Individual and consolidated financial statements

Plascar Participações Industriais S.A.

December 31, 2022
with Independent Auditor's Report

Management report

Profile

Plascar S.A.

Plascar Participações Industriais S.A. (Bovespa: PLAS3), through its subsidiary Plascar Ltda., operates in the automotive industry and its main business purpose is to industrially process and sell parts and pieces related to the interior and exterior finishes of motor vehicles, original and aftermarket, for automakers in Brazil.

Economic and financial performance

(In thousands of reais – R$)	2022	AH%	2021
Net revenue	848,190	38.4%	612,684
Gross profit or loss	119,988	159.2%	46,297
Finance costs	(99,501)	22.4%	(81,282)
Net loss	(97,121)	(20.5%)	(122,230)
EBITDA	56,482	224.3%	17,415
Net debt (2)	191,860	51.7%	126,506

(1) Gross Debt is represented by the sum of loans, financing and derivatives (current and noncurrent), debentures (current and noncurrent) and lease liabilities (current and noncurrent). Net Debt corresponds to Gross Debt minus cash and cash equivalents, restricted cash and restricted marketable securities. Gross Debt and Net Debt are not measures of financial performance, liquidity or indebtedness recognized by accounting practices adopted in Brazil, nor by International Financial Reporting Standards (IFRS), issued by the International Accounting Standard Board (IASB) and have no standard meaning. Other companies may calculate Gross Debt and Net Debt differently than as calculated by the Company. Set out below is the reconciliation of Gross Debt and Net Debt with the Company's consolidated financial statements:

(In thousands of reais – R$)	2022	AH%	2021
Loans and financing (current and noncurrent)	216,675	55.9%	138,993
(=) Gross Debt	**216,675**	**55.9%**	**138,993**
(-) Cash and cash equivalents	(24,815)	98.7 %	(12,487)
Net debt (2)	**191,860**	51.7%	**126,506**

Despite the still persistent instability of global supply chains, year 2022 presented greater predictability for Plascar's operations, notably in the second six-month period.

Constant customer stops, which were widely observed in the first half of 2022, have become less and less frequent and vehicle production in the country has returned to levels slightly lower than those observed in the pre-Covid period.

Against this backdrop, Plascar's profits continued their upward trend, with increased revenues (current volumes and new projects) and maintenance of margins. In this respect, it is also worth mentioning that the increases in raw material prices and the inflationary environment observed in recent quarters continue to impact operations, having been actively addressed by management, in order to mitigate their effects and maintain operating margins.

Reflecting this scenario of improvement, Plascar showed a significant increase in volume and, consequently, in its net revenue, which reached R$ 848,190 in 2022, an increase of 38.4% compared to 2021 (R$ 612,684) and 129.7% compared to 2020 (R$ 369,188), mainly driven by the entry into production of new projects, also highlighting the truck segment, which had its production accelerated in the course of 2022 due to the new environmental obligations that will begin to take effect in January 2023 The increase in net revenue was also due to the inauguration of the new manufacturing unit in Caçapava, which has already started producing several items, bringing important revenue additions to the Company. Another factor that impacted the growth in volumes compared to 2021 was the resumption of production by the Company's customers after the stoppages arising from COVID-19.

The Company's net income (loss), in turn, amounted to a loss of R$ 97,121 in 2022. This result is still below management expectations, since the reversal of this scenario will occur through the increase in EBITDA in future periods, by means of growth of the Company's revenue deriving from the start of production of new projects, which should be sufficient to offset current depreciation volumes and finance costs.

Below is the reconciliation of loss for the year / EBITDA to the Company's financial statements:

(In thousands of reais – R$)	**2022**	**2021**
Loss for the year	**(97,121)**	**(122,230)**
Finance income (costs)	99,501	81,282
Income and social contribution taxes	1,205	92
Depreciation and amortization	52,897	58,271
EBITDA (1)	**56,482**	**17,415**

(1) Earnings Before Interest, Taxes, Depreciation and Amortization (EBITDA) is a non-accounting measure disclosed by the Company, reconciled to its consolidated financial statements, in accordance with CVM Ruling No. 527/12 of October 4, 2012 ("CVM 527"), and consists of the net income (loss) for the year adjusted by the net finance income (costs), current and deferred income and social contribution taxes, and depreciation and amortization charges. EBITDA is not a measure defined by the accounting practices adopted in Brazil nor by the International Financial Reporting Standards (IFRS), issued by the International Accounting Standard Board (IASB), it does not represent the cash flow for the years presented and should not be considered a substitute for net income (loss), as an indicator of operating performance, as a substitute for cash flow, as an indicator of liquidity or as a basis for the distribution of dividends. Although EBITDA has a standard meaning, under the terms of article 3, item I, of CVM Ruling No. 527, the Company cannot guarantee that other companies, including privately-held ones, will adopt this same meaning.

In respect of profitability, Plascar showed an improvement in EBITDA. In the accumulated for year 2022, EBITDA was 6.7% or R$ 56,482, against an EBITDA of 2.8% or R$ 17,415. Compared to 4Q22, EBITDA increased from 3.0% or R$ 4,884 in 4Q21 to 3.7% or R$ 8,378 in 4Q22. This improvement in profitability is largely explained by the effect of the increase in the Company's volumes and billing, and consequent greater absorption of fixed costs.

The Company has recorded a significant improvement in terms of liquidity and capital structure, mainly due to the successful renegotiation of certain liabilities and improved results.

Year 2023 will also be marked by the challenges posed on Plascar's recovery, with continued maintenance of production volume, start-up of new projects, recomposition of margins and strengthening of cash generation. In this scenario, it is worthy of notice that since the beginning of the pandemic, the Company has defined as a priority to protect the health and safety of its employees and their families, through the implementation of strict protocols. Such protocols were implemented when production resumed in 2020 and have been strictly maintained in order to guarantee the safety and health of its employees, with consequences such as loss of production efficiency, in addition to increased costs and expenses.

Automotive Market

Vehicle production in 2022 increased by 5.4% in relation to the same prior-year period, totaling 2,370 million units in the country (source: ANFAVEA).

	SOURCE: ANFAVEA – BRAZIL		
Automotive industry scenario	**2021**	**2022**	**VAR. %**
VEHICLE PRODUCTION	2,248	2,370	5.4%
VEHICLE SALES	2,120	2,105	-0.7%

Despite the result below expectations, the volume presented is seen by ANFAVEA as sufficient to serve the domestic and foreign markets and the stocks emptied over the last few years, even with the lack of components that stopped the production lines of most automakers in 2022.

Investments

Year 2022 was also highlighted by large investments by Plascar. The development of new projects and their respective molds led to an increase in inventories, in addition to CAPEX[1] investments for equipment maintenance and the construction of a new manufacturing unit in Caçapava-SP

These investments were necessary to meet current production and new projects, seeking to improve productivity while reducing costs, with total CAPEX [1] in 2022 of R$ 68 million (R$ 63 million in 2021).

[1] Capital Expenditure – consists of investments in fixed assets such as machinery, equipment and other improvements in the Company's facilities.

Human Resources

The Company continues to invest in professional development of its employees, with approximately 38.89 teaching and training hours per employee in the last 12 months, focused on Industrial Training School Programs (SENAI) courses, professional internship programs, as well as training for technical and operating development.

In 2022, the Company had 2,186 employees (1,872 in 2021).

Relationship with independent auditors

In compliance with CVM Ruling No. 381/03, we inform that the Company adopts as a formal procedure when engaging independent auditors to ensure that the provision of other services does not affect its independence and objectivity necessary for the performance of independent audit services. The audit work on the financial statements prepared in accordance with the accounting practices adopted in Brazil and with the international financial reporting standards (IFRS) issued by the International Accounting Standards Board (IASB) was performed by ERNST & YOUNG Auditores Independentes S.S. Ltda.

We hereby inform that in 2022, the Company contracted, with its auditors, a service not related to the external audit in the amount of R$ 29 (R$ 22 in 2021), not exceeding 5% of the compensation for the external audit services. The policy of the Company and its subsidiary on engaging non-external audit services of its independent auditors is based on principles that preserve the independence of the independent auditor, as follows: the auditor should not audit their own work; the auditor should not hold any management position at their client; and the auditor should not advocate for that client.

Acknowledgments

Once again, we would like to thank all those who were present and supported us during 2022, including our Employees, Customers, Suppliers, Shareholders, Financial Institutions, Members of the Company's Board of Directors and Supervisory Office.

Jundiaí, March 13, 2023.

The Management

Plascar Participações Industriais S.A.

Individual and consolidated financial statements

December 31, 2022 and 2021

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Independent auditor's report on individual and consolidated financial statements

To the
Shareholders, Board of Directors and Executive Board of
Plascar Participações Industriais S.A.
Jundiaí – SP

Opinion

We have audited the individual and consolidated financial statements of Plascar Participações Industriais S.A. (the "Company"), identified as Individual and Consolidated, respectively, which comprise the statement of financial position as at December 31, 2022 and the statements of profit or loss, of comprehensive income (loss), of changes in equity and of cash flows for the year then ended, and notes to the financial statements, including a summary of significant accounting policies and other explanatory information.

In our opinion, the accompanying financial statements present fairly, in all material respects, the Company's individual and consolidated financial position as at December 31, 2022, and its individual and consolidated financial performance and cash flows for the year then ended, in accordance with the accounting practices adopted in Brazil and with the International Financial Reporting Standards (IFRS) issued by the International Accounting Standards Board (IASB).

Basis for opinion

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

Material uncertainty about the Company's and its subsidiary's ability to continue as a going concern

We draw attention to Note 1 to the individual and consolidated financial statements, which describes that the Company, through its subsidiary, has recorded recurring losses in its operations, and accumulated losses in equity, in the amount of R$ 1,340,338 thousand, in Individual and Consolidated, and demands third-party funds as a source of capital to meet operating requirements. This results in excessive current liabilities in relation to current assets at December 31, 2022, in the amount of R$ 366,433 thousand in Consolidated, and capital deficiency of R$ 408,567 at December 31, 2022. As presented in Note 1, these events or conditions, together with other matters described in the same Note, indicate that there is a material uncertainty that could raise significant doubt as to the Company's ability to continue as a going concern. Our opinion is not qualified in respect of this matter.

Key audit matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the financial statements of the current year. These matters were addressed in the context of our audit of the overall individual and consolidated financial statements, and in forming our opinion on the individual and consolidated financial statements. Therefore, we did not express a separate opinion on these matters. In addition to the matter described in the "Material uncertainty with respect to continuity of business operations" section, we have determined that the matter described below is the key audit matter to be disclosed in our report. For each matter below, a description of how our audit has addressed the matter, including any comments on the results of our procedures, is presented in the context of the financial statements taken as a whole.

We have fulfilled the responsibilities described in the "Auditor's responsibilities for the audit of individual and consolidated financial statements" section, including those relating to these key audit matters. Accordingly, our audit included the performance of procedures designed to respond to our assessment of the risks of material misstatement of the financial statements. The results of our procedures, including those performed to address the matters below, provide the basis for our audit opinion on the Company's financial statements. The results of our procedures, including those performed to address the matters below, provide the basis for our audit opinion on the Company's financial statements.

Recoverability of tax credits

As described in Note 9, the Company has recorded R$ 89,970 thousand in credits related to State VAT (ICMS) exclusion from the PIS and COFINS calculation bases under Recoverable taxes in the Consolidated, corresponding to 12% of the total consolidated assets. At least once a year, the Company tests the recoverable value of these credits based on sales projections, premised on the business plans and annual budget, adopted by the Executive Board and approved by the Board of Directors. The methodology and modeling used to determine the recoverable value of these assets were based on projections of the results of its subsidiary, an estimate for which subjective assumptions were used, which involve a reasonable degree of judgment, information and economic and market conditions, among other indicators.

The monitoring of this matter was considered significant for our audit due to the relevance of the amounts involved in relation to the total assets and the potential risks to profit or loss for the year in the event of identification of losses to the recoverable amount of these credits, in addition to the uncertainties inherent in the determination of the expected recovery values, given the use of market information and the high level of judgment exercised by the executive board in determining the assumptions for their calculation. A change in any of these assumptions could have a significant impact on the Company's individual and consolidated financial statements.

How our audit addressed this matter

Our audit procedures included, among others, the analysis and review of the methodologies and models used by the Executive Board, in the evaluation of the assumptions that supported the projections that determined the business plan, budget and analysis of the recoverable value of the exclusion of ICMS credit from the PIS and COFINS contribution tax bases. Our procedures also included assessing the reasonableness and consistency of the data and assumptions used in the preparation of these documents, including projections of results, among others, as provided by the Company's executive board, and we also analyzed the accuracy of the arithmetic calculations. We analyzed information that could contradict the most significant assumptions and selected methodologies.

Additionally, we compared the recoverable amount determined by the Company's executive board with the carrying amount of the tax credit recorded, and evaluated the adequacy of the disclosures in Note 9 to the individual and consolidated financial statements as at December 31, 2022.

Based on the result of the audit procedures performed on the test of the recoverable amount of credits concerning ICMS tax exclusion from the PIS and COFINS calculation bases, we concluded that the executive board's assessment is consistent with our procedures, as well as the respective disclosures in Note 9 are acceptable in the context of the individual and consolidated financial statements taken as a whole.

Other matters

Statements of value added

The individual and consolidated statements of value added (SVA) for the year ended December 31, 2022, prepared under the responsibility of Company executive board and presented as supplementary information for IFRS purposes, have been submitted to audit procedures conducted together with audit of the Company's financial statements. To form our opinion, we evaluated if these statements are reconciled to the financial statements and accounting records, as applicable, and if their form and content comply with the criteria defined by NBC TG 09 – Statement of Value Added. In our opinion, these statements of value added were prepared fairly, in all material respects, in accordance with the criteria defined in abovementioned accounting pronouncement, and are consistent in relation to the overall individual and consolidated financial statements.

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

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

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

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

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

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

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

Building a better working world

Auditor's responsibilities for audit of the individual and consolidated financial statements

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

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

- Identified and assessed the risks of material misstatement of the individual and consolidated financial statements, whether due to fraud or error, designed and performed audit procedures responsive to those risks, and obtained audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtained an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's and its subsidiaries' internal control.
- Evaluated the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the executive board.
- Concluded on the appropriateness of the executive board's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the individual and consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Company to cease to continue as a going concern.
- Evaluated the overall presentation, structure and content of the financial statements, including the disclosures, and whether the individual and consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

We communicate with those charged with governance regarding, among other matters, the scope and timing of the planned audit procedures and significant audit findings, including deficiencies in internal control that we may have identified 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 communicate all potential relationships or matters that could materially affect our independence, including, where applicable, the respective safeguards.

From the matters communicated with those charged with governance, we are required to determine those matters that were of most significance in the audit of the individual and consolidated 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.

Campinas, March 13, 2023.

ERNST & YOUNG
Auditores Independentes S.S. Ltda.
CRC-SP - 2SP027623/F

Cristiane Cléria S. Hilario
Partner – Accountant
CRC-1SP243766/O-8

Plascar Participações Industriais S.A.

Statements of financial position
December 31, 2022 and 2021
(In thousands of reais)

	Individual		Consolidated	
	2022	**2021**	**2022**	**2021**
Assets				
Current assets				
Cash and cash equivalents (Note 6)	**18,156**	7,384	**24,815**	12,487
Trade accounts receivable (Note 7)	**-**	-	**58,971**	31,509
Inventories (Note 8)	**-**	-	**120,288**	118,357
Taxes recoverable (Note 9)	**41**	-	**29,718**	34,746
Other assets	**17**	17	**4,246**	2,836
	18,214	7,401	**238,038**	199,935
Noncurrent assets				
Taxes recoverable (Note 9)	**-**	-	**67,917**	88,959
Judicial deposits (Note 19)	**-**	-	**1,398**	2,317
Other assets	**-**	-	**110**	150
Investment property	**-**	-	**8,272**	8,362
Property, plant and equipment (Note 13)	**7**	7	**330,485**	303,338
Right-of-use assets (Note 14)	**-**	-	**79,271**	15,604
	7	7	**487,453**	418,730
Total assets	**18,221**	7,408	**725,491**	618,665

	Individual		Consolidated	
	2022	**2021**	**2022**	**2021**
Liabilities and equity				
Current liabilities				
Loans and financing (Note 15)	**-**	-	**91,711**	51,531
Lease liabilities (Note 14)	**-**	-	**25,168**	1,546
Trade accounts payable (Note 16)	**-**	-	**87,088**	72,830
Taxes payable and tax installment payment agreements (Note 26)	**185**	27	**84,965**	78,896
Payroll, vacation pay and related charges payable (Note 17)	**-**	-	**238,762**	160,757
Advances from customers (Note 18)	**-**	-	**33,736**	51,608
Other liabilities (Note 20)	**-**	-	**43,041**	40,265
	185	27	**604,471**	457,433
Noncurrent liabilities				
Loans and financing (Note 15)	**-**	-	**124,964**	87,462
Lease liabilities (Note 14)	**-**	-	**62,896**	53,988
Related parties (Note 11.b)	**34,209**	22,148	**7,329**	8,132
Payroll, vacation pay and related charges payable (Notes 17 and 26)	**-**	-	**10,538**	9,265
Taxes payable and tax installment payment agreements (Note 26)	**-**	-	**86,328**	94,333
Deferred income and social contribution taxes (Note 10.a)	**-**	-	**20,502**	19,297
Provision for contingencies (Note 19.b)	**-**	-	**7,129**	6,502
Provision for losses on investment in subsidiary (Note 12)	**392,394**	296,679	**-**	-
Other liabilities (Note 20)	**-**	-	**209,901**	193,699
	426,603	318,827	**529,587**	472,678
Total liabilities	**426,788**	318,854	**1,134,058**	930,111
Equity (Note 21)				
Capital	**931,455**	931,455	**931,455**	931,455
Equity adjustments	**316**	321	**316**	321
Accumulated losses	**(1,340,338)**	(1,243,222)	**(1,340,338)**	(1,243,222)
	(408,567)	(311,446)	**(408,567)**	(311,446)
Total equity	**(408,567)**	(311,446)	**(408,567)**	(311,446)
Total liabilities and equity	**18,221**	7,408	**725,491**	618,665

See accompanying notes.

Plascar Participações Industriais S.A.

Statements of profit or loss
Years ended December 31, 2022 and 2021
(In thousands of reais, except for earnings per share)

	Individual		Consolidated	
	2022	**2021**	**2022**	**2021**
Net operating revenue (Note 23)	**-**	-	**848,190**	612,684
Cost of products sold (Note 24)	**-**	-	**(728,202)**	(566,387)
Gross profit	**-**	-	**119,988**	46,297
Operating expenses				
Selling expenses (Note 24)	**-**	-	**(36,637)**	(28,887)
General and administrative expenses (Note 24)	**(1,796)**	(1,808)	**(80,251)**	(55,883)
Equity pickup (Note 12)	**(95,715)**	(120,487)	**-**	-
Other operating income (expenses), net (Note 24)		-	**485**	(2,383)
	(97,511)	(122,295)	**(116,403)**	(87,153)
Profit or loss before finance income (costs)	**(97,511)**	(122,295)	**3,585**	(40,856)
Finance income (costs)				
Finance costs (Note 25)	**(58)**	(22)	**(112,489)**	(95,893)
Finance income (Note 25)	**448**	87	**12,988**	14,611
	390	65	**(99,501)**	(81,282)
Loss before income and social contribution taxes	**(97,121)**	(122,230)	**(95,916)**	(122,138)
Deferred income and social contribution taxes (Note 10.c)	**-**	-	**(1,205)**	(92)
	-	-	**(1,205)**	(92)
Loss for the year	**(97,121)**	(122,230)	**(97,121)**	(122,230)
Loss per share from operations attributable to Company's shareholders for the year (in R$ per thousand shares)				
Basic loss per share (Note 22)			**(7.82)**	(9.84)

See accompanying notes.

Plascar Participações Industriais S.A.

Statements of comprehensive income (loss)
Years ended December 31, 2022 and 2021
(In thousands of reais)

	Individual and Consolidated	
	2022	**2021**
Loss for the year	**(97,121)**	(122,230)
Total comprehensive income for the year	**(97,121)**	(122,230)

See accompanying notes.

Plascar Participações Industriais S.A.

Statements of changes in equity
Years ended December 31, 2022 and 2021
(In thousands of reais)

	Capital	Equity adjustments	Accumulated losses	Total
Balances at December 31, 2020	931,455	335	(1,121,006)	(189,216)
Realization of property, plant and equipment deemed cost	-	(21)	21	-
Deferred tax on realization of property, plant and equipment deemed cost	-	7	(7)	-
Loss for the year	-	-	(122,230)	(122,230)
Balances at December 31, 2021	931,455	321	(1,243,222)	(311,446)
Realization of property, plant and equipment deemed cost	**-**	**(7)**	**7**	**-**
Deferred tax on realization of property, plant and equipment deemed cost	**-**	**2**	**(2)**	**-**
Loss for the year	**-**	**-**	**(97,121)**	**(97,121)**
Balances at December 31, 2022	**931,455**	**316**	**(1,340,338)**	**(408,567)**

See accompanying notes.

Plascar Participações Industriais S.A.

Statements of cash flows – indirect method
Years ended December 31, 2022 and 2021
(In thousands of reais)

	Individual		Consolidated	
	2022	**2021**	**2022**	**2021**
Cash flows from operating activities				
Loss for the year before taxes	**(97,121)**	(122,230)	**(95,916)**	(122,138)
Adjustments to reconcile loss to cash from (used in) operating activities:				
Depreciation (Note 13.c)	**-**	-	**34,485**	34,983
Amortization (Note 14.a)	**-**	-	**18,379**	23,122
Loss on disposal of property, plant and equipment	**-**	-	**6,473**	182
Interest and monetary variation, net	**-**	-	**100,079**	89,149
Provision for contingencies (Note 19.b)	**-**	-	**6,209**	6,061
Equity pickup (Note 12)	**95,715**	120,487	**-**	-
Set-up (reversal) of provision for market value adjustment and inventory obsolescence (Note 8 and 24)	**-**	-	**(68)**	23
Set-up (decrease in) allowance for expected credit losses (Notes 7 and 24)	**-**	-	**378**	984
	(1,406)	(1,743)	**70,019**	32,366
(Increase) decrease in assets:				
Trade accounts receivable	**-**	-	**(27,840)**	26,281
Inventories	**-**	-	**(1,863)**	(75,372)
Taxes recoverable	**(41)**	-	**26,070**	12,673
Judicial deposits	**-**	-	**919**	1,786
Other assets, net	**-**	-	**(1,279)**	(325)
Increase (decrease) in liabilities:				
Trade accounts payable	**-**	-	**13,312**	35,779
Payroll, vacation pay and social charges payable	**-**	-	**54,587**	47,218
Advances from customers	**-**	-	**(17,872)**	30,521
Taxes and social contributions payable	**158**	(5)	**(10,915)**	(6,136)
Provision for contingencies (payment) (Note 19.b)	**-**	-	**(5,582)**	(11,109)
Other liabilities, net	**-**	-	**(30,000)**	(24,196)
Interest paid	**-**	-	**(37,359)**	(17,352)
Net cash flows from (used in) operating activities	**(1,289)**	(1,748)	**32,197**	52,134
Cash flows from investing activities				
Acquisition of property, plant and equipment (Note 13.b)	**-**	-	**(68,105)**	(62,655)
Net cash used in investing activities	**-**	-	**(68,105)**	(62,655)
Cash flows from financing activities				
Loans taken out (Note 15)	**-**	-	**156,871**	19,699
Repayment of loans and financing (principal) and leases (Notes 14 and 15)	**-**	-	**(107,832)**	(31,054)
Net increase in loans receivable from related parties	**12,061**	(22,312)	**(803)**	682
Net cash from (used in) financing activities	**12,061**	(22,312)	**48,236**	(10,673)
Net increase (decrease) in cash and cash equivalents	**10,772**	(24,060)	**12,328**	(21,194)
Cash and cash equivalents at beginning of year	**7,384**	31,444	**12,487**	33,681
Cash and cash equivalents at end of year	**18,156**	7,384	**24,815**	12,487

See accompanying notes.

Plascar Participações Industriais S.A.

Statements of value added
Years ended December 31, 2022 and 2021
(In thousands of reais)

	Individual		Consolidated	
	2022	**2021**	**2022**	**2021**
Revenues				
Gross operating revenue, less returns and rebates	**-**	-	**1,024,286**	742,539
Other income	**-**	-	**-**	-
Allowance for doubtful accounts	**-**	-	**-**	-
	-	-	**1,024,286**	742,539
Bought-in inputs				
Raw materials consumed	**-**	-	**(384,538)**	(283,047)
Bought-in materials, energy and services and others	**(752)**	(756)	**(170,225)**	(121,683)
Provision for inventory adjustment to market value and obsolescence (Note 8)	**-**	-	**68**	(23)
	(752)	(756)	**(554,695)**	(404,753)
Gross value added	**(752)**	(756)	**469,591**	337,786
Depreciation and amortization (Note 24)	**-**	-	**(52,864)**	(58,105)
Net value added generated by the Company	**(752)**	(756)	**416,727**	279,681
Value added received in transfer				
Equity pickup (Note 12)	**(95,715)**	(120,487)	**-**	-
Finance income	**448**	87	**12,988**	14,611
Other income	**-**	-	**845**	91
	(95,267)	(120,400)	**13,833**	14,702
Total value added to be distributed	**(96,019)**	(121,156)	**430,560**	294,383
Payment of value added				
Personnel				
Salaries and wages	**629**	618	**186,765**	148,361
Social charges	**176**	174	**50,403**	40,721
Taxes, charges and contributions				
Federal	**-**	-	**82,025**	58,534
State	**-**	-	**94,061**	71,275
Local	**239**	260	**1,938**	1,829
Debt remuneration				
Finance costs	**58**	22	**112,489**	95,893
Equity remuneration				
Loss for the year attributable to controlling interests	**(97,121)**	(122,230)	**(97,121)**	(122,230)
Total distributed	**(96,019)**	(121,156)	**430,560**	294,383

See accompanying notes.

1. Operations

Plascar Participações Industriais S.A. ("Plascar S.A." or the "Company"), with headquarters in the city of Jundiaí, State of São Paulo, is a publicly-held corporation with shares traded on the São Paulo Commodities, Futures and Stock Exchange (BM&FBOVESPA) under the ticker symbol PLAS3. The Company's activities consist of controlling its subsidiary Plascar Indústria de Componentes Plásticos Ltda. ("Plascar Ltda."), which operates in the automotive industry and whose business activity is the manufacturing and selling of interior and exterior finishing auto parts.

Plascar Ltda. has manufacturing plants in the cities of Jundiaí and Caçapava, State of São Paulo (SP), and Varginha and Betim, State of Minas Gerais (MG).

On September 24, 2021, the Company communicated to the market about the installation of a new manufacturing unit in the city of Caçapava/SP. The activities started up in September 2022 as planned and, in principle, the new unit will serve automakers installed in the Vale do Paraíba region.

The plants operate mainly in the automotive industry, focused on meeting the needs of automakers, supplying bumpers, dashboards, air diffusers, cup holders, door trim panels, parcel racks and other components. Plascar is also engaged in the manufacture of non-automotive products, e.g., injection and assembly of supermarket trolleys, multi-use boxes, card machines and pallets, which represents less than 5% of the Company's total consolidated assets, net revenue and net income.

After completion of the financial restructuring of the Company and its subsidiary on January 31, 2019, the controlling interest of Plascar S.A. was transferred to Pádua IV Participações S.A. with 59.99% of its capital, and to Deise Duprat (interest formerly held by Permali do Brasil Indústria e Comércio Ltda.) with 18.44%, to Postalis Instituto de Seguridade Social dos Correios e Telégrafos, with 7.12%, and to other individual shareholders who hold together 14.45%. See Note 21.

The Board of Directors authorized the issue of these financial statements on March 10, 2023.

<u>Financial situation</u>

At December 31, 2022, the Company has an excess of current liabilities over current assets in the amount of R$ 366,433 (R$ 257,498 in 2021) in the consolidated and capital deficiency in Consolidated and Individual in the amount of R$ 408,567 (R$ 311,446 in 2021).

1. Operations (Continued)

Financial situation (Continued)

Additionally, the Company presented loss for the current and comparative years, and maintained accumulated losses of R$ 1,340,338 in individual and consolidated (R$ 1,243,222 in 2021).

Finance costs total R$ 112,489 in 2022 (R$ 95,893 in 2021), of which R$ 29,669 correspond to late-payment charges on taxes overdue. Management is taking measures to reduce the impact of these costs on the Company's profit or loss, mainly renegotiating its tax liabilities.

The Company informs that it has been successful in raising new funds from financial institutions under better conditions, as a result of improved operating income and creditworthiness.

In 2022, there was an increase in the production of vehicles of about 5.4% when compared to 2021, according to ANFAVEA data. The Company's net revenue, in its turn, increased by 38.4% in 2022 when compared to the previous year, thus showing the maintenance of a gradual and consistent recovery in volumes and an increase in its market share.

According to official data from ANFAVEA (National Automaker Association), the production of vehicles in 2023 is expected to increase by 2.2%.

The Company continues to adopt measures to increase revenue from new projects, reduce its internal operating costs, and improve margin. It is also constantly negotiating prices with customers to transfer increase in costs (labor, raw material, among others), continuing the Company's restructuring process, and coping with the crisis that started in March 2020 due to the COVID-19 pandemic.

Additionally, management believes that the new projects which started over the last few quarters, added to the projects still under development and which should go into production in the coming months will allow the Company to reverse the quarterly losses. Accumulated net revenue in 2022 surpassed sales in 2021 by 38.4%. This trend can already be seen in the growing operating profit, obtained mainly by absorbing fixed costs, due to the Company's high degree of operating leverage.

1. Operations (Continued)

Financial situation (Continued)

Moreover, installation of the Caçapava manufacturing plant in the second half of 2022 is worth mentioning, bringing great revenue potential in projects already contracted, with production starting in 2023 and the following years. The plant relies on state-of-the-art technology, such as automatic painting, bringing greater efficiency in terms of quality, reduction of production cycles and losses in the production process.

As respects year 2023, it is expected that it will still be a very challenging year and with a lot of volatility given the global and national macroeconomic uncertainties. The Company will continue seeking all possible efficiency gains in production so as to improve profitability while improving its results, thus consolidating the Company's recovery.

The Company's management is in the process of reviewing the projections, considering new projects.

COVID-19 (Coronavirus) impacts on Company's business

On March 11, 2020, the World Health Organization (WHO) announced the outbreak of the Coronavirus COVID-19 as a pandemic on a global scale. The outbreak triggered significant decisions by governments and private sector entities, which added to the potential impact of the outbreak, increased the degree of uncertainty for economic agents and generated impacts on the financial statements. The main economies in the world and the main trading blocs have implemented expressive economic stimulus packages to overcome the potential economic downturn effectively caused by these measures to mitigate the spread of COVID -19.

In Brazil, the Federal Executive and Legislative Branches have published several normative acts to prevent and contain the pandemic, as well as mitigate the respective impacts on the economy, with emphasis on Legislative Decree No. 6, published on March 20, 2020, which declared the state of public calamity. State and city governments have also published several normative acts seeking to restrict the free movement of people and commercial and service activities, in addition to enabling emergency investments in the health area. The suspensions of automotive production reached almost the entire industry in the country, with 123 thousand workers stopped at 63 factories located in 40 cities in 10 states.

During the crisis, management constantly assessed the outbreak impact on the operations and on the financial position of the Company and its subsidiary, in order to implement appropriate measures to mitigate impacts on operations. Management immediately called its Crisis Committee in 2020 to ensure the safety of its employees, service providers and customers served.

1. Operations (Continued)

COVID-19 (Coronavirus) impacts on Company's business (Continued)

Despite the demobilization of the Crisis Committee implemented at the beginning of the pandemic, the committee may be called immediately, if necessary. The Company continues to monitor the situation, always ready to intervene if the pandemic situation worsens. Despite the demobilization of the crisis committee implemented at the beginning of the pandemic, it can be activated immediately if so required.

The Company's operations for the year ended December 31, 2022 were not significantly impacted by the pandemic.

Impacts of the conflict and sanctions related to Ukraine, Russia and/or Belarus on the Company's business

On February 24, 2022, Russia launched a full-scale military invasion against Ukraine, one of its neighbors to the southwest, marking a sharp escalation to a conflict that began in 2014. In return, Western countries and others began to impose sanctions on Russia when the independence of the Donbas region was recognized.

With the start of the attacks on February 24, many other countries began to apply sanctions intended to cripple the Russian economy. Sanctions were broad, targeting individuals, banks, companies, currency exchanges, bank transfers, exports and imports. As a result, the global economy began to be affected by the conflict, mainly in the grain and natural gas sectors. So far, the impact of the conflict is minimal, given that its main customers and suppliers operate in the domestic market.

Despite all the global repercussions and general negative impacts on various businesses, the war has not brought significant consequences to the Brazilian automotive sector so far. Management continues to systematically follow up on possible impacts and monitor potential effects on supply chains, being prepared to take action if necessary.

Corporate and financial restructuring

At the General Special Shareholders' Meeting held on December 13, 2018, shareholders present unanimously approved the final plan for restructuring the Company's debt that, in general, involved the transfer of approximately 90% of Plascar's existing debt by the Company's main creditors to the current parent company "Pádua IV Participações S.A."

1. **Operations** (Continued)

Corporate and financial restructuring (Continued)

On January 31, 2019, according to the Notice to Shareholders and Material Fact disclosed to the market, the Company's capital increased with payment through the use of credits held against Plascar Ltda. for private subscription, amounting to R$ 449,483, through the issue of 7,455,251 common shares at the par value of R$ 60.29 per common share. After capital increase, Company's capital, previously amounting to R$ 481,972, divided into 4,970,167 common shares, increased to R$ 931,455, divided into 12,425,418 common shares.

With the completion of the Company's financial restructuring on January 31, 2019, Company's equity and current liabilities were positively impacted by R$ 449,483, resulting from capital increase.

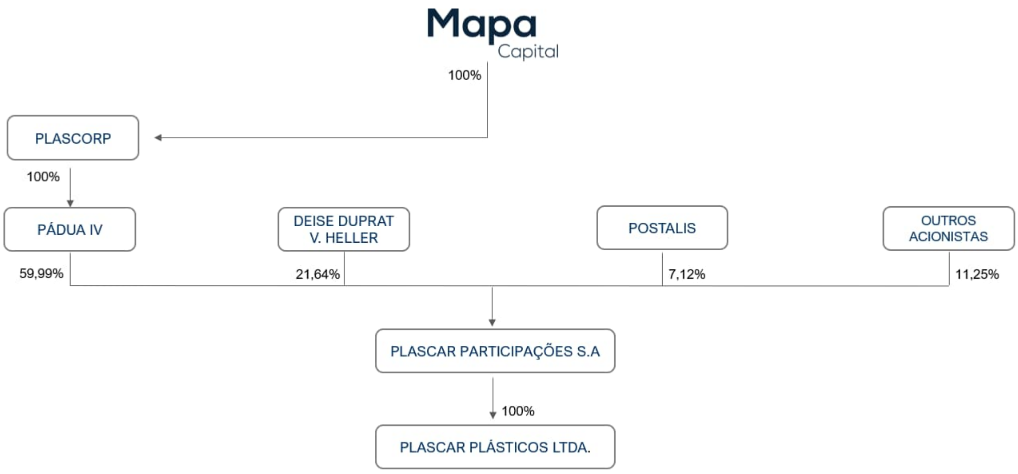
As per a material fact notice on November 18, 2022, Permali Indústria e Comércio Ltda concluded the sale of its entire shareholding in Plascar, representing 18.44% of the common shares issued by the Company, totaling 2,290,953 common shares, in behalf of Deise Duprat, individual. As a result of the sale of Plascar's shares, Permali no longer holds any shareholding in the Company, while Deise Duprat now holds, as of this date, a total and significant amount of 21.64% of Plascar's shares, represented by 2,689,653 shares issued by the Company.

Permali participated in the Company's control group, being an integral part of the Shareholders Agreement that was signed on January 31, 2019. Upon the sale of the shareholding, the said Shareholders' Agreement ceases to produce its legal effects, being considered terminated by operation of law.

1. **Operations** (Continued)

Corporate and financial restructuring (Continued)

Set out below is the new Corporate Structure:



2. Summary of significant accounting policies

2.1. Basis of preparation

The Company's individual and consolidated financial statements were prepared in accordance with accounting practices adopted in Brazil, including pronouncements issued by the Brazilian FASB (CPC) and the International Financial Reporting Standards (IFRS), issued by the International Accounting Standards Board (IASB), and interpretations issued by the International Financial Reporting Interpretations Committee (IFRIC), implemented in Brazil through CPC, its technical interpretations (ICPC) and guidance (OCPC), approved by the Brazilian SEC (CVM).

The individual financial statements of the Company (herein referred to as "Individual") are disclosed together with the consolidated financial statements and presented side-by-side in a single set of financial statements.

All significant information in the financial statements, and only this information, is evidenced and corresponds to that used by management in their conduct of the Company's activities, as per Accounting Guidance OCPC 07 – Presentation and Disclosure in General-Purpose Financial Statements.

Presentation of the individual and consolidated Statements of Value Added (SVA) is required by the Brazilian Corporation Law and by accounting practices adopted in Brazil applicable to publicly-held companies. Such statement is not required for IFRS purposes. As a result, under the IFRS, said statement is presented as supplementary information, without prejudice to the overall financial statements.

Significant accounting policies adopted in the preparation of these financial statements are defined below. These practices have been consistently applied in all years presented, unless otherwise stated.

The financial statements were prepared on a historical cost basis and adjusted to reflect the deemed cost of land and buildings at the date of transition to IFRS/CPC. The historical cost is generally based on the fair value of considerations paid in exchange for goods and services.

Preparation of the financial statements requires the use of certain critical accounting estimates and Company management judgment in the process to apply the accounting policies – see Note 3.

2. Summary of significant accounting policies (Continued)

2.2. Basis of consolidation

The Company consolidates the entity over which it holds control, i.e., when it is exposed to or has variable return rights from its involvement with the investee and has the ability to direct the investee's significant activities.

The consolidated financial statements comprise the financial statements of the Company and its subsidiary at December 31, 2022, whose accounting policies and fiscal year end are the same as those of the Company. Control is obtained when the Company is exposed or entitled to variable returns based on its involvement with the investee, and has the ability to affect such returns by exercising power in relation to the investee.

Specifically, the Company controls an investee if, and only if, it has:

- Power in relation to the investee (i.e., existing rights that guarantee the current ability to govern the relevant activities of the investee);
- Exposure or right to variable returns based on its involvement with the investee; and
- The ability to use its power in relation to the investee to affect the value of its returns.

Generally, it is assumed that the majority of voting rights results in control. To support this assumption, and when the Company has less than the majority of voting rights of an investee, the Company considers all relevant facts and circumstances when assessing whether it has power over an investee, including:

- The contractual agreement between the investor and other holders of voting rights;
- Rights arising from other contractual agreements; and
- The voting rights and potential voting rights of the Company (investor).

The Company evaluates whether it exercises control over an investee if facts and circumstances indicate changes in one or more of the three aforementioned control elements. Consolidation of a subsidiary begins when the Company obtains control over that subsidiary, and ends when such control ceases to exist. Assets, liabilities and profit or loss of a subsidiary acquired or disposed of over the year are included in the consolidated financial statements from the date the Company obtains control to the date such control over the subsidiary ceases to exist.

2. Summary of significant accounting policies (Continued)

2.2. Basis of consolidation (Continued)

Profit or loss and each component of other comprehensive income is attributed to the Company's controlling and non-controlling shareholders, even if this results in loss to non-controlling shareholders. All assets and liabilities, profit or loss, revenues, expenses and cash flows of the same Company, related to operations between Company members, are fully eliminated in the consolidation. Unrealized losses are also eliminated, unless the transaction provides evidence of an impairment loss of the asset transferred.

Changes in equity interest held in subsidiary, without losing control, are accounted for as equity transactions.

If the control exercised over a subsidiary ceases to exist, the corresponding assets (including any goodwill) and liabilities of the subsidiary are written off at their carrying amount on the date the control is lost, and the carrying amount of any non-controlling interests is written off on the date the control is lost (including any components of other comprehensive income attributed to them). Any resulting difference as a gain or loss is recorded in profit or loss. Any retained investment is recognized at its fair value on the date the control ceases to exist.

Investments of the Company and its subsidiaries are recorded under the equity method in the individual financial statements. The Company records negative investment amounts under the heading "Provision for losses on investment in subsidiary" in noncurrent liabilities.

The Company's consolidated financial statements include the financial statements of Plascar Indústria de Componentes Plásticos Ltda. ("Plascar Ltda."), in which it holds 100% equity interest at December 31, 2022 and 2021.

a) Transactions with non-controlling interests

The Company does not have any non-controlling interests at December 31, 2022 and 2021.

b) Loss of control over subsidiaries

When the Company no longer holds such control, any ownership interest in the entity is remeasured at fair value, and any change in the carrying amount is recognized in profit or loss. Amounts previously recognized in other comprehensive income are reclassified to profit or loss.

2. Summary of significant accounting policies (Continued)

2.3. Operating segments

Operating segment information is stated consistently with the internal report provided for by the chief operating decision-maker. The chief operating decision maker, responsible for allocating resources and assessing performance of the operating segments, is the C-suite, also responsible for making the strategic decisions for the Company. The Company concluded that it has only one segment subject to reporting requirements, which is the automotive segment.

2.4. Foreign currency translation

a) Functional and presentation currency

These financial statements are presented in Reais, which is the functional and presentation currency of the Company and its subsidiaries. All financial information is presented in thousands of reais, unless otherwise stated.

b) Transactions and balances

Transactions in foreign currency are translated into the functional currency at the exchange rates in force at the transaction or assessment dates when items are remeasured.

Foreign exchange differences related to loans, cash and cash equivalents are stated in profit or loss, as finance income (costs). All other foreign exchange gains and losses are presented in the statement of profit or loss as “finance income (loss)”.

2.5. Financial instruments

CPC 48 (IFRS 09) Financial Instruments is effective for the years ended as of January 1, 2018. This standard contains three main categories for classifying and measuring financial assets: (i) amortized cost; (ii) fair value through other comprehensive income (FVOCI); and (iii) fair value through profit or loss for the year - FVTPL (residual category).

The Company carried out a detailed impact assessment on the adoption of the new standard and identified the following aspects:

2. Summary of significant accounting policies (Continued)

2.5. Financial instruments (Continued)

CPC 48 (IFRS 09) presents an approach for classifying and measuring financial assets that reflect the business model in which the assets are managed and their cash flow characteristics. With respect to financial liabilities, it requires that the change in fair value of the financial liability designated at fair value through profit or loss, which is attributable to changes in the credit risk of that liability, should be presented in other comprehensive income (loss) and not in the statement of profit or loss, unless such recognition would result in a mismatch in the statement of profit or loss.

2.5.1. Measurement

Financial assets and liabilities must initially be measured at fair value. The criteria for determining the fair value of financial assets and liabilities were (i) the price quoted in an active market or, in the absence thereof, and (ii) the use of valuation techniques that allow estimating the fair value on the date of the transaction considering the value that would be negotiated between knowledgeable and willing parties in an arm's length transaction.

Subsequent measurement of financial assets and liabilities follows the fair value or amortized cost method, depending on the category. The amortized cost corresponds to:

- The amount initially recognized for the financial asset or liability;
- Minus principal repayments; and
- Plus/minus accrued interest using the effective interest method.

The effects of subsequent measurement of financial assets and liabilities are directly allocated to profit or loss for the period. Long-term assets and liabilities with characteristics of financial instruments are initially recorded at present value.

2.5.2. Recognition

Regular purchases and sales of financial assets are recognized on the trade date, that is, the date on which the Company commits to purchase or sell the asset. Financial assets measured at fair value through profit or loss are initially recognized at fair value; transaction costs are charged to the statement of profit or loss. Loans and receivables are carried at amortized cost.

2. Summary of significant accounting policies (Continued)

2.5. Financial instruments (Continued)

2.5.2. Recognition (Continued)

Gains or losses arising from changes in the value of other financial assets measured at fair value through profit or loss are recorded in the statement of profit or loss under “Revenues” or “Costs”, respectively, in the period in which they occur.

2.5.3. Derecognition

A financial asset (or, where applicable, part of a financial asset or part of a group of similar financial assets) is derecognized when:

- The rights to receive cash flows from the asset expire; or
- The Company has transferred its rights to receive cash flows from the asset or assumed an obligation to fully pay cash flows received, without any significant delay, to a third party through a “pass-through” agreement, and (a) the Company substantially has transferred all risks and rewards of the asset or (b) the Company has neither substantially transferred nor maintained all risks and rewards relating to the asset, but has transferred control over it.

A financial liability is derecognized when the obligation under the liability is extinguished, i.e., when the obligation specified in the contract is settled, canceled or expires. When an existing financial liability is replaced with another one from the same creditor, under substantially different terms, or the terms of an existing financial liability are substantially modified, such replacement or modification is addressed as a derecognition of the original liability and recognition of a new liability. The difference between both carrying amounts is recognized in profit or loss.

The financial assets of the Company and its subsidiary mainly include cash and cash equivalents, trade accounts receivable and transactions with related parties.

The Company's financial liabilities mainly include trade accounts payable, loans and financing, lease liabilities, advances from customers and transactions with related parties.

The Company neither uses derivative financial instruments nor does it have Hedge Accounting transactions at December 31, 2022 and 2021.

2. Summary of significant accounting policies (Continued)

2.5. Financial instruments (Continued)

2.5.4. Other financial liabilities

Other financial liabilities are measured at amortized cost using the effective interest method.

The effective interest method is used to calculate the amortized cost of a financial liability and allocate its interest expense over the respective period. The effective interest rate is the rate that exactly discounts estimated future cash flows (including fees and points paid or received that form an integral part of the effective interest rate, transaction costs and other premiums or discounts) over the estimated life of the financial liability or, where appropriate, for a shorter period, for the initial recognition of the net carrying amount.

2.5.5. Impairment of nonfinancial assets

CPC 48 (IFRS 09) replaced the incurred loss model with a prospective expected loss model. This new approach requires significant judgment on how changes in economic factors affect expected credit losses, which will be determined based on weighted probabilities.

The “allowance for expected credit losses” is set up in an amount considered sufficient by management to cover possible risks on the customer portfolio and other receivables existing at the reporting date. The criterion for setting up the allowance takes into account the assessment of the risk associated with transactions and securities overdue for more than 90 days, and also based on historical experience of losses on receivables, adjusted for specific prospective factors for debtors and the economic environment.

The Company's policy also considers the expected credit losses of its receivables, i.e. the present value of the difference between contractual cash flows payable to the Company under agreements entered into with customers and cash flows that the Company expects to receive.

2.5.6. Cash and cash equivalents

Cash and cash equivalents include cash, bank deposits and other short-term highly-liquid investments, originally redeemable within three months, and with insignificant risk of change in value. Secured accounts are stated in the statement of financial position as “Loans and financing,” in current liabilities.

2. Summary of significant accounting policies (Continued)

2.5. Financial instruments (Continued)

2.5.7. Trade accounts receivable

Trade accounts receivable correspond to receivables from customers for goods sold in the normal course of the Company's activities. If amounts are expected to be received within one year, trade accounts receivable are classified as current assets. Otherwise, they are stated as noncurrent assets. Trade accounts receivable are initially recognized at fair value and subsequently measured at amortized cost using the effective interest method less allowance for expected credit losses (impairment).

2.5.8. Advances from customers

The customer (assembler) partially advances funds to the Company, depending on the progress of the tool construction project. These funds are released according to the completion of each phase of the project and as provided for in the purchase order. In general, these advances do not coincide with the respective disbursements for the development of projects by the Company and do not represent the full value of these investments, which causes cash stress, especially at a time of accelerated growth such as the current one.

2.5.9. Trade accounts payable

Trade accounts payable are liabilities for goods acquired or services received in the normal course of business, and are classified as current liabilities if payment is due within one year. Otherwise, trade accounts payable are stated as noncurrent liabilities.

They are initially recognized at fair value and subsequently measured at amortized cost using the effective interest method.

The terms and conditions of financial liabilities reflect the outstanding balance of trade accounts payable, with an average payment term of 35 days.

2.5.10. Loans and financing

Loans and financing are initially recognized at fair value, net of transaction costs incurred, and are subsequently stated at amortized cost. Any difference between the proceeds received (net of transaction costs) and total payable is recognized in the statement of profit or loss during the period loans are outstanding, under the effective interest method.

2. Summary of significant accounting policies (Continued)

2.5. Financial instruments (Continued)

2.5.10. Loans and financing (Continued)

Loans and financing are classified as current liabilities, unless the Company has an unconditional right to defer settlement of the liability for at least 12 months after the statement of financial position date.

Loan and financing costs directly attributable to the acquisition, construction or production of a qualifying asset, i.e., an asset that necessarily takes a significant period of time to get ready for its intended use or sale, form part of the cost of that asset whenever future economic benefits are likely to flow to the entity, and such costs can be reliably measured. Other borrowing costs are recognized as expenses for the period they are incurred.

2.6. Inventories

Inventories are stated at the lower of cost and net realizable value. Inventories are valued under the weighted average method. The cost of finished products, products in preparation and tooling comprises project costs, raw materials, direct labor, other direct costs and the respective direct production costs (based on normal operating capacity), less borrowing costs, where applicable. Net realizable value is the estimated selling price in the normal course of business, less estimated costs to complete and sell the items. The inventory provision process is divided into two types of provision, namely provision for inventory obsolescence and provision for realization of finished products.

Provision for obsolescence

The criterion for setting up this provision considers obsolete items that have not been moved for more than 180 (one hundred and eighty) days, for productive inventory groups, and is the same adopted in all the Company's units.

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

2. Summary of significant accounting policies (Continued)

2.6. Inventories (Continued)

Provision for realization

To calculate the amount to be provisioned, a specific report is generated comparing the average cost of the product stored vs. the current selling price. For items for which the average cost of inventory is higher than the selling price, the margin value is multiplied with the total quantity held in inventory to arrive at the amount to be accrued. The calculations are revised quarterly by the Company.

2.7. Property, plant and equipment

Property, plant and equipment value considers, and was adjusted to reflect, the deemed cost of land and buildings at the date of transition to IFRS and CPC. Other property, plant and equipment items are measured at historical cost, less accumulated depreciation. The historical cost also includes expenditures directly attributable to the acquisition of items and financing costs related to the acquisition of qualifying assets, where applicable.

Costs subsequently incurred are included in the carrying amount of the asset or recognized as a separate asset, as appropriate, if, and only if it is probable that future economic benefits associated with the cost will flow to the company and the cost can be measured reliably. The carrying amount of those items or pieces that are replaced is written off. All other repair and maintenance costs are posted against profit or loss for the year, as incurred.

Land is not depreciated. Depreciation of other assets is calculated using the straight-line method, considering costs and residual values, over their estimated useful lives at December 31, 2022, as follows:

	Useful life (years)
Buildings	25 to 50
Machinery	8 to 25
Molds	11 to 15
Furniture and fixtures	10 to 15
Vehicles	5 to 6
IT equipment	5 to 6

The residual values and useful lives of assets have been reviewed and fairly represent the position at year end.

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

2. Summary of significant accounting policies (Continued)

2.7. Property, plant and equipment (Continued)

The carrying amount of an asset is immediately discounted to its recoverable amount when that carrying amount exceeds the estimated recoverable amount (Note 2.8).

Gains and losses on disposal are determined by comparing the resulting amount to the carrying amount, and are recognized as “Other operating income (expenses), net” in the statement of profit or loss.

2.8. Impairment of nonfinancial assets

Assets subject to amortization are tested for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. Impairment loss exists when the carrying amount of an asset exceeds its recoverable amount, which is the higher of fair value less cost to sell and value in use.

For the purposes of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash flows (Cash-Generating Units - CGUs). Nonfinancial assets, except for goodwill, which have been adjusted for impairment, are subsequently reviewed for potential impairment reversal at the statement of financial position date.

The Company assesses, at least when preparing its annual financial statements, whether there is any indication that its assets or set of assets may have lost economic representativeness, considered material. Impairment tests are prepared by an independent expert to assess the market value of the main assets for each CGU. The scope of work included the valuation of assets located in the units of Jundiaí, Betim, Varginha and Caçapava, as follows:

	2022		2021	
	Carrying amount of assets	**Net selling price**	**Carrying amount of assets**	**Net selling price**
Jundiaí	**116,802**	**173,118**	126,595	175,968
Betim	**92,313**	**135,572**	93,694	145,074
Varginha	**48,579**	**81,108**	54,056	82,262
Caçapava	**72,791**	**75,179**	28,993	36,355
Total	**330,485**	**464,977**	303,338	439,659

2. Summary of significant accounting policies (Continued)

2.8. Impairment of nonfinancial assets (Continued)

The recoverable amount is the fair value less costs to sell, and the technique description is as follows:

- The Company's assets were valued according to the market value of each item, determined by the replacement value and the depreciation coefficient, taking into account the useful life, age, remaining useful life, residual value and depreciation, resulting in the net selling price greater than the residual carrying amount of the assets, not indicating therefore any need to recognize impairment.

As a result of the test conducted, no impairment adjustments were necessary at December 31, 2022 and 2021.

2.9. Leases

As of January 1, 2019, with the adoption of CPC 06 R2 (IFRS 16) – Leases, the Company began to record future rents discounted at present value as lease liability.

The CPC 06(R2)/IFRS 16 standard determines that on the commencement date of a lease agreement, the lessee recognizes a liability for lease payments and an asset representing the right to use the underlying asset during the lease term. lease (that is, the right-of-use asset). Lessees separately recognize interest expense on the liability during the lease term and amortization expense on the right-of-use asset.

Lessees must also reassess the lease liability upon the occurrence of certain events (for example, a change in the lease term, a change in future lease payments as a result of a change in an index or rate used to determine such payments). In general, the lessee recognizes the revaluation amount of the lease liability as an adjustment to the right-of-use asset. Lessors continue to classify all leases into two types: operating and finance leases.

The Company selected the modified retrospective approach as the method for initial adoption, with the cumulative effect of initial application on assets and liabilities, without restatement of comparative periods. The Company applied the practical expedient regarding the definition of the lease agreement in the transition. This means that it applied IFRS 16/CPC 06 (R2) to all contracts entered into before January 1, 2019 that were identified as leases in accordance with IAS 17/CPC 06 (R1) and IFRIC 4/ICPC 03.

2. Summary of significant accounting policies (Continued)

2.9. Leases (Continued)

a) Recognition assumptions

The Company has several lease contracts that include renewal and termination options. The Company applies judgment when assessing whether exercising the option to renew or terminate the lease is reasonably certain. The Company recognizes the right-of-use assets and lease liabilities considering the following assumptions:

(i) Inclusion of contracts at their inception date, with their right-of-use asset value defined on that date.

(ii) Transactions with contracts executed for more than 12 months are in the scope of the standard. The Company does not consider renewal aspects in its methodology, since the assets involved in its transactions are not indispensable for its business, and may be replaced at the end of the contract by new assets acquired or by other transactions other than those agreed upon.

(iii) Contracts involving the use of low-value assets are not considered.

(iv) Only transactions involving specific assets defined in the contract or for exclusive use over the contractual period are considered.

(v) The methodology used to calculate the net present value of contracts corresponds to the cash flow of considerations assumed discounted at the discount rate defined for the respective asset category.

(vi) The discount rate used was 12.3% per annum for administrative properties and industrial warehouses in 2022 and 6.5% in 2021. The rate was obtained for financing transactions for assets under these classes.

The Company's lease transactions effective at December 31, 2022 and 2021 do not have any covenants that require financial ratios, nor do they have any variable payment clauses that must be considered, or residual value guarantee clauses and option to acquire the leased assets upon expiration of contracts. The lease liability is measured at amortized cost using the effective interest method. It is remeasured when there is a change in future lease payments resulting from a change in index or rate, if the Company changes its assessment of whether to exercise a purchase, extension or termination option or if there is a revised in-substance fixed lease payment.

2. Summary of significant accounting policies (Continued)

2.9. Leases (Continued)

a) Recognition assumptions (Continued)

Lease contract obligations with substantial transfer of rewards, risks and control of assets are recognized in liabilities under lease liabilities. The liability is initially recognized at the lower of the fair value of the leased asset and the present value of the minimum lease payments. The discount rate used is the interest rate implicit in the agreements.

Finance charges are appropriated over the lease term, producing a constant periodic interest rate on the remaining balance of the liability. Payments made under operating leases were recognized in profit or loss on a straight-line basis over the lease term.

The Company and its subsidiary do not act as lessors as at December 31, 2022 and 2021.

In the year ended December 31, 2021, no new contracts were added. The initial impact on assets and liabilities was R$ 17,054. Management considered an incremental rate of 6.5% to adjust the debt to present value (APV).

In 1Q/2022, the lease agreements for the properties located in Jundiaí-SP, Varginha-MG and Betim-MG were renewed. The initial impact on assets and liabilities was R$ 79,054. Management considered an incremental rate of 12.25% to adjust the debt to present value (APV). In 2Q/ 2022, a vehicle rental contract was recorded. The initial impact on assets and liabilities was R$ 808. Management considered an incremental rate of 15.75% to adjust the debt to present value (APV).

In 2Q/2022, an agreement was executed to renegotiate its overdue rent debt for the period from January 2020 to December 2021, under the same conditions as the renegotiation agreement of January 2020. The renegotiated amount was R$ 47,333, recorded under “Other liabilities”.

2. Summary of significant accounting policies (Continued)

2.10. Provision for contingencies

Provisions for legal claims (labor, civil and tax) are recognized when: (i) the Company has a present or constructive obligation arising from past events; (ii) the settlement of this obligation is expected to result in an outflow of resources; and (iii) the amount involved can be estimated reliably. The provisions for restructuring comprise penalties for termination of lease agreements and payments for termination of employment contracts. The provisions do not include future operating losses.

Provisions are measured by the present value of expenditures required to settle the obligation at a pre-tax rate, which reflects the current market evaluations of the time value of money and of the specific risks of the obligation. The increase in obligation due to passage of time is recognized as finance costs.

The Company applied Interpretation IFRIC 23/ICPC 22 - Uncertainty over the treatment of income tax, as of January 1, 2019 and had no impact on its individual and consolidated financial statements.

2.11. Current and deferred income and social contribution taxes

Current income and social contribution taxes

Current tax assets and liabilities for the current and previous years are measured at the expected amount to be recovered from or paid to the tax authorities, using the tax rates that are approved at year end.

Current income and social contribution taxes related to items recognized directly in equity are stated in equity.

At the Company and its subsidiary that adopt the taxable profit (“lucro real”) taxation regime, income and social contribution taxes are calculated observing the criteria established by current tax legislation, calculated at the regular rates of 15%, plus 10% surtax for income tax and 9% for social contribution tax.

Management periodically assesses the tax position of events in which tax regulations require interpretation, and establishes provisions when necessary.

2. Summary of significant accounting policies (Continued)

2.11. Current and deferred income and social contribution taxes (Continued)

Deferred income and social contribution taxes

Deferred taxes arise from temporary differences at the statement of financial position date between the tax bases of assets and liabilities and their carrying amounts, applicable to companies under the taxable profit (“lucro real”) taxation regime.

Deferred tax assets and liabilities are measured at the tax rates that are expected to be applicable in the year when the asset is realized or the liability is settled, based on tax rates (and tax laws) that have been enacted or substantively enacted at the reporting date.

Deferred tax assets are recognized for all deductible temporary differences to the extent that taxable profit is likely to be available for realization of deductible temporary differences. As at December 31, 2022 and 2021, the Company and its subsidiary did not meet the above criteria and, therefore, no amount was recorded as deferred tax assets.

The Company records deferred tax liabilities on the deemed cost of property, plant and equipment, see Note 10.

Sales taxes

Expenses and assets are recognized net of sales taxes, except:

When sales taxes incurred on purchase of assets or services are not recoverable from tax authorities. In this case, sales taxes are recognized as part of the acquisition cost of the asset or expense item, as applicable;

When amounts receivable and payable are stated with taxes on sales, and

Net sales taxes, either recoverable or payable, are included as components in amounts receivable or payable in the statement of financial position.

2. Summary of significant accounting policies (Continued)

2.12. Revenue recognition

Revenue comprises the fair value of the consideration received or receivable for the sale of products in the ordinary course of the Company's business. Revenue is presented net of taxes, returns, rebates and discounts, and after the elimination of intercompany sales, when applicable.

The Company recognizes revenue when the revenue amount can be reliably measured, when future economic benefits are likely to be generated for the Company and its subsidiaries, and when specific criteria have been bet for each Company activity, as follows.

The Company and its subsidiary consider whether there are other promises in the contract that are distinct performance obligations, to which a portion of the transaction price needs to be allocated (for example, guarantees, among others). When determining the transaction price for the sale of products and tools, the Company and its subsidiary consider the effects of variable consideration, the existence of significant financing components, non-monetary consideration and the consideration due to the customer (if any).

a) Sale of products

The Company manufactures and sells plastic parts and pieces related to the interior and exterior finishing of motor vehicles. Sales of products are recognized whenever the subsidiary delivers the products to the buyer. The Company and its subsidiary assess revenue transactions in accordance with specific criteria so as to determine if they are the agent or principal and, in the end, have reached the conclusion that they have been performing as the principal in all its revenue contracts.

b) Sale of tools

The Company develops and sells tooling for injection of plastic parts according to the technical specification of the order and model of the vehicle, according to the automaker's project. In the course of the development, advances are made by the automakers to partially support the expended resources. The development and sale of tooling are usually linked to the supply of parts. Tool sales are recognized when the project is in production, approved by the automaker and ready for production startup. The automaker, in turn, issues a lending agreement authorizing the use of the tooling, since it owns it.

2. Summary of significant accounting policies (Continued)

2.12. Revenue recognition (Continued)

c) Finance income

Finance income is recognized according to the time elapsed on an accrual basis, using the effective interest method.

2.13. Investment properties

Investment properties are initially measured at cost, including transaction costs. The carrying amount includes the cost for replacing part of an investment property existing at the time the cost is incurred if the recognition criteria are met, excluding costs of daily service of investment property.

Investment properties are written off when sold (i.e., on the date the recipient gains control) or when the investment property is no longer permanently used and no future economic benefit is expected from its sale. The difference between net value obtained from the sale and asset carrying amount is recognized in the statement of profit or loss for the period in which write-off takes place.

Transfers are made to or from the investment property account only when there is a change in the use thereof. If the property occupied by the owner becomes an investment property, the Company accounts for said property in accordance with the policy described in property, plant and equipment until the date of change in its use.

2.14. Statement of cash flows

The statements of cash flows were prepared and are presented in accordance with Accounting Pronouncement CPC 03 (IAS 7) - Statement of cash flows, issued by the Brazilian FASB (CPC) and reflects the changes in cash and cash equivalents that occurred in the years presented.

2.15. New or revised standards adopted for the first time in 2022

The Company applied for the first time certain standards and amendments to standards effective for annual periods beginning on or after January 1, 2022 (unless otherwise stated). The Company elected not to early adopt any other standard, interpretation or revised standard that has been issued, but is not yet effective.

2. Summary of significant accounting policies (Continued)

2.15. New or revised standards adopted for the first time in 2022 (Continued)

Amendments to CPC 37 (R1), CPC 48, CPC 29, CPC 27, CPC 25 and CPC 15 (R1)

The amendments to the abovementioned pronouncements are due to the annual amendments related to the cycle of improvements between 2018 and 2020, such as:

- Onerous contract – costs of fulfilling a contract;
- Property, plant and equipment – proceeds before the intended use; and
- References to the conceptual framework.

The effectiveness of these amendments must be established by the regulatory bodies that approve them, and, for full compliance with the international accounting standards, the entity must apply these amendments in annual periods beginning on or after January 1, 2022.

Onerous contract – costs of fulfilling a contract

An onerous contract is a contract under which the unavoidable costs of fulfilling the obligations under the contract (i.e., the costs that the Company cannot avoid because it owns the contract) exceed the expected economic benefits to be received.

The amendments specify that, when assessing whether a contract is onerous or loss-making, an entity needs to include costs that directly relate to a contract to provide goods or services, including incremental costs (for example, direct labor costs and materials) and an allocation of costs directly related to contract activities (for example, depreciation of equipment used to fulfill the contract and costs of managing and supervising the contract). General and administrative costs are not directly related to a contract and are excluded unless explicitly charged to the counterparty under the terms of the contract.

The Company carried out an analysis in this regard and did not identify any onerous contracts.

2. Summary of significant accounting policies (Continued)

2.15. New or revised standards adopted for the first time in 2022 (Continued)

Property, plant and equipment – proceeds before intended use

The amendment prohibits entities from deducting from the cost of a PPE item any proceeds from sales of items produced by bringing that asset to the location and condition necessary for it to be capable of operating in the manner intended by management. Instead, an entity recognizes the proceeds from selling the items, and the costs of producing them, in the statement of profit or loss. Under the transition rules, the Company applies the amendments retrospectively only to items of property, plant and equipment available for use or after the beginning of the earliest period presented when the entity first applies the amendment (the date of initial application). These changes had no impact on the Company's individual and consolidated financial statements since there were no sales of such items produced by property, plant and equipment made available for use or after the beginning of the earliest period presented.

References to the conceptual framework

These amendments replace a reference to an earlier version of the Conceptual Framework of IASB by a reference to the current version issued in March 2018 without significantly changing its requirements.

The amendments add an exception to the recognition principle of IFRS 3 Business Combinations (equivalent to CPC 15 (R1) – Business combinations) to avoid issuing potential 'day 2' gains or losses arising from liabilities and contingent liabilities that would be within the scope of IAS 37 Provisions, Contingent Liabilities and Contingent Assets (equivalent to CPC 25 - Provisions, Contingent Liabilities and Contingent Assets) or IFRIC 21 Levies, if incurred separately. The exception requires entities to apply the criteria of IAS 37 or IFRIC 21, respectively, rather than the Conceptual Framework, to determine whether a present obligation exists at the acquisition date.

The changes also add a new paragraph to IFRS 3 to clarify that contingent assets do not qualify for recognition on the acquisition date.
Pursuant to the transitional provisions, the Company applies the amendments prospectively, that is, for business combinations that occur after the beginning of the annual reporting period in which it first applies the amendments (the date of initial application).

2. Summary of significant accounting policies (Continued)

2.15. New or revised standards adopted for the first time in 2022 (Continued)

These changes had no impact on the Company's consolidated financial statements since there were no assets, liabilities or contingent liabilities within the scope of these changes that arose during the period.

IFRS 1 First-time Adoption of International Financial Reporting Standards - Subsidiary as first-time adopter

The amendment allows a subsidiary that chooses to apply paragraph D16(a) of IFRS 1 (equivalent to CPC 37 (R1) - Initial Adoption of International Accounting Standards) to measure cumulative translation differences using the amounts reported in the consolidated financial statements of the parent, based on the parent's transition date to IFRS, if no adjustments have been made for consolidation procedures and for the effects of the business combination in which the parent acquired the subsidiary. This amendment also applies to an associate or joint venture that elects to apply paragraph D16(a) of IFRS 1.

These changes had no impact on the Company's consolidated financial statements as it is not a first-time adopter.

IFRS 9 Financial Instruments – Fees in the '10 percent' test for write-off financial liabilities (equivalent to CPC 48 - Financial Instruments)

The amendment clarifies the fees that an entity includes when assessing whether the terms of a new or modified financial liability are materially different from the terms of the original financial liability. These fees include only fees paid or received between the borrower and the lender, including fees paid or received by the borrower or the lender on behalf of the other.

Pursuant to the transitional provisions, the Company applies the amendment to financial liabilities that are modified or exchanged on or after the beginning of the annual reporting period in which the entity first applies the amendment (the date of initial application). These changes had no impact on the Company’s consolidated financial statements, as there were no changes to the Company’s financial instruments during the period.

IAS 41 Agriculture - Taxation on measurement at fair value (equivalent to CPC 29 - Biological Asset and Agricultural Product) - Not applicable

2. Summary of significant accounting policies (Continued)

2.16. Standards issued, but not yet in effect

The new and amended standards and interpretations issued but not yet in effect to the date the Company's financial statements were issued are described below. The Company intends to adopt these new and amended standards and interpretations, if applicable, when they become effective.

IFRS 17 - Insurance Contracts

In May 2017, the IASB issued IFRS 17 - Insurance Contracts (CPC 50 - Insurance Contracts that superseded CPC 11 - Insurance Contracts), a new comprehensive accounting standard for insurance contracts that includes recognition, measurement, presentation and disclosure. Upon taking effect, IFRS 17 (CPC 50) superseded IFRS 4 - Insurance Contracts (CPC 11), issued in 2005. IFRS 17 applies to all types of insurance contracts (i.e., life, non-life, direct and reinsurance), regardless of the type of entity issuing them, as well as certain guarantees and financial instruments with characteristics of discretionary participation. Certain scope exceptions apply.

The overall objective of IFRS 17 is to provide an accounting model for insurance contracts that is more useful and consistent for insurers. In contrast to the requirements of IFRS 4, which are largely based on local accounting policies in effect in prior periods, IFRS 17 provides a comprehensive model for insurance contracts, covering all relevant accounting aspects. The focus of IFRS 17 is the overall model, complemented by:

- A specific adaptation for contracts with direct participation features (variable rate approach).
- A simplified approach (premium allocation approach) primarily for short-term contracts.

IFRS 17 and CPC 50 are effective for periods starting from January 1, 2023, requiring the presentation of comparative information. Early adoption is permitted if the entity also adopts IFRS 9 and IFRS 15 on the same date or before the initial adoption of IFRS 17. This standard does not apply to the Company.

2. Summary of significant accounting policies (Continued)

2.16. Standards issued, but not yet in effect (Continued)

Amendments to IAS 1 - Classification of liabilities as current or noncurrent (correlated to CPC 20 amendments)

In January 2020, the IASB issued amendments to paragraphs 69 to 76 of IAS 1, related to CPC 26, in order to specify the requirements for classifying the liability as current or noncurrent. The amendments clarify:

- What is meant by a right to postpone settlement;
- That the right to postpone must exist on the reporting date;
- That classification is not affected by the likelihood that an entity will exercise its right of postponement; That only if a derivative embedded in a convertible liability is itself an equity instrument would the terms of a liability not affect its classification. The changes are effective for periods beginning on or after January 1, 2023 and must be applied retrospectively. The Company is currently assessing the impact the changes will have on current practice and whether existing loan agreements may require renegotiation.

Amendments to IAS 8: Definition of accounting estimates (correlated to CPC 20 amendments)

In February 2021, the IASB issued amendments to IAS 8 (correlated to CPC 23), which introduces the definition of 'accounting estimates'. The amendments clarify the distinction between changes in accounting estimates and changes in accounting policies and correction of errors. In addition, they clarify how entities use measurement techniques and inputs to develop accounting estimates.

The amendments will be effective for periods beginning on or after January 1, 2023 and will apply to changes in accounting policies and estimates that occur on or after the beginning of that period. Early adoption is permitted if disclosed.
The amendments are not expected to have a significant impact on the Company's financial statements.

2. Summary of significant accounting policies (Continued)

2.16. Standards issued, but not yet in effect (Continued)

Amendments to IAS 1 and IFRS Practice Statement 2: Disclosure of accounting policies (correlated to CPC 20 amendments)

In February 2021, the IASB issued amendments to IAS 1 (correlated to CPC 26 (R1)) and IFRS Practice Statement 2 Making Materiality Judgments, which provide guidance and examples to help entities apply materiality judgments to the disclosure of accounting policies. The amendments are to help entities disclose accounting policies that are more useful by replacing the requirement to disclose significant accounting policies for material accounting policies and adding guidance for how entities should apply the concept of materiality to make decisions about accounting policy disclosures.

Amendments to IAS 1 are applicable for periods beginning on or after January 1, 2023 with early adoption permitted. Since amendments to Practice Statement 2 provide nonmandatory guidance on applying the material definition to accounting policy reporting, an adoption date for this amendment is not required.

The Company is currently revisiting the accounting policy disclosures to confirm that they are consistent with the required changes.

Amendments to IAS 12: Deferred Tax related to Assets and Liabilities arising from a Single Transaction (correlated to CPC 20 amendments)

In May 2021, the Board released amendments to IAS 12, which narrow the scope of the initial recognition exception under IAS 12 so that it no longer applies to transactions that give rise to equal taxable and deductible temporary differences.

The changes shall apply to transactions occurring in annual periods beginning on or after the earliest comparative period presented. In addition, at the beginning of the earliest comparative period presented, a deferred tax asset (provided there is sufficient taxable profit available) and a deferred tax liability should also be recognized for all deductible and taxable temporary differences associated with leases and decommissioning obligations.

The Company is currently assessing the impact of these amendments.

3. Critical accounting estimates and judgments

The preparation of financial statements requires management to make judgment calls and estimates and establish assumptions that affect the application of accounting policies and the reported amounts of assets, liabilities, income and expenses. Actual results may differ from these estimates.

The estimates and assumptions described below are continually reviewed. The effects arising from revisions made to accounting estimates are recognized in the year or period in which the estimates are revised if the revision affects only that year or period, or also in subsequent years or periods if the revision affects future results.

In order to provide an understanding of how the Company and its subsidiaries form their judgments about future events, including the variables and assumptions used in the estimates, comments are included in respect of certain matters, as under:

(a) Allowance for expected credit losses: Note 2.5.5

(b) Impairment of nonfinancial assets: Note 2.8

(c) Provision for contingencies: Note 2.10

(d) Leases - Estimate of the incremental borrowing rate; Note 2.9

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

4. Financial risk management

4.1. Financial risk factors

The Company's activities expose it to a variety of financial risks: market risk (including currency and fair value interest rate risks), credit risk and liquidity risk. The Company’s risk management program is concentrated in the unpredictability of the financial markets and aims to minimize potential adverse effects on the Company’s financial performance.

The Company’s Treasury identifies, evaluates and hedges the Company against any financial risks in cooperation with the Company’s operational units.

a) Market risk

i) *Currency risk*

The Company has a global performance and is exposed to currency risk arising from exposures to some currencies, basically in relation to the to the U.S. dollars. Currency risk arises from trading transactions, assets and liabilities.

At December 31, 2022 and 2021, the Company has assets and liabilities in foreign currency arising from import, export and intercompany loan transactions, as follows:

	Consolidated	
	2022	**2021**
Trade accounts receivable (Note 7)	**7,687**	9,264
Trade accounts payable (Note 16)	**(2,709)**	(1,298)
Net exposure	**4,978**	7,966

ii) *Cash flow or fair value interest rate risk*

The Company has no significant interest-bearing assets.

The Company's interest rate risk arises from loans and financing. Loans at variable rates expose the Company to a cash flow interest rate risk. Loans at fixed rates expose the Company to a fair value interest rate risk.

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

4. Financial risk management (Continued)

4.1. Financial risk management (Continued)

a) Market risk (Continued)

ii) *Cash flow or fair value interest rate risk* (Continued)

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

	Impact on profit or loss for the year (1)		
Financial liabilities	**Scenario I Probable**	**Scenario II +25%**	**Scenario III +50%**
CDI	13.25%	16.56%	19.88%
Loans and financing	(29,874)	(34,528)	(39,142)

(1) This refers to the hypothetical scenario of interest over the next 12 months or up to the maturity date of the agreements, whichever is lower.

For sensitivity analysis, interest rates are based on rates currently adopted in the market environment.

Sensitivity analyses were prepared based on net debt and fixed interest rates in relation to floating interest of debt as of December 31, 2022.

b) Credit risk

Credit risk is managed on a corporate basis. Credit risk stems from credit exposures to original equipment customers ("OEM") and aftermarket/dealerships ("DSH"), including outstanding accounts receivable and repurchase agreements. In the case of banks and other financial institutions, only notes from first-tier institutions are accepted. The individual risk limits are determined based on internal or external ratings in accordance with the limits determined by the Board of Directors. The use of credit limits is monitored on a regular basis.

4. Financial risk management (Continued)

4.1. Financial risk management (Continued)

b) Credit risk (Continued)

The possibility of the Company and its subsidiaries incurring losses in view of financial problems with their OEM customers is reduced, due to such customers' profile (automakers and other companies operating worldwide). At December 31, 2022 and 2021, the Company and its subsidiary did not have significant balances receivable from customers of the DSH category.

No credit limits were exceeded over the year, and management does not expect any losses from defaulting counterparties other than those already provisioned.

c) Liquidity risk

The projected cash flow is realized in the operating entities of the Company and aggregated by the Finance Department. This department monitors rolling forecasts of the Company's liquidity requirements to ensure it has sufficient cash to meet its operating needs. This forecast considers the plans of financing for the Company's debt, compliance with contractual clauses, meeting internal targets of statement of financial position ratio and, if applicable, external or legal requirements, such as currency restrictions.

The Treasury invests cash surplus, if any, in interest-yielding bank accounts, time deposits, short-term deposits and marketable securities, choosing instruments with adequate maturities or enough liquidity to provide sufficient margin as determined by the abovementioned forecasts. At the statement of financial position date, the Company held short-term funds amounting to R$ 4,917 (R$ 2,395 at December 31, 2021), which are expected to readily generate cash inflows to manage liquidity risk.

The table below analyzes the Company's financial liabilities by maturity range corresponding to the remaining period between the statement of financial position date and the contractual maturity date. The amounts disclosed in the table are the contractual discounted cash flows and represent the expected effective (undiscounted) cash outflows, disregarding any bank requirements of accelerated maturities.

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

4. Financial risk management (Continued)

4.1. Financial risk management (Continued)

c) Liquidity risk (Continued)

	Accounting balance	Financial flow	Within three months	From four to 12 months	From one to five years	Above five years
December 31, 2022						
Loans and financing	**216,675**	**287,225**	**29,600**	**82,626**	**162,304**	**12,695**
Lease liabilities	**88,064**	**98,573**	**4,091**	**12,273**	**78,203**	**4,006**
Trade accounts payable	**87,088**	**87,088**	**87,088**	**-**	**-**	**-**
Payables to related parties	**7,329**	**7,329**	**-**	**-**	**7,329**	**-**
Other liabilities	**252,942**	**315,425**	**15,445**	**17,888**	**115,867**	**166,225**
	652,098	**795,640**	**136,224**	**112,787**	**363,703**	**182,926**

	Accounting balance	Within three months	From four to 12 months	From one to five years	Above five years
December 31, 2021					
Loans and financing	138,993	15,910	35,621	67,595	19,867
Lease liabilities	55,534	387	1,159	12,670	41,318
Trade accounts payable	72,830	72,830	-	-	-
Payables to related parties	8,132	-	-	8,132	-
Other liabilities	233,964	14,558	25,707	95,305	98,394
	509,453	103,685	62,487	183,702	159,579

4.2. Capital management

Company's objectives in managing its capital are to safeguard its ability to continue as a going concern in order to provide return to its shareholders and benefits to other stakeholders, as well as to maintain an optimal target capital structure to reduce such cost.

	Consolidated	
	2022	**2021**
Total loans (Note 15)	**216,675**	138,993
Less: cash and cash equivalents (Note 6)	**(24,815)**	(12,487)
Net debt	**191,860**	126,506
Total equity	**(408,567)**	(311,446)
	(216,707)	(184,940)

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

5. Financial instruments by fair and book value category

The book value of the main financial instruments does not differ from their respective fair values, and are classified as follows:

	2022		2021		
Consolidated	**Carrying amount**	**Fair value**	**Carrying amount**	**Fair value**	**Fair value measurement**
Financial assets					
Fair value through profit or loss					
Cash and cash equivalents (Note 6)	**24,815**	**24,815**	12,487	12,487	Level 2
Amortized cost					
Trade accounts receivable (Note 7)	**58,971**	**58,971**	31,509	31,509	Level 2
Other receivables	**4,246**	**4,246**	2,836	2,836	
Financial liabilities					Level 2
Amortized cost					
Trade accounts payable (Note 16)	**87,088**	**87,088**	72,830	72,830	Level 2
Loans and financing (Note 15)	**216,675**	**216,675**	138,993	138,993	Level 2
Lease liabilities (Note 14)	**88,064**	**88,064**	55,534	55,534	Level 2
Advances from customers (Note 18)	**33,736**	**33,736**	51,608	51,608	Level 2
Related parties (Note 11)	**7,329**	**7,329**	8,132	8,132	Level 2
Other liabilities (Note 20)	**252,942**	**252,942**	233,964	233,964	Level 2

Hierarchy

The classification of financial assets and liabilities at amortized cost or at fair value through profit or loss is based on the business model and the cash flow characteristics expected by the Company for each instrument.

The fair value of a marketable security corresponds to its maturity value (redemption value) brought to present value by the discount factor (referring to the maturity date of the security) obtained from the market interest curve in reais (R$). The three levels of the fair value hierarchy are:

- Level 1: prices quoted in an active market for identical instruments;
- Level 2: observable information other than prices quoted in an active market that are observable for the asset or liability, directly (as prices) or indirectly (derived from prices); and
- Level 3: instruments whose relevant factors are not observable market data.

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

6. Cash and cash equivalents

	Individual		Consolidated	
	2022	**2021**	**2022**	**2021**
Cash and banks	**15,072**	7,384	**19,898**	10,092
Short-term investments	**3,084**	-	**4,917**	2,395
	18,156	7,384	**24,815**	12,487

Banks and cash equivalents bear interest at floating rates, based on daily short-term bank deposit rates. The funds are used based on the Company's immediate cash requirements.

7. Trade accounts receivable

	Consolidated	
	2022	**2021**
Third parties - domestic	**28,341**	20,629
Third parties - abroad (Note 4.1)	**7,687**	9,264
Accounts receivable from tooling (domestic)	**32,081**	10,376
	68,109	40,269
Allowance for expected credit losses (impairment)	**(9,138)**	(8,760)
	58,971	31,509

At December 31, 2022 and 2021, the aging list of accounts receivable was as follows:

	2022	**2021**
Falling due	**25,646**	24,878
Overdue:		
From 1 to 30 days	**9,025**	3,296
From 31 to 60 days	**8,159**	1,799
From 61 to 90 days	**4,043**	335
Above 90 days	**21,236**	9,961
	42,463	15,391
	68,109	40,269

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

7. Trade accounts receivable (Continued)

Balance overdue for more than 90 days, for which no allowance was set up at December 31, 2022, net of expected credit losses, refers to sales of tools amounting to R$ 11,559 (R$ 1,201 at December 31, 2021), for which management does not expect to record losses.

For the period ended December 31, 2022 and 2021, changes in allowance for expected credit losses were as follows:

	2022	2021
Opening balance	**(8,760)**	(7,776)
(Increase) decrease in the allowance	**(378)**	(984)
Closing balance	**(9,138)**	(8,760)

8. Inventories

	Consolidated	
	2022	2021
Tools and molds in progress intended for sale	**67,896**	76,275
Raw materials	**29,770**	23,146
Finished goods	**5,822**	4,651
Work-in-process	**12,302**	10,826
Import in transit	**1,606**	2,247
Maintenance and auxiliary materials	**4,235**	3,278
Advances to suppliers	**868**	213
Provision for market value adjustment and inventory obsolescence	**(2,211)**	(2,279)
	120,288	118,357

For the years ended December 31, 2022 and 2021, changes in provision for adjustment to market value and obsolescence were as follows:

	2022	2021
Opening balances	**(2,279)**	(2,256)
Reversal of provision	**8,386**	806
Increase in provision	**(8,318)**	(829)
Net reduction (Note 24)	**68**	(23)
Closing balances	**(2,211)**	(2,279)

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

9. Taxes recoverable

	Consolidated	
	2022	**2021**
Credit resulting from ICMS exclusion from PIS/COFINS tax base (1)	**89,970**	119,005
Funrural proceeding (Note 19)	**2,237**	2,237
State VAT (ICMS) on property, plant and equipment - CIAP	**4,178**	1,722
Other	**1,250**	741
	97,635	123,705
Current	**29,718**	34,746
Noncurrent	**67,917**	88,959
	97,635	123,705

(1)Credit resulting from ICMS exclusion from PIS/COFINS tax base – accounting record – *res judicata* decision.

The Company informs that, in 2010, it filed a request for a Writ of Mandamus in order to exclude ICMS from PIS and COFINS tax bases. In September 2017, the Company was awarded a favorable lower-court decision and, in October 2019, it obtained a new favorable sentence from the Brazilian Supreme Court (STF). In the same act, the proceeding was awarded *res judicata* decision. In view of this, the Company initiated a procedure to identify amounts unduly paid as from 2005 and claim their respective reimbursement. The Company reliably calculated and measured the respective amounts. On August 19, 2019, the Company obtained a favorable decision for using the ICMS separately identified in the invoices to calculate the tax credit. In the fourth quarter of 2019, based on the opinion and report prepared by its advisors, the Company recorded R$ 179,069 in Taxes recoverable, in the statement of financial position, to offset against current taxes administered by the Brazilian IRS in future periods. The credit principal amount, net of lawyers' success fees, was recognized as other operating income and the amount of monetary restatement was recognized as finance income item in the statement of profit or loss for the year.

The amount of R$ 123,396 related to part of the referred to tax credit with the Brazilian IRS (RFB) for future offsetting was approved and authorized on January 3, 2020, and the remaining amount, R$ 55,673, will be subject to analysis by the RFB for refund or future offsetting of taxes previously paid in installments.

In 3Q/2021, the Company revisited its financial projections for the years 2022 to 2024, and considering the initial balance of R$ 179,069, minus the offsetting made until 3Q/2021 of R$ 63,469 (R$ 68,122 until December 31, 2021) plus the monthly monetary restatement of the accumulated credit of R$ 27,694, the Company concluded that it will not be possible to offset 100% of the current balance during the 5-year statute of limitations, which started in October 2019 and ends in October 2024. Accordingly, a provision (impairment) in the amount of R$ 20,629 was recorded in profit or loss for the year. The Company offset the accumulated amount of R$ 103,386 until December 31, 2022, and during the year the amount of R$ 35,263. Management revisited the projections for the year ended December 31, 2022 and there was no need to supplement the provision.

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

10. Income and social contribution taxes

a) Breakdown of deferred income and social contribution taxes

	Consolidated	
	2022	**2021**
Liabilities:		
Property, plant and equipment – deemed cost (1)	**(450)**	(452)
Depreciation – economic useful life review (2)	**(20,052)**	(18,845)
	(20,502)	(19,297)

(1) This refers to deferred taxes on deemed cost of property, plant and equipment, arising from recognition of fair value upon first-time adoption of CPC 27 (IAS 16).

(2) This refers to deferred taxes on the difference of property, plant and equipment depreciation generated after the review of economic useful lives of assets. Through December 31, 2010, the Company also considered for tax purposes, as allowed by tax legislation, the depreciation calculated based on new economic useful lives of assets. As from September 2011, the Company started to use for tax purposes the depreciation calculated according to the useful life allowed by tax law and, consequently, recognized the corresponding deferred tax effects.

The Company has income and social contribution tax loss balances amounting to R$ 60,780 and R$ 71,782, respectively, at December 31, 2022 (R$ 59,374 and R$ 70,376 at December 31, 2021, respectively), and subsidiary Plascar Ltda. has income and social contributions tax loss balances of R$ 1,040,401 and R$ 1,035,345, respectively, at December 31, 2022 (R$ 960,587 and R$ 955,531 at December 31, 2021, respectively) on which deferred tax assets were not fully recorded, as determined by CVM Rule No. 371, since the Company does not expect to generate future taxable profits.

b) Changes in deferred tax liabilities

	Consolidated	
	2022	**2021**
Opening balances	**(19,297)**	(19,205)
Deferred taxes on realization of deemed cost of property, plant and equipment stemming	**-**	-
from the depreciation and disposals of these assets	**2**	7
Deferred taxes on depreciation difference	**(1,207)**	(99)
Closing balances	**(20,502)**	(19,297)

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

10. Income and social contribution taxes (Continued)

c) Reconciliation of income and social contribution tax expense

	Consolidated	
	2022	**2021**
Loss before income and social contribution taxes	**(95,916)**	(122,138)
Income and social contribution taxes at statutory rates (34%)	**32,611**	41,527
Adjustments to effective rate statement:		
Tax effect on unrecognized income and social contribution tax losses for the year (1)	**(33,816)**	(41,619)
Deferred income and social contribution tax expenses	**(1,205)**	(92)

(1) Tax effect on income and social contribution tax losses of Plascar S.A., which is not recorded due to the non-expectation of future taxable profits.

11. Related parties

a) Key management personnel compensation

Compensation of the Board of Directors and Supervisory Board comprises fixed compensation defined at Shareholders' Meeting and is paid on a monthly basis.

The compensation of key executives and managers of the Company and its subsidiaries consists of fixed compensation, variable pay based on goals set and additional benefits.

For the years ended December 31, 2022 and 2021, total key management personnel compensation was:

	2022	**2021**
Annual fixed compensation (1)	**(6,280)**	(6,030)
Variable compensation (2)	**(1,503)**	(486)
Management fees	**(7,783)**	(6,516)

(1) It refers to salaries and compensation to management, in addition to vacation pay, 13th monthly salary, private pension and social charges (contribution to social security - INSS, FGTS and others).

(2) It refers to profit sharing and bonus.

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

11. Related parties (Continued)

b) Balances and transactions

The Company and its subsidiary enter into intercompany loan agreements with related parties for cash flow needs to be remedied immediately, exempt from approval processes required by financial institutions. These agreements are subject to the availability of funds and not compromising the lender's cash flow. Such intercompany loan agreements are executed in accordance with rates agreed between the parties.

Significant assets and liabilities balances as of December 31, 2022 and 2021, and transactions influencing profit or loss for the year, are as follows:

	Individual		Consolidated	
	2022	**2021**	**2022**	**2021**
Noncurrent liabilities				
Intercompany loan agreements:				
Yatsivut Corporation Ltd.	**-**	-	**4,166**	5,254
Kielce Gestão de Ativos Ltda ME	**-**	-	**3,163**	2,878
Plascar Ltda.	**34,209**	22,148	**-**	-
	34,209	22,148	**7,329**	8,132

c) Changes

	Individual	Consolidated
December 31, 2021	**22,148**	**8,132**
(+) Increase in principal	12,061	-
(+) Provision for interest and Tax on Financial Transactions (IOF)	-	284
(-) Foreign exchange differences	-	(1,087)
December 31, 2022	**34,209**	**7,329**

The transaction effects on profit or loss correspond to the monetary restatement and foreign exchange difference recorded in finance income (costs).

The intercompany loan agreement between the Company (lender) and Plascar Ltda. (borrower) is exceptionally not subject to finance charges, as the Company is the direct owner of 100% of Plascar Ltda. capital. This agreement was signed on May 31, 2000, for an indefinite period of time, to adjust the cash flow of Plascar Ltda.

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

12. Provision for losses on investment in subsidiary

Changes in investment are as follows:

	2022	2021
Opening balance	**(296,679)**	(176,192)
Participation in subsidiary losses	**(95,715)**	(120,487)
Closing balance	**(392,394)**	(296,679)

Significant information referring to Plascar Ltda. is as follows:

	2022	2021
Capital	**838,565**	838,565
Total units of interest	**838,565,144**	838,565,144
Units of interest held	**838,565,144**	838,565,144
Equity interest	**100%**	100%
Subsidiary's equity	**(392,394)**	(296,679)
Equity interest in Plascar S.A.	**(392,394)**	(296,679)
Net loss for the year	**(95,715)**	(120,487)
Equity pickup	**(95,715)**	(120,487)

13. Property, plant and equipment

a) Breakdown

	Consolidated			
	2022			2021
	Cost	Depreciation	Net	Net
Buildings	**26,813**	**(3,352)**	**23,461**	14,348
Machinery and equipment	**930,841**	**(614,145)**	**316,696**	294,902
Molds	**47,658**	**(46,989)**	**669**	781
Furniture and fixtures	**12,800**	**(12,452)**	**348**	589
Vehicles	**3,830**	**(3,722)**	**108**	198
IT equipment	**4,866**	**(3,697)**	**1,169**	525
Replacement parts and materials	**5,720**	**-**	**5,720**	4,270
Advances to suppliers	**45,253**	**-**	**45,253**	49,764
Provision for impairment, advances, and machinery and equipment (2)	**(62,939)**	**-**	**(62,939)**	(62,039)
	1,014,842	**(684,357)**	**330,485**	303,338

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

13. Property, plant and equipment (Continued)

a) Breakdown (Continued)

(1) Weighted average rate of 6.24%.

(2) These refer substantially to advances to suppliers for acquisition of machinery and equipment to expand the operational and production capacity of the Company's plants between 2010 and 2011 for Sandretto and financed with BNDES through the FINAME/PSI program in the amount of R$ 44,084. Of the amount recorded at December 31, 2018 and 2019, R$ 36,548 was advanced by financial institutions and R$ 7,536 was advanced to the supplier with own funds. The Company, after analysis with its legal advisors, decided to record a loss on the total outstanding amount, totaling R$ 44,084, in 2018. The Company adopted all possible legal measures and will pursue its rights legally. However, the Company considers that the possibility of receiving these assets in the short term is unlikely, notwithstanding the lawsuit is still in progress.

In 2019, the Company recorded impairment of R$ 17,955 related to machinery and equipment identified as non-operating in the year.

b) Changes in cost

		Consolidated			
		Year ended December 31, 2022			
	Opening balance	Additions	Write-offs	Transfers	Closing balance
Buildings	17,208	**7,340**	**(47)**	**2,312**	**26,813**
Machinery and equipment	885,958	**55,527**	**(2,469)**	**(2,519)**	**936,497**
Molds	47,838	**2**	**(218)**	**36**	**47,658**
Furniture and fixtures	12,626	**123**	**(85)**	**136**	**12,800**
Vehicles	4,302	**-**	**(472)**	**-**	**3,830**
IT equipment	4,040	**792**	**-**	**34**	**4,866**
Replacement parts and materials	4,270	**1,948**	**(498)**	**-**	**5,720**
Advances to suppliers	49,764	**2,373**	**(6,885)**	**1**	**45,253**
Impairment provision machinery and equipment	(67,695)	**-**	**(900)**	**-**	**(68,595)**
	958,311	**68,105**	**(11,574)**	**-**	**1,014,842**

		Consolidated			
		Year ended December 31, 2021			
	Opening balance	Additions	Write-offs	Transfers	Closing balance
Buildings	10,882	4,932	(21)	1,415	17,208
Machinery and equipment	843,545	51,258	(7,400)	(1,445)	885,958
Molds	47,333	528	(9)	(14)	47,838
Furniture and fixtures	12,611	20	(39)	34	12,626
Vehicles	4,302	-	-	-	4,302
IT equipment	3,660	363	-	17	4,040
Replacement parts and materials	3,906	371	-	(7)	4,270
Advances to suppliers	44,581	5,183	-	-	49,764
Impairment provision machinery and equipment	(67,695)	-	-	-	(67,695)
	903,125	62,655	(7,469)	-	958,311

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

13. Property, plant and equipment (Continued)

c) Changes in depreciation

		Consolidated			
		Year ended December 31, 2022			
	Opening balance	Additions	Write-offs	Transfers	Closing balance
Buildings	(2,860)	**(499)**	**-**	**7**	**(3,352)**
Machinery and equipment	(591,056)	**(33,164)**	**4,378**	**41**	**(619,801)**
Molds	(47,057)	**(145)**	**213**	**-**	**(46,989)**
Furniture and fixtures	(12,037)	**(426)**	**59**	**(48)**	**(12,452)**
Vehicles	(4,104)	**(69)**	**451**	**-**	**(3,722)**
IT equipment	(3,515)	**(182)**	**-**	**-**	**(3,697)**
Provision for impairment, machinery and equipment	5,656	**-**	**-**	**-**	**5,656**
	(654,973)	**(34,485)**	**5,101**	**-**	**(684,357)**

		Consolidated			
		Year ended December 31, 2021			
	Opening balance	Additions	Write-offs	Transfers	Closing balance
Buildings	(2,582)	(302)	6	18	(2,860)
Machinery and equipment	(564,580)	(33,693)	7,233	(16)	(591,056)
Molds	(46,764)	(283)	9	(19)	(47,057)
Furniture and fixtures	(11,747)	(330)	39	1	(12,037)
Vehicles	(3,986)	(125)	-	7	(4,104)
IT equipment	(3,274)	(250)	-	9	(3,515)
Provision for impairment, machinery and equipment	5,656	-	-	-	5,656
	(627,277)	(34,983)	7,287	-	(654,973)

The amount of R$ 32,692 (R$ 34,245 in 2021) refers to depreciation expenses and was carried in profit or loss as “Cost of Sales”, R$ 1,445 (R$ 340 in 2021) as “Selling expenses”" and R$ 348 (R$ 398 in 2021) as “Administrative expenses”.

Management carried out its assessment and concluded that there was no need to record a provision for impairment of the assets of the Company and its subsidiaries, as detailed in Note 2.8.

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

14. Right-of-use assets and lease liabilities

a) Breakdown of and changes in right-of-use assets and lease liabilities

Right-of-use assets

	2022	2021
Opening balance	**15,604**	21,672
Additions (1)	**79,862**	17,054
Adjustments	**2,184**	-
Amortization	**(18,379)**	(23,122)
Closing balance	**79,271**	15,604

Lease liabilities

	2022	2021
Opening balance	**55,534**	45,552
Additions (1)	**79,862**	17,054
Adjustments	**2,184**	-
Write-off [2]	**(36,808)**	-
Interest	**10,536**	4,160
Payments	**(23,244)**	(11,232)
Closing balance	**88,064**	55,534
Current	**25,168**	1,546
Noncurrent	**62,896**	53,988
	88,064	55,534

(1) In 1Q/2022, the lease agreements for the properties located in Jundiaí-SP, Varginha-MG and Betim-MG were renewed. The initial impact on assets and liabilities was R$ 79,054. Management considered an incremental rate of 12.25% to adjust the debt to present value (APV). In 2Q/ 2022, a vehicle rental contract was recorded. The initial impact on assets and liabilities was R$ 808. Management considered an incremental rate of 15.75% to adjust the debt to present value (APV).

(2) In 2Q/2022, an agreement was executed to renegotiate its overdue rent debt for the period from January 2020 to December 2021, under the same conditions as the renegotiation agreement of January 2020. The renegotiated amount was R$ 47,333, recorded under “Other liabilities”.

In year ended December 31, 2022, the Company recorded expenses of R$ 408 (R$ 225 in 2021) relating to short-term leases (contracts of less than 12 months) or contracts involving low-value assets.

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

14. Right-of-use assets and lease liabilities (Continued)

b) Aging list of leases

	Consolidated	
	2022	2021
2023	**25,168**	1,546
2024 onwards	**62,896**	53,988
	88,064	55,534

c) Additional information – Memorandum Circular CVM/SNC/SEP No 02/2019

In compliance with MEMORANDUM CIRCULAR/CVM/SNC/SEP/No. 02/2019, the Company adopted as an accounting policy the requirements of CPC 06 (R2)/IFRS 16 in the measurement and remeasurement of its right of use, adopting the discounted cash flow technique without considering inflation.

In order to safeguard the faithful representation of the information in view of the requirements of CPC 06 (R2) and to meet the guidelines of the technical areas of the CVM, the liability balances are provided without inflation, effectively accounted for (actual flow x nominal rate), as well as an estimate of the balances subjected to inflation in the periods of comparison (nominal flow x nominal rate).

Other assumptions, such as the maturity schedule of liabilities and interest rates used in the calculation are disclosed in other items of this same note, as well as the inflation indices that are observable in the market, so that nominal flows can be prepared by users of the financial statements.

The comparison of lease flow balances, with and without the inflation projection, is shown below:

	2023	2024	2025	2026 onwards
Lease liabilities				
Actual projection and nominal rate (accounted for)	**(88,060)**	(71,750)	(53,491)	(33,303)
Nominal projection and nominal rate	**(98,573)**	(82,209)	(62,557)	(39,642)
Right-of-use assets				
Actual projection and nominal rate (accounted for)	**79,271**	59,691	42,108	23,730
Nominal projection and nominal rate	**86,414**	66,176	45,938	25,912
Finance charges				
Actual projection and nominal rate (accounted for)	**8,859**	6,908	4,725	2,947
Nominal projection and nominal rate	**9,994**	7,962	5,548	3,526
Right-of-use amortization expense				
Actual projection and nominal rate (accounted for)	**18,581**	18,581	18,379	23,730
Nominal projection and nominal rate	**20,238**	20,238	20,025	25,913

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

15. Loans and financing

a) Summary of loans and financing

Type/purpose	Finance charges at 12/31/2022	Consolidated 2022	Consolidated 2021
Working capital – local currency	From 9.52% to 21.0% p.a.	**216,675**	138,993
		216,675	138,993
Current		**91,711**	51,531
Noncurrent		**124,964**	87,462
		216,675	138,993

Part of the loan balance, R$ 19,082, is due to a debt with BNDES relating to prior periods, which was renegotiated by the Company. In the period of 1 year, the Company raised the amount of R$ 156,871 in new loans. Loans for working capital requirements contracted by Plascar Ltda. are secured by machinery and equipment (CAPEX) and the remaining balances by receivables and sureties.

b) Changes

	2022	2021
Total working capital at January 1	**138,993**	138,237
(+) Funding	**156,871**	19,699
(+) Repayment of principal	**(84,588)**	(19,821)
(-) Payment of interest	**(34,986)**	(14,737)
(+) Accrued interest	**40,385**	15,615
Total working capital at December 31	**216,675**	138,993

Maturities of noncurrent balances are as follows:

	Amount
2024	56,632
2025	27,828
2026	17,125
2027 onwards	23,379
	124,964

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

16. Trade accounts payable

	Consolidated	
	2022	2021
Domestic suppliers	**84,379**	71,532
Foreign suppliers (Note. 4.1)	**2,709**	1,298
	87,088	72,830

The terms and conditions of financial liabilities referred to above reflect the outstanding balance of trade accounts payable, with an average payment term of 35 days (same average term at December 31, 2021).

The Company has no reverse factoring transactions as at December 31, 2022 and 2021.

17. Payroll, vacation pay and social charges payable

	Consolidated	
	2022	2021
Social charges	**209,421**	136,922
Labor indemnification	**61**	419
Accrued vacation pay and 13th monthly salary	**23,352**	19,150
Accrued profit sharing	**13,392**	12,789
Other	**3,074**	742
	249,300	170,022
Current	**238,762**	160,757
Noncurrent	**10,538**	9,265

In June 2021, the Company was notified by the Brazilian IRS (RFB), through a notice of assessment and imposition of a fine, in which it demanded the collection of social security contributions and third parties on amounts paid as profit sharing (PLR) to employees in year 2017, in violation of Law No. 10101/2000. The adjusted amount of the notice of assessment at December 31, 2021 is R$ 5,081 and, after the discussion at the administrative level was exhausted, the Company opted to settle the liability by joining the tax transaction program authorized by the Attorney General's Office of the Brazilian Department of Treasury (PGFN) Administrative Ruling No. 11/2021, in installments and with discounts to be applied after approval of the transaction.

The Company recorded a provision for this amount, which is duly included in the "Social Charges" line, matched against Other operating expenses (Original amount) and Finance costs (Charges). The restated amount of this provision as at December 31, 2022 is R$ 3,319 (R$ 4,861 in 2021).

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

18. Advances from customers

	Consolidated	
	2022	**2021**
Fiat Automóveis	**6,214**	3,268
Iveco	**3,854**	-
Man	**13,089**	23,344
VW	**4,119**	17,672
Calsonic Kansei	**955**	-
Scania	**629**	-
Mercedes Benz	**2,523**	1,077
Volvo	**123**	2,432
Hyundai	**2,133**	914
DAF	**-**	2,000
Other	**97**	901
	33,736	51,608

19. Commitments and provision for contingencies

a) Renegotiation of lease debt

In January 2020, the Company completed the renegotiation of its overdue lease debt, the balance of which, at December 31, 2019, was R$ 137,754, recorded as “Other liabilities” and “Lease liabilities” in current liabilities.

With completion of the negotiation, the restated debt included in an installment payment plan, with grace period of more than one year for payments to start. The balance was transferred to Other Liabilities, in noncurrent, in January 2020.

In 2Q/2022, an agreement was executed to renegotiate its overdue lease debt for the period from January 2020 to December 2021 (Note 14.a) in the amount of R$ 47,333 recorded as noncurrent.

b) Legal proceedings - Amounts involved and accounting provision criteria for probable loss cases

The Company and its subsidiary are parties to several labor (and social security), civil and tax claims that are currently in progress. The criterion adopted by the Company for classification of the loss risk is estimated as “remote”, “possible” and “probable”. “Remote” indicates minimum loss risk, “possible” indicates moderate loss risk, and “probable” indicates high loss risk, and the outside legal advisors, with the assistance of the Company’s legal Department, examine in detail each lawsuit, either new or pending judgment, and classify them according to their best outcome estimates.

19. Commitments and provision for contingencies (Continued)

b) Legal proceedings - Amounts involved and accounting provision criteria for probable loss cases (Continued)

These risk classifications are assessed monthly and can be changed whenever the legal advisor's understanding indicates this need. In addition, all proceedings also receive monthly monetary restatement, according to the legal rates adopted by the courts, in order to reflect the most accurate and current economic situation of each lawsuit.

For all cases where external and internal legal advisors indicate the loss risk as "probable", the Company sets up an individual provision in an amount sufficient to face the estimated amount of this loss, which is duly calculated and determined through court bookkeeping (in the case of the court) or accounting expert (in the case of the Company), based on convictions and/or any other decisions arising from higher levels (appeals) handed down by courts and that indicate, without a doubt, that the Company must make the payment in the short term, due to the advanced stage of the proceedings. In addition, the Company adopts a conservative practice and also sets up monthly provisions for labor claims classified as "possible" loss risk, for which the Company estimates that legal agreements will be signed for the settlement and closure of claims before the enforceable process begin.

Considering the proceedings with loss risk, the Company has a total provision set up as follows:

	Consolidated	
	2022	**2021**
Provisions for social security and labor contingencies	**7,129**	6,502
	7,129	6,502

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

19. Commitments and provision for contingencies (Continued)

b) Legal proceedings - Amounts involved and accounting provision criteria for probable loss cases (Continued)

Changes in the provision for contingencies in 2022 and 2021 are as follows:

Social security and labor contingencies

	2022	2021
Opening balance	**6,502**	11,550
(+) Additions	**6,209**	6,061
(-) Payments	**(5,582)**	(11,109)
Closing balance	**7,129**	6,502

c) Estimated "possible" losses, with no provision in the statement of financial position

For the Company's other proceedings whose loss risk is classified by outside and internal legal advisors as "possible" or "remote", there is no accounting provision. In spite of this, the Company recognizes the importance of reporting the amounts involved in these proceedings as a way of providing sufficient knowledge and information to the market about all the lawsuits to which the Company is a party. For new lawsuits, the amount reported by the Company takes into account the lawsuit amount (initial amount). As the lawsuit progresses, legal advisors better determine the amounts involved in each lawsuit, measuring each of them more accurately as to the amounts actually involved, as well as their effective risk of loss.

Considering the proceedings with loss risk rated as "possible", with no provision set up, the Company informs that the amounts involved are as follows:

	Consolidated	
	2022	2021
Tax	**4,836**	4,444
Labor	**14,667**	10,971
Civil	**6,628**	4,185
	26,131	19,600

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

19. Commitments and provision for contingencies (Continued)

d) Significant contingent assets

Currently, Plascar Ltda. is a plaintiff in two lawsuits considered significant against FUNRURAL and ELETROBRÁS, whose involved amounts are R$ 8,585 and R$ 19,249, respectively.

(i) The lawsuit against ELETROBRÁS, which has also been judged in favor of the Company, is now at an advanced stage, and the Company has already initiated the provisory execution of the judgment, requiring the payment of the amount due. In July 2020, however, through its outside advisors, the Company became aware of an alleged assignment of rights, which would have been carried out in May 2003, whereby the ownership and economic benefits arising from this proceeding would be assigned to third parties. . Having not identified elements internally that confirmed this assignment of rights, the Company manifested itself in the records, requesting more information on the matter and, at this moment, is awaiting judgment.

(ii) The lawsuit against FUNRURAL was rendered a *res judicata* decision on September 4, 2001, and Plascar was granted the unquestionable right to receive R$ 2,237 (Note 9). However, that amount was questioned by the Company as regards its monetary restatement, which was not considered by the court.

This restatement and therefore the correct amount to be settled in favor of the Company have not yet been defined. The Company's legal advisors' estimate indicates the amount of R$ 8,585.

20. Other liabilities

	Consolidated	
	2022	**2021**
Lease debt payable (Note 19.a)	**183,467**	137,754
Sundry creditor – agreements entered into	**54,049**	82,018
Outros passivos	**15,426**	14,192
	252,942	233,964
Circulante	**43,041**	40,265
Não circulante	**209,901**	193,699
	252,942	233,964

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

21. Equity

a) Capital

Em 31 de dezembro de 2022 e 2021 o capital social da Companhia é de R$ 931,455 dividido em 12,425,418 ações ordinárias nominativas, sem valor nominal.

The issue price of the shares was set, without unjustified dilution for the current shareholders of the Company, considering the methodologies allowed by article 170, paragraph 1, of the Brazilian Corporation Law, considering the financial situation of the Company at that moment, which has high indebtedness and capital deficiency.

	2022		2021	
Shareholders	**Number of shares**	**Equity interest**	**Number of shares**	**Equity interest**
Pádua IV Participações	**7,454,491**	**60.0%**	**7,454,491**	**60.0%**
Permali Indústria e Comércio Ltda.	**-**	**-**	**2,290,953**	**18.4%**
Deise Duprat [1)]	**2,689,653**	**21.64%**	**397,613**	**3.20%**
Postalis	**884,712**	**7.12%**	**884,712**	**7.1%**
Other shareholders	**1,396,562**	**11.24%**	**1,397,649**	**11.3%**
	12,425,418	**100%**	**12,425,418**	**100%**

(1) As per a material fact notice on November 18, 2022, Permali Indústria e Comércio Ltda concluded the sale of its entire shareholding in Plascar, representing 18.44% of the common shares issued by the Company, totaling 2,290,953 common shares, in behalf of Deise Duprat, individual. As a result of the sale of Plascar's shares, Permali no longer holds any shareholding in the Company, while Deise Duprat now holds, as of this date, a total and significant amount of 21.64% of Plascar's shares, represented by 2,689,653 shares issued by the Company.

Permali participated in the Company's control group, being an integral part of the Shareholders Agreement that was signed on January 31, 2019. Upon the sale of the shareholding, the said Shareholders' Agreement ceases to produce its legal effects, being considered terminated by operation of law.

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21. Equity (Continued)

a) Capital (Continued)

Subscription warrant

The Company issued in favor of and as an additional advantage to the subscribers of capital increase shares, upon reaching Plascar Plásticos EBITDA targets in the years 2020, 2021 or 2022, 7,455,251 subscription warrants, in a single series and under the book-entry and registered form, with 1 subscription warrant for each share of the subscribed capital increase. The grant to its holders, jointly, transfers the right to subscribe shares of the Company representing 5% of Company's capital after issuing such shares. The price for the subscription of 1 share issued as a result of the exercise of Subscription Warrants will be R$ 0.01 "Exercise Price". The subscription of the shares resulting from the exercise of Subscription Warrants will be carried out in a particular manner, upon the exercise of the Subscription Right, and the payment of the shares then subscribed should be made through cash payment of the Exercise Price in local currency upon subscription of such shares.

b) Reserves

Equity adjustments

Set up by recording, for accounting purposes, the realization of the deemed cost attributed to property, plant and equipment and respective taxes. This account also includes the impacts on the change in parent company's interest in the subsidiary from 99.89% to 100% after the financial restructuring that took place on January 31, 2019.

c) Shareholder remuneration - distribution of dividends

As provided for in the Company's Articles of Incorporation, shareholders are entitled to minimum annual dividend of 25% of net income for the year, in light of articles 189 and 202 of Law No. 6404/76. Due to the losses incurred, no dividends were distributed at December 31, 2022 and 2021.

22. Earnings (loss) per share

Basic earnings (loss) per share are reached after dividing the net income or loss for the year, attributed to the Company's common shareholders, by the weighted average number of common shares available during the year.

Diluted earnings (loss) per share are calculated by dividing net income or loss attributed to Company's common shareholders by the weighted average number of common shares outstanding for the year, plus the weighted average number of common shares that would be issued should all potential diluted shares be converted.

The chart below presents profit or loss and share data used in calculating basic or diluted earnings (loss) per share for the years ended December 31, 2022 and 2021 (in thousands, except for earnings/loss per share):

	2022	2021
Basic loss per share:		
Numerator:		
Loss for the year	**(97,121)**	(122,230)
Denominator:		
Weighted average number of shares	**12,425,418**	12,425,418
Basic loss per share – R$	**(7.82)**	(9.84)

23. Net operating revenue

	Consolidated	
	2022	2021
Gross sales revenue	**1,041,045**	757,842
(-) Sales taxes	**(176,096)**	(129,855)
(-) Returns and rebates on sales	**(16,759)**	(15,303)
	848,190	612,684

Sales taxes mainly comprise State VAT – ICMS (rates of 7%, 12% and 18%), Federal VAT – IPI (rates of 5% and 15%), Contribution Tax on Gross Revenue for Social Integration Program – PIS (rates of 1.65% and 2.30%), Contribution Tax on Gross Revenue for Social Security Financing – COFINS (rates of 7.60% and 10.80%).

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

24. Breakdown of costs and expenses by nature

The Company chose to present the statement of profit or loss by function and states below the details by nature:

	Consolidated	
	2022	**2021**
Raw material, inputs, consumer and in-use materials, and personnel	**(660,989)**	(498,205)
Depreciation and amortization	**(52,864)**	(58,105)
Third-party services	**(42,124)**	(33,369)
Freight on sales	**(18,255)**	(16,518)
Allowance for expected credit losses (Note 7)	**(378)**	(984)
Provision for market value adjustment and inventory obsolescence (Note 8)	**68**	(23)
Other	**(70,063)**	(46,336)
	(844,605)	(653,540)
Classified as		
Cost of products sold	**(728,202)**	(566,387)
Selling expenses	**(36,637)**	(28,887)
General and administrative expenses	**(80,251)**	(55,883)
Other operating expenses, net	**485**	(2,383)
	(844,605)	(653,540)

25. Finance income (costs)

	Consolidated	
	2022	**2021**
Finance costs		
Interest and monetary difference, net	**(55,029)**	(49,445)
Charges on overdue taxes/tax installments (1)	**(36,044)**	(35,811)
Present value adjustment of leases (Note 14)	**(10,536)**	(4,160)
Foreign exchange losses	**(6,405)**	(4,195)
Tax on Financial Transactions (IOF)	**(3,102)**	(835)
Other	**(1,373)**	(1,447)
	(112,489)	(95,893)
Finance income		
Interest and monetary restatement (2)	**6,872**	11,103
Foreign exchange gains	**6,021**	3,438
Other	**95**	70
	12,988	14,611
Finance income (costs)	**(99,501)**	(81,282)

(1) Charges on overdue taxes and tax installments of PIS/COFINS and ICMS.

(2) The positive impact is mainly due to the accounting record of the monetary restatement related to the ICMS exclusion from PIS-COFINS tax base.

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

26. Tax obligations and social charges

The outstanding tax balance at December 31, 2022 is R$ 171,293 and R$ 205,828 for payroll charges (R$ 173,229 and R$ 131,562 in 2021), of which R$ 16,760 are current taxes falling due, R$ 165,511 overdue current taxes, and R$ 194,850 tax payment in installments (R$ 9,391 R$ 101,587, and R$ 193,813, respectively, in 2021).

	2022					
				Tax installments		
				Current		Non
	Outstanding	Falling due	Overdue	Falling due	Overdue	current
PGFN Extraordinary Transaction	47,124	-	-	7,441	-	39,683
Common payment in installments PIS/COF/IPI	29,908	-	-	8,157	21,751	-
Contribution Tax on Gross Revenue for Social Integration Program (PIS)	270	270	-	-	-	-
Contribution Tax on Gross Revenue for Social Security Financing (COFINS)	1,222	1,222	-	-	-	-
ICMS (Regularize – MG)	40,543	-	-	7,371	-	33,172
ICMS	28,655	2,050	-	12,910	389	13,306
IPI (Tax in installments – MG)	425	-	-	364	-	61
IPI	292	292	-	-	-	-
Attorney general office charges – federally enforceable debt	22,208	-	-	-	22,208	-
Other (Service Tax – ISS, Property Tax - IPTU)	646	513	-	27	-	106
	171,293	4,347	-	36,270	44,348	86,328
Withholding Income Tax (IRRF) (Employees)	2,294	2,294	-	-	-	-
Common payment in installments – Social Security Tax (INSS)	15,633	-	-	3,754	10,431	1,448
Unemployment Compensation Fund (FGTS)	8,210	1,393	-	1,076	-	5,741
INSS (Company)	148,369	6,886	141,483	-	-	-
INSS (Employees)	25,868	1,840	24,028	-	-	-
INSS in installments Sesi Senai (Company)	5,454	-	-	2,073	32	3,349
	205,828	12,413	165,511	6,903	10,463	10,538
Sum (Company)	348,959	12,626	141,483	43,173	54,811	96,866
Sum (Employees)	28,162	4,134	24,028	-	-	-
Total	377,121	16,760	165,511	43,173	54,811	96,866

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

26. Tax obligations and social charges (Continued)

2021						
				Tax installments		
				Current		
	Outstanding	**Falling due**	**Overdue**	**Falling due**	**Overdue**	**Noncurrent**
REFIS (PERT MP 783/17)	57,588	-	-	4,553	9,106	43,929
Common payment in installments PIS/COF/IPI	26,702	-	-	7,282	13,958	5,462
Contribution Tax on Gross Revenue for Social Integration Program (PIS)	104	104	-	-	-	-
Contribution Tax on Gross Revenue for Social Security Financing (COFINS)	444	444	-	-	-	-
ICMS (Regularize – MG)	43,143	-	-	6,637	-	36,506
ICMS	18,572	1,173	-	1,005	8,468	7,926
IPI (Tax in installments – MG)	716	-	-	330	-	386
IPI	72	72	-	-	-	-
Attorney general office charges – federally enforceable debt	25,137	-	-	-	25,137	-
Other (Service Tax – ISS, Property Tax - IPTU)	751	602	-	25	-	124
	173,229	2,395	-	19,832	56,669	94,333
Withholding Income Tax (IRRF) (Employees)	1,770	1,770	-	-	-	-
Common payment in installments – Social Security Tax (INSS)	14,197	-	-	3,419	6,383	4,395
Unemployment Compensation Fund (FGTS)	5,490	1,113	2,878	-	1,499	-
INSS (Company)	91,011	3,344	87,667	-	-	-
INSS (Employees)	11,811	769	11,042	-	-	-
INSS in installments Sesi Senai (Company)	7,283	-	-	2,064	349	4,870
	131,562	6,996	101,587	5,483	8,231	9,265
Sum (Company)	291,210	6,852	90,545	25,315	64,900	103,598
Sum (Employees)	13,581	2,539	11,042	-	-	-
Total	304,791	9,391	101,587	25,315	64,900	103,598

Regarding the overdue amounts, the Company recognizes a 20% fine in addition to adjustment for the indexes established by the legislation.

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

Special Tax Settlement Program (PERT)

Plascar Ltda. applied to PERT on August 29, 2017. The balance of overdue taxes up to April 2017, within the scope of the Attorney General's Office of the Brazilian Department of Treasury, were negotiated in 120 installments, with the value of the installments in the first 12 months corresponding to 0.4% of the debt, 0.5% in the second year, 0.6% in the third year, and the remaining balance in 84 installments. The adjustment index applied to the instalments is the Central Bank's Overnight Rate (Selic).

Additionally, Provisional Executive Order (MP) No. 783/17 was made into Law No. 13496/17 on October 25, 2017 including a new type of installment payment, which allows the use of income and social contribution tax losses to reduce the debt consolidated with the Brazilian IRS (RFB).

26. Tax obligations and social charges (Continued)

PGFN Extraordinary Transaction

On May 30, 2022, the Company joined the Extraordinary Transaction within the scope of the PGFN to settle the overdue balance previously payable in installments under PERT program. The total amount involved is R$ 47,749 in 84 installments.

27. Employee benefits

Expenses with salaries, benefits and social charges are stated as follows:

	Consolidated	
	2022	**2021**
Payroll and social charges	**198,168**	159,526
Profit sharing plan	**6,480**	6,545
Benefits established by law	**27,459**	19,207
Additional benefits	**578**	477
Other	**4,482**	3,327
	237,167	189,082

Additional benefits

In addition to usual benefits provided for by the labor legislation, the Company and its subsidiary usually grant additional benefits to its employees taken out from third parties, such as: medical care, public transport, food and day care assistance.

27. Employee benefits (Continued)

Profit sharing plan

The Company and its subsidiaries have supplementary variable compensation plans which consider fulfillment of goals established:

(i) The Company compensates its employees through profit sharing (PPR) according to the collective bargaining agreement entered into between the Company, its employees' commission and their trade union, which establishes monthly assessed and disclosed goals. This plan aims at encouraging development and productivity by providing financial gains and effective conditions for profit sharing within the Company.

(ii) Additional profit-sharing bonus plan (short-term PPR): the Company also pays a bonus to its managers and directors in the form of a differentiated salary amount. Profit sharing payable to employees holding these functions is based on the individual and Company's performance, in accordance with previously defined goals.

28. Insurance

The Company and its subsidiary have insurance policies for different purposes, taken out from major insurance companies in Brazil. These policies were defined according to the group program and took into consideration the nature and level of the risk involved.

At December 31, 2022, insurance coverage against operational risks combined with loss of profit was R$ 750,000 (R$ 629,300 at December 31, 2021), and R$ 10,000 (R$ 10,000 at December 31, 2021) for civil liability.

The Company does not expect any difficulties to renew insurance policies and considers that such coverage is reasonable in terms of amount and commensurate with industry standards in Brazil.

The risk assumptions adopted, given their nature, are not part of the scope of an audit of financial statements; accordingly, they were not audited by our independent auditor.

29. Events after the reporting period

Renegotiation of tax liabilities

Management concluded the renegotiation of all its tax liabilities with the RFB and the PGFN, through the Individual Tax Transaction program established by Law No. 14375/2022, whose regulatory administrative ruling was published on August 1, 2022.

The formalities for the signing of said transaction are in progress and the documents must be signed by the end of the first quarter of 2023.

Management estimates that after the conclusion of the agreement, there will be a substantial decrease in current liabilities, an improvement in profit and an increase in equity.

STF Decision - Final judicial decisions no longer effective

On February 8, 2023, the Plenary of the Federal Supreme Court (“STF”) concluded the judgment of Topics 881 and 885 under general resonance, corresponding to Appeals to STF Nos. 949.297 and 955.227, respectively, whose subject matter is the possibility of termination or not the effectiveness of final and unappealable decisions (res judicata) in tax relations of continued treatment, after the Supreme Court pronouncement contrary to the decision previously obtained in favor of the taxpayer. This is because, according to legislation and cases formerly adjudged, a decision, even if it has become final, produces its effects as long as the factual and legal framework that rendered it justifiable lasts. If there is a change, the effects of the previous decision may no longer be produced.

29. Events after the reporting period (Continued)

STF Decision - Final judicial decisions no longer effective (Continued)

Management assessed this matter and concluded that the Company has no lawsuits that fall into the decision rendered by the STF, therefore, it has no expected effect on its individual and consolidated financial statements.