4), all of which book-entry shares with no par value, on April 13, 2020, with a term of 6 months. The program ended on October 9, 2020, with a total acquisition of 13,000 shares, in the amount of R$133,737, which may be held in treasury, sold or canceled. On December 17, 2021, a new buyback program was approved. Until December 31, 2022, the Company repurchased 1,037 (one million and thirty-seven thousand) shares, in the amount of R$9,997. The buyback program ended on June 19, 2023.

24.4 Legal reserve

In compliance with article 193 of Law 6404/76, the reserve was formed at the rate of 5% of the net income for the year, up to the limit of 20% of the capital.

24.5 Reserve for investment and working capital

Its purpose is to ensure investments in fixed assets and increase working capital, including through amortization of the Company's debts, as well as the financing of subsidiaries and associated companies. It is formed with the balance of adjusted profit, after deducting the mandatory dividend.

On March 12, 2024, the Company's Board of Directors approved the capitalization of Working Capital and Investment Reserve in the amount of R$706,830, adjusting Capital from R$1,293,170 to R$2,000,000, which will not result in dilution or change in equity interests. The completion of the capitalization requires the approval at the Special and Annual General Meeting, which will take place together with the approval of the Financial Statements.

24.6 Tax incentive reserve

The Company benefits from ICMS and Fundopem tax incentives. In view of publication of Supplementary Law No. 160/17 and in accordance with Law No. 6404/76, management allocated the funds as tax incentive reserve in equity. At December 31, 2022, the balance totals R$34,356 (R$28,280 at December 31, 2022).

24.7 Tax incentive reserve

Represents the goodwill paid upon acquisition of the shares of the capital of Suspensys Sistemas Automotivos Ltda. in 2013, the effect of a change in the percentage of control over subsidiary Fras-le S.A. in 2013, the effect of goodwill on acquisition of units over it's subsidiaries Frasle Mobility., in 2013 and 2022 and interest of Randon Auttom Ltda., in 2023, and acquisition of shares of Randon Corretora de Seguros, in 2021.

24.8 Other comprehensive income

Other comprehensive income in equity is comprised as follows:

			Equity valuation adjustment				
	Revaluation reserve	Deemed cost of property, plant and equipment	Exchange-rate change of foreign investments	Exchange-rate change	Hedge accounting	Actuarial evaluation	Total
Balances at December 31, 2021	5,073	75,474	(9,690)	4,073	(20,464)	5,603	60,069
Additions (write-offs) in the period	(45)	(1,673)	(53,536)	(1,046)	8,769	(291)	(47,822)
Balances at December 31, 2022	5,028	73,801	(63,226)	3,027	(11,695)	5,312	12,247
Additions (write-offs) in the period	(44)	(1,378)	(163,098)	(1,171)	6,673	(657)	(159,675)
Balances at December 31, 2023	4,984	72,423	(226,324)	1,856	(5,022)	4,655	(147,428)

Revaluation reserve

Constituted as a result of the revaluations of fixed assets of the parent company, for the purpose of paying the capital stock in the subsidiaries Master Sistemas Automotivos Ltda., on September 29, 2006, and Castertech Tecnologia e Fundição Ltda., on September 1, 2006, based on appraisal reports prepared by a specialized company.

The Company opted to maintain the balances of revaluation reserves, and their respective realization through the depreciation of revalued assets, as provided for in CFC Resolution 1.152/2009.

a. Reserve for adjustment of deemed cost to property, plant and equipment

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.

b. 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.

c. Foreign exchange differences on intercompany loans

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

d. Hedge accounting

Contains the effective portion of cash flow hedges up to the statement of financial position date. The effective portion of gains or losses on cash flow hedge instruments that represent changes in cash flow hedges and the effective portion of contracts, net of taxes, are also accounted for as a separate component.

e. Reserve for actuarial evaluation

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

25 Dividends

According to the Company's articles of incorporation, common and preferred shares entitle to mandatory minimum dividend of 30% of the adjusted profit, and preferred shares additionally entitle to all other rights attributed to the common shares under equal conditions, plus priority in capital reimbursement, without premium, proportionally to the interest held in the capital in the event of Company liquidation, in addition to the right to be included in the public offering for disposal of control, pursuant to article 254-A of Law No. 6404/76, with the new wording by Law No. 10303/01.

Dividends were calculated as follows:

	2023	2022
Net income for the year	381,687	471,720
Tax incentive reserve	(6,076)	(3,590)
Legal Reserve (5%)	(18,780)	(23,407)
Realization of depreciation of deemed cost	1,378	1,673
Onerous contracts	33	(387)
Realization from first-time adoption of CPC 48/IFRS 9	(5,585)	-
Adjusted net income for the year	352,657	446,009
(+) Realization of revaluation reserve	45	45
Base income for distribution	352,702	446,054
Minimum mandatory dividend (30%)	105,431	133,816
Interest on own capital	190,988	165,360
Income tax	(28,648)	(24,804)
Net interest on own capital	162,340	140,556

25.1 Interest on own capital

As permitted by Law No. 9249/95, the Company calculated and paid interest on equity, which was allocated to dividends, approved at the Board of Directors' meeting, based on the Long-Term Interest Rate (TJLP) in force in the year, accounted for as finance costs, as required by tax legislation. For purposes of these financial statements, such interest was eliminated from finance costs for the year, and is presented under retained earnings.

The income tax and social contribution for the year were reduced by R$ 23,128 at the Parent Company and R$ 88,458 at the Consolidated, as a result of the deduction of these taxes by interest on own capital credited to shareholders.

Period	R$/shre	Number of shares (in thousands)	Credit	Payment	Amount
3Q23	0.22240	328,294	07/18/2023	08/15/2023	73,012
4Q23	0.35936	328,294	12/14/2023	01/21/2024	117,976

Period	R$/share	Number of shares (in thousands)	Credit	Payment	Amount
3Q22	0.21370	329,331	07/14/2022	08/25/2022	70,378
4Q22	0.28932	328,294	12/15/2022	01/20/2023	94,982

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

25.2 Changes in interest on own capital and dividends

Dividends and Interest on own capital	Parent Company		Consolidated
	Received	Payable	Payable
Balances at December 31, 2021	69,574	162,829	195,384
Changes in cash flow:			
Dividends and IOE received	(175,989)	-	-
Dividends and IOE paid	-	(224,570)	(331,646)
Subtotal	(175,989)	(224,570)	(331,646)
Changes that do not affect cash:			
Dividend distribution and IOE	210,024	145,879	259,849
Others	(1,467)	(28)	(28)
Subtotal	208,557	145,851	259,821
Balances at December 31, 2022	102,142	84,110	123,559
Changes in cash flow:			
Dividends and IOE received	(324,795)	-	-
Dividends and IOE paid	-	(147,697)	(294,182)
Total	(324,795)	(147,697)	(294,182)
Changes that do not affect cash:			
Dividend distribution and IOE	320,718	167,859	323,893
Others	427	(101)	(2,278)
Subtotal	321,145	167,758	321,615
Balances at December 31, 2023	98,492	104,171	150,992

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 plus weighted average number of common shares that would be issued upon conversion of all potentially diluting common shares into common shares. The table below shows data of income (loss) and shares used in calculating basic and diluted earnings per share:

	2023		2022	
	Common	Preferred	Common	Preferred
Net income for the year	135,466	246,221	167,096	304,624
Weighted average of shares issued (in thousands)	116,516	211,778	116,516	212,414
Basic and diluted earnings per share (In reais)	1.1626	1.1626	1.4341	1.4341

27 Income taxes

27.1 Current tax

The breakdown of income tax and social contribution expense in years ended December 31, 2023 and 2022 is summarized as follows:

Current income tax and social contribution	Parent Company		Consolidated	
	2023	2022	2023	2022
Current income tax and social contribution expenses	-	(17,315)	(298,338)	(288,998)
Deferred income tax and social contribution:				
Regarding the formation and reversal of temporary differences and tax losses	63,162	71,785	20,323	72,793
Income tax and social contribution expense presented in the statement of profit or loss	63,162	54,470	(278,015)	(216,205)

The reconciliation between tax expense and the result of the multiplication of net income/(loss), before taxes 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/(loss) before taxes	318,525	417,250	941,240	881,955
At the combined statutory rate of 34%	(108,299)	(141,865)	(320,022)	(299,865)
Difference in rate of subsidiaries	-	-	986	(4,925)
Permanent additions:	(40,096)	(6,883)	(78,864)	(31,117)
Non-deductible expenses	-	-	(1,226)	(5,708)
Interest on own capital received	(41,808)	(17,059)	(41,808)	(17,059)
Equity pickup (a)	178,694	145,294	(3,476)	12,256
Interest on own capital paid	64,936	56,222	130,266	88,655
Incentive to technology	-	536	18,395	18,021
Other items	(3,747)	4,013	1,938	2,726
Revenues exempt from taxes	13,482	14,212	15,796	20,811
Income tax and social contribution in income (loss) for the year	63,162	54,470	(278,015)	(216,205)
Effective rate	(19.83%)	(13.05%)	29.54%	24.51%

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

27.2 Deferred income tax and social contribution

Deferred taxes are recognized in relation to the temporary differences between the book values 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 related to investments in subsidiaries to the extend 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 statement of financial position 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 the 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, 2013 and 2012 refer to:

Parent Company

	Statement of financial position		Equity		Income	
	2023	2022	2023	2022	2023	2022
Income and social contribution tax losses to be offset	196,987	121,341	-	-	75,646	76,091
Provision for profit sharing	14,218	17,030	-	-	(2,812)	(6,695)
Provision for warranties	7,604	7,379	-	-	225	(536)
Sundry provisions	10,062	8,696	941	303	425	2,021
Allowance for expected credit losses	1,860	7,117	-	-	(5,257)	857
Provision for contingencies	5,871	5,363	-	-	508	(354)
Provision for losses on inventories	3,864	5,947	-	-	(2,083)	3,322
Tax credits to be used	4,349	4,349	-	-	-	-
Unrealized income in inventories/PPE	1,326	2,309	-	-	(983)	(1,310)
Provision for commissions and freight	1,391	1,648	-	-	(257)	(495)
Present value adjustment	72	838	-	-	(766)	967
Transactions with derivative instruments	(192)	(302)	-	-	110	(695)
Revaluation surplus	-	(477)	-	-	477	33
Actuarial valuation	(1,998)	(1,933)	173	80	(238)	(119)
Unrealized revaluation	(2,675)	(2,547)	-	-	(128)	67
Depreciation - fair value of PPE	(30,888)	(31,398)	-	-	510	343
Depreciation of useful life/tax	(34,897)	(32,682)	-	-	(2,215)	(1,712)
Deferred income tax and social contribution expense	-	-	-	-	63,162	71,785
Deferred tax assets	176,954	112,678	-	-	-	-
Equity	-	-	1,114	383	-	-

Consolidated

	Statement of financial position		Equity		Income	
	2023	2022	2023	2022	2023	2022
Income and social contribution tax losses to be offset	282,522	184,140	-	-	98,382	93,179
Provision for profit sharing	46,876	49,736	-	-	(2,860)	(5,210)
Provision for contingencies	43,541	29,007	-	-	14,534	4,079
Sundry provisions	32,741	26,968	269	303	5,504	(5,957)
Allowance for expected credit losses	12,094	20,008	-	-	(7,914)	5,196
Provision for losses on inventories	15,129	16,850	-	-	(1,721)	5,114
Provision for warranties	11,191	10,635	-	-	556	(521)
Provision for commissions and freight	13,220	9,865	-	-	3,355	1,087
Restatement of contingent consideration	4,820	14,509	-	-	(9,689)	5,518
Impairment of assets	4,051	1,888	-	-	2,163	(1,383)
Considerations payable to customers	159	6,817	-	-	(6,658)	(2,808)
Tax credits to be used	4,349	4,349	-	-	-	-
Unrealized income in inventories/PPE	1,486	2,409	-	-	(923)	(1,369)
Onerous contracts	1,106	213	(30)	213	923	-
Transactions with derivative instruments	2,293	1,141	-	-	1,152	1,148
Addition by business combination	(22,484)	-	-	-	(22,484)	-
Accelerated depreciation incentive	(56)	(855)	-	-	799	674
Unrealized revaluation	(2,675)	(2,547)	-	-	(128)	67
Actuarial valuation	(3,792)	(3,965)	133	52	40	(29)
Present value adjustment	1,984	(1,790)	-	-	3,774	1,314
First-time adoption of CPC 47 – BCB Resolution 120	(46,844)	(10,022)	-	-	(36,822)	(10,022)
Monetary restatement	(28,369)	(20,421)	10,051	7,154	(17,999)	(14,168)
Revaluation surplus	(36,559)	(31,532)	(5,261)	8,753	234	(8,113)
Depreciation - fair value of PPE	(47,177)	(48,249)	-	-	1,072	1,271
Depreciation of useful life/tax	(92,175)	(87,208)	-	-	(4,967)	3,726
Deferred income tax and social contribution expense	-	-	-	-	20,323	72,793
Deferred tax assets	197,431	171,946	-	-	-	-
Equity	-	-	5,162	16,475	-	-

The Company and its subsidiaries recorded tax losses amounting R$ 930,598 (R$ 661,638 at December 31, 2022), which may be offset against future taxable profit of the company in which such profit was generated, over a period of ten years, in accordance with CVM Ruling No. 371/02. The recording and maintenance of the deferred tax and social contribution assets are supported by a study prepared by Management, which proves the Company's ability to generate future taxable income that guarantees the realization of tax credits.

The expected recoverability of the tax credits on tax losses and negative basis of social contribution were based on the projections of future taxable income taking into consideration various business and financial assumptions at year-end. Accordingly, these estimates may differ from the effective taxable income in the future due to the inherent uncertainties involving these provisions.

The Company conducts recoverability studies for its deferred assets, for the year ended December 31, 2023, the procedure applied identified an opportunity to recognize deferred assets on tax losses for indirect subsidiaries ASK Frasle Friction and Jurid, in the amounts of R$8,464 and R$7,520, respectively. The Company did not identify any uncertainties as to the recoverability of deferred tax assets recorded for the year 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 income from sales	4,931,531	4,992,455	13,542,567	13,812,916
Sales tax	(818,251)	(826,064)	(2,416,276)	(2,480,459)
Sales returns and other deductions (a)	(40,106)	(31,863)	(125,990)	(65,159)
Adjustment to present value	(37,547)	(39,454)	(112,458)	(114,881)
Net operating income	4,035,627	4,095,074	10,887,843	11,152,417

(a) The Company uses rebate practices for commercial purposes. On December 31, 2023, the amount was BRL 31,989 and was reflected in the line "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	(3,413,826)	(3,513,104)	(8,094,488)	(8,527,655)
Sales expenses	(189,290)	(150,379)	(757,506)	(717,075)
Administrative and general expenses	(180,668)	(149,296)	(663,445)	(541,434)
Total	(3,783,784)	(3,812,779)	(9,515,439)	(9,786,164)
Expanses per type				
Raw materials and use and consumption materials	(2,891,321)	(3,010,013)	(5,962,174)	(6,566,803)
Personnel expenses	(381,720)	(336,721)	(1,566,755)	(1,416,456)
Conservation and maintenance	(107,346)	(97,187)	(334,141)	(316,270)
Depreciation and amortization	(50,798)	(47,921)	(285,652)	(252,708)
Freight	(82,066)	(42,538)	(249,906)	(226,315)
Administrative services	(61,636)	(49,067)	(216,787)	(162,899)
Electric power	(19,078)	(21,393)	(143,795)	(156,925)
Commissions	(40,983)	(47,032)	(105,863)	(121,029)
Rentals	(22,542)	(22,909)	(69,058)	(63,495)
Professional fees	(12,480)	(10,449)	(31,298)	(59,285)
IT Consultancy	(40,377)	(26,444)	(57,195)	(57,495)
Technical support	(28,808)	(18,091)	(59,744)	(47,249)
Directors' fees and profit sharing	(12,342)	(10,624)	(28,501)	(25,967)
Other expenses	(32,287)	(72,390)	(404,570)	(313,268)
Total	(3,783,784)	(3,812,779)	(9,515,439)	(9,786,164)

30 Personnel and profit sharing expenses

	Parent Company		Consolidated	
	2023	2022	2023	2022
Salaries and wages	(263,093)	(229,567)	(1,158,127)	(1,040,995)
Social security costs	(71,936)	(65,555)	(226,073)	(212,159)
Benefits granted	(43,766)	(38,879)	(177,435)	(158,893)
Retirement costs	(2,925)	(2,720)	(5,120)	(4,409)
Total	(381,720)	(336,721)	(1,566,755)	(1,416,456)

Profit sharing recognized by the Company and its subsidiaries for the year ended December 31, 2023 totaled R$76,143 (R$93,927 as of December 31, 2022).

31 Other operating income and expenses

	Parent Company		Consolidated	
	2023	2022	2023	2022
Other operating income:				
Revenue from tax credits	4,150	821	4,150	821
Offset of amounts retained from business combinations	1,269	285	3,187	19,247
Impairment	1,149	-	4,479	9,333
Reimbursement of donations	1,000	-	1,272	-
Claim reimbursement revenue	832	-	1,839	-
Lease income	459	605	13,272	8,870
Sale of electricity	92	41	2,975	1,558
Sale of assets	87	2,753	4,449	8,918
Accounts payable due to business combination	-	-	4,605	10,269
Tax incentives	-	3,590	1,976	6,819
Recovery of credits – consortium members	-	-	5,720	4,686
Accounts payable due to business combination	-	-	-	3,042
Reversal of provision for losses – consortium groups	-	-	2,586	3,019
Interest and fines – consortium members	-	-	880	1,976
Provision for labor, civil and tax contingencies	-	1,041	-	1,041
Maintenance fee for non-located consortium members	-	-	4,798	-
Escrow reversal and active supervening business combination	-	-	53,015	-
Debt relief	-	-	22,634	-
Other operating income	73	2,557	1,484	9,475
Total	9,111	11,693	133,321	89,074
Other operating expenses:				
Debt relief	(99,502)	-	-	-
Provision for profit sharing	(18,993)	(17,408)	(76,143)	(93,927)
Expenses with legal proceedings	(15,530)	(7,170)	(41,528)	(30,466)
Provision for tax, civil and labor contingencies	(1,495)	-	(41,973)	(14,150)
Impairment	(1,116)	(32)	(14,087)	(5,910)
Residual cost of assets written off and sold	(411)	(6,787)	(13,278)	(20,760)
Fines, taxes and charges	(371)	(280)	(10,664)	(11,104)
Expense – actuarial valuation	(232)	(254)	(412)	(527)
Accounts payable due to business combination	-	-	-	(16,229)
Loss on recoverability of taxes	-	-	-	(2,112)
Provision for losses on other receivables	-	-	(69)	(176)
Provision for dividends	-	-	(5,362)	-
Other operating expenses	(2,140)	(670)	(15,571)	(7,430)
Total	(139,790)	(32,601)	(219,087)	(202,791)
Other operating income/expenses	(130,679)	(20,908)	(85,766)	(113,717)

32 Finance income (costs)

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

	Parent Company		Consolidated	
	2023	2022	2023	2022
Financial income:				
Interest on short-term investments yield	82,792	138,026	331,912	242,192
Exchange rate differences	80,521	60,547	229,012	278,029
Present value adjustment	40,151	35,948	87,849	96,053
Income from legal proceedings	39,652	41,799	48,077	60,823
Gains on derivative transactions	6,257	6,134	12,497	16,104
Interest income	636	2,222	1,141	2,667
Other finance income	5,468	1,261	9,026	13,966
Total	255,477	285,937	719,514	709,834
Financial expenses:				
Interest and commissions on financing	(376,300)	(362,240)	(579,475)	(535,211)
Exchange rate differences	(82,107)	(78,457)	(391,076)	(398,243)
Banking costs	(49,365)	(38,715)	(5,041)	(14,672)
Present value adjustment (a)	(49,139)	(49,941)	(110,203)	(112,870)
Tax on financial transactions	(13,123)	(12,026)	(30,504)	(24,341)
Debt relief (Note 12)	(3,847)	-	-	-
Losses on derivative transactions	(2,789)	(7,088)	(18,948)	(12,674)
Other finance costs	(7,018)	(8,943)	(54,989)	(64,168)
Total	(583,688)	(557,410)	(1,190,236)	(1,162,179)
Inflation adjustment	-	-	127,394	82,044
Finance income (costs)	(328,211)	(271,473)	(343,328)	(370,301)

(a) Includes update of the active supervenience of business combination, in the amount of BRL 11,797, mentioned in Note 5.

33 Hyperinflationary economics

The financial statements of subsidiaries operating in hyperinflationary economies are corrected for changes in the general purchasing power of the currency, so that their values are stated in the monetary unit of measurement at the end of the period, as determined by CPC 42 / IAS 29 - Accounting in Hyperinflationary Economics.

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

	Consolidated	
impact on Finance income (costs)	2023	2022
Armetal	2,060	12,908
Frasle Argentina	(133)	(7,862)
Frasle Mobility	79,008	50,132
Randon Argentina	46,459	26,866
Total	127,394	82,044

Additionally, in December 2023, the Argentine Peso suffered a significant exchange rate devaluation of 56.2% due to economic and political issues in Argentina (79.7% and 45.6% devaluation 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.	574,886	575,187
Vehicles	Hull	2,116	2,809
Export credit	Commercial and political	122,103	191,458
Civil liability	Civil liability	96,718	70,030
Personal accidents	Bodily injury	81,524	60,662
Total		877,347	900,146

35 Assets and liabilities from discontinued operations

Classification as a discontinued operation occurs upon disposal, or when the transaction meets the criteria to be classified as held for sale, should this occur earlier. A discontinued operation is a component of a Company business that comprises operations and cash flows that may be clearly distinct from the rest of the Company and that represents a separate major line of business or geographic area of operations.

P&L from discontinued operations is presented in a single amount in the statement of profit or loss, including total P&L after income taxes of these operations, less any impairment losses. Net cash flows attributable to operating, investing and financing activities of discontinued operations are stated separately in an explanatory note.

Upon classification as a discontinued operation, the comparative statements of profit or loss are restated as if the operation had been discontinued since the beginning of the comparative period. Any interest held by noncontrolling shareholders relating to the group of assets held for sale is presented in equity and is not reclassified in the statement of financial position.

35.1 Randon Veículos discontinued operation

The Randon Veículos operation was closed in December 2020 and the balances of the discontinued operation on December 31, 2023 and December 31, 2022 are shown below:

Statement of financial position - Discontinued operations	2023	2022
Cash and cash equivalents	2,480	5,346
Other assets	272	61
Total of assets	2,752	5,407
Other liabilities	3,213	6,132
Equity	(461)	(725)
Total of liabilities	2,752	5,407

Statement of profit or loss - Discontinued operations	2023	2022
Costs of products sold	(10)	(43)
Gross profit	(10)	(43)
Operating income and expenses	(135)	111
Finance income (costs)	430	624
Profit before taxes	285	692
Taxes	(21)	(40)
Net income for the year	264	652

Statement of cash flow - Discontinued operations	2023	2022
Net income for the year	264	652
Current and deferred income and social contribution taxes	21	40
Reversal of allowance for expected credit losses	-	(4)
Reversal of provision for discontinued activities	(3,081)	(1,910)
Changes in assets and liabilities	(70)	(57)
Net cash generated by operating activities	(2,866)	(1,279)
Net cash used in discontinued operations	(2,866)	(1,279)
At the beginning of the year	5,346	6,625
At the end of the year	2,480	5,346
increase (decrease) in cash and cash equivalents	(2,866)	(1,279)

36 Events after the reporting period

During January and February 2024, Randoncorp concluded fundraising in the amount of R$650,200, divided between:

BNDES: On January 8, 2024, the fundraising of Exim Pre-Shipment from BNDES in the amount of R$150,200, at the Parent Company, segregated into two contracts, the first of R$75,000, with a cost of TLP+0.80% p.y., and the second of R$75,200, with a cost of SOFR 5 years + 0.80% p.a. Both contracts have a 5-year term with a grace period of 12 months of principal and after monthly payments. The funds will be used to finance the Company's exports.

International Finance Corporation (IFC) On February 28, 2024, fundraising from the International Finance Corporation (IFC), a member of the World Bank Group, in the amount of R$500,000 (R$250,000, through the Parent Company and R$250,000 by Frasle Mobility), with a payment term of up to 9 years and a grace period of 2 years. The funds will be allocated mainly to projects focused on sustainability, linked to the public commitment to reduce greenhouse gas emissions by 40%. Achieving the goal will bring a benefit of a discount on financing interest from 2026 onwards.