Financial Statements

Amsted Maxion Fundição e Equipamentos Ferroviários S.A.

December 31, 2023 and 2022
with Independent Auditor’s Report

Amsted Maxion Fundição e Equipamentos Ferroviários S.A.

Financial statements

December 31, 2023

Contents

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A free translation from Portuguese into English of Independent Auditor's Report on Individual and Consolidated Financial Statements prepared in Brazilian currency in accordance with the accounting practices adopted in Brazil

Independent auditor's report on financial statements

To the
Shareholders, Board of Directors and Officers of
Amsted Maxion Fundição e Equipamentos Ferroviários S.A.
Cruzeiro - SP

Opinion

We have audited the financial statements of Amsted Maxion Fundição e Equipamentos Ferroviários S.A. (the "Company"), which comprise the statement of financial position as at December 31, 2023 and the statements of profit or loss, of comprehensive income, of changes in equity and cash flows for the year then ended, and notes to the financial statements, comprising material accounting policy information and other explanatory information.

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of Amsted Maxion Fundição e Equipamentos Ferroviários S.A. as at December 31, 2023, and its financial performance and cash flows for the year then ended in accordance with the accounting practices adopted in Brazil.

Basis for opinion

We conducted our audit in accordance with Brazilian and International Standards on Auditing. Our responsibilities under those standards are further described in the "Auditor's responsibilities for the audit of the individual and consolidated financial statements section of our report. We are independent of the Company in accordance with the relevant ethical principles set forth in the Code of Professional Ethics for Accountants, the professional standards issued by the Brazil's National Association of State Boards of Accountancy (CFC) and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Responsibilities of board of directors and those charged with governance for the financial statements

Board of directors is responsible for the preparation and fair presentation of the individual and consolidated financial statements in accordance with the accounting practices adopted in Brazil, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, board of directors is responsible for assessing the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless board of directors either intends to liquidate the Company or to cease operations, or has no realistic alternative but to do so.

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

Auditor’s responsibilities for the audit of the financial statements

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

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

- Identify and assess the risks of material misstatement of the individual and consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by board of directors.
- Conclude on the appropriateness of board of directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company’s ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor’s report to the related disclosures in the individual and consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor’s report. However, future events or conditions may cause the Company to cease to continue as a going concern.

- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the individual and consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

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

We also provide those charged with governance with a statement that we have complied with relevant ethical requirements, including applicable independence requirements, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

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

São Paulo, March 22, 2024.

ERNST & YOUNG
Auditores Independentes S/S Ltda.
CRC-SP034519/O

Márcio D. Berstecher
Accountant CRC-SP259735/O

Amsted Maxion Fundição e Equipamentos Ferroviários S.A.

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

	Note	2023	2022
Assets			
Current assets			
Cash and cash equivalents	4	**13,734**	32,460
Trade receivables and related parties	5	**64,760**	68,482
Inventories	6	**67,469**	52,920
Taxes recoverable	7	**26,377**	45,647
Prepaid expenses		**1,746**	816
Other receivables		**3,210**	2,294
		177,296	202,619
Noncurrent assets			
Trade receivables and related parties	5	**5,937**	6,062
Taxes recoverable	7	**38,201**	47,402
Escrow deposits	15	**67,241**	62,436
Deferred income tax and social contribution	8.a	**40,999**	39,462
Investments in associates	10	**125,502**	117,854
Right of use	23	**809**	588
Property, plant and equipment	11	**96,842**	90,564
		375,531	364,368
Total assets		**552,827**	566,987

	Note	2023	2022
Liabilities and equity			
Current liabilities			
Borrowings and financing	12	**58,714**	115,552
Trade payables and related parties	13	**59,893**	64,573
Taxes payable		**2,993**	1,196
Payroll and related taxes	14	**21,751**	20,124
Lease liabilities	23	**415**	352
Advances from customers		**675**	3,724
Dividends payable	16.c	**5,790**	2,464
Royalties payable	9	**1,165**	546
Other payables		**10,639**	15,831
		162,035	224,362
Noncurrent liabilities			
Borrowings and financing	12	**24,271**	11,670
Trade payables and related parties	13	**-**	3,576
Lease liabilities	23	**417**	270
Provision for tax, civil and labor risks	15	**69,219**	64,842
Other payables		**1,144**	2,788
		95,051	83,146
Equity			
Capital	16.a	**153,683**	153,683
Legal reserve		**9,375**	6,838
Equity adjustments	16.b	**5,455**	6,031
Income reserve		**127,228**	92,927
		295,741	259,479
Total liabilities and equity		**552,827**	566,987

See accompanying notes.

Amsted Maxion Fundição e Equipamentos Ferroviários S.A.

Statement of profit or loss
Years ended December 31, 2023 and 2022
(In thousands of Brazilian reais - R$, except for earnings per share)

	Note	2023	2022
Net revenue	17	**548,208**	626,946
Cost of sales and services	20	**(448,024)**	(513,461)
Gross profit		**100,184**	113,485
Operating income (expenses)			
Selling expenses	20	**(14,468)**	(29,043)
General and administrative expenses	20	**(17,740)**	(16,444)
Management fees	20	**(5,325)**	(4,997)
Equity pickup	10	**12,234**	14,781
Other operating expenses, net	21	**(3,904)**	(4,411)
Operating income before Finance income (costs)		**70,981**	73,371
Finance income	18	**6,410**	6,098
Finance costs	18	**(20,787)**	(21,204)
Foreign exchange differences, net	19	**820**	(267)
Operating income before income tax and social contribution		**57,424**	57,998
Income tax and social contribution			
Current	8.b	**(8,539)**	(8,304)
Deferred	8.b	**1,278**	(2,172)
Profit for the year		**50,163**	47,522
Earnings per share - basic and diluted - R$	16.d	**0.00302**	0.00286

See accompanying notes.

Amsted Maxion Fundição e Equipamentos Ferroviários S.A.

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

	2023	**2022**
Profit for the year	**50,163**	47,522
Other comprehensive income	**-**	-
Total comprehensive income for the year	**50,163**	47,522

See accompanying notes.

Amsted Maxion Fundição e Equipamentos Ferroviários S.A.

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

	Note	Capital	Legal reserve	Income reserve	Equity adjustments	Retained earnings (accumulated losses)	Total
Balances at December 31, 2021		153,683	4,422	60,800	6,769	-	225,674
Realization of deemed cost, net of tax effects		-	-	-	(799)	799	-
Write-off of deemed cost, net of tax effects		-	-	-	61	-	61
Profit for the year		-	-	-	-	47,522	47,522
Allocation of profits							
Setup of legal reserve		-	2,416	-	-	(2,416)	-
Income reserve		-	-	33,824	-	(33,824)	-
interest on equity (withholding taxes)		-	-	(1,697)	-	-	(1,697)
Interest on equity (imputed as dividends)		-	-	-	-	(9,617)	(9,617)
Mandatory minimum dividends		-	-	-	-	(2,464)	(2,464)
Balances at December 31, 2022		153,683	6,838	92,927	6,031	-	259,479
Realization of deemed cost, net of tax effects		**-**	**-**	**-**	**(576)**	**576**	**-**
Write-off of deemed cost, net of tax effects		**-**	**-**	**-**	**-**	**-**	**-**
Profit for the year		**-**	**-**	**-**	**-**	**50,163**	**50,163**
Allocation of profits							
Setup of legal reserve		**-**	**2,537**	**-**	**-**	**(2,537)**	**-**
Income reserve		**-**	**-**	**35,518**	**-**	**(35,518)**	**-**
interest on equity (withholding taxes)		**-**	**-**	**(1,217)**	**-**	**-**	**(1,217)**
Interest on equity (imputed as dividends)		**-**	**-**	**-**	**-**	**(6,894)**	**(6,894)**
Mandatory minimum dividends		**-**	**-**	**-**	**-**	**(5,790)**	**(5,790)**
Balances at December 31, 2023		**153,683**	**9,375**	**127,228**	**5,455**	**-**	**295,741**

See accompanying notes.

Amsted Maxion Fundição e Equipamentos Ferroviários S.A.

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

	Note	2023	2022
Cash flows from operating activities			
Profit for the year		**50,163**	47,522
Adjustments to reconcile net income or the year to cash from (used in) operating activities:			
Depreciation	11, 20	**11,098**	10,493
Amortization of right of use	23	**340**	246
Deferred income tax and social contribution	8.b.	**(1,278)**	2,172
Income tax and social contribution		**8,539**	8,304
Interest on borrowings and financing	12	**14,433**	17,535
Interest on lease liabilities	23	**41**	49
Residual value of property, plant and equipment items written off	11	**(407)**	2,306
Residual cost of right of use derecognized	23	**(70)**	(67)
Equity pickup	10	**(12,234)**	(19,266)
Equity pickup - Amortization	10, 21	**1,427**	4,485
Allowance for inventory losses	6	**146**	1
Allowance for doubtful debts	5	**53**	(2)
Exchange differences on borrowings and financing	12	**754**	143
Provision for tax, civil, and labor risks, net of reversals	15	**1,204**	1,959
Other		**(4,464)**	(1,184)
Decrease (increase) in assets:			
Trade receivables		**3,794**	(25,690)
Inventories		**(14,695)**	9,707
Taxes recoverable		**28,471**	15,421
Appeal escrow deposits		**113**	(306)
Other receivables and other assets		**(2,067)**	(1,589)
(Decrease) increase in liabilities:			
Trade payables		**51,734**	128,667
Advances from customers		**(3,049)**	1,226
Payroll and related taxes		**1,627**	3,090
Other payables and other liabilities		**(4,420)**	(17,666)
Cash from operating activities		**131,253**	187,556
Payments of labor and tax lawsuits	15	**(1,745)**	(2,189)
Payment of interest on leases	23	**(101)**	(42)
Payment of interest on borrowings and financing	12	**(18,357)**	(11,393)
Cash from operating activities		**111,050**	173,932
Cash flows from investing activities			
Purchase of property, plant and equipment	11	**(17,783)**	(20,673)
Cash used in investing activities		**(17,783)**	(20,673)
Cash flows from financing activities			
Payment of Interest on equity	16	**(8,111)**	(11,313)
Payment minimal dividends	16	**(2,464)**	(15,026)
Borrowings and financing taken out	12	**45,500**	61,905
Repayment of lease liabilities	23	**(361)**	(240)
Repayment of borrowings and financing	12	**(146,557)**	(183,540)
Cash used in financing activities		**(111,993)**	(148,214)
Increase (decrease) in cash and cash equivalents		**(18,726)**	5,045
Cash and cash equivalents at beginning of year		**32,460**	27,415
Cash and cash equivalents at end of year		**13,734**	32,460
Increase (decrease) in cash and cash equivalents		**(18,726)**	5,045

See accompanying notes.

1. Operations

1.1. General information

Amsted Maxion Fundição e Equipamentos Ferroviários S.A. ("Company") is a privately-held corporation with head office at Rua Dr. Othon Barcellos, 77, in the city of Cruzeiro, State of São Paulo.

The Company is engaged in the manufacturing and sale of railroad wheels, steel casting components for railcars and the spare parts market, remanufacturing, repair and refurbishment of railroad components and railcars and steel casting components for the industrial market through its plant located in the city of Cruzeiro, in the State of São Paulo.

The Company is jointly managed by three shareholders: Amsted Rail Brasil Equipamentos Ferroviários Ltda. holding 51.00% stake (Parent), Greenbrier do Brasil Participações Ltda. holding 29.50% stake (shareholder) and Iochpe Maxion S.A. holding 19.50% stake (shareholder).

1.2. Operational plan and actions implemented by the Company's management

The Company achieved results above the operational plan in 2023, even with the lower volume of the domestic aftermarket and export parts. The number of new wagons finished the year with 1.382 which is about half of the average market size of the last ten years and reflects the concentration of investments in infra-structure by the concessionaires. Even though, Amsted Maxion had strong volume of locomotive wheels as well as rail export to the U.S. during the year and was able to overcome the lower volumes with a favorable model mix. The negotiation of the parametric formula to cover cost fluctuations, scrap purchase from clients with a competitive price and the consistency of operations were also strong contributors to the higher result. The shareholders financially support the Company in an eventual disruption or operational difficulty, but the company has been successful in maintaining the financial health and independency from this support.

Production performance was very consistent to the plan in both wheel and sand casting lines, and when compared to the prior year's production cost, wheel line was 10% lower in cost and sand casting was 5% lower, which reflects the continuous work toward cost reductions, improvements of process flow and efficiency. Amsted Maxion continues to invest in safety, performance improvement and capacity increase, and has invested over R$17 million during the year to achieve new standards of production.

1. **Operations** (Continued)

1.2. **Operational plan and actions implemented by the Company's management** (Continued)

The Company had a strong financial performance with higher results in net cash generation 131% above plan, net debt was 34% lower than plan with a debt to earnings ratio of 0.8. The impact was achieved by the strong focus on terms negotiations with clients and suppliers to improve the overall working capital of the company, and higher margins achieved through operational performance and price negotiations. The current assets are 9.4% higher than the current liability for 2023 compared to a negative 9.7% of 2022 and shows the improvement of the company's liquidity.

Amongst the actions taken by the Management to improve the results and the liquidity level, the following are accentuated:

(a) The 4DX methodology actions were expanded to all hierarchical levels for the second year and generated cost savings in internal services, contracts of third party and other fixed cost savings.

(b) MES (Manufacturing Execution System) has been implemented and is in phase of retrieving and compiling of information to use for performance improvement, preventive maintenance and quality control for the areas of molding, pouring and meltshop of Amsted Maxion.

(c) Commercial team has negotiated the purchase of steel scrap from the clients aiming to reduce cost, have circular economy and also to have a competitive advantage against new entrants in the market.

(d) Amsted Maxion begin to supply wheels to the U.S. market with the goal to be a source of wheels and rail parts to the North American market and expand its export volumes.

(e) Amsted Maxion provided training in diversity and equity for its employees and also many workshops based on the ESG principles to create a better environment to its employees and to society. The company also have provided scholarships and international training to its management team, to boost technical and practical learning to improve the business.

(f) Amsted Maxion worked alongside with Amsted Rail to exchange ideas and best practices between plants, aiming to implement improvements and share expertise to reach world class operations.

(g) Investments this year continues to focus on workplace safety and ergonomics improvements, but also in process optimization and capacity increase, especially in the machining and melt shop areas

1. **Operations** (Continued)

1.2. **Operational plan and actions implemented by the Company’s management** (Continued)

Railroad transport has represented, since its beginning, an important strategic element for the economy. It is the best alternative for transporting grain and containerized cargo, with the lowest cost and least environmental impact, high load capacity, more safety in the transportation of goods and lower risk of accidents.

In 2023 (January to September), according to data from the ANTF (Brazilian Association of Railway Transporters), the increase in Brazil rail transport was 2.85% compared to the same period in 2022, with growth in general cargo transport of 3.5% and iron ore, a positive evolution of 2.5%. Sugar and cast iron stood out, with growth of 15% and 10% respectively (comparing January to September 2022 and 2023). As for rail transportation of iron ore, there was a 2.5% increase compared to the same period last year. From January to September 2023, 51% of sugar and 47% of cellulose that were exported, arrived to the sea ports by rail, this demonstrated that the modal is suitable for transporting large volumes of cargo and is extremely competitive and efficient.

The federal government has begun a radical transformation of rail transportation in the country. By creating “Pró Trilhos” a national program that allows new railroads to be constructed without an initiative of the private sector, which currently only invests in concession projects auctioned off by the government. Until December 31, 2023, this program has received 96 applications, of which 46 have already been authorized, representing R$225 billion in investments and 12,300 kilometers of new track developed.

With the new railroad authorizations, the Ministry of Transport is planning to increase from the current 20% to 40% by 2035 transportation by railroad, with the expansion of railroads from 30,000 km to 35,000 km. Investments in port concessions will also optimize the connection between railroads and terminals.

The renewals of Brazilian railroad concessions, such as VALE, MRS and RUMO, have already been approved for another 30 years, with only the VLI concession scheduled for 2024. There are also new railroad concessions already signed, such as the “Norte-Sul Railroad” by RUMO, which began operating in 1Q23, the “FIOL-1 Railroad” by BAMIN, which is scheduled to begin operating in 2025 and the “Ferrovia de Integração Centro-Oeste (FICO)”, which is being built by VALE and is also scheduled to begin operating in 2025. There are also future projects under construction, which are expected to start operating between 2028 and 2035.

1. Operations (Continued)

1.2. Operational plan and actions implemented by the Company's management (Continued)

In the Ministry of Transport's planning, through the program PAC (Growth Acceleration Program), government investments in railroads will total almost R$100 billion, of which R$50 billion will go towards renewing concessions, R$42 billion towards new concessions and R$8 billion towards privatizations.

Brazil 2023 remained challenging for rail export market, due to the coronavirus pandemic, as well as the scenario of war between Russia and Ukraine, specifically in South America, Argentina faced the worst year in its history in terms of inflation, reaching a record 211%, even higher than Venezuela. Due to inflation, the Argentine government blocked the exit of dollars from the country, preventing imports, directly impacting our business to the tune of USD 1MM, with a drop in sales volume of approximately 40%. With the change of government in December 2023, an economic transition began, allowing private companies in Argentina direct access to dollars without the Central Bank's involvement, so that business between the two countries can resume in 2024. For the other markets in South America, there was a drop in the share provided by strong competition from the Chinese competitors.

However, even with the impact on volumes generated by customers, we managed to achieve excellent results for the year through production efficiency, cost controls and sales strategy.

Considering the industrial castings segment, in 2023, efforts were made to support and encourage Brazilian reindustrialization, and the machinery and equipment sector is expected to end the year with revenues of R$290 billion, a drop of 9% compared to 2022, which had already seen a drop of 5.9%.

Studies indicate that this year's weaker performance was related to worsening sales in the domestic market. Net sales revenues for the local market are expected to shrink by 15%, while export revenues are expected to grow by 15% in dollars or 8% in reais.

And we should point out that it wasn't just the acquisition of locally-produced machinery that was reduced in volume in 2023. Apparent consumption data, the sum of the result of production directed to the local market and imports of machinery and equipment during the period, is expected to shrink by 10% in 2023. However, imports are expected to fall by 2.7%, while production for the local market is expected to fall by 15%. For this reason, local production is expected to lose around 3.5 percentage points of the national market share over the year.

1. **Operations** (Continued)

1.2. **Operational plan and actions implemented by the Company's management** (Continued)

However, in 2024 we are going to insist to the government on the need to reduce the Brazil Cost and accelerated depreciation; on changes to the law that instituted the TLP; on adequate credit lines for the sector, reducing interest rates; on making it impossible to open up trade in steel products; and on tax reform, the approval of which will promote a significant reduction in cumulative taxation, making the process more transparent, less costly, benefiting the competitiveness of domestic Brazilian companies against international competitors, and accelerating the country's growth. Published impact studies indicate an increase in Brazil's potential GDP of 20% in 15 years, mainly due to the increase in productivity and investments over the period.

In practical terms, for 2024 - due to the weaker performance of economic activity - GDP growth is expected to be lower than in 2023. In the most optimistic scenario, we expect a small increase in sales of machinery and equipment, around 3%, and in the base scenario stability in net sales revenue. Falling interest rates, but still at high levels, should continue to hamper investment in machinery and equipment. The optimistic scenario assumes an improvement in public investment due to the municipal elections and faster progress on projects related to the Minha Casa Minha Vida and PAC programs.

The Company is optimistic about the possible demand arising from the renewal of current concessions, new concessions and railway authorizations, in addition to the increase in the yellow line market, construction equipment, and the promising scenario for exports, forecasting revenues in 2024 of R$565 million (in the railway wheels; railway and industrial castings segments), 28% of which are already signed contracts.

Source: Ministry of Infrastructure, ANTF (National Association of Railway Carriers), Brazilian Association of Technology for Construction and Mining (Sobratema).

1.3. Compliance Program

1. Operations (Continued)

1.3. Compliance Program (Continued)

The company reaffirms its unwavering commitment to high ethical standards and compliance with anti-corruption laws in all internal and external dealings. Amsted Maxion actively seek transparent and integral partnerships, emphasizing strict adherence to anti-corruption regulations. Dedication to integrity extends to all stakeholders, encouraging ethical practices in every aspect of our operations. Transparency, accountability, and ethical conduct are foundational to the company's success and contribute to fostering a trustworthy business environment.

To ensure alignment with Amsted Maxion's values, the company maintain available in its website, details of Corporate Governance and Code of Conduct (https://www.amstedmaxion.com.br/governanca-corporativa/).

Since January 2023, we voluntarily adhere to the Pact for Integrity and Against Corruption. This commitment prohibits any form of bribery, contributions to campaigns for undue advantages, or the use of unethical means in relationships with public officials.

We pledge full support and collaboration with Public Authorities in investigating any suspected irregularities. In 2023, we maintained an A+ rating in the "Nos Conformes" program, showcasing our commitment to tax compliance and responsible business practices.

2. Basis of preparation of the financial statements

a) Statement of compliance

The Company's financial statements have been prepared in accordance with the accounting practices adopted in Brazil.

The accounting practices adopted in Brazil ("BR GAAP") comprise those included in Brazilian corporate law and the accounting pronouncements, guidance and interpretations issued by the Brazilian Accounting Pronouncements Committee ("CPC") and approved by Federal Accounting Council (CFC).

Management states that all significant information in the financial statements, and only this information, is disclosed and corresponds to that used by management in its operations.

For better comparability in relation to the values in the 2023 cash flow statement, some items in the 2022 financial statement were reclassified, as per note 26.

2. Basis of preparation of the financial statements (Continued)

b) Basis of measurement

The financial statements were prepared based on the historical cost, except for certain property, plant and equipment items, which were valued at deemed cost and, when applicable, financial instruments measured at fair values. Historical cost is generally based on the fair value of consideration paid in exchange for assets.

Fair value is defined as the price that would be received for the sale of an asset or paid for the transfer of a liability in a transaction between market participants at measurement date, whether or not this price may be directly observed or estimated using a different valuation technique. In estimating fair value of an asset or liability, the Company takes into consideration the characteristics of the asset or liability in case the market participants take these characteristics into account in pricing the asset or liability at measurement date. For purposes of measurement and/or disclosure in these financial statements, fair value is calculated on this base, except for lease transactions within the scope of CPC 06 (R2) - Leases (equivalent to IFRS 16) and measurements that have certain similarity with fair value but are not fair value, such as unrealized net amounts mentioned in CPC 16 (R1) - Inventories (equivalent to IAS 2) or value in use in CPC (R1) - Impairment of Assets (equivalent to IAS 36).

c) Functional and presentation currency

Items included in the Company's financial statements are measured in Brazilian reais (R$), the functional and presentation currency of the financial statements, which represents the currency of the main economic environment in which it operates.

d) Use of estimates and judgments

In applying the accounting policies described in Note 3, management must make judgments and prepare estimates regarding the book value of assets and liabilities not easily obtained from other sources. These estimates and associated assumptions are based on experience and other factors considered to be relevant. Actual results may occasionally differ from these estimates.

Estimates and underlying assumptions are revised on an ongoing basis. The effects from the revisions of accounting estimates are recognized in profit or loss from the current year.

Areas that involved estimates and judgments are disclosed as follows:

- Note 5 - Expected credit loss.
- Note 6 - Allowance for inventory losses.

(Amounts expressed in thousands of Brazilian reais - R$, unless otherwise stated)

2. Basis of preparation of the financial statements (Continued)

d) Use of estimates and judgments (Continued)

- Note 8 - Deferred income tax and social contribution.
- Note 15 - Provision for tax, civil and labor risks.
- Note 22 - Risk and financial instrument management.

3. Significant accounting policies

3.1. Impact of first-time adoption of other new and amended IFRSs in effect in the current year

In the current year, the Company adopted the following amendments to the IFRS Standards and Interpretations issued by the IASB effective for annual periods beginning on or after January 1, 2023 The adoption of these Standards and Interpretations had no material impact on the disclosures or amounts disclosed in these financial statements.

Standard	Requirement	Impact on the financial statements
IFRS 17 - Insurance Contracts	IFRS 17, also known as CPC 50 for Insurance Contracts, introduces a new accounting framework specifically for insurance contracts. This standard encompasses the recognition, measurement, presentation, and disclosure of insurance contracts and supersedes IFRS 4 (or CPC 11), the previous insurance contracts standard. IFRS 17 (CPC 50) is applicable to a wide array of insurance contracts, including life, non-life, direct insurance, and reinsurance, along with certain guarantees and financial instruments with discretionary participation features, although certain exclusions do exist. The primary goal of IFRS 17 (CPC 50) is to establish a unified and more informative accounting model for insurance contracts that enhances consistency and utility for insurers by addressing all pertinent accounting considerations.	There was no effect on the Company's financial statements as a result of implementing these changes.
Definition of Accounting Estimates - Amendments to IAS 8	Regarding the Definition of Accounting Estimates, the revisions to IAS 8 (paralleled by CPC 23, which deals with accounting policies, changes in accounting estimates, and the rectification of errors) aim to better differentiate between changes in accounting estimates, alterations in accounting policies, and the correction of errors. Furthermore, these amendments provide clearer guidance on the application of measurement techniques and inputs in the formulation of accounting estimates.	These amendments did not affect the Company's financial statements.

3. Significant accounting policies (Continued)

3.1. Impact of first-time adoption of other new and amended IFRSs in effect in the current year (Continued)

Standard	Requirement	Impact on the financial statements
Disclosure of Accounting Policies - Amendments to IAS 1 and IFRS Practice Statement 2	The revisions to IAS 1, corresponding to CPC 26 (R1) - Presentation of Financial Statements, along with IFRS Practice Statement 2, offer detailed guidance and illustrative examples to assist organizations in applying materiality judgments to their accounting policy disclosures. These changes are designed to enhance the usefulness of disclosed accounting policies by shifting the disclosure requirement from "significant" accounting policies to "material" accounting policies. Additionally, they introduce new guidance on how to implement the concept of materiality in determining which accounting policy disclosures to make.	While these amendments influenced the way the Company discloses its accounting policies, they did not affect the measurement, recognition, or presentation of items within the Company's financial statements.

3.2. Adoption of new and revised IFRS not yet applicable

The International Accounting Standards Board - IASB published or amended the following accounting pronouncements, guidance or interpretations, the mandatory adoption of which is not yet applicable.

Standard	Requirement	Impact on the financial statements
Deferred Tax related to Assets and Liabilities arising from a Simple Transaction - Amendments to IAS 12	The revisions to IAS 12 Income Tax (aligned with CPC 32 - Income Taxes) adjust the framework for the initial recognition exception, specifically limiting its applicability. This adjustment means the exception no longer covers transactions that result in simultaneous taxable and deductible temporary differences, such as those seen in leases and decommissioning obligations.	Despite these changes, there was no impact on the company's financial statements.

(Amounts expressed in thousands of Brazilian reais - R$, unless otherwise stated)

3. Significant accounting policies (Continued)

3.2. Adoption of new and revised IFRS not yet applicable (Continued)

Standard	Requirement	Impact on the financial statements
International Tax Reform - Rules of the Pillar Two Model - Amendments to IAS 12	The amendments to IAS 12 (equivalent to CPC 32 - Income Taxes) were introduced in response to the OECD (The Organization for Economic Cooperation and Development) Pillar Two rules on BEPS (Base Erosion and Profit Shifting) and include: • A compulsory temporary exemption for recognizing and disclosing deferred taxes that arise from the adoption of the Pillar Two model rules across jurisdictions; and • New disclosure obligations for entities impacted by these rules, aimed at enhancing the clarity for financial statement users regarding a company's potential tax liabilities under the Pillar Two framework, particularly before these rules officially come into effect. The compulsory temporary exemption, which requires disclosure upon use, takes effect immediately. The additional disclosure obligations are set to apply for fiscal years starting on or after January 1, 2023, but will not be applicable for any interim periods that conclude before or on December 31, 2023.	These amendments did not affect the company's financial statements since the company does not fall under the scope of the Pillar Two model rules, given its annual revenue is below 750 million euros.
Standards issued, but not yet effective.	Below is a summary of the new and revised standards and interpretations that have been issued but are not yet effective as of the publication date of the Company's financial statements.	Company plans to adopt these changes, where relevant, once they become mandatory.
Revisions to IFRS 16: Accounting for Lease Liabilities in Sale and Leaseback Transactions	In September 2022, the International Accounting Standards Board (IASB) released revisions to IFRS 16 (aligned with CPC 06 - Leases), clarifying how a seller-lessee should measure the lease liability that results from a sale and leaseback transaction. This clarification aims to prevent the seller-lessee from recognizing gains or losses related to the retained right of use. These amendments will take effect for fiscal years beginning on or after January 1, 2024, with retrospective application required for sale and leaseback transactions undertaken following the initial application date of IFRS 16 (CPC 06). Early adoption of these amendments is allowed, provided that it is disclosed.	It is not anticipated that the changes will have a material impact on the Company's financial statements.

(Amounts expressed in thousands of Brazilian reais - R$, unless otherwise stated)

3. Significant accounting policies (Continued)

3.2. Adoption of new and revised IFRS not yet applicable (Continued)

Standard	Requirement	Impact on the financial statements
Revisions to IAS 1: Classification of Liabilities as Current or Non-Current	The IASB issued updates in January 2020 and October 2022 to sections 69 to 76 of IAS 1 (corresponding to CPC 26 (R1) - Financial Statements Presentation), aiming to refine the criteria for categorizing liabilities as either current or non-current. These amendments offer clarification on several key points: • The definition of the right to defer settlement. • The necessity for the deferral right to be in place at the reporting period's end. • The understanding that the likelihood of the entity opting to delay does not influence its classification decision. • The specific condition that an embedded derivative in a convertible liability impacts classification only if it qualifies as an equity instrument on its own. Furthermore, related to vendor financing arrangements, the amendments to IAS 7 and IFRS 7 introduce a disclosure obligation for situations where a liability, stemming from a borrowing arrangement, is categorized as non-current based on the entity's conditional right to defer settlement, contingent upon its compliance with certain covenants within the next twelve months. These updates are slated for implementation in financial statements for fiscal years commencing on or after January 1, 2024, and are to be applied retrospectively.	The Company is in the process of evaluating how these amendments might affect its current practices, including the potential need to renegotiate existing borrowing agreements.
Amendments to IAS 7 Cash Flow Statements and IFRS 7 Financial Instruments	In May 2023, the International Accounting Standards Board (IASB) updated IAS 7 (matched with CPC 03 (R2) - Statements of Cash Flows) and IFRS 7 (aligned with CPC 40 (R1) - Financial Instruments: Disclosures) to better define vendor financing arrangements and mandate enhanced disclosures for these agreements. These additional disclosure requirements aim to provide financial statement users with a clearer picture of how supplier financing arrangements influence a company's liabilities, cash flows, and liquidity risk exposure. These amendments are set to apply to fiscal years starting on or after January 1, 2024, although companies can choose to adopt them earlier if they wish, provided this early adoption is disclosed.	The company does not foresee these changes significantly affecting its financial statements.

3. Significant accounting policies (Continued)

3.3. Other accounting policies

a) General principles and revenue recognition criteria

Revenue from sales of products

Revenue is recognized to the extent that economic benefits are likely to flow to the Company and when it can be reliably measured, irrespective of when payment is received, and when control is transferred to the buyer.

Revenue is measured at the fair value of the consideration received, less any discounts, rebates and taxes or charges on sales. The Company measures revenue transactions in accordance with specific criteria to determine whether it is operating as an agent or a principal and eventually concluded that it has been operating as a principal in all its revenue agreements. The Company provides no guarantee other than the guarantee set forth by law, in line with the industry practice.

b) Foreign currency transactions

These are translated into the Company's functional currency at the exchange rates prevailing at the dates of the transactions. Monetary assets and liabilities denominated and calculated in foreign currencies at the end of each year are retranslated into the functional currency at the exchange rate prevailing at that date. Foreign exchange gains or losses on monetary items correspond to the difference between the amortized cost of the functional currency at the beginning of the year, and the amortized cost in foreign currency at the exchange rate prevailing at the end of each year. Foreign-currency-denominated nonmonetary assets and liabilities that are measured at fair value are retranslated into the functional currency at the exchange rate prevailing at the date their fair values were determined.

c) Cash and cash equivalents

These comprise cash, bank deposits and temporary investments redeemable within 90 days as from investment date, considered of immediate liquidity and convertible into a known cash amount, subject to a low risk of change in value, which are recorded at cost plus yield earned until year closing date, and do not exceed market or realizable value.

3. Significant accounting policies (Continued)

3.3. Other accounting policies (Continued)

d) Trade receivables and expected credit losses

Recognized and held in the statement of financial position at the original amount of the receivables, less the expected credit losses, which is recognized taking into account the expected credit loss criteria. The breakdown of trade receivables is analyzed as a whole, and an allowance is recognized for all receivables that are not expected to generate future economic benefits for the Company.

e) Inventories

These are recorded at average acquisition or build-up cost, adjusted to net realizable value and any losses, when applicable. Average cost includes expenses incurred upon acquisition, costs of production and transformation and other costs incurred to bring the inventories to the locations and selling conditions. In the case of manufacture inventories and products in process, cost includes a portion of manufacturing overhead base on normal operating capacity.

Net realizable value corresponds to the estimated selling price in the normal course of business, less estimated costs of completion and selling expenses.

The Company makes estimates to determine the allowance for losses on inventories, which it considers to be in an amount considered sufficient to cover probable losses on inventories, based on the policy set by management. The allowance for losses on inventories is recognized based on the history of consumption on an item-by-item basis for the past 12 months compared to the existing balance of inventories for the current year. For the quantities that exceeded the historical consumption for the past 12 months and are not expected to be sold in the future, an allowance for inventory losses is recorded.

f) Investments in associates

An associate is an entity over which the Company has significant influence and which does not configure as a subsidiary or joint venture. Significant influence is the power to participate in decisions about the operating and financial policies of the investee, without exerting individual or joint control over these policies.

3. Significant accounting policies (Continued)

3.3. Other accounting policies (Continued)

f) Investments in associates (Continued)

The income, expenses, assets and liabilities of associates are included in these financial statements under the equity method, except when the investment, or part of the investment, is classified as held for sale, in which case it is recognized in accordance with CPC 31 - Noncurrent Assets Held for Sale and Discontinued Operations. Under the equity method, an investment in an associate is initially recognized in the statement of financial position at cost and subsequently adjusted to recognize the Company's interest in profit or loss and other comprehensive income of the associate.

g) Property, plant and equipment

g.1) *Recognition and measurement*

PPE items are recorded at acquisition or build-up cost and, when applicable, interest capitalized over the construction period, for the cases of qualifying assets, net of accumulated depreciation and provision for impairment of assets for paralyzed assets not expected to be reused or realized.

Gains from and losses on disposal of a PPE item are computed by comparing the disposal amount with the book value of PPE, and are recognized net under Other operating income/(expenses) in P&L.

Machinery replacement parts, necessary for the normal operation of PPE items and which result in an increase to the useful life of these items in a period over 12 months, are classified as property, plant and equipment.

g.2) *Subsequent costs*

Replacement costs of a PPE item are recognized at book value of the item in case economic benefits embodied in the item are likely to flow to the Company, and their cost can be reliably measured. Maintenance costs of property, plant and equipment are recognized in P&L as incurred.

3. Significant accounting policies (Continued)

3.3. Other accounting policies (Continued)

g) Property, plant and equipment (Continued)

g.3) *Depreciation*

Depreciation is calculated on the amount subject to such depreciation, which is the cost of an asset item, or an amount that replaces cost, less residual value.

Depreciation is recognized in P&L on a straight-line basis with respect to estimated useful life of each component of each part of a PPE item, as this is the method that more closely reflects the pattern of consumption of the future economic benefits embodied in the asset. Land is not depreciated.

The estimated useful lives are disclosed in Note 11.

Depreciation methods, useful lives and net book values are reviewed at each financial year closing date, and any adjustments thereto are recognized as changes in accounting estimates.

h) Impairment testing

h.1) *Fixed assets*

The Company analyzes on an annual basis whether there is evidence that the carrying amount of an asset might be impaired. If there is any evidence of impairment, the recoverable amount of the asset is estimated, which is the higher of its fair value less costs to sell and its value in use. Value in use equals the discounted cash flows (before taxes) derived from the asset’s continuing use. When the residual value of the asset exceeds its recoverable amount, an impairment loss is recognized.

For impairment purposes, assets are grouped at the lowest levels for which there are separately identifiable cash flows (Cash Generating Units - CGUs).

3. Significant accounting policies (Continued)

3.3. Other accounting policies (Continued)

h) Impairment testing (Continued)

h.2) *Financial assets (including receivables)*

Financial assets not measured at fair value through profit or loss are assessed at year end to identify whether there is objective evidence of impairment.

i) Provisions

i.1) *Provision for tax, civil and labor risks*

Provisions are recognized when the Company has a legal or constructive obligation as a result of past events and it is probable that an outflow of funds will be required to settle the obligation, and the obligation amount can be reliably estimated. The provision is quantified at the present value of the expected disbursement to settle the obligation using the appropriate discount rate, according to related risks.

This is adjusted up to the end of each fiscal year for the probable loss amount, according to the nature of each contingency and based on the opinion of the Company's legal counsel. The bases for and nature of the provision for tax, civil, and labor risks are described in Note 15.

j) Taxation

j.1) *Current taxes*

The provision for income tax and social contribution is based on taxable profit for the year. Taxable profit differs from the income in the statement of profit and loss as it excludes income or expenses taxable or deductible in other years, and also nontaxable or nondeductible items on a permanent basis. The provision for income tax and social contribution is calculated at the rates prevailing at the end of each year, of 15%, plus a surtax of 10% on the taxable profit above R$240 (annual basis) for income tax and 9% on the taxable profit for social contribution, considering the offset of income and social contribution taxes loss carryforwards, limited to 30% of the taxable profit.

3. Significant accounting policies (Continued)

3.3. Other accounting policies (Continued)

j) Taxation (Continued)

j.2) *Deferred taxes*

Deferred income tax and social contribution ("deferred taxes") arise from temporary differences at the end of each fiscal year between the balances of assets and liabilities recognized in the financial statements and their tax bases used in the determination of taxable profit, including tax losses where applicable. Deferred tax liabilities are usually recognized on all temporary taxable differences and deferred tax assets are recognized on all temporary deductible differences, only when it is probable that the Company will present future taxable profit in a sufficient amount so that these temporary deductible differences can be utilized.

The recovery of deferred tax assets is reviewed at the end of each fiscal year, and when it is no longer probable that future taxable profits will be available to allow the recovery of all or part of the assets, the asset balance is adjusted based on the expected recoverable amount.

Deferred tax assets and liabilities are measured using the tax rates applicable for the period in which the liability is expected to be settled or the asset is expected to be realized, based on the tax rates set forth in the tax law prevailing at the end of each reporting period, or when new legislation has been substantially enacted. The measurement of deferred tax assets and liabilities reflects the tax consequences that would follow from the manner in which the Company expects, at the end of each year, to recover or settle the carrying amount of these assets and liabilities.

Deferred tax assets and liabilities are offset when, and only when, there is the legal right to offset the tax asset against the tax liability and when they are related to the taxes managed by the same tax authority, and the Company intends to settle the net value of its tax assets and liabilities.

3. Significant accounting policies (Continued)

3.3. Other accounting policies (Continued)

k) Earnings (loss) per share

Basic earnings (loss) per share are calculated by means of profit (loss) for the year attributable to controlling and non-controlling interests of the Company and the weighted average of common shares outstanding in the respective year. Diluted earnings (loss) per share are calculated by means of the average number of shares outstanding, adjusted by instruments potentially convertible into shares, with diluting effect, in the reported years.

l) Leases

l.1) *Lessee*

The Company assesses whether a contract is or contains a lease at the commencement of the agreement. The Company recognizes a right-of-use asset and corresponding lease liability for all lease agreements where the Company is the lessee, except for short-term leases (with lease terms of no more than 12 months) and low-value asset leases (such as tablets and personal computers, small items of office furniture and telephones).

For these leases, the Company recognizes operating lease payments as operating expenses on a straight-line basis over the lease term, except when another systematic basis is more representative of the time pattern in which economic benefits from the leased asset are consumed.

The lease liability is initially measured at the present value of lease payments that are not paid at the inception date, discounted by applying the implicit lease rate. If such rate is not readily determinable, the Company uses its incremental borrowing rate.

The lease liability is presented in a separate line of the statement of financial position, and is subsequently measured by increasing the carrying amount to reflect the interest on the lease liability (using the effective interest method) and reducing the carrying amount to reflect the lease payment made. The Company remeasures the lease liability (and makes a corresponding adjustment to the respective right-of-use asset) whenever:

- The lease term is changed or there is any significant event or change in circumstances that results in a change in the assessment of the exercise of the call option.

3. Significant accounting policies (Continued)

3.3. Other accounting policies (Continued)

l) Leases (Continued)

l.1) *Lessee* (Continued)

- Lease payments are changed due to changes in the index or rate or there is a change in the expected payment of the residual guaranteed value. The lease contract is modified and the change in the lease is not accounted for as a separate lease.

The Company did not make these adjustments in the reporting periods. The right-of-use assets include the initial measurement of the corresponding lease liability and lease payments made on or before the inception date, less potential lease incentives received and initial direct costs.

These assets are subsequently measured at cost, less accumulated depreciation and accumulated impairment losses.

Whenever the Company assumes an obligation with respect to the costs necessary to disassemble and remove a leased asset, restore the place where the asset is located or return the corresponding asset to the condition required in accordance with the lease terms and conditions, the allowance is recognized and measured pursuant to IAS 37 (CPC 25).

Right-of-use assets are disclosed in a separate line in the statement of financial position. The Company applies IAS 36 (CPC 01 (R1)) to determine whether the right-of-use asset is impaired and account for potential impairment losses identified as described in the impairment policy.

Variable rents that do not depend on an index or rate are not part of the measurement of the lease liability and right-of-use asset. The corresponding payments are recognized as expense in the period in which the event or condition that gave rise to these payments occurs and are recorded in line item “Other expenses” in profit or loss.

3. Significant accounting policies (Continued)

3.3. Other accounting policies (Continued)

m) Financial instruments

Classification and measurement of financial assets

All financial assets recognized must be subsequently measured at amortized cost or at fair value based on the Company's business model for managing financial assets and their contractual cash flow characteristics.

Financial assets

i) *Amortized cost*

Financial assets held within a business model whose purpose is to hold financial assets in order to receive contractual cash flows are recorded at amortized cost. These flows are received on specific dates and constitute solely payment of principal and interest. The following are examples of assets classified into this category: "Cash and cash equivalents", "Trade receivables" and "Other receivables".

ii) *Fair value through profit or loss*

The following assets are recorded at fair value through profit or loss: (i) assets that do not fall into the business models through which they could be classified at amortized cost or fair value through other comprehensive income (loss); (ii) equity instruments designated at fair value through profit or loss; and (iii) financial asset that are managed in order to obtain cash flow from the sale of assets.

Initial measurement

Upon initial recognition, the Company measures its financial assets and liabilities at fair value, considering transaction costs attributable to the acquisition or issue of the financial asset or financial liability. Trade receivables are initially measured at transaction price.

3. Significant accounting policies (Continued)

3.3. Other accounting policies (Continued)

m) Financial instruments (Continued)

Financial assets (Continued)

ii) *Fair value through profit or loss* (Continued)

Subsequent measurement

Assets are subsequently measured as follows:

i) Amortized cost

These assets are accounted for using the effective interest rate method less expected credit losses. In addition, the principal amount paid is considered for amortized cost calculation purposes.

ii) Fair value through profit or loss

Assets classified within this business model are accounted for through recognition of gains and losses in P&L for the period.

iii) Impairment of financial assets

Regarding the impairment of financial assets, CPC 38 requires an “expected credit loss” model compared to the “incurred credit loss” model set out in CPC 38 (IFRS 9). Under the “expected credit loss” model, the Company is required to recognize expected credit losses and related variations at each reporting date to reflect any changes in the credit risk occurred since the initial recognition of the financial assets. In other words, it is no longer necessary for a credit event to have occurred before credit losses are recognized. CPC 38 (IFRS9) specifically requires the Company to recognize an allowance for expected credit losses on trade receivables. In particular, CPC 38 (IFRS9) requires the Company to measure the loss allowance for a financial instrument in an amount equivalent to lifetime expected credit losses (ECL) if the credit risk underlying such financial instrument has increased significantly since the initial recognition, or if the financial instrument corresponds to an acquired or originated financial asset that might be impaired.

3. Significant accounting policies (Continued)

3.3. Other accounting policies (Continued)

m) Financial instruments (Continued)

Financial assets (Continued)

ii) *Fair value through profit or loss* (Continued)

Subsequent measurement (Continued)

iii) Impairment of financial assets (Continued)

Nevertheless, if the credit risk underlying a financial instrument has not increased significantly since the initial recognition (except for acquired or originated financial assets that might be impaired), the Company is required to measure the loss allowance for that financial instrument in an amount equivalent to 12-month ECL. CPC 38 (IFRS9) also sets a simplified approach to measure a loss allowance in an amount equivalent to lifetime ECL for trade receivables, contract assets and lease receivables under certain circumstances.

Trade receivables, among the financial assets held by the Company, are subject to recognition of the allowance for impairment (Note 5). The Company's operations are focused on the railroad segment, and the large majority of its receivables derive from a few customers with appropriate financial soundness; for this reason, the loss on collection of receivables in the year ended 2022 did not show any changes. Therefore, the Company's profit or loss did not have significant impacts on the adoption of the recognition of credit losses.

Financial liabilities

Classification

Company financial liabilities are classified into:

i) Amortized cost, comprised of trade payables, and borrowings and financing

Initial recognition

Financial liabilities are initially recognized at fair value plus transaction costs (in the case of borrowings and financing, and accounts payable). Company financial liabilities are accounts payable, borrowings and financing. The Company engaged in no transactions involving derivative financial instruments.

(Amounts expressed in thousands of Brazilian reais - R$, unless otherwise stated)

3. Significant accounting policies (Continued)

3.3. Other accounting policies (Continued)

m) Financial instruments (Continued)

Financial liabilities (Continued)

Classification (Continued)

i) Amortized cost, comprised of trade payables, and borrowings and financing (Continued)

Subsequent measurement

Liabilities are subsequently measured as follows:

i) Amortized cost

Liabilities classified as amortized cost are accounted for using the effective interest rate method, whereby gains and losses are recorded in P&L upon write-off of the liabilities and recognition of amortization.

ii) Fair value through profit or loss

Liabilities classified as fair value through profit or loss are accounted for by recognizing gains and losses in P&L for the period.

4. Cash and cash equivalents

	2023	2022
Cash and banks	**13,734**	8,404
Highly liquid short-term investments	**-**	24,056
Total	**13,734**	32,460

At December 31, 2023 the company had no short term investments but the types of investment in CDB options and remunerations continues the same as in 2022.

(Amounts expressed in thousands of Brazilian reais - R$, unless otherwise stated)

5. Trade receivables

a) Breakdown

	2023	2022
In Brazil	**20,293**	12,529
Abroad	**10,030**	27,579
Related parties (Note 9)	**40,979**	34,988
Expected credit loss	**(605)**	(552)
Total	**70,697**	74,544
Current assets	**64,760**	68,482
Noncurrent assets	**5,937**	6,062

b) Breakdown by maturity

	2023	2022
Falling due	**59,424**	58,694
Overdue:		
1 to 30 days	**10,842**	5,323
31 to 60 days	**35**	8,194
61 to 90 days	**95**	1,485
91 to 180 days	**301**	848
Above 181 days	**605**	552
Total	**71,302**	75,096

Changes in expected credit loss is as follows:

	2023	2022
Balance at beginning of period/year	**(552)**	(554)
Reversals	**-**	2
Additions	**(53)**	-
Balance at end of year	**605**	(552)

The Company does not negotiate any such transfer off trade receivables for the year ended December 31, 2023 and 2022.

(Amounts expressed in thousands of Brazilian reais - R$, unless otherwise stated)

6. Inventories

	2023	**2022**
Finished products	**10,674**	4,399
Work in progress	**17,976**	13,177
Raw materials	**5,331**	5,992
Ancillary materials	**14,889**	17,028
Advances to suppliers	**14,312**	8,591
Imports in transit	**4,471**	3,771
Provision for losses	**(184)**	(38)
Total	**67,469**	52,920

Changes in provision for inventory losses is as under:

	2023	**2022**
Balance at beginning of period/year	**(38)**	(37)
Reversals	**75**	150
Additions	**(221)**	(151)
Balance at end of year	**(184)**	(38)

7. Taxes recoverable

	2023	**2022**
State Value Added Tax (State VAT (ICMS)) (*)	**25,874**	36,884
Contribution on Gross Revenue for Social Security Financing (COFINS) (**)	**16,212**	27,930
Contribution on Gross Revenue for Social Integration Program (PIS) (**)	**21,059**	26,091
Corporate Income Tax (IRPJ)	**-**	577
Tax Reintegration Regime for Exporting Companies (REINTEGRA)	**355**	571
Federal Value Added Tax (Federal VAT (IPI))	**1,073**	992
Other	**5**	4
Total	**64,578**	93,049
Current assets	**26,377**	45,647
Noncurrent assets	**38,201**	47,402

(*) The Company obtained the release of part of the ICMS credit with the São Paulo State Finance Department. R$5,673 was released in May and September 2023 and R$24,571 in June and November 2022. These credits are being used to pay suppliers.

Throughout the 2023 financial year, the Company remained classified in the A+ category of the program according of the São Paulo State Treasury Department (Sefaz/SP) created by Supplementary Law 1320/2018 with the aim of strengthening the relationship between taxpayers and the tax authorities, encouraging tax compliance, which reinforces the Company's commitment to maintaining an environment of tax compliance.

(Amounts expressed in thousands of Brazilian reais - R$, unless otherwise stated)

7. Taxes recoverable (Continued)

(**) On May 13, 2021, the full bench of the Federal Supreme Court of Brazil ("STF") judged the request for amendment of judgment filed by the Federal Government and concluded that the exclusion of ICMS from the PIS and COFINS tax base is valid from March 15, 2017, date on which the thesis of general resonance was set in the judgment of Extraordinary Appeal No. 574706. The STF judges also clarified that the ICMS that is not included in the tax base of these contributions is that recorded in the invoice. This decision was the basis for the recognition of the PIS and COFINS credits for the period from 2004 to 2017 related to the lawsuit on behalf of the Company, which was corroborated by the final and unappealable decision on the lawsuit. The effects of the decision were determined with the support of external tax advisors and resulted in the recognition of R$36,040 in November 2021 under "Other operating income (expenses)" and R$43,825 under "Finance income". In the year ended December 31, 2023 the Company, has already recovered through tax offsetting an amount of R$18,695 (R$25,183 for the year December 31, 2022), with related federal taxes, for more details regarding to the non-cash transactions refer to note 26. In addition, the Company also recognized the amount of R$2,660 in 2023 (R$4,182 in 2022) as financial income.

Based on projections the Company expects to recover tax credits arising from PIS and COFINS credits in the following years:

Year	R$
2024	19,466
2025	17,805
Total	37,271

8. Income tax and social contribution

a) Deferred taxes

	2023	2022
Provision for tax, civil and labor risks	**23,535**	22,587
Allowance for inventory losses	**62**	13
Expected credit loss	**206**	188
Provision for warranties	**455**	1,266
Profit sharing	**3,124**	2,815
Other	**3,004**	2,468
Income and social contribution tax losses	**87,800**	80,280
Allowance for expected credit losses	**(45,584)**	(36,146)
Deemed cost of property, plant and equipment	**(2,810)**	(3,107)
Goodwill and other intangibles	**(23,507)**	(23,993)
Difference in depreciation criterion	**(5,286)**	(6,909)
Total deferred income tax and social contribution assets, net	**40,999**	39,462

(Amounts expressed in thousands of Brazilian reais - R$, unless otherwise stated)

8. Income tax and social contribution (Continued)

a) Deferred taxes (Continued)

Based on taxable profit projections approved by management bodies, the Company expects to recover tax credits arising from income and social contribution tax losses in the following years:

Year	R$
2024	4,448
2025	4,744
2026	6,816
2027	7,774
2028	8,011
2029 and thereafter	9,206
Total	40,999

The estimated recoverability of tax credits was based on the taxable profit projections, considering several financial and business assumptions, which are being implemented according to the plans deployed by management, as described in Note 1. Accordingly, the Company's management understands that the recovery of tax credits is probable.

b) Reconciliation of statutory income tax rates to the effective tax rates

The reconciliation of credits (expenses), calculated by applying the combined tax rates, and the income tax and social contribution amounts recorded in the statement of profit and loss is as follows:

	2023	2022
Profit (loss) before income tax and social contribution	**57,424**	57,998
Combined rate - %	**34%**	34%
Income tax and social contribution (expense) credit		
Combined rate - %	**(19,524)**	(19,719)
Finance income on interest on tax credits (*)	**904**	1,422
Equity pickup	**4,160**	6,550
Interest on equity	**2,758**	3,846
Law of the asset	**5,250**	-
Other permanent impacts	**2,400**	2,928
Realization of (allowance for) expected credit losses	**(3,209)**	(5,503)
Income tax and social contribution in profit or loss	**(7,261)**	(10,476)
Current	**(8,539)**	(8,304)
Deferred	**1,278**	(2,172)
	13%	18%

(Amounts expressed in thousands of Brazilian reais - R$, unless otherwise stated)

8. Income tax and social contribution (Continued)

b) Reconciliation of statutory income tax rates to the effective tax rates (Continued)

(*) On September 24, 2021, the Federal Supreme Court (STF), upon judging the Appeal to SF (RE) No. 1.063.187, with recognized general resonance, ruled that the IRPJ and CSLL tax levy on amounts received as adjusted by reference to the Selic benchmark interest rate, as a result of tax amounts unduly paid is unconstitutional. In August 4, 2021, the Company filed a petition for a writ of mandamus for recognition of non-levy of IRPJ and CSLL on the amounts deriving from monetary adjustment of tax refund by reason of its indemnification nature. In view of the likelihood of a decision in favor of the Company due to referred to STF decision, and based on ICPC 22 (Uncertainties over Income Tax Treatments), did not subject to taxation by the IRPJ and CSLL the amounts related to the SELIC rate, applied on amounts received by way of repetition of undue payment or tax compensation, in judicial and administrative proceedings and subsequent to the distribution of the action. The amounts in this regard collected prior to the distribution of the action will only be object of refund/compensation requests after the final decision has been made (definitive end of the discussion).

9. Related parties

(a) The amounts referring to the compensation of key management personnel, pursuant to the bylaws, are as follows:

	2023	2022
Key management personnel (salaries and benefits)	**5,325**	4,997

(b) In the ordinary course of business, the Company conducted intragroup transactions under prices, terms and finance charges according to the conditions established among the parties. The main asset and liability balances as at December 31, 2023 and 2022, as well as the transactions that impacted profit or loss for the years then ended, regarding the transactions with related parties are as follows:

	2023				
	Assets	Liabilities		Profit or loss	
	Trade receivables	Trade payables	Patent royalties	Sales	Purchases
Iochpe-Maxion S.A.(Shraholder) R$ - (i-ii)	**113**	**2,264**	**-**	**-**	**30,258**
Amsted Rail Company, Inc. (Related party) - US$	**20,569**	**5**	**1,165**	**81,901**	**257**
Amsted Rail Brasil Equip.Ferrov.Ltda. (Controlling entity) - R$	**357**	**130**	**-**	**422**	**1,060**
Greenbrier Maxion Equip. e Serv.Ferroviários S.A. (Related party) - R$ (iii)	**18,254**	**293**	**-**	**115,306**	**311**
Total	**39,292**	**2,692**	**1,165**	**197,628**	**31,887**

(Amounts expressed in thousands of Brazilian reais - R$, unless otherwise stated)

9. Related parties (Continued)

	2022				
	Assets	**Liabilities**		**Profit or loss**	
	Trade receivables	**Trade payables**	**Patent royalties**	**Sales**	**Purchases**
Iochpe-Maxion S.A.(Shraholder) R$ - (i-ii)	2,932	3,812	-	-	75,816
Amsted Rail Company, Inc. (Related party) - US$	15,134	5	546	92,793	373
Amsted Rail Brasil Equip.Ferrov.Ltda.(Controlling entity) - R$	-	130	-	133	623
Greenbrier Maxion Equip. e Serv.Ferroviários S.A. (Related party) - R$ (iii)	16,922	559	-	136,865	1,462
Total	34,988	4,506	546	229,791	78,274

(i) The Company purchases scrap from its shareholder Iochpe-Maxion S.A.

(ii) On February 29, 2000, the Company and shareholder Iochpe-Maxion S.A., in order to reduce costs and expenses, executed an agreement to regulate the sharing of infrastructure and facilities located at the Cruzeiro plant, in the State of São Paulo, considering that the plants are nearby and located in the same industrial complex. Each party is responsible for the cost of maintenance and management of their own facilities and both bear together the costs of any investments intended for increasing or developing the production capacity of the facilities when the project is of mutual interest. The agreement is effective for 25 years. Infrastructure and facility expenses related to this agreement, recorded in line item “General and administrative income (expenses)”, amounted to a credit R$1,980 for the year ended December 31, 2023 (credit R$3,817 as at December 31, 2022)

(iii) On May 6, 2015, the Company and its associate Greenbrier Maxion Equipamentos e Serviços Ferroviários S.A. entered into an agreement that regulates the sharing of the management infrastructure comprising, but not limited to, employees, technicians, contractors, equipment, and materials (back office) aimed at reducing costs and expenses. This agreement covers sharing the expenses of the following corporate functions: Executive Board, IT, Legal, Sales and Marketing. The expenses on infrastructure and facilities covered by this agreement, recognized as other operating income, totaled R$1,608 for the year ended December 31, 2023 (R$2,052 the year ended December 31, 2022).

(c) The Company purchases raw materials and rail components from the jointly-owned parent Amsted Rail Brasil Equipamentos Ferroviários Ltda. and its associate Greenbrier Maxion Equipamentos e Serviços Ferroviários S.A. Shared services agreement

10. Investments in associates

a) <u>Variations</u>

Investee Greenbrier Maxion Equipamentos e Serviços Ferroviários S.A. is a privately-held company engaged in the manufacturing, tooling, assembly, distribution, and sale of any type of railroad equipment, as well as import and export transactions. The valuation and other intangibles originated from the increase of participation in the investee Greenbrier Maxion Equipamentos e Serviços Ferroviários S.A occurred in 2015.

(Amounts expressed in thousands of Brazilian reais - R$, unless otherwise stated)

10. Investments in associates (Continued)

a) Variations (Continued)

	Balance as at 12/31/2022	Amortization/ write-offs	Equity Pickup Book value	Equity Pickup	Interest on equity	Balance as at 12/31/2023
Greenbrier Maxion Equipamentos e Serviços Ferroviários S.A.	47,083	**-**	**13,661**	**13,661**	**(4,586)**	**56,158**
Goodwill and other intangibles	110,250	**-**	**-**	**-**	**-**	**110,250**
(-) Amortization of customer portfolio	(39,479)	**(1,427)**	**-**	**(1,427)**	**-**	**(40,906)**
Total, net	117,854	**(1,427)**	**13,661**	**12,234**	**(4,586)**	**125,502**

	Balance as at 12/31/2021	Amortization/ write-offs	Equity Pickup Book value	Equity Pickup	Interest on equity	Balance as at 12/31/2022
Greenbrier Maxion Equipamentos e Serviços Ferroviários S.A.	29,887	-	19,266	19,266	(2,070)	47,083
Appreciation	110,250	-	-	-	-	110,250
(-) Amortization of customer portfolio	(34,994)	(4,485)	-	(4,485)	-	(39,479)
Total, net	105,143	(4,485)	19,266	14,781	(2,070)	117,854

	2022	Amortization of portfolio	2023
Future earnings	64,977	**-**	**64,977**
Customer portfolio	1,427	**(1,427)**	**-**
Trademark	4,367	**-**	**4,367**
Total	70,771	**(1,427)**	**(69,344)**

In the year ended December 31, 2023, the Company did not find any indicators that the carrying amounts of some of its assets could be higher than their recoverable amounts; thus, no allowance for impairment was recognized in the financial statements.

10. Investments in associates (Continued)

b) Information on the associate

	2023							
	Number of shares (in thousands)	**Equity interest (%)**	**Assets**	**Liabilities**	**Capital**	**Equity**	**Net revenue**	**Profit for the year**
Greenbrier Maxion Equipamentos e Serviços Ferroviários S.A.	**48,326**	**40.0**	**658,239**	**519,371**	**87,707**	**138,868**	**854,095**	**32,758**

	2022							
	Number of shares (in thousands)	**Equity interest (%)**	**Assets**	**Liabilities**	**Capital**	**Equity**	**Net revenue**	**Profit for the year**
Greenbrier Maxion Equipamentos e Serviços Ferroviários S.A.	48,326	40.0	512,760	397,168	87,707	115,592	789,804	50,730

11. Property, plant and equipment

	Average annual depreciation rate - %	**2023 Cost**	**2023 Accumulated depreciation**	**2023 Net**	**2022 Net**
Buildings and improvements	5.55	**54,146**	**(30.197)**	**23.949**	24.976
Machinery and equipment	11	**184,935**	**(136.243)**	**48.691**	46.489
Molds	18	**32,918**	**(28.409)**	**4.508**	2.888
Furniture and fixtures	7	**4,750**	**(3.020)**	**1.731**	1.904
IT equipment	31.5	**8,536**	**(5.580)**	**2.956**	1.175
Other property, plant and equipment	2.25	**33**	**(26)**	**7**	10
Land	-	**875**	**-**	**875**	875
Construction in progress	-	**13,116**	**-**	**13.116**	11.007
Machinery spare parts	-	**3,568**	**(2.588)**	**1.010**	1.240
Total		**302,876**	**(206,033)**	**96,842**	90,564

(Amounts expressed in thousands of Brazilian reais - R$, unless otherwise stated)

11. Property, plant and equipment (Continued)

Variations in cost - 2023

	2022	2023			
	Cost	Additions	Write-offs	Transfers	Cost
Buildings and improvements	53,985	**-**	**-**	**161**	**54,146**
Machinery and equipment	175,469	**-**	**-**	**9,466**	**184,935**
Molds	30,767	**-**	**-**	**2,151**	**32,918**
Furniture and fixtures	4,637	**-**	**-**	**113**	**4,750**
IT equipment	6,023	**-**	**-**	**2,513**	**8,536**
Other property, plant and equipment	33	**-**	**-**	**-**	**33**
Land	875	**-**	**-**	**-**	**875**
Construction in progress	11,007	**16,645**	**(133)**	**(14,404)**	**13,115**
Machinery spare parts	2,704	**1,138**	**(274)**	**-**	**3,568**
Total	285,500	**17,783**	**(407)**	**-**	**302,876**

Variations in depreciation - 2023

	2022	2023			
	Accumulated depreciation	Additions	Write-offs	Transfers	Accumulated depreciation
Buildings and improvements	(29,009)	(1,188)	-	-	(30,197)
Machinery and equipment	(128,980)	(7,264)	-	-	(136,244)
Molds	(27,879)	(530)	-	-	(28,409)
Furniture and fixtures	(2,733)	(286)	-	-	(3,019)
IT equipment	(4,848)	(733)	-	-	(5,581)
Other property, plant and equipment	(23)	(4)	-	-	(27)
Machinery spare parts	(1,464)	(1,093)	-	-	(2,557)
Total	(194,936)	(11,098)	-	-	(206,034)

(Amounts expressed in thousands of Brazilian reais - R$, unless otherwise stated)

11. Property, plant and equipment (Continued)

Variations in cost - 2022

	2021	2022			
	Cost	**Additions**	**Write-offs**	**Transfers**	**Cost**
Buildings and improvements	53,513	-	-	472	53,985
Machinery and equipment	165,759	-	(2,347)	12,057	175,469
Molds	34,146	-	(4,554)	1,175	30,767
Furniture and fixtures	4,600	-	(41)	78	4,637
IT equipment	6,088	-	(182)	117	6,023
Other property, plant and equipment	34	-	(1)	-	33
Land	875	-	-	-	875
Construction in progress	4,557	20,641	-	(14,191)	11,007
Machinery spare parts	2,425	32	(45)	292	2,704
Total	271,997	20,673	(7,170)	-	285,500

Variations in depreciation - 2022

	2021	2022			
	Accumulated depreciation	**Additions**	**Write-offs**	**Transfers**	**Accumulated depreciation**
Buildings and improvements	(27,742)	(1,267)	-	-	(29,009)
Machinery and equipment	(126,482)	(7,199)	4,701	-	(128,980)
Molds	(31,813)	(638)	4,572	-	(27,879)
Furniture and fixtures	(2,478)	(285)	30	-	(2,733)
IT equipment	(4,557)	(463)	172	-	(4,848)
Other property, plant and equipment	(20)	(4)	1	-	(23)
Machinery spare parts	(827)	(637)	-	-	(1,464)
Total	(193,919)	(10,493)	9,476	-	(194,936)

As of December 31, 2023, the Company did not find any indicators that the carrying amounts of some of its assets could be higher than their recoverable amounts; thus, no allowance for impairment was recognized in the financial statements.

(Amounts expressed in thousands of Brazilian reais - R$, unless otherwise stated)

12. Borrowings and financing

	Index	Annual effective interest rate (%)	2023	2022
Local currency:				
NCE	CDI+2,15%	14.05	**24,271**	-
NCE	CDI+2.60%	14.55	**5,008**	10,024
NCE	CDI+2.98%	14.98	**7,580**	-
NCE	CDI+2.14%	14.04	**11,042**	-
NCE	CDI+2.00%	13.88	**6,245**	7,608
NCE	CDI+2.78%	14.75	**15,041**	25,108
NCE	CDI+3.65%	15.73	**1,946**	5,858
NCE	CDI+2.25%	16.21	**-**	49,969
ACC	-	6.45	**-**	8,639
CONFIRMING	-	15.75	**11,836**	13,573
FINAME	TLP+4.02%	9.58	**8**	105
FINAME	TLP+3.82%	9.38	**8**	96
FINAME	SELIC+6.56%	18.39	**-**	6,242
Total			**82,985**	127,222
Current liabilities			**58,714**	115,552
Noncurrent liabilities			**24,271**	11,670

Represents supply chain financing arrangements (“ forfait ”), contracted with banks Fibra, Santander and Sofisa with interest rates of 15.75% per annum in Brazil. Total Forfait funding for the year ended December 31, 2023 is R$61,119, amortization is R$62,856, with net movement of R$11,836.

Variations in borrowings and financing

	2023	2022
Balances at December 31	**127,222**	113,770
Borrowings	**105,490**	190,707
Accrued interest	**14,433**	17,535
Principal repayment	**(146,557)**	(183,540)
Interest payment	**(18,357)**	(11,393)
Exchange fluctuation	**754**	143
Balances at December 31	**82,985**	127,222

The amounts recorded in noncurrent liabilities mature as follows:

2025	24,271
Total	24,271

(Amounts expressed in thousands of Brazilian reais - R$, unless otherwise stated)

13. Trade payables

	2023	2022
Domestic	**57,013**	62,942
External	**188**	701
Related parties (Note 9)	**2,692**	4,506
Total	**59,893**	68,149
Current	**59,893**	64,573
Noncurrent(i)	**-**	3,576

(i) The noncurrent portion is related to the wagon warranty in 2015, which was recognized last year. The outstanding balance of the warranty is R$1,781 as of December 31, 2023 related to current trade payables respectively (R$2,878 and R$3,576, as of related to current and noncurrent trade payables respectively (December 31, 2022)

14. Payroll and related taxes

	2023	2022
Related taxes	**3,328**	3,353
Accrued vacation pay	**9,234**	8,493
Profit sharing	**9,189**	8,278
Total	**21,751**	20,124

15. Provision for labor, tax and civil risks

The Company is a party to lawsuits and administrative proceedings before various courts and governmental bodies, arising in the normal course of business and involving tax, civil, labor and other matters.

Management, based on information from its legal counsel, analyzed ongoing proceedings, and as regards labor lawsuits, based on past experience regarding the amounts claimed, has recognized a provision in an amount considered sufficient to cover probable losses on ongoing proceedings, as follows:

	2023	2022
Tax lawsuits:		
Federal	**62,891**	58,658
Labor lawsuits	**4,908**	4,796
Severance pay fund (FGTS) - 10% additional	**1,391**	1,366
Civil lawsuits	**29**	22
	69,219	64,842
Escrow deposits	**(60,688)**	(55,770)
Total	**8,531**	9,072

(Amounts expressed in thousands of Brazilian reais - R$, unless otherwise stated)

15. Provision for labor, tax and civil risks (Continued)

The variations in the years are as follows:

	Balance at 2022	Additions	Payments	Reversals	Adjustments	Balance at 2023
Tax lawsuits:						
Federal	58,658	**2,257**	**(847)**	**(1,317)**	**4,140**	**62,891**
Labor lawsuits	4,796	**1,034**	**(898)**	**(24)**	**-**	**4,908**
Severance Pay Fund (FGTS) - 10% Additional	1,366	**-**	**-**	**-**	**25**	**1,391**
Civil lawsuits	22	**7**	**-**	**-**	**-**	**29**
Total	64,842	**3,298**	**(1,745)**	**(1,341)**	**4,165**	**69,219**
Escrow deposits	(55,770)	**(1,203)**	**-**	**194**	**(3,909)**	**(60,688)**

The following is a summary of the lawsuits to which the Company is a party, broken down by type:

Proceedings of a tax nature

	2023			2022		
	Provision	Related escrow deposits	Liabilities, net	Provision	Related escrow deposits	Liabilities, net
PIS/COFINS (a)	**30,697**	**30,607**	**90**	28,923	28,951	(28)
Severance pay fund (FGTS) - 10% additional (b)	**1,391**	**1,391**	**-**	1,366	1,366	-
National Institute of Social Security (INSS) (c)	**28,690**	**28,690**	**-**	25,461	25,453	8
Total	**60,778**	**60,688**	**90**	55,750	55,770	(20)

(a) Legal disputes challenging the payment of contributions on: (i) agents' commissions and royalties paid abroad;

(b) Legal disputes challenging the collection of the severance pay fund (FGTS) 10% additional on employment contract terminations;

(c) Legal disputes challenging the collection of social security tax (INSS) on 1/3 vacation premium, leaves and Occupational Accident Insurance (SAT), as well as charges on paid prior notice.

Labor lawsuits

As at December 31, 2023, the Company was a party to 61 labor lawsuits (61 at December 31, 2022). The main claims in these lawsuits refer to occupational illnesses, accidents, health hazard and hazardous duty premiums, overtime, salary parity and severance pay, among others, and there are no lawsuits whose amounts are individually relevant. The total amount under litigation is R$18,409 (R$16,201 at December 31, 2022) for which a provision in the amount of R$4,908 (R$4,796 at December 31, 2022) was recognized based on the Company's internal policy, representing the best estimate of probable losses.

(Amounts expressed in thousands of Brazilian reais - R$, unless otherwise stated)

15. Provision for labor, tax and civil risks (Continued)

Labor lawsuits (Continued)

There are other lawsuits whose likelihood of loss was assessed by the Company's legal counsel as remote, for which no provision was recognized since accounting practices adopted in Brazil do not require their recognition or disclosure.

Tax and civil lawsuits

The Company is a party to ongoing tax and civil lawsuits that are not provided for because they involve a likelihood of loss classified by management and its legal counsel as possible, As at December 31, 2023, these lawsuits totaled approximately R$140,509 (R$163,248 as at December 31, 2022).

The main lawsuit whose likelihood of loss is assessed as possible is described below:

- Tax assessment notice due to the alleged nonpayment of ICMS in Cruzeiro unit, in the amount of R$122,959 as at December 31, 2023 (R$117,718 in 2022).

Appeal escrow deposits

These represent restricted assets of the Company and are related to amounts deposited and held by the courts until a final decision of the related litigation is reached. These represent restricted assets of the Company and are related to amounts deposited and held by the courts until a final decision of the related litigation is reached.

As at December 31, 2023 and 2022, the balances basically refer to escrow deposits related to labor and tax lawsuits. These deposits, which do not involve current obligations, were necessary to proceed with the lawsuits. Based on management's and its legal counsel's opinion, the likelihood of loss is not considered probable and, therefore, no provision for tax, civil and labor risks was recognized.

	2023	**2022**
Appeal escrow deposits:		
Federal	**5,792**	5,792
Labor	**761**	874
Total appeal escrow deposits	**6,553**	6,666
Related escrow deposits to provision	**60,688**	55,770
Total escrow deposits	**67,241**	62,436

16. Equity

a) Capital

The subscribed and paid-in capital of R$153,683 as at December 31, 2023 and 2022 is represented by 16,635,855 registered common shares, without par value.

b) Equity adjustments

Recognized as a result of the revaluations of items of property, plant and equipment (deemed cost) based on a valuation report prepared by independent valuers. The balance at December 31, 2023 amounts to R$5,455 (R$6,031 in December 31, 2022). The corresponding income tax and social contribution are classified in noncurrent liabilities and are realized through depreciation or disposal of the revalued assets against tax loss carryforwards, net of taxes.

c) Allocation of profit

The net income for the year, determined in accordance with article 191 of Law No. 6404/76, will be allocated as follows: (i) 5% to the legal reserve, which cannot exceed 20% of capital; (ii) 25% for distribution as mandatory dividends; and (iii) the remaining 70%, which is not allocated to the investment and working capital reserve or retained as defined in the capital budget approved by the Annual Shareholders' Meeting (ASM), will be allocated as supplementary dividends to the shareholders.

On November 7, 2023, the Board of Directors approved payment of dividends amount of R$2,464 and interest on equity ("IOE") in the gross amount of R$8,111 equivalent to R$0.000487621 per common share, corresponding to the net amount of R$6,894, or R$0.000414478 per common share, already deducted from the withholding tax (IRRF), respectively. The IOE was paid in full on November 24, 2023.

As decided by the Board of Directors on that date, the IOE will be imputed to the mandatory dividend for the fiscal year 2023 pursuant to Article 36 of the Company's bylaws. The payment of remaining mandatory dividends in the amount of R$5,790 to its shareholders, proportionately to their interest, shall be subject to discussion at the next shareholders' meeting.

(Amounts expressed in thousands of Brazilian reais - R$, unless otherwise stated)

16. **Equity** (Continued)

c) Allocation of profit (Continued)

	31/12/2023	31/12/2022
Profit for the year	**50,163**	47,522
Realization of deemed cost, net of tax effect	**576**	799
Total to distribute	**50,739**	48,321
Allocation of profit:		
(-) Legal reserve (5%)	**2,537**	2,416
(-) Statutory reserve for investment and working capital reserve (70%)	**35,518**	33,824
(-) Mandatory minimum dividends (25%)	**12,684**	12,081
(-) Interest on equity imputed to the minimum mandatory dividends, net of taxes	**6,894**	9,617
(-) Mandatory minimum dividends (remaining balance)	**5,790**	2,464
Proposed dividends	**5,790**	2,464
Interest on equity	**8,111**	11,313
Total distributed	**13,901**	13,777
Total distribution	**27.4%**	28.5%

d) Earnings (loss) per share

Basic and diluted earnings per share was calculated by means of the profit for the year attributable to the Company's shareholders and the weighted average number of shares outstanding, as follows:

	2023	2022
Earnings attributable to owners of the Company	**50,163**	47,522
Weighted average number of shares (thousands)	**16,635,855**	16,635,855
Earnings per share - basic and diluted - R$	**0.00302**	0.00286

The Company does not have dilutive instruments; therefore, the basic earnings per share is equal to the diluted earnings per share.

(Amounts expressed in thousands of Brazilian reais - R$, unless otherwise stated)

17. Net revenue

	2023	2022
Gross sales revenue:		
Product sales	**606,107**	690,874
Services rendered	**170**	252
Deductions:		
Taxes on sales and services	**(54,630)**	(55,575)
Returns and cancelations in the year	**(3,439)**	(8,605)
Net sales and services revenue	**548,208**	626,946

18. Finance income (costs)

	2023	2022
Finance income:		
Finance income on PIS and COFINS credits (i)	**2,660**	4,182
Discounts obtained and interest receivable	**60**	117
CDB/CDI	**2,093**	943
Proex	**1,399**	277
Other	**198**	579
Total	**6,410**	6,098
Finance costs:		
Interest and finance charges on borrowings and financing	**(19,095)**	(20,076)
Tax on Financial Transactions (IOF)	**(165)**	(127)
Other	**(1,527)**	(1,001)
Total	**(20,787)**	(21,204)

(i) As described in Note 7, item (**).

19. Foreign exchange differences, net

	2023	2022
Foreign exchange gains	**5,764**	9,436
Foreign exchange losses	**(4,944)**	(9,703)
Total	**820**	(267)

(Amounts expressed in thousands of Brazilian reais - R$, unless otherwise stated)

20. Cost and expenses by nature

	2023	2022
Raw materials	**(161,586)**	(228,860)
Salaries, charges and benefits	**(129,975)**	(125,509)
Supplies and maintenance	**(118,009)**	(124,256)
Electric energy	**(21,003)**	(20,686)
Depreciation	**(11,098)**	(10,493)
Amortization of right of use	**(340)**	(246)
Outsourced services	**(13,438)**	(11,632)
Freight	**(3,364)**	(16,738)
Transportation and communication	**(1,884)**	(1,700)
Management fees	**(5,325)**	(4,997)
Commissions and royalties	**(3,835)**	(4,173)
Product warranties	**(937)**	(1,012)
Other	**(14,763)**	(13,643)
Total	**(485,557)**	(563,945)
Classified as:		
Cost of sales and services	**(448,024)**	(513,461)
Selling expenses	**(14,468)**	(29,043)
General and administrative expenses	**(17,740)**	(16,444)
Management fees	**(5,325)**	(4,997)
Total	**(485,557)**	(563,945)

21. Other operating income (expenses), net

	2023	2022
Other income:		
Other income	**218**	226
	218	226
Other expenses:		
Federal and state taxes	**(1,205)**	(1,321)
Tax and labor contingencies	**(1,398)**	(1,737)
Trade association dues	**(596)**	(480)
Covid-19	**(6)**	(127)
Municipal Property Tax (IPTU)	**(264)**	(233)
Fines	**(39)**	(46)
Project Formare	**(69)**	(67)
Other expenses	**(545)**	(626)
	(4,122)	(4,637)
Total other operating income (expenses), net	**(3,904)**	(4,411)

(Amounts expressed in thousands of Brazilian reais - R$, unless otherwise stated)

22. Risk and financial instrument management

a) General considerations and policies

The Company enters into transactions involving financial instruments, when applicable, all of which recorded in equity accounts, which are intended to meet its operating and financial needs. These instruments are represented by short-term investments and borrowings and financing.

These financial instruments are managed based on policies, strategies, and internal control systems seeking to ensure liquidity, profitability and security.

The policy on taking out financial instruments for hedging purposes is also approved by the Board of Directors of the Company's parent company and joint parent companies, and subsequently analyzed periodically in relation to the exposure to the risk that management intends to hedge (foreign exchange exposure). The Company does not make any speculative investments in derivatives or in any other risk assets. Gains and losses on these transactions are consistent with the policies and strategies defined by the Company's management.

The estimated realizable value of the Company's financial assets and financial liabilities has been determined based on available market information and appropriate valuation methodologies. Judgments have been required to interpret market inputs in order to develop the most appropriate realizable value estimates. Therefore, the estimates provided below are not necessarily indicative of the amounts that could be realized in a current exchange market. The use of different market methodologies may have a material effect on the estimated realizable values.

Derivative financial instruments: in the years ended December 31, 2023 and 2022, the Company did not enter into derivative transactions.

Classification of financial instruments by category

	Note	2023	2022
Financial assets			
Amortized cost:			
Cash and cash equivalents	4	**13,734**	32,460
Trade receivables	5	**70,697**	74,544
Appeal escrow deposits	15	**67,241**	62,436
Other receivables		**3,210**	2,294
Total		**154,882**	171,734

(Amounts expressed in thousands of Brazilian reais - R$, unless otherwise stated)

22. Risk and financial instrument management (Continued)

a) General considerations and policies (Continued)

Classification of financial instruments by category (Continued)

	Note	2023	2022
Financial liabilities			
Amortized cost:			
Borrowings and financing and lease liabilities	12 and 23	**83,817**	127,844
Trade payables (include due to related parties)	13	**59,893**	68,149
Royalties payable	9	**1,165**	546
Advances from customers		**675**	3,724
Other payables		**11,783**	18,619
Total		**157,334**	218,882

b) Fair values

The Company adopts hierarchy rules to measure the fair value of its financial instruments, according to accounting pronouncement CPC 40/IFRS 7 - Financial Instruments: Disclosure, for financial instruments measured in the statement of financial position, which requires the disclosure of fair value measurements based on the following hierarchy level:

- Level 1 - prices quoted (unadjusted) in active markets for identical assets or liabilities.
- Level 2 - other inputs, except for those included in Level 1, where prices are quoted (unadjusted) for similar assets or liabilities, either directly (as prices) or indirectly (that is, derived from prices) in inactive markets, or other available inputs or that may be confirmed by market information for substantially all terms of the assets and liabilities.
- Level 3 - available inputs, due to little or no market activity, that are not significant for the definition of fair value of assets and liabilities (unobservable inputs).

A market is considered active if quoted prices are readily and regularly available from a stock exchange or regulatory agency, among others, and those prices represent actual market transactions that occur regularly on a purely arm’s-length basis. Therefore, the fair value of the financial instruments traded in active markets is based on market values, quoted at the reporting dates, being included in Level 1.

The fair value of financial instruments not traded in active markets (e.g., over-the-counter derivatives) is determined using valuation techniques.

In the case of the Company, the financial instruments disclosed in the statements of financial position, such as bank checking accounts, short-term investments, short-term trade receivables and trade payables are presented at values close to market.

22. Risk and financial instrument management (Continued)

b) Fair values (Continued)

These valuation techniques make maximum use of market inputs and rely as little as possible on Company-specific estimates.

If all material inputs required for measuring the fair value of an instrument are obtained in the market, the instrument is included in Level 2. If the information is provided by the Company's internal data, the instrument will be included in Level 3.

c) Financial risk management

The operations of the Company are subject to the following risk factors:

Credit risk

Arises from the possibility of the Company incurring losses as a result of default by its counterparties or financial institutions that are depositaries of funds or financial investments. To mitigate this risk, the Company adopts the procedure of analyzing the financial position of its counterparties, as well as establishing credit limits, and constantly monitoring its balances. Concerning the financial institutions, the Company only conducts transactions with financial institutions highly rated by credit rating agencies.

Almost all revenues are allocated between the railway and mining logistics operators and off-road carmakers. The Company's management believes that the allowances recognized are sufficient to cover potential default, and there are no differences between the fair value and the carrying amounts of these allowances (see the allowance for doubtful debts amount in Note 5). In addition, a significant portion of its sales is made with related parties, as described in Note 9.

Liquidity risk

Effectively managing liquidity risk implies maintaining sufficient cash and securities, funds available through committed credit facilities and the ability to settle market positions. Due to the active nature of the Company's business, the Treasury area is flexible in raising funds through the maintenance of committed credit facilities.

Management monitors the Company's liquidity level considering the expected cash flow against unused credit facilities and cash and cash equivalents. This forecast considers the Company's debt financing plans, fulfillment with internal asset/liability ratio goals and, when applicable, external regulatory or legal requirements (e.g., currency restrictions). Through its Risk Management Policy, the Company establishes a minimum cash limit and debt management financial indicators.

(Amounts expressed in thousands of Brazilian reais - R$, unless otherwise stated)

22. Risk and financial instrument management (Continued)

c) Financial risk management (Continued)

Liquidity risk (Continued)

The table below illustrates the Company's nonderivative financial liabilities, by maturity ranges, corresponding to the remaining period in the statement of financial position through the contractual maturity date:

	2023		2022	
	Up to 1 year	**1-2 years**	**Up to 1 year**	**1-2 years**
Borrowings and financing (Include lease liabilities)	**62,456**	**29,512**	124,061	15,840
Trade payables (include due to related parties)	**59,893**	**-**	64,573	3,576
Royalties payable	**1,165**	**-**	546	-
Other payables	**10,639**	**1,144**	15,831	2,788
Total	**134,153**	**30,656**	205,011	22,204

Risk of fluctuation in steel and aluminum prices

A significant part of the Company's operations depends on their ability to purchase steel and aluminum at competitive prices. If the price of steel and aluminum increases significantly, and the Company is unable to pass on the price increase on to products or to reduce operating costs to offset such increase, the operating margin will be lower. However, a significant portion of the Company's agreements entered into with Brazilian and foreign customers provide for adjustments methods to offset part of this risk.

Interest rate risk

Arises from the possibility of the Company incurring gains or losses due to fluctuations in the interest rates applied to its financial assets and financial liabilities. To mitigate this risk, the Company tries to diversify its borrowings into fixed and floating rates.

	2023		2022	
	Index	**R$**	**Index**	**R$**
Short-term investments	**-**	**-**	CDI	24,056
Borrowings and financing	**CDI**	**71,134**	CDI	98,567
Borrowings and financing	**TLP**	**15**	TLP	200

(Amounts expressed in thousands of Brazilian reais - R$, unless otherwise stated)

22. Risk and financial instrument management (Continued)

c) Financial risk management (Continued)

Foreign currency risk

This risk arises from the possible fluctuation in the exchange rates of foreign currencies used by the Company for the acquisition of raw materials, sale of products, and financial instruments the entities enter into, in addition to foreign-currency-denominated payables and receivables. The main assets and liabilities exposed to foreign exchange risks are:

	2023		2022	
	US$	**R$**	**US$**	**R$**
Trade receivables	**6,320**	**30,599**	8,186	42,713
Trade payables	**(40)**	**(193)**	(135)	(706)
Royalties payable	**(241)**	**(1,165)**	(105)	(546)
Net exposure	**6,040**	**29,240**	7,946	41,461

Sensitivity analysis to foreign exchange and interest rate fluctuations

Financial instruments are exposed to fair value changes due to fluctuations in exchange rates and CDI and TLP rates. The sensitivity analyses of the financial instruments to these variables are shown below:

i) *Selection of risks*

The Company selected as the market risk that could have a higher impact on the value of financial instruments held by it as the interest rate risk CDI rates and U.S. dollar/Brazilian real exchange rate.

ii) *Selection of scenarios*

The following table considers three risk scenarios for the currency indexes of these financial liabilities, and the Company adopted the probable scenario. In addition to the probable scenario, two additional scenarios are shown, with stresses of 25% and 50% in the risk variables as at December 31, 2023.

(Amounts expressed in thousands of Brazilian reais - R$, unless otherwise stated)

22. Risk and financial instrument management (Continued)

c) Financial risk management (Continued)

Sensitivity analysis to foreign exchange and interest rate fluctuation (Continued)

ii) *Selection of scenarios* (Continued)

Management did not consider the sensitivity analysis for the probable scenario, with reference to the depreciation of the Brazilian real against the US dollar, because it understands that this scenario substantially reflects the exchange rate changes already recognized in the financial statements for the year ended December 31, 2023.

The possible and remote scenarios consider fluctuations of 25% and 50%, respectively, in CDI and TLP interest rates against the closing quotations as at December 31, 2023:

	Scenarios		
Borrowings and financing - CDI	**Probable**	**Possible +25%**	**Remote +50%**
At December 31, 2023	**15.55%**	**19.44%**	**23.33%**
CDI-indexed borrowings (average spread) - R$71,134	**11,062**	**13,828**	**16,593**
Effect - loss	**-**	**(2,766)**	**(5,531)**

	Scenarios		
Borrowings and financing - TLP	**Probable**	**Possible -25%**	**Remote -50%**
At December 31, 2023	**9.48%**	**11.85%**	**14.22%**
TLP-indexed borrowings - R$15	**1**	**2**	**2**
Effect - loss	**-**	**(1)**	**(1)**

For the sensitivity analysis to foreign exchange exposure as at December 31, 2023, the Company used the foreign exchange exposure balances reported in item “Foreign exchange risk”.

(Amounts expressed in thousands of Brazilian reais - R$, unless otherwise stated)

22. Risk and financial instrument management (Continued)

c) Financial risk management (Continued)

Sensitivity analysis to foreign exchange and interest rate fluctuation (Continued)

ii) *Selection of scenarios* (Continued)

Considering these foreign currency exposures as at December 31, 2023, the sensitivity analysis of outstanding position is as follows:

	Gains	
Company risk	**Possible scenario**	**Remote scenario**
Increase in U.S. dollar rate	**7,310**	**14,620**

The possible scenario considers a 25% appreciation of the U.S. dollar against the Brazilian real over the exchange rate as at December 31, 2023, R$4.8413/US$1.00, i.e., R$6.0516/US$1.00 and the remote scenario considers a 50% appreciation (R$7,260/US$1.00).

Management did not consider the sensitivity analysis for the probable scenario because it understands that this scenario substantially reflects the exchange rate changes already recognized in the financial statements for the year ended December 31, 2023.

23. Right of use and lease liabilities

Variations are summarized below:

	2023	**2022**
Right-of-use assets		
Opening balance	**588**	339
Additions	**631**	562
Write-offs	**(70)**	(67)
Depreciation balance in the period	**(340)**	(246)
Closing balance	**809**	588
Lease liability		
Opening balance	**622**	293
Additions	**631**	562
Principal repayment	**(361)**	(240)
Interest payment	**(101)**	(42)
Accrued interest	**41**	49
Closing balance	**832**	622

(Amounts expressed in thousands of Brazilian reais - R$, unless otherwise stated)

23. Right of use and lease liabilities (Continued)

Payment schedule is as follows:

	R$
2024	415
2025	339
2026	78
Total	832

24. Capital management

It is the Management's policy to sustain a solid capital basis to ensure the confidence of investors, creditors and the market and to maintain the business' future development. The Executive Board monitors the returns on capital, defined by the Company as the operating activities' results divided by total equity. The Executive Board also monitors the level of dividends distributed to common shareholders.

The Company's management seeks to strike a balance between the highest possible returns with more appropriate financing levels and the advantages and security afforded by a sound capital position. This aims at reaching a rate of return commensurate with its cost of capital, which is reviewed annually using the Weighted Average Cost of Capital (WACC) approach.

The debt-to-equity ratio at the end of each year is as follows:

	2023	2022
Total borrowings and financing (Include lease liabilities)	**83,817**	127,844
(-) Cash and cash equivalents	**(13,734)**	(32,460)
Net debt	**70,083**	95,384
Total equity	**295,741**	259,479
Net debt-to-equity ratio	**23.70%**	36.76%

(Amounts expressed in thousands of Brazilian reais - R$, unless otherwise stated)

25. Insurance coverage

The Company has an insurance policy that considers mainly the risk concentration and its materiality, providing it with a level of insurance coverage considered sufficient by management according to the type of its activities and advice of the insurance brokers. Insurance coverage as at December 31, 2023 and 2022 is as follows:

	2023	**2022**
Loss of profits	**151,575**	169,298
Property damage	**196,546**	168,439
D&O insurance	**43,902**	23,333
Civil liability	**10,000**	10,000

26. Non-cash Transactions

In the year ended December 31, 2023, the Company had the following transaction which does not involved cash:

- Income tax and social contribution offset with Pis and Cofins credits in the amount of R$5,296;
- Other tax payable (IRRF, CIDE, Pis, Cofins and Social Contribution) offset with Pis and Cofins credits in the amount of R$13,399;
- New leasing contracts in the amount of R$631;
- Additions relating to Confirming operations in the amount of R$59,990.

27. Authorization for issuance of the financial statements

These financial statements were approved by the Company's Executive Board and authorized for disclosure and issue at the meeting held on March 22, 2024.