Individual and Consolidated Financial Statements

Sequoia Logística e Transportes S.A.

December 31, 2023

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Individual and consolidated financial statements

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Individual and consolidated financial statements

Sequoia Logística e Transportes S.A.

Statements of financial position
At December 31, 2023 and 2022
(In thousands of reais - R$)

		Company		Consolidated	
	Notes	**2023**	**2022**	**2023**	**2022**
Current assets					
Cash and cash equivalents	5	23,238	113,796	30,045	119,350
Restricted financial investments	5	-	10,038	-	6,927
Accounts receivable	6	152,774	234,208	222,862	351,722
Taxes recoverable	7	34,534	41,353	57,633	70,277
Advances		3,839	15,875	4,633	18,723
Prepaid expenses		5,732	5,092	8,856	6,973
Other receivables		9,316	7,171	9,806	16,683
Total current assets		**229,433**	**427,533**	**333,835**	**590,655**
Noncurrent assets					
Long-term receivables					
Restricted financial investments	5	-	36,883	-	36,883
Indemnification assets due to acquisition of companies	8.4	-	-	6,232	35,384
Deferred income tax and social contribution	21	207,821	90,103	240,729	112,843
Related parties	22	15,354	13,611	1,843	-
Judicial deposits		2,929	397	16,920	11,609
Other receivables	-	6,084	-	6,084	-
Call option from investment	8.2	-	9,049	-	9,049
Investments	8	373,771	595,932	4,046	32,939
Property and equipment	9	78,926	88,769	117,369	141,635
Intangible assets	10	176,749	193,842	630,672	693,453
Right-of-use assets	12	194,962	256,310	203,402	318,401
Total noncurrent assets		**1,056,596**	**1,284,896**	**1,227,297**	**1,392,196**
Total assets		**1,286,029**	**1,712,429**	**1,561,132**	**1,982,851**

	Notes	Company 2023	Company 2022	Consolidated 2023	Consolidated 2022
Current liabilities					
Accounts payable and suppliers credit assignment	13.1	109,751	153,431	140,272	182,407
Borrowings and debentures	11.1	261,621	30,399	269,552	20,605
Derivatives	11.2	32,019	39,374	32,019	39,374
Lease liabilities	12	55,404	51,262	62,038	81,189
Labor and tax obligations	14	121,109	83,844	238,281	149,100
Payables for acquisition of investments	8.4	1,575	4,465	4,622	31,524
Other liabilities	13.2	42,211	19,982	45,155	12,441
Total current liabilities		**623,690**	**382,757**	**791,939**	**516,640**
Noncurrent liabilities					
Accounts payable and suppliers credit assignment	13.1	8,381	-	10,299	-
Borrowings and debentures	11.1	184,191	488,530	184,191	489,660
Lease liabilities	12	195,805	249,677	201,688	288,185
Obligations to shareholders of FIDC Sequoia	5	-	-	-	10,212
Related parties	22	97,980	58,893	-	-
Labor and tax obligations	14	39,831	5,554	57,678	39,468
Payables for acquisition of investments	8.4	1,638	14,237	17,211	21,622
Provision for legal claims	15	16,947	7,256	180,560	109,401
Provision for loss on investment	8	-	7,197	-	6,122
Other payables	13.2	-	-	-	152
Total noncurrent liabilities		**544,773**	**831,344**	**651,627**	**964,822**
Total liabilities		**1,168,463**	**1,214,101**	**1,443,566**	**1,481,462**
Equity					
Share capital	16.1	915,155	655,649	915,155	655,649
Share issue expenses	16.1	(69,317)	(24,247)	(69,317)	(24,247)
Capital reserves	16.3	8,225	6,148	8,225	6,148
Income reserves	16.2	9,969	9,969	9,969	9,969
Convertible debentures	16.4	224,947	-	224,947	-
Accumulated losses		(971,413)	(149,191)	(971,413)	(149,191)
		117,566	**498,328**	**117,566**	**498,328**
Non-controlling interests in FIDC Sequoia	5	-	-	-	3,061
		117,566	**498,328**	**117,566**	**501,389**
Total liabilities and equity		**1,286,029**	**1,712,429**	**1,561,132**	**1,982,851**

The accompanying notes are part of the individual and consolidated financial statements.

Sequoia Logística e Transportes S.A.

Statements of profit or loss
Years ended December 31, 2023 and 2022
(In thousands of reais - R$, except data per share)

		Company		Consolidated	
	Notes	2023	2022	2023	2022
Net revenues	17	587,707	1,296,354	744,741	1,804,323
Cost of services rendered	18	(627,939)	(971,809)	(831,536)	(1,490,718)
Gross margin		(40,232)	324,545	(86,795)	313,605
Operating expenses:					
Selling, general and administrative expenses	18	(316,808)	(248,644)	(552,729)	(320,205)
Other income (expenses), net	19	(19,405)	58,730	(60,189)	75,104
Share of profit (loss) of investees	8	(366,779)	(94,934)	(3,519)	(8,110)
		(702,992)	(284,848)	(616,437)	(253,211)
Operating profit (loss) before financial (expenses) income		(743,224)	39,697	(703,232)	60,394
Financial expenses	20	(202,752)	(185,124)	(255,281)	(211,119)
Financial income	20	6,036	14,212	8,405	18,770
		(196,716)	(170,912)	(246,876)	(192,349)
Loss before income tax and social contribution		(939,940)	(131,215)	(950,108)	(131,955)
Current income tax and social contribution	21	-	(714)	-	(714)
Deferred income tax and social contribution	21	117,718	25,057	127,886	25,797
Loss for the year		**(822,222)**	**(106,872)**	**(822,222)**	**(106,872)**
Loss per share attributable to equity holders of the Company (expressed in R$ per share)					
Basic loss per share	16.5	(4.32402)	(0.76331)		
Diluted loss per share	16.5	(4.32402)	(0.76331)		

The accompanying notes are part of the individual and consolidated financial statements.

Sequoia Logística e Transportes S.A.

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

	Company		Consolidated	
	2023	2022	2023	2022
Loss for the year	(822,222)	(106,872)	(822,222)	(106,872)
Other comprehensive income	-	-	-	-
Total comprehensive income for the year	**(822,222)**	**(106,872)**	**(822,222)**	**(106,872)**

The accompanying notes are part of the individual and consolidated financial statements.

Sequoia Logística e Transportes S.A.

Statements of changes in equity
Years ended December 31, 2023 and 2022
(In thousands of reais - R$)

			Capital reserves	Income reserves					
	Share capital	Share issue expenses	Share-based payment plan	Tax incentive reserve	Accumulated losses	Convertible debentures	Total	Non-controlling interests in FIDC Sequoia	Total
At January 1, 2022	**653,872**	**(24,247)**	**3,556**	**9,969**	**(42,319)**	**-**	**600,831**	**-**	**600,831**
Loss for the year	-	-	-	-	(106,872)	-	(106,872)	-	(106,872)
Capital increase	1,777	-	-	-	-	-	1,777	-	1,777
Share-based payment plan	-	-	2,592	-	-	-	2,592	-	2,592
Obligations to shareholders of FIDC Sequoia	-	-	-	-	-	-	-	3,061	3,061
At December 31, 2022	**655,649**	**(24,247)**	**6,148**	**9,969**	**(149,191)**	**-**	**498,328**	**3,061**	**501,389**
Loss for the year	-	-	-	-	(822,222)	-	(822,222)	-	(822,222)
Capital increase	100,169	(111)	-	-	-	-	100,058	-	100,058
Share-based payment plan	-	-	2,077	-	-	-	2,077	-	2,077
Paid-up of convertible debentures	-	-	-	-	-	341,546	341,546	-	341,546
Conversion of debentures into capital	159,337	(44,959)	-	-	-	(116,599)	(2,221)	-	(2,221)
Obligations to shareholders of FIDC Sequoia	-	-	-	-	-	-	-	(3,061)	(3,061)
At December 31, 2023	**915,155**	**(69,317)**	**8,225**	**9,969**	**(971,413)**	**224,947**	**117,566**	**-**	**117,566**

The accompanying notes are part of the individual and consolidated financial statements.

Sequoia Logística e Transportes S.A.

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

	Company		Consolidated	
Operating activities	**2023**	**2022**	**2023**	**2022**
Loss before income tax and social contribution	**(939,940)**	(131,215)	**(950,108)**	(131,955)
Adjustments to reconcile loss before income tax and social contribution to items not affecting cash	**680,099**	332,619	**529,813**	278,242
Depreciation and amortization	**70,045**	59,405	**150,971**	156,296
Share of profit (loss) of investees	**366,779**	94,934	**3,519**	8,110
Accrued interest	**131,652**	104,921	**142,251**	118,804
Fair value of derivatives	**15,351**	32,429	**15,351**	32,429
Price adjustment	**(8,943)**	(5,942)	**36.732**	(5,942)
Share-based payment plan	**2,077**	2,592	**2,077**	2,592
Loss / (gain) loss from investment sale	**9,507**	(13,732)	**9,507**	(13,732)
Fair value of call option from investment	**-**	(2,023)	**-**	(2,023)
Provisions (reversals) and other non-cash items	**93,631**	60,035	**169,405**	(18,292)
Profit (loss) before income tax and social contribution adjusted by non-cash items	**(259,841)**	201,404	**(420,295)**	146,287
Changes in operating assets and liabilities	**126,713**	22,483	**141,013**	(94,371)
Accounts receivable	**4,832**	(8,767)	**24,267**	(13,224)
Advances and prepaid expenses	**11,396**	3,550	**12,207**	2,163
Taxes recoverable	**7,400**	(24,812)	**13,225**	(45,503)
Related parties	**57,344**	39,242	**(1,843)**	-
Accounts payable	**(35,298)**	26,904	**(31,988)**	6,876
Labor and tax obligations and contingencies paid	**74,205**	14,718	**109,569**	328
Judicial deposits	**(2,532)**	154	**(5,311)**	(2,425)
Other operating assets and liabilities	**9,366**	(28,506)	**20,887**	(42,586)
Income tax and social contribution paid	**-**	-	**-**	-
Net cash flows from (used in) operating activities	**(133,128)**	223,887	**(279,282)**	51,916
Investing activities				
Purchase of property and equipment and intangible assets	**(8,069)**	(49,355)	**(11,429)**	(59,589)
Capital increase and advance for future capital increase	**(173,063)**	(219,614)	**-**	-
Investment in joint venture	**-**	-	**(3,207)**	(3,220)
Payables for acquisition of companies	**(11,872)**	(24,447)	**(19,166)**	(44,019)
Proceeds from sale of investment	**7,500**	16,446	**7,500**	16,446
Net cash flows used in investing activities	**(185,504)**	(276,970)	**(26,302)**	(90,382)
Financing activities				
Proceeds from borrowings and debentures	**389,192**	620,208	**408,755**	608,883
Repayment of borrowings and debentures - principal	**(182,233)**	(476,158)	**(185,671)**	(477,572)
Interest paid on borrowings and debentures	**(61,281)**	(63,814)	**(61,526)**	(64,240)
Amortization of right-of-use assets	**(63,673)**	(55,932)	**(74,966)**	(86,309)
Capital increase, net of transaction costs	**100,058**	1,777	**100,058**	1,777
Obligations to shareholders of FIDC Sequoia	**-**	-	**(13,273)**	13,273
Restricted financial investments	**46,011**	(10,036)	**42,902**	(6,927)
Net cash flows from (used in) financing activities	**228,074**	16,045	**216,279**	(11,115)
Decrease in cash and cash equivalents	**(90,558)**	(37,038)	**(89,305)**	(49,581)
Cash and cash equivalents at the beginning of the year	**113,796**	150,834	**119,350**	168,931
Cash and cash equivalents at the end of the year	**23,238**	113,796	**30,045**	119,350
	(90,558)	(37,038)	**(89,305)**	(49,581)

The accompanying notes are part of the individual and consolidated financial statements.

Sequoia Logística e Transportes S.A.

Statements of value added
Years ended December 31, 2023 and 2022
(In thousands of reais - R$)

	Company		Consolidated	
	2023	**2022**	**2023**	**2022**
Revenues	**537,766**	**1,529,083**	**616,768**	**2,149,536**
Revenue from services rendered	687,197	1,538,036	874,348	2,145,989
Allowance for expected credit losses	(129,849)	(68,941)	(196,997)	(73,541)
Other operating income (expenses)	(19,582)	59,988	(60,583)	77,088
Inputs acquired from third parties (including ICMS, PIS and COFINS)	**(517,048)**	**(822,286)**	**(705,466)**	**(1,122,374)**
Cost of services rendered	(411,449)	(712,301)	(512,585)	(1,057,518)
Materials, electric power, outsourced services and others	(105,599)	(109,985)	(192,881)	(64,856)
Gross value added	20,718	706,797	(88,698)	1,027,162
Retentions	**(70,045)**	**(59,405)**	**(150,971)**	**(156,296)**
Depreciation and amortization	(70,045)	(59,405)	(150,971)	(156,296)
Net value added	(49,327)	647,392	(239,669)	870,866
Value added received in transfer	**(360,468)**	**(79,999)**	**5,228**	**11,678**
Share of profit (loss) of investees	(366,779)	(94,934)	(3,522)	(8,110)
Financial income	6,311	14,935	8,750	19,788
Total value added for distribution	**(409,795)**	**567,393**	**(234,441)**	**882,544**
Distribution of value added	**409,795**	**(567,393)**	**234,441**	**(882,544)**
Personnel and charges	**(212,502)**	**(259,406)**	**(310,164)**	**(429,622)**
Direct compensation	(166,483)	(206,494)	(246,678)	(335,395)
Benefits	(36,546)	(40,757)	(49,355)	(70,892)
Unemployment Compensation Fund (FGTS)	(9,473)	(12,155)	(14,131)	(23,335)
Taxes, charges and contributions	**13,743**	**(224,939)**	**(8,150)**	**(330,051)**
Federal	40,589	(138,889)	30,410	(199,527)
State	(18,072)	(76,726)	(28,333)	(119,796)
Municipal	(8,774)	(9,324)	(10,227)	(10,728)
Interest and leases	(213,668)	(189,920)	(269,467)	(229,743)
Equity remuneration	**822,222**	**106,872**	**822,222**	**106,872**
Accumulated losses	822,222	106,872	822,222	106,872

The accompanying notes are part of the individual and consolidated financial statements.

1. Operations

Sequoia Logística e Transportes S.A. ("Company" or "Sequoia Transportes") is a publicly-held corporation with shares traded on the "Novo Mercado" corporate governance segment of B3 S.A. – Brasil, Bolsa, Balcão ("B3"), under ticker SEQL3 and headquartered at Avenida Isaltino Victor de Moraes, 437, Bairro Vila Bonfim, Embu das Artes, State of São Paulo, Brazil.

The Company is mainly engaged in the provision of services in the areas of consolidated and fractionated indoor and outdoor logistics, warehouse operational management ("fulfillment"), inland transportation and urban delivery to various customers. The Company stands out for implementing integrated logistics and transportation solutions, with intensive use of technology and systems that support the operating activities and interactions with its customers, developing customized systems to fully meet the needs of such operations.

The issue of these individual and consolidated financial statements for the year ended December 31, 2023 was authorized by the Board of Directors on March 27, 2024.

2 Basis of preparation and presentation of financial statements

2.1 Statement of compliance

The Company's individual and consolidated financial statements have been prepared and are being presented in accordance with the accounting practices adopted in Brazil, which comprise the standards and regulations issued by the Securities and Exchange Commission of Brazil ("CVM") and the accounting pronouncements, interpretations and guidance issued by the Brazilian Accounting Pronouncements Committee ("CPC"), which are in accordance with the International Financial Reporting Standards ("IFRS") issued by the International Accounting Standards Board ("IASB").

2.2 Basis of presentation, statement of relevance and continuity

The individual and consolidated financial statements are measured using the currency of the main economic environment in which the entity operates ("functional currency"), which in the Company's case is the Brazilian real ("BRL" or "R$"). The financial statements are presented in thousands of R$, unless otherwise stated.

The individual and consolidated 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; (ii) the fair value of the investment measured at fair value and (iii) fair value of assets acquired and liabilities assumed in a business combination.

Additionally, the Company considered the guidelines set out in Technical Guidance OCPC 07, issued by CPC in November 2014, in the preparation of its financial statements. Accordingly, all relevant information specific to the financial statements is being disclosed and corresponds to the information used by Management.

Management has evaluated the Company's ability to continue operating. The Company reports accumulated loss of R$971,431 at December 31, 2023 and at that date, the Company and consolidated current liabilities exceeded current assets by R$394,257 and R$364,406, respectively, factors that may indicate the existence of uncertainty about the Company's ability to continue as a going concern.

The Company structured a business plan and is taking actions to reduce the reported losses and negotiated with creditors the adjustment of the payment conditions, obtaining the following results for the year ended December 31, 2023 and, in a period, subsequent to the presentation of these financial statements:

i) Waiver for non-payment of interest on debentures
ii) Waiver for non-payment of the unit face value of the debentures
iii) Waiver for non-compliance with the covenants of the debentures
iv) Restructuring of the 3rd issue of debentures
v) 4th, 5th and 6th issue of debentures
vi) Sale of assets
vii) Restructuring of bank debts
viii) Acquisition of Move3

The details are described below
At the General Meeting of Debenture Holders held on October 4, 2023, the Company obtained a waiver for non-payment of the installments related to Remuneration and Unit Face Value and for non-compliance with the covenants in the period from October 2023 to December 2025. At the same meeting the remuneration was changed to 100% of DI and the maturity date was extended to November 2029.
On October 18, 2023, the Company closed the public offering for issuance of 341,546 debentures compulsorily convertible into shares, with a unit value of R$1 (4th issue), totaling R$341,546, of which R$241,546 from the First Series, which were paid with the delivery of credits held by the owners of the 3rd issue of debentures and R$100,000 from the Second

Series, which were paid in local currency. The Company issued R$16,000 (5th issue) in debentures that will be paid in local currency and, according to note 26, the Board of Directors approved the 6th issue of debentures in the amount of up to R$470,000.
In November 2023, the Company completes the sale of its interest in an investee and continues to seek the sale of other assets that are not essential to the business.
In addition, the Company conclude the negotiation with creditor banks of the working capital borrowings in order to renegotiate the terms and conditions of current contracts.
As mentioned in note 26, the acquisition of Move3 will contribute for the Company to increase revenue levels and gain synergies in costs and expenses.

Aimed at reducing the loss, the Company identified customers and operations that were not contributing to the performance improvement and stopped providing services to them, as in the case of customers that operate with the "Heavy" line. It also revised the contracts with suppliers and service providers and reviewed the administrative structure to face the new scenario. The materialization of the mapped actions is partially reflected in these financial statements, however, some negotiations are still in progress until the date of issue of these financial statements and, when these actions are completed, the Company believes that it will return to operate with positive gross margin and adding value to the results.

The presentation of the Statement of Value Added (DVA) is required by the accounting practices adopted in Brazil applicable to publicly-held companies. IFRS do not require the presentation of this statement, being considered as supplementary information, without prejudice to the financial statements as a whole.

3. Basis of consolidation of the financial statements

The consolidated financial statements comprise the financial statements of the Company and its subsidiaries. Control is achieved when the Company is exposed, or has rights, to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee.

Income and expenses of subsidiaries acquired during the year are included in the consolidated statements of profit or loss from the date the Company gains control until the date the Company ceases to control the subsidiary. In the individual financial statements, investments in subsidiaries are accounted for using the equity method.

The subsidiaries' fiscal years included in the consolidation coincide with those of the Company and the accounting policies were consistently applied in the consolidated company. All intragroup balances and transactions were eliminated on consolidation.

Transactions between the Company and the subsidiaries are carried out under conditions and prices established between the parties, usually following market conditions.

The individual and consolidated financial statements include the operations of the Company and its subsidiaries, as presented below:

			Headquarter country	Equity interest	
Direct interest		**Core activity**		**2023**	**2022**
Transportadora Americana Ltda. ("**Transportadora Americana**")	(a)	Logistics and transport services	Brazil	100%	100%
Lithium Software Ltda. ("**Frenet**")	(b)	Digital platform	Brazil	100%	100%
SF 350 Ltda. ("**SFX**")	(c)	Intermediation services	Brazil	100%	100%
Sequoia Credit Rights Investment Fund ("**FIDC Sequoia**")	(d)	Investment fund	Brazil	-	47%

(a) Transportadora Americana was acquired on February 28, 2020.
(b) Frenet was acquired on April 5, 2021.
(c) SFX was incorporated on September 2, 2021, but is currently non-operational.
(d) FIDC Sequoia was regulated on March 22, 2022 and finalized on December 29, 2023.

The Company does not have control over the following companies in which it has equity interest and, therefore, they are presented in the investments group in the consolidated financial statements:

			Headquarter country	Equity interest	
Direct interest		**Core activity**		**2023**	**2022**
GHSX Tecnologia e Intermediação ("**Drops**")	(e)	Intermediation services	Brazil	51%	51%
Lincros Soluções em Software S.A. ("**Lincros**")	(f)	Digital platform	Brazil	-	41%

(e) Drops was incorporated on August 8, 2021, under shared control.
(f) Equity interest at Lincros with shared control acquired on November 11, 2021 and sold on November 17, 2023.

4. Material accounting policies

The material accounting policies adopted by the Company are described in the respective explanatory notes.

Accounting practices for transactions considered immaterial have not been included in the financial statements. The relevant information is disclosed in the financial statements and corresponds to that used by Management.

It should also be noted that the accounting practices were applied uniformly in the current year, are consistent with the prior year presented and are common to the Company and subsidiary, and, when necessary, the subsidiary's financial statements are adjusted to meet this criterion.

4.1 Current versus noncurrent classification

The Company and its subsidiaries present assets and liabilities in the statement of financial position based on current/noncurrent classification. An asset is classified as current when it is:

- Expected to be realized or intended to be sold or consumed in the normal operating cycle;
- It is held primarily for the purpose of trading;
- It is due to be settled within twelve months after the reporting period; or
- Cash or cash equivalent unless restricted from being exchanged or used to settle a liability for at least twelve months after the reporting period.

All other assets are classified as noncurrent.

A liability is current when:

- It is expected to be settled in the normal operating cycle;
- It is held primarily for the purpose of trading;
- It is due to be settled within twelve months after the reporting period; or
- There is no unconditional right to defer the settlement of the liability for at least twelve months after the reporting period.

Deferred tax assets and liabilities are classified as noncurrent assets and liabilities, when applicable.

4.2. Segment information

Operating segments are defined as business activities from which revenues can be obtained and expenses can be incurred, whose operating results are reviewed by the chief operating decision maker and for which individualized financial information is available.

The Company has a single customer that represents more than 10% of gross revenue.

All decisions made by the Board of Directors are based on consolidated reports, services are provided using an integrated transport and logistics network and operations are managed on a consolidated basis. Consequently, the Company concluded that only the transport and logistics segment is subject to reporting.

4.3. New and amended standards

The Company applied for the first-time certain standards and amendments, which are effective for annual periods beginning on or after January 1, 2023 (unless otherwise stated). The Company has not early adopted any other standard, interpretation or amendment that has been issued but is not yet effective.

The new standards or amendments described below had no impact on the Company's financial statements:

- IFRS 17 – Insurance contracts
- Definition of accounting estimates - Amendments to IAS 8
- Deferred tax related to assets and liabilities assets arising from a simple transaction – Amendments to IAS 12
- International tax reform - Pillar Two model rules - Amendments to IAS 12

The following amendments had an impact on the Company's disclosure of accounting policies, but not on the measurement, recognition or presentation of items in the Company's financial statements:

- Disclosure of accounting policies - amendments to IAS 1 and IFRS Practice Statement 2

4.4. Material accounting judgments, estimates and assumptions

The accounting estimates and underlying judgments are reviewed on an ongoing basis and are based on historical experience and other factors that are considered to be reasonable in the circumstances. Based on assumptions, the Company and its subsidiaries make estimates concerning the future. The resulting accounting estimates will, by definition, seldom equal the related actual results. Provisions are recognized when there is a present obligation (legal or constructive) as a result of a past event, it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and a reliable estimate can be made of the amount of the obligation. When the Company and its subsidiaries expect some or all of a provision to be reimbursed, for example, under an insurance contract, the reimbursement is recognized as a separate asset, but only when the reimbursement is virtually certain. The expense relating to a provision is presented in the statement of profit or loss net of any reimbursement. The estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are addressed below:

Impairment of nonfinancial assets

The purpose of the impairment test is to present the real net realizable value of an asset. This realization can be directly or indirectly, respectively, through sale or through generation of cash when using the asset in Company and its subsidiaries' activities.

Management reviews annually the recoverable amount of assets to assess events or changes in economic, operating or technological circumstances that might indicate an impairment of these assets. When an evidence of impairment is identified and the carrying amount exceeds the recoverable amount, an allowance for impairment is recognized to adjust the carrying amount to the recoverable amount. The recoverable amount of an asset or a certain cash-generating unit ("CGU") is defined as the higher of an asset's fair value less costs to sell and its value in use.

In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects the weighted average cost of capital for the industry in which the CGU operates. The net fair value of selling expenses is determined based on recent market transactions between knowledgeable and interested parties with similar assets (arm's length transactions). If no such transactions can be identified, an appropriate valuation model is used. These calculations are corroborated by available fair value indicators, such as quoted prices for listed entities and other indicators.

The Company bases its impairment calculation on more recent budgets and forecasts, which are prepared separately by Management for each of the cash-generating units to which the assets are allocated. The projections based on these forecasts and budgets generally cover a period of five years. A long-term growth rate is calculated and applied to future cash flows after the fifth year.

Intangible assets with finite lives are amortized over the useful economic life and assessed for impairment whenever there is an indication that the asset may be impaired.

Intangible assets with indefinite useful life are tested for impairment annually at December 31, individually or at the level of the cash-generating unit, as appropriate or whenever circumstances indicate that the asset may be impaired.

Annually, the Company and its subsidiaries perform the impairment test of its intangible assets or whenever there is any internal or external evidence that the asset may be impaired. The test is performed individually or at the level of the cash-generating unit, as appropriate.

An asset's recoverable amount is the higher of an asset's fair value and the CGU's value in use, unless the asset does not generate cash inflows that are largely independent of those from other assets or groups of assets.

When the carrying amount of an asset or CGU exceeds its recoverable amount, the asset is considered impaired and a provision for impairment is set up to adjust the carrying amount to the recoverable amount. In assessing the recoverable amount, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset.

Impairment losses are recognized in the statement of profit or loss in expense categories consistent with the function of the impaired asset. A previously recognized impairment loss is reversed only if there has been a change in the assumptions used to determine the asset's recoverable amount since the last impairment loss was recognized, except in the case of goodwill that cannot be reversed in future periods.

Provision for legal claims

The Company and its subsidiaries are parties to several lawsuits and administrative proceedings. Provisions are recognized for all contingencies related to lawsuits for which it is probable that an outflow of resources will be made to settle the contingency/obligation and a reasonable estimate can be made.

The assessment of the likelihood of loss includes the assessment of the historical outcomes of the Company's lawsuits (successes and losses), average duration of lawsuits, evidence produced in the case file (if the defense depends on evidential matter) and legal precedents, in order to provide elements indicating the amount to be provisioned as the case may be, in compliance with the applicable legislation and the opinion of outside counselors. Provisions are reviewed and adjusted so as to consider changes in circumstances, such as statute of limitations, tax audits or additional exposures identified based on new matters or court rulings.

Taxes

Due to the nature and complexity of the businesses, the differences between the actual results and the assumptions adopted or the future changes to these assumptions may result in future adjustments to income and expenses already recorded. The Company and its subsidiaries recognize provisions based on reasonable estimates, for the possible consequences of inspections by tax authorities. The amount of these provisions is based on several factors, such as the experience of previous tax audits and different interpretations of tax regulations by the taxpayer and the responsible tax authority. These different interpretations can arise with respect to a wide range of issues depending on the conditions in place in the respective domicile of the entity.

Deferred income tax and social contribution assets are recognized for all unused tax losses, to the extent that it is probable that there will be a taxable profit against which the tax losses can be offset. The definition of the amount of deferred income tax and social contribution assets that can be recognized requires a significant degree of judgment on the part of Management, based on profit estimates and the level of future taxable profits, based on the annual business plan approved by the Board of Directors.

As at December 31, 2023, the Company has tax loss carryforwards and recorded deferred income tax and social contribution since their realization is likely in the foreseeable future. Note 21 provides details on current and deferred income tax.

Fair value of the financial instruments

When the fair value of financial assets and liabilities recorded in the statement of financial position cannot be obtained from active markets, it is determined by using valuation techniques, including the discounted cash flow ("DCF") method. The data for these methods are based on market practices, whenever possible; however, when this is not possible, a certain level of judgment is required to establish the fair value. Judgment includes considerations on the data used, such as liquidity risk, credit risk and volatility. Changes in assumptions on these factors could affect the reported fair value of the financial instruments.

Allowance for expected credit losses

The allowance for expected credit losses is set up in an amount sufficient to cover probable losses on the realization of accounts receivable. To determine the sufficiency of the allowance for expected credit losses of accounts receivable, the amount and characteristics of each of the credits are evaluated, considering the likelihood of realization. When there are significant delays in the realization of credits without collateral and, considering that the probability of collection decreases, a provision is recorded in the statement of financial position in an amount sufficient to cover the probable loss.

4.5. Financial instruments

Financial assets

Initial recognition and measurement

Financial assets are classified, at initial recognition, as subsequently measured at amortized cost, fair value through other comprehensive income (“OCI”), and fair value through profit or loss.

The classification of financial assets at initial recognition depends on the financial asset’s contractual cash flow characteristics and the Company and its subsidiaries’ business model for managing them. With the exception of accounts receivable that do not contain a significant financing component or for which the Company has applied the practical expedient, initially a financial asset is measured at its fair value plus transaction costs, in the case of a financial asset not measured at fair value through profit or loss.

In order that a financial asset is classified and measured at amortized cost or at fair value through other comprehensive income, it needs to generate cash flows that are “solely payments of principal and interest” on the principal amount outstanding. This assessment is performed at an instrument level.

As at December 31, 2023, the Company and its subsidiaries did not have financial assets measured at fair value through other comprehensive income.

Purchases or sales of financial assets that require delivery of assets within a time frame established by regulation or convention in the marketplace (regular way trades) are recognized on the trade date, i.e., the date that the Company commits to purchase or sell the asset.

Subsequent measurement

For purposes of the subsequent measurement, the financial assets are classified in four categories:

- Financial assets at amortized cost (debt instrument);
- Financial assets at fair value through other OCI with recycling of cumulative gains and losses (debt instruments);

- Financial assets designated at fair value through OCI with no recycling of cumulative gains and losses upon derecognition (equity instruments); and
- Financial assets at fair value through profit or loss.

Financial assets at amortized cost (debt instruments)

Financial assets at amortized cost are subsequently measured using the effective interest rate method and are subject to impairment test. Gain and losses are recognized in the statement of profit or loss when the assets are written off, modified or present impairment.

The financial assets of the Company and its subsidiaries at amortized cost include accounts receivable.

Financial assets at fair value through profit or loss

Financial assets at fair value through profit or loss are carried in the statement of financial position at fair value with net changes in fair value recognized in the statement of profit or loss.

This category includes derivative instruments and listed equity investments which the Company had not irrevocably elected to classify at fair value through OCI. Dividends on listed equity investments are recognized as other income in the statement of profit or loss when the right of payment has been established.

A derivative embedded in a hybrid contract, with a financial liability or non-financial host, is separated from the host and accounted for as a separate derivative if: a) the economic characteristics and risks are not closely related to the host; b) a separate instrument with the same terms as the embedded derivative would meet the definition of a derivative; and c) the hybrid contract is not measured at fair value through profit or loss. Embedded derivatives are measured at fair value with changes in fair value recognized in profit or loss.

Reassessment only occurs if there is either a change in the terms of the contract that significantly modifies the cash flows that would otherwise be required or a reclassification of a financial asset out of the fair value through profit or loss category.

Impairment of financial assets

The Company and its subsidiaries recognize an allowance for expected credit losses for all debt instruments not held at fair value through profit or loss. Expected credit losses

("ECLs") are based on the difference between the contractual cash flows due in accordance with the contract and all the cash flows that the Company expects to receive, discounted at an approximation of the original effective interest rate. The expected cash flows will include cash flows from the sale of collateral held or other credit enhancements that are integral to the contractual terms.

The expected credit losses are recognized in two stages: (i) For credit exposures for which there has not been a significant increase in credit risk since initial recognition, ECLs are provided for credit losses that result from default events that are possible within the next 12-months (a 12-month ECL); (ii) for those credit exposures for which there has been a significant increase in credit risk since initial recognition, a loss allowance is required for credit losses expected over the remaining life of the exposure, irrespective of the timing of the default (a lifetime ECL).

For accounts receivable and contract assets, the Company and its subsidiaries apply a simplified approach in calculating ECLs, therefore, the Company does not track changes in credit risk, but instead recognizes a loss allowance based on lifetime ECLs at each reporting date. The Company has established a provision matrix that is based on its historical credit loss experience, adjusted for forward-looking factors specific to the debtors and the economic environment.

The Company and its subsidiaries consider a financial asset in default when contractual payments are past due and when internal or external information indicates that the Company is unlikely to receive the outstanding contractual amounts in full before taking into account any credit enhancements held by the Company. A financial asset is written off when there is no reasonable expectation of recovering the contractual cash flows.

Financial liabilities

Initial recognition and measurement

Financial liabilities are classified, at initial recognition, as financial liabilities at fair value through profit or loss, financial liabilities at amortized cost, or as derivatives designated as hedging instruments in an effective hedge, as appropriate.

All financial liabilities are initially measured at their fair value, more or less, in the case of financial liability that is not measured at fair value through profit or loss, the transaction costs that are directly attributable to the issuance of the financial liability.

The financial liabilities of the Company and its subsidiaries include trade and other payables and borrowings. The Company did not designate any financial liability at fair value through profit or loss.

Financial liabilities at amortized cost

After initial recognition, borrowings are subsequently measured at amortized cost using the effective interest rate ("EIR") method. Gains and losses are recognized in profit or loss when the liabilities are derecognized as well as through the EIR amortization process.

Amortized cost is calculated taking into account any negative goodwill or goodwill on the acquisition and fees or costs that are an integral part of the effective interest rate method. The EIR amortization is included as financial expenses in the statement of profit or loss.

This category normally applies to borrowings granted and contracted, subject to interest.

Fair value measurement

The Company measures financial instruments and non-financial assets at fair value at each reporting date.

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The fair value measurement is based on the presumption that the transaction to sell the asset or transfer the liability takes place either:

- In the principal market for the asset or liability; or
- In the absence of a principal market, in the most advantageous market for the asset or liability. The principal or the most advantageous market must be accessible by the Company.

The fair value of an asset or a liability is measured using the assumptions that market participants would use when pricing the asset or liability, assuming that market participants act in their economic best interest.

A fair value measurement of a non-financial asset takes into account a market participant's ability to generate economic benefits by using the asset in its highest and best use or by selling it to another market participant that would use the asset in its highest and best use.

The Company uses valuation techniques that are appropriate in the circumstances and for which sufficient data are available to measure fair value, maximizing the use of relevant observable inputs and minimizing the use of unobservable inputs.

All assets and liabilities for which fair value is measured or disclosed in the financial statements are categorized within the fair value hierarchy, described as follows, based on the lowest level input that is significant to the fair value measurement as a whole:

Level 1 - quoted (unadjusted) market prices in active markets for identical assets or liabilities;
Level 2 - valuation techniques for which the lowest level input that is significant to the fair value measurement is directly or indirectly observable; and
Level 3 - valuation techniques for which the lowest level input that is significant to the fair value measurement is unobservable.

For assets and liabilities that are recognized in the financial statements at fair value on a recurring basis, the Company determines whether transfers have occurred between levels in the hierarchy by re-assessing categorization (based on the lowest level input that is significant to the fair value measurement as a whole) at the end of each reporting period.

For the purpose of fair value disclosures, the Company has determined classes of assets and liabilities on the basis of the nature, characteristics and risks of the asset or liability and the level of the fair value hierarchy, as explained above. Fair-value related disclosures for financial instruments and non-financial assets that are measured at fair value or where fair values are disclosed, are summarized in the related notes.

There was no transfer between the classification of financial instruments in 2023 and 2022.

The main financial instruments and their values recorded in the financial statements by category, as well as the respective fair values, are as follows:

	Company				
At December 31, 2023	Fair value hierarchy	Measured at fair value through profit or loss	Amortized cost	Carrying amount	Fair value
Financial assets:					
Cash and cash equivalents	Level 2	23,238	-	23,238	23,238
Accounts receivable	Level 2	-	152,774	152,774	152,774
Financial liabilities:					
Accounts payable and suppliers credit assignment	Level 2	-	(118,132)	(118,132)	(118,132)
Borrowings and debentures	Level 2	-	(445,812)	(445,812)	(445,812)
Derivatives	Level 2	(32,019)	-	(32,019)	(32,019)
Taxes in installments	Level 2	-	(58,355)	(58,355)	(58,355)
Payables for acquisition of investments	Level 2	-	(3,213)	(3,213)	(3,213)

	Consolidated				
At December 31, 2023	Fair value hierarchy	Measured at fair value through profit or loss	Amortized cost	Carrying amount	Fair value
Financial assets:					
Cash and cash equivalents	Level 2	30,045	-	30,045	30,045
Accounts receivable	Level 2	-	222,862	222,862	222,862
Financial liabilities:					
Accounts payable and suppliers credit assignment	Level 2	-	(150,571)	(150,571)	(150,571)
Borrowings and debentures	Level 2	-	(453,743)	(453,743)	(453,743)
Derivatives	Level 2	(32,019)	-	(32,019)	(32,019)
Taxes in installments	Level 2	-	(84,644)	(84,644)	(84,644)
Payables for acquisition of investments	Level 2	-	(21,833)	(21,833)	(21,833)

Risk considerations

Credit risk

The operation of the Company and its subsidiaries comprises the provision of logistics services, mainly represented by the transportation of cargo in general, governed by specific contracts, which have certain conditions and terms, being substantially indexed to inflation compensation indexes for a period longer than one year. The Company adopts specific procedures for the selection and analysis of the customer portfolio in order to prevent default losses.

Liquidity risk

This is the risk of the Company and its subsidiaries not having sufficient liquid funds to fulfill their financial commitments, due to a mismatch of term or volume between expected receipts and payments. To monitor the cash liquidity, assumptions of future disbursements and receipts are established, which are daily monitored by the treasury area.

Interest rate risk

The Company obtains borrowings from the main financial institutions to meet cash needs for investment and growth.

As a result of the aforementioned, the Company is exposed to interest rate risk referenced to Interbank Deposit Certificates ("CDI"). The balances of financial investments indexed to the CDI partially neutralize this effect.

Capital management

The main objective of the Company's capital management is to ensure that it maintains a strong credit rating and a well-established capital ratio in order to support business and maximize shareholder value. The Company manages the capital structure and adjusts it considering the changes in economic conditions.

There were no changes in the objectives, policies or processes during the years ended December 31, 2023 and 2022.

Capital management can be presented as follows:

	Company		Consolidated	
	2023	**2022**	**2023**	**2022**
Borrowings and debentures	445,812	518,929	453,743	510,265
Derivatives	32,019	39,374	32,019	39,374
Payables for acquisition of investments	3,213	18,702	21,833	53,146
(-) Cash and cash equivalents and restricted financial investments	(23,238)	(160,717)	(30,045)	(163,160)
Net debt	457,806	416,288	477,550	439,625
Equity	117,566	498,328	117,566	501,389
Equity and net debt	**575,372**	**914,616**	**595,116**	**941,014**

Measurement of financial instruments

The measurement of all financial instruments of the Company and its subsidiaries corresponds only to the characteristics of Level 2:

Level 2

Cash and cash equivalents and restricted financial investments - the carrying amounts of financial investments in Bank Deposit Certificates measured at amortized cost approximate their fair values due to the fact that the operations are carried out at floating rates.

Borrowings and debentures, derivatives, accounts payable and suppliers credit assignment, taxes in installments, obligations to shareholders of FIDC Sequoia, and payables for acquisition of investments - the carrying amounts are measured at amortized cost and disclosed at fair value.

Accounts receivable - it is estimated that the carrying amounts of accounts receivable approximate their market fair values, due to the short term of the operations carried out.

Transactions with derivative instruments

On January 17, 2022, the Company entered into an equity swap agreement, in line with the agreement for repurchase of shares signed on January 11, 2022. This contract was classified as derivative financial instrument and initially recognized at fair value on the date the contract is signed and subsequently remeasured monthly at fair value, with the adjustments being posted directly to the statement of profit or loss. Derivatives are presented as financial assets when the fair value calculated is positive, or as financial liabilities when the fair value is negative.

The Company does not have derivative financial instruments for speculation purposes and believes that the existing internal controls are adequate to control the risks associated with each strategy in the financial market.

The equity swap contracts signed have a notional value indicated on each trading date, which allows the Company to pay a floating rate indexed to the CDI and to receive the variation of the value of its shares on B3.

The fair value of swap contracts was calculated considering the indices disclosed by Bm&fBovespa S.A., the data available on the calculation date and a specific calculation methodology for this type of transaction.

Sensitivity analysis

The Company is exposed to the variation of the Interbank Deposit Certificate (CDI), the index for borrowings in local currency and for income from financial investments (CDB). In order to check the sensitivity of these indexes, three different scenarios were defined.

For the probable scenario, according to an assessment prepared by Management, an oscillation of 5% was considered. Additionally, two other scenarios are presented (A and B). The Company assumed an oscillation of 25% (scenario A) and 50% (scenario B - extreme situation scenario) in the projections. The sensitivity analysis for each type of risk deemed relevant by Management is shown in the following table:

		Consolidated			
			Gains and/or (losses)		
Transaction	**Risk**	**2023**	**Probable**	**Scenario A**	**Scenario B**
Borrowings indexed to CDI	CDI increase	453,743	(2,643)	(13,215)	(26,431)
Derivatives	CDI increase	32,019	(187)	(933)	(1,865)
Payables for acquisition of investments	CDI increase	21,833	(127)	(636)	(1,272)
Financial investments indexed to CDI	CDI decrease	4,646	(26)	(108)	(180)
	CDI (increase)[1]	11.65%	12.23%	14.56%	17.48%
	CDI (decrease)[1]	11.65%	11.10%	9.32%	7.77%

1) CDI disclosed by CETIP.

5. Cash and cash equivalents and Restricted financial investments

Cash and cash equivalents include balances in bank checking accounts and short-term investments with high liquidity, maturing in three months or less, counting from the contracting date and subject to an insignificant risk of change in value. These balances are held to meet short-term cash commitments and not for investment or any other purposes.

Bank overdraft balances represent secured current accounts, which are presented as part of loans and financing in a manner consistent with their nature of financing activity and not as part of cash and cash equivalents as there are no other current accounts held together to the respective financial institution, which could compensate the outstanding balance.

Cash equivalents are held for the purpose of meeting short-term cash commitments. The Company and its subsidiaries consider as cash equivalents a financial investment with daily maturities redeemable with the issuer itself, without significant loss of value. As at December 31, 2023 and 2022, they are represented by financial investments in Bank Deposit Certificates (CDB).

The securities have a return compatible with the variation of the Interbank Deposit Certificate (CDI) and are held with first tier institutions and in investment funds, with remuneration close to the CDI.

	Company		Consolidated	
	2023	**2022**	**2023**	**2022**
Cash	85	112	143	234
Banks	19,302	6,363	25,256	9,339
Financial investments (a)	3,851	107,321	4,646	109,777
Cash and cash equivalents	**23,238**	**113,796**	**30,045**	**119,350**
Restricted financial investments (b)	-	36,883	-	36,883
Shares of FIDC Sequoia (c)	-	10,038	-	-
Non-exclusive investment fund	-	-	-	6,979
	23,238	**160,717**	**30,045**	**163,212**

(a) Refer to financial investments in Bank Deposit Certificates (CDB), yielding between 85% and 102% of the Interbank Deposit Certificate (CDI).

(b) These financial investments are part of the "Quota Purchase and Sale Agreement" entered into upon acquisition of Lotus, merged on August 31, 2019, and were released on behalf of the sellers, less indemnified losses and plus net income earned and they are part of the guarantee for bank debts that were released for use. These investments are remunerated at 97% of the CDI or by the Reference Rate (*TR or Taxa Referencial)*.

(c) The shares held by the Company in FIDC Sequoia are valued daily and the fair value is considered for accounting measurement of the investment value. The senior and mezzanine shares held by investors in FIDC Sequoia are classified in financial liabilities as "Obligations to shareholders of FIDC Sequoia" and the subordinated shares as classified as "Non-controlling interests in FIDC Sequoia", in equity.

6. Accounts receivable

Contract assets

A contract asset is the right to consideration in exchange for goods or services transferred to the customer. If the Company and its subsidiaries carry out their activities by transferring goods or services to the customer before the customer pays the consideration or before the payment is due, a contract asset is recognized for the consideration acquired, which is conditional.

Accounts receivable

A receivable represents the right of the Company and its subsidiaries to an unconditional consideration (that is, only the elapsing of time is necessary for the consideration payment to be due). They are recorded in the statement of financial position at the nominal sales amounts and deducted from the allowance for expected credit losses, which is set up based on the risk analysis of the entire customer portfolio and the likelihood of collection.

Contract liabilities

A contract liability consists of the obligation to transfer goods or services to a customer for which the Company and its subsidiaries received a consideration (or an amount due) from that customer. If the customers make a consideration payment before the Company and its subsidiaries transfer goods or services to them, a contract liability is recognized when the payment is made or when it is due (whichever occurs first). Contract liabilities are recognized as revenue when the Company and its subsidiaries fulfill the obligations provided for in the contract.

The accounting policy for recognition of the allowance for expected credit losses is presented in Note 4.5 Financial instruments – Impairment of financial assets.

The breakdown of accounts receivable is as follows:

	Company		Consolidated	
	2023	**2022**	**2023**	**2022**
Domestic customers	95,812	151,774	202,095	250,615
Unbilled customers (a)	109,185	125,828	100,110	165,615
	204,997	277,602	302,205	416,230
(-) Allowance for expected credit losses	(52,223)	(43,394)	(79,343)	(64,508)
	152,774	**234,208**	**222,862**	**351,722**

(a) Services provided that will be billed in subsequent periods, which are recognized on an accrual basis.

The aging of accounts receivable is as follows:

	Company		Consolidated	
	2023	2022	2023	2022
Falling due	123,929	195,827	144,304	293,391
Past due				
1 to 30 days past due	3,699	12,475	12,479	20,529
31 to 90 days past due	4,469	12,240	9,027	21,057
91 to 180 days past due	13,000	9,411	21,285	21,927
181 to 365 days past due	36,421	20,948	60,121	43,106
More than 365 days past due	23,479	26,701	54,989	16,220
Subtotal past due	81,068	81,775	157,901	122,839
	204,997	**277,602**	**302,205**	**416,230**

Set out below is the movement in the allowance for expected credit losses of accounts receivable:

	Company	Consolidated
At January 1, 2022	(11,995)	(21,534)
Additions	(31,399)	(42,974)
At December 31, 2022	**(43,394)**	**(64,508)**
Additions	(8,829)	(14,835)
At December 31, 2023	**(52,223)**	**(79,343)**

The average consolidated collection period is approximately 97 days (65 days at December 31, 2022).

7. Taxes recoverable

The breakdown of the taxes recoverable balance is as follows:

	Company		Consolidated	
	2023	2022	2023	2022
PIS and COFINS (a)	17,291	29,736	22,783	37,768
ICMS (b)	-	-	2,153	2,933
Prepayments of income tax (IRPJ) and social contribution (CSLL)	-	231	1,413	1,494
INSS (c)	10,057	6,019	23,965	22,226
Tax withholdings	5,873	4,541	5,887	5,031
Other	1,313	826	1,432	825
	34,534	**41,353**	**57,633**	**70,277**

(a) Refers to non-inclusion of ICMS in the PIS and COFINS tax base. In 2021, the Company obtained a final and unappealable favorable court decision regarding this matter, which enabled the recognition of R$5,999 (principal amount) in "Taxes recoverable", with a corresponding entry to "Other income and expenses" in the statement of profit or loss for the year.
(b) Refers to ICMS credits arising from the acquisition of a subsidiary.
(c) Refers mainly to the recalculation of INSS (social security contribution) paid to S System based on the limit of 20 minimum wages rather than based on the payroll.

8. Investments

The Company controls an entity when it unilaterally conducts its financial and operating policies, exposing itself to the variable returns arising from its involvement with the entity.

The financial statements of subsidiaries are included in the consolidated financial statements from the date on which control begins until the date on which control ceases. In the parent company's individual financial statements, the financial information of subsidiaries is recognized using the equity method.

Investments in joint ventures arise from interests in companies whose control is shared with one or more parties and none of the parties unilaterally conducts its financial and operating policies, leaving Sequoia only the right over the net assets of that entity. These investments are accounted for using the equity method and are not consolidated.

Sequoia's investment in subsidiaries and joint ventures includes the surplus value arising from the fair value of tangible and intangible assets accounted for upon acquisition of interest under the acquisition method. Gains or losses resulting from changes in equity interest in subsidiaries, which do not result in loss of control, are recorded directly in equity.

The breakdown of investments is as follows:

	Company		Consolidated	
	2023	**2022**	**2023**	**2022**
Investments in subsidiaries	369,725	561,918	-	-
Investment in joint venture	4,046	1,480	4,046	1,480
Investment in associate	-	25,337	-	25,337
	373,771	**588,735**	**4,046**	**26,817**
Investments in subsidiaries, joint venture and associate	373,771	595,932	4,046	32,939
Provision for loss on investment	-	(7,197)	-	(6,122)
	373,771	**588,735**	**4,046**	**26,817**

8.1. Investments in subsidiaries, joint venture and associate

The movement and breakdown of the balance are as follows:

	Company					
	Transportadora Americana	Direcional	Frenet	Drops	Lincros	Total
At January 1, 2022	**212,890**	**196,293**	**23,165**	**1,237**	**30,470**	**464,055**
Share of profit (loss) of investees	(84,949)	4,438	(6,313)	(2,978)	(5,132)	(94,934)
Advance for future capital increase and Capital increase	174,986	36,958	4,450	3,220	-	219,614
Corporate merger	237,689	(237,689)	-	-	-	-
At December 31, 2022	**540,616**	**-**	**21,302**	**1,479**	**25,338**	**588,735**
Share of profit (loss) of investees	(359,973)	-	(3,287)	(640)	(2,879)	(366,779)
Advance for future capital increase and Capital increase	151,569	-	18,287	3,207	-	173,063
Interest on capital of 2019, reclassified in 2023	1,211	-	-	-	-	1,211
Transfer to asset held for sale	-	-	-	-	(22,459)	(22,459)
At December 31, 2023	**333,423**	**-**	**36,302**	**4,046**	**-**	**373,771**
Subsidiaries	289,063	-	15,662	-	-	304,725
Joint venture	-	-	-	4,046	-	4,046
Goodwill	44,358	-	20,641	-	-	64,999
Investments	333,423	-	36,302	4,046	-	373,771

	Consolidated		
	GHSX	Lincros (a)	Total
At January 1, 2022	**1,237**	**30,470**	**31,707**
Share of profit (loss) of investees	(2,978)	(5,132)	(8,110)
Advance for future capital increase	3,220	-	3,220
At December 31, 2022	**1,479**	**25,338**	**26,817**
Share of profit (loss) of investees	(640)	(2,879)	(3,519)
Advance for future capital increase	3,207	-	3,207
Transfer to asset held for sale	-	(22,459)	(22,459)
At December 31, 2023	**4,046**	**-**	**4,046**
Joint venture	4,046	-	4,046
Investment	4,046	-	4,046

(a) The balance of goodwill on acquisition of investment (which comprises assets identified and liabilities assumed upon acquisition of the investment) is presented as "Investments" in consolidated until the moment when control is transferred, at which time these amounts are reclassified to their related accounts.

The main financial information of the subsidiaries is as follows:

	December 31, 2023				
Subsidiary	**Assets**	**Liabilities**	**Equity**	**Net revenue**	**Profit (loss) for the year**
Transportadora Americana	669,200	(380,137)	(289,063)	144,059	(348,317)
Frenet	18,865	(15,127)	(3,738)	14,269	(1,550)

	December 31, 2022				
Subsidiary	**Assets**	**Liabilities**	**Equity**	**Net revenue**	**Profit (loss) for the year**
Transportadora Americana	864,392	(379,280)	(485,112)	190,241	(82,037)
Direcional	-	-	-	220,933	13,947
Frenet	8,076	(9,151)	1,075	9,706	(4,575)

The main information of the joint venture and associate can be presented as follows:

	December 31, 2023						
Investee	**Equity Interest %**	**% in voting capital**	**Asset**	**Liabilities**	**Equity**	**Net revenue**	**Profit (loss) for the year**
Drops	**51%**	**51%**	9,232	(14,394)	5,162	6,513	(1,255)

	December 31, 2022						
Investee	**Equity interest %**	**% in voting capital**	**Asset**	**Liabilitie s**	**Equity**	**Net revenue**	**Profit (loss) for the year**
Drops	**51%**	**51%**	5,453	(9,358)	3,905	41	(6,074)
Lincros	**41%**	**41%**	10,223	(8,942)	(1,281)	(26,392)	(7,737)

8.2. Sale of Lincros

In May 2023, the Company published the decision to sell non-strategic assets with a view to strengthening the capital structure. At that time, the investment in Lincros met the criteria for classification as a non-current asset held for sale.

Lincros operates on a platform for freight contracting, routing, monitoring, control and freight audit.

On November 17, 2023, the Company completed the sale of the investment in Lincros for the total amount of R$22,000. This amount will be received in installments until November 2026, with the balance receivable presented in the group "Other receivables" and the proceeds from the sale presented under "Other income and expenses" in the statement of profit or loss:

	R$
Asset	
Goodwill	29,697
Call option from investment	9,049
Asset classified as held for sale	**38,746**
Liability	
Provision for loss on investment	(7,239)
Obligations directly associated with the asset classified as held for sale	**(7,239)**
Net assets directly associated to group of asset held for sale	**31,508**
Sale price	(22,000)
Loss on sale	**9,508**

8.3. Payables for acquisition of investments

The balance of payables for acquisition of investments represents the portions retained from the equity interests acquired and that will be disbursed after deducting the amount of possible indemnifiable losses.

The breakdown and movement is as follows:

Company								
Acquiree	**2022**	**Payments**	**Price adjustment**	**Contingency reimbursement**	**Interest CDI**	**2023**	**Current**	**Noncurrent**
Lótus	8,709	(7,396)	(1,600)	-	287	-	-	-
Nowlog	3,143	(426)	-	(330)	405	2,792	1,575	1,217
Transportadora Americana	-	(4,049)		2,576	1,473	-	-	-
Direcional	-	-	-	(157)	578	421	-	421
Frenet (a)	6,850	-	(7,343)	-	493	-	-	-
	18,702	**(11,871)**	**(8,943)**	**2,089**	**3,236**	**3,213**	**1,575**	**1,638**

(a) The agreement for acquisition of Frenet considered the achievement of certain targets and as these targets were not achieved, no additional amount will be owed to the seller.

Company								
Acquiree	2021	Payments	Price adjustment	Contingency reimbursement	Interest CDI	2022	Current	Noncurrent
Yep	18,121	(12,550)	(5,942)	-	371	-	-	-
Lótus	7,750	-	-	-	959	8,709	-	8,709
Nowlog	3,946	-	-	(976)	173	3,143	1,749	1,394
Transportadora								
Americana	5,474	(7,384)	1,624	(2,232)	2,518	-	-	-
Direcional	3,670	-	-	(4,102)	432	-	-	-
Frenet	15,727	(9,546)	-	-	669	6,850	2,716	4,134
Lincros	909	(909)	-	-	-	-	-	-
	55,597	**(30,389)**	**(4,318)**	**(7,310)**	**5,122**	**18,702**	**4,465**	**14,237**

Consolidated								
Acquiree	2022	Payments	Price adjustment	Contingency reimbursement	Interest CDI	2023	Current	Noncurrent
Lótus	8,709	(7,396)	(1,600)	-	287	-	-	-
Nowlog	3,143	(426)	-	(330)	405	2,792	1,575	1,217
Transportadora								
Americana	-	(4,049)	-	2,576	1,473	-	-	-
Direcional	-	-	-	(156)	577	421	-	421
Prime	-	(1,954)	3,744	(198)	744	2,336	1,520	816
Frenet (a)	6,850	-	(7,343)	-	493	-	-	-
Plimor (b)	34,444	(5,342)	(14,893)	(1,327)	3,402	16,284	1,527	14,757
	53,146	**(19,167)**	**(20,092)**	**565**	**7,381**	**21,833**	**4,622**	**17,211**

(a) The agreement for acquisition of Frenet considered the achievement of certain targets and as no targets were achieved, no additional amount will be owed to the seller, resulting in debt reduction by R$7,343, which was recognized under Other income in the statement of profit or loss.

(b) The Company entered into a transaction term with Plimor sellers, in order to restructure the payment flow of its debt, resulting in debt reduction by R$14,893, which was recognized under Other income in the statement of profit or loss.

Consolidated								
Acquiree	2021	Payments	Price adjustment	Contingency reimbursement	Interest CDI	2022	Current	Noncurrent
Yep	18,121	(12,550)	(5,942)	-	371	-	-	-
Lótus	7,750	-	-	-	959	8,709	-	8,709
Nowlog	3,946	-	-	(976)	173	3,143	1,749	1,394
Transportadora								
Americana	5,474	(7,384)	1,624	(2,232)	2,518	-	-	-
Direcional	3,670	-	-	(4,102)	432	-	-	-
Prime	10,547	(323)	-	(11,484)	1,260	-	-	-
Frenet	15,727	(9,546)	-	-	669	6,850	2,716	4,134
Plimor	54,681	(19,572)	-	(6,367)	5,702	34,444	27,059	7,385
Lincros	909	(909)	-	-	-	-	-	-
	120,825	**(50,284)**	**(4,318)**	**(25,161)**	**12,084**	**53,146**	**31,524**	**21,622**

8.4. Indemnification assets due to acquisition of companies

This refers to the contractual obligation of indemnification for losses by the sellers.

The breakdown is as follows:

	Consolidated	
	2023	2022
Transportadora Americana (a)	-	30,301
Direcional	3,057	1,440
Prime	3,175	3,643
Plimor	-	-
	6,232	**35,384**

(a) The personal guarantees provided by the seller of Transportadora Americana, recorded upon the business combination in February 2020 were recorded against goodwill (without affecting the result), under Other expenses in the statement of profit or loss for 2023, as the Company signed an agreement with the seller under which no further obligations are owed between the parties, including debts from the acquisition of shares in Transportadora Americana and properties leased by the Company whose contracts were terminated.

9. Property and equipment

Property and equipment are stated at cost, net of accumulated depreciation and accumulated impairment losses, if any. Such cost includes the cost of replacing part of the equipment and borrowing costs for long-term construction projects if the recognition criteria are met. When significant parts of property and equipment are required to be replaced at intervals, the Company depreciates them separately based on their specific useful lives. Likewise, when a major inspection is performed, its cost is recognized in the carrying amount of the equipment as a replacement if the recognition criteria are satisfied. All other repair and maintenance costs are recognized in profit or loss as incurred.

Depreciation of property and equipment items is calculated on a straight-line basis over the estimated useful lives of the assets, to allocate their costs to their residual values. Depreciation rates are shown below:

Category of assets	Annual average depreciation rate (%)
Vehicles and trucks	10
Facilities	10
Machinery and equipment	6.67
Furniture and fittings	10
IT equipment	5
Leasehold improvements	Contract term
Other property and equipment	10

An item of property and equipment and any significant part initially recognized is derecognized upon disposal or when no future economic benefits are expected from its use or disposal.

Any gain or loss arising on derecognition of the asset is included in the statement of profit or loss when the asset is derecognized.
The residual values, useful lives and depreciation methods of property and equipment are reviewed at each financial year end and adjusted prospectively, if appropriate.

Management did not identify any indication of impairment for the years ended December 31, 2023 and 2022.

The Company did not capitalize borrowing costs during the years ended December 31, 2023 and 2022.

The breakdown and movement of property and equipment is as follows:

	Company								
	Vehicles and trucks	**Facilities**	**Machinery and equipment**	**Furniture and fittings**	**IT equipment**	**Leasehold improvements**	**Property and equipment In progress**	**Other property and equipment**	**Total**
Cost:									
At January 1, 2022	31,148	8,271	19,891	5,201	16,143	17,117	24,363	6,163	128,297
Additions	784	1,778	16,573	2,418	7,873	7,535	(2,143)	914	35,732
Write-offs	(632)	-	-	-	-	-	-	-	(632)
Transfers	2,430	2	-	-	(4,980)	(1)	-	2,549	-
At December 31, 2022	33,730	10,051	36,464	7,619	19,036	24,651	22,220	9,626	163,397
Additions	86	-	48	71	1,036	-	5,525	12	6,778
Write-offs	(1,059)	-	-	-	-	-	-	-	(1,059)
Transfers	-	-	12,377	15,275	5,956	-	(27,745)	(5,863)	-
At December 31, 2023	32,757	10,051	48,889	22,965	26,028	24,651	-	3,775	169,116
Depreciation:									
At January 1, 2022	(27,476)	(5,307)	(7,207)	(3,785)	(9,213)	(8,709)	-	(2,627)	(64,324)
Depreciation	(2,288)	(759)	(2,548)	(344)	(2,859)	(1,501)	-	(5)	(10,304)
At December 31, 2022	(29,764)	(6,066)	(9,755)	(4,129)	(12,072)	(10,210)	-	(2,632)	(74,628)
Depreciation	(1,817)	(797)	(4,089)	(1,446)	(4,158)	(3,566)	-	(5)	(15,878)
Write-offs	316	-	-	-	-	-	-	-	316
At December 31, 2023	(31,265)	(6,863)	(13,844)	(5,575)	(16,230)	(13,776)	-	(2,637)	(90,190)
Net residual value:									
At December 31, 2022	3,966	3,985	26,709	3,490	6,964	14,441	22,220	6,994	88,769
At December 31, 2023	1,492	3,188	35,045	17,390	9,798	10,875	-	1,138	78,926

	Consolidated								
	Vehicles and trucks	Facilities	Machinery and equipment	Furniture and fittings	IT equipment	Leasehold improvements	Property and equipment in progress	Other property and equipment	Total
Cost:									
At January 1, 2022	141,200	9,410	49,765	8,875	31,355	23,635	34,166	47,415	345,821
Additions	5,622	1,828	16,636	2,577	8,475	7,706	528	958	44,330
Write-offs	(4,620)	-	-	-	-	-	-	(2)	(4,622)
Transfers	3,164	-	101	(104)	(6,052)	(2)	(1)	2,894	-
At December 31, 2022	145,366	11,238	66,502	11,348	33,778	31,339	34,693	51,265	385,529
Additions	142	5	55	77	1,036	-	8,620	31	9,966
Write-offs	(5,759)	-	(18,229)	(4)	-	(2,253)	(386)	-	(26,631)
Transfers	929	35	23,566	15,275	6,296	(743)	(38,849)	(6,509)	-
At December 31, 2023	140,678	11,278	71,894	26,696	41,110	28,343	4,078	44,787	368,864
Depreciation:									
At January 1, 2022	(86,804)	(6,009)	(32,183)	(6,377)	(21,956)	(11,672)	-	(42,488)	(207,489)
Depreciation	(24,839)	(868)	(4,430)	(561)	(3,445)	(2,147)	-	(115)	(36,405)
At December 31, 2022	(111,643)	(6,877)	(36,613)	(6,938)	(25,401)	(13,819)	-	(42,603)	(243,894)
Depreciation	(12,341)	(899)	(5,926)	(1,646)	(4,691)	(4,165)	-	(90)	(29,758)
Write-offs	3,334	-	17,301	-	-	1,522	-	-	22,157
At December 31, 2023	(120,650)	(7,776)	(25,238)	(8,584)	(30,092)	(16,462)	-	(42,693)	(251,495)
Net residual value:									
At December 31, 2022	33,723	4,361	29,889	4,410	8,377	17,520	34,693	8,662	141,635
At December 31, 2023	20,028	3,502	46,656	18,112	11,018	11,881	4,078	2,094	117,369

10. Intangible assets

Intangible assets acquired separately are measured on initial recognition at cost. The cost of intangible assets acquired in a business combination is their fair value at the date of acquisition. Following initial recognition, intangible assets are carried at cost less any accumulated amortization and accumulated impairment losses. Internally generated intangibles, excluding capitalized development costs, are not capitalized and the related expenditure is reflected in profit or loss in the year in which the expenditure is incurred.

Intangible assets comprise mainly software acquired from third parties, software developed for internal use, customer portfolio and non-compete agreement from former shareholders of acquired companies.

Intangible assets with finite useful life are amortized under the straight-line method. The amortization period and amortization method are reviewed at least at the end of each reporting period. Changes in the expected useful life or the expected pattern of consumption of future economic benefits embodied in the asset are considered to modify the amortization period or method, as appropriate, and are treated as changes in accounting estimates.

Intangible assets with indefinite useful lives are not amortized, but are tested for impairment annually, either individually or at the Cash-Generating Unit (CGU) level. The assessment of indefinite life is reviewed annually to determine whether the indefinite life continues to be supportable. If not, the change in useful life from indefinite to finite is made on a prospective basis.

Any gain or loss arising upon derecognition of the asset (calculated as the difference between the net disposal proceeds and the carrying amount of the asset) is included in the statement of profit or loss as income or expense for the year. The following table summarizes the policies applied to the intangible assets of the Company:

	Software and other	Goodwill	Customer portfolio	Non-compete agreement	Surplus value of property and equipment
Useful life	Finite	Indefinite	Finite	Finite	Finite
Amortization period	5 years	-	3 and 10 years	4 and 5 years	8 and 10 years
Amortization method used	Straight-line amortization	Does not amortize	Straight-line amortization	Straight-line amortization	Straight-line amortization
Acquired and internally generated	Acquired and internally generated	Acquired (business combination)	Acquired (business combination)	Acquired (business combination)	Acquired (business combination)

Software

Expenses related to software maintenance are recognized as expenses when incurred. Expenses directly related to software developed by third parties and internally include costs incurred with software development companies, personnel costs directly allocated to software development (internal development) and other direct costs. They are capitalized as intangible assets when the future economic benefits generated by it are likely to exceed their respective cost, considering their economic and technological feasibility.

These costs are recognized as assets and are amortized on a straight-line basis over their estimated useful lives, which are generally not more than five years.

Goodwill and intangible assets identified upon business combination

Goodwill is represented by the positive difference between the amount paid and/or payable for the acquisition of a business and the net amount of the business identified assets and assumed liabilities fair value.

The movement is as follows:

	Company					
	Software and other	Goodwill	Customer portfolio	Non-compete agreement	Surplus value of property and equipment	Total
Cost:						
At January 1, 2022	62,401	139,547	34,642	5,446	6,585	248,621
Additions	13,623	-	-	-	-	13,623
At December 31, 2022	76,024	139,547	34,642	5,446	6,585	262,244
Additions	1,291	-	-	-	-	1,291
Write-offs	(7,955)	-	-	-	-	(7,955)
At December 31, 2023	69,360	139,547	34,642	5,446	6,585	255,580
Amortization:						
At January 1, 2022	(23,087)	-	(23,374)	(4,632)	(6,452)	(57,545)
Amortization	(2,920)	-	(7,518)	(365)	(54)	(10,857)
At December 31, 2022	(26,007)	-	(30,892)	(4,997)	(6,506)	(68,402)
Amortization	(6,960)	-	(3,750)	(365)	(26)	(11,101)
Write-offs	672	-	-	-	-	672
At December 31, 2023	(32,295)	-	(34,642)	(5,362)	(6,532)	(78,831)
Net residual value:						
At December 31, 2022	50,017	139,547	3,750	449	79	193,842
At December 31, 2023	37,065	139,547	-	84	53	176,749

	Consolidated					
	Software and other	Goodwill	Customer portfolio	Non-compete agreement	Surplus value of property and equipment	Total
Cost:						
At January 1, 2022	79,052	487,534	227,279	34,463	6,452	834,780
Additions	15,259	-	-	-	-	15,259
At December 31, 2022	94,311	487,534	227,279	34,463	6,452	850,039
Additions	1,463	-	-	-	-	1,463
Write-offs	(7,955)	-	-	-	-	(7,955)
At December 31, 2023	87,819	487,534	227,279	34,463	6,452	843,547
Amortization:						
At January 1, 2022	(24,374)	-	(58,878)	(10,071)	(6,452)	(99,775)
Amortization	(5,575)	-	(45,174)	(6,062)	-	(56,811)
At December 31, 2022	(29,949)	-	(104,052)	(16,133)	(6,452)	(156,586)
Amortization	(9,124)	-	(41,835)	(6,002)	-	(56,961)
Write-offs	672	-	-	-	-	672
At December 31, 2023	(38,401)	-	(145,887)	(22,135)	(6,452)	(212,875)
Net residual value:						
At December 31, 2022	64,362	487,534	123,227	18,330	-	693,453
At December 31, 2023	49,418	487,534	81,392	12,328	-	630,672

Impairment testing

Management tested goodwill for impairment using the discounted cash flow methodology, and no indication of impairment was identified.

In accordance with CPC 01 (R1) / IAS 36 - Impairment of Assets, assets should be grouped at the lowest levels for which there are independent cash flows (CGUs). The Company believes that there is only a single CGU in its operation, due to the similarity of operations, similarity of functionality of the assets, similarity in assumptions for projection of results, synergy between operations and, mainly, a centralized cash management between operations.

Goodwill acquired through a business combination is allocated to each of the CGUs for impairment testing.

The process of determining the value in use involved the use of assumptions, judgments and estimates on cash flows, such as growth rates of revenues, costs and expenses, estimates of future investments and working capital, perpetuity and discount rate. This understanding is in accordance with paragraph 35 of CPC 01 (R1) - Impairment of Assets. All the assumptions used are described below:

(i) Discount rate on future cash flows: 15.50% p.a. (13.5% p.a. in 2022). According to Management's assessment, this is a percentage that reflects the weighted cost of capital. Discount rates represent the assessment of risks in the current market taking into account the value of money over time and the individual risks of related assets that were not incorporated in the assumptions included in the cash flow model. The calculation is based on specific circumstances and is derived from weighted average cost of capital (WACC). The WACC takes into account both debt and equity. The cost of equity is derived from the expected return on the investment made by investors. The cost of debt is based on interest-bearing financing. Specific risk is incorporated by applying individual beta factors. Beta factors are evaluated annually based on publicly available market data.
(ii) Cash flow projection for 5 years with a perpetuity growth rate of 3.5% (3.3% in 2022).
(iii) Revenue growth: in the period from 2024 to 2028 the revenue growth rate of 17.8% p.a. (11.8% p.a. in 2022) was estimated based on an improvement in the operation of customers which are already in the portfolio (increase in operation volume and price increase according to the contract), gaining of new customers and loss of existing customers (churn).
(iv) Evolution of operating results: takes into account the Company's historical margin, estimated inflation of the main costs and expenses and labor agreements.
(v) Investments: considered necessary investments for the implementation of new customers.

Assumptions with relevant impact used in the calculation of value in use

The impairment calculation is more sensitive to the following assumptions:
(i) Discount rate
(ii) Growth in perpetuity

Discount rate

The discount rate represents the risk assessment in the current market. The discount rate calculation is based on the specific circumstances of the Company and is derived from its weighted average cost of capital (WACC).

Growth in perpetuity

The estimate was based mainly on:
(i) Historical results obtained by the Company and its subsidiaries;
(ii) Expectation of organic growth due to the increase in volume of current operations and price adjustment based on projected inflation (IPCA for the period);
(iii) Expectation of economic growth based on projections released by the Central Bank of Brazil (Focus Bulletin).

Sensitivity to changes in assumptions

The implications of the main assumptions for the recoverable amount are discussed below:
(i) Discount rate - the Company's discount rate has negligible sensitivity to changes in the projection of interest, since more than half of the composition of its capital from third parties is pre-fixed and almost all the rest indexed to the TJLP, an index structurally little susceptible to oscillations;
(ii) Perpetuity growth – applying a 30.0% reduction factor in perpetuity growth, this growth goes from the 3.5% originally considered to 2.5%, which practically would not consider real growth in operating cash flow, a situation that would not be feasible in comparison to the recent performance of the asset. Even so, using this new growth there is no impairment loss.

There was no record of impairment in the years ended 2023 and 2022.

11. Borrowings, debentures and Derivatives

11.1. Borrowings and debentures

	% - Interest p.a.	Company 2023	Company 2022	Consolidated 2023	Consolidated 2022
Working capital	CDI+1.9% to 3.0% and pre-set of 13%	374,713	196,127	380,437	198,788
Debentures	CDI	73,669	301,295	73,669	301,295
FIDC (a)		-	11,325	-	-
Other	pre-set from 0.77% to 8.70%	151	11,989	2,358	11,989
		448,533	520,736	456,464	512,072
Transaction costs		(2,721)	(1,807)	(2,721)	(1,807)
		445,812	**518,929**	**453,743**	**510,265**
Current		261,621	30,399	269,552	20,605
Noncurrent		184,191	488,530	184,191	489,660

(a) Refers to the Company's obligation to pay for the credit rights of suppliers that were assigned to the FIDC. The parent company's balance payable is eliminated against the FIDC accounts receivable during the financial statement consolidation process.

The balance movement can be seen in note 24.

The amounts recorded in noncurrent liabilities have the following maturity schedule:

	Company	Consolidated
2025	87,206	87,206
2026	50,086	50,086
2027	32,789	32,789
2028	14,110	14,110
	184,191	**184,191**

The guaranteed borrowing amounts can be presented as follows:

	Company	Consolidated
Assignment of receivables	374,864	382,795
Personal guarantee provided by subsidiaries	73,669	73,669

On December 28, 2023, the Company entered into a Global Bank Debt Restructuring Agreement and other covenants with its creditor banks, aiming to restructure the debts arising from the debt instruments. This agreement allowed the Company a waiver regarding the measurement of financial ratios and other obligations.

Regarding the Debentures, on October 4, 2023, the Company held a General Meeting attended by more than 90% of debenture holders, in which the main terms and conditions of the 3rd issue were renegotiated and that established no measurement of covenants for financial ratio until December 2025. The measurement of the financial ratio will be resumed after the disclosure of the consolidated financial statements for the year ending December 31, 2025. The Debentures agreement establishes covenants, including: (i) provision of annual financial information, (ii) default in transactions with financial institutions, and (iii) maintenance of certain financial ratios, defined by the Net Debt/EBITDA ratio, which must be less than or equal to 2.5x at the end of 2025 onwards.

As at December 31, 2023, the Company was fully compliant with the covenants mentioned above and in other contracts.

11.2. Derivatives

Existing equity swap agreements, associated to the share repurchase agreement, are measured at fair value. The amounts calculated at the end of the period can be presented as follows:

	Fair value		
Notional value	**Long position**	**Short position**	**Net receivable/(payable)**
20,113	736	(27,405)	(26,669)
4,868	195	(5,545)	(5,350)
	931	**(32,950)**	**(32,019)**

The fair value is presented in current liabilities, since the financial settlement is expected on June 20, 2024.

12. Right-of-use assets and Lease liabilities

The Company assesses at contract inception whether a contract is or contains a lease. That is, if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration.

The Company applied a single recognition and measurement approach for all leases except for short-term leases and leases of low-value assets. Lease liabilities for making lease payments and right-of-use assets that represent the right to use the underlying assets are recognized.

Right-of-use assets

The Company and its subsidiaries recognize right-of-use assets at the commencement date of the lease (i.e., the date the underlying asset is available for use). Right-of-use assets are measured at cost, less any accumulated depreciation and impairment losses, and adjusted for any remeasurement of lease liabilities. The cost of right-of-use assets includes the amount of lease liabilities recognized, initial direct costs incurred, and lease payments made at or before the commencement date less any lease incentives received. Right-of-use assets are depreciated on a straight-line basis over the shorter of the lease term and the estimated useful lives of the assets, as follows:

Distribution centers and other properties: 2 to 12 years
Trucks: 5 years
Monitoring systems: 5 years

The right-of-use assets are also subject to impairment. See accounting policies for impairment of non-financial assets in Note 4.4.

The following are the carrying amounts of recognized right-of-use assets (gross PIS and COFINS) and movement in the period:

		Company				
	Useful life (years)	2022	Additions and renegotiations	Write-offs	Depreciation	2023
Distribution centers and properties	2 to 12	205,510	1,733	(14,895)	(37,315)	155,033
Trucks	5	50,261	-	-	(10,581)	39,680
Monitoring systems	5	539	-	-	(290)	249
		256,310	**1,733**	**(14,895)**	**(48,186)**	**194,962**

		Company				
	Useful life (years)	2021	Additions and renegotiations	Write-offs	Depreciation	2022
Distribution centers and properties	2 to 12	214,735	29,665	(84)	(38,806)	205,510
Trucks	5	146	52,937	-	(2,822)	50,261
Monitoring systems	5	853	(31)	-	(283)	539
		215,734	**82,571**	**(84)**	**(41,911)**	**256,310**

	Consolidated					
	Useful life (years)	2022	Additions and renegotiations	Write-offs	Depreciation	2023
Distribution centers and properties	2 to 12	267,601	1,816	(46,303)	(59,640)	163,473
Trucks	5	50,261	-	-	(10,581)	39,680
Monitoring systems	5	539	-	-	(290)	249
		318,401	**1,816**	**(46,303)**	**(70,511)**	**203,402**

	Consolidated					
	Useful life (years)	2021	Additions and renegotiations	Write-offs	Depreciation	2022
Distribution centers and properties	2 to 12	256,054	86,982	(9,380)	(66,055)	267,601
Trucks	5	146	52,937	-	(2,822)	50,261
Monitoring systems	5	853	(31)	-	(283)	539
		257,053	**139,888**	**(9,380)**	**(69,160)**	**318,401**

Lease liabilities

At the commencement date of the lease, the Company and its subsidiaries recognize lease liabilities measured at the present value of lease payments to be made over the lease term. The lease payments include fixed payments (including in-substance fixed payments) less any lease incentives receivable, variable lease payments that depend on an index or a rate, and amounts expected to be paid under residual value guarantees.

When calculating the present value of lease payments, the Company and its subsidiaries use their incremental borrowings rate on the commencement date because the interest rate implied by the lease is not easily determinable. After the commencement date, the amount of the lease liability is increased to reflect the increase in interest and reduced for lease payments made. Furthermore, the carrying amount of lease liabilities is remeasured if there is a modification, a change in the lease term, a change in the lease payments (e.g., changes to future payments resulting from a change in an index or rate used to determine such lease payments) or a change in the assessment of an option to purchase the underlying asset.

The impact on the statement of financial position of embedded nominal interest of lease liabilities is shown below:

	Company		Consolidated	
	2023	2022	2023	2022
Nominal flow	340,305	421,013	354,123	501,977
(-) Embedded interest	(89,096)	(120,074)	(90,397)	(132,603)
	251,209	**300,939**	**263,726**	**369,374**
Current liabilities	55,404	51,262	62,038	81,189
Noncurrent liabilities	195,805	249,677	201,688	288,185

The balance movement can be seen in note 24.

The maturities of the noncurrent balance are shown below:

	Company	Consolidated
2025	39,443	43,264
2026	35,623	37,686
2027	32,368	32,368
2028	24,881	24,881
2029 onwards	63,490	63,489
	195,805	**201,688**

Incremental rate

Management used the incremental rate as a criterion for calculation of assets and liabilities that are within the scope of IFRS 16/CPC 06 (R2), as it understands that this rate represents a cash flow closer to the actual amounts and is aligned with the characteristics of the contracts.

The table below presents the rates used by the Company:

Terms	Annual rate (%)
1 year	8.33%
2 years	9.11%
3 years	9.81%
4 years	10.30%
5 years	10.64%
6 to 10 years	11.41%
11 to 15 years	11.55%
More than 16 years	11.63%

Short-term leases and leases of low-value assets

The Company and its subsidiaries apply the short-term lease recognition exemption to their short-term leases of distribution centers and other properties (i.e., those leases that have a lease term of 12 months or less from the commencement date and do not contain a purchase option). They also apply the lease of low-value assets recognition exemption. Lease payments on short-term leases and leases of low-value assets are recognized as expense on a straight-line basis over the lease term.

13. Accounts payable and Other payables

13.1 Accounts payable and suppliers credit assignment

	Company		Consolidated	
	2023	**2022**	**2023**	**2022**
Accounts payable	86,689	39,296	116,835	41,054
Suppliers credit assignment (a)	31,443	114,135	33,736	141,353
	118,132	**153,431**	**150,571**	**182,407**
Current liabilities	109,751	153,431	140,272	182,407
Noncurrent liabilities	8,381	-	10,299	-

(a) The Company entered into agreements with banks to structure the operation called "suppliers financing" with its main freight suppliers. In this transaction, suppliers transfer the rights to receive the notes to the bank, which, in turn become creditor in the transaction. The Company expanded its offer to strategic suppliers and freight service providers in order to facilitate the financial flow of these partners. Despite the increase in the volume made available, Management reviewed the composition of this operation's portfolio and concluded that there was no change in the terms, prices and conditions previously established when a complete analysis of suppliers by category is performed.

13.2 Other payables

	Company		Consolidated	
	2023	**2023**	**2023**	**2022**
Provision for operating costs and losses (a)	21,710	19,083	24,312	11,694
Convertible accounts payable (b)	20,000	-	20,000	-
Provision for bonus and profit sharing	-	755	-	755
Provision for employee benefits	501	144	843	144
	42,211	**19,982**	**45,155**	**12,593**
Current liabilities	42,211	19,982	45,155	12,441
Noncurrent liabilities	-	-	-	152

(a) This refer to provisions that were measured according to Management's best estimate and will have their amount approved after the conclusion on the calculation.

(b) The Company assumed obligations related to contractual cancellations that will be paid in convertible instruments. The recording in current liabilities is due to the fact that the convertible instruments have not yet been issued.

14. Labor and tax obligations

The salaries and benefits granted to the Company's employees and management include, in addition to the fixed compensation (salaries and social security ("INSS") contributions, vacation pay, 13th salary), variable compensation such as profit sharing and option to participate in the share-based payment plan. These benefits are recognized in profit or loss when incurred.

	Company		Consolidated	
	2023	**2022**	**2023**	**2022**
Salaries payable	3,912	5,848	7,256	11,684
Provision for vacation pay and 13th salary	10,585	14,701	14,345	24,813
Payroll charges	21,671	9,899	31,725	14,509
Federal taxes on revenue	47,974	40,125	120,672	56,188
Federal taxes on third-party services	9,569	4,576	25,331	6,444
IRPJ and CSLL	8,614	4,979	11,087	8,961
Labor claims payable	260	93	899	948
Taxes in installments (a)	58,355	9,177	84,644	65,021
	160,940	**89,398**	**295,959**	**188,568**
Current	121,109	83,844	238,281	149,100
Noncurrent	39,831	5,554	57,678	39,468

(a) The Company joined the installment plans for payment in up to 60 months of state and federal taxes that were ratified upon the payment of the first installment. The subsidiaries had already adhered to ordinary and simplified tax installment plans before the acquisition by the Company. The breakdown of the balance by tax can be presented as follows:

	Company		Consolidated	
	2023	**2022**	**2023**	**2022**
Federal	35,500	6,233	51,897	51,705
State	21,758	2,944	31,501	10,348
Municipal	1,097	-	1,246	2,968
	58,355	**9,177**	**84,644**	**65,021**

The amounts recorded in noncurrent liabilities have the following maturity schedule:

	Company	Consolidated
2025	13,952	20,268
2026	11,291	16,296
2027	10,636	14,804
2028 onwards	3,952	6,310
	39,831	**57,678**

15. Provision for legal claims

	Company		Consolidated	
	2023	**2022**	**2023**	**2022**
Probable losses	15,562	3,991	174,309	33,961
Contingent liabilities	1,385	3,265	6,251	75,440
	16,947	**7,256**	**180,560**	**109,401**

15.1. Probable losses

The Company and its subsidiaries, based on information from their legal counselors and on the analysis of pending lawsuits, set up a provision in an amount considered sufficient to cover expected losses on ongoing lawsuits.

The calculation of the labor contingency amounts considers the historical loss (convictions and ratified agreements) and the total lawsuits in progress, regardless of the estimated loss. Therefore, there are no amounts related to possible losses of a labor nature to be disclosed.

The movement in the provision for legal claims to cover probable risks was as follows:

	Company			
	Labor	Civil	Tax	Total
At January 1, 2023	**4,577**	**600**	**-**	**5,177**
Payment of claims	(2,828)	-	-	(2,828)
Complement (reversal) of provision	1,422	220	-	1,642
At December 31, 2022	**3,171**	**820**	**-**	**3,991**
Payment of claims	(1,785)	-	-	(1,785)
Complement (reversal) of provision	9,559	2,830	967	13,356
At December 31, 2023	**10,945**	**3,650**	**967**	**15,562**

	Consolidated			
	Labor	Civil	Tax	Total
At January 1, 2023	**3,171**	**820**	**-**	**3,991**
Payment of claims	(7,828)	-	-	(7,828)
Complement (reversal) of provision	(582)	5,407	5,311	10,136
At December 31, 2022	**7,440**	**19,570**	**6,951**	**33,961**
Payment of claims	(3,406)	-	-	(3,406)
Complement (reversal) of provision	14,829	(916)	129,841	143,754
At December 31, 2023	**18,863**	**18,654**	**136,792**	**174,309**

The following is a summary of the main lawsuits:

Labor provisions

As at December 31, 2023, the Company and its subsidiaries are parties to approximately 1,879 labor claims (1,140 as at December 31, 2022) filed by former employees, service providers and drivers, requesting the payment of severance pay, occupational illnesses, salary premiums, overtime, and amounts due for subsidiary liability, and discussion about the recognition of employment relationship. The provisions are periodically reviewed based on the development of the lawsuits and the history of losses on labor lawsuits, in order to better reflect the current estimate.

Civil contingencies

Most civil lawsuits are filed by customers with a compensation claim for inconsistencies in deliveries made or damage to delivered goods.

Tax contingencies

Tax contingencies mainly refer to discussions on information in accessory obligations and in tax calculation bases, such as the judgment used by management regarding the concept of inputs that generate PIS and COFINS credits.

15.2. Contingent liabilities

Even if it is not probable that an outflow of resources (embodying economic benefits) will be required to settle the obligation, the acquirer must recognize, at the acquisition date, a contingent liability assumed in a business combination, pursuant to CPC 15 – Business Combinations.

The movement in the provision for legal claims to cover possible risks arising from the acquisition process of the acquired companies was as follows:

	Company			
	Labor	Civil	Tax	Total
At January 1, 2023	**-**	**-**	**11,532**	**11,532**
Statute of limitations	-	-	(8,267)	(8,267)
At December 31, 2022	**-**	**-**	**3,265**	**3,265**
Statute of limitations	-	-	(1,880)	(1,880)
At December 31, 2023	**-**	**-**	**1,385**	**1,385**

	Consolidated			
	Labor	Civil	Tax	Total
At January 1, 2023	**13,541**	**6,456**	**144,409**	**164,406**
Statute of limitations	(10,523)	(724)	(77,719)	(88,966)
At December 31, 2022	**3,018**	**5,732**	**66,690**	**75,440**
Statute of limitations	(3,018)	(867)	(65,304)	(69,189)
At December 31, 2023	**-**	**4,865**	**1,386**	**6,251**

15.3. Possible losses

The Company is a party to civil lawsuits involving risks of loss classified by Management as possible based on the assessment of its legal counselors and for which no accounting provision was set up according to the breakdown and estimate below:

	Company		Consolidated	
	2023	2022	2023	2022
Civil	92,501	9,144	138,469	26,207

Most civil lawsuits are filed by customers with a compensation claim for inconsistencies in deliveries made or damage to delivered products and requests for review of contractual clauses of service providers.

16. Equity

16.1. Share capital

As at December 31, 2023, the Company's share capital was R$915,155 (R$655,649 as at December 31, 2022) comprised of 351,837,605 registered common shares with no par value (140,287,686 in 2022), fully paid-up, and can be presented as follows:

	Shares	Equity interest %
Shares with officers	15,975,908	4.54%
Outstanding shares	335,861,697	95.46%
At December 31, 2023	**351,837,605**	**100%**

The movement in the share capital is as follows:

	R$	Shares
January 23, 2023 (a)	478	265,941
February 6, 2023 (a)	55	30,890
April 11, 2023 (a)	211	117,496
July 5, 2023 (b)	99,425	66,283,420
November 14, 2023 (c)	137,176	124,705,664
December 14, 2023 (c)	22,161	20,146,508
	259,506	**211,549,919**

(a) The Board of Directors approved the increase of the Company's capital, within the limit of the authorized capital, by private subscription, to meet the exercise of the Company's stock options granted under the First Stock Option Plan.

(b) The Board of Directors approved the increase of the Company's capital, within the limit of the authorized capital, by private subscription, as approved on April 24, 2023.

(c) The capital increase, within the limit of the authorized capital, took place in response to communications regarding the conversion of the 4th issue of debentures mandatorily convertible into shares, as mentioned in note 16.4.

The Company is authorized to increase the share capital up to the limit of R$2,433,080 by resolution of the Board of Directors.

The Company may, by resolution of the Board of Directors, acquire its own shares to remain in treasury for subsequent sale or cancelation, without decreasing the capital, subject to the applicable legal and regulatory provisions.

The Company may, by resolution of the Board of Directors and in accordance with the plan approved by the General Meeting, grant the option to purchase or subscribe to shares, without preemptive rights for shareholders, in favor of its officers and employees, and this option may be extended to the officers and employees of the Company's subsidiaries, directly or indirectly or associated to them, or even to service providers or third parties that Management deems suitable.

Transaction costs incurred in raising own funds, in the amount of R$111, are accounted for in a specific line item reducing equity, less any tax effects.

16.2. Income reserves

Tax incentive reserve

The Company has a presumed ICMS credit in the amount of 20% on the tax debt, under the terms of CONFAZ ICMS Agreement 106/1996. Up to December 31, 2023, the amount of R$9,969 was recognized as investment grant pursuant to Complementary Law 160/2017 and allocated to the tax incentive reserve, under the terms of article 195-A of Law 6404/76. As the Company did not show profits in 2023, a reserve for the tax incentive benefit in the amount of R$6,911 was not set up for the year ended December 31, 2023 (R$18,616 in 2022).

Profit distribution

In 2023 and 2022, the Company did not distribute dividends from the retained earnings account and did not distribute interest on capital.

Pursuant to the Company's Bylaws, profit for the year shall be allocated as follows:

(a) 5% shall be allocated to the Legal reserve, before any other allocation, not exceeding 20% of the capital;
(b) 25% of the profit for the year adjusted by the Legal reserve and other events established by Law shall be assured to the shareholders as a minimum mandatory dividend;
(c) One portion, as proposed by Management, may be allocated to recognize a Contingency reserve; and
(d) The remaining balance, after complying with the legal provisions, will have the allocation determined by the General Meeting.

When applicable, the allocation of profit shall be approved by the General Meeting. As no profit was reported for 2023, the loss will be added to accumulated losses.

16.3. Share-based payment plan

The Company grants its main executives, management and employees the option to participate in the share-based payment plan.

The Company measures the cost of share-based payment based on the fair value of the equity instruments at the grant date. Estimating fair value for share-based payment transactions requires determination of the most appropriate valuation model, which depends on the terms and conditions of the grant. This estimate also requires determination of the most appropriate inputs to the valuation model including the expected life of the stock option, future events, volatility and dividend yield and making assumptions about them. The expenses on these transactions should be recognized in profit or loss ("personnel expenses" line item) during the vesting period with a balancing entry in share-based payment reserve, in equity.

The purpose of the Company's share-based payment plan is to grant options to purchase shares issued by the Company to participants in order to attract, motivate and retain key executives.

At the EGM held on September 15, 2020, the Company's Second Stock Option Plan **("Plan 2")** was approved, and the Board of Directors and the Executive Board were authorized to take the necessary measures to implement this plan. On June 2, 2021, the First Stock Option Program was approved under Plan 2 ("First Program"). On August 9, 2022 and October 9, 2023, the Board of Directors approved the changes in the Plan 2 and in the First Program and, as a result of these changes, the grants made were revoked since no grant was exercised and new grants were made to replace the revoked grants.

The main characteristics of the First Program are as follows:

Limit of 10% of the total common shares

Vesting period: 25% on the first anniversary, 25% on the second anniversary, 25% on the third anniversary, and 25% on the fourth and last anniversary.

Exercise price: R$0.21

Extinguishing period: 4 years from the grant date or in case of termination of the employment relationship at the beneficiary's will, the optant will have 30 days to exercise his/her vested options; in case of termination at the Company's will for cause, the options will be considered automatically extinguished; in case of termination at the Company's will without cause, the beneficiary will have 6 months to exercise the vested options.

The Company does not have any legal or constructive obligation to repurchase or settle the options in cash. The fair value of the options granted was calculated separately by type of option, considering the "executive length of stay" and the Black & Scholes continuous valuation model was used. The replacement of the grants generated impacts on the increase in the fair value of the options, since there was a benefit to the grantees, as set out in CPC 10 – Share-based payment.

The main information related to the **Plan 2** is summarized below:

December 31, 2023						Number of options				
Series	Grant date	First exercise date	Expiry date	Exercise price	Fair value	Granted	Exercised	Expired	Total outstanding	Exercisable
1	Sept/22	Sept/22	Sept/28	R$0.21	R$3.32	4,110,000	-	-	4,110,000	-
						4,110,000	**-**	**-**	**4,110,000**	**-**

The changes in the number of outstanding stock options and their corresponding weighted average prices for the period are as follows:

	Plan 1		Plan 2		Total
	Average exercise price per share in reais	Options	Average exercise price per share in reais	Options	Options
At January 1, 2022	1.79	2,140,156	-	**-**	**2,140,156**
Granted	-	-	5.15	4,110,000	**4,110,000**
Exercised	2.19	(856,577)	-	-	**(856,577)**
Expired	1.79	(122,051)	-	-	**(122,051)**
At December 31, 2022	**1.79**	**1,161,528**	**5.15**	**4,110,000**	**5,271,528**
Granted	-	-	-	-	**-**
Exercised	-	-	-	-	**-**
Expired	-	-	-	-	**-**
At December 31, 2023	**1.79**	**1,161,528**	**5.15**	**4,110,000**	**5,271,528**

In accordance with technical pronouncement CPC 10/IFRS 2 - Share-based Payment, the effects of share-based payment transactions must be reflected in the Company's profit or loss. The expense recognized in the Company's profit or loss in 2023 was R$2,077 (R$2,592 in 2022).

16.4. Convertible debentures

On October 17, 2023, the Company completed the 4th issue of debentures mandatorily convertible into shares with the following characteristics:

- Number: 341,546
- Unit value: R$1
- Total issued: R$341,546
- First series: R$241,546, to be paid-up through the conversion of the 3rd issue debentures.
- Second series of R$100,000, paid-up in local currency on October 17, 2023.
- Remuneration: fixed rate of 12.6825%.
- Maturity: December 29, 2024

The convertible debentures were classified in equity due to their accounting classification as equity instrument. The remuneration was recorded under financial expenses in the statement of profit or loss. In 2023, R$6,687 was recorded as monetary adjustment of debentures. Upon the conversion of the debentures into shares, the premium or discount is classified in equity, considering that it is a transaction between shareholders. In 2023, R$42,738 was recorded related to conversion of debentures into shares.

For the issuance of the convertible debentures, the Company spent R$2,221, which was recorded in a specific account in equity.

The movement is as follows:

	R$	Debentures
Payment of convertible debentures	341,546	341,546
Conversion on November 14, 2023	(94,239)	(94,239)
Conversion on November 14, 2023	(22,360)	(22,360)
At December 31, 2023	**224,947**	**224,947**

16.5. Earnings (loss) per share

Basic earnings (loss) per share is calculated by dividing the profit (loss) for the year attributable to the equity holders of the Company by the weighted average number of common shares outstanding during the year:

	Basic loss	
	2023	**2022**
Loss for the year	(822,222)	(106,872)
Weighted average number of outstanding common shares - in thousands	190,152	140,011
Basic loss per share (in R$)	**(4.32402)**	**(0.76331)**

Diluted earnings (loss) per share is calculated by adjusting the weighted average number of outstanding common shares to presume the conversion of all potential diluted common shares related to the stock options and convertible debentures and the dilutive potential of these options is represented by 215,940,455 shares (5,288,741 shares in 2022). Due to the fact that the Company reported a loss for the year ended December 31, 2023, stock options and convertible debentures were not considered in the calculation as there is no dilutive effect.

	Diluted loss	
	2023	2022
Loss for the year	(822,222)	(106,872)
Weighted average number of outstanding common shares – in thousands	190,152	140,011
Diluted loss per share (in R$)	**(4.32402)**	**(0.76331)**

17. Net revenues

Revenue from services rendered is recognized based on the performance of the services provided for in the service agreements entered into by the parties or on the completion of the services, that is, when the significant risks and rewards are transferred to the buyer. When it is not possible to measure reliably the revenue or expense of the contract, revenue is recognized only to the extent that incurred expenses may be recovered.

Sales tax

Sales and service revenues are subject to the taxes described below, and are presented net of sales revenue in the statement of profit or loss:

- Tax on revenue (COFINS) - 7.60%;
- Tax on revenue (PIS) - 1.65%;
- Tax on services (ISS) - 2% to 5%;
- State VAT (ICMS) - 7% to 12%;
- Social Security Contribution on Gross Revenue (CPRB) - 1.5%.

These charges are presented as sales deductions. The credits arising from non-cumulative PIS/COFINS are presented as a deduction of cost of services rendered in the statement of profit or loss. The reconciliation between Gross Revenue and Net Revenue is shown below:

	Company		Consolidated	
	2023	2022	2023	2022
Provision of logistics and transport services	687,197	1,538,036	874,348	2,145,989
Taxes levied thereon	(99,490)	(241,682)	(129,607)	(341,666)
	587,707	**1,296,354**	**744,741**	**1,804,323**

18. Costs and expenses by nature

Operating costs and expenses are recorded in the statement of profit or loss for the year when incurred. The cost related to revenue from services rendered includes salaries and personnel charges, costs with inputs, in addition to the depreciation and amortization of assets.

The reconciliation of costs and expenses by nature to the balances presented in the statement of profit or loss is as follows:

	Company		Consolidated	
	2023	**2022**	**2023**	**2022**
Expenses on:				
Distribution and transport (a)	(422,695)	(719,314)	(527,431)	(1,078,466)
Personnel	(218,005)	(263,857)	(317,457)	(439,121)
Depreciation and amortization	(21,859)	(17,493)	(80,418)	(87,137)
Amortization of right-of-use assets	(48,186)	(41,912)	(70,511)	(69,159)
Selling expenses	(8,787)	(32,970)	(11,250)	(39,419)
Allowance for expected credit losses	(129,849)	(68,941)	(196,997)	(73,541)
General and administrative expenses (b)	(42,688)	(57,064)	(56,387)	(74,821)
Provision (reversal) for legal claims	(28,935)	6,625	(92,914)	78,830
Third-party services	(23,743)	(25,527)	(30,900)	(28,089)
	(944,747)	**(1,220,453)**	**(1,384,265)**	**(1,810,923)**
Presented as:				
Cost of services rendered	(627,939)	(971,809)	(831,536)	(1,490,718)
Selling, general and administrative expenses	(316,808)	(248,644)	(552,729)	(320,205)
	(944,747)	**(1,220,453)**	**(1,384,265)**	**(1,810,923)**

(a) These refer to expenses on contracted third-party freight, fuel, tolls and other expenses related to the provision of transport services, pallets, boxes and other inputs used in the management of distribution centers.

(b) These refer to expenses for maintenance in administrative centers, ERP system licensing, computer lease, administrative insurance, communication services and other expenses incurred in management.

19. Other income (expenses), net

	Company		Consolidated	
	2023	**2022**	**2023**	**2022**
Price adjustment (a)	8,943	5,942	(36,732)	5,942
Sale of investment (see note 8.2)	(9,507)	13,732	(9,507)	13,732
Other expenses and income (b)	(18,841)	39,056	(13,950)	55,430
	(19,405)	**58,730**	**(60,189)**	**75,104**

(a) In 2022, it refers to the adjustment of the acquisition price of YEP and, in 2023, it refers to an agreement made with the sellers of Lotus, TA, Plimor and Prime, both formalized 12 months after the date of acquisition of the investment.

(b) In 2022, it refers to untimely tax credits arising from the INSS recalculation, according to note 7, and net income from the sale of assets, salvage and etc. In 2023, it refers to the net proceeds from the disposal of assets.

20. Financial income and expenses

For all financial instruments carried at amortized cost and financial assets earning interest, financial income or expense is recognized using the effective interest rate, which discounts exactly future estimated payments or receipts over the estimated life of the financial instrument or in a period shorter, when applicable, than the net carrying amount of the financial asset or liability. Interest income is included in "Financial income" in the statement of profit or loss.

	Company		Consolidated	
	2023	**2022**	**2023**	**2022**
Financial expenses:				
Interest on lease liabilities	(28,735)	(29,830)	(34,606)	(36,314)
Interest on borrowings	(97,901)	(69,773)	(98,619)	(70,209)
Interest on payables for acquisition of investments	(3,235)	(5,318)	(7,381)	(12,281)
Net gain (loss) on financial instruments (swap)	(15,351)	(41,595)	(15,351)	(41,595)
Interest on monetary adjustment of taxes and other payables	(35,238)	(23,667)	(66,323)	(33,312)
Interest on discounting of receivables	(3,689)	(12,614)	(3,689)	(12,705)
Other financial expenses	(18,603)	(2,327)	(29,312)	(4,703)
	(202,752)	(185,124)	(255,281)	(211,119)
Financial income:				
Income from financial investments	3,800	7,683	3,847	7,954
Monetary adjustment of tax credits	-	5,230	-	7,835
Discounts obtained	1,640	788	2,926	1,485
Other financial income	596	511	1,632	1,496
	6,036	14,212	8,405	18,770
	(196,716)	**(170,912)**	**(246,876)**	**(192,349)**

21. Income tax and social contribution

Current income tax and social contribution

Current tax assets and liabilities for the last year and prior years are measured at the expected amount recoverable from or payable to the tax authorities. The tax rates and tax laws used to calculate the amount are those enacted or substantively enacted at the end of the reporting period.

Income taxation includes Corporate Income Tax (IRPJ) and Social Contribution on Net Income (CSLL), which are calculated under the taxable profit regime (adjusted profit) according to the relevant rates set forth in the legislation in force: rate of 15% plus a 10% surtax on taxable profit exceeding R$240 for IRPJ and rate of 9% on taxable profit for CSLL.

Deferred income tax and social contribution

The Company recognizes tax assets and liabilities based on differences between the carrying amounts in the financial statements and the tax bases of assets and liabilities, using the prevailing rates.

The carrying amount of deferred tax assets is reviewed at the end of each reporting period and written off to the extent that it is no longer probable that taxable profits will be available to allow all or part of the deferred tax asset to be used. Derecognized deferred tax assets are reviewed at the end of each reporting period and recognized to the extent that it is probable that future taxable profits will be available to allow the recovery of deferred tax assets.

The breakdown of deferred income tax and social contribution assets is as follows:

	Company		Consolidated	
	2023	**2022**	**2023**	**2022**
Tax losses	167,853	66,664	167,853	66,664
Provision for legal claims	5,012	1,605	41,111	11,660
Allowance for expected credit losses	16,806	11,675	24,025	15,371
Temporary differences - allocation of intangible assets	21,096	15,617	42,429	36,950
Temporary differences - Tax goodwill	(32,288)	(29,522)	(68,925)	(40,442)
Lease liabilities	20,696	14,855	29,960	18,107
Derivatives	10,887	13,387	10,887	13,387
Extemporaneous credit	(2,241)	(4,178)	(6,611)	(8,854)
	207,821	**90,103**	**240,729**	**112,843**

The movement in deferred taxes is as follows:

	Company 2023	Company 2022	Consolidated 2023	Consolidated 2022
Opening balance	90,103	65,046	112,843	87,046
Movement with impact on results:				
Tax losses	101,189	(1,061)	101,189	(1,061)
Temporary differences	16,529	26,118	26,697	26,858
	117,718	25,057	127,886	25,797
Movements in assets and liabilities:				
Temporary differences	-	-	-	-
	-	-	-	-
Closing balance	**207,821**	**90,103**	**240,729**	**112,843**

The table below is a reconciliation of the tax expense presented in profit or loss and the amount calculated by applying the statutory tax rate of 34% (25% for income tax and 9% for social contribution):

	Company 2023	Company 2022	Consolidated 2023	Consolidated 2022
Profit (loss) before income tax and social contribution	(939,940)	(131,215)	(950,108)	(131,955)
Expected income tax and social contribution at the statutory rate of 34%	319,580	44,613	323,037	44,865
Permanent differences:				
Share of profit (loss) of investees	(119,553)	(26,969)	(598)	(2,091)
Share-based payment plan	(708)	(881)	(709)	(881)
Tax incentive reserve	1,508	6,330	2,350	9,992
Deferred taxes not set up on tax losses	(85,383)	-	(198,146)	(28,581)
Other permanent differences	2,274	1,250	1,952	1,779
Effect on profit or loss	**117,718**	**24,343**	**127,886**	**25,083**
Current income tax and social contribution	-	(714)	-	(714)
Deferred income tax and social contribution	117,718	25,057	127,886	25,797
Effective rate	**13%**	**19%**	**13%**	**19%**

The Company has a balance of tax losses that were generated in recent years, as follows: According to the current legislation, the deductible temporary differences and the tax loss and negative basis do not expire and the use is limited to 30% of the tax profit for the year in which it will be used.

Deferred tax assets are recognized to the extent that it is probable that taxable profit will be available against which the deductible temporary differences can be utilized, considering projections of future results based on internal assumptions and future economic scenarios that are, therefore, subject to changes, and that for December 31, 2023 shows that the balance of deferred income tax assets will be offset as shown below:

Year	Company	Consolidated
2024	3,598	3,598
2025	22,225	22,225
2026	25,236	25,236
2027	28,286	28,286
2028	35,513	35,513
2029	43,519	43,519
2030	9,476	9,476
	167,853	167,853
Deferred taxes on temporary differences (a)	39,968	72,876
	207,821	**240,729**

(a) These taxes are set up to cover specific transactions that have no specific time frame to start being used, such as taxes that depend on the incorporation of companies or settlement of tax proceedings. For that reason, these are not included in the annual realization.

The projections consider the follow main premises:

(i) Cash flow projection for 10 years.
(ii) Revenue growth: the revenue growth rate of 17.8% p.a. in the period from 2024 to 2028 (11.6% p.a. in 2022) is estimated based on an improvement in the operation of customers which are already in the portfolio (increase in operation volume and price increase according to the contract), gaining of new customers and loss of existing customers (churn).
(iii) Evolution of operating results: takes into account the Company's historical margin, estimated inflation of the main costs and expenses and labor agreements.

Management is implementing the following actions aimed at generation of tax profit:
(i) Maintenance of growth in the services to customers operating in the e-commerce market, which is expanding;
(ii) Maintenance of growth in the services in new geographic regions and new areas of activity, to which knowledge was obtained through the acquisition of companies;
(iii) Reduction of interest expense with the amortization of balances of borrowings and debentures;
(iv) Stabilization of operations and gain of synergy in the operations of the acquired companies, resulting in greater financial profitability;
v) Maintenance of the asset light strategy; and

(vi) Gain in productivity and reduction of labor costs with the continuous investment in automation.

The technical study regarding projections of future taxable profits was approved by the board and presented to the Board of Directors.

Sensitivity to changes in assumptions

In a scenario of a 5% worsening of inflation rates and a reduction of 30% in revenue growth, the Company continues to realize the deferred tax asset in seven years (until 2030).

22. Related-party transactions

Business transactions

In the ordinary course of its business the Company carries out transactions with related parties represented by the purchase and sale of services, contracted at rates compatible with those practiced with third parties, taking into account the reduction of the risk of losses. Transactions with subsidiaries, where applicable, are eliminated in full on consolidation and in the calculation of the share of profit (loss) of investees.

	Company		
	Liabilities Accounts payable	**Liabilities** Other liabilities	**Cost**
Transportadora Americana	-	1,841	(1,767)

Sharing of expenses

The Company has an agreement with the subsidiaries for the sharing of certain corporate expenses that are initially paid by the Company and subsequently reimbursed by the subsidiaries.

	Company		
	Asset	**Liabilities**	**Administrative expenses**
Transportadora Americana	13,611	(9,638)	-
	13,611	**(9,638)**	**-**

Financial transactions

The Company has balances payable arising from financial transactions between related parties, with no specific term and guarantee or not subject to interest or monetary adjustment, as follows:

	Company		
	Asset	**Liabilities**	**Result**
Transportadora Americana	-	(69,441)	-
Frenet	-	(18,900)	-
Drops	1,743	-	-
	1,743	**(88,342)**	**-**

Key management personnel compensation

	2023	**2022**
Direct compensation	6,646	8,078
Share-based payment plan and benefits	2,088	2,426

23. Insurance coverage

Coverage description	**Coverage in R$**
Fire, lightning, explosion or implosion, windstorm, hurricane, cyclone, tornado, hail or smoke, collapse, internal movement, and flooding or overflowing.	194,042
Impact of land vehicles, crash of airplane or any other aircraft or spacecraft	45,796
Loss of profits	69,638
Civil liability	91,000
Theft of assets, goods or valuables	5,000
Loss or payment of rent	10,000
Spill or leak from sprinklers and hydrants	4,000
Debris removal	3,000
Pain and suffering, property damage or bodily injury (vehicle collision)	8,450
Electrical damage	1,000
Stationary, mobile and electronic equipment	2,250
Riot, strike or lock-out	100
Breakage of glass and luminous signs	200
Recovery of records or documents	100

The insurance covers 100% of the price stated by the FIPE chart for each vehicle.

The risk assumptions adopted, in view of their nature, are not part of the scope of the audit of the financial statements and, therefore, were not audited by our independent auditors.

24. Changes in liabilities of financing activities

	Company				
	Borrowings and debentures	Derivatives	Transaction costs	Lease liabilities	Total
At January 1, 2022	**370,407**	**6,946**	**(1,486)**	**245,439**	**621,306**
Cash flows	(476,158)	-	-	(36,689)	(512,847)
Interest paid	(63,814)	-	-	(19,243)	(83,057)
Accrued interest	67,708	-	2,065	29,830	99,603
New leases	-	-	-	82,571	82,571
New funding	622,594	-	(2,386)	-	620,208
Fair value of financial instruments	-	32,428	-	-	32,428
Write-offs	(1)	-	-	(969)	(970)
At December 31, 2022	**520,736**	**39,374**	**(1,807)**	**300,939**	**859,242**
Cash flows	(159,527)	(22,706)	-	(63,673)	(245,906)
Interest paid	(61,281)	-	-	-	(61,281)
Accrued interest	94,627	-	3,194	30,594	128,415
New leases	-	-	-	1,733	1,733
New funding	295,524	-	(4,108)	-	291,416
Conversion into debentures	(241,546)	-	-	-	(241,546)
Fair value of financial instruments	-	15,351	-	-	15,351
Write-offs	-	-	-	(18,384)	(18,384)
At December 31, 2023	**448,533**	**32,019**	**(2,721)**	**251,209**	**729,040**

	Consolidated				
	Borrowings and debentures	Derivatives	Transaction costs	Lease liabilities	Total
At January 1, 2022	**374,472**	**6,946**	**(1,486)**	**295,132**	**675,064**
Cash flows	(477,572)		-	(60,237)	(537,809)
Interest paid	(64,240)		-	(26,072)	(90,312)
Accrued interest	68,144		2,065	36,314	106,523
New leases	-		-	139,888	139,888
New funding	611,269		(2,386)	-	608,883
Fair value of financial instruments	-	32,428	-	-	32,428
Write-offs	(1)		-	(15,651)	(15,652)
At December 31, 2022	**512,072**	**39,374**	**(1,807)**	**369,374**	**919,013**
Cash flows	(162,964)	(22,707)	-	(74,966)	(260,637)
Interest paid	(61,256)	-	-	-	(61,256)
Accrued interest	95,344	-	3,194	36,326	134,864
New leases	-	-	-	1,816	1,816
New funding	315,084	-	4,108	-	310,976
Conversion into debentures	(241,546)	-	-	-	(241,546)
Fair value of financial instruments	-	15,352	-	-	15,352
Write-offs	-	-	-	(68,824)	(68,824)
At December 31, 2023	**456,464**	**32,019**	**(2,721)**	**263,726**	**749,488**

25. Non-cash transactions

The following transactions did not affect cash:

	Company		Consolidated	
	2023	2022	2023	2022
Price adjustment from acquisition of subsidiary	(8,943)	5,942	(20,091)	5,942
New lease contracts	1,733	82,571	1,816	139,888
Indemnity contingencies	(15)	(663)	(379)	7,917

26. Subsequent events

6th Issue of debentures

As part of the financial restructuring process, on March 22, 2024 the Board of Directors approved the private placement of mandatorily convertible debentures expected to be completed in April 2024.

Acquisition of Move3

On March 28, 2024, Transportadora Americana completed the acquisition of 13.12% of Move3 Administração e Participações S.A. ("Move3") for R$50,000. Subsequently, Transportadora Americana will merge Move3, through the issuance of 331,000,000 shares by Transportadora Americana. Afterwards, the Company will merge Transportadora Americana, in which the former shareholders of Move3 will receive 726,830,161 shares issued by the Company.

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