Plascar Participações Industriais S.A.

(Free translation from the original issued in Portuguese. In the event of any discrepancies, the Portuguese language version shall prevail.)

Individual and consolidated financial statements and independent auditor’s report 242JH-043-EN-RM1

As of December 31, 2023

Contents

Management Report

Profile

<u>Plascar S.A.</u>

Plascar Participações Industriais S.A. (Bovespa: PLAS3), by way of its subsidiary Plascar Ltda., operates in the automotive sector and its corporate purpose is primarily the manufacturing and sale of plastic pieces and parts for both the interior and exterior finishing of motor vehicles in the original and aftermarket segments to automakers in Brazil.

Financial and Economic Performance

Plascar continues its restructuring process initiated in 2019, showing significant improvement in its results since then. As part of this process, the Company's strategy included strengthening its commercial activities and increasing revenue by winning new projects.

As shown in the table below, the Company has been successful in its growth strategy, despite the major challenges posed by the Covid crisis. In addition to the growth strategy, Plascar has implemented a series of internal control measures and efficiency gains that, combined with operational leverage and absorption of fixed costs, have contributed to margin expansion and consequent improvement in results.

Year	Net Revenue	EBITDA
2018[1]	346,821	(85,090)
2019[1,2]	407,550	67,051
2020[3]	369,188	(22,277)
2021[3]	612,684	17,415
2022[3]	848,190	56,482
2023[4]	947,129	110,905

(1) Impact due to impairment losses in the amount of R$44,084 in 2018 and R$17,955 in 2019.
(2) Positive effect of R$85,282 relating to recognition of credits arising the exclusion of ICMS from PIS/Cofins tax base.
(3) Impact of the COVID-19 pandemic, including production stoppages, declines in volume, and imbalances in prices.
(4) Positive impact of R$75,894 resulting from the effects of discounts obtained upon renegotiation of its tax liabilities by joining an Individual Transaction arrangement with PGFN.

Regarding 2023, the year was marked by high volatility in the production of our customers, with moments of sudden stops and a return towards stability throughout the second half. This recovery was due to the rebound in heavy vehicle production, which was significantly impacted during the first half due to the engine switch to Euro 6.
Despite this scenario of volatility, the Company's Revenue increased by 11.7% compared to 2022, while vehicle production, according to ANFAVEA (Brazilian Association of Motor Vehicle Manufacturers), decreased by 1.9% over the same period of the previous year.
EBITDA and Net Loss for the year were significantly impacted by the completion of the negotiation of taxes with the Attorney General's Office (PGFN). Such negotiation included discounts on fines and interest, as well as the use of tax losses to offset the principal, which resulted in a significant reduction in the tax liability. This was a critical step for the continuity of the Company's restructuring process.

Key Financial Indicators

(In thousands of R$)	**2023**	**AH%**	**2022**

Net revenue	947,129	11.7%	848,190
Gross profit	115,774	(3.5%)	119,988
Finance costs	(109,586)	10.1%	(99,501)
Loss	(714)	(99.3%)	(97,121)
EBITDA (1)	110,905	96.4%	56,482
Net debt (2)	187,596	(12.4%)	214,108

EBITDA Reconciliation:

(In thousands of R$)	**2023**	**2022**
Loss for the year	**(714)**	**(97,121)**
Finance income (costs)	109,586	99,501
Income tax and social contribution	(58,670)	1,205
Depreciation and amortization	60,703	52,897
EBITDA	**110,905**	**56,482**

Breakdown of Net Debt:

(In thousands of R$)	**2023**	**AH%**	**2022**
Borrowings and financing (current and noncurrent)	204,437	(14.4%)	238,923
(=) Gross Debt	**204,437**	**(14.4%)**	**238,923**
(-) Cash and cash equivalents	(16,841)	(32.1 %)	(24,815)
Net Debt	**187,596**	(12.4%)	**214,108**

(1) EBITDA (Earnings Before Interest, Taxes, Depreciation and Amortization) is a non-accounting measure disclosed by the Company, reconciled to its consolidated financial statements, in accordance with CVM Instruction No. 527/12, of October 4, 2012 (“ICVM 527”), and consists of profit (loss) for the period adjusted for net finance income (costs), current and deferred income tax and social contribution, and depreciation and amortization.

(2) Gross Debt is represented by the sum of borrowings, financing, and derivatives (current and noncurrent), debentures (current and noncurrent), and lease liabilities (current and noncurrent). Net Debt corresponds to Gross Debt less cash and cash equivalents, restricted cash, and restricted securities. Gross Debt and Net Debt are not measures of financial performance, liquidity, or indebtedness recognized under accounting practices adopted in Brazil or the International Financial Reporting Standards (IFRS) issued by the International Accounting Standards Board (IASB) and do not have a standard meaning. Other companies may calculate Gross Debt and Net Debt in a manner different from that of the Company. Below is the reconciliation of Gross Debt and Net Debt with the Company's consolidated financial statements:

As shown, Plascar's results continued their trend of improvement, with a significant increase in volume and, consequently, net revenue, reaching R$ 947,129 in 2023. This increase in volume and revenue was primarily driven by the start of new projects, including the opening of the new plant the city of Caçapava, which is already in full operation.

Regarding profitability, Plascar showed an improvement in EBITDA in 2023. EBITDA was 11.7% or R$ 110,905, compared to 6.7% or R$ 56,482 in 2022, mainly impacted by the positive effect of joining the installment plan for its tax liabilities with PGFN. In the comparison of the last quarter of the year, EBITDA increased from 3.7% or R$ 8,378 in 4Q22 to 5.8% or R$ 14,866 in 4Q23. This improvement in profitability is mainly explained by the effect of increased volumes, production stability, and efficiency gains.

The Company’s net results, in turn, totaled a loss of R$ 714 in 2023, a result that is still below Management's expectations. This situation is expected to be reversed by the increase in EBITDA in future periods, through the growth of the Company's revenue resulting from the start of new projects, which should be sufficient to offset current depreciation expenses and finance costs.

We closed 2023 strengthened by significant tax negotiations and investments of R$ 21 million in CAPEX[1] (R$ 68 million in 2022), focused on market growth and pursue for efficiency. For 2024, we remain committed to continuous recovery and the launch of new projects, aiming to expand our position in the automotive market.

Individual Transaction – PGFN

Management completed the renegotiation of its entire tax liability with PGFN, which includes debts accumulated until January 2023, through the Individual Tax Transaction program. All effects, fine and interest discounts, and the use of tax losses and negative basis of CSLL were recorded in the 2nd quarter of 2023. The positive impact on the Company’s result was R$ 177,210.

Automotive Market

According to ANFAVEA data, vehicle production in 2023 decreased by 1.9% compared to the same period in 2022, totaling 2.325 million units in the country. Light vehicle production increased by 1.3%. On the other hand, heavy vehicle production dropped by 37.5% due to the higher costs of new emission control technologies.

Automotive Outlook	SOURDE: ANFAVEA - BRAZIL		
	2022	2023	VAR. %
VEHICLE PRODUCTION	2,370	2,325	-1.9%
SALES OF VEHICLES	2,105	2,309	9.7%

Human Resources

The Company continues to invest in the professional development of its employees, with approximately 46.6 hours of education and training per employee (in the last 12 months), focusing on SENAI courses, internships, as well as technical and operational development training.

The Company closed 2023 with a staff of 2,534 employees (2,186 in 2022).

Relationship with independent auditors

As required by CVM Instruction No. 381/03, in retaining its independent auditors, the Company ensures that any non-audit services that may be conducted will not impair the independence and objectivity necessary to perform independent audit services. The audit of the financial statements prepared in accordance with accounting practices adopted in Brazil and the International Financial Reporting Standards (IFRS) issued by the International Accounting Standards Board (IASB) was performed by Grant Thornton Auditores Independentes Ltda.

We hereby declare that in 2023, the Company engaged non-audit services in the amount of R$ 29 (R$ 22 in 2022), not exceeding 5% of the external audit fees. In engaging non-audit services from independent auditors, the policy of the Company and its subsidiary relies on principles that safeguard the independent auditor´s independence, namely: an auditor cannot audit their own work; an auditor cannot participate in the role of management for their client, and an auditor is not allowed to advocate for their client.

Acknowledgements

Once again, we thank all those who were present and supported us during 2023, including our Employees, Customers, Suppliers, Shareholders, Financial Institutions, Members of the Board of Directors, and Company's Supervisory Board.

Jundiaí, March 13, 2024

The Management

(Free translation from the original issued in Portuguese. In the event of any discrepancies, the Portuguese language version shall prevail.)

Independent auditor's report on the individual and consolidated financial statements

Grant Thornton Auditores Independentes Ltda.

Av. José de Souza Campos, 507 – 5º andar Cambuí, Campinas (SP)

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

Opinion

We have audited the accompanying individual and consolidated financial statements of Plascar Participações Industriais S.A. ("Company"), identified as Parent and Consolidated, respectively, which comprise the statement of financial position as of December 31, 2023, statement of profit and loss, statement of comprehensive income, statement of changes in equity, and statement of cash flows for the year then ended, and the corresponding explanatory notes, including a summary of significant accounting policies and other information.

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

Basis for opinion

We conducted our audit in accordance with 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 subsidiary in accordance with the relevant ethical requirements set forth in the Code of Ethics for Professional Accountants and the professional standards issued by the Federal Accounting Council and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Material uncertainty related to the operational continuity of the Company and its subsidiary

We draw attention to Note 1 to the individual and consolidated financial statements, which states that the individual and consolidated financial statements were prepared under the going concern. As of December 31, 2023, the Company presents current liabilities exceeding current assets by R$265,502 thousand, equity deficiency of R$409,281 thousand, accumulated losses of R$1,341,047 thousand, and loss for the year of R$714 thousand (consolidated). Additionally, Note 1 describes situations demonstrating the Management's efforts to meet the Company's obligations, renegotiation with creditors, including tax authorities, seeking discounts and better payment terms, as well as investments in new projects aimed at increasing revenue and margin (in addition to reducing operating costs). These events, together with other issues described in that Note, indicate the existence of significant uncertainty that may raise significant doubt as to the Company's ability to continue as a going concern. The individual and consolidated financial statements do not include any adjustment that may arise as a result of such uncertainty. Our opinion is not qualified regarding this matter.

Key Audit Matters (KAM)

Key audit matters are those matters that, in our judgment, were of most significance in our audit of the financial statements in the current period. These matters were addressed in the context of our audit of the individual and consolidated financial statements taken as a whole and in forming our opinion on such individual and consolidated financial statements, and, therefore, we do not provide a separate opinion on these matters. Except for the matter described in the "Significant uncertainty as the ability of the Company and its subsidiary to continue as a going concern" section, there are no other key audit matters to communicate in our report.

Other matters

Statements of value added

The individual and consolidated statements of value added (DVA) for the year ended December 31, 2023, prepared under the responsibility of the Company's management and presented as supplemental information for IFRS purposes, have been subject to auditing procedures which were performed together with the audit of the Company's financial statements. In forming our opinion, we evaluated if these statements are reconciled to the financial statements and accounting records, as applicable, and if their form and content are in accordance with the criteria defined in NBC TG 09 – Statement of Value Added. In our opinion, these statements of value added were appropriately prepared, in all material respects, according to the criteria defined in said technical pronouncement and are consistent in relation to the individual and consolidated financial statements taken as a whole.

Audit of the corresponding figures

The examination of the individual and consolidated financial statement as of December 31, 2022, whose corresponding figures are presented for purposes of comparison, was conducted under the responsibility of another independent auditor, who issued a report thereon dated March 13, 2023, without modifications.

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

The Company's Management is responsible for this other information that is included in 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 with our knowledge obtained in the audit, or otherwise appears to be materially misstated. If, based on the work we have performed, we conclude that there is a material misstatement in the Management Report, we are required to report that fact. We have nothing to report in this regard.

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

Management is responsible for the preparation and fair presentation of the individual and consolidated financial statements in accordance with accounting practices adopted in Brazil and 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, Management is responsible for assessing the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting in preparing the financial statements, unless Management either intends to liquidate the Company or to cease operations, or has no realistic alternative to avoid doing so.

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

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

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

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

- Identify and assess the risks of material misstatement of the individual and consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve override of internal control, collusion, forgery, intentional omissions or misrepresentations;
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's and its subsidiary's internal control;
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the Management;

- Conclude on the appropriateness of management's use of the going concern basis of accounting and based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Entity's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the individual and consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Company to cease to continue as a going concern;
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the individual and consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation;
- Obtain sufficient and appropriate audit evidence regarding the financial information of the entities or business activities within the group to express an opinion on the individual and consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit and, consequently, for the audit opinion.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we 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 those regarding independence, and communicate to them all relationships and other matters that may reasonably be thought to bear on our independence and, where applicable, related safeguards.

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

Campinas, March 13, 2024

Grant Thornton Auditores Independentes Ltda.
2SP-028.281/O-4 F SP

João Henrique Schenk
Assurance Partner CRC 1SP-202.127/O-8

Plascar Participações Industriais S.A.

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

	Parent		Consolidated	
	2023	2022	2023	2022
Assets				
Current assets				
Cash and cash equivalents (Note 6)	13,833	18,156	16,841	24,815
Trade receivables (Note 7)	-	-	77,082	81,219
Inventories (Note 8)	-	-	99,014	120,288
Recoverable taxes (Note 9)	40	41	5,366	29,718
Other assets	-	17	15,995	4,246
	13,873	18,214	**214,298**	260,286
Noncurrent assets				
Recoverable taxes (Note 9)	-	-	62,616	67,917
Judicial deposits (Note 19)	-	-	1,436	1,398
Other assets	-	-	336	110
Investment property	-	-	8,182	8,272
Property, plant and equipment (Note 13)	7	7	318,949	330,485
Right-of-use assets (Note 14)	-	-	73,272	79,271
	7	7	**464,791**	487,453
Total assets	**13,880**	18,221	**679,089**	747,739

The accompanying notes are an integral part of these individual and consolidated financial statements.

Plascar Participações Industriais S.A.

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

	Parent		Consolidated	
	2023	**2022**	**2023**	**2022**
Liabilities and equity				
Current liabilities				
Borrowings and financing (Note 15)	-	-	118,968	113,959
Lease liabilities (Note 14)	-	-	36,167	25,168
Trade payables (Note 16)	-	-	100,185	87,088
Payroll, accrued vacation and related taxes	-	-	78,511	221,829
Taxes payable (Note 26)	66	185	10,696	4,347
Taxes in installments (Note 26)	-	-	76,719	97,551
Advances from customers (Note 18)	-	-	25,711	33,736
Related parties (Note 11.b)	-	-	1,016	-
Other liabilities (Note 20)	-	-	31,827	43,041
	66	185	**479,800**	626,719
Noncurrent liabilities				
Borrowings and financing (Note 15)		-	85,469	124,964
Lease liabilities (Note 14)		-	54,516	62,896
Related parties (Note 11.b)	31,810	34,209	7,335	7,329
Taxes in installments (Note 26)	-	-	208,052	96,866
Deferred income tax and social contribution (Note 10.a)	-	-	22,536	20,502
Provision for risks (Note 19.b)	-	-	9,343	7,129
Allowance for losses on investment in subsidiary (Note12)	391,285	392,394	-	-
Other liabilities (Note 20)		-	221,319	209,901
	423,095	426,603	**608,570**	529,587
Total liabilities	**423,161**	426,788	**1,088,370**	1,156,306
Equity (Note 21)				
Share capital	931,455	931,455	931,455	931,455
Valuation adjustments to equity	311	316	311	316
Accumulated losses	(1,341,047)	(1,340,338)	(1,341,047)	(1,340,338)
	(409,281)	(408,567)	(409,281)	(408,567)
Total equity	**(409,281)**	(408,567)	**(409,281)**	(408,567)
Total liabilities and equity	**13,880**	18,221	**679,089**	747,739

The accompanying notes are an integral part of these individual and consolidated financial statements.

Plascar Participações Industriais S.A.

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

	Parent		Consolidated	
	2023	**2022**	**2023**	**2022**
Net operating revenue (Note 23)	-	-	947,129	848,190
Cost of sales (Note 24)	-	-	(831,355)	(728,202)
Gross profit	-	-	115,774	119,988
Operating expenses				
Selling expenses (Note 24)	-	-	(53,505)	(36,637)
General and administrative expenses (Note 24)	(2,116)	(1,796)	(82,885)	(80,251)
Share of profit (loss) of investee (Note 12)	1,108	(95,715)	-	-
Other operating expenses, net (Note 24)	-	-	70,818	485
	(1,008)	(97,511)	**(65,572)**	(116,403)
Profit (loss) before finance income (costs)	(1,008)	(97,511)	50,202	3,585
Finance income (costs)				
Finance costs (Note 25)	(110)	(58)	(120,397)	(112,489)
Finance income (Note 25)	404	448	10,811	12,988
	294	390	**(109,586)**	(99,501)
Loss before income tax and social contribution	(714)	(97,121)	(59,384)	(95,916)
Deferred income tax and social contribution (Note 10.c)	-	-	58,670	(1,205)
	-	-	58,670	(1,205)
Loss for the year	**(714)**	(97,121)	**(714)**	(97,121)
Basic earnings (loss) per share (Note 22)	-	-	(0.06)	(7.82)

The accompanying notes are an integral part of these individual and consolidated financial statements.

Plascar Participações Industriais S.A.

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

	Parent and Consolidated	
	2023	**2022**
Loss for the year	(714)	(97,121)
Total comprehensive income for the year	**(714)**	**(97,121)**

The accompanying notes are an integral part of these individual and consolidated financial statements.

Plascar Participações Industriais S.A.

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

	Share capital	Valuation adjustments to equity	Accumulated losses	Total
Balances at December 31, 2021	931,455	321	(1,243,222)	(311,446)
Realization of deemed cost of property, plant and equipment	-	(7)	7	-
Deferred taxes on realization of deemed cost of property, plant and equipment	-	2	(2)	-
Loss for the year	-	-	(97,121)	(97,121)
Balances at December 31, 2022	931,455	316	(1,340,338)	(408,567)
Realization of deemed cost of property, plant and equipment	-	(8)	8	-
Deferred taxes on realization of deemed cost of property, plant and equipment	-	3	(3)	-
Loss for the year	-	-	(714)	(714)
Balances at December 31, 2023	**931,455**	**311**	**(1,341,047)**	**(409,281)**

The accompanying notes are an integral part of these individual and consolidated financial statements.

Plascar Participações Industriais S.A.

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

	Parent		Consolidated	
	2023	2022	2023	2022
Cash flows from operating activities				
Loss before income tax and social contribution	(714)	(97,121)	(59,384)	(95,916)
Adjustments to reconcile loss to cash provided by (used in) operating activities:				
Depreciation rate (Note 13.c)	-	-	32,604	34,485
Amortization (Note 14.a)	-	-	21,372	18,379
Loss on sale of property, plant and equipment	-	-	3,529	6,473
Interest and inflation adjustment, net	-	-	151,742	100,079
Reduction in interest and fines on individual transaction with PGFN	-	-	(116,507)	-
Provision for risks (Note 19.b)	-	-	6,056	6,209
Share of profit (loss) of investee (Note 12)	(1,108)	95,715	-	-
Allowance for inventory losses (Notes 8 and 24)	-	-	269	(68)
Allowance for expected losses (Notes 7 and 24)	-	-	(783)	378
	(1,822)	(1,406)	**38,898**	70,019
Changes in operating assets and liabilities:				
Trade receivables	-	-	4,064	(50,088)
Inventories	-	-	21,005	(1,863)
Recoverable taxes	1	(41)	29,653	26,070
Judicial deposits	-	-	(38)	919
Other assets, net	-	-	(11,885)	(1,279)
Trade payables	-	-	12,802	13,312
Payroll, accrued vacation and related taxes	-	-	59,638	54,587
Advances from customers	-	-	(8,025)	(17,872)
Taxes payable	(121)	158	12,525	(10,915)
Provision for risks (payments) (Note 19.b)	-	-	(3,842)	(5,582)
Other liabilities, net	18	-	(20,470)	(30,000)
Interest paid	-	-	(62,180)	(37,359)
Net cash provided by (used in) operating activities	**(1,924)**	(1,289)	**72,145**	9,949
Cash flows from investing activities				
Purchase of property, plant and equipment (Note 13.b)	-	-	(24,597)	(68,105)
Net cash used in investing activities	-	-	(24,597)	(68,105)
Cash flow from financing activities				
Borrowings (Note 15)	-	-	98,214	179,119
Repayment of borrowings (principal) and leases (Notes 14 and 15)	-	-	(153,742)	(107,832)
Increase in intragroup loans, net	(2,399)	12,061	6	(803)
Net cash provided by (used in) financing activities	(2,399)	12,061	(55,522)	70,484
Increase (decrease) in cash and cash equivalents, net	(4,323)	10,772	(7,974)	12,328
Cash and cash equivalents at beginning of year	18,156	7,384	24,815	12,487
Cash and cash equivalents at end of year	**13,833**	18,156	**16,841**	24,815

The accompanying notes are an integral part of these individual and consolidated financial statements.

Plascar Participações Industriais S.A.

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

	Parent		Consolidated	
	2023	**2022**	**2023**	**2022**
Revenues				
Gross operating revenue, net of returns and rebates	-	-	1,161,578	1,024,286
Allowance for expected credit losses	-	-	(72)	-
	-	-	1,161,506	1,024,286
Inputs acquired from third parties				
Raw materials used	-	-	(467,205)	(384,538)
Materials, electric power, outside services and other	(719)	(752)	(169,609)	(170,225)
Allowance for inventory losses (Note 8)	-	-	(269)	68
	(719)	(752)	(637,083)	(554,695)
Gross value added	**(719)**	(752)	**524,423**	469,591
Depreciation and amortization (Note 24)	-	-	(53,976)	(52,864)
Wealth created by the Company	(719)	(752)	470,447	416,727
Wealth received in transfer				
Share of profit (loss) of investees (Note 12)	1,108	(95,715)	-	-
Finance income	404	448	10,811	12,988
Other income	-	-	133,722	845
	1,512	(95,267)	144,533	13,833
Total wealth for distribution	**793**	(96,019)	**614,980**	430,560
Wealth distributed				
Personnel				
Salaries and compensation	900	629	222,953	186,765
Payroll taxes	255	176	59,255	50,403
Taxes and contributions				
Federal	-	-	91,105	82,025
State	-	-	119,301	94,061
Municipal	242	239	2,683	1,938
Lenders and lessors				
Finance costs	110	58	120,397	112,489
Shareholders				
Loss for the year attributable to Company's owners	(714)	(97,121)	(714)	(97,121)
Total wealth distributed	**793**	(96,019)	**614,980**	430,560

The accompanying notes are an integral part of these individual and consolidated financial statements.

1. General information

Plascar Participações Industriais S.A. ("Plascar S.A." or "Company"), headquartered in the city of Jundiaí, State of São Paulo, is a publicly traded company, with its shares listed on the BM&FBOVESPA (PLAS3). The Company’s activity is represented by its ownership in the subsidiary Plascar Indústria de Componentes Plásticos Ltda. ("Plascar Ltda." or "Plascar"), which operates in the automotive sector and is engaged in the manufacturing and sale pieces and parts related to the interior and exterior finishing of motor vehicles.

Plascar Ltda. has plants located in the cities of Jundiaí/SP, Varginha/MG, Betim/MG, and Caçapava/SP.

The new manufacturing unit in the city of Caçapava/SP started operations in September 2022 as planned, and initially, the new unit has been serving the automakers located in the Vale do Paraíba region.

The plants primarily operate in the automotive sector, focusing on serving vehicle manufacturers by providing bumpers, instrument panels, air diffusers, cup holders, door panels, parcel shelves, among other components. Plascar also engages in the manufacturing of non-automotive products, such as injection molding and assembly of supermarket carts, multi-purpose boxes, and card machines, an activity that represents less than 5% of the total assets, net revenue, and net income consolidated in the Company.

By completion of the financial restructuring of the Company and its subsidiary on January 31, 2019, the controlling interest of Plascar S.A. became held by Pádua IV Participações S.A., with a 59.99% equity interest, which is also comprised of Deise Duprat (previously by Permali do Brasil Indústria e Comércio Ltda.), with 18.44%, Postalis Instituto de Seguridade Social dos Correios e Telégrafos with 7.12%, and other individual shareholders holding, collectively, 14.45%, Note 21.

These financial statements were authorized for issue by the Board of Directors on March 13, 2024.

Financial Situation

As of December 31, 2023, the Company has current liabilities exceeding current assets by R$265,502 (R$366,433 in 2022) in the consolidated financial statements and negative equity in the parent and consolidated company in the amount of R$409,281 (R$408,567 in 2022).

Additionally, the Company incurred a loss in the current and comparative year, maintaining an accumulated loss of R$1,341,047 in the parent and consolidated company (R$1,340,338 in 2022).

On July 7, 2023, the Company completed the renegotiation of its tax liabilities with PGFN by joining the Individual Transaction (Note 26) arrangement with a significant discount on part of the monetary correction and fines. The Company has also needed to raise funds from financial institutions but has been able to obtain these resources on favorable terms and conditions.

In 2023, there was a 1.9% decrease in vehicle production in Brazil compared to 2022, according to ANFAVEA data. The Company's net revenue, on the other hand, showed an 11.7% increase compared to 2022, indicating a continued gradual and consistent growth in volumes and an increase in its market share. However, although the Company has been able to pass on some price adjustments to its customers, the reduction in the Company's gross margin still reflects mainly the various shutdowns of automakers during the period, as this scenario of constant uncertainty and lack of predictability led to an increase in operational inefficiency of the Company due to the difficulty in production planning.

According to official data from ANFAVEA, vehicle production in 2024 shows an increase of 6.2%. Management believes that, with the beginning of a cycle of interest rate cuts, the market should gradually improve its performance and see an increase in vehicle sales and, consequently, production for the Company. The Company continues to take measures to increase revenue from new projects with the major automakers it serves, reduce its internal operational costs, and improve margin and cash generation through constant price negotiations with customers to pass on cost increases (labor, raw materials, etc.), continuing the Company's restructuring process and addressing the crisis that began in March 2020 due to the COVID-19 pandemic. Additionally, these measures aim to balance the impact of unplanned shutdowns by automakers caused by both decreased demand and component shortages.

Furthermore, Management believes that the new projects initiated over the past quarters, combined with projects still in development and expected to start production in the coming months, will enable the Company to reverse its losses.

For the year 2024, it is expected to be a challenging and volatile year given global and national macroeconomic uncertainties. The Company will continue to seek all possible production efficiency gains to improve profitability and reverse its results, thereby consolidating the Company's recovery.

Corporate and Financial Restructuring

At an Extraordinary General Meeting held on December 13, 2018, the final debt restructuring plan of the Company was unanimously approved by the present shareholders, involving the transfer of approximately 90% of Plascar's existing debt by the Company's main creditors to the current controlling entity "Pádua IV Participações S.A."

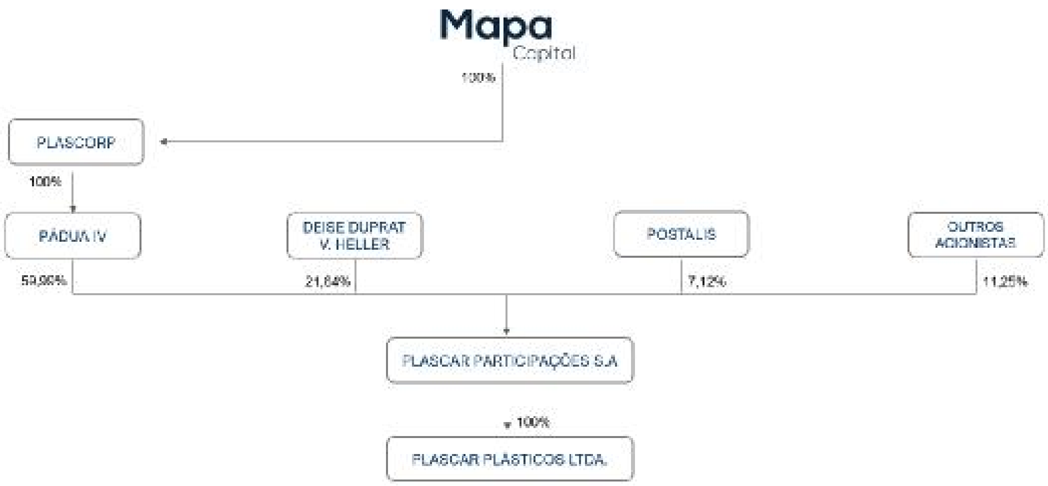
On January 31, 2019, following the Notice to Shareholders and Material Fact disclosed to the market, the Company's share capital was increased using credits held against Plascar Ltda., by private subscription, in the amount of R$449,483, through the issuance of 7,455,251 common shares at the unit issuance price of R$60.29 per common share. After the Capital Increase, the Company's share capital, previously valued at R$481,972 divided into 4,970,167 common shares, became R$931,455 divided into 12,425,418 common shares.

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

In a material fact disclosed on November 18, 2022, Permali Indústria e Comércio Ltda completed the sale of its entire equity interest in Plascar, representing 18.44% of the Company's common shares, totaling 2,290,953 common shares, to Deise Duprat, an individual. As a result of the sale of Plascar shares, Permali no longer holds any interest in the Company, while Deise Duprat now holds a significant total of 21.64% of Plascar's shares, represented by 2,689,653 common shares issued by the Company.

Permali was part of the Company's control group and was a signatory to the Shareholders' Agreement signed on January 31, 2019. As the equity interest was sold, the abovementioned Shareholders' Agreement ceases to have legal effects and is considered terminated by operation of law.

New Ownership Structure:



<u>Impacts of the conflict and sanctions related to Ukraine, Russia, and/or Belarus on the Company’s business</u>

With the launch of a large-scale military invasion by Russia against Ukraine in February 2022, many countries began imposing sanctions on the former, causing this conflict scenario to affect the global economy. Although the war has not brought significant consequences to the Brazilian automotive sector to date, Management continues to systematically monitor the potential impacts and effects on supply chains and is prepared to take measures, if necessary.

2. Summary of material accounting policies

The summary of the material accounting policies and other information adopted by the Company and its subsidiaries are as follows:

2.1. Basis of preparation

The Company's individual and consolidated financial statements have been prepared in accordance with accounting practices adopted in Brazil, including the technical pronouncements issued by the Accounting Pronouncements Committee (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"), introduced in Brazil by the Accounting Pronouncements Committee (CPC) and its technical interpretations (ICPC) and guidance (OCPC), as approved by the Brazilian Securities Commission (CVM).

The individual financial statements of the Company ("Parent") are disclosed in conjunction with the consolidated financial statements and presented in a single set of financial statement, in a side-by-side format.

All material information presented in these financial statements, and only this information, is disclosed and corresponds to that used by Management in managing the Company, according to Technical Instruction OCPC 07 - Disclosure of General Purpose Financial Statements.

The presentation of the Statement of Value Added (DVA), individual and consolidated, is required by Brazilian Corporate Law and the accounting practices adopted in Brazil applicable to publicly-held companies. IFRS does not require the presentation of such statement. Consequently, the presentation of the Statement of Value Added is considered by IFRS as supplemental information, without any prejudice to the set of financial statements.

The significant accounting policies adopted in preparing these financial statements are described below. These policies have been applied consistently to all reporting periods, unless stated otherwise.

The financial statements have been prepared at historical cost and adjusted to reflect the deemed cost of land and buildings at the date of transition to the IFRS/CPC. Historical cost is generally based on the fair value of the consideration given in exchange for assets and services.

The preparation of financial statements requires Management to use certain critical accounting estimates and exercise judgment in applying the Company's accounting policies (Note 3).

2.2. Basis of consolidation

The Company consolidates all entities over which it has control, that is, when it is exposed, or has rights, to variable returns from its involvement with the investee and has the ability to direct the investee's relevant activities.

The consolidated financial statements include the financial statements of the Company and its subsidiary as of December 31, 2023, whose accounting policies are the same as those of the Company as well as the end of its fiscal year. Control is obtained when the Company is exposed or has right to variable returns based on its involvement with the investee and has the capacity to affect these returns by means of the power exercised by the investee.

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

- Power over the investee (i.e. existing voting rights that give it the current ability to direct the relevant activities of the investee);
- Is exposed, or has rights, to variable returns from its involvement with the investee; and
- Ability to use its power over the investee to affect the amount of the investor's returns.

Generally there is a presumption that a majority of voting rights results in control. To support its presumption and when the Company has less than a majority of voting rights or similar rights of an investee, the Company considers all relevant facts and circumstances in assessing whether it has power over an investee, including:

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

The Company assesses whether it controls an investee if facts and circumstances indicate there are changes to one or more of the three elements of control mentioned above. The consolidation of a subsidiary begins when the Company obtains control over the subsidiary and ceases when the Company loses control of the subsidiary. Assets, liabilities and profit or loss of a subsidiary acquired or sold during the year are included in the consolidated financial statements from the date on which the Company obtains controls to the date on which the Company ceases to have control over the subsidiary.

The profit or loss and each component of other comprehensive income is attributed to the Company's owners and to the noncontrolling interests, even if this results in the con-controlling interest having a deficit balance. All assets and liabilities, profit or loss, revenues, expenses and cash flows of the same company, related to transactions among the Company members, are fully eliminated in consolidation. Unrealized losses are also eliminated, unless the transaction provides evidence of impairment of the asset transferred.

Changes in the subsidiary's equity interests, without loss of control, is accounted for as an equity transaction.

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

In the Company's individual financial statements, investments in subsidiaries are accounted for under the equity method. For investment presenting negative amounts, the Company records such investments in "Allowance 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 the Company holds a 100% equity interest as of December 31, 2023 and 2022.

a) Transactions with noncontrolling interests

The Company does not have noncontrolling interests as of December 31, 2023, and 2022.

b) Loss of control of subsidiaries

When the Company ceases to have control, any retained interest in the entity is remeasured at fair value, and the change in the carrying amount is recognized in profit or loss. The amounts previously recognized in other comprehensive income are then reclassified to profit or loss.

2.3. Information presentation by segment

The information for operating segments is presented in a manner consistent with the internal reporting provided to the chief operating decision maker.
The chief operating decision maker, who is responsible for allocating resources and assessing performance of the operating segments, is the Executive Board, which is also responsible for making the Company's strategic decisions.
The Company concluded that it has only one segment to report, that is, parts for the automotive industry.

2.4. Foreign currency translation

a) Functional and presentation currency

The financial statements are presented in reais (R$), which is the functional and presentation currency of the Company and its subsidiaries. The financial information is presented in thousands of Brazilian reais, unless otherwise stated.

b) Transactions and balances

Foreign currency-denominated transactions are translated into the functional currency at the exchange rates prevailing on the transaction dates or measurement dates, when items are remeasured.

Exchange gains and losses on borrowings and cash and cash equivalents are presented in the income statement as finance income or costs. All the other exchange gains and losses are recorded in the statement of profit or loss as finance income (costs).

2.5. Financial instruments

CPC 48 (IFRS 09) – Financial Instruments is effective for annual periods beginning on or after January 1, 2018. This standard provides three main categories for classification and measurement of financial assets: (i) amortized cost, (ii) fair value through other comprehensive income; and (iii) fair value through profit or loss (residual category).

The Company assessed the detailed impacts of adopting the new standards and identified the following aspects:

CPC 48 / IFRS 09 contains an approach to classification and measurement of financial assets that reflects the business model used to manage assets and their cash flow characteristics. Regarding financial liabilities, this standard 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 credit risk of that liability, be presented in other comprehensive income and not in the statement of profit and loss, unless such recognition results in a mismatch in the statement of profit and loss.

2.5.1. Measurement

Financial assets and financial liabilities are initially measured at their fair values. The fair value of financial assets and financial liabilities was determined based on (i) the price quoted in an active market or, in the absence of such market, (ii) valuation techniques that enable to estimate the fair value at the trade date, considering the value that would be traded in arm´s length transactions carried out between knowledgeable, willing parties acting to their own interests.

Financial assets and financial liabilities are subsequently measured at their fair value or amortized cost, according to their category. Amortized cost corresponds to:

- The value of the financial asset or liability on initial recognition;
- Less amortization of principal; and
- Plus/less accrued interest under the effective cost method.

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

2.5.2. Recognition

Regular-way purchases and sales of financial assets are recognized on a trade date basis, i.e., the date on which the Company agrees to buy or sell the asset. Financial assets at fair value through profit or loss are initially recognized at fair value, and transaction costs are recorded in the statement of profit and loss. Loans and receivables are stated at amortized cost.

Gains or losses arising from changes in the value of other financial assets measured at fair value through profit or loss are recognized in profit or loss, in line items ‘Income’ or ‘Costs’, respectively, in the period in which they are earned or incurred.

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 have expired; or
- The Company has transferred its rights to receive cash flows from the asset or assumed an obligation to pay cash flows received in full, with no significant delay, to a third party under a “transfer” arrangement; and (a) the Company has substantially transferred all risks and rewards of the asset, or (b) the Company has neither transferred nor retained substantially all the risks and rewards incidental to the asset but it has transferred control over the asset.

Financial liabilities are derecognized only when the obligation specified in the relevant contract is discharged, cancelled or expires. When an existing financial liability is replaced by another from the same creditor under substantially different terms, or the terms of the existing liability are substantially modified, the change or modification is treated as a derecognition of the original liability and recognition of a new liability. The difference in the respective carrying amounts is recognized in the income statement.

The Company’s and its subsidiary’s financial assets are basically comprised of cash and cash equivalents and trade receivables.

The Company’s financial liabilities are basically comprised of trade payables, borrowings and financing, lease liabilities, advances from customers, related parties, and other liabilities.

The Company does not use derivative financial instruments and as of December 31, 2023 and 2022 does not have hedge accounting transactions.

2.5.4. Other financial liabilities

The other financial liabilities are measured at amortized cost under the effective interest method.

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

2.5.5. Impairment of financial assets

CPC 48 (IFRS 9) replaces the “loss incurred” model with the prospective “expected credit loss” model. This new approach requires a significant judgment on how changes in economic factors may affect the expected credit losses, which will be determined based on weighted probability.

The allowance for expected credit loss is recognized in an amount considered sufficient by Management to cover potential risks on trade and other receivables as of the statement of financial position date. The allowance for expected credit loss is recognized based on the risk associated with the Company’s operations and for trade notes more than 90 past due, an, also, on past experience on collection of receivables adjusted for specific prospective factors for debtors and the economic environment.

The Company’s policy also considers expected credit losses for its receivables, which are the present value of the difference between the contractual cash flows due to the Company under the agreement made with customers and the cash flows the Company expects to receive.

2.5.6. Cash and cash equivalents

Cash and cash equivalents include cash, bank deposits and other highly liquid short-term investments, maturing in up to three months, with an insignificant risk of change in value. Bank overdrafts are disclosed in the balance sheet in line item ‘borrowings and financing’, in current liabilities.

2.5.7. Trade receivables

Trade receivables correspond to the amounts receivable from customers for goods sold in the normal course of the Company’s business. If the collection term corresponds to one year or less, trade receivables are classified in current assets. Otherwise, they are recorded in noncurrent assets. Trade receivables are initially recognized at fair value and subsequently measured at amortized cost using the effective interest rate method less the allowance for expected credit or impairment losses.

2.5.8. Advances from customers

The customer (automaker) makes advances to the Company according to the progress of the project for construction of tools. These funds are released upon completion of each phase of the project and are specified in the respective purchase orders. In general, these advances do not coincide with the Company’s cash disbursements made to develop the related projects Company and do not represent the full value of these investments, which causes a cash flow stress, especially during periods of rapid growth like the current one.

2.5.9. Trade payables

Trade payables are payables for goods or services acquired in the normal course of business, classified as current liabilities if payment is due within the period of up to one year. Otherwise, accounts payable are recorded as noncurrent liabilities.

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

The terms and conditions for financial liabilities reflect the outstanding balance of trade payables with average payment term of 35 days.

2.5.10. Borrowings and financing

Borrowings and financing are initially recognized at fair value, less transaction costs incurred, and subsequently stated at amortized cost. Any difference between the amounts raised (less transaction costs) and the total amount payable is recognized in the income statement over the period borrowings are outstanding, using the effective interest method.

Borrowings 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 end of the reporting period.

Borrowing costs that are directly attributable to the acquisition, construction or production of a qualifying asset, which is an asset that necessarily takes a substantial amount of time to be ready for its intended use, are capitalized as part of the cost of the asset when it is probable that they will result in future economic benefits to the entity and such costs can be reliably measured. All other borrowing costs are recorded as expenses in the period they are incurred.

2.6. Inventories

Inventories are stated at the lower of cost or net realizable value. The inventories' valuation method is the weighted moving average. The cost of finished products, work in process and tolls comprises costs on project, raw materials, direct labor, other direct costs and related overhead expenses (based on the normal operating capacity), excluding borrowing costs, when applicable. The net realizable value is the estimated selling price in the normal course of business, less estimated completion costs and the estimated costs to sell. The inventory allowance process is divided into two types: allowance for obsolete inventories and allowance for realization of finished products.

Allowance for obsolete inventories

This allowance considers items without movement for more than 180 days as obsolete for production-related inventories and it is the same as that adopted in all units of the Company.

Allowance for realization

To calculate the allowance amount, a specific report is generated that compares the average cost of the product with the current selling price. For items where the average cost is higher than the selling price, the allowance amount is obtained by multiplying the margin value by the total inventory quantity. The calculations are revised by the company on a quarterly basis.

2.7. Property, plant and equipment

Property, plant and equipment are stated at and were adjusted to reflect the deemed cost of land and buildings at the date of transition to the IFRS and CPC. The other property, plant and equipment items are stated at historical cost, less accumulated depreciation.
The historical cost also includes expenditures directly attributable to the acquisition of items and includes borrowing costs relating to the acquisition of qualifying assets, when applicable.

Subsequent costs are included in the carrying amount of the asset or recognized separately, as applicable, only when it is probable that future economic benefits will arise from the asset and that the cost of the asset can be measured reliably. The carrying amount of replaced items or parts is written off. All other maintenance and repair costs are recorded as a balancing item to profit or loss, when incurred.

Land is not depreciated. Depreciation of other assets is calculated on a straight-line basis to allocate their costs to their residual values over their estimated useful lives as of December 31, 2023 and 2022.

The residual values and useful life were revised and properly reflect the position at yearend.

The carrying amount of an asset is immediately written down to its recoverable value when the asset's carrying amount is higher than the estimated recoverable value (Note 2.8).

Gains and losses on disposals are determined by comparing the proceeds with the carrying amount and are recognized in line item 'Other operating (income) expenses, net', in the statement of profit and loss.

2.8. Impairment tests over non-financial assets

Assets subject to amortization are tested for impairment whenever events or changes in circumstances indicate that their carrying amounts may not be recoverable. An impairment loss is recognized when the asset's carrying amount exceeds its recoverable amount, which represents the higher of its fair value less costs to sell and its value in use.

For impairment testing purposes, assets are grouped at their lowest levels for which there are separately identifiable cash flows (cash-generating units, or CGUs). Non-financial assets that were adjusted due to impairment are subsequently revised for a possible reversal of the impairment at the statement of financial position date.

At least annually, when its annual financial statements are prepared, the Company determines if there is any indication that its assets or group of assets are significantly impaired. Impairment tests are performed by an independent expert, who appraises the market value of the main assets for each CGU.

(In thousands of reais, unless otherwise stated)

The work scope encompassed an appraisal of the assets located at the units in Jundiaí, Betim, Varginha and Caçapava and are shown below:

	2023		2022	
	Carrying amount of the assets	**Net selling value**	**Carrying amount of the assets**	**Net selling value**
Jundiaí	116,024	154,905	116,802	173,118
Betim	79,097	137,055	92,313	135,572
Varginha	42,439	69,600	48,579	81,108
Caçapava	81,389	81,580	72,791	75,179
Total	**318,949**	**443,140**	330,485	464,977

Recoverable amount is the fair value net of selling expenses, and the technique is described below:

- The Company's assets were assessed according to the market value of each asset, obtained by the result of the replacement value and the depreciation ratio, taking into account the useful life, age, remaining useful life, residual value, and depreciation, resulting in the net selling value exceeding their residual carrying amount, which indicates that recognizing an impairment allowance is not necessary.

As a result of the tests, no impairment adjustment was necessary as of December 31, 2023, and 2022.

2.9. Leases

As of January 1, 2019, with the adoption of CPC 06 (R2)/(IFRS16) - Leases, the Company began to record future rentals discounted to present value as lease liabilities.

Standard CPC 06 (R2)/IFRS 16, which determines that on the start date of a lease contract, the lessee recognizes a liability relating to lease payments and an asset representing the right to use the underlying asset during the term of lease (i.e. the right-of-use asset). Lessees are required to recognize separately interest expense on lease liabilities and amortization expense on the right-of-use asset.

Lessees are also required to remeasure the lease liability if certain events (for example, a change in the lease term, a change in the future lease payments as a result of a change in an index or a rate used to determine those payments) occur. In general, lessees recognize the remeasured lease liability as an adjustment to the right-of-use asset. Lessors continue to classify all leases into two types: Operating and financial 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 in relation to the definition of a lease contract in the transition. This means that it applied IFRS 16/CPC 06 (R2) to all contracts concluded before January 1, 2019 that were identified as leases in accordance with IAS 17/CPC 06 (R1) and IFRIC 4/ICPC 03.

a) Assumptions for recognition

The Company has several lease contracts that include renewal and termination options. The Company applies judgment in assessing whether it is reasonably certain whether or not to exercise the option to renew or terminate the lease. The Company recognizes the right to use lease assets and liabilities considering the following assumptions:

(i) Inclusion of contracts in the base at the beginning of their term, with their right-of-use asset value defined at that time.

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

(iii) Contracts that involve the use of intangible and low-value assets are not considered.

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

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

(vi) The discount rate used was 12.3% per year for administrative properties and industrial warehouses in 2023 and 2022. The rate was obtained through financing operations for assets in these classes.

The Company’s leases effective as of December 31, 2023 and 2022 do not have restriction clauses that require the maintenance of financial ratios, nor do they have variable payment clauses that must be considered, or residual value guarantee clauses and purchase options at the end of contracts. Lease liabilities are 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 it will exercise a purchase, extension or termination option or if there is a revised lease payment that is essentially fixed.

Obligations under lease contracts with substantial transfer of rewards, risks and control of assets are recognized as 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 contracts.

Finance charges are recognized over the lease term, generating 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 are not lessors as of December 31, 2023 and 2022.

In the 1st quarter of 2022, the rental contracts for 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 12.25% as an incremental rate for discounting the debt to present value (APV). In the 2nd quarter of 2022, a vehicle rental contract was registered. The initial impact on assets and liabilities was R$808. The incremental rate used for this contract was 15.75% to discount the debt to present value (APV). In the 2nd quarter of 2023, a forklift rental contract was registered. The initial impact on assets and liabilities was R$2,881. The incremental rate used for this contract was 16.75% to discount the debt to present value (APV). In the 3rd quarter of 2023, IT equipment rental contracts were registered. The initial impact on assets and liabilities was R$1,797. The incremental rate used for this contract was CDI + 3% p.a.% to discount the debt to present value (APV) and addendum to the rental contract for the Caçapava-SP unit. The initial impact on assets and liabilities was R$6,966. The incremental rate used for this contract was CDI + 3% p.a.% to discount the debt to present value (APV).

In the 2nd quarter of 2022, a contract was signed to renegotiate its outstanding rent debt for the period of January 2020 and December 2021, under the same conditions as the renegotiation contract of January 2020. The renegotiated amount was R$47,333 and was recorded in “Other liabilities”.

2.10. Provision for risks

Provisions for lawsuits (labor, civil and tax) are recognized when: (i) the Company has a legal or constructive obligation as a result of past events, and (ii) it is probable that an outflow of resources will be required to settle the obligation, and (iii) its amount can be reliably estimated. The provisions for restructuring include fines for termination of rental contracts and payments for termination of employment. Provisions do not include future operating losses.

Provisions are measured at the present value of the disbursements that are expected to be required to settle the obligation, using a pretax rate that reflects current market valuations of the time value of money and the obligation-specific risks. The increase in the obligation due to the time elapsed is recognized as finance costs.

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

2.11. Current and deferred income tax and social contribution

<u>Current income tax and social contribution</u>

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

Current income tax and social contribution relating to items directly recognized in equity are recorded in equity.

In the Company and its subsidiary, which adopt the taxable income regime, income tax and social contribution are calculated as prescribed in prevailing tax laws, at the regular tax rate of 15% plus a 10% surtax for income tax and 9% for social contribution.

Management periodically revises the tax status of situations in which the tax regulations require interpretation and recognizes provisions, when appropriate.

Deferred income tax and social contribution

Deferred taxes arise from temporary differences at the end of the reporting period date between the tax bases of assets and liabilities and their carrying amounts, applicable to companies that adopt the taxable income.

The Company records deferred tax liabilities on the attributed cost of fixed assets (Note 10).

Deferred tax assets and liabilities are measured using the tax rate applicable for the year in which the asset is expected to be realized or the liability is expected to be settled, based on the tax rates (and tax law) prevailing at the statement of financial position date.

Deferred tax assets are recognized for all deductible temporary differences and unutilized tax credits and tax losses, to the extent that it is probable that sufficient taxable income will be available against which deductible temporary differences can be utilized. As of December 31, 2023 and 2022, the Company and its subsidiary did not meet the above criteria and, therefore, no amount was recognized as deferred tax assets.

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

2.12. Revenue recognition

Revenue comprises the fair value of the consideration received or receivable for the sale of products in the normal course of the Company’s activities. Revenue is stated net of taxes, returns, rebates and discounts, as well as after the elimination of transactions between the Company and its subsidiary, when applicable.

The Company recognizes revenue when the amount of revenue can be measured reliably; it is probable that future economic benefits will flow to the Company and its subsidiaries; and specific criteria have been met for each of the Company’s activities, as described below:

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 parts related to the internal and external finishing of motor vehicles. Sales of products are recognized whenever the subsidiary delivers the products to the buyer. The Company and its subsidiary evaluate revenue transactions according to specific criteria to determine whether it is acting as an agent or principal and, in the end, concluded that it is acting as principal in all of its revenue contracts.

b) Sales of tools

The Company develops and sells tooling for injecting plastic parts according to the technical specification of the order and vehicle model according to the automaker's design. During development, advances are made by car manufacturers to partially support the resources spent. Usually, the development and sale of tooling is linked to the supply of parts. Sales of tooling are recognized when the project is approved by the assembler and ready to start production. The assembler, in turn, issues a lending contract authorizing the use of the tooling, since it is an asset it owns.

c) Finance income

Finance income are recognized according to the period elapsed on an accrual basis, under the effective interest method.

2.13. Investment properties

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

Investment properties are written off when they are either sold (when control is transferred) or when an investment property is no longer permanently used and no future economic benefit is expected from its sale. The difference between the net sales proceeds and the carrying amount of the asset is recognized in the income statement for the period in which write-offs were made.

Transfers are only made to or from line item “Investment property” when there is a change in the use of such properties. If a property occupied by the owner becomes an investment property, the Company accounts for such property in accordance with the policy described in the property, plant and equipment item until the date of change of use.

2.14. Taxes on sales

Taxes on sales

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

When taxes on revenues incurred on purchases of goods or services are not recoverable from tax authorities; in this case, taxes on sales are recognized as part of the acquisition cost of the asset or expense item on a case-by-case basis; and

When the amounts receivable and payable are presented together with sales taxes; and

When the net amount of taxes on sales, recoverable or payable, is included as component of amounts receivable or payable in the statement of financial position.

2.15. New and revised standards applied for the first time in 2023

The Company applied for the first-time certain standards and amendments that are effective for annual periods beginning on or after January 01, 2023 (unless otherwise stated). The Company decided not to early adopt any other standard, interpretation or amendment that have been issued but are not effective yet.

IFRS 17 - Insurance Contracts

IFRS 17 (equivalent to CPC 50 Insurance Contracts) is a new standard relating to insurance contracts, covering recognition and measurement, presentation and disclosure. IFRS 17 (CPC 50) replaces IFRS 4 - Insurance Contracts (equivalent to CPC 11).

IFRS 17 (CPC 50) applies to all types of insurance contracts (such as life, property and casualty, direct insurance and reinsurance), regardless of the type of entities that issue them, as well as to certain guarantees and financial instruments with characteristics of discretionary participation; some scope exceptions will apply.

The overall objective of IFRS 17 (CPC 50) is to provide a comprehensive accounting model for insurance contracts that is most useful and consistent for insurers, covering all relevant accounting aspects. IFRS 17 (CPC 50) is based on a general model, complemented by:

- A specific adaptation for contracts with direct participation characteristics (the variable rate approach);
- A simplified approach (the premium allocation approach) mainly for short-term contracts.

The new standard did not impact the Company’s financial statements.

Definition of Accounting Estimates - Amendments to IAS 8

The amendments to IAS 8 (equivalent to CPC 23 - Accounting policies, changes in estimates and errors) help entities distinguish changes in accounting estimates from changes in accounting policies and correction of errors. They also clarify how entities use measurement techniques and inputs to develop accounting estimates.

These amendments did not impact the Company’s financial statements.

Disclosure of Accounting Policies - Amendments to IAS 1 and IFRS Practice Statement 2

Amendments to IAS 1 (equivalent to CPC 26 (R1) – Presentation of financial statements) and IFRS Practice Statement 2 provide guidance and examples to help entities apply materiality judgments to accounting policy disclosures. The changes are intended to help entities provide more useful accounting policy disclosures by replacing the requirement for entities to disclose their "significant" accounting policies with a requirement to disclose their "material" accounting policies and adding guidance on how entities apply the concept of materiality when making decisions about accounting policy disclosures.

The changes had no impact on the Company's accounting policy disclosures, but not on the measurement, recognition or presentation of items in the Company's financial statements.

Deferred Taxes related to Assets and Liabilities arising from a Single Transaction - Amendments to IAS 32

The amendments to IAS 12 Income Tax (equivalent to CPC 32 – Taxes on profit) narrow the scope of the initial recognition exception, so that it no longer applies to transactions that generate equal taxable and deductible temporary differences, such as leases and liabilities deactivation.

The amendments had no impact on the Company's financial statements.

International Tax Reform - Pillar Two Model Rules - Amendments to IAS 12

The amendments to IAS 12 (equivalent to CPC 32 – Taxes on income) were introduced in response to the OECD Pillar Two rules on BEPS and include:

• A mandatory temporary exception to the recognition and disclosure of deferred taxes arising from jurisdictional implementation of Pillar Two model rules;

• Disclosure requirements for affected entities to help users of financial statements better understand an entity's exposure to Pillar Two income taxes arising from this legislation, especially before the effective date.

The mandatory temporary exception - the use of which must be disclosed - takes effect immediately.

The remaining disclosure requirements apply to annual reporting periods beginning on or after January 1, 2023, but not to any interim period ending on or before December 31, 2023.

The amendments had no impact on the Company's financial statements, as the Company is not subject to the rules of the Pillar Two model, as its revenue is less than 750 million euros per year.

New standards not yet effective

The new and amended standards and interpretations issued but not yet effective through the reporting date of the Company's financial statements are disclosed below. The Company plans to adopt these new and revised standards and interpretations, if applicable, when they become effective.

Amendments to IFRS 16: Lease Liability in a Sale and Leaseback

In September 2022, the IASB issued amendments to IFRS 16 (equivalent to CPC 06 – Leases) to specify the requirements that a seller-lessee uses in measuring the lease liability arising from a sale and leaseback transaction, in order to ensure that the seller-lessee does not recognize any amount of gain or loss that relates to the right of use that he maintains.

The changes are effective for annual financial statement periods beginning on or after January 1, 2024 and must be applied retrospectively to sale and leaseback transactions entered into after the initial application date of IFRS 16 (CPC 06). Early application is permitted and this must be disclosed.

The amendments are not expected to have a material impact on the Company's financial statements.

Amendments to IAS 1: Classification of liabilities as current and noncurrent

In January 2020 and October 2022, IASB issued amendments to paragraphs 69 to 76 of IAS 1 (equivalent to CPC 26 (R1) - Presentation of financial statements) to specify the requirements to classify liabilities as current or noncurrent. The amendments make clear:

- What is meant by the right to postpone settlement.
- That the right to postpone must exist at the end of the financial reporting period.
- That the rating is not affected by the likelihood that the entity will exercise its right to postpone.
- That only if a derivative embedded in a convertible liability is itself an equity instrument will the terms of a liability not affect its classification.

Furthermore, a disclosure requirement has been introduced when a liability arising under a loan agreement is classified as non-current and the entity's right to postpone settlement depends on compliance with future covenants within twelve months.

The changes are effective for annual financial statement periods beginning on or after January 1, 2024 and should be applied retrospectively.

The Company is currently assessing the impact the changes will have on current practice.

Supplier financing arrangements - Amendments to IAS 7 and IFRS 7

In May 2023, the IASB issued amendments to IAS 7 (equivalent to CPC 03 (R2) - Cash flow statements) and to IFRS 7 (equivalent to CPC 40 (R1) - Financial instruments: disclosure) to clarify the characteristics of supplier financing agreements and require additional disclosures of those agreements. The disclosure requirements in the amendments are intended to help users of financial statements understand the effects of supplier financing arrangements on an entity's obligations, cash flows and liquidity risk exposure.

The amendments are effective for annual financial statement periods beginning on or after January 1, 2024. Early adoption is permitted but that must be disclosed.

The amendments are not expected to have a material impact on the Company's financial statements.

3. Key estimates and critical accounting judgments

The preparation of financial statements requires Management to make judgments, estimates and assumptions that affect the application of the accounting practices and the reported amounts of assets, liabilities, income and expenses. Actual results could differ from those estimates.

Underlying estimates and assumptions are revised on an ongoing basis. The effects from the revision of accounting estimates are recognized in the year or period in which estimates are revised, if the revision affects only that year or period, or also in subsequent years or periods, if the revision affects future periods.

In order to provide an understanding of how the Company and its subsidiaries form their judgment about future events, including the variables and assumptions underlying the estimates, comments have been included that relate to certain matters, as follows:

(a) Allowance for expected credit losses: Note 2.5.5;

(b) Impairment of non-financial assets: Note 2.8;

(c) Provision for risks: Note 2.10; and

(d) Leases - Estimated incremental borrowing rate: Note 2.9.

4. Financial risk management

4.1. Financial risk factors

In the normal course of business, the Company is exposed to several financial risks: market risk (including currency risk and risk of fair value associated with interest rate), credit risk, and liquidity risk. The Company’s risk management program is focused on the unpredictability of the financial markets and aims at minimizing adverse impacts on its financial performance.

The Company’s Treasury function identifies, assesses and hedges the Company against possible financial risks in cooperation with the Company’s operational units.

a) Market risk

i) *Currency risk*

The Company operates in foreign countries and is exposed to currency risk due to its exposure to certain currencies, basically US dollar. The currency risk arises from commercial transactions, assets and liabilities.

(In thousands of reais, unless otherwise stated)

As of December 31, 2023 and 2022, the Company has foreign currency assets and liabilities arising from imports, exports and intragroup loans and borrowings in the amounts shown below:

	Consolidated	
	2023	**2022**
Trade receivables (Note 7)	7,299	7,687
Trade payables (Note 16)	(1,474)	(2,709)
Net exposure	**5,825**	**4,978**

ii) *Interest rate-related cash flow or fair value risk*

The Company does not have any significant assets yielding interest.

The Company's interest rate risk arises from borrowings and financing. Borrowings at variable rates expose the Company to interest rate-related cash flow risk. Borrowings bearing fixed interest rate expose the Company to the fair value risk associated with the interest rate.

The table below shows the sensitivity to a possible change in interest rates, if all other variables remained constant, on the Company's pretax income (profit is affect by borrowings subject to floating rates).

	Impact on profit or loss for the year (1)		
Financial liabilities	**Scenario I Probable**	**Scenario II +25%**	**Scenario III +50%**
CDI	10.30%	12.88%	15.45%
Borrowings and financing	(20,480)	(23,265)	(26,003)
Lease liabilities	(8,770)	(10,116)	(11,322)

(1) Refers to a scenario of accrued interest for the lower of the next 12 months or expiry date of the contracts.

In the sensitivity analysis, the interest rate is based on the rates prevailing in the market.

The sensitivity analyses were prepared based on the net debt amount and the fixed interest rate in relation to floating interest rates of the debt as of December 31, 2023.

b) <u>Credit risk</u>

The credit risk is managed on a group-wide basis. The credit risk arises from credit exposures to original equipment manufacturer (OEM) and replacement/dealer (DSH) customers, including outstanding trade receivables and transactions under repurchase agreements. For banks and other financial institutions, only securities from top-tier entities are accepted. Individual risk limits are determined based on internal or external ratings according to the limits set by the Board of Directors, and the use of credit limits is regularly monitored.

(In thousands of reais, unless otherwise stated)

The possibility of the Company and its subsidiaries incurring losses due to financial problems with OEM customers is low due to the profile of these customers (vehicle manufacturers and other globally active companies). As of December 31, 2023, and 2022, the Company and its subsidiary do not have significant receivables from DSH category customers.

No credit limits were exceeded during the year, and management does not expect any losses resulting from default by these counterparts to exceed the amount already accrued.

c) Liquidity risk

Cash flow is projected by the Company’s operational entities and compiled by the Finance Department. The Finance area monitors the Company’s ongoing forecasts on liquidity requirements to ensure it has sufficient cash to meet operating needs. This forecast takes into consideration the Company’s debt financing plans, compliance with contractual clauses, compliance with internal statement of financial position ratio goals, and external regulatory or legal requirements, if applicable (for example, currency restrictions).

The Treasury invests cash surpluses in interest-bearing bank accounts, time deposits, short-term deposits and securities, by selecting instruments with adequate maturity dates or sufficient liquidity to meet the abovementioned provisions. At the financial statement position date, the Company had short-term investments of R$ 3,445 (R$ 4,917 in 2022), which are expected to immediately provide cash inflows to manage the liquidity risk.

The table below analyzes the Company’s financial liabilities, by maturity ranges, corresponding to the remaining period from the statement of financial position date through the contractual maturity date. The amounts shown in the table are the contracted discounted cash flows and represent the expected actual outflow (undiscounted), disregarding any banks' requirements for payment acceleration.

	Account balance	Financial flow	Up to 3 months	4 to 12 months	1 to 5 years	Over 5 years
As of December 31, 2023						
Borrowings and financing	204,437	247,967	57,624	79,769	106,756	3,818
Lease liabilities	90,683	94,584	7,151	21,451	64,829	1,153
Trade payables	100,185	100,185	100,185	-	-	-
Payables to related parties	8,351	8,351	-	-	8,351	-
Other liabilities	253,146	313,742	11,757	27,596	120,384	154,005
	656,802	**764,829**	**176,717**	**128,816**	**300,320**	**158,976**

(In thousands of reais, unless otherwise stated)

	Account Balance	Financial Flow	Up to 3 months	4 to 12 months	1 to 5 years	Over 5 years
As of December 31, 2022						
Borrowings and Financing	238,923	309,473	51,848	82,626	162,304	12,695
Lease Liabilities	88,064	98,573	4,091	12,273	78,203	4,006
Trade Payables	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
	674,346	**817,888**	**158,472**	**112,787**	**363,703**	**182,926**

4.2. Capital management

The objectives of the Company in managing its capital are to ensure that the Company is continuously capable of offering return to its shareholders, benefits to other related stakeholders and maintain an ideal capital structure to reduce this cost.

	Consolidated	
	2023	**2022**
Total borrowings and financing (Note 15)	204,437	238,923
Less: Cash and cash equivalents (Note 6)	(16,841)	(24,815)
Net debt	187,596	214,108
Total net assets	(409,281)	(408,567)
	(221,685)	(194,459)

5. Financial instruments by category of fair value and carrying amount

The carrying amounts of the main financial instruments approximate their respective fair values and are classified as follows:

	2023		2022		
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)	16,841	16,841	24,815	24,815	Level 2
Amortized cost					
Trade receivables (Note 7)	77,082	77,082	81,219	81,219	Level 2
Other assets	88,565	88,565	81,943	81,943	Level 2
Financial liabilities					
Amortized cost					
Trade payables (Note 16)	100,185	100,185	87,088	87,088	Level 2
Borrowings and financing (Note 15)	204,437	204,437	238,923	238,923	Level 2
Lease liabilities (Note 14)	90,683	90,683	88,064	88,064	Level 2
Advances from customers (Note 18)	25,711	25,711	33,736	33,736	Level 2
Related parties (Note 11)	8,351	8,351	7,329	7,329	Level 2
Other liabilities (Note 20)	253,146	253,146	252,942	252,942	Level 2

(In thousands of reais, unless otherwise stated)

Hierarchy

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

The fair value of an instrument corresponds to its face value (redemption value) brought to present value by the discount factor (related to the instrument's maturity date) obtained from the market interest rate curve in Brazilian reais. The three fair value hierarchy levels are:

- Level 1: Prices quoted in an active marked for identical instruments;
- Level 2: Observable inputs other than prices quoted in an active market that are directly (as prices) or indirectly (that derives from prices) observable for the asset or liability; and
- Level 3: Instruments whose relevant factors are not observable market inputs.

6. Cash and cash equivalents

	Parent		Consolidated	
	2023	**2022**	**2023**	**2022**
Cash and banks	10,546	15,072	13,396	19,898
Short-term investments	3,287	3,084	3,445	4,917
	13,833	18,156	**16,841**	24,815

Short-term investments are mainly comprised of Bank Certificates of Deposits contracted with institutions operating in the national financial market, characterized by daily liquidity, low credit risk, and a return of 100% of the Interbank Deposit Certificate (CDI). The funds are used depending on the Company's immediate cash requirements.

7. Trade receivables

	Consolidated	
	2023	**2022**
Domestic customers	64,972	50,589
Foreign customers - third parties (Note 4.1)	7,299	7,687
Receivables from tools - Brazil	13,166	32,081
	85,437	90,357
Allowance for expected credit losses (impairment)	(8,355)	(9,138)
	77,082	81,219

As of December 31, 2023, the Company has trade receivables in the amount of R$ 15,276. Based on the characteristics of the underlying agreements, for better presentation, the Company decided to show the related effects in line item Borrowings (Note 15) as working capital. For comparability, the Company reclassified the balance of R$ 22,248 relating to 2022. The Company classifies the credit risk arising from these transactions as very low.

(In thousands of reais, unless otherwise stated)

As of December 31, 2023 and 2022, the aging list of trade receivables is as follows:

	2023	2022
Current	57,006	47,894
Past due:		
1 to 30 days	11,692	9,025
31 to 60 days	2,977	8,159
61 to 90 days	744	4,043
Over 90 days	13,018	21,236
	28,431	42,463
	85,437	90,357

As of December 31, 2023, the balance more than 90 days past due and not covered by an allowance primarily refers to sale of tools that are in the final phase of technical approval by customers, in the amount of R$ 4,663 (R$ 11,559 in 2022). Management does not expect there is risk of loss.

Changes in the allowance for expected credit losses in the years ended December 31, 2023 and 2022 are as follows:

	2023	2022
Opening balance	(9,138)	(8,760)
Changes	783	(378)
Closing balance	**(8,355)**	(9,138)

8. Inventories

	Consolidated	
	2023	2022
Tools and molds under development intended for sale	51,240	67,896
Raw materials	24,451	29,770
Finished goods	5,739	5,822
Work in process	13,275	12,302
Imports in transit	1,795	1,606
Maintenance and ancillary materials	4,499	4,235
Advances to suppliers	495	868
Allowance for inventory losses	(2,480)	(2,211)
	99,014	120,288

During the years ended December 31, 2023 and 2022, changes in the allowance for inventory losses adjusted to market value and obsolete inventories were as follows:

	2023	2022
Opening balances	(2,211)	(2,279)
Changes (Note 24)	(269)	68
Closing balances	**(2,480)**	(2,211)

(In thousands of reais, unless otherwise stated)

9. Recoverable taxes

	Consolidated	
	2023	**2022**
Exclusion of ICMS from PIS/Cofins calculation base (1)	61,295	89,970
FUNRURAL lawsuit (Note 19)	-	2,237
ICMS on property, plant and equipment - CIAP	4,966	4,178
Other	1,721	1,250
	67,982	97,635
Current	5,366	29,718
Noncurrent	62,616	67,917
	67,982	97,635

(1) Credit arising from the exclusion of ICMS from PIS/Cofins calculation base - Accounted for based on a final and unappealable decision.

In 2010, the Company filed a court injunction claiming the exclusion of ICMS from PIS and Cofins calculation base. In September 2017, the Company obtained a favorable decision at the lower court and, in October 2019, obtained a new favorable judgment at the appellate level (STF). At the same time, the final judgment of the case occurred. Therefore, the Company started a procedure to identify the amounts paid improperly from 2005 onwards and claim their respective refund. The Company reliably calculated and quantified the respective amounts. On August 19, 2019, the Company obtained a favorable judgment for using the ICMS shown in invoices to calculate the credit. In the fourth quarter of 2019, based on its legal advisors' opinion and report, the Company recorded the amount of R$ 179,069 as recoverable taxes in the statement of financial position to offset against current taxes administered by the Brazilian Federal Revenue Service in future periods. The principal amount of the credits, net of attorneys' success fees, was recognized as other operating income, and the inflation adjustment amount was recognized in finance income, in the statement of profit and loss.

The approval and qualification of R$ 123,396 relating to part of the abovementioned credit with the Brazilian Federal Revenue Service for future tax offsetting occurred on January 3, 2020, while the remaining amount of the credit in the amount of R$ 55,673 will be subject to analysis by the Brazilian Federal Revenue Service for refund or future offsetting of previously installment taxes.
The Company offset a cumulative amount of R$ 133,942 by December 31, 2023, and during the fiscal year, the amount of R$ 30,556.

(In thousands of reais, unless otherwise stated)

10. Income tax and social contribution

a) Deferred income tax and social contribution

	Consolidated	
	2023	**2022**
Liabilities:		
Property, plant and equipment - deemed cost (1)	(447)	(450)
Depreciation – revision of the economic useful life (2)	(22,089)	(20,052)
	(22,536)	(20,502)

(1) Refers to deferred taxes calculated on the deemed cost of property, plant and equipment resulting from the recognition of their fair value in the initial adoption of CPC 27 (IAS 16).

(2) Refers to deferred taxes calculated on the difference in depreciation of fixed assets generated after a review of the economic useful life of the assets. Until December 31, 2010, the Company, as allowed by tax law, also considered for tax purposes the depreciation calculated based on the new economic useful lives of the assets. Since September 2011, the Company started using, for tax purposes, the depreciation calculated based on the useful life allowed by tax legislation and consequently recognized the corresponding deferred tax effects.

The Company has tax loss carryforwards and negative social contribution base in the amounts of R$ 62,602 and R$ 73,604, respectively, as of December 31, 2023 (R$ 60,780 and R$ 71,782 in 2022, respectively). Plascar Ltda. has tax loss carryforwards and negative social contribution base in the amounts of R$ 1,020,781 and R$ 1,013,746, respectively, as of December 31, 2023 (R$ 1,040,401 and R$ 1,035,345 in 2022, respectively), for which deferred tax assets have not been fully recognized, as required by CVM Instruction 371, since the Company does not expect to generate future taxable income.

As part of the tax debt restructuring with PGFN signed on July 7, 2023 (Note 26), the Company used R$ 178,542 to offset social security debts.

b) Changes in deferred tax liabilities

	Consolidated	
	2023	**2022**
Opening balances	**(20,502)**	(19,297)
Deferred taxes on the realization of the deemed cost of property, plant and equipment arising from depreciation and write- off of these assets	3	2
Deferred taxes on the depreciation difference	(2,037)	(1,207)
Closing balances	**(22,536)**	(20,502)

(In thousands of reais, unless otherwise stated)

c) Reconciliation of income tax and social contribution expenses

	Consolidated	
	2023	**2022**
Loss before income tax and social contribution	(59,384)	(95,916)
Income tax and social contribution at statutory rates (34%)	20,191	32,611
Adjustments to effective rate:		
Use of tax loss carryforwards in the tax debt restructuring	60,704	
Tax effect on tax loss carryfowards not recognized (1)	(22,225)	(33,816)
Deferred income tax and social contribution income (expense)	**58,670**	(1,205)

(1) Tax effect on tax loss carryforwards of Plascar S.A., which is not recognized as there is not expected future taxable income. The discounts granted in the Individual Transaction with PGFN are deductible in the calculation of income tax and social contribution according to Law 13.988/20 Article 11, Paragraph 12.

11. Related parties

a) Management compensation

The monthly remuneration of the Board of Directors and Supervisory Board is comprised of a fixed compensation approved by the General Shareholders Meeting.

The remuneration of the senior executives and management members of the Company and those of its subsidiary is comprised of a fixed compensation and a variable performance-based pay and supplementary benefits.

In the years ended December 31, 2023 and 2022, the total management compensation was as follows:

	2023	**2022**
Annual fixed compensation (1)	(7,522)	(6,280)
Variable compensation (2)	(1,366)	(1,503)
Management fees	**(8,888)**	(7,783)

(1) Refers to salaries and management fees, vacation, 13th salary, pension fund, and payroll charges (INSS, FGTS, and others).
(2) Refers to profit sharing and bonus.

b) Balances and transactions

The Company and its subsidiary enter into loan agreements with related parties to meet immediate cash requirements, without having to go through the approval processes required by financial institutions. Such agreements are subject to the availability of funds and not compromising the cash flow of the lender. These loan contracts are entered into based on rates agreed upon between the parties.

(In thousands of reais, unless otherwise stated)

The main asset and liability balances as of December 31, 2023 and 2022, as well as the transactions that impacted profit or loss for the year are as follows:

	Parent		Consolidated	
	2023	**2022**	**2023**	**2022**
Current liabilities				
Service agreements:				
Mapa Capital Participações e Consultoria Ltda (Mapa) (a)	-	-	1,016	-
	-	-	1,016	-
Noncurrent liabilities				
Intragroup borrowings:				
Yatsivut Corporation Ltd.	-	-		4,166
Kielce Gestão de Ativos Ltda ME (b)	-	-	7,335	3,163
Plascar Ltda.	31,810	34,209	-	-
	31,810	34,209	7,335	7,329
	31,810	34,209	**8,351**	7 329

	Consolidated	
	2023	**2022**
Profit (loss)		
Financial advisory services - Mapa Capital Participações e Consultoria Ltda.	4,282	4,042
	4,282	4,042

c) Changes

	Parent	Consolidated
As of December 31, 2021	**22,148**	**8,132**
Borrowings	12,061	-
Accrued interest and IOF (tax on financial transactions)	-	284
Exchange rate changes	-	(1,087)
As of December 31, 2022	**34,209**	**7,329**
Borrowings (payment)	(2,399)	1,016
Accrued interest and IOF (tax on financial transactions))	-	306
Exchange rate changes	-	(300)
As of December 31, 2023	**31,810**	**8,351**

(a) On November 14, 2018, Plascar signed a financial advisory services contract with Mapa Capital, and this contract remains in effect to this date.

The effects of the transactions on profit or loss correspond to inflation adjustment and exchange rate changes recorded in finance income (costs).

The loan agreement between the Company (lender) and Plascar Ltda. (borrower) is not subject, exceptionally, to finance charges, since the Company holds a 100%equity interest in Plascar Ltda. This agreement was signed on May 31, 2000 for purpose of adjusting the cash flow of Plascar Ltda., with no fixed maturity date.

(In thousands of reais, unless otherwise stated)

(b) On June 30, 2023, a debt acknowledgment agreement was signed with Kielse Gestão de Ativos-ME (lender), who became the holder of the debt amounting to R$ 7,335 with Plascar Ltda. (borrower).

12. Allowance for losses on investment in subsidiary

Changes in investments are as follows:

	2023	**2022**
Opening balance	(392,394)	(296,679)
Equity in subsidiary	1,108	(95,715)
Closing balance	**(391,286)**	(392,394)

Significant information on Plascar Ltda. is as follows:

	2023	**2022**
Share capital	838,565	838,565
Total shares	838,565,144	838,565,144
Shares held	838,565,144	838,565,144
Equity interest	100%	100%
Subsidiary’s equity	(391,286)	(392,394)
Interest in Plascar S.A.	(391,286)	(392,394)
Profit (loss) for the year	1,108	(95,715)
Share of profit (loss) of investee	**1,108**	(95,715)

(In thousands of reais, unless otherwise stated)

13. Property, plant and equipment

	Buildings	Machinery and equipment	Molds	Furniture and fixtures	Company cars	IT equipment	Spare parts and materials	Advances to suppliers	Impairment allowance for advances and machinery and equipment (1)	Total
At 12/31/2021	**14,348**	**294,902**	**781**	**589**	**198**	**525**	**4,270**	**49,764**	**(62,039)**	**303,338**
Acquisition	7,340	55,527	2	123	-	792	1948	2373	-	**68,105**
Write-offs, net	(47)	1,909	(5)	(26)	(21)	-	(498)	(6,885)	(900)	**(6,473)**
Transfers	2312	(2,519)	36	136	-	34	-	1	-	**-**
Depreciation	(492)	(33,123)	(145)	(474)	(69)	(182)	-	-	-	**(34,485)**
At 12/31/2022	**23,461**	**316,696**	**669**	**348**	**108**	**1169**	**5,720**	**45,253**	**(62,939)**	**330,485**
Acquisition	317	21,458	-	150	-	120	1,579	973	-	**24,597**
Write-offs, net	-	(409)	(2)	(20)	-	-	(1,619)	(1,479)	-	**(3,529)**
Depreciation	(348)	(31,756)	(219)	(80)	(61)	(140)	-	-	-	**(32,604)**
At 12/31/2023	**23,430**	**305,989**	**448**	**398**	**47**	**1,149**	**5,680**	**44,747**	**(62,939)**	**318,949**

(1) Refer to advances to suppliers for the acquisition of machinery and equipment to expand the operating and production capacity of the Company's manufacturing units, made between 2010 and 2011 to Sandretto and financed through BNDES program FINAME/PSI in the amount of R$ 44,084. Of the amount recorded, R$ 36,548 was advanced by financial institutions and R$7,536 was advanced to the supplier with own funds. After a thorough analysis with its legal advisors, the Company decided to recognize a loss on the total outstanding amount, totaling R$ 44,084 still in 2018. The Company has taken all possible legal actions and will continue to pursue its rights through legal means. However, the Company considers the possibility of receiving these assets in the short term to be unlikely, despite the lawsuit is still pending a decision. In 2019, the Company recognized an impairment of R$ 17,955 related to machinery and equipment identified as nonoperating during the year.

(In thousands of reais, unless otherwise stated)

Land is not depreciated. Depreciation of other assets is calculated on a straight-line basis considering their costs and residual values over their estimated useful lives as of December 31, 2023 and 2022 is as follows:

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

Management completed its evaluation and concluded that recognizing an impairment allowance for the assets of the Company and those of its subsidiary is not necessary, as detailed in Note 2.8.

14. Right-of-use assets and lease liabilities

a) Breakdown and summary of right of use of assets and lease liabilities

Right of use of assets

	2023	2022
Opening balance	79,271	15,604
Additions (1)	11,644	79,862
Adjustments	3,729	2,184
Amortization	(21,372)	(18,379)
Closing balance	**73,272**	79,271

Lease liabilities

	2023	2022
Opening balance	88,064	55,534
Additions (1)	11,644	79,862
Adjustments	3,729	2,184
Write-off (2)	-	(36,808)
Interest	10,011	10,536
Payments	(22,765)	(23,244)
Closing balance	**90,683**	88,064
Current	36,167	25,168
Noncurrent	54,516	62,896
	90,683	88,064

(1) In the 1st quarter of 2022, lease contracts for 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% for discounting the debt to the present value (PV). In the 2nd quarter of 2022, a vehicle lease contract was recorded. The initial impact on assets and liabilities was R$ 808. The incremental rate used for this contract was 15.75% for discounting the debt to the present value (PV). In the 2nd quarter of 2023, a forklift lease contract was recorded. The initial impact on assets and liabilities was R$ 2,881. The incremental rate used for this contract was 16.75% for discounting the debt to the present value (APV). In the 3rd quarter of 2023, lease contracts for IT equipment were recorded. The initial impact on assets and liabilities was R$ 1,797. The incremental rate used for this contract was CDI + 3% p.a. for discounting the debt to the present value (PV) and an addendum to the lease contract for the Caçapava-SP unit. The initial impact on assets and liabilities was R$ 6,966. The incremental rate used for this contract was CDI + 3% p.a. for discounting the debt to the present value (APV).

(2) In the 2nd quarter of 2022, a debt renegotiation contract for overdue rent from January 2020 to December 2021 was signed under the same conditions as those of the renegotiation contract dated January 2020. The total amount of the renegotiated transaction at the time was R$ 47,333 and was recorded under the item "Other liabilities".

(In thousands of reais, unless otherwise stated)

In the year ended December 31, 2023, the Company recorded an expense of R$ 1,295 (R$ 408 in 2022) relating to short-term leases (shorter than 12 months) or low-value assets involved in the contracts.

b) Lease payment schedule

	Consolidated				
	12/31/2023				
	Buildings	**Forklifts**	**Company cars**	**IT equipment**	**Total**
2024	33,424	1,718	305	720	36,167
2025	32,794	367	76	720	33,957
2026 onwards	20,365	-	-	194	20,559
	86,583	**2,085**	**381**	**1,634**	**90,683**

c) Additional information – Official Circular Letter CVM/SNC/SEP 2/2019

As required by Official Circular Letter/CVM/SNC/SEP 02/2019, the Company adopted as accounting policy the requirements in CPC 06 (R2) / IFRS 16 in measuring and remeasuring its right of use and applied the discounted cash flow method without considering inflation.

To ensure fair representation of information in relation to CPC 06 (R2) requirements and to meet the guidelines of CVM technical areas, liability balances are provided without adjustment for inflation, at amounts actually accounted for (actual flow x nominal rate), and an estimate of the balances adjusted for inflation in the comparative periods (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 explanatory note, as well as the inflation rates are observable in the market, so that nominal flows can be prepared by the users of the financial statements.

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

	2024	**2025**	**2026**	**2027 onwards**
Lease liability				
Actual projection and nominal rate (accounted for)	(90,683)	(62,405)	(38,900)	(10,695)
Nominal projection and nominal rate	(94,584)	(65,982)	(40,983)	(12,467)
Right of use of assets				
Actual projection and nominal rate (accounted for)	73,272	50,556	29,176	8,290
Nominal projection and nominal rate	76,370	52,880	30,725	12,431
Finance charges				
Actual projection and nominal rate (accounted for)	8,181	5,523	2,810	1,244
Nominal projection and nominal rate	7,958	5,589	2,243	1,579
Amortization expense - right of use				
Actual projection and nominal rate (accounted for)	22,714	21,383	20,859	8,317
Nominal projection and nominal rate	23,492	22,177	21,631	9,095

(In thousands of reais, unless otherwise stated)

15. Borrowings and financing

a) Summary of borrowings and financing

Type/purpose	Financial charges at 12/31/2023	Consolidated 2023	2022
Working capital in local currency	14.75% to 59.0% p.a.	204,437	238,923
		204,437	238,923
Current		118,968	113,959
Noncurrent		85,469	124,964
		204,437	238,923

Part of the borrowing balance, R$ 9,109 is due to the debt with BNDES related to previous periods that was renegotiated by the Company at the time.

The working capital loans contracted by Plascar Ltda. are collateralized by machinery and equipment (CAPEX), and the remaining balances are collateralized by receivables and guarantees.

The Company has restrictive clauses (covenants) for certain borrowings with financial institutions during the years ended December 31, 2023, and 2022, which are monitored quarterly by Management. As of December 31, 2023, the Company was compliant with these clauses.

b) Movements

	2023	2022
At January 1	**238,923**	138,993
Borrowings	98,214	179,119
Principal repayment	(130,977)	(84,588)
Interest payment	(58,436)	(34,986)
Accrued interest	56,713	40,385
At December 31	**204,437**	238,923

The noncurrent portion matures as follows:

	Valor
2025	41,737
2026	17,042
2027	15,063
2028 onwards	11,627
	85,469

(In thousands of reais, unless otherwise stated)

16. Trade payables

	Consolidated	
	2023	2022
Domestic suppliers	98,711	84,379
Foreign suppliers (Note 4.1)	1,474	2,709
	100,185	87,088

The terms and conditions of the financial liabilities referred to above reflect the outstanding balance of accounts payable to suppliers, with an average payment period of 35 days (same average period in 2022).

17. Payroll, accrued vacation and related taxes

	Consolidated	
	2023	2022
Payroll taxes (1)	31,760	181,950
Labor indemnities	151	61
Accrued vacation pay and salaries	30,446	23,352
Accrued profit sharing	15,781	13,392
Other	373	3,074
	78,511	221,829

(1) The Company completed the renegotiation of its tax liabilities with PGFN, which includes debts accumulated until January 2023. As part of the tax debt renegotiation, the Company obtained discounts on fines and interest totaling R$ 86,197 for social security debts and used tax losses of R$ 60,704 for offsetting. Finally, the Company offset R$ 521 with judicial deposits and R$ 4,859 with court ordered notes (Note 19).

18. Advances from customers

	Consolidated	
	2023	2022
Fiat Automóveis	2,613	6,214
Iveco	-	3,854
Man	2,185	13,089
VW	14,867	4,119
Calsonic Kansei	75	955
Scania	-	629
Mercedes Benz	5,001	2,523
Volvo	896	123
Hyundai	-	2,133
Other	74	97
	25,711	33,736

19. Commitments and provision for risks

a) Restructuring of rental debt

In January 2020, the Company completed the renegotiation of its rental debt, whose balance on December 31, 2019 was R$ 137,754, recorded as "Other liabilities" and "Lease liability", in current liabilities.

(In thousands of reais, unless otherwise stated)

Upon completion of such restructuring, the inflation adjusted debt was divided into installments, with a grace period of over a year before the start of payments. The balance was transferred to line item “Other Liabilities”, in noncurrent liabilities in January 2020.

In the second quarter of 2022, an agreement was entered into for the renegotiation of the outstanding rental debt for the period from January 2020 to December 2021 (Note 14.a).

<u>Lawsuits - amounts involved and criteria for accounting provision for cases of probable loss</u>

The Company and its subsidiary are parties to several labor (and social security), civil, and tax lawsuits.

The Company assesses the risk of loss arising from pending litigation as "remote," "possible," and "probable," where "remote" indicates minimal risk of loss, "possible" indicates moderate risk of loss, and "probable" indicates a high risk of loss. The external legal advisors, assisted by the Company's legal counsel, carefully assess each new or ongoing lawsuit and classify them based on their best estimates of the outcome.

These risk classifications are revised on a monthly basis and can be changed whenever the legal advisors deem it necessary. Additionally, all lawsuits are adjusted for inflation based on the rates adopted by the courts to reflect the most accurate current economic situation of each process.

For all cases assessed by the external and internal legal advisors as "probable loss," the Company recognizes an individual provision in an amount sufficient to cover the estimated loss; such provision is properly calculated and determined through judicial accounting (in the case of the court) or accounting expert assistant (in the case of the Company), based on condemnatory judgments and/or any other decisions from higher courts (appellate level) issued by the courts that clearly indicate that the Company is obliged to make the payment in the short term due to the advanced stage of the process.

Also, the Company adopts a policy whereby monthly provisions are made for labor lawsuits assessed as "possible loss", for which the Company estimates that settlement agreements will be made before the execution stage begins, recognizing only the estimated amount of the cash disbursement.

For lawsuits assessed as probable loss, provisions in the total amount of the risks are recognized, as shown below:

	Consolidated	
	2023	**2022**
Provision for social security and labor risks	9,343	7,129
	9,343	7,129

As of December 31, 2023 and 2022, provision for risks is as follows:

(In thousands of reais, unless otherwise stated)

Social security and labor

	2023	2022
Opening balance	7,129	6,502
Additions	6,056	6,209
Payments	(3,842)	(5,582)
Closing balance	**9,343**	7,129

b) Lawsuits assessed as possible loss for which no provision is recognized in the statement of financial position

For the Company's other lawsuits assessed by the external and in-house legal advisors as "possible" or "remote" loss, no provision for risks is recognized. However, the Company discloses the amounts involved in such lawsuits as a way to provide sufficient knowledge and information to the market about all litigation to which the Company is a party. For new lawsuits, the amount reported by the Company considers the amount claimed (initial value). As the lawsuit progresses, the legal advisors calculate the amounts involved in each case more accurately and revises the risk of loss arising from each lawsuit.

Lawsuits assessed as "possible" loss for which no provision was recognized are as follows:

	Consolidated	
	2023	2022
Tax	5,247	4,836
Labor	22,177	14,667
Civil	1,409	6,628
	28,833	26,131

c) Significant contingent assets

Plascar Ltda. is a plaintiff to two relevant lawsuits against FUNRURAL and ELETROBRÁS, with involved amounts of R$ 8,585 and R$ 19,249, respectively.

(i) The lawsuit against ELETROBRÁS, whose judgment was favorable to the Company, is at an advanced procedural stage, and the Company had already initiated the provisional execution process of the judgment, requesting payment of the amount due. However, in July 2020, through its external advisors, the Company became aware of an alleged assignment of rights, which would have been carried out in May 2003, by which the ownership and economic benefits arising from this lawsuit would be assigned to third parties. Having not internally identified elements confirming such assignment of rights, the Company made a statement in the case, requesting more information on the matter and currently awaits the court's response. Furthermore, in case of confirmation of the Company's right to the credit, the amount available at the time of enjoyment may be allocated to the Attorney General's Office of the National Treasury, as a way to amortize the outstanding balance negotiated in a tax transaction formalized in July 2023.

(In thousands of reais, unless otherwise stated)

(ii) The lawsuit against FUNRURAL was granted a final unappealable decision on September 4, 2001, granting Plascar the right to receive the amount of R$ 2,237 (Note 9). However, this amount was challenged by the Company regarding its inflation adjustment, which was not considered by the court. The Company offset 100% of the credit at the inflation-adjusted amount of R$ 4,859 (Note 17) in closing the Individual Transaction with PGFN signed on July 7, 2023.

20. Other liabilities

	Consolidated	
	2023	**2022**
Rentals payable	181,487	183,467
Sundry creditors - agreements (1)	61,341	54,049
Other liabilities	10,318	15,426
	253,146	252,942
Current	31,827	43,041
Noncurrent	221,319	209,901
	253,146	252,942

(1) Refers primarily to a debt acknowledgement agreement relating to the commercial transaction and debt restructuring made with the customer.

21. Equity

a) <u>Share capital</u>

As of December 31, 2023 and 2022, the Company’s capital amounts to R$931,455, represented by 12,425,418 registered common shares, without par value.

	2023		2022	
Shareholders	**Number of shares**	**Ownership interest - %**	**Number of shares**	**Ownership interest - %**
Pádua IV Participações	7,454,491	60.00%	7,454,491	60.00%
Deise Duprat [1]	2,689,646	21.64%	2,689,653	21.64%
Postalis	884,712	7.12%	884,712	7.12%
Other shareholders	1,396,569	11.24%	1,396,562	11.24%
	12,425,418	**100.00%**	**12,425,418**	**100.00%**

[1] In a material fact notice dated November 18, 2022, Permali Indústria e Comércio Ltda completed the sale of its equity interest in Plascar, which accounts for 18.44% of the Company’s outstanding common shares, totaling 2,290,953 common shares, to Deise Duprat, an individual. As a result of the sale of Plascar's shares, Permali no longer holds any shareholding in the Company, while Deise Duprat became the holder of a significant total of 21.64% of Plascar's shares, represented by 2,689,646 shares issued by the Company.

Permali was part of the Company's controlling group and was an integral part of the Shareholders' Agreement signed on January 31, 2019. As the equity interest was sold, such Shareholders' Agreement ceases to have legal effects and is considered terminated by operation of law.

The share issuance price was set without unjustified dilution for the current shareholders of the Company, considering the methodologies permitted by article 170, Paragraph 1, of Brazilian Corporate Law, taking into account the Company's financial situation at that time, with high indebtedness and equity deficiency.

b) Valuation adjustments to equity

Valuation adjustments to equity are recorded due to the realization of the deemed cost of property, plant and equipment and respective taxes. The impacts of changes of the Parent´s interest in the subsidiary from 99.89% to 100% after the financial restructuring occurred on January 31, 2019 are also recorded in valuation adjustments to equity.

c) Compensation to shareholders – distribution of dividends

According to the Company's Bylaws, shareholders are entitled to receive a minimum annual dividend of 25% of the adjusted net for the year as provided for in articles 189 and 202 of Law No. 6,404/76. Due to the losses incurred, no dividend distribution was made as of December 31, 2023 and 2022.

22. Earnings per share

Basic earnings (loss) per share are calculated by dividing profit (loss) for the year attributable to holders of the Parent's common shares by the weighted average number of common shares outstanding during the year.

Diluted earnings (loss) per share are calculated by dividing profit (loss) for the year attributable to the holders of the Parent's common shares by the weighted average number of common shares outstanding in the year plus the weighted average number of common shares that would be issued if all potential diluted common shares were actually converted into common shares.

The table below shows earnings and shares used to calculate basic and diluted earnings (loss) per share for the years ended December 31, 2023 and 2022 (in thousands, except value per share):

	2023	**2022**
Basic loss per share:		
Numerator:		
Loss for the year	(714)	(97,121)
Denominator:		
Weighted average number of shares	12,425,418	12,425,418
Basic loss per share - R$	**(0.06)**	(7.82)

(In thousands of reais, unless otherwise stated)

23. Net operating revenue

	Consolidated	
	2023	**2022**
Gross sales revenue	1,183,644	1,041,045
Taxes on sales	(214,449)	(176,096)
Returns and rebates on sales	(22,066)	(16,759)
	947,129	848,190

Taxes on sales are basically the following: State value added tax - ICMS (7%, 12% and 18%), Federal VAT - IPI (5% and 15%), Tax on revenue (PIS) (1.65% and 2.30%), Tax on revenue - Cofins (7.60% and 10.80%).

24. Breakdown of costs and expenses by nature

The Company elected to present the statement of profit and loss by function. Expenses by nature are as follows:

	Consolidado	
	2023	**2022**
Raw materials, inputs, consumables and personnel expenses	(749,413)	(660,989)
Depreciation and amortization	(53,976)	(52,864)
Outside services	(57,298)	(42,124)
Freight	(27,735)	(18,255)
Allowance for expected credit losses (Note 7)	783	(378)
Allowance for inventory losses (Note 8)	(269)	68
Tax debt renegotiation - fine discounts (Note 26)	75,894	-
Other	(84,913)	(70,063)
	(896,927)	(844,605)
Classified as		
Cost of sales	(831,355)	(728,202)
Selling expenses	(53,505)	(36,637)
General and administrative expenses	(82,885)	(80,251)
Other operating income, net	70,818	485
	(896,927	(844,605)

(In thousands of reais, unless otherwise stated)

25. Finance income (costs)

	Consolidated	
	2023	**2022**
Finance costs		
Interest and inflation adjustments	(90,440)	(55,029)
Finance charges on taxes overdue/in installments (1)	(52,665)	(36,044)
Tax debt renegotiation – interest discounts (Note 26)	40,612	-
Adjustment to present value - leases (Note 14)	(10,011)	(10,536)
Exchange loss	(3,742)	(6,405)
IOF (tax on financial transactions)	(1,931)	(3,102)
Other	(2,220)	(1,373)
	(120,397)	(112,489)
Finance income		
Interest and inflation adjustment	5,402	6,872
Exchange gain	5,286	6,021
Other	123	95
	10,811	12,988
Finance income (costs)	**(109,586)**	(99,501)

(1) Finance charges on taxes (PIS/Cofins and ICMS) overdue and in installments.

26. Taxes payable

	2023					
				In installments		
				Current		
	Outstanding	**Current**	**Overdue**	**Current**	**Overdue**	**Noncurrent**
Individual Transaction PGFN	102,090	-	-	6,302	-	95,788
Ordinary installment plan PIS/COF/IPI (1)	17,212	-	-	-	17,212	-
PIS/Cofins (taxes on revenue) / ISS (service tax)	4,693	2,140	2,553	-	-	-
ICMS (“Regularize” - MG)	36,812	-	-	8,181	-	28,631
State VAT (ICMS)	46,876	2,069	2,433	21,818	2,860	17,696
IPI (In installments - MG)	67	-	-	67	-	-
Other	1,501	1,501				
	209,251	5,710	4,986	36,368	20,072	142,115
IRRF (Employees)	5,174	2,583	2,591	-	-	-
Severance Pay Fund (FGTS)	7,595	1,558	-	1,098	-	4,939
Employer’s social security contribution (INSS)	37,679	4,394	16,145	4,130	-	13,010
Employer’s social security contribution (INSS)	4,489	1,110	3,379	-	-	-
INSS Sesi Senai (Company) in installments	3,749	-	-	1,728	34	1,987
RFB Simplified tax debt refinancing plan	59,290	-	-	12,267	1,022	46,001
	117,976	9,645	22,115	19,223	1,056	65,937
Sum (Company)	317,564	11,662	21,131	55,591	21,128	208,052
Sum (Employees)	9,663	3,693	5,970	-	-	-
Total	327,227	15,355	27,101	55,591	21,128	208,052

(In thousands of reais, unless otherwise stated)

	2022					
				In installments		
				Current		
	Outstanding	Current	Overdue	Current	Overdue	Noncurrent
Extraordinary Transaction PGFN	47,124	-	-	7,441	-	39,683
Ordinary installment plan PIS/COF/IPI	29,908	-	-	8,157	21,751	-
PIS/Cofins (taxes on revenue) / ISS (service tax)	1,784	1,784	-	-	-	-
ICMS (“Regularize” - MG)	40,543	-	-	7,371	-	33,172
State VAT (ICMS)	28,655	2,483	-	12,477	389	13,306
IPI (Installment plan - MG)	425	-	-	364	-	61
Charges - PGFN enrolled with the Government´s Registry of Debtors	22,208	-	-	-	22,208	-
Other (ISS IPTU)	213	80	-	27	-	106
	170,860	4,347	-	35,837	44,348	86,328
IRRF (Employees)	2,294	2,294	-	-	-	-
Ordinary installment plan INSS	15,633	-	-	3,754	10,431	1,448
FGTS	8,210	1,393	-	1,076	-	5,741
INSS (Company)	152,395	6,886	145,509	-	-	-
INSS (Employees)	25,868	1,840	24,028	-	-	-
INSS Sesi Senai (Company) in installments	5,454	-	-	2,073	32	3,349
	209,854	12,413	169,537	6,903	10,463	10,538
Sum (Company)	352,552	12,626	145,509	42,740	54,811	96,866
Sum (Employees)	28,162	4,134	24,028	-	-	-
Total	380,714	16,760	169,537	42,740	54,811	96,866

(1) The balance relating to this installment plan will be migrated to the Individual Transaction with PGFN signed on July 7, 2023, with all discounts and deductions provided under the signed Agreement.

The Company records a fine of 20% and inflation adjustments on overdue amounts at the rates provided by legislation.

Extraordinary Transaction PGFN

On May 30, 2022, the Company entered into an Extraordinary Transaction with PGFN to regularize the overdue balance previously included in PERT installment plan. The total amount involved is R$ 47,749 in 84 installments. The balance of this transaction was entirely transferred to the Individual Transaction with PGFN signed on July 7, 2023, with all discounts provided in the Transaction.

Individual Transaction - PGFN

Management concluded the renegotiation of its entire tax liability with PGFN, which includes debts accumulated until January 2023, under the Individual Tax Transaction program established by Law 14375/2022, whose regulatory ordinance was published on August 1, 2022. The Transaction agreement was signed on July 7, 2023, and all effects, fines and interest discounts, as well as the use of tax loss carryforwards and negative CSLL base, were recognized in the second quarter of 2023.

(In thousands of reais, unless otherwise stated)

All debts with the Social Security Department and Finance Department were negotiated, as shown below:

1) Social security debts: fine and interest discount totaling R$ 86,197, equivalent to 38% of the debt, use of tax loss carryforwards and negative CSLL base amounting to R$ 60,704, equivalent to 27% of the debt. The remaining balance was divided in 60 installments.
2) Debts with the Finance Department: fine and interest discount totaling R$ 30,309, equivalent to 49% of the debt. The remaining balance was divided in 120 installments.

After this transaction was recorded, the Company recorded a substantial decrease in current liabilities, improvement in results, and increase in equity, in addition to the use of part of the Company's accumulated tax losses. The positive impact on the Company's results was R$ 177,210, with fine discounts of R$ 75,894, interest discounts of R$ 40,612, and use of tax loss carryforward of R$ 60,704.

Below is a summary of the accounting effects of this transaction with PGFN:

	PGFN - Social security debts	PGFN - Debts with the Finance Department	Total
Original balance	226,003	61,392	287,395
Rebate - court-ordered notes ("precatórios") and other	(5,381)	(5,934)	(11,315)
Tax loss and negative social contribution base	(60,704)	-	(60,704)
Discount if fines and legal charges	(86,197)	(30,309)	(116,506)
Debt amortization through December 31, 2023	(1,103)	(125)	(1,228)
Inflation adjustment	4,004	444	4,448
Total	**76,622**	**25,468**	**102,090**

27. Employee benefits

Expenses on salaries, benefits and payroll taxes are as follows:

	Consolidated	
	2023	2022
Payroll and related taxes	232,451	198,168
Profit sharing plan	9,290	6,480
Benefits under labor legislation	39,655	27,459
Additional benefits	543	578
Other	269	4,482
	282,208	237,167

<u>Additional benefits</u>

In addition to the usual benefits provided for by labor laws, the Company and its subsidiary grant their employees additional benefits contracted from third parties, such as: health care, collective transportation, meals, and childcare assistance.

(In thousands of reais, unless otherwise stated)

<u>Profit sharing program</u>

The Company and its subsidiary have supplementary variable compensation plans that are based on the achievement of certain goals:

(i) Profit-sharing Plan (PPR): The Company grants its employee profit sharing as determined by the collective bargaining agreement established between the Company, the employee committee, and the trade union, which sets goals that are monthly measured and disclosed. This plan is design to encourage development and productivity, providing opportunities for financial gains and effective share in the Company's results.

(ii) Short-term additional profit-sharing bonus plan (PPR): The Company also rewards managers and directors of the Company with a differentiated number of salaries. The profit-sharing due to employees holding these positions is based on the achievement of pre-set performance goals (individual and Company).

28. Noncash transactions

Effects of noncash transactions in the respective years are as follows:

	2023	2022
Right-of-use assets (Note 14)	11,644	79,862
Lease liabilities (Note 14)	(11,644)	(79,862)

29. Insurance

The Company and its subsidiary have policies for different lines of insurance contracted with the main insurance companies in Brazil. These policies were defined according to the Group program and took into account the nature and the degree of risk involved.

As of December 31, 2023, the insurance coverage for operational risks combined with loss of profit was R$ 750,000 (R$ 629,300 in 2022) and R$ 10,000 (R$ 10,000 in 2022) for civil liability.

The Company does not expect to face any problems to renew its insurance policies and believes that the insurance coverage is reasonable in terms of amount and compatible with the insurance sector standards in Brazil.

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

30. Explanation added to the English version

The accompanying financial statements were translated into English from the original Portuguese version prepared for local purposes. Certain accounting practices adopted by the Company that conform to those accounting practices adopted in Brazil may not comply with the generally accepted accounting principles in the countries where these financial statements may be used.