MRS Logística S.A.

Financial Statements, DECEMBER 31, 2023 and Independent Auditor's Report

Content

2023 HIGHLIGHTS

Financial and Operational Results	4Q23	4Q22	4Q23 x 4Q22	3Q23	4Q23 x 3Q23	2023	2022	2023 x 2022
Transported Volume (thousands tons)	53,638	46,027	16.5%	54,420	-1.4%	197,486	178,248	10.8%
Gross Revenues (R$ million)	1,899.4	1,586.9	19.7%	1,891.9	0.4%	6,873.0	6,029.4	14.0%
Net Revenues (R$ million)	1,793.4	1,473.2	21.7%	1,782.5	0.6%	6,449.1	5,592.1	15.3%
EBITDA (R$ million)	896.0	708.6	26.4%	1,027.1	-12.8%	3,429.3	2,844.9	20.5%
EBITDA Margin [1] (%)	50.0%	48.1%	1.9pp	57.6%	-7.6pp	53.2%	50.9%	2.3pp
Net Profit [1] (R$ million)	294.5	244.1	20.7%	424.4	-30.6%	1,200.1	874.2	37.3%
Gross Debt (R$ million)	6,846.7	4,406.0	55.4%	4,605.6	48.7%	6,846.7	4,406.0	55.4%
Net Debt (R$ million)	3,458.7	3,539.1	-2.3%	2,860.6	20.9%	3,458.7	3,539.1	-2.3%
Net Debt/EBITDA [1] (x)	1.0x	1.2x	-0.2x	0.9x	0.1x	1.0x	1.2x	-0.2x

[1] Last 12 months (unadjusted result, that is, considering the non-recurring events).

MRS Logística ended 2023 with 197.5 Mt in the total volume of cargo transported on its railroad network, representing a record for the Company. Growth between 2023 and 2022 was 10.8% (+19.2Mt), due to the increase in transport of iron ore destined for export, which ended the period with 106.9 Mt (+18.6 % vs 2022).

The Company's Net Revenue, in 2023, was R$ 6,449.1 million, an increase of R$ 857.0 million (+15.3%) compared to 2022. Iron Ore transport contributes approximately 61.8% of the transport volume and ended the year with 122.1 Mt transported. The Company's EBITDA reached R$ 3,429.3 million, a 20.5% increase compared to 2022.

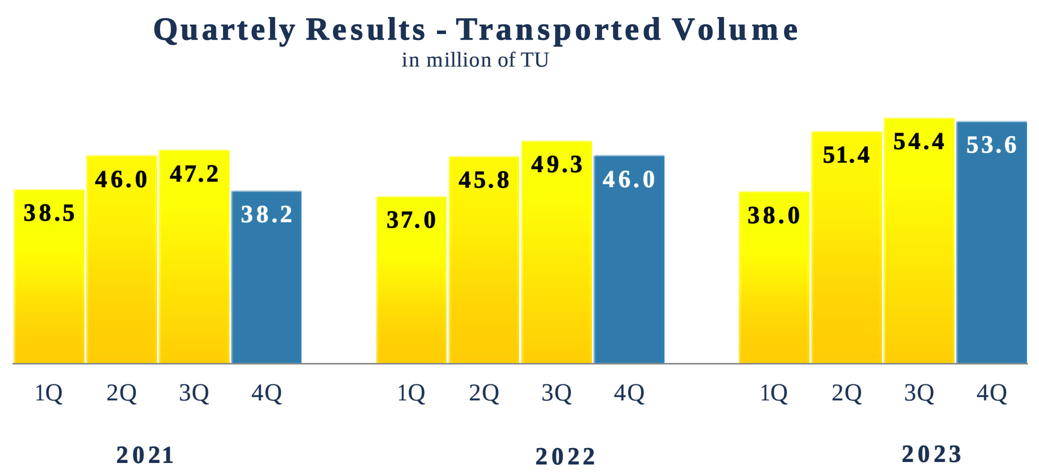
The Company, ensuring its commitment to cash management and increasing EBITDA generation, presented in 2023 a Net Debt/EBITDA indicator of 1.0x and a Net Debt balance of R$ 3,458.7 million.

OPERATIONAL COMMERCIAL PERFORMANCE

MRS Logística mainly operates in transport sector of inputs and products for the steel industry, such as iron ore, coal and coke, both to serve domestic and export markets, and of General Cargo, which includes agricultural commodities, steel products, containers, among others, through a railroad system covering more than 1,643 km, in the states of Minas Gerais, Rio de Janeiro and São Paulo.

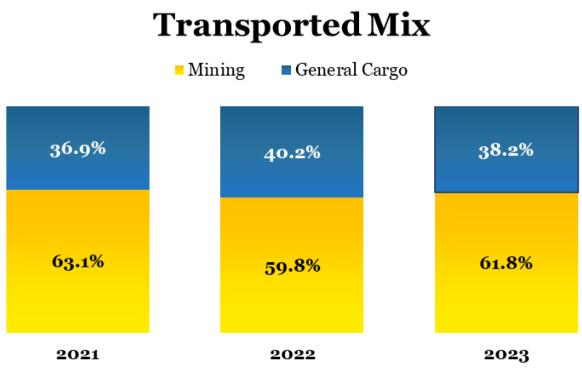
Transported Volume Thousand tons	4Q23	4Q22	4Q23 x 4Q22	3Q23	4Q23 x 3Q23	2023	2022	2023 x 2022
Mining	**34,094**	**28,428**	**19.9%**	**33,961**	**0.4%**	**122,120**	**106,543**	**14.6%**
Iron Ore	33,486	27,847	20.3%	33,417	0.2%	119,951	104,201	15.1%
Export	30,087	24,143	24.6%	30,136	-0.2%	106,881	90,130	18.6%
Domestic Market	3,399	3,703	-8.2%	3,281	3.6%	13,070	14,072	-7.1%
Coal and Coke	608	581	4.6%	544	11.8%	2,170	2,342	-7.3%
General Cargo	**19,544**	**17,598**	**11.1%**	**20,459**	**-4.5%**	**75,366**	**71,705**	**5.1%**
Agricultural Products	12,786	11,152	14.6%	14,049	-9.0%	50,154	46,806	7.2%
Steel Products	1,765	1,750	0.8%	1,733	1.8%	6,636	6,838	-3.0%
Pulp	1,455	1,512	-3.8%	1,317	10.4%	5,591	5,670	-1.4%
Container	619	591	4.8%	605	2.4%	2,222	2,133	4.1%
Construction	581	633	-8.3%	620	-6.3%	2,308	2,449	-5.7%
Others	2,338	1,960	19.3%	2,134	9.6%	8,455	7,808	8.3%
Total	**53,638**	**46,027**	**16.5%**	**54,420**	**-1.4%**	**197,486**	**178,248**	**10.8%**

In 2023, the total volume transported by the Company was 197.5 Mt, an increase of 10.8% compared to 2022. When analyzing 4Q23 vs 4Q22, volume was 16.5% higher, benefiting mainly from the increase in ore transportation.



The General Cargo transportation segment presented, in one more year, better performance and a new record for volume transported, ending the year 2023 with 75.4Mt, this result was 5.1% higher compared to the year 2022. 4Q23 also stands out as the best of all years, ending with 19.5Mt transported.

In relation to the Transported Mix, the participation of the Mining group grew compared to the previous year, justified mainly by the continued high demand for iron ore in the foreign market, as detailed below, and the General Cargo group continues to have a good representation, accounting for 38.2% of the 2023 result.



Mining

The transport of iron ore, coal and coke in 2023 was 14.6% higher when compared to 2022, mainly benefiting from the greater volume of iron ore for the foreign market, as explained below.

Volume Transportado TU Milhares	4T23	4T22	4T23 x 4T22	3T23	4T23 x 3T23	2023	2022	2023 x 2022
Mineração	**34.094**	**28.428**	**19,9%**	**33.961**	**0,4%**	**122.120**	**106.543**	**14,6%**
Minério de Ferro	33.486	27.847	20,3%	33.417	0,2%	119.951	104.201	15,1%
Exportação	30.087	24.143	24,6%	30.136	-0,2%	106.881	90.130	18,6%
Mercado Interno (A)	3.399	3.703	-8,2%	3.281	3,6%	13.070	14.072	-7,1%
Carvão e Coque (B)	608	581	4,6%	544	11,8%	2.170	2.342	-7,3%
Mercado Interno + Carvão e Coque = (A+B)	4.007	4.285	-6,5%	3.825	4,8%	15.239	16.413	-7,2%

Iron Ore | Export

In 2023, the volume of Iron Ore cargo destined for export, which represents 87.5% of the Mining group and 54.1% of the total volume transported by MRS Logística, was 106.9 Mt, an increase of 18.6 % when compared to the previous year.

When analyzing the performance of 4Q23 in comparison to 4Q22, there was an increase of 24.6%, resulting from the increase in volumes arising from own production and purchases by main customers, reflecting the positive market momentum for export ore, combined with to the good operational performance of the mine-railroad-port system. It is also worth highlighting the lower impact of rain on the operation in the last quarter of 2023 compared to the same period of the previous year.

Domestic Market | Ore, Coal and Coke

The transport of iron ore, coal and coke in the domestic market, with a volume transported in 2023 of 15.2Mt, showed a reduction of 7.2% compared to 2022. This result was mainly impacted by production shutdowns for corrective maintenance on Ore processing and unloading equipment.

General Cargo

General Cargo transportation, which is carried out by MRS Logística and other railroads through paid right of way, includes agricultural commodities, steel products, cellulose, among others.

The year of 2023 result was the best in MRS Logística history, reaching 75.4 Mt of transported volume, representing an increase of 5.1% when compared to the previous year.

Transported Volume Thousand tons	4Q23	4Q22	4Q23 x 4Q22	3Q23	4Q23 x 3Q23	2023	2022	2023 x 2022
General Cargo	**19,544**	**17,598**	**11.1%**	**20,459**	**-4.5%**	**75,366**	**71,705**	**5.1%**
Agricultural Products	12,786	11,152	14.6%	14,049	-9.0%	50,154	46,806	7.2%
Steel Products	1,765	1,750	0.8%	1,733	1.8%	6,636	6,838	-3.0%
Pulp	1,455	1,512	-3.8%	1,317	10.4%	5,591	5,670	-1.4%
Container	619	591	4.8%	605	2.4%	2,222	2,133	4.1%
Construction	581	633	-8.3%	620	-6.3%	2,308	2,449	-5.7%
Others	2,338	1,960	19.3%	2,134	9.6%	8,455	7,808	8.3%

Agricultural Products

Transported Volume Thousand tons	4Q23	4Q22	4Q23 x 4Q22	3Q23	4Q23 x 3Q23	2023	2022	2023 x 2022
Agricultural Products	**12,786**	**11,152**	**14.6%**	**14,049**	**-9.0%**	**50,154**	**46,806**	**7.2%**
Soy	1,089	532	104.9%	1,849	-41.1%	17,722	16,299	8.7%
Soybean Meal	1,671	1,615	3.5%	1,951	-14.3%	7,024	6,734	4.3%
Sugar	3,305	2,917	13.3%	3,655	-9.6%	10,948	9,936	10.2%
Corn	6,720	6,089	10.4%	6,595	1.9%	14,460	13,838	4.5%

The agricultural products transported by MRS Logística are corn, sugar, soybeans and soybean meal, and represented 66.5% of the General Cargo segment. Sugar, soybean, corn and soybean meal commodities increased by 10.2%, 8.7%, 4.5% and 4.3%, respectively, in 2023 compared to 2022, as detailed below.

The increases recorded in soybean and corn transport were due to the entry of new players who began transport in 2023 with MRS Logística, the group represented a total of 63% of the volume of commodities transported.

The reductions in the transport of sugar (-9.6%) and soybean meal (-14.3%), in the comparison between 4Q23 and 3Q23, are due to seasonal factors in the sugarcane and soybean harvests, respectively, as well as the commercialization strategy of these products by exporters.

Steel Products

Transported Volume Thousand tons	4Q23	4Q22	4Q23 x 4Q22	3Q23	4Q23 x 3Q23	2023	2022	2023 x 2022
Steel Products	1,765	1,750	0.8%	1,733	1.8%	6,636	6,838	-3.0%

The transport of steel products fell by 3.0% in 2023 when compared to 2022. The main factors that caused this reduction were: (i) rains in the state of Minas Gerais in the 1st Quarter of 2023, which caused losses in volumes arising from disruptions/occurrences, (ii) reduction in the volume of crude steel production in the country, with a drop of 6.5% in relation to 2022, as well as in internal sales, which directly impacted the volumes transported by MRS Logística and (iii) reduction in demand for transportation of semi-finished steel (slabs) to supply the Domestic Market, due to a change in the sales strategy of an important supplier of the segment to the External Market, making it impossible for MRS Logística to capture demand.

Pulp

Transported Volume Thousand tons	4Q23	4Q22	4Q23 x 4Q22	3Q23	4Q23 x 3Q23	2023	2022	2023 x 2022
Pulp	1,455	1,512	-3.8%	1,317	10.4%	5,591	5,670	-1.4%

Pulp transportation showed a reduction in 2023 compared to 2022, with effects from 1Q23 and 2Q23. In 1Q23, there were impacts from cases of vandalism and high rainfall levels and in 2Q23, this refers to annual maintenance, scheduled for the MRS Logística customer's industry.

Containers

Transported Volume Thousand tons	4Q23	4Q22	4Q23 x 4Q22	3Q23	4Q23 x 3Q23	2023	2022	2023 x 2022
Container	619	591	4.8%	605	2.4%	2,222	2,133	4.1%

The General Cargo transportation segment showed an increase of 4.1% in 2023 compared to 2022, mainly due to the higher transportation recorded in own cargo volumes, around 8.9%.

In MRS Logística's own cargo transportation, 4Q23 showed an increase of 4.8% compared to 4Q22, mainly due to increases in volumes with new and current customers. This increase reflects the Company's management, as between some periods in November and December, there was a reduction in the arrival of cargo by ships at the ports of RJ and Santos, due to the interruption of cargo transport from Manaus (coastal shipping).

Construction

Transported Volume Thousand tons	4Q23	4Q22	4Q23 x 4Q22	3Q23	4Q23 x 3Q23	2023	2022	2023 x 2022
Construction	581	633	-8.3%	620	-6.3%	2,308	2,449	-5.7%

The civil construction transport segment showed a drop of 5.7% in 2023 when compared to 2022, mainly due to the impact of rains in the states of MG and RJ, which generated disruptions in railroad operations in March/April as well as the shutdowns of customer factory to carry out maintenance on the damaged mill.

Others

Transported Volume Thousand tons	4Q23	4Q22	4Q23 x 4Q22	3Q23	4Q23 x 3Q23	2023	2022	2023 x 2022
Others	2.338	1.960	19,3%	2.134	9,6%	8.455	7.808	8,3%

The transport of other cargo includes own cargo, which covers the following products: pig iron, energy mineral coal, limestone for steelmaking, and “cargo from other railroads” that incorporate: sulfur, composts and fertilizers, among others.

In 2023, MRS Logística transported 8.5Mt in the other cargo industry, representing growth of 8.3% compared to 2022. The Company highlights, with regard to its own cargo in the total accumulated income for the year 2023 compared to 2022, the increase in the transport of: (i) pig iron for export, service to more ships at the Port of Rio de Janeiro was negotiated, leveraging the greater supply of products due to the drop in consumption in the domestic market and the reduction in the supply of pig iron in the foreign market due to the impacts of the War from Ukraine and (ii) concentrated magnetite, due to the negotiation of a contract with a new customer and the development of a new multimodal terminal infrastructure to enable the expansion of the portfolio of customers served through railroad logistics.

The volume of transport of other cargo carried out by other railroads, which remunerate MRS Logística for the right of way, increased by 13.4% in the comparison between 2023 and 2022, showing variations mainly in the volumes of fertilizers (19.08%) as a result of investments made in railroad terminals in consumer regions.

Energy Efficiency

Environmental sustainability and eco-efficiency are part of MRS Logística's main commitments. In this regard, the Energy Efficiency indicator provides the Company with the path to achieving these commitments. This involves daily monitoring by measuring the number of liters of diesel oil consumed in transporting 1,000 gross tons over one kilometer (liters per thousand TKB).

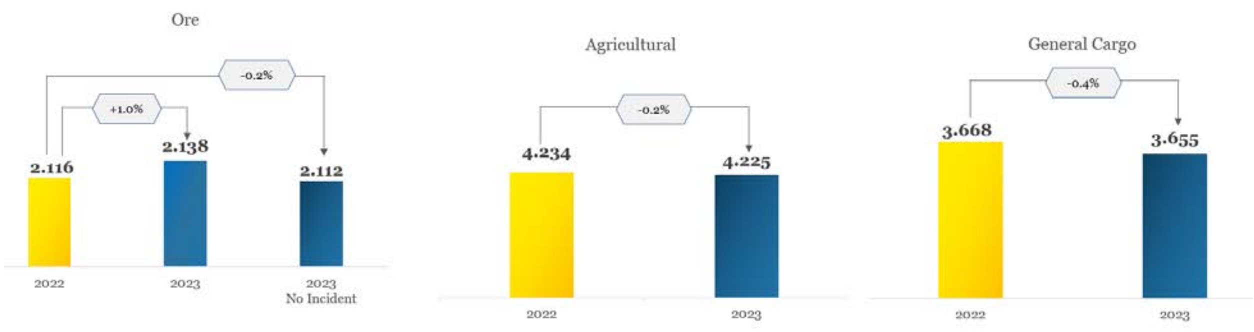
The trains are divided into three large load groups so that energy efficiency analyses can be carried out considering the particularity of the transport: Ore, Agricultural and General Cargo.

MRS Logística ended the year with an annual historical record for its own cargo transported (143 MMTU) and the result presented by the energy efficiency index was 2,488 L/kTKB, exceeding the target proposed for the year, representing a saving of more than 3 million liters of diesel oil. The Company emphasizes that the result presented was in view of the scenario of the railroad incident that occurred in March 2023, reflecting its operations for two months.

The result of the ore segment load was 2.138 L/kTKB, representing a 1% worsening compared to 2022.

This result was negatively influenced by the incident mentioned above, since the ore industry was the one affected the most given the location of the occurrence. Excluding the impact of the incident, the result would be 2.112 L/kTKB, representing an improvement of 0.2% compared to 2022. For the General Cargo and Agricultural segments (loads less impacted by the incident), the indexes showed an improvement of 0.4% and 0.2%, respectively, compared to the previous year, with results of 3.655 L/kTKB for General Cargo and 4,225 L/kTKB for Agricultural.

Diesel Oil Consumption (L/kTKB)



The main factors that contributed to the performance of diesel oil consumption in 2023 were the following:

I. **Ore**

- Increased speed in railroad sections where the profile propels the train to go up ramps more quickly and reduces fuel consumption;
- Reduction of train stops on critical railroad sections unfavorable to energy efficiency;
- Improvement of operational driving procedures aimed at optimizing locomotive tractive effort and reducing fuel consumption;
- Reduction in diesel oil consumption due to the isolation/switch off strategy of controlled locomotives at points where the profile of the railroad section allows the train to maintain its speed only with the traction of the controlling locomotive.

II. **Agricultural**

- The adoption of a more intelligent cascading strategy made it possible to carry out a large part of the production of this flow with the Company's premium fleet;
- Reduction in diesel oil consumption due to the isolation/shutdown strategy of controlled locomotives at points where the profile of the railroad section allows the train to maintain its speed only with the traction of the controlling.

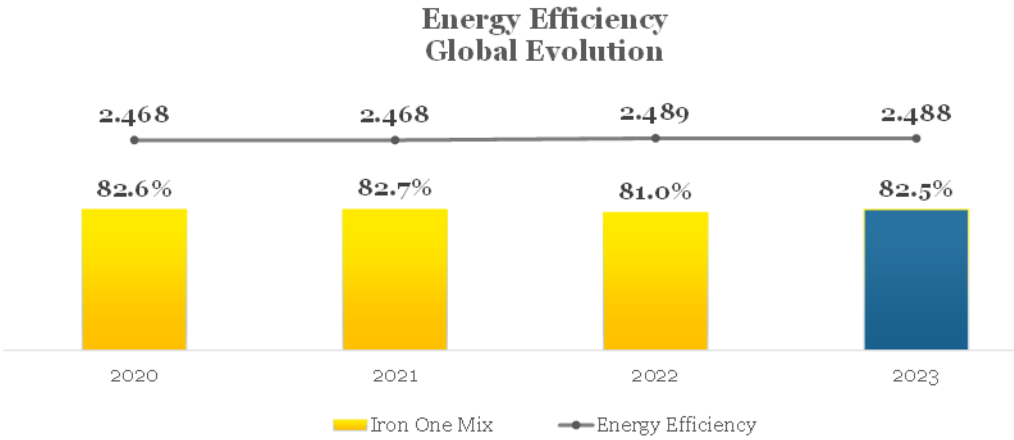
III. **General Cargo**

- Improvement in the operational design of trains to improve the use of locomotive capabilities, making it possible to reduce the use of less productive machines.

The Company highlights that a determining factor for the result of global energy efficiency is the representativeness of the volume of ore, as this load group is the one with the best energy efficiency among all and any reduction in its representativeness directly affects the global indicator.

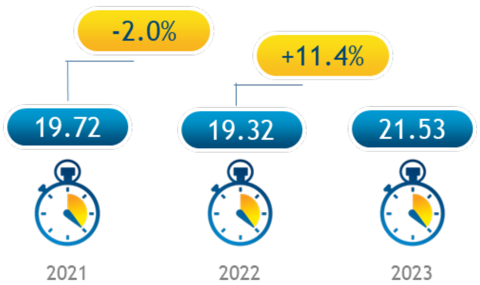
Reinforcing its commitment to reducing the impacts caused by its operations and the constant search for improvement, innovation and technologies that contribute to achieving goals, MRS Logística has already started renewing its fleet of locomotives, with 15 expected to arrive new, more efficient locomotives for the year 2024. Furthermore, the Company has begun studies and specifications of hybrid locomotives, which will enable more efficient and sustainable operation in the medium and long term, and is also planning to carry out tests with electric locomotives in 2024.

The graph below shows the evolution of global efficiency:



The iron ore Transit Time, a methodology used to calculate the time it takes to transport cargo from origin to destination, increased in 2023, due to limited service capacity caused by rainfall at the beginning of the year, on the Ferrovia do Aço.

The impact of the circulation model, in force since 2020 to serve the Andaime terminal through the operation of the TNT (Unmanned Train), continues to be present in the circulation of trains. In this model, for the train to cross the Self-rescue Area (SAZ) of the Forquilha III Dam in an unmanned way, it must comply with a technical and safety protocol that reduces the average speed of the composition. However, these procedures did not impact the fulfillment of customer commitments and demands.



ECONOMIC-FINANCIAL PERFORMANCE

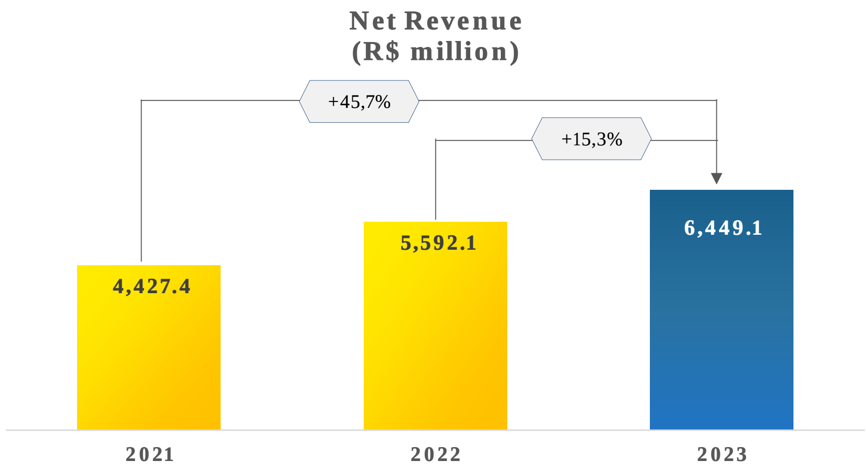
Results	4Q23	4Q22	4Q23 x 4Q22	3Q23	4Q23 x 3Q23	2023	2022	2023 x 2022
Gross Revenues (R$ million)	1,899.4	1,586.9	19.7%	1,891.9	0.4%	6,873.0	6,029.4	14.0%
Net Revenues (R$ million)	1,793.4	1,473.2	21.7%	1,782.5	0.6%	6,449.1	5,592.1	15.3%
Cost and Expenses (R$ MM)	(954.3)	(794.5)	20.1%	(749.4)	27.3%	(3,079.2)	(2,777.5)	10.9%
Other Income and Expenses, net (R$ MM)	57.0	29.9	90.7%	(6.0)	-	59.4	30.3	95.8%
EBITDA (R$ million)	896.0	708.6	26.4%	1,027.1	-12.8%	3,429.3	2,844.9	20.5%
EBITDA Margin (%)	50.0%	48.1%	1.9pp	57.6%	-7.6pp	53.2%	50.9%	2.3pp
Net Profit (R$ million)	294.5	244.1	20.7%	424.4	-30.6%	1,200.1	874.2	37.3%
Net Debt/EBITDA [1] (x)	1.0x	1.2x	-0.2x	0.9x	0.1x	1.0x	1.2x	-0.2x
Net Avarage Tariff (R$/ton)	33.4	32.0	4.5%	32.8	2.1%	32.7	31.4	4.1%

[1] Last 12 months (unadjusted result, that is, considering the non-recurring events).

I. Net Revenue: Increase of R$ 857 million, mainly reflecting the volume transported of 120.0 Mt by the Iron Ore segment, which represents 60.7% of MRS Logística's total volume.

II. Costs and Expenses: The increase of R$ 301.7 million in 2023, compared to 2022, was mainly due to: (i) the increase in own labor costs due to the readjustment of the Collective Labor Agreement; (ii) costs of third-party services related to information technology; and (iii) the increase in accident costs due to rain events on the Ferrovia do Aço in the first quarter of 2023.

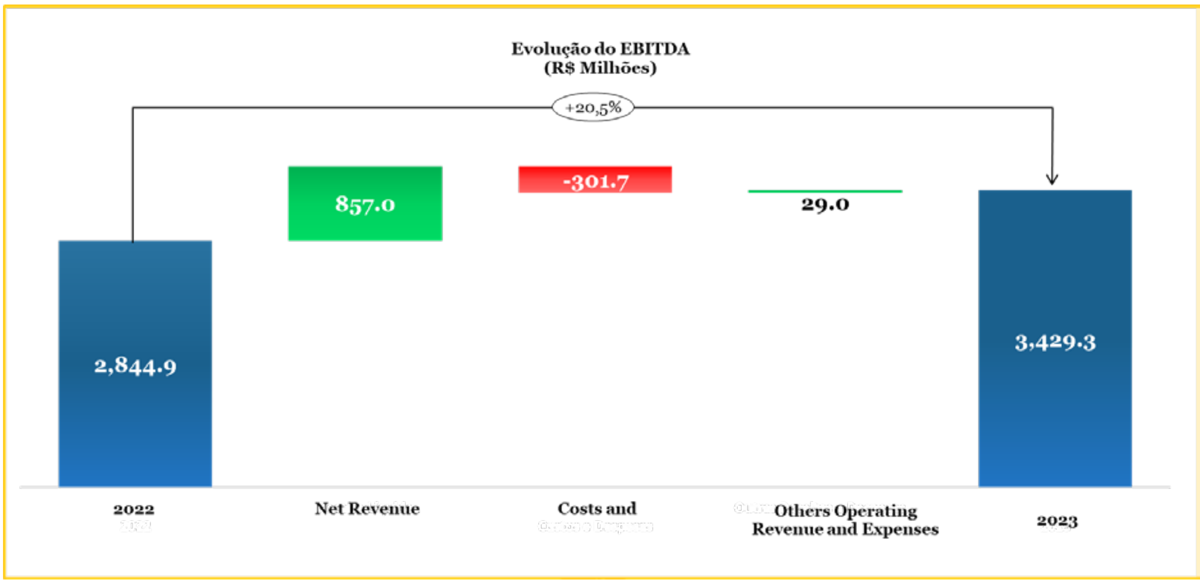
III. Other Operating Revenues and Expenses: The net income of other revenues and other operating expenses increased by R$ 29 million in 2023, mainly due to revenues from protection mechanisms that were higher than in 2022, partially offset by the increase of R$ 56.8 million in other operating expenses.

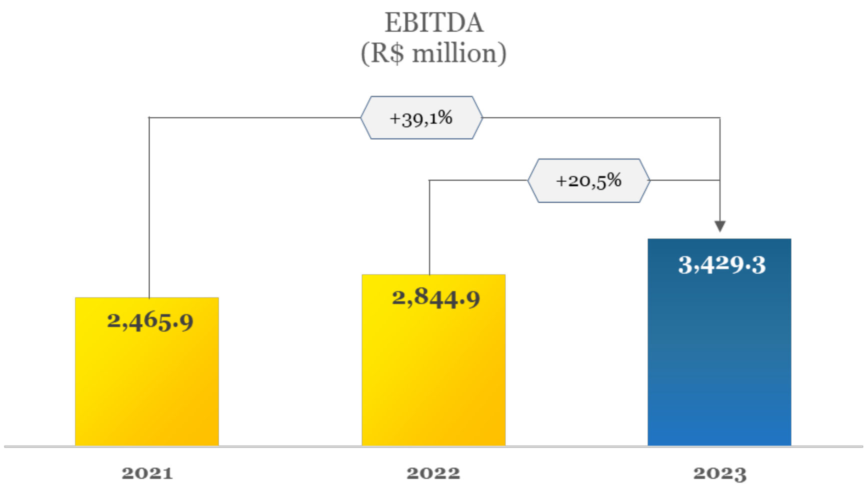


EBITDA

EBITDA ended 2023 with an increase of 20.5% when compared to 2022, reaching R$ 3,429.3 million, with an EBITDA Margin of 53.2%, an increase of 2.3 p.p. compared to the previous year.

Below, we present the evolution of EBITDA in more detail:





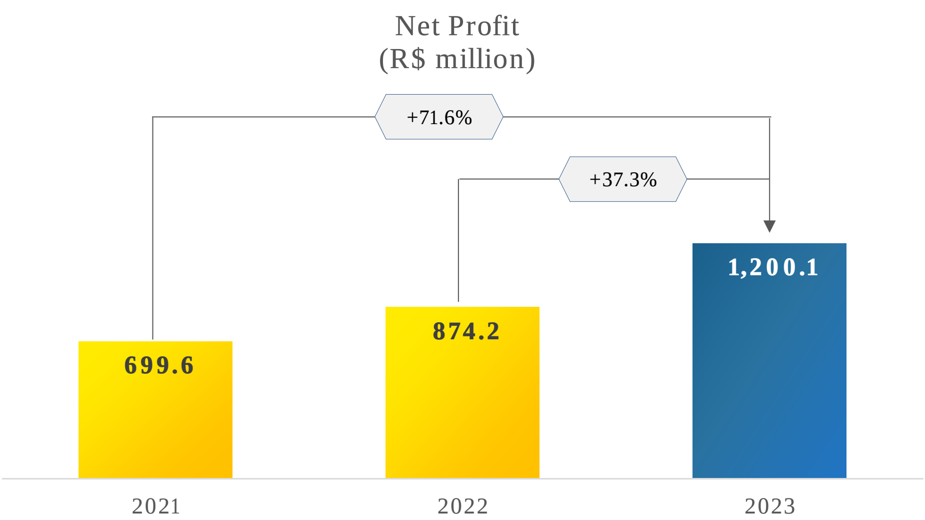
The table below shows the reconciliation of EBITDA:

Reconciliation EBITDA (R$ million)	4Q23	4Q22	4Q23 x 4Q22	3Q23	4Q23 x 3Q23	2023	2022	2023 x 2022
Net Income	**294.5**	**244.1**	**20.7%**	**424.4**	**-30.6%**	**1,200.1**	**874.2**	**37.3%**
(+) Taxes on Profit	114.8	119.4	-3.8%	212.5	-46.0%	577.4	354.8	62.8%
(+) Net Financial Result	250.3	121.9	105.3%	160.2	56.2%	740.4	561.3	31.9%
(+) Depreciation and Amortization	236.4	223.3	5.9%	230.0	2.8%	911.3	1,054.6	-13.6%
(=) EBITDA	**896.0**	**708.6**	**26.4%**	**1,027.1**	**-12.8%**	**3,429.3**	**2,844.9**	**20.5%**
(-) Depreciation Right of Use (lease agreements)[1]	(25.8)	(25.0)	3.1%	(22.5)	14.6%	(92.0)	(286.2)	-67.8%
(-) AVP Financial Charges (lease contracts)[1]	(51.1)	(60.5)	-15.5%	(53.4)	-4.3%	(221.1)	(196.3)	12.6%
(=) Recurring EBITDA	**819.1**	**623.1**	**31.5%**	**951.2**	**-13.9%**	**3,116.2**	**2,362.4**	**31.9%**

[1] More detailed information can be found on explainatory notes 18.2 and 36

Net Profit

MRS Logística ended 2023 with Net Profit of R$1,200.1 million, growth of 37.3%, equivalent to R$ 326.1 million, when compared to 2022. This variation mainly reflects the volume of iron ore transported for export, as detailed previously.



Indebtedness

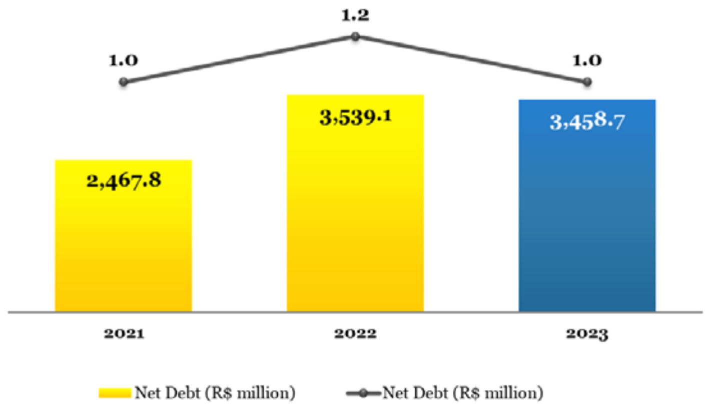
In R$ million	4Q23	4Q22	4Q23 x 4Q22	3Q23	4Q23 x 3Q23
Gross Debt[1]	**6,846.7**	**4,406.0**	**55.4%**	**4,605.6**	**48.7%**
(-) Cash [2]	3,388.1	866.9	290.8%	1,744.9	94.2%
(=) Net Debt	**3,458.7**	**3,539.1**	**-2.3%**	**2,860.6**	**20.9%**
EBITDA [3]	**3,429.3**	**2,844.9**	**20.5%**	**3,241.9**	**5.8%**
Net Debt/EBITDA3 (x)	**1.0**	**1.2**	**-0.2x**	**0.9**	**0.1x**

[1] The difference in relation to the sum of the Lines of Loans and Financing (Balance Sheet) corresponds to the Transaction Costs. 2 EBITDA accumulated in the last 12 months

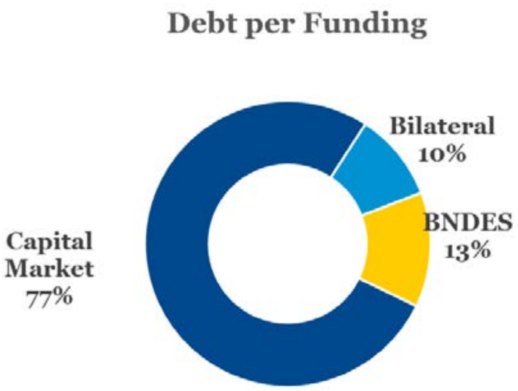
The Company's Gross Debt ended 2023 with a balance of R$ 6,846.7 million, an increase of R$ 2,440.7 million when compared to 2022. This increase was mainly due to the funding carried out in October 2023, through the 11th issue of debentures, in the amount of R$ 2 billion, distributed in 3 series: (i) R$400 million in the 1st Series, IPCA+6.2414% remuneration, maturity in 10 years; (ii) R$800 million in the 2nd Series, IPCA+6.3439% remuneration, maturity in 12 years; and (iii) R$800 million in the 3rd Series, IPCA+6.4496% remuneration, maturity in 15 years.

In 2023, the net debt balance reached R$ 3,458.7 million versus R$ 3,539.1 million in 2022. This increase refers to changes in financing repayments and new funding.

The financial leverage ratio measured by the net debt/EBITDA ratio was 1.0x on December 31, 2023 vs 1.2x on December 31, 2022:



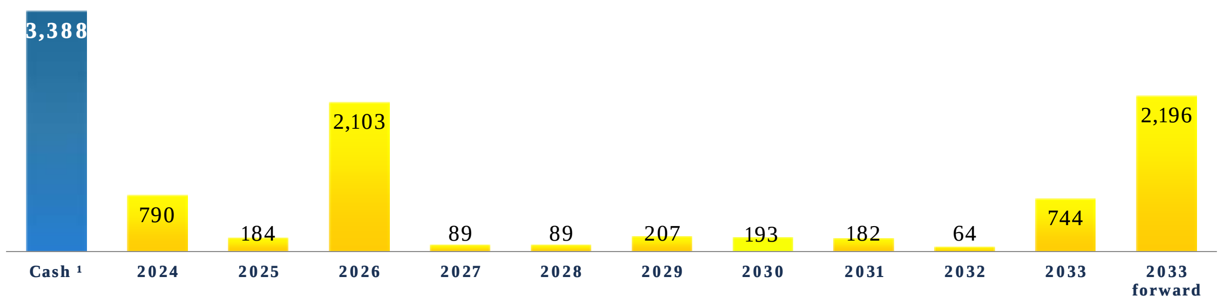
At the end of 4Q23, most of the debt was indexed to CDI [Interbank Deposit Certificate], with important participation of instruments classified as Capital Markets (Debentures and Promissory Notes), in addition to other lines, classified as bilateral and with BNDES.



Amortization Schedule

The graph below shows the debt principal maturity schedule on December 31, 2023. MRS Logística's average debt term in December 2023 was 6.7 years, representing an extension of the group's debt profile in relation to December 2022, which was 5.1 years.

Cash and Debt amortization schedule
(R$ million)



Rating

Agency	Local Rating	Global Rating	Outlook
Standard & Poor's	AAA	BB	Stable
Fitch	AAA	BB+	Stable

CASH FLOW STATEMENT

Cash generation in 2023 was positive at R$ 2,518.9 million. The cash balance ended the year at R$ 3,385.8 million, in 2022 it was R$ 866.9 million. This variation was mainly influenced by financing activity due to the volume of funding carried out in the period.

Statement of Cash Flow - R$ Million	2023	2022
Cash at beginning of period	**866.9**	**1,836.6**
Net Income before Income Tax and Social Contribution on Net Income	**1,777.6**	**1,229.0**
Depreciation and Amortization	911.3	1,054.7
Monetary, exchange and financial charges variation	969.1	742.5
Residual Value of written-off permanet investment	43.3	30.1
Provisions (Reversals)	(27.9)	(21.5)
Others	56.7	30.1
Net Profit Cash Base	**3,730.1**	**3,064.9**
Assets and Liabilities Variations	**(107.7)**	**(1,192.6)**
Accounts Receivable	108.2	(6.6)
Inventories	(58.9)	(15.7)
Recoverable Tax	83.7	(124.4)
Suppliers	364.9	(65.3)
Tax Obligations	75.7	(16.7)
Social and Labor Obligations	7.0	38.3
Payment of Income Taxes	(257.3)	(385.8)
Payment of Interest on Loans and Financing	(316.3)	(270.9)
Payment of Interest on Lease	(214.3)	(196.3)
Others	56.7	30.1
Net cash generated by the activities operating	**3,622.4**	**1,872.3**
Fixed Assets	(1,719.3)	(1,762.2)
Intangible	(225.3)	(76.4)
Resource arising from the sale of fixed/intangible assets	6.5	0.4
Investments Activities	**(1,938.1)**	**(1,838.2)**
Loans, financing raised	688.3	618.1
Debentures	1,907.6	-
Payment of loans, financing and e instrumentos financeiros	(1,025.0)	(904.4)
Payment of lease	(485.3)	(551.3)
Treasury Shares	(43.4)	-
Dividends paid	(207.6)	(166.2)
Financial Activities	**834.6**	**(1,003.8)**
Caixa no Final do Exercício	**3,385.8**	**866.9**
Cash Generation	**2,518.9**	**(969.7)**

PROJECTS AND INVESTMENTS

In 2023, MRS Logística invested the amount of R$ 1,807.1 million, of which approximately R$ 491 million was allocated to the development of engineering projects and works aimed at meeting the mandatory renovation requirements.

Investments R$ million	2023
Sustaining	1,162.6
Obligations	491.0
Improvements	125.3
Expansion	28.2
Total	**1,807.1**

It is worth noting that in 2023, the Company maintained, in addition to the mandatory projects of the renovation contract, its commitment to business sustainability, investing in the reliability of its assets (permanent rail, locomotives and wagons), in technological improvement projects or projects that generate gains productivity and/or optimization of railroad operations and initiatives aimed at business and capacity expansion opportunities:

Sustaining:

i. Asset modernization: the strategy of carrying out interventions on locomotives, wagons and the railroad network was maintained, aiming to increase the levels of reliability and availability of assets, improving the efficiency, safety and optimization of railroad operations. In 2023, to support this strategy, large rail equipment was delivered and renovation work on the permanent track was carried out, according to multi-year planning. In addition, electronics projects were developed to signal and automate lines along the railroad;

ii. Infrastructure reliability: maintenance of the preventive intervention plan along the road, with the execution of containment works, interventions/replacements of bridges or viaducts and tunnel work, aiming to minimize the risks associated with the reliability of the railroad section. Carrying out works related to rain events at the beginning of 2023, with emphasis on the work to stabilize the landfill located at km 033 of the Ferrovia do Aço, which will be completed in 2024.

iii. Systems: MRS Logística invested in software and hardware that improves, increases productivity and guarantees the security of information technology. The highlight is the continued implementation of the new ERP, integrating several of the Company's systems.

iv. Sustainability: in 2023, several building adaptation projects and regulatory standards were carried out, with highlights being investments that promote diversity, safety and the environment.

Mandatory: in 2023, 10 locomotives (model ES44) were acquired to modernize the fleet with a view to gaining productivity. Furthermore, the Company continued to fulfill the mandatory concession renovation projects, a total investment of R$ 318.4 million for 2023. This year, the initiatives planned in year A+1 of the contract were delivered, totaling R$ 16 million in 2023. In addition to increasing the capacity of the Pátio de Santos, through the execution of the Integrated Pátio de Santos, the largest mandatory project delivered in 2023, Left Bank Signaling was carried out in Santos, interventions were carried out in Barra Mansa (RJ), in addition to the installation of automatic gates in Ibirité and Barra do Piraí. Aiming to meet investments in the following years, MRS Logística began a range of works with deliveries scheduled between 2024 and 2026, with emphasis on the Remodeling of Baixada Santista (scheduled delivery in 2026), Large Equipment Workshop (scheduled delivery in 2024), CTC of Vale do Paraíba (delivery scheduled for 2025), in addition to overpasses in Cubatão and Conselheiro Lafaiete (deliveries scheduled for 2024).

Improvement: highlighting the continuation of the strategy of replacing the fleet of GDT wagons (175 wagons), aiming to increase productivity in heavy haul cargo. The Company also invested funds in innovation and technology projects, highlighting the development of systems to assist in the operation of trains and to improve the experience of its customers. Funds were also invested to continue the acquisition of remote locomotive controls, allowing maneuvers in yards remotely and safely.

Expansion: in accordance with the strategies, around increasing cargo transport capacity, the Company continued to make projects feasible, among which we can mention the Extension of the Porto Sudeste Branch Line, the beginning of the Expansion of the Souza Nosquese Terminal (FSN) and new General Cargo terminals in Barra do Piraí and Belo Horizonte.

STRATEGIES AND PERSPECTIVES

During 2023, MRS Logística released a new strategic benchmark redefining its goals, with the development of several initiatives with process improvements and definitions of new projects. This work will be the Company's main guide for the next five years.

The strategic goals reinforce the Company's purpose to improve service and grow in all segments served by MRS Logística: advance in offering integrated solutions, comply with the concession's mandatory requirements and investments, advance in the development and integration of the ESG agenda into the Company's strategy and adapt business management to face new challenges.

Maintaining its commitment to comply with the deadlines established in the extension of the concession, MRS Logística fulfilled the deliveries scheduled for 2023, including works to increase the safety of the regions surrounding the railroad. For the coming years, the commitment remains to invest billions of reais in projects that will bring benefits to society, the Company, customers and Brazil's competitiveness in its most diverse natures, from expanding capacity to reducing urban conflicts in the various locations where the Company is present.

Also in 2023, MRS Logística set its historical record for transported volume. This achievement is remarkable considering the challenges faced due to the rains at the beginning of the year. And the expectation remains for volume growth in the mining and agricultural segments, in addition to investments in technology for better solutions to increase capacity and operational efficiency, increasingly aiming to incorporate innovative and sustainable initiatives for its business.

REGULATORY FRAMEWORKS

From a regulatory perspective, 2023 was a challenging year with important deliveries for MRS Logística, mainly due to the completion of year 1 (July/22 to July/23) of the Concession Contract renewed in 2022, with the main highlights:

1. **Delivery of 16 works in year 1**: during this period, MRS Logística invested approximately R$ 80 million in carrying out several mandatory and important projects for the development of rail freight transport, as well as for improving urban conflicts and community safety.

As an example, the implementation of automatic gates in the municipalities of Ibirité (MG) and Barra do Piraí (RJ), construction of fence walls and implementation of accessible pedestrian crossings in Barra Mansa (RJ), in addition to important interventions to increase capacity in rail access to the Port of Santos (SP). Finally, it is important to mention that the evaluation of the projects is ongoing by the National Land Transport Agency (ANTT).

2. **Completion of phase 02 of the "Integration of Baixada Santista"**: MRS Logística concluded an important commitment made in renovating the concession by completing the delivery of the "Portal Baixada", the second phase of the operational governance project for the Baixada Santista region, which consists of improving operational between railroads, providing transparency and systematization of information to programmers. And at the end of September, the formal presentation and approval of the system by ANTT was carried out.

MRS Logística carried out, together with ANTT, a range of field inspections with the aim of verifying the situation of the railroad network granted to this Concessionaire, in addition to inspections to attest to compliance with obligations related to investments for year 1, as well as such as economic/financial inspections. Overall, around 1,500 km of railroad network were covered with the direct participation of the Company's technical areas, totaling an average of 1.5 inspections per month. During the period, no notice of infraction or any other type of penalty was drawn up for MRS Logística, due to non-compliance with the assessed requirements.

From the aspect of railroad safety, MRS Logística carried out important actions in 2023 to raise awareness among train drivers and pedestrians, mainly regarding crossings at pedestrian crossings (PP) and at level (PN) along the railroad network. Statistical data from ANTT reveal an increase in cases of vehicle collisions and pedestrians being run over in PNs and PPs across the country. In view of this survey, members of MRS Logística, ANTT and the Secretariat of Urban Mobility (SMU) carried out educational activities in the Barra Mansa (RJ) and Juiz de Fora (MG) downtown to raise awareness among train drivers and pedestrians about the importance of respecting the railroad signaling.

Finally, at the end of 2023, MRS Logística and the Regulatory Agency promoted the 1st Edition of the ANTT Award – Highlights 2023, with the aim of recognizing the best practices, projects and initiatives in railroad and road infrastructure in Brazil.

MRS Logística was awarded in the "**Special Class with the Gold Category**", for standing out in incorporating best regulatory practices, operational performance, institutional posture and proactivity, as well as generating benefits for users. In addition, it was awarded in three Categories of the "**Highlights 2023 Railroad Concessionaires Class**":

2. User Attention
MRS Logísitca - Coil loading anomaly detection
5. Interaction with Society
MRS Logísitca - Removal and Resettlement in Baixada Santista (SP)
7. Engineering
MRS Logísitca - Automatic Gates Integration between two railways and operations

ANTT 2023 Awards in full: *https://www.gov.br/antt/pt-br/assuntos/ultimas-noticias/antt-premia-concessionarias-de-ferrovias-e-rodovias-que-foram-destaques-em-2023*

ESF AGENDA

Sustainability Report

MRS Logística will release, as in recent years, its Sustainability Report, reiterating its commitment to transparency and timeliness of information related to ESG - Environmental, Social and Corporate Governance dimensions The report will contain the main initiatives promoted and the results achieved throughout 2023, in a format suitable to GRI (Global Reporting Initiative) standards and with indicators following the SASB (Sustainability Accounting Standards Board) standard. The document can be accessed via the Company's official website (www.mrs.com.br).

Organizational Climate

In April 2023, the cycle of organizational climate survey began, using market methodology, which provides for continuous monitoring of factors that predict employee engagement.

The result of 8.5, on a scale of 0 to 10, exceeded the market average and that of companies in similar businesses. Five, among the 12 dimensions addressed in the survey, became the focus of greater attention to better understand the causes of results. 223 action plans were registered by managers on the research platform, allowing better management in a single tool. During the period, the levels of NPS (Net Promoter Score) and eNPS (employee Net Promoter Score) were evaluated, with both results reporting MRS Logística to the “Quality Zone”, according to the scale defined for measuring these instruments.

In relation to mental health, MRS Logística expanded its online psychotherapy service, completely free of charge, to, in addition to employees and family members, all young apprentices. Another relevant initiative was the return of the internal sports competition, an event that was expanded from one to four sports, with the participation of 1,660 employees. Thinking about diversity, sitting volleyball was included among the modalities, which includes employees with physical disabilities and reduced mobility.

Diversity

Members of the Diversity, Equity and Inclusion Committee continue to meet monthly, since 2021, and, as achievements of the work plan in 2023, are aspects relevant to the transparency and governance of the topic at MRS Logística: the update of the “Organizational Diversity Guideline, Equity and Inclusion”, which governs the promotion of increased diversity in the workplace, and the approval of the “Internal Regulations of the Committee”, with guidelines for the composition and functioning of the Committee, made available to all employees. Also in 2023, the planning, method structuring and content creation stages of the “Programa Homens Conscientes” (“Conscious Men Program”) were completed and the program's workshops were put into practice.

Intellectual Capital

Developing employees has always been among MRS Logística's important agendas. Investments in qualification, improvement, certification and development actions, through the MRS Logística Academy, ensure that employees receive the training required to perform their duties, in addition to opportunities for improvement by envisioning new career challenges and business needs.

Among the development actions, the following stand out: Internship Program, Trainee Program, Specialist Training Program (PFE), Specialization in Rail Cargo Transport at the Military Institute of Engineering (IME) and Complete Leadership Training Program, in partnership with the FIA Business School.

Polymer Sprinkler

With the aim of improving the quality of the railway network operated by MRS and reducing the release of particles into the atmosphere, two new polymer sprinklers came into operation in the municipalities of Sarzedo/MG and Jeceaba/MG. The plants specifically have low-grained loads transported in open wagons. More details about the Sarzedo/MG plant can be found at the link https://www.youtube.com/watch?v=oOkNS-Wfgo4.

Climate Changes

Reaffirming its commitment and transparency to a broad and efficient climate agenda, MRS Logística continues to carry out its studies to survey climate risks and opportunities, following the international TCFD (Task Force on Climate Related Financial Disclosures) methodology. Climate change risk factors are integrated with the corporate risk matrix, being treated strategically and will be deployed on a multi-annual basis to ensure proper resilience to MRS Logística's business.

In line with the mission of reducing Greenhouse Gas (GHG) emissions, supply logistics implemented a project that has prioritized the use of rail transport to move cargo between warehouses and suppliers and, in the absence of this possibility, proceed with optimization movement of materials in road transport, thus reducing GHG emissions in its international operations.

Also, on GHG emissions, MRS Logística received, for the second consecutive year and retroactively since 2019, the Gold Seal in the Brazilian GHG Protocol Program, developed by FGVces (Center for Sustainability Studies at Fundação Getúlio Vargas). This is the biggest national award for GHG emissions inventories and is yet another recognition of the Company's commitments to meeting the transparency criteria in publishing its inventory covering direct and indirect emissions from its business, all audited by an independent third party.

Natural Resource Management

MRS Logística began a partnership with an energy efficiency and distributed generation company, ensuring that the Company's low voltage units connected to the aforementioned distribution network are now served by solar renewable energy and, as a result, reaching levels above 85% of clean energy. The Company emphasizes that it is studying implementation in other units, ensuring that all of its industrial units have this resource.

Regarding the monitoring of water and energy consumption in the Company, MRS Logística implemented a monthly consumption monitoring committee, aimed at holding periodic meetings to monitor consumption, identify deviations and create and carry out an action plan for the negotiations. In addition to improving consumption monitoring, the initiative reinforces the control of measures in cases of water scarcity. In this regard, MRS Logística also relies on water reuse in its locomotive workshops in Barra do Piraí (RJ) and Jeceaba (MG) and is studying implementation in other units, ensuring that all of its industrial units have this resource. For administrative units, the water scarcity plan involves the use of water trucks, a process already structured with suppliers to avoid any impact on activities in the event of incidents.

Community

As a way of promoting awareness about the importance of caring for the Environment, actions were promoted with children and teenagers from public schools in cities in the three states where the Company operates - Rio de Janeiro, Minas Gerais and São Paulo - during the World Environment Week.

With a focus on preventing accidents and promoting a safety culture, MRS Logística promotes different actions for children students on the risks of playing near the railroad line, also covering municipalities in the three states in which the rail network under concession by the Company is present.

Given the responsibility and commitment to guarantee the safety of communities and railroad operations, MRS Logística works to vacate areas within the railroad's right-of-way, limits and responsibility. The Company improved the plan that guides the removal and displacement of people who occupy these areas and which includes, among other aspects, the identification of vulnerable situations and dialog with the communities involved. In 2023, actions were carried out to remove around 150 families in critical areas of municipalities such as Mangaratiba (RJ), Três Rios (RJ), Sarzedo (MG), Ibirité (MG), Cubatão (SP) and Guarujá (SP).

In the cultural sphere, the highlight was winning the award from Revista Ferroviária in the category of "Best Operator with Investment in Railroad Preservation", the result of a decade of investments in restoration and requalification projects of historical heritage.

In addition to the activities reported, investments were made in social projects with own funds and via financial transfers for incentive laws for the execution of social projects, coming from municipalities where the Company operates, civil society organizations and municipal councils. In addition to social projects, humanitarian demands related to the impacts of rain and donation campaigns were met, which included the participation of volunteers and the engagement of communities.

Governance

Aiming to structure ESG Governance, in English Environmental, Social and Governance, MRS Logística established the Sustainability/ESG Management, linked to the Finance and Development Board. The new area enhances the ESG agenda, working transversally and integrated with the Company's strategy. Regarding strategy, MRS Logística prioritized ESG as one of its agendas in the strategic implementation process, enabling the establishment of guidelines that will allow the Company to monitor, evolve and strengthen its sustainability practices.

Also, in ESG Governance, the Company updated the duties and participants of the Sustainability Committee - a body linked to the Board of Directors and with the participation of shareholder representatives - and also defined management procedures with the establishment of the ESG Committee and nine Thematic Committees to debate and evolve on topics relevant to MRS Logística, such as decarbonization and value chain engagement. The new structure will allow the Company to advance in the ESG Agenda, as well as monitoring by the Executive Board and the Board of Directors.

Customer Satisfaction

Based on the results of the 2022 Customer Satisfaction Survey, MRS Logística identified areas for improvement and implemented seven work fronts to address concerns raised by customers. These actions include improving the pricing strategy for new businesses, making performance indicators available to the Company's customers, improving the visibility of complementary services offered by MRS Logística, strengthening communication and the flow of information through phygital initiatives, in addition to reviewing essential processes, such as cargo integrity and “take or pay” policies, to ensure an even more satisfactory experience for customers.

Supplier Management

Reiterating MRS Logística's commitment to complying with human rights, the Company has a qualification platform to carry out weekly updates regarding the Register of Employers with Workers in Slave-like Conditions.

Thus, any notes are directed to the interfaces for negotiations and are subject to cancellation and blocking for any new commercial interaction.

In addition, third-party management software was implemented on a pilot basis to control and manage all documentation for outsourced employees who provide services on the Company's premises.

Therefore, to begin activities, it is necessary to insert several documents into the platform - such as Digital CTPS and ASO (Occupational Health Certificate) admission exam - which are individually validated. Each individual receives a QR Code to attach to their badge and entry into MRS Logística facilities is only permitted by reading the QR Code, indicating that the documents are up to date. Non-compliances are notified to the outsourced company and work can only begin when all irregularities have been resolved. The perspective for the coming years is to gradually increase the number of companies and their service providers on the management platform until full coverage is reached.

With regard to the performance of active contract suppliers, managers continue to evaluate them every two months, using a questionnaire that allows analysis of service compliance, quality, punctuality, compliance with safety and environmental requirements, among others. Non-compliances are reported internally in the system and are subject to cancellation in case of lack of regularization, according to the standard clause in signed contracts.

In addition, MRS Logística maintains a Reporting Channel for possible unethical or illicit conduct, which, once investigated and justified, results in the disqualification of suppliers.

INDEPENDENT AUDITORS

In 2023, Deloitte Touche Tohmatsu Auditores Independentes Ltda. provided audit services for annual financial statements and reviews of quarterly information.

In compliance with CVM Resolution 23/2021, which deals with the provision of other services by independent auditors, the Company informs that there are no other services provided by this audit other than those mentioned above.

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(Convenience Translation into English from the Original Previously Issued in Portuguese)

INDEPENDENT AUDITOR'S REPORT

To the Management and Shareholders of
MRS Logística S.A.

Opinion

We have audited the accompanying financial statements of MRS Logística S.A. (“Company”), which comprise the balance sheet as at December 31, 2023 and the related statements of profit and loss, of comprehensive income, of changes in equity and of cash flows for the year then ended, and notes to the financial statements, including the material accounting policies.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of MRS Logística S.A. as at December 31, 2023, and its financial performance and its cash flows for the year then ended in accordance with accounting practices adopted in Brazil and International Financial Reporting Standards - IFRS issued by the International Accounting Standards Board - IASB.

Basis for opinion

We conducted our audit in accordance with Brazilian and International Standards on Auditing.
Our responsibilities under those standards are further described in the “Auditor’s responsibilities for the audit of the financial statements” section of our report. We are independent of the Company in accordance with the relevant ethical requirements in the Code of Ethics for Professional Accountants and the professional standards issued by the Brazilian Federal Accounting Council (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 matter

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the financial statements of the current year. The matter described below was addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on this matter.

Lease contract with the Concession Grantor

Why it is a KAM (Key Audit Matter)

On July 29, 2022, the Company entered into with the federal government, through the Brazilian Land Transportation Agency (ANTT), the 4th addendum to the Concession Arrangement (hereinafter referred to as “Lease Contract”), which extended in advance for another period of 30 years, the concession of the cargo railway public transportation service, effective through 2056, which accounting recognition is within the scope of technical pronouncement CPC 06 (R2) - Leases (equivalent to IFRS 16).

Mainly due to the significance of the balances related to the right of use in assets and lease liabilities in liabilities in the financial statements, and their particularities, we consider the quantitative and qualitative impacts of the Lease Contact with the federal government as an area of focus in our audit approach and, therefore, a key audit matter.

How the matter was addressed in our audit

Our audit procedures included, but were not limited to: (i) understanding the design and implementation of significant internal control activities related to the monitoring and performance of the obligations set forth in the Lease Contract; (ii) assessing the accounting policies applied by Management to account for the transactions related to the lease contract and whether they were in accordance with the applicable accounting standards; (iii) performing audit procedures relating to the variations in lease assets and liabilities, including the recalculation of the depreciation of the right of use and recognition of the annual inflation adjustment on the contract anniversary date; (iv) inspecting the receipts of payments made and the corresponding bank statements, for all payments made to the federal government in 2023; (v) assessing the disclosures made by Management in the financial statements in light of technical pronouncement CPC 06 (R2)/IFRS 16.

As a result of the audit procedures performed, we identified internal control deficiency relating to the lease contract recognition process, as well as audit adjustments made by the Company in the year, which caused us to change our audit approach and expand the nature, timing and extent of our planned substantive procedures so as to obtain sufficient and appropriate audit evidence.

As a result of these audit procedures, we consider that the amounts recorded relating to the lease contract are acceptable in the context of the financial statements for the year ended December 31, 2023 taken as a whole.

Other matters

Statement of value added

The statement of value added for the year ended December 31, 2023, prepared under the responsibility of the Company's Management and presented as supplemental information for purposes of the IFRS, was subject to audit procedures performed together with the audit of the Company’s financial statements. In forming our opinion, we assess whether this statement is reconciled with the other financial statements and accounting records, as applicable, and whether its form and content are in accordance with the criteria set out in technical pronouncement CPC 09 - Statement of Value Added.
In our opinion, this statement of value added was appropriately prepared, in all material respects, in accordance with the criteria set out in such technical pronouncement and is consistent in relation to the financial statements taken as a whole.

Audit of the corresponding figures for the year ended December 31, 2022

The corresponding figures for the year ended December 31, 2022, presented for purposes of comparison, were audited by other independent auditors, who issued an unmodified audit report, dated March 16, 2023.

Other information accompanying the financial statements and the independent auditor’s report

Management is responsible for such other information. The other information comprises the Management Report.

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

In connection with the audit of the 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 in the Management Report, we are required to report that fact. We have nothing to report in this regard.

Responsibilities of Management and those charged with governance for the financial statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with accounting practices adopted in Brazil and International Financial Reporting Standards - IFRS, issued by the IASB, and for such internal control as Management 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 financial statements, Management is responsible for assessing the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting, unless Management either intends to liquidate the Company or to cease operations, or has no realistic alternative but to do so.

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

Auditor's responsibilities for the audit of the financial statements

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

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

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

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

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

- Conclude on the appropriateness of Management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the 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 financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

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

We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and, where applicable, 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 year and are, therefore, the key audit matters. We describe these matters in our auditor's report, unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

The accompanying financial statements have been translated into English for the convenience of readers outside Brazil.

Rio de Janeiro, March 20, 2024

Deloitte Touche Tohmatsu

DELOITTE TOUCHE TOHMATSU
Auditores Independentes Ltda.

Antônio Carlos Brandão de Sousa
Engagement Partner

Balance sheets at December 31st
(In thousands of reais)

ASSETS	Note	2023	2022
CURRENT ASSETS			
Cash and cash equivalents	**6**	3,385,798	866,856
Restricted cash	**7**	2,254	1,081
Trade receivables	**8**	450,308	546,154
Other trade receivables	**10**	16,525	9,393
Inventories	**11**	282,163	220,958
Recoverable taxes	**12**	261,256	284,711
Prepaid expenses	**14**	37,862	40,256
Derivative financial instruments	**24**	89,938	15,114
Other current assets	**15**	101,318	29,500
Total current assets		4,627,422	2,014,023
NON-CURRENT ASSETS			
Long-term assets			
Trade receivables	**8**	77,423	111,399
Other trade receivables	**10**	10,038	18,392
Recoverable taxes	**12**	240,225	499,490
Deferred taxes	**13**	-	83,529
Prepaid expenses	**14**	4,119	9,650
Derivative financial instruments	**24**	236,805	115,347
Other non-current assets	**15**	111,145	133,908
Property, plant and equipment	**16.1**	9,821,044	8,822,820
Right-of-use assets	**16.2**	2,588,242	2,562,195
Intangible assets	**17**	348,609	160,700
Total non-current assets		13,437,650	12,517,430
TOTAL ASSETS		18,065,072	14,531,453

Balance sheets at December 31st

(In thousands of reais) (continued)

LIABILITIES AND EQUITY	Note	2023	2022
CURRENT LIABILITIES			
Suppliers	18	780,947	578,736
Social and labor charges	19	253,681	246,698
Income tax and social contribution	20	159,622	145,218
Other tax obligations	21	84,500	65,385
Borrowings and financing	22	998,552	731,250
Lease	23	556,338	472,129
Derivative financial instruments	24	159,027	157,791
Dividends payable	25	285,190	207,776
Advances from customers		3,191	3,536
Provision	26	21,826	22,674
Other liabilities	27	39,597	28,500
Total current liabilities		3,342,471	2,659,693
NON-CURRENT LIABILITIES			
Suppliers	18	5,820	42,326
Borrowings and financing	22	5,876,731	3,604,792
Lease	23	1,478,158	1,928,931
Derivative financial instruments	24	-	2,560
Deferred taxes	13	66,464	-
Provision	26	709,130	752,735
Other liabilities	27	200,496	26,782
Total non-current liabilities		8,336,799	6,358,126
TOTAL LIABILITIES		11,679,270	9,017,819
EQUITY			
Capital	28.a	3,961,031	3,961,031
Earnings reserves		2,413,736	1,542,039
Legal reserve	28.d	480,742	420,735
Reserve for investments	28.e	1,932,994	1,121,304
Other comprehensive income	28.f	11,035	10,564
Total equity		6,385,802	5,513,634
TOTAL LIABILITIES AND EQUITY		18,065,072	14,531,453

See the accompanying notes to the financial statements.

Statement of profit or loss for the years ended December 31
(In thousands of Reais, unless otherwise indicated)

	Note	2023	2022
NET REVENUE FROM SERVICES	**30**	6,449,125	5,592,118
Cost of services rendered	**31**	(3,456,893)	(3,475,295)
GROSS PROFIT		2,992,232	2,116,823
OPERATING INCOME (EXPENSES)			
Sales expenses	**31**	(22,789)	(15,417)
Administrative and general expenses	**31**	(510,801)	(341,475)
Other operating income	**32**	397,942	312,077
Other operating expenses	**32**	(338,582)	(281,770)
OPERATING PROFIT		2,518,002	1,790,238
FINANCE INCOME (COSTS)			
Finance income	**33**	361,529	505,644
Finance costs	**33**	(1,101,950)	(1,066,921)
NET FINANCIAL PROFIT (LOSS)		(740,421)	(561,277)
PROFIT BEFORE INCOME AND SOCIAL CONTRIBUTION TAXES		1,777,581	1,228,961
INCOME TAX AND SOCIAL CONTRIBUTION			
Current	**34**	(422,207)	(373,914)
Deferred	**34**	(155,225)	19,129
PROFIT FOR THE YEAR		1,200,149	874,176
EARNINGS PER SHARE - CAPITAL AT THE END OF THE YEAR - R$		3,551	2,571
BASIC AND DILUTED EARNINGS PER SHARE - R$			
COMMON	**29**	3,388	2,461
PREFERRED	**29**	3,727	2,707

See the accompanying notes to the financial statements.

Statement of comprehensive income for the years ended December 31
(In thousands of reais)

	Note	2023	2022
PROFIT FOR THE YEAR		1,200,149	874,176
Items that will not be reclassified to profit or loss:			
Other comprehensive income	**28.f**	471	(392)
COMPREHENSIVE INCOME FOR THE YEAR		1,200,620	873,784

See the accompanying notes to the financial statements.

MRS Logística S.A.

Statement of changes in equity

(In thousands of reais)

	Note	Capital	Allocation to capital increase	Other comprehensive income	Earnings reserves: Legal	Earnings reserves: Investment retention	Earnings reserves: Total	Retained earnings	Total
BALANCE AT JANUARY 01, 2022		2,151,539	1,809,492	10,956	377,026	498,454	875,480	-	4,847,467
Comprehensive income for the year									
Profit for the year	**29**	-	-	-	-	-	-	874,176	874,176
Other comprehensive income		-	-	(392)	-	-	-	-	(392)
Total comprehensive income for the year		-	-	(392)	-	-	-	874,176	873,784
Contribution from shareholders and distribution to shareholders									
Capital increase (OGM at 04/26/2022)		1,809,492	(1,809,492)	-	-	-	-	-	-
Allocation of profit for the year									
Minimum compulsory dividends		-	-	-	-	-	-	(207,617)	(207,617)
Legal reserve		-	-	-	43,709	-	43,709	(43,709)	-
Investment retention		-	-	-	-	622,850	622,850	(622,850)	-
Total capital transactions with partners in the year		1,809,492	(1,809,492)	-	43,709	622,850	666,559	(874,176)	(207,617)
BALANCE AT DECEMBER 31, 2022		3,961,031	-	10,564	420,735	1,121,304	1,542,039	-	5,513,634

See the accompanying notes to the financial statements.

Statement of changes in equity

(In thousands of reais)

					Earnings reserves				
	Note	**Capital**	**Treasury shares**	**Other comprehensive income**	**Legal**	**Investment retention**	**Total**	**Retained earnings**	**Total**
BALANCE AT JANUARY 1, 2023		3,961,031	-	10,564	420,735	1,121,304	1,542,039	-	5,513,634
Comprehensive income for the year									
Profit for the year	**29**	-	-	-	-	-	-	1,200,149	1,200,149
Other comprehensive income	**28.f**	-	-	471	-	-	-	-	471
Total comprehensive income for the year		-	-	471	-	-	-	1,200,149	1,200,620
Contribution from shareholders and distribution to shareholders									
Treasury shares acquired		-	(43,416)	-	-	-	-	-	(43,416)
Treasury shares canceled		-	43,416	-	-	(43,416)	(43,416)	-	-
Allocation of profit for the year									
Minimum compulsory dividends		-	-	-	-	-	-	(285,036)	(285,036)
Legal reserve		-	-	-	60,007	-	60,007	(60,007)	-
Investment retention		-	-	-	-	855,106	855,106	(855,106)	-
Total capital transactions with partners in the year		-			60,007	811,690	871,697	(1,200,149)	(328,452)
BALANCE AT DECEMBER 31, 2023		3,961,031	-	11,035	480,742	1,932,994	2,413,736	-	6,385,802

See the accompanying notes to the financial statements.

Statement of cash flows for the years ended December 31
(In thousands of reais)

	Note	2023	2022
CASH FLOW FROM OPERATING ACTIVITIES			
Profit before income tax and social contribution on profit	**34**	1,777,581	1,228,961
Adjusted by:			
Profit (loss) from disposal of property, plant and equipment and intangible assets		(3,114)	(156)
Depreciation and amortization	**31**	911,299	1,054,670
Monetary/exchange-rate change and financial charges		969,130	742,463
Residual value of property, plant and equipment/Perm. Invest. Written off		43,324	30,134
Provision (reversal)		(27,922)	(21,525)
Amortization of prepaid expense	**14**	42,135	31,643
Provision (reversal) for write-off of assets	**16.1**	17,739	(2,308)
Provision (reversal) of expected credit losses and provision for inventory losses		(529)	(343)
Deferred taxes		-	939
Other		419	234
		3,730,062	3,064,712
(Increase) decrease in operating assets			
Trade receivables	**8|10**	108,150	(6,600)
Inventories	**11**	(58,900)	(15,730)
Recoverable taxes	**12**	83,678	(124,405)
Prepaid expenses	**14**	(34,210)	(46,956)
Advances		(71,818)	14,511
Other assets		28,113	870
(Increase) decrease in operating liabilities			
Concession payable		-	(8,372)
Suppliers		364,868	(65,298)
Tax obligations	**20 | 21**	75,676	(16,714)
Social and labor charges	**19**	6,983	38,284
Provisions (Reversals)		-	(606)
Advance from customers		(345)	(2,278)
Other liabilities		177,973	(106,339)
Cash generated (consumed) by operations		4,410,230	2,725,079
Payment of income taxes		(257,277)	(385,760)
Payment of interest on borrowings and financing	**35.3**	(99,716)	(47,966)
Payment of lease interest	**35.3**	(214,261)	(196,259)
Payment of interest on debentures	**35.3**	(216,568)	(222,895)
Net cash flow generated by operating activities		3,622,408	1,872,199

(continued)

Statement of cash flows for the years ended December 31
(In thousands of reais) (continued)

	Note	2023	2022
CASH FLOW FROM INVESTING ACTIVITIES			
Additions in property, plant and equipment	**16.1**	(1,719,306)	(1,762,174)
Additions to intangible assets	**17**	(225,340)	(76,429)
Funds from disposal of property, plant and equipment/intangible assets		6,476	449
Net cash used in investing activities		(1,938,170)	(1,838,154)
CASH FLOW FROM FINANCING ACTIVITIES			
Funding of borrowings and financing	**35.3**	688,315	618,072
Payment of borrowings and financing/derivative financial instruments	**35.2|35.3**	(770,373)	(482,809)
Addition to debentures	**35.3**	1,907,644	-
Payment of debentures	**35.3**	(254,583)	(421,598)
Payment of lease	**23**	(485,261)	(551,304)
Treasury shares	**28.c**	(43,416)	-
Dividends paid		(207,622)	(166,162)
Net cash invested in financing activities		834,704	(1,003,801)
INCREASE (DECREASE) IN THE BALANCE OF CASH AND CASH EQUIVALENTS		2,518,942	(969,756)
Increase (decrease) in cash and cash equivalents			
Opening balance		866,856	1,836,612
Closing balance		3,385,798	866,856

See the accompanying notes to the financial statements.

Statement of added value for the years ended December 31
(In thousands of reais)

	Note	2023	2022
REVENUES			
Sales of freight services	**30**	6,872,969	6,029,362
Other revenues	**32**	397,942	312,077
Construction revenues of own assets		125,167	62,757
(Provision)/reversal of expected credit losses	**31**	(1,775)	343
		7,394,303	6,404,539
INPUTS ACQUIRED FROM THIRD PARTIES			
Cost of products, goods and services sold		(2,349,430)	(2,201,085)
Materials, energy, outsourced services and other		(268,591)	(151,770)
Other		(204,131)	(183,070)
		(2,822,152)	(2,535,925)
GROSS ADDED VALUE		4,572,151	3,868,614
RETENTIONS			
Depreciation and amortization	**31**	(911,299)	(1,054,641)
NET ADDED VALUE PRODUCED BY THE COMPANY		3,660,852	2,813,973
ADDED VALUE (RECEIVED) AS TRANSFER			
Finance income	**33**	361,529	505,644
TOTAL ADDED VALUE (RECEIVED) TO BE DISTRIBUTED		4,022,381	3,319,617
DISTRIBUTION OF ADDED VALUE (RECEIVED)			
Personnel and charges		819,792	710,414
Direct remuneration		486,553	458,836
Benefits		289,233	215,361
F.G.T.S.		44,006	36,217
Taxes, rates and contributions		885,619	655,203
Federal		836,490	578,388
State		48,315	75,958
Municipal		814	857
Third-party capital remuneration		1,116,821	1,079,824
Interest		1,100,985	1,063,825
Rents		15,836	15,999
Remuneration of own capital		1,200,149	874,176
Dividends	**25**	285,036	207,617
Retained earnings		915,113	666,559
		4,022,381	3,319,617

See the accompanying notes to the financial statements.

1. Operations

MRS Logística S.A. ("MRS" or the "Company") is a publicly held corporation, with an indefinite term, incorporated on August 30, 1996 and engaged in exploring, through an onerous concession, the public service of rail freight transport in the rights of way of Malha Sudeste, located on the Rio de Janeiro, São Paulo and Minas Gerais axis, of the extinct Rede Ferroviária Federal S.A. - RFFSA, privatized on September 20, 1996.

The Company may also explore modal transport services related to rail transport and participate in projects aimed at expanding the rail services granted.

The original concession agreement has a term of 30 years, starting as of December 1, 1996, extendable, in case of manifest interest of both parties, up to a maximum limit of 30 years by exclusive decision of the Concession Grantor.

On July 29, 2022, the Company signed the 4th Addendum to the Concession Agreement of MRS Logística S.A. with the Government, through ANTT – National Land Transport Agency, which extended the concession of the public railway freight transport service in advance for another 30 years, effective until 2056.

The current concession agreement sets specific indicators to be met by the Company, related to serious railway accidents, average travel speed, maximum age of the locomotive fleet and railway saturation index.

If these indices are not reached, after all the clarifications and administrative defenses phases have been overcome, ANTT may apply penalties and even lead to forfeiture, in case of repeated non-compliance with the contractual targets. The concession may be terminated under the following legal circumstances: (i) expiration of the contractual term; (ii) takeover; (iii) expiry; (iv) termination; (v) cancellation of the bid; (vi) Company's bankruptcy or dissolution. In any event of termination of the concession, except for the item (i), the Company will be indemnified by the Federal Government for the undepreciated balance of investments made and declared reversible by the Concession Grantor. On December 31, 2023, MRS was in compliance with its contractual obligations and duly compliant with ANTT.

2. Basis of preparation and presentation of financial statements

2.1 Presentation of information

Statement of conformity

The financial statements were prepared and are presented in accordance with accounting practices adopted in Brazil, which include (i) Brazilian Corporate Law, (ii) Pronouncements, Guidelines and Interpretations issued by the (iii) Brazilian Securities and Exchange Commission (CVM), and International Financial Reporting Standards (IFRS), issued by the International Accounting Standards Board (IASB).

The financial statements for the year ended December 31, 2023 were definitively approved by the Company's Board of Directors on March 20, 2024.

All relevant information in accounting statements, and only them, are being evidenced and correspond to that used by Management.

Details on the Company's accounting policies are shown in Note 3.

2.2 Basis of measurement

The financial statements were prepared based on historical cost and adjusted to reflect (i) the fair value of financial instruments measured at fair value through profit or loss, and (ii) asset impairment loss.

2.3 Functional and presentation currency

The financial statements are being presented in reais (R$), which is the functional currency of the Company.

2.4 Presentation of segment information

Since the Company only provides freight railway transportation services, it is organized as a single business unit for accounting and managerial purposes. The Company's operations are controlled, managed and monitored by management in an integrated manner.

3. Description of material significant accounting policies

The significant accounting policies applied in the preparation of the financial statements are described in the following items and are consistent in all the years presented.

3.1 Foreign currency

Transactions with foreign currencies are converted into functional currency by using foreign exchange rates prevailing on the transaction or valuation dates, when the items are remeasured.

Exchange gains and losses resulting from the settlement of those transactions and from the translation at year-end exchange rates referring to monetary assets and liabilities in foreign currencies, are recognized in the statement of profit or loss.

Exchange gains and losses related to borrowings, cash and cash equivalents, as well as other exchange gains and losses, are presented in the statement of profit or loss as finance income or cost.

3.2 Cash and cash equivalents

The Company considers cash and cash equivalents to be cash on hand, bank deposits, and immediately convertible financial investments, redeemable within 90 days, in a known cash amount and subject to an insignificant risk of change in value.

3.3 Financial instruments

i. Recognition and initial measurement

Amounts from trade receivables and debt securities issued are initially recognized on the date that they were originated. All other financial assets and liabilities are initially recognized when the Company becomes a party to the instrument's contractual provisions.

A financial asset (unless it is trade receivables' item without a material financing component) or a financial liability is initially measured at fair value, plus, for an item not measured at fair value through profit or loss, transaction costs which are directly attributable to its acquisition or issue. Trade receivables without a significant component are initially measured at the transaction price.

ii. Subsequent classification and measurement

In the initial recognition, a financial asset is classified as measured: at amortized cost; at fair value through other comprehensive income; or at fair value through profit or loss.

Financial assets are not reclassified subsequent to their initial recognition unless the Company changes its business model for the management financial assets, in which case all affected financial assets are reclassified on the first day of the first reporting period following the change in the business model.

A financial asset is measured at amortized cost if it meets both conditions below and is not designated as measured at fair value through profit or loss:

- it is held within a business model whose purpose is to maintain financial assets to receive contractual cash flows; and
- its contractual terms generate, on specific dates, cash flows only related to the payment of principal and interest on outstanding principal value.

A debt instrument is measured at fair value through other comprehensive income if it meets both conditions below and is not designated as measured at fair value through profit or loss:

- it is maintained within a business model whose purpose is achieved by both the receipt of contractual cash flows and the sale of financial assets; and
- its contractual terms generate, on specific dates, cash flows which are only payments of principal and interest on principal outstanding value.

All financial assets not classified as measured at amortized cost or at fair value through other comprehensive income, as described above, are classified at fair value through profit or loss. At initial recognition, the Company may irrevocably designate a financial asset that otherwise meets the requirements to be measured at amortized cost or at fair value through other comprehensive income, as fair value through profit or loss if it eliminates or significantly reduces an accounting mismatch that would otherwise arise.

In the initial recognition of an investment in an equity instrument not held for trading, the Company may irrevocably choose to present subsequent changes in the fair value of the investment in other comprehensive income. This choice is made on an investment basis.

Financial assets: evaluation of business model

The Company makes an assessment of the objective of the business in which a financial asset is held, considering the way that the business is managed and information is provided to management.

Is the purpose of the Company's business model to maintain financial assets to receive contractual cash flows.

The Company performs financial risk management to limit the adverse impacts caused by financial instruments on its profit or loss and cash flow.

Financial assets: evaluation whether the contractual cash flows represent solely payments of principal and interest

For this evaluation purposes, “principal” is defined as the fair value of the financial asset at initial recognition. ‘Interest’ is defined as a consideration for the amount of cash at the time and for the credit risk associated to the outstanding principal value during a certain period and for other risks and base costs of borrowings (for example, liquidity risk and administrative costs), as well as for the profit margin.

The Company considers the contractual terms of the instruments to evaluate whether the contractual cash flows are only payments of principal and interest. It includes evaluating whether the financial asset contains a contractual term that could change the time or amount of the contractual cash flow so that it would not meet this condition.

Financial assets: subsequent measurement and gain and loss

Financial assets at fair value through profit or loss	These assets are subsequently measured at fair value. Net profit (loss), plus interest or dividend revenue, is recognized in profit (loss).
Financial assets at amortized cost	These assets are subsequently measured at amortized cost using the effective interest method. Amortized cost is impaired. Interest revenue, foreign exchange gains and impairment losses are recognized in profit (loss). Any gain or loss on derecognition is recognized in profit (loss).

The Company has no financial assets measured at fair value through other comprehensive income.

Financial liabilities: classification, subsequent measurement and gains and losses

Financial liabilities were classified as measured as amortized cost or at fair value through profit or loss. A financial liability is classified as measured at fair value through profit or loss if it is held for trading, if it is a derivative or assigned as such in initial recognition. Financial liabilities measured at fair value through profit or loss are measured at fair value and net income, plus interest, is recognized in profit (loss). Other financial liabilities are subsequently measured at amortized cost using the effective interest method. Interest expense, foreign exchange gains and losses are recognized in profit (loss). Any gain or loss on derecognition is also recognized in profit (loss).

General and specific cost of borrowings directly attributed to the acquisition, construction or production of a qualifiable asset is capitalized as part of this asset's cost when it is probable that will result in future economic benefits to the entity and such costs can be reliably measured. Other borrowing costs are recognized as finance cost in the year in which they are incurred.

iii. Derecognition

Financial assets

The Company does not recognize a financial asset when contract rights to assets' cash flows expire, or when the contract right of receiving a financial asset is transferred to contract cash flows, in a transaction in which substantially all risks and rewards of owning the financial asset are transferred or in which the Company neither substantially transfers nor maintains all risks and benefits of owning the financial asset and neither retains control over the financial asset.

Financial liabilities

The Company does not recognize a financial liability when its contractual obligations are discharged or canceled or expire. The Company also does not recognize a financial liability when terms are modified, and the cash flows of the modified liability are substantially different if a new financial liability based on the terms changed is recognized at fair value.

In the derecognition of a financial liability, the difference between the extinct carrying amount and the consideration paid is recognized in the profit (loss).

iv. Offsetting

Financial assets and liabilities are offset and their net values in the balance sheet only when there is a legal right to offset the amounts recognized and there is an intent to settle them on net basis, or realize the asset and settle the liability simultaneously.

v. Derivative financial instruments and hedge accounting

The Company holds derivative financial instruments to hedge its exposure to foreign currency and interest rate changes.

Derivatives are measured at fair value at initial recognition and at subsequent measurements. After the initial recognition, its changes are recorded in profit or loss.

The Company uses certain instruments such as hedging to manage exposures resulting from specific risks that could affect the profit or loss, that is, the variability of cash flows associated with transactions in the profit or loss.

The Company designated certain swaps that hedge debt in US dollars, yen and IPCA with fixed interest as a fair value hedging instrument. The gain or loss on the hedge instrument is recognized in the financial profit (loss) at the same time the change in the fair value of the risk attributable to the hedged item is verified, which is recorded in liabilities with a contra entry in the financial profit (loss).

For some borrowings and debentures, the Company adopted the hedge accounting model.
When implementing the hedge accounting model in the Company, the objective of the risk management and the hedge instrument acquisition strategy was documented. The Company assesses and documents whether the hedging relationship meets the hedge effectiveness requirements monthly.

The financial liabilities designated as hedge instruments are presented in the Note 24.

3.4 Impairment of non-derivative financial assets

The Company recognizes provisions for expected credit losses on financial assets measured at amortized cost. The allowance for expected credit losses is formed for all trade receivables, according to established methodology, even if there is no objective evidence of non-payment.

The Company uses the simplified approach for commercial receivables, a practical expedient of the provision matrix, to measure expected credit losses.

Trade receivables are grouped into six categories, according to loss history and nature of collection. The expected credit loss for each category is as follows:

- Rental for individuals: all invoiced documents relating to rental contracts for individuals are provisioned as losses, due to the high default level.
- Lawsuit: all documents billed to clients who are being charged in court are provisioned as losses, due to the high level of uncertainty.
- Freight: the allowance for expected credit losses for railway freight clients (excluding related parties) is calculated considering the percentage of historical losses from the last two years, applied to the balance of trade receivables for this group, as of the date of analysis.
- Other trade receivables: the provision for credit loss on other trade receivables not related to railway freight is calculated by the historical loss percentage, based on defaults in the last two years, on the balance of trade receivables in this group, as of the date of analysis.
- Related parties: Considering that we have long-term contracts, hedging mechanisms and no history of financial losses with related parties, we do not have provisions for losses recorded for this group.
- Apportionment of freight: the provision for freight sharing is determined by the percentage of historical loss, based on defaults from the last two years, on the balance of trade receivables of this group, as of the date of analysis.

3.5 Trade receivables and related parties

Trade receivables and related parties mainly correspond to the amounts receivable for the rendering of cargo transportation services in the normal course of activities. If the payment term is equivalent to one year or less, trade receivables are classified as current assets. Otherwise, they are presented in non-current assets.

Trade receivables are initially recognized at fair value and subsequently measured at amortized cost. Long-term amounts receivable were brought to present value on the date of the transaction based on the Company's estimated weighted average cost of capital. The adjustment to present value is offset by the unearned interest account, which reduces the client account, and its realization is recorded as finance income according to the contractual term.

The discount rate used involves the analysis of the capital structure and uncertainties of the macroeconomic scenario and were estimated between 10.29% p.a. and 15.91% p.a.

3.6 Inventories

Inventories are stated at weighted average cost, which do not exceed net realizable values. Provision for losses on slow-moving or obsolete inventories is formed when considered necessary by Management.

3.7 Intangible assets

Intangible assets acquired separately are measured at cost upon initial recognition. After the initial recognition, they are stated at cost, less accumulated amortization and impairment losses, if applicable. Expenses for the development of internally generated assets are also capitalized and their values will form part of the cost of the intangible assets.

Intangible assets arising from the renewal of the concession were recorded at present value and are being amortized over the effectiveness of the Fourth Amendment that renewed the concession agreement.

Intangible assets with defined life are amortized over the economic useful life and valued in relation to impairment whenever there is indication of loss of economic value of the asset. Amortization method and period of an intangible asset with defined useful life are reviewed at least at the end of each fiscal year. Changes in these assets' estimated useful lives or in expected consumption of future economic benefits are accounted for through changes in amortization method or period, as applicable, and are addressed as changes in bookkeeping. The amortization of intangible assets with useful defined life is recognized in the statement of profit or loss in the category of expense consistent with the use of the intangible assets.

The amortization rate of intangible assets was estimated at 20% per annum, except for the concession rights that are being amortized over the contractual period.

Gains and losses arising from write-off of intangible assets are measured as the difference between net value from sale and carrying amount of the asset, and are recognized in statement of profit or loss upon write-off of assets.

3.8 Property, plant and equipment

Property, plant and equipment items are stated at cost, net of accumulated depreciation and/or possible accumulated impairment losses, if any. The aforementioned cost includes the cost of replacing part of property, plant and equipment and borrowing costs of long-term construction projects, when the recognition criteria are met. When a renovation or improvement is made, its cost is recognized in the carrying amount of property, plant and equipment if the recognition criteria are met. All the other repair and maintenance costs are recognized in the statement of profit or loss as incurred.

An item of property, plant and equipment is written off when sold or when no future economic benefit is expected from its use or sale. Any gain or loss resulting from the write-off of the asset are included in the statement of profit or loss in the year in which the asset is written off.

Amounts expressed in thousands of reais, unless otherwise indicated

All assets owned by the concessionaire and those resulting from investments made by it, required for the continued provision of the railway transport service, classified as concession assets, must be fully depreciated or amortized by the concessionaire within the concession period, without any compensation being applicable, as expressly provided in Clause 3.2.5 of the Fourth Amendment to the Concession Agreement.

Depreciation of a property, plant and equipment item begins when it is available for use.

Depreciation is calculated using the straight-line method based on estimated useful lives of assets, except for pieces of land that are not depreciated.

The estimated annual depreciation and useful lives of the main asset groups are as follows:

Asset groups	%	Average useful life (in years)
Real estate		
Improvements in permanent road		
Rails	7.69	13
Sleepers	8.33	12
Improvements in leased properties	4.00	25
Special works of art (Tunnel, Viaduct and Bridge)	2.85	35
Locomotives		
Diesel locomotives	3.33	30
Electric locomotives	4.17	24
Locomotives used	10.00	10
Useful improvements to locomotives	12.50	8
Average useful life of the main components	14.53	3–17
Rail cars		
Wagons	3.33	30
Useful improvements to wagons	10.00	10
Average useful life of the main components	14.35	2–17
Other		
Grinder, control car, equipment and tools	10.00	10
Data processing equipment	20.00	5
Furniture and fixtures	10.00	10

The Company's Management reviews the carrying amount of main groups of property, plant and equipment to evaluate non-financial assets events or changes in economic, operating, or technological circumstances likely to point out impairment or loss of their recoverable value.

3.9 Trade payables

They are obligations due for assets or services acquired in the normal course of businesses, and are classified as current liabilities if payment is due within one year. Otherwise, they are presented as non-current liability.

3.10 Provisions

Provision for lawsuits (labor, civil, tax and environmental) and other provision are recognized when: (i) the Company has a present or non-formalized obligation because of past events; (ii) it is likely that an outflow of funds will be required to settle the obligation; and (iii) the amount may be reliably estimated. The provision does not include future operating losses.

When there is a series of similar obligations, the probability of settling them is determined by taking into account the obligation class as a whole. A provision is recognized even if the likelihood of settlement related to any individual item included in the same class of obligations is small.

Provisions are measured at present value of expenditure necessary to settle the obligation, using a rate before tax effects that reflects current market evaluations of time value of money and obligations' specific risks. The increase in the obligation over time is recognized as a finance cost.

3.11 Current and deferred income tax and social contribution on profit

The expenses with income tax and social contribution on profit for the year include current and deferred taxes, which are calculated based on the rates of 15% plus a surcharge of 10% on taxable profit in excess of R$ 240 for income tax and 9% on taxable income for social contribution on profit.

Income taxes are recognized in the statement of profit or loss, except to the extent they are related to items directly recognized in the equity or in other comprehensive income. In case of the latter, the tax is also recorded in the equity.

Current tax is the tax payable or receivable on the taxable profit or loss to be offset for the year, plus any prior-year adjustments (if any). The amount of current taxes payable or receivable is recognized in the balance sheet as an asset or tax liability under the best estimate of the expected amount of taxes to be paid or received reflecting the uncertainties related to its calculation, if any. It is measured based on tax rates, provided for in the law on the balance sheet date.

Current income tax and social contribution on profit are shown net, in liabilities when there are amounts to be paid or under assets when the prepaid amounts exceed the total owed on the balance sheet date.

Deferred tax assets and liabilities are calculated on existing temporary differences between the carrying amounts of assets and liabilities for financial statement purposes and used for taxation purposes. Changes in deferred tax assets and liabilities for the year are recognized as expense related to deferred income tax and social contribution on profit.
Deferred income tax and social contribution on profit assets are recognized only in the proportion of the probability that the future taxable income will be available and temporary differences can be used against it. Deferred tax assets are reviewed at each reporting date and impaired when their realization is no longer probable.

Deferred tax assets and liabilities are presented at net value in balance sheet when there is the legal right and the intention of offsetting them upon calculation of current taxes, in general related to the same legal entity and the same tax authority.

3.12 Employee benefits

Retirement benefits and other post-employment benefits

The Company sponsors a defined contribution pension plan, which requires contributions to be made to funds managed separately from the Company's own funds. The Company has no additional obligation to make payments after the contribution is made. The contributions are recognized as employee benefit expenses, when due. The contributions made in advance are recognized as asset as a refund in cash or a reduction of future payments when made available.

The Company also offers to its employees post-employment healthcare benefits. The entitlement to these benefits is usually conditional on the employee remaining in the job until retirement age and completing a minimum length of service. The expected costs of said benefits are accrued during the employment period using the same accounting methodology for defined benefit pension plans. Actuarial gains and losses, resulting from adjustments based on experience and on changes in actuarial assumptions, are debited or credited on equity in other components of comprehensive income. These obligations are assessed annually by qualified independent actuaries by using the method of projected credit unit.

The costs of past health care plan services are recognized as expenses on a straight-line basis over the average period until the right to benefits is acquired. If entitlement to benefits has already been acquired, past service costs are recognized immediately upon introduction or health care plan changes.

Short-term benefits – variable remuneration

The Company recognizes a liability and a profit-sharing expense based on own methodology approved by the Board of Directors. The Company recognizes a provision when it is contractually compelled or when there is a past practice that created non-formalized obligation and can be reliably estimated.

3.13 Leases

Leases in which the Company is a lessee

The Company recognizes a right-of-use asset and a lease liability at the start date of the lease contract. The right-of-use asset is initially measured at cost, which comprises the value of initial measurement of the lease liability adjusted to any lease payments made to the initial date, plus any initial direct costs incurred by the lessee and an estimate of the costs to be incurred by the lessee to disassemble and remove the underlying asset, by returning it to the place where it is located or returning the underlying asset to the state required under the lease terms and conditions, less any lease incentives received accordingly.

The right-of-use asset is subsequently depreciated using the straight-line method from the start date to the end of the lease term, unless the lease transfers ownership of underlying asset to the lessee at the end of lease term, or if the cost of the right-of-use asset reflects that the lessee will exercise the call option. In this case, the right-of-use asset will be depreciated over the useful life of the underlying asset, which is determined on the same basis as that of property, plant and equipment. Moreover, the right-of-use asset may be periodically reduced by impairment losses, if any, and adjusted for certain remeasurements of the lease liability.

The lease liability is initially recognized at the present value of the lease payments that are not paid at the commencement date, discounted using the interest rate implicit in the lease or, if that rate cannot be readily determined, the Company's incremental borrowing rate.

The Company determines its incremental and nominal rate using the following criteria:

(i) Lease with Concession Grantor: considers the representativeness and weighted cost of the Company's debts;
(ii) Property rental contract: rate quoted with financial institutions with a relationship with the Company;
(iii) Contracts for the lease of machinery, equipment and other: BNDES financing rate (specific line for this purpose that considers TLP plus a bank spread).

Lease payments included in the measurement of lease liability comprise the following:

(i) fixed payments, including in-substance fixed payments;
(ii) amounts expected to be paid in accordance with the residual value guarantees; and
(iii) the call option exercise price if the Company is reasonably certain to exercise such option, and payments of fines due to termination of the lease agreement, if the term of the lease reflects the fact that the Company is exercising their option to terminate the lease agreement.

Lease liability is measured at the amortized cost and remeasured when there is a change in future lease payments resulting from a change in index or rate, if there is a change in the amounts expected to be paid under the residual value guarantee, if the Company changes its assessment whether it will exercise a call option, extension or termination, or if there is a revised lease payment fixed in essence.

When the lease liability is remeasured, a corresponding adjustment is made to the carrying amount of the right-of-use asset, or is recorded in profit (loss) if the carrying amount of the right-of-use asset has been reduced to zero.

The Company presents assets and liabilities for its operational leases, with the most representative one referring to the assets linked to the concession agreement represented by the provision of the assets required for the operation and maintenance of the Company's rail freight transport activities. In addition to this, other lease agreements related to real estate properties, machinery and equipment, vehicles, IT equipment and containers were recorded.

Short-term and/or low-value asset leases

The Company applies the recognition exemption for short-term leases and/or for agreements for which the underlying assets are of low value. The payments linked to these leases continue to be recognized as an expense in the statement of profit or loss.

Leases in which the Company is a lessor

In cases that the Company appears as intermediary lessor (subleases) in contracts that it is a lessee, an evaluation is carried out for the lease classification of the sublease with a reference to the right-of-use asset arising from the head lease, not with reference to the underlying asset.

The amount receivable related to these agreements is fully recorded as trade receivables in current and non-current assets and amortized with the corresponding receipts.

The discount rate used to calculate the present value of trade receivables from sublease agreements is the same as the main lease agreement.

3.14 Capital

The subscribed and paid-up capital is divided into common and preferred book-entry shares with no par value.

3.15 Revenue recognition

Revenue is recognized to the extent it is likely that economic benefits will be generated for the Company and when it can be measured reliably. The revenue is measured based on the fair value of the consideration received, excluding discounts, rebates, taxes or charges on sales. Also, the following specific criteria shall be addressed before the revenue recognition:

- **Rendering of transportation service**

Revenue from the provision of rail freight transport services, the Company's main revenue, is recognized when the transported loads are delivered to clients at the transport destination point, in accordance with the service agreement. The fair value of service revenue is reliably calculated based on tariffs previously agreed between the parties.

- **Finance income**

Finance income includes income from interest, inflation adjustments and exchange-rate changes on financial assets and liabilities and net gains from financial assets measured at fair value through profit or loss. Interest revenue is recognized under the straight-line method based on time and effective interest rate on principal value.

- **Other operating income**

Some rail transport service agreements have revenue protection mechanism clauses (take or pay), with the purpose of ensuring that the transport volumes demanded by clients are carried out. The protection mechanism clause is triggered when the client does not produce the minimum volume provided for in the agreement. The values are determined according to the period provided for in the agreement and calculated on the main items that make up the cost. Income arising from the triggering of the protection mechanism is recognized in other operating income.

Other revenues are recognized to the extent that there is a contractual right, the performance obligation is fulfilled, it is likely that future economic benefits will flow to the Company, and the revenue can be reliably measured.

3.16 Distribution of dividends

Distribution of dividends to Company's shareholders is recognized as a liability in the financial statements at the end of the year. Based on Company's Bylaws, the distribution of dividends will not be lower than 25% of the profit for the year, adjusted under the terms of article 202 of Corporation Law, any amount above the minimum mandatory, set forth in the Corporation Law, is provisioned only on the date of its approval by the General Meeting.

4. Estimates and critical accounting judgments

Estimates and assumptions are continuously reviewed. Reviews of estimates are recognized on a prospective basis.

(a) Income tax, social contribution on profit and other provisions of tax credits

There are uncertainties in relation to the interpretation of tax regulations and the amount and timing of future taxable income. Differences between the real results and the assumptions adopted, or future changes in these assumptions, could require future adjustments in the accrued tax revenue and expenses already recorded. The Company records provisions, based on most probable estimates, for possible consequences of inspections by tax authorities of the jurisdictions in which it operates. The amount of those provisions is based on various factors, such as experience of prior tax audits and deferring depredations of tax regulations by the taxed entity and by the responsible tax authority. Those interpretation differences may arise in a great variety of matters, depending on the conditions prevailing in the company's domicile.

(b) Post-employment benefits

Post-employment healthcare benefit plan costs are determined by means of actuarial evaluation methods. The actuarial evaluation requires the use of assumptions of discount rates, expected asset return rates and future salary increases and mortality rates, turnover and permanence rates in post-termination/retirement plan. The obligation for this benefit is sensitive to changes in these assumptions. All assumptions are reviewed on each base date.

(c) Fair value of derivatives and other financial instruments

Fair value of financial assets and liabilities is obtained by means of active markets. However, when this is not feasible, the fair value is calculated using valuation techniques that require levels of judgment. Judgment includes considerations on the data utilized, such as liquidity, credit and volatility risk. Changes in the assumptions related to these factors can affect the fair value presented for the financial instruments.

(d) Provisions for tax, civil, labor and environmental risks

Provisions are recorded for all contingencies related to lawsuits whose possibility of loss is considered likely by legal advisors. The Company periodically reviews the amounts provisioned and if procedural changes are identified such as change in the prognosis, statute of limitations applicable, tax inspection conclusions or additional exposures identified based on new facts or court decisions, they are adjusted.

(e) Depreciation, amortization and impairment assessment of property, plant and equipment and intangible assets

The depreciation and amortization rates of property, plant and equipment and intangible assets include estimates of the economic useful lives of the Company's main assets, which are periodically reviewed by the Company's specialists and, if the need to change the useful lives of any group of assets is identified, an external consulting firm is engaged to measure and issue a report in accordance with ANTT Resolution 5090/2016. The Company performs, on an annual basis, an evaluation of impairment indicators of property, plant and equipment and intangible assets. If the carrying amount of the property, plant and equipment or intangible assets does not support the value in use, it is necessary to record a provision for impairment, adjusting the net carrying amount to the recoverable amount.

(f) Discount rate related to the renewal of the concession agreement.

The Company signed the 4th Addendum to the Concession Agreement of MRS Logística S.A. with the Government, through ANTT – National Land Transport Agency, which extended the original concession for another 30 years. The Company estimated the present value of the additional grant, as well as the remeasurement of the original grant, using a discount rate of 9.95% that considered the representativeness and weighted cost of its debts. The amounts were added to lease liabilities (Note 23) as a contra entry to the corresponding right-of-use asset (Note 16.2).

Amounts expressed in thousands of reais, unless otherwise indicated

5. Newly issued or recently amended accounting standards

(i) New and reviewed standards and interpretations already issued by CPC but not yet adopted by the Company:

Standards	Description	Mandatory application: Years starting on or after
Amendments to IAS 1 / CPC 26 (R1)	Non-current liabilities with covenants	January 01, 2024
Amendments to IAS 7/CPC 03 (R2) and IFRS 7/CPC 40 (R1)	Supplier financing agreements	January 01, 2024
Amendment to IFRS 16 / CPC 06 (R2)	Lease liability in a Sale and leaseback transaction.	January 01, 2024

(ii) Other new or revised pronouncements applied for the first time in 2023, which had no impact on the consolidated financial statements of the Company:

Standards	Description	Mandatory application: Years starting on or after
IFRS 17 / CPC 50	Insurance contracts	January 01, 2023
IAS 12 / CPC 32	Deferred taxes - assets and liabilities arising from a single transaction	January 01, 2023
Amendments to IAS 8 / CPC 23	Definition of accounting estimates	January 01, 2023

Amounts expressed in thousands of reais, unless otherwise indicated

6. Cash and cash equivalents

Current	2023	2022
Cash and cash equivalents		
Cash and banks	5,610	7,170
	5,610	**7,170**
Interest earning bank deposits - Domestic		
CDB	3,380,188	859,686
	3,380,188	**859,686**
	3,385,798	**866,856**

Interest earning bank deposits are backed by securities issued by banks in Brazil and have an average liquidity of 38 days, and can be redeemed before maturity, without any significant change or adjustment in the yield rate previously agreed with the financial institution.

These investments are in Bank Deposit Certificates (CDBs), with remuneration based on the change of the Interbank Deposit Certificates (CDI), between 99.0% and 110.0% (101.75% and 106.0% on December 31, 2022).

The increase of R$ 2,518,942 in the balance of cash and cash equivalents is mainly due to the raising of R$ 2,000,000 from the 11th debenture issue in 2023. Details of this operation are described in Note 22.

The risk classification of interest earning bank deposits according to the business model is described in Note 24.

7. Restricted cash

	2023	2022
CDB	2,254	1,081
	2,254	**1,081**

The restricted cash on December 31, 2023 is made up of a financial investment in Bank Deposit Certificate (CDB), recorded as a form of guarantee for the commercial contract for the purchase and sale of electricity on the free market.

This investment is backed by securities in Brazil, has a maximum liquidity of 360 days and remuneration based on the change of Interbank Deposit Certificates (CDI) in the range of 100.5% to 101.0%.

The risk rating of interest earning bank deposits in restricted cash according to the business model is described in Note 24.

Amounts expressed in thousands of reais, unless otherwise indicated

8. Trade receivables

		2023	2022
Trade receivables from related parties	**9**	460,868	599,585
Domestic clients	**(a)**	67,971	59,077
Expected credit losses		(1,108)	(1,109)
		527,731	**657,553**
Current		450,308	546,154
Non-current	**9**	77,423	111,399

(a) Basically, they refer to amounts receivable related to rail freight services provided, including mutual traffic and right of way of clients who are not related parties.

9. Related parties

The balances of assets and liabilities as of December 31, 2023 and December 31, 2022, disclosed in this Note, refer to transactions with related parties arising from the Company's transactions with its shareholders, related companies and key management professionals.

Transactions with related parties are mainly associated with the provision of public rail freight transport services. They are carried out under terms and conditions negotiated with each of the contracting clients, respecting the tariff ceilings defined by the Concession Grantor, which apply to all the concessionaire's clients, whether or not they are related parties. Under the Company's Corporate Governance, the amounts negotiated with related parties are approved by the shareholders and follow a tariff model that aims to remunerate the costs of providing the rail transport services, plus margins that are compatible with those established in its business plan. There are no transactions with negative margins, as provided for in the concession agreement. Furthermore, the contracts with related parties are long-term and have clauses guaranteeing annual revenues and volumes, as is the case with other captive customers.

In addition to the rail freight transport service agreements, the Company's trade receivables have other agreements with its related parties relate to maintenance services and improvements to terminals, sale of scrap metal, rentals and maintenance of rolling stock and permanent way.

Payables and other liabilities with related parties, presented in liabilities, except dividends payable, arise from purchase operations, use of the railway network, shared investments inherent to the Company's business and other contractual obligations.

Amounts expressed in thousands of reais, unless otherwise indicated

Outstanding balance with related parties:

Assets

		Trade receivables		Advances	
		2023	**2022**	**2023**	**2022**
Vale S.A.	**(a)**	224,581	281,191	-	-
CSN Mineração S.A.	**(b)**	86,603	153,999	-	-
Mineração Usiminas S.A.	**(c)**	89,105	108,236	-	-
Companhia Siderúrgica Nacional		25,735	29,382	8	-
Ferrovia Centro-Atlântica S.A.		8,373	10,164	-	-
Usinas Siderúrgicas de Minas Gerais S.A.		3,971	4,390	-	-
Gerdau Açominas S.A.		10,254	3,673	-	-
CSN Cimentos Brasil S.A.		7,628	4,249	-	-
Vallourec Soluções Tubulares do Brasil S.A.		-	2,169	-	-
Confab Industrial S.A.		1,068	1,157	-	-
Gerdau Aços Longos S.A.		1,623	749	-	-
Ternium Brasil Ltda.		139	110	-	-
Sepetiba Tecon S.A.		277	47	306	-
Gerdau S.A.		1,507	44	-	-
Ferrovia Interna do Porto de Santos	**(d)**	-	-	8,020	-
Terminal de Cargas Sarzedo Ltda.		-	25	-	-
		460,864	**599,585**	**8,334**	**-**
Current		383,441	488,186	8,334	-
Non-current		77,423	111,399	-	-

(a) In January 2023, MRS received the amount of R$ 106,091 referring to the last installment of the 4th Amendment signed in December 2020 in the agreement for the provision of rail transport services between MRS and Vale, through which Vale assumed the obligation to pay MRS an indemnity in the amount of R$ 353,539, due to the review of the minimum volumes transported provided for in the original agreement. The balances as of December 31, 2023 and December 31, 2022 are composed of the amounts receivable from railway freight services and the recognition of revenue protection provisions for the respective year.

(b) In January 2023, MRS received R$ 23,547 referring to the 6th installment of the contractual amendment signed in November 2018 between MRS and CSN Mineração, with 2 installments remaining, due in January of the next years. The remaining present value of the payment flow on December 31, 2023 is R$ 47,094, (R$ 21,451 referring to the adjustment to present value), recorded in two installments of equal value in current and non-current assets. The balances as of December 31, 2023 and December 31, 2022 are also composed of the amounts receivable from railway freight services and the recognition of revenue protection provisions for the respective year.

(c) In January 2023, MRS received R$ 31,546 referring to the 8th installment of the contractual amendment signed in 2016 between MRS and Mineração Usiminas S.A. “MUSE”, with 2 installments remaining, maturing in January of the next years. The remaining present value of the payment flow as of December 31, 2023 is R$ 63,092, (R$ 11,313 referring to the adjustment to present value), recorded in two installments of equal value in current and non-current assets.

(d) In December 2022, the assignment agreement was signed between Autoridade Portuária de Santos S.A., MRS Logística S.A. and the other railway operators. The beginning of the execution period of the Assignment Agreement was formally attested by Autoridade Portuária de Santos – APS on September 26, 2023 and the authorization for the beginning of contractual execution by AG-FIPS (Ferrovia Interna do Porto de Santos) came into force as of October 1, 2023.

The Company has receivables contracts with some related parties pledged as collateral for borrowings.

Except for trade receivables referring to revenue protection mechanisms and contractual amendments, the average period for receiving trade receivables from related parties is less than 14 days.

Amounts expressed in thousands of reais, unless otherwise indicated

Liabilities

		Payables / other liabilities		Advances		Dividends payable	
		2023	**2022**	**2023**	**2022**	**2023**	**2022**
Vale S.A.	**(e)**	78,961	-	-	-	29,966	21,697
Mineração Brasileiras Reunidas S.A.		-	-	-	-	96,396	69,796
CSN Mineração S.A.		25,644	38,466	-	-	54,167	39,220
Mitsui & Co. Ltd.	**(f)**	-	51,823	-	-	-	-
Companhia Siderúrgica Nacional		7,592	-	65	65	54,135	39,197
Usinas Siderúrgicas de Minas Gerais S.A.		-	-	10	31	767	555
Gerdau Açominas S.A.		-	-	6	10	-	-
Ferrovia Centro-Atlântica S.A.		18,252	27,241	267	254	-	-
Gerdau Aços Longos S.A.		-	-	7	79	-	-
Usiminas Participações e Logística S.A.		-	-	-	-	30,591	22,149
Railvest Investments Inc		-	-	-	-	11,906	8,621
CSN Cimentos Brasil S.A.		10,161	1,288	-	-	-	-
Gerdau S.A.		-	-	4	4	3,601	2,607
Sepetiba Tecon S.A.		1,776	-	-	-	-	-
Companhia Metalúrgica Prada		-	231	-	-	-	-
Confab Industrial S.A.		-	-	23	5	-	-
Vallourec Soluções Tubulares do Brasil S.A.		-	-	-	201	-	-
Mitsui & Co. Steel Ltd.	**(f)**	170,398	96,496	-	-	-	-
Ternium Brasil Ltda.		154	-	-	-	-	-
Terminal de Cargas Sarzedo Ltda.		152	-	-	-	-	-
Ferrovia Interna do Porto de Santos	**(d)**	4,776	-	-	-	-	-
Other		-	-	-	-	3,661	3,934
		317,723	**215,545**	**382**	**649**	**285,190**	**207,776**
Current		299,224	183,393	382	649	285,190	207,776
Non-current		18,642	32,152	-	-	-	-

Amounts expressed in thousands of reais, unless otherwise indicated

(e) The amount of R$ 78,961 on December 31, 2023 refers to the payables resulting from the protection mechanism clause of the railway transportation service agreement.

(f) In 2023, the Company paid the outstanding amounts with Mitsui & Co. Ltd., and the acquisition of permanent track materials started to be carried out with Mitsui & Co. Steel Ltd.

Profit (loss)

	Revenue from services		Other revenues		Finance income	
	2023	2022	2023	2022	2023	2022
Vale S.A.	2,171,475	2,051,763	151,322	133,372	6	24,666
CSN Mineração S.A.	1,323,937	925,912	76,294	15,496	15,144	12,580
Companhia Siderúrgica Nacional	449,218	494,874	245	54,198	319	3,968
Mineração Usiminas S.A.	287,785	225,875	22	-	10,408	13,032
Gerdau Açominas S.A.	204,783	215,137	9,160	2,750	25	37
Usinas Siderúrgicas de Minas Gerais S.A.	143,683	152,568	-	145	49	262
Ferrovia Centro-Atlântica S.A.	32,624	51,805	3,649	3,953	-	20
Gerdau Aços Longos S.A.	24,749	29,250	22,623	33,510	2	23
Vallourec Soluções Tubulares do Brasil S.A.	-	49,306	-	4,209	-	236
Ternium Brasil Ltda.	3,455	4,028	-	-	-	2
Confab Industrial S.A.	21,848	13,568	-	-	22	25
CSN Cimentos Brasil S.A.	99,108	54,022	6,543	1,160	44	61
Gerdau S.A.	3,550	2,853	2,375	1,852	2	32
Co-Log Logistica de Coprodutos S.A.	564	-	-	-	-	-
Mitsui & Co. Ltd.	-	-	-	-	4,700	15,300
Mitsui & Co. Steel Ltd.	-	-	-	-	11,502	-
Sepetiba Tecon S.A.	-	-	768	565	-	9
Terminal de Cargas Sarzedo Ltda.	-	-	-	50	-	-
	4,766,779	**4,270,961**	**273,001**	**251,260**	**42,223**	**70,253**

Amounts expressed in thousands of reais, unless otherwise indicated

		Operating and financial costs/expenses	
		2023	**2022**
Vale S.A.		8,075	5,109
CSN Mineração S.A.		8,819	-
Companhia Siderúrgica Nacional		246	-
Gerdau Açominas S.A.		999	865
Ferrovia Centro-Atlântica S.A.		15,784	14,106
Gerdau Aços Longos S.A.		2,799	6,817
Terminal de Cargas Sarzedo Ltda.		900	-
CSN Cimentos Brasil S.A.		944	-
Mitsui & Co. Ltd.		-	13,894
Companhia Metalúrgica Prada		-	547
Sepetiba Tecon S.A.		11,141	3,467
Ferrovia Interna do Porto de Santos	**(d)**	4,776	-
		54,483	**44,805**

Key management personnel

	Profit (loss)	
	2023	**2022**
Short-term benefits	20,079	18,965
Post-employment benefits	392	368
Other long-term benefits	9,915	7,603
	30,386	**26,936**

Amounts expressed in thousands of reais, unless otherwise indicated

10. Other trade receivables

		2023	2022
Sublease receivables	(a)	16,458	24,480
Amounts receivable - other sales	(b)	15,688	7,522
Other trade receivables		1,267	856
Expected credit losses	(c)	(6,850)	(5,073)
		26,563	**27,785**
Current		16,525	9,393
Non-current		10,038	18,392

(a) Subleases, recorded at present value in current and non-current assets, refer to property lease agreements in which the Company is the intermediate lessor of a main lease, classified as a right-of-use asset (lease).

	2023	2022
Sublease		
On January 01	**29,537**	**34,882**
Additions to contracts	2,230	385
Readjustments	-	3,515
Derecognition of contracts	-	(170)
Amortization	(13,032)	(9,075)
Closing balance of the year	**18,735**	**29,537**
Interest to be paid		
On January 01	**(5,057)**	**(6,101)**
Additions to contracts	(184)	(65)
Readjustments	-	(1,338)
Derecognition of contracts	-	30
Accrued interest	2,964	2,417
Closing balance of the year	**(2,277)**	**(5,057)**
Net balance	**16,458**	**24,480**

The flow of future receipts from subleases, excluding interest to be incurred, is as follows:

	2024	Within 5 years	Total
Sublease	7,560	11,175	18,735

(b) Receivables arise from scrap sales, maintenance services and other amounts not related to rail freight services.

(c) The amount provisioned for expected credit losses considers the clients' ability to settle receivables, their historical record, the position of their legal advisors, in addition to applying a percentage calculated on losses for the last two years on the amounts outstanding at the reporting date.

Amounts expressed in thousands of reais, unless otherwise indicated

11. Inventories

		2023	2022
Maintenance materials		246,360	200,688
Fuels	**27**	17,531	13,964
Materials in the recovery process		7,509	-
Imports in progress		1,469	1,137
Material held by third parties/Other		17,118	15,298
Provision for losses	**(a)**	(7,824)	(10,129)
		282,163	**220,958**

(a) Refer to the provision for loss of materials considered obsolete or with low turnover. The write-offs for obsolescence or low turnover are recognized in profit or loss for the year as “Other operating expenses.”

12. Recoverable taxes

		2023	2022
Recoverable PIS/COFINS	**(a)**	146,691	359,010
Recoverable PIS/COFINS	**(b)**	90,631	124,834
Deemed PIS/COFINS	**(c)**	-	55,934
Value-Added Tax on Sales and Services - ICMS	**(d)**	179,849	189,108
Income tax	**(e)**	84,204	55,065
Other		106	250
		501,481	**784,201**
Current		261,256	284,711
Non-current		240,225	499,490

(a) The amount of R$ 146,691 on December 31, 2023 (R$ 359,010 on December 31, 2022), and R$ 85,754 of principal and R$ 60,937 of restatement at Selic rate is a result of the decision of the Federal Supreme Court (STF) of May 13, 2021, in a judgment with general repercussion, that ICMS does not form the basis for calculating PIS and COFINS contributions and given that the lawsuit filed by MRS to discuss this thesis is prior to March 2017, the Company calculated, based on its best estimate, a gain of R$ 337,972, which was provisioned in 2021. In 2023, after enabling PIS and COFINS credits, the amount of R$ 212,319 was offset in the payment of federal taxes, while the amount of R$ 108,485 was offset in the payment of the annual income tax and social contribution adjustment.

(b) The balance of PIS and COFINS recoverable refers to the credits calculated on the acquisition of assets.

(c) The deemed PIS and COFINS balance refers to the diesel credit resulting from Complementary Law 194/2022 (extended by Provisional Measure 1157/23, until 12/31/23) which reduced the rate of these taxes on sales to zero. The credit was fully used in the 2Q23 to offset current PIS/COFINS.

(d) They mainly refer to credits arising from the acquisition of property, plant and equipment items and purchases of inputs.

Amounts expressed in thousands of reais, unless otherwise indicated

The breakdown of ICMS credits recorded in current assets:

	2023	2022
ICMS - RJ	49,757	27,032
ICMS - SP	76,810	59,480
Total current	**126,567**	**86,512**

(e) It basically refers to withholding income tax on financial investments and on gains on derivative transactions – swap. As earnings are taxed only on redemption of investments and settlement of swaps, said amount includes the provision for income tax from these operations.

13. Deferred taxes

The deferred tax balances recorded in assets and liabilities were determined on temporary differences and are shown below:

Deferred income tax and social contribution

		2023	2022
Assets			
Reserves for risks		225,684	243,993
Right-of-use assets (*)		720,021	631,357
Mark-to-Market (MtM)		58,402	-
Sundry provisions		54,055	35,671
Provision for loss on assets		44,363	39,582
Provision for health care plan		2,865	2,577
Derivative financial instruments		-	6,976
Other		43	43
Total assets		**1,105,433**	**960,199**
Liabilities			
Leases (*)		(888,827)	(661,521)
Amortization of RTT adjustments		(84,021)	(86,573)
Derivative financial instruments		(57,023)	-
Mark-to-Market (MtM)		-	(36,155)
Provision for income tax credit (PIS/COFINS)	**(a)**	(28,193)	(59,312)
Depreciation		(98,677)	(24,632)
Other		(12,323)	(454)
Total liabilities		**(1,169,064)**	**(868,647)**
Net total		**(63,631)**	**91,552**

Amounts expressed in thousands of reais, unless otherwise indicated

(*) Amendment to IAS 12/CPC 32 - Deferred Taxes related to Assets and Liabilities arising from a Single Transaction. The amendment is effective for annual years beginning on or after January 1, 2023, and requires the recognition of a deferred tax asset and a deferred tax liability when a single transaction generates taxable and deductible temporary differences at the same time. The adoption of the aforementioned amendment did not result in a change in the accounting balances. However, the Company started presenting the deferred tax assets and the deferred tax liabilities arising from leases separately.

Deferred income tax and social contribution on temporary differences are expected to be offset as contingencies and other deductible temporary additions are settled.

Deferred income tax and social contribution on profit assets are recognized only in the proportion of the probability that the future taxable profit will be available and temporary differences can be used against it. Deferred tax assets are reviewed at each reporting date and impaired when their realization is no longer probable.

The amount of R$ 1,105,433 (R$ 960,199 as of December 31, 2022) refers to deferred tax assets. The Company estimated its future taxable profit for the next 5 years and it proved to be sufficient to cover the temporary differences in deferred assets. Therefore, deferred tax assets were fully recognized in the financial statements as of December 31, 2023.

The amount of R$ 1,169,064 (R$ 868,647 as of December 31, 2022) refers to the deferred tax liabilities which includes the portion of amortization of the adjustments arising from the RTT – Transition Tax Regime.

Net movements in “deferred taxes” account are as follows:

		2023	2022
On January 01		**91,552**	**72,208**
Provision for income tax credit (PIS/COFINS)	**(a)**	31,120	53,190
Depreciation		(74,045)	29,883
Sundry provisions		18,384	(60,585)
Mark-to-Market (MtM)		94,556	(36,155)
Amortization of RTT adjustments		2,552	13,250
Provision for health care plan		288	205
Leases		(227,306)	(661,521)
Right-of-use assets		88,664	631,357
Derivative financial instruments		(63,999)	32,905
Reserves for risks		(18,309)	16,403
Provision for loss on assets		4,781	(244)
Other		(11,869)	656
At the end of the year		**(63,631)**	**91,552**

Amounts expressed in thousands of reais, unless otherwise indicated

a) Considering the credit from the discussion for the exclusion of ICMS from PIS and COFINS calculation basis, the Company is aware of the judgment of RE 1.063.187 (Topic 962) on September 30, 2021, based on the general repercussion system, in which the Federal Supreme Court decided that the levy of Corporate Income Tax (IRPJ) and Social Contribution on Profit (CSLL) was unconstitutional on the amounts related to the SELIC rate received as a result of the undue tax payment. It was decided in the context of the Motions for Clarification, definitely judged on April 29, 2022, that the decision will produce prospective effects, except for lawsuits filed until September 17, 2021. The decision became final on June 10, 2022. MRS filed a lawsuit on September 01, 2019, and had its appeal to exclude the levying of IRPJ and CSLL on amounts related to the SELIC rate received due to repetition of undue tax payment partially granted, following the leading case. Since MRS's legal advisors considered the loss of the discussion related to Topic 962 to be remote, the provisioned amount of R$ 54,248 relating to deferred IRPJ and CSLL was reversed in July 2022. In 2023, the reduction of R$ 31,120 was due to credit offset, as mentioned in Note 12, item a.

Deferred PIS and COFINS

		2023	2022
On January 01		**(8,023)**	**(7,084)**
Provision for income tax credit (PIS/COFINS)	**12.a**	5,190	(939)
At the end of the year		**(2,833)**	**(8,023)**

14. Prepaid expenses

		2023	2022
Insurance	**(a)**	10,556	24,987
Prepaid expense with personnel		16,760	11,333
Prepaid expenses with services/other		10,184	8,675
Prepaid expenses with ANTT inspection budget		4,481	4,911
		41,981	**49,906**
Current		37,862	40,256
Non-current		4,119	9,650

(a) The balances refer to advance insurance payments, not yet amortized. The term and coverage of the insurance policies contracted by the Company are detailed in Note 36.

Amounts expressed in thousands of reais, unless otherwise indicated

15. Other current and non-current assets

		2023	2022
Escrow deposits	**26.1**	111,138	133,901
Advances to suppliers/related parties	**(a)**	86,780	16,958
Advances to employees		14,538	12,542
Other		7	7
		212,463	**163,408**
Current		101,318	29,500
Non-current		111,145	133,908

(a) Correspond to advances granted to domestic and foreign suppliers for the acquisition of materials and inputs that do not correspond to property, plant and equipment. The amount corresponding to the advance to related parties is detailed in Note 9.

Amounts expressed in thousands of reais, unless otherwise indicated

16. Property, plant and equipment

16.1 Property, plant and equipment under operation and in progress

	2023							
	Property, plant and equipment in operation							
	Permanent road	Locomotives	Rail cars	Machinery, equipment and facilities	Other	Total	Construction in progress	Total
Cost								
On January 01	**5,637,120**	**4,179,924**	**3,522,180**	**1,509,222**	**146,018**	**14,994,464**	**1,243,042**	**16,237,506**
Additions	287,009	239,723	137,830	167,014	8,326	**839,902**	1,014,693	**1,854,595**
Transfers	289,458	14,252	34,735	87,206	1,499	**427,150**	(427,150)	**-**
Reversal/(provision) for loss	(16,000)	523	80	(2,342)	-	**(17,739)**	-	**(17,739)**
Reclassifications	-	-	-	-	-	**-**	(744)	**(744)**
Write-offs	-	(63,336)	(98,735)	(1,415)	(2,981)	**(166,467)**	(1,933)	**(168,400)**
Balance on December 31	**6,197,587**	**4,371,086**	**3,596,090**	**1,759,685**	**152,862**	**16,077,310**	**1,827,908**	**17,905,218**
Depreciation								
On January 01	**(3,044,876)**	**(2,076,925)**	**(1,522,585)**	**(664,737)**	**(105,563)**	**(7,414,686)**	**-**	**(7,414,686)**
Additions	(364,683)	(210,117)	(144,330)	(71,264)	(7,830)	**(798,224)**	-	**(798,224)**
Write-offs	-	59,974	64,650	1,197	2,915	**128,736**	-	**128,736**
Balance on December 31	**(3,409,559)**	**(2,227,068)**	**(1,602,265)**	**(734,804)**	**(110,478)**	**(8,084,174)**	**-**	**(8,084,174)**
Net balance for the year	**2,788,028**	**2,144,018**	**1,993,825**	**1,024,881**	**42,384**	**7,993,136**	**1,827,908**	**9,821,044**

Amounts expressed in thousands of reais, unless otherwise indicated

Movements in property, plant and equipment in 2022 are as follows:

	2022							
	Property, plant and equipment in operation							
	Permanent road	Locomotives	Rail cars	Machinery, equipment and facilities	Other	Total	Construction in progress	Total
Cost								
On January 01	**5,129,781**	**3,581,553**	**3,216,020**	**1,229,022**	**119,933**	**13,276,309**	**974,801**	**14,251,110**
Additions	-	-	-	-	-	**-**	2,095,983	**2,095,983**
Transfers	549,067	612,609	359,956	294,210	11,900	**1,827,742**	(1,827,742)	**-**
Reversal/(provision) for loss	1,376	(574)	4,804	(5,685)	-	**(79)**	-	**(79)**
Reclassifications	-	-	-	-	20,757	**20,757**	-	**20,757**
Write-offs	(43,104)	(13,664)	(58,600)	(8,325)	(6,572)	**(130,265)**	-	**(130,265)**
Balance on December 31	**5,637,120**	**4,179,924**	**3,522,180**	**1,509,222**	**146,018**	**14,994,464**	**1,243,042**	**16,237,506**
Depreciation								
On January 01	**(2,739,096)**	**(1,874,514)**	**(1,420,697)**	**(610,728)**	**(87,719)**	**(6,732,754)**	**-**	**(6,732,754)**
Additions	(346,468)	(210,428)	(136,381)	(61,626)	(7,850)	**(762,753)**	-	**(762,753)**
Transfers	(2,350)	-	53	(164)	2,461	**-**	-	**-**
Reclassifications	-	-	-	-	(19,017)	**(19,017)**	-	**(19,017)**
Write-offs	43,038	8,017	34,440	7,781	6,562	**99,838**	-	**99,838**
Balance on December 31	**(3,044,876)**	**(2,076,925)**	**(1,522,585)**	**(664,737)**	**(105,563)**	**(7,414,686)**	**-**	**(7,414,686)**
Net balance for the year	**2,592,244**	**2,102,999**	**1,999,595**	**844,485**	**40,455**	**7,579,778**	**1,243,042**	**8,822,820**

Reversal/(provision) for loss

Permanent road

The amount of R$ 16,000 refers to the formation of a provision for loss of certain components that make up the stretches of the permanent road, which will be subjected to major interventions, with the complete replacement of these components.

Write-offs

Locomotives and rail cars

The net amounts of R$ 3,362 and R$ 34,085 presented in the groups of locomotives and railcars, respectively, are mainly due to the write-offs of unused railcars and locomotives in 2023 and the write-offs of components for locomotives and railcars.

Construction in progress

Construction in progress is mainly represented by expenses incurred in the expansion, recovery and modernization of the permanent way, locomotives, railcars and signaling systems. The completion time for each project depends on the complexity and delivery schedule.

Borrowing cost capitalized

The amount of capitalized borrowing costs in the period ended December 31, 2023 was R$ 9,185 (R$ 9,320 on December 31, 2022). Rate used to determine the amount of financing costs subject to capitalization was 13.80% per annum (12.79% in 2022), which represents the average rate of Company's financing.

Rates of depreciation

The annual depreciation and useful life rates of the Company's main asset groups adopted in 2023 are presented in Note 3.8 of these financial statements.

The Company has railcars and locomotives pledged as collateral for financing. As of December 31, 2023 and December 31, 2022, the residual value of assets given as collateral is R$ 1,374,118 and R$ 1,031,433, respectively.

Amounts expressed in thousands of reais, unless otherwise indicated

16.2 Right-of-use assets (leases)

	2023				
	Assets linked to the concession (a)	**Vehicles**	**Real estate**	**Other**	**Total**
Cost					
On January 01	**3,646,575**	**38,809**	**31,976**	**4,382**	**3,721,742**
Additions	-	1,330	-	-	**1,330**
Remeasurement by inflation adjustment	119,265	(298)	104	311	**119,382**
Derecognition	-	-	(4,242)	-	**(4,242)**
Balance on December 31	**3,765,840**	**39,841**	**27,838**	**4,693**	**3,838,212**
Depreciation					
On January 01	**(1,115,943)**	**(30,297)**	**(10,283)**	**(3,024)**	**(1,159,547)**
Additions	(76,569)	(8,135)	(6,676)	(1,322)	**(92,702)**
Derecognition	-	-	2,279	-	**2,279**
Balance on December 31	**(1,192,512)**	**(38,432)**	**(14,680)**	**(4,346)**	**(1,249,970)**
Net balance for the year	**2,573,328**	**1,409**	**13,158**	**347**	**2,588,242**

(a) The National Land Transport Agency (ANTT) terminated the Lease Agreement 072/96, pursuant to Law 13.448, of June 2017, and Decree 10161, of December 9, 2019 Through the third amendment to the Concession Agreement, published in the Federal Gazette (DOU) of April 14, 2022, through the transfer to the Concessionaire of the movable assets and the assignment of use of the real estate. As a consequence of the primacy of essence over form, this contractual extinction did not impact the Company's financial statements, since the financial obligations to be paid arising from the lease agreement for these assets were maintained.

Amounts expressed in thousands of reais, unless otherwise indicated

Movements in right-of-use assets (leases) in 2022 are as follows:

	2022				
	Assets linked to the concession (a)	**Vehicles**	**Real estate**	**Other**	**Total**
Cost					
On January 01	**2,796,825**	**33,113**	**30,932**	**40,057**	**2,900,927**
Additions	824,924	-	69	559	**825,552**
Prepaid expenses	10,549	-	-	-	**10,549**
Sublease	(2,381)	-	-	-	**(2,381)**
Remeasurement by inflation adjustment	16,658	18,435	1,713	166	**36,972**
Transfer to property, plant and equipment	-	-	-	(36,228)	**(36,228)**
Derecognition	-	(12,739)	(738)	(172)	**(13,649)**
Balance on December 31	**3,646,575**	**38,809**	**31,976**	**4,382**	**3,721,742**
Depreciation					
On January 01	**(851,863)**	**(22,614)**	**(5,636)**	**(25,567)**	**(905,680)**
Additions	(264,080)	(7,994)	(5,417)	(8,666)	**(286,157)**
Transfer to property, plant and equipment	-	-	-	31,209	**31,209**
Derecognition	-	311	770	-	**1,081**
Balance on December 31	**(1,115,943)**	**(30,297)**	**(10,283)**	**(3,024)**	**(1,159,547)**
Net balance for the year	**2,530,632**	**8,512**	**21,693**	**1,358**	**2,562,195**

Amounts expressed in thousands of reais, unless otherwise indicated

17. Intangible assets

	2023			
	Computer systems and software	Concession rights	Projects in progress	Total
Cost				
On January 01	**250,783**	**-**	**142,247**	**393,030**
Additions	26,550	169,654	29,136	**225,340**
Transfers	137,052	-	(137,052)	**-**
Reclassifications	-	-	744	**744**
Write-offs	(5,782)	-	(1,924)	**(7,706)**
Balance on December 31	**408,603**	**169,654**	**33,151**	**611,408**
Depreciation				
On January 01	**(232,330)**	**-**	**-**	**(232,330)**
Additions	(23,961)	(7,192)	-	**(31,153)**
Reclassifications	-	-	-	**-**
Write-offs	684	-	-	**684**
Balance on December 31	**(255,607)**	**(7,192)**	**-**	**(262,799)**
Net balance for the year	**152,996**	**162,462**	**33,151**	**348,609**

Movements in intangible assets in 2022 are as follows:

	2022		
	Computer systems and software	Projects in progress	Total
Cost			
On January 01	**227,735**	**73,593**	**301,328**
Additions	-	76,255	**76,255**
Transfers	7,601	(7,601)	**-**
Reclassifications	15,471	-	**15,471**
Write-offs	(24)	-	**(24)**
Balance on December 31	**250,783**	**142,247**	**393,030**
Depreciation			
On January 01	**(211,428)**	**-**	**(211,428)**
Additions	(8,734)	-	**(8,734)**
Reclassifications	(12,192)	-	**(12,192)**
Write-offs	24	-	**24**
Balance on December 31	**(232,330)**	**-**	**(232,330)**
Net balance for the year	**18,453**	**142,247**	**160,700**

Projects in progress

Ongoing projects are mainly represented by expenses incurred in the development of software and other technological solutions that fall within the classification of intangible assets. The completion time for each project depends on the complexity and delivery schedule.

Amounts expressed in thousands of reais, unless otherwise indicated

Concession rights

The concession rights are recorded as a contra entry to "Concession Obligations", referring to the amounts payable under the concession and are being amortized over the term of the concession agreement.

18. Suppliers

		2023	2022
Payables to related parties	9	292,079	177,079
Suppliers payable - domestic		480,431	430,034
Suppliers payable - foreign		14,257	13,949
		786,767	**621,062**
Current		780,947	578,736
Non-current		5,820	42,326

19. Social and labor charges

	2023	2022
PPR - Profit sharing plan/bonus	109,327	106,984
Provision for vacation	50,826	45,215
Salaries payable	43,111	43,131
INSS	28,966	26,282
FGTS (SEVERANCE INDEMNITY FUND)	8,956	8,002
IRRF payable	4,311	8,308
Other	8,184	8,776
	253,681	**246,698**

20. Income tax and social contribution

	2023	2022
Income tax	136,260	127,977
Social contribution	23,362	17,241
	159,622	**145,218**

21. Other tax obligations

	2023	2022
ICMS	46,978	45,222
INSS withheld from third parties	20,140	6,570
PIS/COFINS	9,278	8,396
ISS	8,020	4,996
Other	84	201
	84,500	**65,385**

Amounts expressed in thousands of reais, unless otherwise indicated

22. Borrowings and financing

		2023	2022
Domestic currency			
FINEM/FINAME - BNDES	(a)	871,046	870,947
Banco Safra	(b)	211,044	50,865
Banco MUFG	(c)	405,362	-
Promissory notes	(d)	662,939	578,989
		2,150,391	**1,500,801**
Transaction costs		(1,422)	(1,549)
		2,148,969	**1,499,252**
Foreign currency			
Banco Citibank	(e)	103,267	-
Banco MUFG	(c)	-	218,831
		103,267	**218,831**
Transaction costs		(15,817)	(3)
		87,450	**218,828**
Debentures	(f)		
7th Issue		247,388	355,001
9th Issue		626,271	750,605
10th Issue		1,667,296	1,551,697
11th issue		2,219,819	-
		4,760,774	**2,657,303**
Transaction costs		(121,910)	(39,341)
		4,638,864	**2,617,962**
Total borrowings and financing		**6,875,283**	**4,336,042**
Current		998,552	731,250
Non-current		5,876,731	3,604,792

(a) FINEM operations, contracted directly and indirectly with BNDES, have a nominal rate equal to the effective rate and are subject to TJLP charges plus a spread of up to 3.41% p.a. or a fixed rate from 2.50% p.a. to 5.50% p.a. This financing will be used to cover expenses aimed at reducing the number of accidents, improving the operational cycle and purchasing rolling stock, in addition to the construction of walkways, viaducts, underpasses and social projects. Said operations are guaranteed by receivables from commercial contracts that make up at least 130% of the debt service, lien of financed assets and emerging rights. In January 2022, the amount of R$ 18,072 was raised, with maturity scheduled for July 2035, at a rate of 11.38% p.a. In August 2022, the Company obtained the release of R$ 600,000 from BNDES, with a term of 16 years, at a rate of IPCA + 5.01% p.a.

FINAME and automatic BNDES operations are financing with BNDES resources, transferred to the Company indirectly via financial institutions, with a nominal rate equal to the effective rate. FINAME's purpose was to acquire wagons and locomotives, while the automatic BNDES facility financed a technological innovation project that foresees the reduction of fuel consumption in locomotives. Such financing is subject to TJLP charges plus spread, equivalent to an internal rate of return (IRR) of 9.70% p.a. or a fixed rate of 4.50% p.a.

(b) The financing from Banco Safra refers to a funding carried out in August 2023, in the total amount of R$ 200,000, in the form of Export Credit Note (NCE), with a maturity period of three years, at a cost of CDI+ 1.249944% p.a. In this operation there are no contractual guarantees and the funding goal is to support the Company's cash needs in the short and medium term.

In May 2023, the full amortization of R$ 50,000 occurred, referring to the borrowing raised in 2020, under the CCB (Bank Credit Note) modality, together with Banco Safra.

(c) The financing from Banco MUFG refers to two funding transactions carried out in May and June 2023, in the amounts of R$ 300,000 and R$ 100,000, respectively. The two funding modality is the synthetic facility 4131, maturing in three years, at a respective cost of CDI+ 1.70% and 1.67%. There are no guarantees in this operation and the objective of raising funds is to support the Company's cash needs in the short and medium term.

In June and August 2023, full repayments of R$ 116,000 and R$ 82,000, respectively, were made for the borrowings obtained from the bank in June 2020 in yens.

(d) The financing of the Commercial Promissory Note was raised by the Company in October 2021, under the terms of CVM Instruction 566 and according to the procedures provided for in CVM Instruction 476 of R$ 500,000, with an amortization period of 5 years and a single maturity in October 22, 2026, at a rate of CDI+ 1.30% p.a. The funds raised will be used to reinforce working capital and extend the debt profile and do not have any type of guarantee.

(e) The financing from Banco Citibank refers to a funding carried out in June 2023 of US$ 21,614, R$ 105,058, in the form of ECA (Export Credit Agency) Financing. The transaction cost is SOFR+ 0.90%. Said operations are guaranteed by equipment imported from Switzerland acquired through financing. In 2023, the first two installments of the operation's principal amount were paid in September and December, totaling R$ 4,444. The transaction with Citibank is hedged by a swap derivative instrument and designated as fair value hedge accounting.

(f) Debentures

- *7th Issuance*
  In February 2015, the Company issued R$ 550,726 in debentures, of which R$ 336,340 related to the 1st series and R$ 214,386 related to the 2nd series. Due to the adjustment of the issue value provided in the deed between the issue date and the settlement date, the total disbursed amount was R$ 555,003. The issue took place under the terms of CVM Instruction 400, with 550,726 simple and unsecured debentures not convertible into shares, with a unit value of R$ 1.00. The resources obtained from the issue were fully used to finance projects to revitalize the permanent road and expand the CBTC (Communication Based Train Control) communication project, approved and considered a priority by the Ministry of Transport, which is why the debentures have benefits of tax exemption in accordance with Law 12431.

The first series of this issue has a term of 7 years, with amortization in the 6th and 7th years and is subject to an IPCA rate + 5.9828% p.a. The second series has a term of ten years, with amortization in the 8th, 9th and 10th years and its interest rate is IPCA + 6.4277% p.a. Interest payments for both series are annual. In April 2016, the Annual Debenture Holders' Meeting decided for the non-early maturity of debentures, to waive the hypothesis that the debentures would have their risk rating lowered by two notches, in relation to the risk rating of the debentures on the date of issue, until February 15, 2024 and for the payment of a premium (flat), levied on the duly updated nominal unit value, equivalent to 4.35% for 1st series debentures and 5.35% for 2nd series debentures. The premiums were paid on April 15, 2016, based on the updated nominal unit value of April 14, 2016.

In May 2023, the Annul Debenture Holders' Meeting deliberated on the adjustment of the interest coverage covenant (EBITDA/Finance Costs) from 4.0× to 2.0× until the maturity of the transaction (2025). For this initiative, the amount of R$ 4,442 was disbursed in fees, commissions and premiums to debenture holders.

In February 2022, the 1st series was settled, in the amount of R$ 251,755.

- *9th Issuance*
  In April 2019, the Company conducted its 9th issuance of unsecured, sole series debentures non-convertible into shares, via CVM Instruction 476. A total of 65 thousand debentures was issued, in two series, namely the 1st and 2nd series, totaling R$ 650,000, with R$ 367,150 allocated to the 1st series and R$ 282,850 to the 2nd series. The 1st series was placed at market value, with interest of IPCA+4.095% p.a., defined after a book building procedure, paid semi-annually, with a term of 5 years and amortization in the last year. The 2nd series was placed at market, with interest of 106.4% of the CDI p.a., defined after a book building procedure, paid semi-annually, with a term of 5 years and amortization in the 4th and 5th years. The net funds obtained by the Company from this issue were used for investment projects, strengthening its working capital and extending its debt profile. For the 9th issue of debentures, the 2nd series is hedged by a swap derivative instrument and is not designated for fair value hedge accounting.

- *10th issue*
  Between August and September 2021, the Company conducted its 10th issue of unsecured, sole series debentures non-convertible into shares, via CVM Instruction 476. A total of 150.000 thousand debentures was issued, in three series, namely the 1st, 2nd and 3rd series, totaling R$ 1,500,000, with R$ 700,000 allocated to the 1st series, R$ 300,000 allocated to the 2nd series and R$ 500,000 to the 3rd series. The 1st series of this issue was placed at market value, with interest of 100.00% of the CDI+1.30% p.a., defined after a book building procedure, paid semi-annually, with a term of five years and amortization in the 5th year. The 2nd series was placed at market value, with interest of 4.97% p.a. and inflation adjustment according to the IPCA, defined after a book building procedure, paid semi-annually, with a term of ten years and annual amortization from the 8th year onwards. The 3rd series was placed at market value, with interest of 5.06% p.a. and inflation adjustment according to the IPCA, defined after a book building procedure, paid semi-annually, with a term of 15 years and annual amortization from the 13th year onwards. For the 10th issue of debentures, only the 2nd and 3rd series have swap operations and designation for fair value hedge accounting. The net funds obtained by the Company from this issue were used for investment projects, strengthening its working capital and extending its debt profile.

Amounts expressed in thousands of reais, unless otherwise indicated

- *11th issue*
  In October 2023, the Company conducted its 11th issue of unsecured, sole series debentures non-convertible into shares, via CVM Resolution 160. A total of 2,000,000 debentures was issued, in three series, namely the 1st, 2nd and 3rd, totaling a fundraising of R$ 2,000,000, with R$ 400,000 allocated to the 1st series, R$ 800,000 allocated to the 2nd series and R$ 800,000 allocated to the 3rd series. The 1st series was placed at market value on the market with interest of IPCA+ 6.2414% p.a., defined after a book building procedure, paid semi-annually, with a term of ten years and amortization in the 10th year. The 2nd series was placed at market value with interest of IPCA+ 6.3439% p.a., defined after a book building procedure, paid semi-annually, with a term of 12 years and annual amortization from the 10th year onwards. The 3rd series was placed on the market with interest of IPCA+ 6.4496% p.a., defined after a book building procedure, paid semi-annually, with a term of 15 years and annual amortization from the 13th year onwards. For the 11th issue of debentures, the three series are hedged by a swap derivative instrument and are designated for fair value hedge accounting. The net resources obtained by the Company with this issue were designated in the form of reimbursement for investment projects already carried out in 2021 and 2022 and allocated to the Company's cash flow.

The long-term amortization flow of the financing is as follows:

	2025	2026	2027	>2027	Total
FINEM/FINAME - BNDES	51,499	79,634	79,634	623,275	834,042
Promissory Note	-	662,939	-	-	662,939
Banco MUFG	-	400,000	-	-	400,000
Banco Safra	-	200,000	-	-	200,000
Banco Citibank	11,333	10,791	9,836	57,129	89,089
Debentures	276,500	852,591	144,146	2,539,497	3,812,734
	339,332	**2,205,955**	**233,616**	**3,219,901**	**5,998,804**

As of December 31, 2023, the transaction costs of fundraising were presented as follows:

	Short term	Long-term					Total
	ST	2025	2026	2027	>2027	Total	SHORT-TERM + LONG-TERM
Domestic currency	122	116	894	93	197	1,300	1,422
Foreign currency	1,781	1,598	1,502	1,448	9,488	14,036	15,817
Debentures	15,173	8,370	7,545	6,477	84,345	106,737	121,910
	17,076	**10,084**	**9,941**	**8,018**	**94,030**	**122,073**	**139,149**

Amounts expressed in thousands of reais, unless otherwise indicated

On December 31, 2023 and 2022, the amount of transaction costs incurred in each fundraising process was as follows:

	2023	2022
FINEM		618,072
(-) funding costs		63
% funding costs/amount		0.01%
Debentures - 11th issue	2,000,000	
(-) funding costs	87,994	
% funding costs/amount	4.40%	
Banco Citibank	105,254	
(-) funding costs	16,743	
% funding costs/amount	15.91%	

Covenants

Borrowing and financing agreements have covenants related to the maintenance of financial ratios. All covenants were complied with on December 31, 2023. The debentures issued by the Company also have covenants related to the maintenance of financial ratios, which were complied with on December 31, 2023. The 7th issue debentures have clauses for maintaining the minimum risk rating assigned by Standard and Poor's, which were also complied with in the reported period. The debentures of the 9th, 10th and 11th issue and promissory notes do not have clauses for maintaining the minimum risk rating.

In 2023, the consent for the 7th debenture issue was concluded, to adjust the interest coverage covenant (EBITDA/Finance Costs) from 4.0× to 2.0× until the maturity of the transaction (2025). This action was taken in line with the scenario monitoring mechanisms outlined, evaluating stress situations on relevant market variables. For this initiative, the amount of R$ 4,442 was disbursed in fees, commissions and premiums to debenture holders.

23. Leases

Leases included in the scope of CPC 06 (R2) referring to the Company's rights of use were grouped according to their nature as information below:

- Assets linked to the concession: contract with the Federal Government regarding the assets necessary for the operation and maintenance of rail freight transport activities. After signing the fourth addendum that renewed the concession for further 30 years, the fixed amounts payable started to be adjusted annually by the IPCA. The nominal discount rate determined for the present value calculation is 9.95%.

- Real Estate: lease contracts of areas, commercial rooms, garages, buildings and others. The nominal discount rate determined for the present value calculation is 7.89%.

- Vehicles: vehicle rental agreements to meet operational areas. The nominal discount rate determined for the present value calculation is between 6.44% p.a. and 8.88% p.a.

- IT equipment: IT equipment, electronics and software. The nominal discount rate determined for the present value calculation is between 6.44% p.a. and 8.88% p.a.

- Other: lease of aerial platform, forklift, container and others. The nominal discount rate determined for the present value calculation is between 6.44% p.a. and 8.88% p.a.

Lease agreements, except the lease agreement for assets linked to the concession, have different terms, with the last maturity date occurring in December 2026. The values are updated annually based on inflation indices, mostly by the IPCA.

The incremental borrowing rate used by the Company was determined based on the interest rates that it has access to, adjusted to the Brazilian market and the terms of its contracts.
Tax rates ranging from 6.44% to 9.95% were used, according to the term of each agreement.

Amounts expressed in thousands of reais, unless otherwise indicated

	2023				
	Assets linked to the concession	**Real estate**	**Vehicles**	**Other**	**Total**
Lease payable					
On January 01	**4,053,086**	**12,357**	**9,298**	**1,817**	**4,076,558**
Additions	-	-	1,512	-	**1,512**
Remeasurement by inflation adjustment	119,265	1,849	(287)	313	**121,140**
Derecognition	-	(2,226)	-	-	**(2,226)**
Payments	(686,117)	(3,418)	(8,594)	(1,393)	**(699,522)**
Balance on December 31	**3,486,234**	**8,562**	**1,929**	**737**	**3,497,462**
Interest to be paid					
On January 01	**(1,672,070)**	**(2,870)**	**(456)**	**(102)**	**(1,675,498)**
Additions/(Reversals)	-	-	(182)	-	**(182)**
Remeasurement by inflation adjustment	-	(1,745)	(11)	(2)	**(1,758)**
Derecognition	-	211	-	-	**211**
Accrued interest	212,445	1,196	530	90	**214,261**
Balance on December 31	**(1,459,625)**	**(3,208)**	**(119)**	**(14)**	**(1,462,966)**
Net balance for the year	**2,026,609**	**5,354**	**1,810**	**723**	**2,034,496**
Current	**551,465**	**2,840**	**1,329**	**704**	**556,338**
Non-current	**1,475,144**	**2,514**	**481**	**19**	**1,478,158**

Amounts expressed in thousands of reais, unless otherwise indicated

Movements in the lease in 2022 are as follows:

	2022				
	Assets linked to the concession	**Real estate**	**Vehicles**	**Other**	**Total**
Lease payable					
On January 01	**2,497,777**	**14,413**	**11,706**	**3,054**	**2,526,950**
Additions	2,267,276	77	-	615	**2,267,968**
Remeasurement by inflation adjustment	20,164	707	7,267	108	**28,246**
Derecognition	-	611	524	(178)	**957**
Payments	(732,131)	(3,451)	(10,199)	(1,782)	**(747,563)**
Balance on December 31	**4,053,086**	**12,357**	**9,298**	**1,817**	**4,076,558**
Interest to be paid					
On January 01	**(418,785)**	**(4,400)**	**(1,837)**	**(237)**	**(425,259)**
Additions/(Reversals)	(1,442,352)	(193)	-	(55)	**(1,442,600)**
Remeasurement by inflation adjustment	(3,506)	102	(1,035)	34	**(4,405)**
Derecognition	-	474	27	6	**507**
Accrued interest	192,573	1,147	2,389	150	**196,259**
Balance on December 31	**(1,672,070)**	**(2,870)**	**(456)**	**(102)**	**(1,675,498)**
Net balance for the year	**2,381,016**	**9,487**	**8,842**	**1,715**	**2,401,060**
Current	**460,662**	**2,268**	**7,895**	**1,304**	**472,129**
Non-current	**1,920,352**	**7,220**	**947**	**412**	**1,928,931**

Amounts expressed in thousands of reais, unless otherwise indicated

The flow of future lease payments is as follows:

Lease payable	**≤12 months**	**≤05 years**	**>05 years**	**Total**
Assets linked to the concession	704,581	1,264,718	1,516,935	3,486,234
Properties	3,098	5,464	-	8,562
Vehicles	1,403	526	-	1,929
Other	710	27	-	737
	709,792	**1,270,735**	**1,516,935**	**3,497,462**

Interest to be paid	**≤12 months**	**≤05 years**	**>05 years**	**Total**
Assets linked to the concession	(153,116)	(348,019)	(958,490)	(1,459,625)
Properties	(258)	(2,950)	-	(3,208)
Vehicles	(74)	(45)	-	(119)
Other	(6)	(8)	-	(14)
	(153,454)	**(351,022)**	**(958,490)**	**(1,462,966)**
Net balance for the year	**556,338**	**919,713**	**558,445**	**2,034,496**

24. Financial instruments

<u>Operations with financial instruments</u>

The calculation of the fair value of investments (Restricted Cash and Cash Equivalents) follows the following methodology: (i) for the calculation of the fair value, only the investments whose contracted rates are different from 100% of the CDI are considered and (ii) for the calculation of the discount rate, of the fair value measurement, the last investment rate is considered contracted by the financial institution where the investment is in custody.

The fair value of borrowings and financing is based on market assumptions, and the calculation follows the methodology below: for operations that have public market quotation for the benchmark interest rate, the flow up to maturity is calculated at the contractual rate and then discounted at the updated rate constant from the public source and for borrowings and financing that do not have a public source interest rate, after calculating the flow up to maturity with the contractual rate, it is discounted at the interest rate of similar operations in terms of risk and term. Eventually, in case of difficulty in identifying comparable financing, the discount rate is determined by consulting financial institutions.

The carrying amounts of all operations with financial instruments carried out by the Company are not different from its fair values.

Amounts expressed in thousands of reais, unless otherwise indicated

Classification of derivative and non-derivative financial instruments

	2023				2022			
	Amortized cost	**FVTPL**	**FVTPL/operations used for hedging**	**Total**	**Amortized cost**	**FVTPL**	**FVTPL/operations used for hedging**	**Total**
Assets								
Cash and cash equivalents	-	3,385,798	-	3,385,798	-	866,856	-	866,856
Restricted cash	-	2,254	-	2,254	-	1,081	-	1,081
Trade receivables and other trade receivables	554,294	-	-	554,294	685,338	-	-	685,338
Gains on operations with derivative financial instruments – swap/NDF	-	-	326,743	326,743	-	-	130,461	130,461
Total	**554,294**	**3,388,052**	**326,743**	**4,269,089**	**685,338**	**867,937**	**130,461**	**1,683,736**

	2023				2022			
	Amortized cost	**FVTPL**	**FVTPL/operations used for hedging**	**Total**	**Amortized cost**	**FVTPL**	**FVTPL/operations used for hedging**	**Total**
Liabilities								
Suppliers	786,767	-	-	786,767	621,062	-	-	621,062
Borrowings and financing in R$	2,150,391	-	-	2,150,391	1,500,801	-	-	1,500,801
Borrowings and financing in US$	-	-	103,267	103,267	-	-	218,831	218,831
Debentures	1,608,324	-	3,152,450	4,760,774	1,842,558	-	814,745	1,842,558
Lease	2,034,496	-	-	2,034,496	2,401,060	-	-	2,401,060
Other obligations of the Concession	195,580	-	-	195,580	-	-	-	-
Losses on operations with derivative financial instruments – swap	-	-	159,027	159,027	-	-	160,351	160,351
Total	**6,775,558**	**-**	**3,414,744**	**10,190,302**	**6,365,481**	**-**	**1,193,927**	**7,559,408**

Amounts expressed in thousands of reais, unless otherwise indicated

Derivative financial instruments

The Company holds derivative financial instruments to hedge risks relating to foreign currencies and inflation rates.

The accounting policy for recording transactions with derivative financial instruments is described in Note 3.3 (v) of these statements.

The derivative financial instruments (swap) are initially recognized at fair value on the date on which the derivative contract is signed, and are subsequently restated also at fair value. Derivatives are presented as financial assets when the fair value of the instrument is positive; and as financial liabilities when the fair value is negative.

The swap operations that on December 31, 2023 had a net balance receivable in the amount of R$ 168,829 (net balance payable of R$ 29,889 as of December 31, 2022). While the NDF operation presented a balance payable of R$ 1,113. The operations mentioned above had their changes accounted for in the profit or loss.

The Company has documented such a hedge relationship as a fair value hedge after tests have shown that the hedge is expected to be highly effective in offsetting the fair value of the hedged item. Effectiveness is measured using prospective effectiveness tests, evaluated by the statistical method of volatility reduction. The hedge is considered effective when the effectiveness quotient of the prospective test results in a value equal to or greater than 80%.

From the designation of the swap to Fair Value Hedge, the change in the fair value of the hedge remains recorded in the financial profit (loss). However, at the same time, the change in the fair value of the risk attributable to the designated hedge item is verified, which is recorded in liabilities as a contra entry in the financial profit (loss).

	Hedge item of fair value	
	2023	**2022**
Debt	3,083,119	1,122,509
Adjustment in fair value hedge	172,598	(88,933)

		Impact on financial profit (loss)	
		2023	**2022**
Finance income			
Adjustment in fair value hedge		-	92,082
Finance cost			
Adjustment in fair value hedge		(261,531)	(682)
Net financial profit (loss)	**(a)**	**(261,531)**	**91,400**

(a) Hedge accounting was adopted to mitigate the volatility of the mark-to-market of the derivative for the contract with exposure in US dollars with Citibank, resulting in the balance of the net financial profit (loss). For the 2nd and 3rd series of the 10th issue and for 3 series of the 11st issue of debentures, there are also hedge accounting operations.

Amounts expressed in thousands of reais, unless otherwise indicated

Derivative designated to fair value hedge	**Reference value (Notional)**		**Fair value**	
Type of contract	**2023**	**2022**	**2023**	**2022**
Swap contracts (Fixed dollar to real CDI)				
Asset position				
Fixed Dollar	100,284	68,667	102,928	87,822
Liability position				
Real CDI	(100,680)	68,667	(104,671)	(70,040)
			(1,743)	17,782
Swap contracts (Fixed yen to real CDI)				
Asset position				
Fixed Yen	-	150,000	-	133,010
Liability position				
Real CDI	-	150,000	-	(165,583)
			-	(32,573)
Swap contracts (IPCA to real CDI)				
Asset position				
IPCA	2,982,495	800,000	3,152,449	822,059
Liability position				
Real CDI	(2,889,283)	800,000	(3,051,441)	(892,647)
			101,008	(70,588)
Total swap contracts			**99,265**	**(85,379)**
Provision for Income Tax on swap gains			(20,373)	(2,667)
Total swap contracts, net of income tax			**78,892**	**(88,046)**
Classified				
In current assets			-	15,114
In non-current assets			236,805	15,934
In the current liabilities			(157,913)	(116,534)
In the non-current liabilities			-	(2,560)
			78,892	**(88,046)**

Amounts expressed in thousands of reais, unless otherwise indicated

Derivatives not designated	**Reference value (Notional)**		**Fair value**	
Type of contract	**2023**	**2022**	**2023**	**2022**
Hedge agreements				
Asset position				
IPCA (IPCA to CDI)	481,207	367,150	481,057	445,810
Variable dollar to fixed real	106,962	-	105,849	-
Liability position				
CDI (IPCA to CDI)	(375,667)	367,150	(375,248)	(377,390)
Variable dollar to fixed real	(106,962)	-	(106,962)	-
Total hedge contracts			**104,696**	**68,420**
Provision for Income Tax on swap gains			(15,871)	(10,263)
Total swap contracts, net of income tax			**88,825**	**58,157**
Classified				
In current assets			89,938	-
In non-current assets			-	99,413
In the current liabilities			(1,113)	(41,256)
			88,825	**58,157**

The Company has swap derivative financial instruments and NDF (Dollar forward contract). For the asset position of the swap, linked to a fixed rate plus the exchange change of the dollar, yen or IPCA, the value is calculated at the contractual rate until maturity and then discounted by the exchange coupon rate, or future DI x Fixed curve, both made available by B3, corresponding to the remaining term between the due date and the current date. Finally, the value resulting from this calculation (swap) is translated at the current exchange rate in case the flow is in foreign currency.

For the liability position, which is linked to a certain percentage of CDI or CDI + fixed rate, the value to maturity is calculated by applying this percentage or fixed rate. Then, this profit (loss) is discounted at the future DI x Pre curve, provided by B3, up to the current date.

Description	**2023**			**2022**		
	Notional value	**Fair value**	**Maturities**	**Notional value**	**Fair value**	**Maturities**
Swap contracts						
Asset position						
Foreign currency	100,284	102,928		218,667	220,832	
IPCA	3,463,702	3,633,506	Up to	1,167,150	1,267,869	Up to
Liability position			set/38			ago/36
Rates (post)	3,365,630	3,531,361		1,385,817	1,505,660	

Description	2023			2022		
	Notional value	**Fair value**	**Maturities**	**Notional value**	**Fair value**	**Maturities**
“NDF” contracts						
Asset position						
Foreign currency	106,962	105,849	Up to	-	-	
Liability position			Feb 2024			-
Foreign currency	106,962	106,962		-	-	

Amounts expressed in thousands of reais, unless otherwise indicated

The Company's Derivative financial instruments are distributed among the following counterparties:

Institution	MRS Receives	MRS Pays	Start date	Maturity date	Contracted notional value	Fair value in 2023 (R$)		Gross profit (loss) (R$) Assets – Liabilities (*)
						Active	Liabilities	
Swap contracts								
Banco JP Morgan	SOFR + 0.90%	CDI+0.93%	07/06/2023	06/29/2035	100,258	98,235	99,849	(1,614)
Banco JP Morgan	SOFR + 0.90%	CDI+1.15%	09/15/2023	06/29/2035	4,780	4,693	4,823	(130)
Banco Itaú	IPCA+4.97%	CDI+1.05%	08/16/2021	08/15/2031	300,000	350,587	330,306	20,281
Banco Itaú	IPCA+5.06%	CDI+1.30%	08/16/2021	08/15/2036	500,000	582,045	570,940	11,105
Banco Mizuho	IPCA+4.095%	100.64% CDI	04/30/2019	04/15/2024	100,000	349,336	273,042	76,294
Banco JP Morgan	IPCA+4.095%	100.64% CDI	04/30/2019	04/15/2024	267,150	131,721	102,206	29,515
Banco XP	IPCA+6.2414%	CDI+0.63%	10/16/2023	09/15/2033	400,000	435,148	426,173	8,975
Banco Santander	IPCA+6.3439%	CDI+0.589%	10/16/2023	09/17/2035	400,000	440,273	425,934	14,339
Banco XP	IPCA+6.3439%	CDI+0.67%	10/16/2023	09/17/2035	400,000	440,273	428,202	12,071
Banco Santander	IPCA+6.4496%	CDI+0.76%	10/16/2023	09/15/2038	400,000	449,561	433,519	16,042
Banco BTG Pactual	IPCA+6.4496%	CDI+0.85%	10/16/2023	09/15/2038	400,000	454,562	436,367	18,195
Total						**3,736,434**	**3,531,361**	**205,073**

Institution	Start date	Maturity date	Contracted notional value	Fair value in 2023 (R$)		Gross profit (loss) (R$) Assets – Liabilities (*)
				Active	Liabilities	
NDF contracts						
Banco Santander	11/29/2023	02/14/2024	USD 21,716	105,849	106,962	(1,113)
Total				**105,849**	**106,962**	**(1,113)**

(*) Gross amounts of Withholding Income Tax of R$ 36,244, totaling a net derivative position of R$ 167,716 (R$ 29,889 as of December 31, 2022).

Amounts expressed in thousands of reais, unless otherwise indicated

24.1. Fair value hierarchy

The Company uses the following hierarchy to determine and disclose the fair value of financial instruments:

- Level 1: Financial instruments with data originating from an active market (unadjusted quoted price) so that it is possible to have daily access including on the date of measurement of the fair value.

- Level 2: Financial instruments with data different from that originating from an active market (unadjusted quoted price) included at Level 1, extracted from a pricing model based on observable market data.

- Level 3: Instruments classified as Level 3 are those whose data are extracted from a pricing model based on unobservable market data.

The Company's derivative financial instruments, with a net balance receivable of R$ 167,716 as of December 31, 2023, as well as financial instruments linked to cash (including restricted cash and cash equivalents) were classified in Level 2 of the fair value hierarchy. There are no financial instruments classified in Level 3 and Level 1 in the Company.

	2023		2022	
	Fair value	**Level**	**Fair value**	**Level**
Assets (liabilities)				
Derivative financial instruments - assets	326,743	2	130,461	2
Derivative financial instruments - liabilities	(159,027)	2	(160,350)	2
	167,716		**(29,889)**	

24.2. Objectives and policies for financial risk management

The main financial liabilities of the Company, that are not derivatives, refer to borrowings, suppliers and other payables. The main purpose of such financial liabilities is obtaining funds for the Company's operations. The Company has borrowings and other credits, trade receivables and other payables and demand and short-term deposits directly arisen out of its operations. The Company also enters into derivative transactions.

The Company is exposed to market risk, credit risk and liquidity risk.
The Top Management supervises the management of such risks and counts with the support of a financial committee of the Board of Directors, thus contributing to the maintenance of a governance structure in financial risks appropriate for the Company.

The financial committee recommends to the Company's Top Management that activities undertaking financial risks shall be ruled by appropriate policies and procedures, and approved by the Board of Directors. All derivative activities have as object risk management, not comprising any derivative transactions for speculation purposes. The policy for financial risk management is reviewed and approved by the Board of Directors annually.

The financial committee revises and establishes policies for management of each such risk, and the main objective is reducing the unexpected financial or economic difference, which may have an impact on the Company's income, as well as on its expected cash flow. As a secondary objective, it is aimed at minimizing the probability of: (i) an unexpected requirement of additional funding; and (ii) that MRS metrics shall violate financial covenants already assumed.

As a central risk management mechanism, the internal controls utilized by the Company's Management are concentrated in following up the foreign currency-indexed debt percentage that it is protected by derivative financial instruments. Due to this, the majority of the Company's exposure to exchange risk is being hedged by swap contracts.

In addition, the Company not only follows up de result of such operations through their fair value, but it also outlines impairment scenarios of relevant market variables, assessing stress situations and respective financial impacts.

24.3. Policy for use of derivative financial instruments

The Company's policy is to mitigate its exposure to market risks trying to reduce the financial impact of fluctuations in exchange and interest rates. Such policy is implemented through a strategic follow up of the exposure of its assets and liabilities to such variables, jointly with the entering into derivative operations allowing to control the risks involved.

Operations with derivatives are basically composed by exchange rate swap for borrowings in foreign currency or IPCA, both involving fixed rates, versus CDI percentage or CDI plus fixed rate, all of them contracted with first-line banks as counterparty and no guarantee margin deposit. We point out that the purpose of the totality of derivative operations is the reduction of risk exposure, not subject to speculative positions.

24.4. Market risk

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 comprise three types of risk: interest rate risk, exchange risk, and price risk, that may be from commodities, shares, among others, which are detailed below. Financial instruments affected by market risk include borrowings payable, deposits, financial instruments available for sale and measured at fair value through profit or loss, and derivative financial instruments.

(a) Interest rate risk

Interest rate risk arises from the possibility that the Company may be subject to financial losses caused by changes in the interest rates to which it is exposed.

In the following table, three scenarios are considered for sensitivity analysis. Based on indices in effect on December 31, 2023, a likely scenario was defined for 2024, on which basis changes from 25% to 50% were found. In the probable scenario, the market perspective was used for the end of 2024, based on the Focus Report released by the Central Bank of Brazil, in addition to the current TJLP rate in December 2023.

For each scenario the Company calculated the gross finance cost, not taking into account the taxes levied and the flow of maturities for each contract. The base date used for financings was December 31, 2023, projecting indices for one year and verifying their sensitivity in each scenario.

Amounts expressed in thousands of reais, unless otherwise indicated

	2023			
	R$ million		>25%	>25%
	Balance	Probable	Scenario I	Scenario II
CDI		9.00%	11.25%	13.50%
TJLP		6.55%	8.19%	9.83%
IPCA (NATIONAL AMPLIFIED CONSUMER PRICE INDEX)		3.91%	4.89%	5.87%
Liabilities	**7,014.5**	**574.4**	**718.0**	**861.5**
Exposure in TJLP	0.2	0.01	0.02	0.02
Exposure in CDI	1,118.3	43.7	54.7	65.5
Exposure in IPCA	5,896.0	530.6	663.3	796.0
Assets	**3,387.6**	**304.9**	**381.1**	**457.3**
Investments	3,388	304.9	381.1	457.3
Net Uncovered Position	3,627	269	337	404

	Carrying amount	
	2023	2022
Fixed rate instruments		
Financial liabilities	202	441,061
Floating rate instruments		
Financial assets	3,388,052	867,937
Financial liabilities	7,014,230	3,935,875

(b) Exchange rate risk

The results of the Company are susceptible to significant changes, due to the effects of the volatility of the exchange rate on liabilities indexed to a currency other than its functional currency.

Specially, its exposure to currency risk (exchange risk) is basically concentrated in US$-denominated purchases and borrowings, closing the period ended December 31, 2023 with a positive change of 7.21% (-6.50% as of December 31, 2022).

	2023	2022
Assets in foreign currency		
Imports in progress	2,076	1,137
Swap/NDF financial instruments	102,928	220,832
	105,004	**221,969**
Liabilities in foreign currency		
Suppliers	(184,655)	(162,268)
Borrowings and financing	(103,267)	(218,831)
	(287,922)	**(381,099)**
Net exposure	**(182,918)**	**(159,130)**

Amounts expressed in thousands of reais, unless otherwise indicated

We present below variations in the Company's exchange rate-linked assets and liabilities, arisen out of the application of stress scenarios. We have elected by maintaining the active point of swap separated, in order to leave the effect of derivative more evident.

Sensitivity analyses in the following sections refer to position on December 31, 2023, and try to simulate how a stress in risk variables may affect the Company, considering reasonably possible scenarios. The first step was the identification of the main factors that have potential to generate losses on results, which was resumed to exchange rate. The analysis departed from a base scenario represented by the carrying amount of operations, that is, considering a sale tax of December 31, 2023 and accrued interest in the period. Furthermore, three scenarios were prepared, the probable scenario, scenario II with a deterioration of 25% and scenario III with a deterioration of 50%, in the risk variable.

To carry out the analysis, the Company uses the exchange rate of December 31, 2023 as an assumption of the probable scenario – disclosed in the last Focus Report – Bacen. Based on the probable exchange rate, scenarios of deterioration of 25% and 50% of the risk variable are generated.

The table below represents the sensitivity analysis involving the net effect resulting from these exchange rate shocks for the year 2023.

Dollar Appreciation Risk – December 31, 2023

R$ million

Operation	**Probable scenario I**	**Scenario II**	**Scenario III**
Hedge - Long position of swap	1,248	27,292	53,336
Debt in US$	(1,248)	(27,292)	(53,336)
Net risk of the operation in the US$ increase	-	-	-

	Exposure (R$ million)	**Probable exposure (R$ million)**	**Real**	**Expected rate**	**Impact**	
					25%	**50%**
Long position of swap	102.9	104.2	4.8413	4,900	6,125	7,350
Debt in US$	(102.9)	(104.2)	4.8413	4,900	6,125	7,350

These transactions are primarily denominated in Real and U.S. dollar.

Amounts expressed in thousands of reais, unless otherwise indicated

(c) Credit risk

Refers to the possibility of the Company incurring losses arising out of default of their counterparties or financial institutions depository of resources or financial investments. In order to mitigate such risks, the Company adopts as practice an analysis of the financial and equity situation of their counterparties, as well as the definition of credit limits and permanent follow-up of open positions. The Company does not have guarantees taken in relation to trade receivables.

	2023	2022
Cash and cash equivalents	3,385,798	866,856
Restricted cash	2,254	1,081
Trade receivables and other trade receivables	554,294	685,338
Derivative financial instruments – swap/NDF	167,716	(29,890)
Total	**4,110,062**	**1,523,385**

Trade receivables

The Company's trade receivables are concentrated in some major clients, which are also its related parties (Note 9), representing on December 31, 2023, 83.6% of total trade receivables (87.5% on December 31, 2022).

Such clients demand freight transportation considered as "captive", and have the same credit policy, determined in the respective service agreements. For these clients, the credit risk is relatively low due to the mitigating mechanisms defined in the service agreement.

For clients having "non-captive" freight transportation, the Company is subordinated to credit policies fixed by its Management, aiming to minimize eventual problems derived from their clients' default. In these cases, the Company performs daily credit and collection management. In the event of default, the collection is performed with the direct involvement of the managers responsible for the commercial contracts, and may even lead to the temporary suspension of the service provision.

Financial instruments and cash deposits

The Company is subject to credit risk associated with the financial investments it makes, considering the risk of insolvency of the institutions in which the Company maintains its investments, which may result in the total or partial loss of the funds invested. As of December 31, 2023, the Company's cash and cash equivalents exposure amount was R$ 3,385,534 (R$ 866,856 as of December 31, 2022), which were allocated to a current account, investments in CDBs or in repurchase and resale agreements that had a formal repurchase commitment by financial institutions.

The credit risk on cash and cash equivalents and interest earning bank deposits is determined by rating instruments widely accepted by the market and are arranged as follows:

	2023
AAA+	1,954,074
AA or AA+	1,431,460
Total	**3,385,534**

Amounts expressed in thousands of reais, unless otherwise indicated

(d) Liquidity risk

The Company's operations are capital intensive and part of this investment is financed by borrowings and financing. This leverage, as shown in the table below, generates a demand for cash, considering that the Company's investment is highly resilient; that is, it is possible to adjust it throughout the year according to the evolution of the business.

The table below summarizes the maturity profile of the Company's financial liability interest as of December 31, 2023, based on contractual payments not discounted.

	Undiscounted cash flow – 2023				
	≤6 months	06–12 months	01–02 years	02–05 years	>05 years
Non-derivative financial liabilities					
Borrowings, financing, debentures and promissory notes (R$)	**171,456**	**239,950**	**441,305**	**1,334,521**	**2,761,190**
Related parties	**275,746**	**-**	**11,557**	**-**	**-**
Suppliers	**441,275**	**58,190**	**-**	**-**	**-**
Derivative financial liabilities					
Swaps used to hedge (USD)	**5,066**	**9,609**	**17,654**	**50,015**	**82,195**

	Undiscounted cash flow – 2022				
	≤6 months	06–12 months	01–02 years	02–05 years	>05 years
Non-derivative financial liabilities					
Borrowings, financing, debentures and promissory notes (R$)	**167,349**	**824,646**	**387,094**	**1,527,888**	**2,464,096**
Related parties	**132,986**	**96,662**	**22,153**	**12,822**	-
Suppliers	**440,574**	**1,872**	**1,523**	**-**	**-**
Derivative financial liabilities					
Swaps used to hedge (USD)	**(105,943)**	**7,397**	**26,416**	**(68,371)**	**110,610**

It is worth highlighting that the guarantees of non-derivative financial liabilities, when they exist, are mentioned in Notes 9 and 16.1. Derivative financial liabilities do not have any type of guarantee.

Amounts expressed in thousands of reais, unless otherwise indicated

Capital management

The policy of Management is to maintain a solid capital base to maintain the confidence of investors, creditors and market aiming at the future development of the business. The Management monitors the return on capital invested, considering the results of the economic activities of operational segments. The objective is to achieve a return compatible with its capital cost reviewed annually through the Weighted Average Cost of Capital concept. Management also monitors the level of dividends for common and preferred shareholders.

The debt for ratio of capital at the end of the period is presented below:

	2023	**2022**
Total liabilities	11,679,270	9,017,819
(-) Cash and cash equivalents	3,385,798	866,856
(-) Restricted cash	2,254	1,081
Net obligations	8,291,218	8,149,882
Total equity	6,385,802	5,513,634
Ratio of net obligations to capital	**1,298**	**1,478**

25. Dividends payable

The By-laws of the Company assure a minimum dividend equivalent to 25% of net profit, as the Brazilian Corporate Law.
On December 31, 2023, the Company allocated minimum mandatory dividends of R$ 285,036, equivalent to R$ 0.8434 per share, as shown below:

		2023	**2022**
Profit for the year		1,200,149	874,176
Allocation to legal reserve		(60,007)	(43,709)
Profit, basis for dividend determination		**1,140,142**	**830,467**
Mandatory minimum dividends - 25%		285,036	207,617
Balance of dividends payable from prior years		154	159
Total dividends payable	**9**	**285,190**	**207,776**

On December 15, 2023, the amount of R$ 207,617 in mandatory minimum dividends was paid for the year 2022 (R$ 166,138 on December 13, 2022, for the year 2021).

Amounts expressed in thousands of reais, unless otherwise indicated

26. Provisions

The provisions issued are comprised as follows:

		2023	2022
Provisions for risks	**26.1**	663,778	691,346
Provision for indemnity to the Concession Grantor	**26.2**	27,396	40,873
Provisions for post-employment benefits	**26.3**	8,427	8,250
Other provisions		31,355	34,940
		730,956	**775,409**
Current		21,826	22,674
Non-current		709,130	752,735

26.1 Provision for risks

Provision for risks, classified as a probable risk of loss, are recorded in non-current liabilities, as follows:

	Labor	Civil	Tax	Environmental	Total liabilities provisioned
Balance at December 31, 2021	**413,531**	**108,123**	**147,751**	**290**	**669,695**
Additions	54,941	21,660	4,959	1,455	83,015
Restatements	33,089	(17,377)	14,537	60	30,309
Write-offs for reversals or payments	(54,886)	(34,032)	(2,755)	-	(91,673)
Balance at December 31, 2022	**446,675**	**78,374**	**164,492**	**1,805**	**691,346**
Additions	71,527	13,665	-	5,235	90,427
Restatements	17,187	3,533	(4,214)	24	16,530
Write-offs for reversals or payments	(82,910)	(18,480)	(33,031)	(104)	(134,525)
Balance at December 31, 2023	**452,479**	**77,092**	**127,247**	**6,960**	**663,778**

Amounts expressed in thousands of reais, unless otherwise indicated

Throughout the proceedings, the Company is required to make escrow deposits and guarantee execution to allow the filing of an appeal, under the terms of the Law. Deposits are monetarily restated and recorded in non-current assets until a court decision is made. Considering the deposits and blocks made during the proceedings, the expected future impact on cash is as follows:

		Number of shares (*)	Amount involved (*)	Provision	Escrow deposits	Net value
Labor	**(a)**	1,599	833,267	452,479	(40,386)	412,093
Civil	**(b)**	1,081	484,311	77,092	(14,313)	62,779
Tax	**(c)**	165	702,280	127,247	(55,380)	71,867
Environmental	**(d)**	117	70,866	6,960	(1,059)	5,901
Other	**(e)**	5	-	-	-	-
		2,967	**2,090,724**	**663,778**	**(111,138)**	**552,640**

(*) Refers to lawsuits classified as probable and possible loss.

(a) Labor

Most of the labor lawsuits claim the collection of overtime, indemnity amounts, night shift premium, inter-day breaks, wage parity and hazard and unhealthy work premiums.

On December 31, 2023, the total amount of labor claims, classified as possible or probable loss, was R$ 833,267 (R$ 814,586 as of December 31, 2022).

Lawsuits with prognosis of probable loss are in the amount of R$ 655,452 and for them, based on the understanding of its legal advisors, the Company has provisioned R$ 452,479 for 1,075 lawsuits (R$ 446,675 as of December 31, 2022), considering the prospect of probable loss in those lawsuits.

The addition in the amount of R$ 71,527 is mainly due to changes in the prognosis, arising from calculations resulting from convictions or amendments issued during the period.

Likewise, provision write-offs for the period totaled R$ 82,910 and refer to execution payments, payments for settlements and changes in forecast.

Furthermore, based on the assessment of its legal advisors, the Company has a contingency of R$ 177,815 for 524 cases with an estimate of possible loss, which do not have amounts recorded as a provision.

(b) Civil

The Company is a party to 1,081 lawsuits, with 981 in which it appears as a defendant and 100 in which it appears as a plaintiff/complainant/interested party. On December 31, 2023, the total amount of civil claims, classified with a prognosis of possible or probable loss, was R$ 484,311 (R$ 469,555 on December 31, 2022).

The lawsuits in which the Company is a defendant mostly address civil liability for railway accidents, collection legality for third-party interference in right-of-way areas, concession and lease agreements, maintenance of the health care plan and the index of readjustment of the monthly health care plan after the dismissal of the Company's employees, equivalence of the private pension plan to the RFFSA plan and public civil actions. The total amount involved in the aforementioned lawsuits classified with a prognosis of possible or probable loss was R$ 465,806 as of December 31, 2023. In accordance with the opinion of its legal advisors, the Company has recorded a provision for 160 lawsuits that amount to R$ 77,092 (R$ 78,373 as of December 31, 2022), referring to the estimated value of claims with probable likelihood of loss. Provisions were written-off for the period, totaling R$ 18,480, resulting from the realization of the provisioned expenses.

The lawsuits in which the Company appears as the plaintiff/complainant/interested party mostly address contractual liability, collection actions for the use of the right of way, adverse possession and repossession and expropriation. The total involved amount of these lawsuits, as of December 31, 2023 was R$ 18,505, classified with prognosis of possible or probable loss. Following the understanding of its legal advisors, as of December 31, 2023, the Company has a provision of R$ 0.4 for these lawsuits (R$ 1.5 as of December 31, 2022).

The Company did not form a provision for the remaining 821 lawsuits, as the expected loss was considered possible. The amount of contingencies with this prognosis is R$ 359,793 on December 31, 2023 (R$ 361,575 on December 31, 2022) and refers mainly to indemnity claims arising from railway accidents.

The Company has insurance covering bodily harm, material and moral damages and losses caused to third parties, whose deductible is currently R$ 750 by a third party claimant.

(c) Tax

The Company is a party to 165 legal and administrative lawsuits of a tax nature, of which 26 are tax recovery lawsuits and 139 are lawsuits with possible or probable risk of outflow of funds.

As of December 31, 2023, the total involved amount of 165 lawsuits was R$ 702,280 (R$ 721,032 as of December 31, 2022). Based on the understanding of its legal advisors, the Company has provisioned the amount of R$ 127,247 (R$ 164,492 as of December 31, 2022), referring to 8 lawsuits considering the prospect of probable loss.

The breakdown of tax provisions with a likelihood of probable loss is as follows:

- ICMS – the amounts of R$ 83,795 and R$ 42,603 refer to proceedings in which the use of ICMS credits is discussed in the states of Rio de Janeiro and São Paulo, respectively, for the acquisition of goods classified by the Company as inputs or components of the permanent assets, disallowed by state inspection;
- Tax enforcement to collect corporate income tax (IRPJ) debts of R$ 849 extinguished by compensation;

The Company is party to 131 lawsuits for which, based on the evaluation of its legal advisors, did not forma a provision, as expected losses were considered possible. The amount of R$ 574,533 on December 31, 2023 (R$ 556,540 on December 31, 2022) is related to lawsuits, that mostly are:

- Tax assessment notices for disallowance of PIS and COFINS credits on leases, mutual traffic and right of way of R$ 178,342;
- Tax assessment notice for disallowance of PIS and COFINS credit grant of R$ 19,567;
- IPTU reciprocal immunity of R$ 87,195, referring to administrative and judicial proceedings relating to the undue collection of IPTU tax on operational properties, object of the concession agreement, transferred to the Company by the Federal Union for the provision of transport services;
- PIS and COFINS mutual traffic: the amount of R$ 18,798 refers to the PIS and COFINS requirement on the entry of amounts as mutual traffic into the Company's cash flow, and then transferred to third parties (revenue from another concessionaire);
- ICMS Credit Disallowance: the amount of R$ 126,894, refers to the use of ICMS credits in the states of Rio de Janeiro and São Paulo for the acquisition of goods classified by the Company as inputs or components of permanent assets, disallowed by state inspection;
- Non-approval of compensation and disregarding payments of several taxes: R$ 12,507;
- ICMS RJ tax assessment due to alleged lack of registration of the CIAP Book: R$ 20,885.

(d) Environmental

The Company is a party to 16 judicial proceedings and 101 administrative proceedings whose nature is environmental. As of December 31, 2023, the total involved amount of these lawsuits was R$ 70,866 (R$ 66,852 as of December 31, 2022). Based on the understanding of its legal advisors, the Company has provisioned the amount of R$ 6,960 referring to 5 lawsuits, considering the prospect of probable loss in such lawsuits, with the others remaining as 'possible' losses.

(e) Other

The Company has 5 Terms of Adjustment of Conduct (TACs) signed and in force, 3 of which are related to labor matters and 2 to civil matters. The TACs, from labor matter aim to: (i) guaranteeing union leaders the full exercise of activities, aimed at defending the collective or individual rights and interests of the professional category; (ii) filling in the percentage of employees with disabilities, provided for by Article 93 of Law 8.213/91 and; (iii) guarantee employment access and maintenance for employees who filed labor claims against the company. In the civil area, there are 2 TACs: (i) in the municipality of Santo André, for renovations of properties within the Paranapiacaba rail yard; (ii) in the municipality of Congonhas, for the construction of 1 viaduct and 2 footbridges in Bairro do Pires;

26.2 Provision for indemnity to the Concession Grantor

The amount of R$ 27,396 as of December 31, 2023, recorded in non-current liabilities, refers to the provision for ongoing lawsuits with the Concession Grantor, arising from the result of the diagnosis of sanitation and regularization of properties.

Amounts expressed in thousands of reais, unless otherwise indicated

26.3 Provisions for post-employment benefits

	2023	2022
Healthcare plan	8,427	8,250

The Company offers its employees a health care plan administered by the Bradesco Saúde Operator. The plan is funded in the form of a post-established price, with partial sharing of expenses, through the collection of a monthly contribution from the beneficiaries. As the employee participates in the plan's costing, the extension of this benefit is guaranteed to the former employee terminated or dismissed without cause or retired, in accordance with Articles 30 and 31 of Law 9.656/1998, regulated by Normative Resolution 488/2022 of ANS, which revoked Normative Resolution 279/2011. The Company pays the Operator the difference between the expenses incurred with using the plan, plus the administration fee.

The Company also offers its employees and former employees health care plans administered by Unimed Juiz de Fora Operator. In this case, two different plans are offered, one of which at a post-established price, intended for active employees and the other, at a pre-established price, intended exclusively for former employees. Due to the provisions of Normative Resolution 488/2022, when calculating the adjustment to be applied to the monthly plan fees for former employees, Unimed Juiz de Fora must jointly evaluate its full portfolio of exclusive plans for former employees.
However, whenever the annual adjustment proposed by Unimed Juiz de Fora for the exclusive plan for former employees exceeds the percentage value proposed by Bradesco Saúde for the former employee's contributions, MRS will pass on to beneficiaries linked to Unimed Juiz de Fora the same adjustment value attributed to beneficiaries linked to Bradesco Saúde and will pay the difference in the Unimed health care plan.

As a result of said measure, the Company undertakes to partially pay for medical assistance for former employees linked to Unimed Juiz de Fora and their respective dependents.

As of December 31, 2023, the plan had 18,152 lives between Bradesco Saúde in Unimed Juiz de Fora and the contributions made by the Company totaled R$ 76,092 as of December 31, 2023 (R$ 54,493 as of December 31, 2022).

Actuarial gains and losses are recognized in Equity and Statement of Comprehensive Income as other comprehensive income, as determined by the Accounting Pronouncement CPC 33 (R1) – Employee Benefits.

As of December 31, 2023, there were actuarial liabilities on behalf of the Company, arising from the health care plan in the amount of R$ 8,427 (R$ 8,250 as of December 31, 2022), which were duly provisioned in non-current liabilities.

Amounts expressed in thousands of reais, unless otherwise indicated

a. Reconciliation of net actuarial liability recognized in the balance sheet:

	2023	**2022**
Net actuarial liability on January 1	8,250	7,043
Expenses recognized for fiscal year	1,109	986
Gain in obligations	(932)	221
Actuarial liability as of December 31	**8,427**	**8,250**

b. Movements in actuarial liabilities:

	2023	**2022**
Actuarial liability at the beginning of the year	8,250	7,043
Cost of current service	299	342
Interest on obligation	810	643
Benefits directly paid to the plan	(504)	(385)
(Gain)/ loss - resizing of cost included in other comprehensive income	(428)	607
Actuarial liability as of December 31	**8,427**	**8,250**

c. Expense to be recognized in the statement of profit or loss for the next year:

	2024
Cost of current service	270
Interest on actuarial obligations	790
Total expenses to be recognized	**1,060**

d. Assumptions adopted by the independent actuary in the actuarial obligation calculations for Bradesco Saúde Operator:

Discount rate	5.7528% p.a.
Long term inflation	3.69% p.a.
Health Care inflation (HCCTR)	1.44% p.a.
Aging factor	N/A
General mortality table	AT-2000 Basic, segregated by gender

Amounts expressed in thousands of reais, unless otherwise indicated

e. Assumptions adopted by the independent actuary in the actuarial obligation calculations for Unimed Health Operator:

Discount rate	5.7528% p.a.
Long term inflation	3.69% p.a.
Health Care inflation (HCCTR)	2.13% p.a.
Aging factor[1]	≤18 years: R$ 110.23 19–23 years: R$ 121.25 24–28 years: R$ 139.46 29–33 years: R$ 160.38 34–38 years: R$ 184.42 39–43 years: R$ 221.31 44–48 years: R$ 269.98 49–53 years: R$ 337.48 54–58 years: R$ 438.76 >59 years: R$ 660.34
General mortality table	AT-2000 Basic, segregated by gender

[1] Increasing per capita cost per age group.

Supplementary pension plan

The Company sponsors a supplementary pension plan for employees through a pension plan managed by Bradesco Vida e Previdência. The supplementary pension plan, created on July 1, 1999, is eligible for all MRS employees as of the date the plan was created. The plan is in the defined contribution modality and the Company has no legal or constructive obligation to pay additional contributions if the fund does not have sufficient assets to pay all benefits due. The costing is equally shared, so that the Company's share is equivalent to 100% of that made by the employee according to a contribution scale based on salary ranges.

The plan requires contributions to be made to funds managed separately from the Company's own funds. The plan assets are maintained by an open-ended supplementary pension plan entity, not available to the Company's creditors and cannot be paid directly to Company.

The contributions made by the Company totaled R$ 9,191 in the year ended December 31, 2023 (R$ 7,306 in 2022), which were recorded as an expense for the year.

As of December 31, 2023 and December 31, 2022, there were no liabilities on behalf of the Company arising from supplementary pension plan.

Life insurance
Employees participate in group life insurance guaranteed by Generalli Companhia de Seguros. In 2023, the Company contributed R$ 1,387 (R$ 1,060 in 2022) with life insurance for its employees.

Amounts expressed in thousands of reais, unless otherwise indicated

27. Other liabilities

		2023	2022
Obligations of the Concession	**(a)**	195,580	-
Contractual obligations with related parties	**9**	25,644	38,466
Consigned fuels	**11**	17,531	13,964
Other liabilities payable		1,338	2,852
		240,093	**55,282**
Current		39,597	28,500
Non-current		200,496	26,782

(a) After issuing Resolution 6021 of July 20, 2023 and Ordinance 17 of December 6, 2023, by ANTT, which deliberated on the guidelines and procedures for some regulatory obligations, the Company recognized these contractual obligations in current and non-current liabilities, adjusted to present value.

28. Equity

(a) *Subscribed and paid-up capital*

The subscribed and paid-in capital, in the amount of R$ 3,961,031 is divided into 337,977,019 book-entry shares with no par value, divided into "A" and "B" common and preferred classes.

In accordance with the Company's Bylaws, the Board of Directors is authorized to increase the capital, regardless of the statutory reform, up to the limit of R$ 5,000,000.

According to the Privatization Notice and the Bylaws of MRS, no shareholder may directly or indirect hold more than 20% of all shares that represent the Company's voting capital. If this threshold is exceeded, as determined by ANTT, the shareholder will waive the right to vote and veto inherent to shares that exceed this limit.

As of December 31, 2023, the interest in capital was as follows:

Shareholder	Common shares		Preferred shares		Total capital	
	Number of shares	%	Number of shares	%	Number of shares	%
Minerações Brasileiras Reunidas S.A.	37,666,526	20.12%	74,301,916	49.28%	111,968,442	33.13%
Companhia Siderúrgica Nacional	26,611,282	14.21%	36,765,916	24.39%	63,377,198	18.75%
CSN Mineração S.A.	25,802,872	13.78%	37,536,000	24.90%	63,338,872	18.74%
Usiminas Participações e Logística S.A.	37,513,650	20.04%	342,805	0.23%	37,856,455	11.20%
Vale S.A.	36,270,703	19.37%	769,304	0.51%	37,040,007	10.96%
Gerdau S.A.	4,460,128	2.38%	-	-	4,460,128	1.32%
Railvest Investments	14,747,620	7.88%	-	-	14,747,620	4.36%
Minority	4,137,420	2.21%	1,050,877	0.70%	5,188,297	1.54%
Total shares	**187,210,201**	**100.00%**	**150,766,818**	**100.00%**	**337,977,019**	**100.00%**

Amounts expressed in thousands of reais, unless otherwise indicated

(b) *Right of shares*

The holders of common shares will have the right to vote in the resolutions of the General Meetings; preferred shares (classes A and B) will be entitled to dividends 10% higher than those attributed to common shares, will not have voting rights and will enjoy priority in receiving capital, without premium, upon liquidation of the Company.

Class B preferred shares are, at the initiative of the shareholder who holds them, convertible into common shares, in the proportion of one for each common share. Such conversion may be carried out at any time, subject to the conditions set forth in the Bylaws.

Although without voting rights, class B preferred shares will have the right to elect, in a separate vote, a member of the Board of Directors, as long as they represent a minimum of 25% of the total capital.

(c) *Treasury shares*

In August 2023, MRS acquired shares of its own issuance in the amount of R$ 43,416.
In December 2023, the Company carried out the process of canceling the 2,022,981 shares acquired and held in treasury, without changing the value of its capital. The effects of acquisition and cancellation were recorded in shareholders' equity as "Treasury shares" and "Earnings reserves".

(d) *Earnings reserve – legal reserve*

Set up on the basis of 5% of the profit for the year before interest and reversal of interest on own capital, as set forth by the Brazilian Corporate Law and limited to 20% of capital. As of December 31, 2023, the balance of legal reserve is R$ 480,742 (R$ 420,735 as of December 31, 2022).

(e) *Earnings reserve - Investment reserve*

On December 31, 2023, the Company's Management proposed the retention of the accumulated profits for the year 2023 of R$ 855,106, corresponding to 75% of the profit for 2023 (after deducting 5% allocated to the legal reserve), aiming to provide the required funds to fulfill the capital investment budget in the Company. After retention, the balance of the Investment Reserve is R$ 1,932,994 (R$ 1,121,304 as of December 31, 2022).

(f) *Other comprehensive income*

Other comprehensive income refers to the actuarial gains of the health care plan, calculated in accordance with CPC 33 (R1).

	Actuarial gains	IRPJ/CSLL	Total
December 31, 2022	**12,009**	**(1,445)**	**10,564**
Gains	428	43	471
December 31, 2023	**12,437**	**(1,402)**	**11,035**

29. Earnings (loss) per share

The table below establishes the calculation of earnings per share for the years ended December 31, 2023 and 2022 (in thousands of Reais, except for earnings per share):

	2023	2022
Numerator		
Profit for the year	1,200,149	874,176
Denominator (in thousands of shares)		
Weighted average of common shares	187,802	188,333
Weighted average of preferred shares - A	81,886	82,076
Weighted average of preferred shares - B	69,430	69,591
10% - Preferred shares	1.1	1.1
Weighted average of adjusted preferred shares (Basic earnings)	166,448	166,834
Weighted average of adjusted preferred shares (Diluted earnings)	90,075	90,284
Denominator for basic earnings per share	354,250	355,167
Denominator for diluted earnings per share	347,307	348,208
Basic earnings per common share	3,388	2,461
10% - Preferred shares	1.1	1.1
Basic/diluted earnings per preferred share – A	3,727	2,707
Basic/diluted earnings per common share - B	3,727	2,707

The Company does not hold outstanding shares with the potential for dilution or other instruments that could result in the dilution of the calculation of earnings per share.

Amounts expressed in thousands of reais, unless otherwise indicated

30. Net revenue from services

	2023	2022
Gross revenues from services	6,872,969	6,029,362
Sales taxes	(423,844)	(437,244)
	6,449,125	**5,592,118**

The Company provides services in the Brazilian domestic market to private entities.

Service contracts with customers establish prices and forecasts of tons to be transported during the term. The revenue is recognized as mentioned in Note 3.15.

31. Expenses per type

		2023	2022
Fuels/lubricants		(1,046,288)	(1,103,155)
Manpower and payroll charges		(958,909)	(825,759)
Depreciation and amortization	**(a)**	(911,299)	(1,054,641)
Outsourced services		(468,328)	(362,318)
Inputs/Other materials		(233,841)	(242,303)
Apportionments of freight		(187,034)	(157,939)
Costs of accidents	**(b)**	(92,942)	(28,524)
Ancillary transport costs		(52,204)	(51,636)
Concession cost	**(c)**	(34,594)	(16,184)
Insurance expenses		(22,053)	(16,698)
Rental of operating vehicles and equipment		(9,926)	(7,154)
Directors' fees		(4,507)	(4,112)
Reversal (provision) for expected credit losses		(1,775)	343
ICMS MG deemed credit		115,023	111,600
Other		(81,806)	(73,707)
		(3,990,483)	**(3,832,187)**
Cost of services rendered		(3,456,893)	(3,475,295)
Sales expenses		(22,789)	(15,417)
Administrative and general expenses		(510,801)	(341,475)
		(3,990,483)	**(3,832,187)**

(a) The reduction in depreciation and amortization costs is due to the extension of the term of the concession agreement until 2056 relating to right-of-use assets linked to the concession agreement.

(b) Increase resulting from funds allocated to emergency assistance related to the landfill leak at KM 33 of the Steel Railway that occurred in March 2023.

(c) Refers to additional costs arising from new regulatory obligations, including, among others, those described in Note 27, item (a).

Amounts expressed in thousands of reais, unless otherwise indicated

32. Other operating income and expenses

		2023	2022
Other operating income			
Contractual fines		199,791	79,724
Sale of materials (scrap/excess inventory)		64,864	53,810
Reversals of provision for risks		44,099	8,659
Indemnity revenues		29,117	108,896
Alternative revenues		26,715	27,656
Insurance		14,981	8,006
Revenue from sale of property, plant and equipment		6,476	449
Other credits		11,899	24,877
		397,942	**312,077**
Other operating expenses			
ICMS legal installment reversal	**(a)**	(90,174)	(58,535)
Executions for procedural losses		(77,998)	(47,699)
Residual cost of written-off property, plant and equipment and intangible assets		(46,686)	(35,187)
Sales taxes and other revenues		(33,955)	(27,791)
Sponsorship expenses (tax incentives)		(23,080)	(11,194)
Other tax expenses		(22,665)	(12,606)
Provision for losses on non-current assets		(17,934)	(293)
Expenses with indemnity to third parties		(5,012)	(5,254)
Donations		(4,289)	(593)
Agreement with municipalities		(1,350)	(8,372)
Write-off of securities		(666)	(4,180)
Indemnity to the Concession Grantor		-	(39,625)
Other expenses		(14,773)	(30,441)
		(338,582)	**(281,770)**
Other operating income (expenses), net		**59,360**	**30,307**

(a) Amounts arising from legal reversals determined in accordance with ICMS legislation. The Company calculates the utilization coefficient monthly and refunds the portion that exceeds said percentage.

Amounts expressed in thousands of reais, unless otherwise indicated

33. Financial profit (loss)

		2023	2022
Finance income			
Yield on interest earning bank deposits		207,556	154,795
Derivative financial instruments - swap		69,366	-
Exchange rate change and inflation adjustment		45,956	201,787
Adjustment at present value of trade receivables and sublease		23,899	36,072
Interest from PIS/COFINS tax credit	**12.a**	13,277	18,100
Mark-to-market and hedge accounting		-	91,400
Other finance income		1,475	3,490
		361,529	**505,644**
Finance costs			
Interest		(438,297)	(324,123)
Mark-to-market and hedge accounting		(260,388)	-
Adjustment to present value of leases	**23**	(214,261)	(196,259)
Exchange rate change and inflation adjustment		(152,338)	(315,594)
Derivative financial instruments - swap		-	(180,747)
Other finance costs		(36,666)	(50,198)
		(1,101,950)	**(1,066,921)**
Financial profit (loss)		**(740,421)**	**(561,277)**

Amounts expressed in thousands of reais, unless otherwise indicated

34. Income taxes

	2023	2022
Profit before income tax and social contribution	**1,777,581**	**1,228,961**
Nominal rate	34%	34%
IRPJ/CSLL at nominal rate	**604,378**	**417,847**
Adjustments to reflect effective rate:	**(26,946)**	**(63,061)**
IR/CS adjustments - exclusion of PIS and COFINS from ICMS calculation basis.	(4,514)	(60,024)
Tax incentives	(42,506)	(19,152)
Inventory adjustment	1,455	5,947
Donation expenses	9,384	4,420
Write-offs of investment projects	1,312	1,676
Write-off of non-deductible securities	226	1,340
Deferred income tax/social contribution adjustments (IFRS)	2,929	(382)
Other	4,768	3,113
IRPJ/CSLL in profit (loss) for the period	**577,432**	**354,785**
Current	422,207	373,914
Deferred	155,225	(19,129)
IRPJ/CSLL in profit (loss) for the period	**577,432**	**354,785**
Total effective fiscal rate	32.48%	28.87%
Total effective tax rate – current	23.75%	30.43%
Total effective tax rate – deferred	8.73%	-1.56%

Amounts expressed in thousands of reais, unless otherwise indicated

35. Other disclosures on cash flows

35.1 Sale of property, plant and equipment

In the statement of cash flows, the profit (loss) from sale of property, plant and equipment comprises:

	2023	2022
Net carrying amount	3,362	293
Profit (loss) from disposal of property, plant and equipment	3,114	156
Amounts received from disposal of property, plant and equipment	**6,476**	**449**

35.2 Effect on investing activities

	2023	2022
Payment of investments from previous years	(334,452)	(174,423)
Acquisition of property, plant and equipment on credit in the period	135,289	333,809
Effect on investing activities	**(199,163)**	**159,386**

35.3 Reconciliation of liabilities arising from financing activities

	2023					
	Bank borrowings	**Debentures**	**Leases**	**Total**	**Financial instruments**	**Total debt**
Borrowings and financing - 12/31/2022	**1,718,080**	**2,617,962**	**2,401,060**	**6,737,102**	**29,889**	**6,766,991**
Movements that affected cash flow	**305,290**	**1,446,256**	**(699,522)**	**1,052,024**	**(151,555)**	**900,469**
New funding activities	688,315	1,907,644	-	2,595,959	-	2,595,959
Payments of principal	(284,364)	(254,583)	(485,261)	(1,024,210)	(151,555)	(1,175,765)
Interest payment	(99,716)	(216,568)	(214,261)	(530,545)	-	(530,545)
Transaction cost	1,057	9,763	-	10,820	-	10,820
Movements that did not affect cash flow	**213,049**	**574,646**	**332,958**	**1,121,503**	**(46,050)**	**1,074,603**
Initial recognition	-	-	-	-	-	-
Acquisition/new leases	-	-	1,330	1,330	-	1,330
Amortization	-	-	-	-	-	-
Restatement of interest, inflation adjustment and exchange-rate change	213,049	574,646	331,628	1,119,323	(46,050)	1,073,273
Borrowings and financing - 12/31/2023	**2,236,419**	**4,638,864**	**2,034,496**	**8,909,779**	**(167,716)**	**8,742,063**

Amounts expressed in thousands of reais, unless otherwise indicated

	2022					
	Bank borrowings	**Debentures**	**Leases**	**Total**	**Financial instruments**	**Total debt**
Borrowings and financing - 12/31/2021	**1,306,274**	**3,015,124**	**2,101,691**	**6,423,089**	**(60,756)**	**6,362,333**
Movements that affected cash flow	**349,273**	**(644,493)**	**(747,563)**	**(1,042,783)**	**(87,553)**	**(1,130,336)**
New funding activities	618,072	-	-	618,072	-	618,072
Payments of principal	(220,807)	(421,415)	(551,304)	(1,193,526)	(87,553)	(1,281,079)
Interest payment	(47,966)	(222,895)	(196,259)	(467,120)	-	(467,120)
Transaction cost	(26)	(183)	-	(208)	-	(208)
Movements that did not affect cash flow	**62,533**	**247,331**	**1,046,932**	**1,356,796**	**178,198**	**1,534,994**
Initial recognition	-	-	-	-	-	-
Acquisition/new leases	-	-	826,832	826,832	-	826,832
Amortization	353	4,149	-	4,502	-	4,502
Restatement of interest, inflation adjustment and exchange-rate change	62,180	243,182	220,100	525,462	178,198	703,660
Borrowings and financing - 12/31/2022	**1,718,080**	**2,617,962**	**2,401,060**	**6,737,102**	**29,889**	**6,766,991**

Payments related to investment providers are presented in the cash flow as financing activities. In 2023, the payment of R$ 334,452 (R$ 174,423 in 2022) was made, relating to investments from previous years.

Amounts expressed in thousands of reais, unless otherwise indicated

36. Insurance

The Company has the following insurance policies for its operations:

Coverage	Purpose	Maturity	LMI*	Franchise
Operating risks	Coverage of operating assets owned by the company or under its responsibility	March 30, 2024	332,000	7,500
Civil liability	Coverage against damages caused to third parties	August 9, 2024	62,000	750
Civil Liability - Cargo transportation	Coverage of claims with cargo in transport	April 30, 2025	70,000	200
Concession agreement guarantee insurance	Fulfillment of obligations with ANTT	June 17, 2025	1,338,186	N/A

*LMI – Maximum indemnity limit

The Company adopts the policy of contracting insurance coverage for assets subject to risks and civil liability considering the nature of its activity.

On July 29, 2022, as a condition for signing the concession renewal agreement, the Company took out a guarantee insurance. This insurance contract guarantees compensation, up to the amount provided for in the policy, for any losses arising from non-compliance with the contractual obligations assumed by the Company in the concession agreement.

37. Subsequent events

In a Board of Directors Meeting held on March 20, 2024, the Board approved the management's proposal to retain 75% of the retained earnings from 2024, after the formation of the Legal Reserve, as an investment reserve of R$ 855,106, aiming to provide the necessary resources to fulfill the capital investment budget in the Company.

Capital increase

At a meeting of the Board of Directors held on March 20, 2024, the Board approved the Company's management proposal to increase the capital, using part of the balance of the investment reserve of R$ 76,000. This increase aims to meet the regulatory obligation for year 2, provided for in the Fourth Amendment to the concession agreement.

Management: Board Members and Directors

Board of Directors

Marcelo Leite Barros (CEO)
Marco Aurelio Brito Braga
Murilo Müller
Wendel Gomes da Silva
Luis Fernando Barbosa Martinez
João Mario Lourenço Filho
Alejandro Daniel Laiño
Carlos Hector Rezzonico
Julio Rosa Baptista
Marcelo Cunha Ribeiro

Executive Board's members

Guilherme Segalla de Mello
Chief Executive Officer, Chief Commercial, Operations, Finance and Development, Investor Relations and People Officer

Alexandre Claro Fleischhauer
Chief Engineering and Maintenance Officer

Félix Lopez Cid
Chief Projects and Works Officer

Other Officers who are not members of the Executive Board

Daniel Dias Olivio
Henrique Rocha Martins
Luiz Gustavo Bambini de Assis
Raphael Steiman
Ane Menezes Castro Matheus

Statement of the Executive Officers on the financial statements

By this instrument, the Chief Executive Officer, Chief Sales, Operations, Finances and Development, Investor Relation and People Officer and other Officers of MRS Logística S.A., a publicly held company, for the purposes of the provisions of items V and VI of Article 27 of CVM Resolution 80, of March 29, 2022 ("Resolution"), hereby declare that they have reviewed, discussed and agreed with the financial statements of MRS Logística S.A. for the fiscal year ended December 31, 2023.

Rio de Janeiro, March 20, 2024

Guilherme Segalla de Mello
Chief Executive Officer, Chief Commercial, Operations, Finance and Development, Investor Relations and People Officer

Alexandre Fleischhauer
Chief Engineering and Maintenance Officer

Félix Lopez Cid
Chief Projects and Works Officer

Other Officers who are not members of the Executive Board

Daniel Dias Olivio

Henrique Rocha Martins

Luiz Gustavo Bambini de Assis

Raphael Steiman

Ane Menezes Castro Matheus

Statement of the Directors on Independent Auditor's Report

By this instrument, the Chief Executive Officer, Chief Commercial, Operations, Finances and Development, Investor Relation and People Officer and other Officers of MRS Logística S.A., a publicly held company, for the purposes of the provisions of items V and VI of Article 27 of CVM Resolution 80, of March 29, 2022 ("Resolution"), hereby declare that they have reviewed, discussed and agreed with the opinions expressed in the Independent Auditor's Report of Deloitte Touche Tohmatsu Auditores Independentes Ltda. regarding the financial statements of MRS Logística S.A. for the fiscal year ended December 31, 2023.

Rio de Janeiro, March 20, 2024

Guilherme Segalla de Mello
Chief Executive Officer, Chief Commercial, Operations, Finance and Development, Investor Relations and People Officer

Alexandre Fleischhauer
Chief Engineering and Maintenance Officer

Félix Lopez Cid
Chief Projects and Works Officer

Other Officers who are not members of the Executive Board

Daniel Dias Olivio

Henrique Rocha Martins

Luiz Gustavo Bambini de Assis

Raphael Steiman

Ane Menezes Castro Matheus

To
The Shareholders of
MRS Logística S.A.

We present below the proposal for the Capital Budget for the year 2023, approved at a Board of Directors' meeting held on March 20, 2024, as well as the execution of the Capital Budget for 2023.

2024 Capital Budget:

The capital budget will be financed by the retained earnings in the year 2024 and the resources resulting from the financing activity in 2024.

In the Board of Directors Meeting held on March 20, 2024, the Board Members resolved to propose, at the Annual General Meeting, the retention of R$ 855,106 corresponding to 75% of the profit for the year 2023, after the establishment of the Legal Reserve, to cover part of the investments planned in the capital budget for the year 2024.

The capital budget for the year 2024 is composed of the following sources of funds:

	In thousands of Reais
Sources of funds	
Cash	3,457,064
Funding in 2024	230,000
Total sources of funds	**3,687,064**

A summary of the investments of the Capital Budget for the year 2024 is presented below:

In thousands of Reais

Investments	**Budgeted 2024**
Modernization/Sustaining capital	1,325,247
Mandatory	1,617,079
Improvement	211,450
Expansion	533,288
Total	**3,687,064**

Regarding the projects included in the Capital Budget for the year ended 2023, it is worth highlighting that completion was 78% compared to the amount originally budgeted for the year, as shown in the table below:

In thousands of Reais

Investments	**Budgeted 2023**	**Realized 2023**	**Actual (-) Budget**
Modernization/Sustaining capital	1,411,297	1,162,572	(248,725)
Mandatory	707,778	491,040	(216,738)
Improvement	150,016	125,294	(24,722)
Expansion	39,493	28,162	(11,331)
Total	**2,308,584**	**1,807,068**	**(501,516)**

Rio de Janeiro, March 20, 2024

Executive Board