Individual and Consolidated Financial Statements

Alubar Metais e Cabos S.A.

December 31, 2022
with Independent Auditor’s Report

Alubar Metais e Cabos S.A.

Individual and consolidated financial statements

December 31, 2022

Contents

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A free translation from Portuguese into English of Independent Auditor's Report on individual and consolidated financial statements, originally issued in Portuguese

Independent auditors' report on individual and consolidated financial statements

To the Board of Directors, Shareholders and Officers
Alubar Metais e Cabos S.A.
Barcarena - PA

Opinion

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

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

Basis for opinion

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

Emphasis of matter – Significant transactions with related parties

As described in Notes 18 and 24 to the individual and consolidated financial statements, the Company entered into significant transactions with its parent company Aluminum Investment S/A, headquartered in Uruguay, whose outcomes significantly impacted the results of its operations for the year ended December 31, 2022. Consequently, the result of its operations could be different from the one that would be obtained if the transactions were carried out with unrelated independente parties. Our opinion is not qualified in respect of this matter.

Key audit matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the financial statements of the current period. These matters were addressed in the context of our audit of the individual and consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters. For each matter below, our description of how our audit addressed the matter, including any commentary on the findings or outcome of our procedures, is provided in that context.

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

Financial instruments designated as hedge accounting (Note 17)

The Company and its subsidiaries have derivative financial instruments for the purpose of minimizing the effect of the volatility of commodity prices (aluminum and copper), currencies and interest rates on their cash flows.

To achieve its objectives, the Company enters into derivative financial instruments and uses non-derivative financial liabilities in hedging structures in accordance with the hedge accounting policy, periodically conducting effectiveness tests on the designated hedge relationships.

As at December 31, 2022, the Company had R$296,250, net of tax effects, recorded in other comprehensive income arising from derivative financial instruments designated as hedge accounting. Gains and losses considered effective for purposes of hedge accounting are recorded in equity, in “other comprehensive income”, until the hedged item is recognized in profit or loss. At that time, the gain or loss of each designated instrument is recognized in the profit or loss for the year, under the same line item as the hedged item.

The designation of these financial instruments as hedge accounting, as well as the measurement of their effectiveness, require compliance with certain requirements under NBC TG 48/IFRS 9 standards, as well as judgments regarding the effective hedge of hedged risks and alignment with the business risk management strategy.

Given the technical requirements, the complexity involved in the designation and the periodic measurement of the effectiveness of the hedge accounting relationships held by the Company, as well as, in case of designation or proof of ineffectiveness with potential risk of misstatement of the financial statements, we considered this matter a key audit matter.

How our audit addressed this matter

Our audit response included performing, among others, the following main procedures with the support of our specialists in financial instruments: (i) understanding the process and internal controls related to hedge accounting, (ii) obtaining external confirmations from the financial institutions that are counterparties of the transactions; (iii) reading the contracts of instruments and hedged items; (iv) reviewing and assessing the sufficiency of the documentation prepared by the Company that supports the designation of hedging instruments as hedge accounting, specifically the designations containing the descriptions of all strategies and methodologies used to measure effectiveness, including whether the documentation comply with the requirements of IFRS 9 (NBC TG 48); (v) independent tests of the effectiveness of the mark-to-market of instruments; and (vi) assessing the adequacy of the disclosures made by the Company about hedge accounting transactions.

Based on the evidence obtained, we considered that the designations as hedge accounting, as well as the respective disclosures in Note 17, are acceptable in the context of the individual and consolidated financial statements as a whole.

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Other matters

Statements of value added

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

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

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

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

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

Responsibilities of 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 with the International Financial Reporting Standards (IFRS) issued by the International Accounting Standards Board (IASB), and for such internal control as the executive board 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 unless management either intends to liquidate the Company or to cease operations, or has no realistic alternative but to do so.

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

Auditor's responsibilities 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 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:

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

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

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

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

Recife, April 4, 2023

ERNST & YOUNG
Auditores Independentes S.S. Ltda.
CRC SP-015199/O

Henrique Piereck de Sá
Accountant CRC PE 023398/O

A free translation from Portuguese into English of individual and consolidated financial statements prepared in Brazilian currency in accordance with the accounting practices adopted in Brazil and the International Financial Reporting Standards (IFRS), issued by the International Accounting Standards Board (IASB)

Alubar Metais e Cabos S.A.

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

		Consolidated		Individual	
Assets	Note	2022	2021	2022	2021
Current assets					
Cash and cash equivalents	4	**32,423**	129,136	**25,312**	114,504
Marketable securities	5	**47,715**	39,054	**47,715**	39,054
Trade accounts receivable	6	**272,592**	430,684	**195,700**	285,829
Inventories	7	**203,580**	208,554	**135,028**	154,278
Advances to suppliers		**33,242**	39,348	**13,352**	5,484
Derivative financial instruments	17	**-**	53,149	**-**	53,149
Taxes recoverable	8	**173,268**	144,367	**139,281**	111,445
Income tax and social contribution recoverable		**6,950**	6,948	**6,950**	6,948
Other assets		**11,838**	19,576	**6,780**	9,585
Total current assets		**781,608**	1,070,816	**570,118**	780,276
Noncurrent assets					
Marketable securities	5	**18,383**	16,214	**18,383**	16,214
Trade accounts receivable	6	**2,868**	-	**2,868**	-
Taxes recoverable	8	**5,783**	13,911	**4,957**	13,009
Judicial deposits		**180**	146	**180**	146
Deferred income tax and social contribution	26	**18,879**	8,631	**-**	-
Derivative financial instruments	17	**-**	65,777	**-**	65,777
Transactions with related parties	18	**452,471**	2,323	**432,102**	25,298
Investment in subsidiaries	9	**-**	-	**305,277**	329,208
Property, plant and equipment	10	**818,639**	911,726	**621,029**	697,159
Right-of-use assets	11	**30,765**	30,960	**30,765**	30,960
Intangible assets		**6,126**	8,094	**4,791**	5,965
Total noncurrent assets		**1,354,094**	1,057,782	**1,420,352**	1,183,736
Total assets		**2,135,702**	2,128,598	**1,990,470**	1,964,012
Liabilities and equity					
Current liabilities					
Trade accounts payable	12	**175,901**	283,969	**164,496**	261,274
Derivative financial instruments	17	**64,895**	47,854	**64,801**	47,264
Loans, financing and debentures	13	**290,785**	452,706	**254,903**	437,714
Lease liabilities	11	**6,651**	4,523	**6,651**	4,523
Labor and social security obligations		**12,742**	15,043	**9,343**	11,676
Tax obligations	14	**36,379**	38,341	**16,019**	19,355
Income tax and social contribution payable		**24,688**	2,091	**24,666**	963
Dividends payable	16	**30,854**	46,589	**30,854**	46,589
Advances from customers		**4,781**	71,995	**3,151**	71,209
Other obligations		**1,478**	510	**-**	-
Total current liabilities		**649,154**	963,620	**574,884**	900,567
Noncurrent liabilities					
Loans, financing and debentures	13	**1,029,252**	534,870	**928,265**	465,009
Lease liabilities	11	**24,114**	26,437	**24,114**	26,437
Tax obligations	14	**20,927**	29,608	**20,927**	29,608
Transactions with related parties	18	**-**	-	**21,772**	58
Pension plan obligations	29	**4,589**	31,722	**-**	-
Derivative financial instruments	17	**89,771**	-	**89,771**	-
Deferred income tax and social contribution	26	**-**	22,030	**-**	22,030
Provision for contingencies	15	**2,634**	2,500	**2,620**	2,500
Provision for investment losses	9	**-**	-	**12,870**	-
Total noncurrent liabilities		**1,171,287**	647,167	**1,100,339**	545,642
Equity	19				
Capital		**87,114**	87,114	**87,114**	87,114
Income reserves		**368,709**	267,578	**368,709**	267,578
Equity adjustment		**(140,576)**	163,112	**(140,576)**	163,112
Equity attributable to controlling interests		**315,247**	517,804	**315,247**	517,804
Noncontrolling interests		**14**	7	**-**	-
		315,261	517,811	**315,247**	517,804
Total liabilities and equity		**2,135,702**	2,128,598	**1,990,470**	1,964,012

See accompanying notes.

Alubar Metais e Cabos S.A.

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

		Consolidated		Individual	
	Note	**2022**	**2021**	**2022**	**2021**
Revenue	20	**3,597,184**	3,468,010	**1,781,794**	2,067,708
Cost of goods sold	21	**(3,157,325)**	(2,976,545)	**(1,452,310)**	(1,682,257)
Gross profit		**439,859**	491,465	**329,484**	385,451
Operating expenses					
Selling expenses	22	**(157,092)**	(134,246)	**(81,376)**	(80,103)
General and administrative expenses	23	**(112,954)**	(99,203)	**(79,720)**	(73,138)
Other operating income, net	24	**203,303**	27,397	**194,191**	18,890
Share of profit of subsidiaries	9	**-**	-	**(10,634)**	23,905
		(66,743)	(206,052)	**22,461**	(110,446)
Income before finance income (costs)		**373,116**	285,413	**351,945**	275,005
Finance income (costs)					
Finance income	25	**135,875**	64,935	**124,619**	64,747
Finance costs	25	**(338,906)**	(157,975)	**(303,100)**	(154,352)
		(203,031)	(93,040)	**(178,481)**	(89,605)
Income before income tax and social contribution		**170,085**	192,373	**173,464**	185,400
Income tax and social contribution	26				
Current		**(36,282)**	(29,732)	**(29,421)**	(17,554)
Deferred		**536**	(994)	**(9,711)**	(6,198)
		(35,746)	(30,726)	**(39,132)**	(23,752)
Net income for the year		**134,339**	161,647	**134,332**	161,648
Attributable to:					
Controlling interests		**134,332**	161,648		
Noncontrolling interests		**7**	(1)		
		134,339	161,647		
Basic earnings per share - in R$	27	**1.54**	1.86		
Diluted earnings per share - in R$	27	**1.54**	1.85		

See accompanying notes.

Alubar Metais e Cabos S.A.

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

		Consolidated		Individual	
	Note	2022	2021	2022	2021
Net income for the year		**134,339**	161,647	**134,332**	161,648
Other comprehensive income for the year, net of taxes					
Hedge accounting transactions	17	**(296,250)**	39,778	**(296,250)**	39,778
Cumulative adjustments in pension plan	9	**29,808**	26,915	**29,808**	26,915
Exchange effect on the translation of the financial statements of foreign subsidiaries		**(37,246)**	20,117	**(37,246)**	20,117
Total comprehensive income (loss)		**(169,352)**	248,457	**(169,359)**	248,458
Income (loss) attributable to					
Controlling interests		**(169,359)**	248,458		
Noncontrolling interests		**7**	(1)		
		(169,352)	248,457		

See accompanying notes.

Alubar Metais e Cabos S.A.

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

	Consolidated									
	Individual									
		Income reserves					Equity adjustment			
	Capital	**Tax incentive reserve**	**Legal reserve**	**Retained profits**	**Additional dividends proposed**	**Retained earnings**	**Other comprehensive income**	**Subtotal**	**Noncontrolling interests**	**Total**
Balances at December 31, 2020	87,114	115,025	17,423	36,336	-	-	76,302	332,200	8	332,208
Dividends distributed from reserves (R$0.34/share)	-	-	-	(29,576)	-	-	-	(29,576)	-	(29,576)
Net income for the year	-	-	-	-	-	161,648	-	161,648	(1)	161,647
Allocation of income:										
Tax incentive reserve	-	28,535	-	-		(28,535)	-	-	-	-
Mandatory minimum dividends (R$0.38/share)	-	-	-	-		(33,278)	-	(33,278)	-	(33,278)
Additional dividends proposed	-	-	-	-	36,905	(36,905)	-	-	-	-
Retained profits	-	-	-	62,930		(62,930)	-	-	-	-
Other comprehensive income:										
Hedge accounting transactions	-	-	-	-	-	-	39,778	39,778	-	39,778
Cumulative adjustments in pension plan	-	-	-	-	-	-	26,915	26,915	-	26,915
Exchange effect on the translation of the financial statements of foreign subsidiaries	-	-	-	-	-	-	20,117	20,117		20,117
Balances at December 31, 2021	**87,114**	**143,560**	**17,423**	**69,690**	**36,905**	**-**	**163,112**	**517,804**	**7**	**517,811**
Net income for the year	**-**	**-**	**-**	**-**	**-**	**134,332**	**-**	**134,332**	**7**	**134,339**
Allocation of income:										
Tax incentive reserve	**-**	**1,528**	**-**	**-**	**-**	**(1,528)**	**-**	**-**	**-**	**-**
Mandatory minimum dividends (R$0.38/share)	**-**	**-**	**-**	**-**	**-**	**(33,201)**	**-**	**(33,201)**	**-**	**(33,201)**
Retained profits	**-**	**-**	**-**	**99,603**	**-**	**(99,603)**	**-**	**-**	**-**	**-**
Other comprehensive income:										
Hedge accounting transactions	**-**	**-**	**-**	**-**	**-**	**-**	**(296,250)**	**(296,250)**	**-**	**(296,250)**
Cumulative adjustments in pension plans	**-**	**-**	**-**	**-**	**-**	**-**	**29,808**	**29,808**	**-**	**29,808**
Exchange effect on the translation of the financial statements of foreign subsidiaries	**-**	**-**	**-**	**-**	**-**	**-**	**(37,246)**	**(37,246)**	**-**	**(37,246)**
Balances at December 31, 2022	**87,114**	**145,088**	**17,423**	**169,293**	**36,905**	**-**	**(140,576)**	**315,247**	**14**	**315,261**

See accompanying notes.

Alubar Metais e Cabos S.A.

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

	Note	Consolidated		Individual	
		2022	2021	2022	2021
Operating activities					
Net income for the year		**134,339**	161,647	**134,332**	161,648
Adjustments to reconcile net income to cash:					
Depreciation	10	**43,994**	32,554	**31,858**	26,705
Amortization		**2,356**	1,348	**1,856**	1,020
Amortization of right-of-use assets	11	**8,186**	9,006	**8,186**	9,006
Residual value on write-off of property, plant and equipment and intangible assets	10	**12,978**	3,011	**11,640**	3,011
Gain on disposal of subsidiary and sale of property, plant and equipment to the parent company	24	**(203,376)**	-	**(203,376)**	-
Allowance for expected credit losses	6	**4,291**	1,491	**2,242**	771
Provision for inventory losses	7	**66**	-	**66**	-
Share of profit of subsidiaries	9	**-**	-	**10,634**	(23,905)
Recovery of expenses	24	**-**	(16,630)	**-**	(16,630)
Deferred taxes	26	**(536)**	994	**9,711**	6,198
Provision for (reversal of provision for) contingencies	15	**134**	(682)	**120**	(682)
Interest incurred on lease liabilities	11	**1,007**	201	**1,007**	201
Tax credit from the exclusion of ICMS from the PIS/COFINS base		**-**	(6,000)	**-**	(6,000)
Derivative financial instruments		**(101,745)**	7,082	**(100,597)**	7,056
Amortization of borrowing costs	13	**9,016**	4,533	**8,713**	4,533
Interest, monetary and foreign exchange differences, net		**134,120**	18,003	**114,395**	15,771
		44,830	216,558	**30,787**	188,703
(Increase) decrease in assets:					
Trade accounts receivable		**58,342**	(24,602)	**85,019**	(26,253)
Inventories		**(59,579)**	(41,255)	**19,184**	(26,530)
Advances to suppliers		**(11,507)**	21,113	**(7,868)**	49,863
Taxes recoverable		**(21,536)**	(31,055)	**(19,787)**	(11,853)
Judicial deposits		**(34)**	14	**(34)**	14
Other assets		**3,224**	(922)	**2,806**	4,763
Increase (decrease) in liabilities:					
Trade accounts payable		**(60,549)**	30,197	**(100,318)**	70,061
Tax obligations		**13,395**	(15,762)	**11,687**	(24,414)
Labor and social security obligations		**(1,997)**	(1,391)	**(2,334)**	(8,411)
Advances from customers		**(66,979)**	(31,834)	**(68,056)**	(32,404)
Payment of contingencies	15	**-**	(3)	**-**	(3)
Other accounts payable		**1,064**	4,970	**-**	-
Cash flows from (used in) operating activities		**(101,326)**	126,028	**(48,914)**	183,536
Interest paid on loans and financing	13	**(135,324)**	(62,586)	**(128,692)**	(62,586)
Interest paid on lease liabilities	11	**(1,007)**	(202)	**(1,007)**	(202)
Net cash flows from (used in) operating activities		**(237,657)**	63,240	**(178,613)**	120,748
Investing activities					
Financial investments		**(725,965)**	(43,718)	**(725,965)**	(43,718)
Redemption of financial investments		**715,135**	30,550	**715,135**	30,550
Cash flows written off upon disposal of subsidiary		**(21,582)**	-	**-**	-
Acquisition of property, plant and equipment	10	**(201,594)**	(202,052)	**(77,692)**	(162,927)
Acquisition of intangible assets		**(1,126)**	(2,909)	**(659)**	(2,232)
Capital increase in subsidiary	9	**(529)**	-	**(529)**	(22,406)
Net cash flows used in investing activities		**(235,661)**	(218,129)	**(89,710)**	(200,733)

Alubar Metais e Cabos S.A.

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

		Consolidated		**Individual**	
	Note	**2022**	**2021**	**2022**	**2021**
Financing activities					
Loans, financing and debentures raised	13	**1,563,240**	1,240,405	**1,343,758**	1,159,561
Payment of principal of loans, financing and debentures	13	**(1,081,544)**	(927,046)	**(1,064,418)**	(927,046)
Payment of principal of lease liabilities	11	**(8,186)**	(8,992)	**(8,186)**	(8,992)
Intercompany loans		**(46,657)**	(2,574)	**(43,087)**	(3,718)
Dividends paid out	16	**(48,936)**	(48,166)	**(48,936)**	(48,166)
Net cash flows from financing activities		**377,917**	253,627	**179,131**	171,639
Increase (decrease) in cash and cash equivalents		**(95,401)**	98,738	**(89,192)**	91,654
Effect of foreign exchange differences on cash flows of foreign subsidiaries		**(1,313)**	675	**-**	-
Cash and cash equivalents at beginning of year		**129,136**	29,723	**114,504**	22,850
Cash and cash equivalents at end of year		**32,422**	129,136	**25,312**	114,504
Non-cash transactions:					
Investing activities					
Capital increase in subsidiary	9	**-**	-	**94,483**	-
Acquisition of property, plant and equipment – capitalized interest	10	**(6,687)**	6,292	**(6,687)**	6,292
Acquisition of property, plant and equipment – trade accounts payable	12	**(4,591)**	3,464	**(3,540)**	2,695

See accompanying notes.

Alubar Metais e Cabos S.A.

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

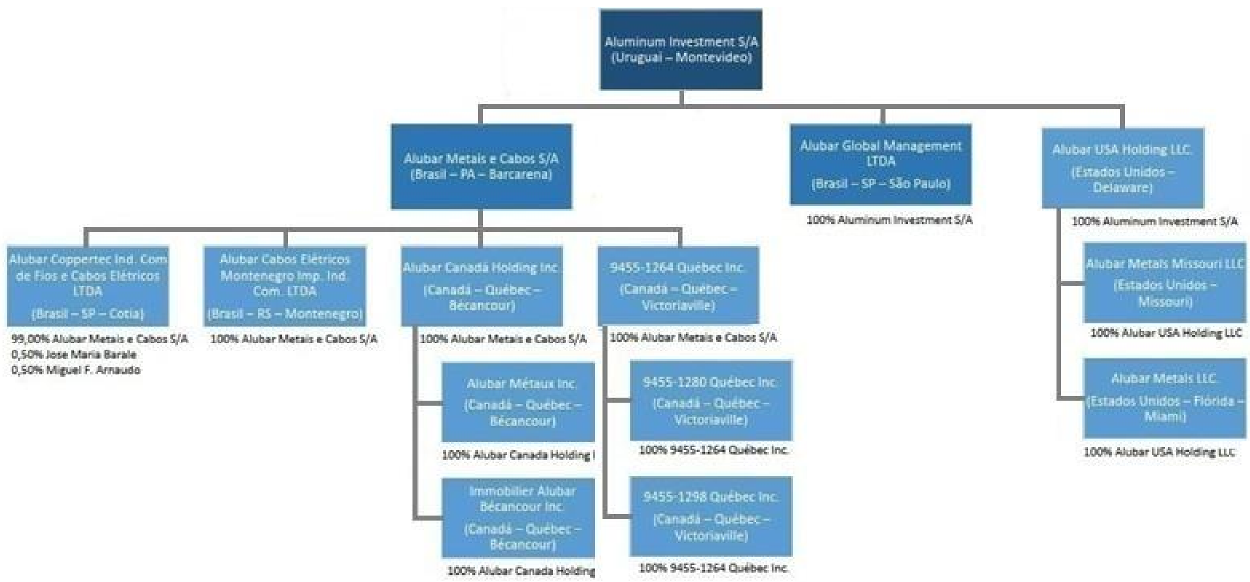
	Consolidated		Individual	
	2022	**2021**	**2022**	**2021**
Revenues	**3,860,117**	3,505,707	**2,019,320**	2,096,865
Sales of products	**3,613,014**	3,468,010	**1,781,794**	2,067,708
Allowance for expected credit losses	**(4,291)**	(1,491)	**(2,242)**	(771)
Other revenues	**251,394**	39,188	**239,768**	29,928
Raw material acquired from third parties	**(3,328,003)**	(3,059,502)	**(1,547,180)**	(1,735,147)
Cost of goods sold	**(3,048,026)**	(2,853,340)	**(1,366,764)**	(1,598,728)
Raw materials, power and services from suppliers	**(279,977)**	(206,162)	**(180,416)**	(136,419)
Gross value added	**532,102**	446,205	**472,140**	361,718
Depreciation and amortization	**(35,144)**	(28,694)	**(28,935)**	(23,497)
Net value added	**496,958**	417,511	**443,204**	338,221
Value added received from transfers	**136,522**	64,935	**113,986**	88,652
Share of profit of subsidiaries	**-**	-	**(10,634)**	23,905
Finance income	**136,522**	64,935	**124,619**	64,747
Value added to be distributed	**633,492**	482,446	**557,190**	426,873
Value added distributed	**(633,492)**	(482,446)	**(557,190)**	(426,873)
Employee benefits expense	**(95,829)**	(100,244)	**(55,116)**	(58,831)
Salaries	**(75,652)**	(78,532)	**(37,095)**	(39,304)
Benefits	**(16,644)**	(17,774)	**(14,693)**	(15,829)
Unemployment Compensation Fund (FGTS)	**(3,533)**	(3,938)	**(3,329)**	(3,698)
Taxes and contributions	**(56,309)**	(52,093)	**(57,342)**	(43,011)
Federal taxes	**(54,043)**	(49,952)	**(56,042)**	(41,763)
State taxes	**(1,039)**	(1,302)	**(397)**	(474)
Local taxes	**(1,227)**	(839)	**(903)**	(774)
Debt remuneration	**(347,015)**	(168,454)	**(310,400)**	(163,383)
Finance charges	**(338,416)**	(157,993)	**(303,101)**	(154,352)
Rent	**(8,599)**	(10,461)	**(7,298)**	(9,031)
Equity remuneration	**(134,339)**	(161,655)	**(134,332)**	(161,648)
Dividends	**(33,201)**	(33,278)	**(33,201)**	(33,278)
Profits withheld for the year	**(101,113)**	(128,377)	**(101,131)**	(128,370)

See accompanying notes.

1. Operations

Alubar Metais e Cabos S.A. (the “Company” or “Parent Company”), jointly with its subsidiaries referred to as “Alubar Group” or “Group”, is a privately held corporation with a foreign parent and organized on August 31, 2006, headquartered at Rodovia PA 481 s/n, Km 2.3 - Centro – Barcarena, State of Pará. The Alubar Group is primarily engaged in the manufacturing of bare and insulated aluminum electrical wires, cables and conductors, and copper cables; production of primary aluminum and its alloys; casting of non-ferrous materials and their alloys; and production of aluminum and copper laminates.

The Group is controlled by Aluminum Investment S.A., with head offices in Uruguay.



1. **Operations** (Continued)

1.2. COVID-19 – Coronavirus – impacts on the Group

Risks arising from disease outbreaks, epidemics and pandemics, notably those arising from the Covid-19 pandemic, may contribute significantly to deteriorating economic conditions and could, among other consequences, (i) negatively impact global demand for aluminum and copper wire or lower market prices of products, which may result in a continued decrease in the Group's sales, operating income and cash flows; (ii) make it more difficult or costly to obtain financing for operations or refinance debt in the future; (iii) impair the financial conditions of some customers and suppliers; and (iv) reduce investment programs. The Group assessed the scenarios and concluded that there is no evidence of going concern risk. However, changes in the future that deteriorate the economic and business scenario, or significant changes in the economy or financial market that result in an increase in risk perception or a decrease in liquidity and refinancing capacity, at a greater intensity than that anticipated in the scenarios contemplated by management, may lead the Company to review its projections and eventually affect the Group's ability to meet its obligations, and/or lead to the recognition of losses due to impairment of assets. The Group constantly monitors commodity price risks, interest rates and foreign exchange rates, credit risk management and capital management (Note 17).

1.3. Risks of international conflicts

The conflict between Ukraine and Russia could have a material adverse effect on the overall macroeconomic environment, which could include aluminum demand and price volatility, as well as rising input costs. Both the conflict itself and the sanctions imposed (and other sanctions that may be imposed), as well as the possible Russian responses to the sanctions, have and may have destabilized financial markets and certain commodity markets. The military conflict could escalate both regionally and globally; any substantial escalation would have a material adverse effect on macroeconomic conditions. In addition, sanctions may remain in place beyond the duration of any military conflict and have a lasting impact on the region and globally, and may adversely affect the Group's operating results and financial condition.

2. Basis of preparation and presentation of individual and consolidated financial statements

2.1. Statement of compliance and basis of measurement

The individual and consolidated financial statements have been prepared and are presented in accordance with the accounting practices adopted in Brazil (BR GAAP), which comprise the provisions contained in the Brazilian corporation law, and the rules set forth by the Brazilian Securities and Exchange Commission (CVM), including the pronouncements, interpretations and guidance issued by the Brazilian Financial Accounting Standards Board (CPC), and in accordance with the International Financial Reporting Standards (IFRS) issued by the International Accounting Standards Board (IASB).

In addition, the Group considered the guidance provided for in Accounting Guidance OCPC 07, issued by Brazil's FASB (CPC) in November 2014, in preparing its financial statements. Accordingly, all significant information inherent in the financial statements, and only such information, is being disclosed and corresponds to that used by management to manage the Company's activities.

The individual and consolidated financial statements have been prepared under the going-concern assumption.

The individual and consolidated financial statements have been prepared on a historical cost basis, except for derivative financial instruments and pension plan obligations, which have been measured at fair value. The carrying amounts of assets and liabilities that represent hedged items at fair value, which would otherwise be accounted for at amortized cost, are adjusted to show changes in fair values attributable to the hedged risks.

The preparation of financial statements requires the use of certain critical accounting estimates, as well as the use of judgment by the Group management in the accounting policies application process. Those more complex areas that require a higher degree of judgment, and those where the assumptions and estimates are significant for the individual and consolidated financial statements are disclosed in Note 2.3.

2. Basis of preparation and presentation of individual and consolidated financial statements (Continued)

2.1. Statement of compliance and basis of measurement (Continued)

The presentation of the Statement of Value Added (SVA) is required by the Brazilian corporation law and by the accounting practices adopted in Brazil applicable to publicly held companies. The International Financial Reporting Standards (IFRS) do not require SVA presentation. As a result, under the IFRS, this statement is presented as supplementary information, without prejudice to the set of financial statements.

Approval of the financial statements

The individual and consolidated financial statements were authorized for issue by the executive board on April 4, 2023.

2.2. Foreign currency translation

The individual and consolidated financial statements are presented in Brazilian reais (R$), which is the functional currency of the parent company. Each Group entity determines its own functional currency, and for those entities whose functional currency is not the Brazilian real, the financial statements are translated into reais at the reporting date.

Transactions and balances

Transactions in foreign currency are initially recorded at the functional currency spot rates at the transaction date.

Monetary assets and liabilities denominated in foreign currency are translated at the functional currency spot rates of exchange at the reporting date. All differences are recognized in the statement of profit or loss, with the exception of monetary items that are designated as part of the hedge of a net investment. These differences are recognized directly in other comprehensive income (OCI) until the net investment is disposed of, at which time the referred to differences are recognized in the statement of profit or loss. Tax charges and effects attributable to exchange differences on those monetary items are also recognized in OCI.

2. Basis of preparation and presentation of individual and consolidated financial statements (Continued)

2.2. Foreign currency translation (Continued)

Nonmonetary items that are measured at historical cost in a foreign currency are translated using the exchange rate at the transaction date. Nonmonetary items measured at fair value in a foreign currency are translated using the exchange rates at the dates when the fair value is measured. The gain or loss arising on translation of nonmonetary items measured at fair value is treated in line with the recognition of the gain or loss on the change in fair value of the item (i.e. translation differences on items whose fair value gain or loss is recognized in OCI or profit or loss for the year are also recognized in OCI or profit or loss for the year, respectively).

In determining the spot exchange rate to use on initial recognition of the related asset, expense or income (or part of it) relating to advance consideration, the date of the transaction is the date on which the Group initially recognizes the nonmonetary asset or nonmonetary liability arising from the advance consideration. If there are multiple payments or receipts in advance, the Group determines the transaction date for each payment or receipt of advance consideration.

Group companies

The assets and liabilities of foreign operations are translated into Brazilian reais at the rate of exchange prevailing at the reporting date and their statements of profit or loss are translated at exchange rates prevailing at the dates of the transactions, as well as the statements of cash flows. The exchange differences arising on translation are recognized in OCI. On disposal of a foreign operation, the cumulative amount of exchange differences relating to that particular foreign operation recognized in OCI is reclassified to profit or loss.

2.3. Use of estimates and judgments

In preparing these individual and consolidated financial statements, management used judgments, estimates and assumptions that affect the application of the Group’s accounting policies and reported amounts of assets, liabilities, revenues and expenses. Actual results may differ from these estimates. Estimates and assumptions are reviewed on an ongoing basis. Revisions of estimates are recognized prospectively.

2. Basis of preparation and presentation of individual and consolidated financial statements (Continued)

2.3. Use of estimates and judgments (Continued)

In the process of applying the Group's accounting policies, management has made the following judgments that have the most significant effect on the amounts recognized in the individual and consolidated financial statements:

a) Judgments and estimates

Information about judgments made in applying the accounting policies that have significant effects on the amounts recognized in the individual and consolidated financial statements is included, where applicable, in the following notes:

- Note 6 – Trade accounts receivable – Allowance for expected credit losses of trade receivables: management makes analyses to address losses on the realization of trade accounts receivable, considering the risks involved, and records an allowance when management identifies objective evidence of loss, according to the guidelines of NBC TG 48/IFRS 9.
- Note 15 - Provision for contingencies: recognition of provisions for tax, civil and labor contingencies through an assessment of the likelihood of loss that includes the evaluation available evidence, the hierarchy of laws, available case laws, the most recent court decisions and their relevance in the legal system, as well as the opinion of the Group's external and internal legal advisors.
- Note 17 - Financial instruments and risk management - Derivatives - estimates and judgments involved in determining the fair value of hedge accounting transactions.

The Group management did not identify any information about critical judgments referring to the accounting policies adopted that have significant effects on the amounts recognized in the financial statements.

2. Basis of preparation and presentation of individual and consolidated financial statements (Continued)

2.3. Use of estimates and judgments (Continued)

b) Uncertainties about assumptions and estimates

Fair value measurement

Certain accounting policies and disclosures of the Group require the measurement of fair value of financial and non-financial assets and liabilities.

The Group has established a control structure related to the measurement of fair value. This includes a valuation team that has the overall responsibility of reviewing all significant fair value measurements, including Level 3 fair value, and reports directly to the Executive Board, where applicable.

The valuation team regularly reviews significant unobservable inputs and valuation adjustments. If third-party information, such as broker quotations or pricing services, is used to measure fair value, the valuation team reviews the evidence obtained from third parties to support the conclusion that such valuations meet the NBC TG/IFRS requirements, including the fair value hierarchy level in which such valuations must be classified.

In measuring the fair value of an asset or a liability, management uses observable market inputs as much as possible. Fair values are classified into different hierarchy levels based on inputs used in valuation techniques, as follows:

- Level 1: quoted (unadjusted) prices in active markets for identical assets and liabilities.
- Level 2: inputs other than quoted prices included in Level 1 that are observable for the asset or liability, either directly (prices) or indirectly (derived from prices).
- Level 3: inputs for assets or liabilities that are not based on observable market data (unobservable inputs).

Additional information on the assumptions used in the fair value measurement is included in Note 17.

2. Basis of preparation and presentation of individual and consolidated financial statements (Continued)

2.4. New or revised pronouncements first-time adopted in 2022

The Group applied for the first time certain standards and amendments, which are effective for annual periods beginning on or after January 1, 2020. The Group has decided not to early adopt any other standard, interpretation or amendment to standards that has been issued but is not yet effective.

Amendments to IFRS 3/CPC 15 (R1) - Reference to the Conceptual Framework

The amendments update IFRS 3 (CPC 15 (R1)) and now it refers to the 2018 Conceptual Framework instead of the 1989 Framework. They also add to the IFRS 3 the requirement that, for obligations within the scope of IAS 37 (CPC 25) Provisions, Contingent Liabilities and Contingent Assets, buyers must adopt IAS 37 (CPC 25) to determine whether a present obligation exists at the date of acquisition by virtue of past events. For a tax within the scope of IFRIC 21 (ICPC 21) – Levies, buyers must adopt IFRIC 21 (ICPC 21) to determine whether the event that resulted in the obligation to pay tax occurred by the date of acquisition. This amendment had no impact on the individual and consolidated financial statements of the Group.

Amendments to IAS 16/CPC 27 – Property, plant and equipment: Proceeds before intended use

The amendments prohibit entities from deducting from the cost of an item of property, plant and equipment any proceeds of the sale of items produced before the asset is available for use, i.e. the resources used to bring the asset to the location and condition necessary for it to be capable of operating in the manner intended by management. Consequently, an entity recognizes the proceeds from selling such items and the corresponding costs in profit or loss.

The Group measures the cost of these items in accordance with IAS 2 – Inventories (CPC 16). The amendments further clarify the meaning of ‘testing whether the asset is functioning properly’. Currently, under IAS 16 (CPC 27), this means assessing whether the technical and physical performance of the asset is such that it is capable of being used in the production or supply of goods or services, for rental to others, or for administrative purposes.

This amendment had no impact on the individual and consolidated financial statements of the Group.

2. Basis of preparation and presentation of individual and consolidated financial statements (Continued)

2.4. New or revised pronouncements first-time adopted in 2021 (Continued)

Amendments to IAS 37/ NBC TG 25 – Onerous Contracts: Costs of fulfilling a contract

This amendment to IAS 37/NBC TG 25 is effective from January 1, 2022. The amendments aim to specify that the 'cost of fulfilling' a contract comprises the 'costs that relate directly to the contract'. Costs that relate directly to a contract may be incremental costs of fulfilling that contract or an allocation of other costs that relate directly to fulfilling contracts. Management already periodically reviews its contracts and recognizes possible provisions when identified, thus this amendment had no impact on the individual and consolidated financial statements of the Group.

Amendments to IFRS 9/CPC 48 – Financial instruments

The amendment clarifies that, when applying the '10%' test to assess whether a financial liability should be derecognized, an entity includes only the fees paid or received between the entity (borrower) and the lender, including fees paid or received by either the borrower or lender on the other's behalf. This amendment had no impact on the individual and consolidated financial statements of the Group.

Amendments to IFRS 16/CPC 06 (R2) – Leases

The amendment excludes the concept of reimbursement of leasehold improvements. This amendment had no impact on the individual and consolidated financial statements of the Group.

2.5. Standards issued but not yet effective

The new and amended standards and interpretations issued by the IASB, but not yet effective up to the date of issuance of the Group's financial statements are disclosed below. The Group intends to adopt these new and amended standards and interpretations, if applicable, when they become effective.

IFRS 17 - Insurance contracts

IFRS 17 is effective for reporting periods beginning on or after January 1, 2023, with comparative figures required. Early adoption is permitted, provided the entity also applies IFRS 9 and IFRS 15 on or before the date it first applies IFRS 17. This standard is not applicable to the Group.

2. Basis of preparation and presentation of individual and consolidated financial statements (Continued)

2.5. Standards issued but not yet effective (Continued)

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

The amendments to IAS 1 published in January 2020 affect only the presentation of liabilities as current or noncurrent on the statement of financial position and not the amount or timing of recognition of any asset, liability, income or expenses, or the information disclosed about those items.

The amendments clarify that the classification of liabilities as current or noncurrent is based on rights that are in existence at the reporting date, specify that classification is unaffected by expectations about whether an entity will exercise its right to defer settlement of a liability, explain that the rights exist if covenants are complied with at the reporting date, and introduce the definition of ‘settlement’ to clarify that settlement refers to the transfer to the counterparty of cash, equity instruments, other assets or services.

The amendments are effective for annual periods beginning on or after January 1, 2023 and must be applied retrospectively. The IASB is currently considering further amendments to IAS 1 requirements on the classification of liabilities as current or noncurrent, including the postponement of the application of the amendments of January 2020. The Group has assessed the impacts of the amendments on its financial statements and no impact would be expected if the standard were effective.

Amendments to IAS 8: Definition of accounting estimates

In February 2021, the IASB issued amendments to IAS 8 (correlated with NBC TG 23), in which it introduces a definition of ‘accounting estimates’. The amendment replaces the definition of a change in accounting estimates with the definition of accounting estimates. According to the new definition, accounting estimates are “monetary amounts in financial statements that are subject to measurement uncertainty”.

The definition of a change in accounting estimates was excluded. However, the Board maintained the concept of changes in accounting estimates in the Standard and clarified the following:

- A change in accounting estimate that results from new information or new developments is not the correction of an error;

2. Basis of preparation and presentation of individual and consolidated financial statements (Continued)

2.5. Standards issued but not yet effective (Continued)

Amendment to IAS 8: Definition of accounting estimates (Continued)

- The effects of a change in an input or a measurement technique used to develop an accounting estimate are changes in accounting estimates if they do not result from the correction of prior period errors.

The IASB added two examples (Examples 4-5) in the Guidance on the implementation of IAS 8, which accompanies the Standard. The IASB excluded one example (Example 3) as it could cause confusion in light of the amendments. The amendments apply to annual periods beginning on or after January 1, 2023 with respect to changes in accounting policies and changes in accounting estimates occurring on or after the beginning of that period. Early adoption is permitted.

The Group has assessed the impact of the amendments on its financial statements and no impact would be expected if the standard were effective.

Amendments to IAS 1 – Presentation of Financial Statements (CPC 26 (R1)) and IFRS Practice Statement 2 – Making Materiality Judgments – Disclosure of Accounting Policies

The amendments modify the requirements contained in IAS 1 with respect to the disclosure of accounting policies. The amendments replace all examples of "significant accounting policies" with "material accounting policy information". Information about an accounting policy is material if, when considered together with other information included in an entity's financial statements, it can reasonably influence the decisions of major users of general purpose financial statements made on the basis of those financial statements.

The supporting paragraphs in IAS 1 have also been amended to clarify that accounting policy information relating to immaterial transactions, other events or conditions is immaterial and need not be disclosed. Accounting policy information may be material because of the nature of related transactions, other events or conditions, even if the amounts are immaterial. However, not all accounting policy information related to material transactions, other events or conditions is material on its own.

2. Basis of preparation and presentation of individual and consolidated financial statements (Continued)

2.5. Standards issued but not yet effective (Continued)

Amendments to IAS 1 – Presentation of Financial Statements (CPC 26 (R1)) and IFRS Practice Statement 2 – Making Materiality Judgments – Disclosure of Accounting Policies (Continued)

The IASB has also prepared guidance and examples to explain and demonstrate the application of the "four-step materiality process" described in the IFRS Practical Statement 2.

The amendments to IAS 1 are applied prospectively for annual periods beginning on January 1, 2023 with early adoption is permitted. The amendments to the IFRS Practice Statement 2 do not have an effective date or transition requirements. The Group has assessed the impact of the amendments on its financial statements and no impact would be expected if the standard were effective.

Amendments to IAS 12: Deferred tax related to assets and liabilities arising from a single transaction

The amendments introduce an additional exception to the initial recognition exemption. Under the amendments, an entity does not apply the initial recognition exemption to transactions in which equal amounts of taxable and deductible temporary differences arise on initial recognition.

Depending on applicable tax laws, equal amounts of taxable and deductible temporary differences may arise on initial recognition of an asset and liability in a transaction that is not a business combination and affects neither accounting profit nor taxable profit. For example, this may occur upon recognition of a lease liability and the corresponding right-of-use asset by applying IFRS 16 at the commencement date of the lease.

Following the amendments to IAS 12, an entity should recognize the corresponding deferred tax asset and liability, and the recognition of any deferred tax asset is subject to the recoverability criteria contained in IAS 12.

The IASB also adds an illustrative example in IAS 12 that explains how the amendments are applied. The amendments apply to transactions that occur on or after the beginning of the first comparative period presented. In addition, at the beginning of the first comparative period, an entity recognizes:

2. Basis of preparation and presentation of individual and consolidated financial statements (Continued)

2.5. Standards issued but not yet effective (Continued)

Amendments to IAS 12: Deferred tax related to assets and liabilities arising from a single transaction (Continued)

- A deferred tax asset (when it is probable that an entity will present taxable profit in an amount sufficient for such deductible temporary differences to be utilized) and a deferred tax liability for all deductible and taxable temporary differences associated with:

  - Right-of-use assets and lease liabilities
  - Decommissioning, restoration and other similar liabilities, and the corresponding amounts recognized as part of the cost of the related asset

- The cumulative effect of initially applying the amendments as an adjustment to the opening balance of retained earnings (or other component of equity, as applicable) at that date.

The amendments are applicable for annual periods beginning on January 1, 2023, and early adoption is permitted. The Group has assessed the impact of the amendments on its financial statements and no impact would be expected if the standard were effective.

3. Significant accounting policies

3.1. Basis of consolidation

The consolidated financial statements comprise the financial statements of the Group and its subsidiaries as at December 31, 2022. Control is achieved when the Group is exposed, or has rights, to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee.

3. Significant accounting policies (Continued)

3.1. Basis of consolidation (Continued)

Specifically, the Group controls an investee if, and only if, the Group has:

- Power over the investee (i.e. existing rights that give it the current ability to direct the relevant activities of the investee);
- Exposure, or rights, to variable returns from its involvement with the investee; and
- The ability to use its power over the investee to affect its returns.

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

- The contractual arrangement between the investor and the other vote holders;
- Rights arising from other contractual arrangements; and
- The Group's voting rights and potential voting rights (investor).

The Group assesses whether or not it controls an investee if facts and circumstances indicate that there are changes to one or more of the three elements of control. Consolidation of a subsidiary begins when the Group obtains control over the subsidiary and ceases when the Group loses control of the subsidiary. Assets, liabilities, income and expenses of a subsidiary acquired or disposed of during the year are included in the consolidated financial statements as from the date the Group gains control until the date the Group ceases to control the subsidiary.

Profit or loss and each component of OCI are attributed to controlling and noncontrolling interests of the Group, even if this results in the noncontrolling interests having a deficit balance. When necessary, adjustments are made to the financial statements of subsidiaries to bring their accounting policies in line with the Group's accounting policies. All intra-group assets and liabilities, profit or loss, income, expenses and cash flows relating to transactions between members of the Group are eliminated in full on consolidation.

A change in the ownership interest of a subsidiary, without a loss of control, is accounted for as an equity transaction.

(In thousands of reais, unless otherwise stated)

3. Significant accounting policies (Continued)

3.1. Basis of consolidation (Continued)

If the Group loses control over a subsidiary, it derecognizes the related assets (including goodwill) and liabilities of the subsidiary at their carrying value on the date it loses control, and it derecognizes the carrying amount of any noncontrolling interest on the date it loses control (including any components of other comprehensive income attributed thereto). Any resulting gain or loss is recorded in the statement of profit or loss. Any investment retained is recognized at fair value on the date control is lost.

In the individual financial statements, the Group's investments in its subsidiaries are recognized using the equity method.

List of subsidiaries

The Alubar Group's subsidiaries included in the consolidated financial statements are listed below:

		Equity interest %	
	Country	2022	2021
Direct subsidiaries:			
Alubar Coppertec Indústria e Comércio de Fios e Cabos Elétricos Ltda.	Brazil	**99.5%**	99.5%
Alubar Cabos Elétricos Montenegro Importação, Indústria e Comércio Ltda.	Brazil	**100.0%**	100.0%
Alubar Canada Holding Inc.	Canada	**100.0%**	100.0%
9455-1264 Québec inc, - Holdco	Canada	**100.0%**	100.0%
Alubar Metals LLC.	United States	**-**	100.0%
Alubar USA Holding LLC	United States	**-**	100.0%
Indirect subsidiaries:			
Alubar Metaux Inc.	Canada	**100.0%**	100.0%
Immobilier Alubar Bécancour Inc.	Canada	**100.0%**	100.0%
9455-1280 Québec Inc – Opco	Canada	**100.0%**	100.0%
9455-1298 Québec Inc – Landco	Canada	**100.0%**	100.0%
Alubar Metals Missouri LLC	United States	**-**	100.0%

Alubar Coppertec Indústria e Comércio de Fios e Cabos Elétricos Ltda. ("Alubar Coppertec") and Alubar Cabos Elétricos Montenegro Importação, Indústria e Comércio Ltda. ("Alubar Montenegro")

Plants located in Cotia, State of São Paulo, and Montenegro, State of Rio Grande do Sul. Both subsidiaries manufacture rods, bare and insulated wires and electrical conductor cables obtained from the transformation of aluminum and copper. They are logistically relevant for the Group in Brazil due to their geographical locations in the southeast and south of the country, respectively. The Company is the main supplier of products for resale by Alubar Coppertec.

3. Significant accounting policies (Continued)

3.1. Basis of consolidation (Continued)

List of subsidiaries (Continued)

Alubar Canada Holding Inc. (“Alubar Canada”)

Incorporated in August 2019 and in operation since the beginning of 2020, it is located in the province of Québec, Canada. Alubar Canada is the holding company for the Group’s operations in Canada, which includes Alubar Métaux Inc, which produces aluminum rod to supply the international market, particularly the North American countries, and Immobilier Alubar Bécancour Inc, which has a lease contract for buildings, machinery and equipment with Alubar Métaux Inc.

9455-1264 Québec Inc. - Holdco (“Alubar Victoriaville Holding”)

Incorporated in 2021 and not operational yet, it is located in Victoriaville, in the province of Québec, Canada. The subsidiary is part of the plans to expand the Group’s operations in North America.

Group’s parent company

The parent company of the Group is Aluminum Investments S.A., headquartered in Uruguay.

3.2. Revenue from contracts with customers

Revenue from contracts with customers is recognized when the control of goods is transferred to the customer for an amount that reflects the consideration to which the Group expects to be entitled in exchange for those goods. The Group has generally concluded that it is the principal in its revenue arrangements, because it controls the goods before transferring them to the customer. The normal credit term is 30 to 60 days after delivery.

Direct sales

For direct sales to customers, revenue from the sale of electrical wires and cables is recognized at the point in time when control of the asset is transferred to the customer, generally on delivery of the equipment in the physical location indicated by the customer or when the customer picks up the product at the Group’s premises, in which case revenue is recognized when the product becomes available to the customer.

3. Significant accounting policies (Continued)

3.2. Revenue from contracts with customers (Continued)

Bill-and-hold arrangements

These arrangements refer to contracts whereby the Group bills the products to customers but retains physical possession of the products until they are transferred to customers at a specific point in time in the future. For example, in the Group's business, it is common for customers to request this type of contract due to unavailability of space to physically store the products or due to the construction schedule of the transmission lines in which the Group's products will be used.

Similarly to direct sales, under bill-and-hold arrangements, the Group considers that performance is satisfied at a specific point in time. To determine the specific point in time at which the customer obtains control of the promised asset and the Group satisfies the performance obligation, the following indicators of transfer of control are considered, among others: (i) the Group has a present right to payment for the asset, (ii) the customer has legal title to the asset, (iii) the Group has transferred physical possession of the asset, (iv) the customer has the significant risks and rewards related to the ownership of the asset, and (v) the customer has accepted the asset.

In addition to applying the requirements above, in order to assess whether the customer has obtained control of products under a bill-and-hold arrangement, all the following criteria must be met: (a) the reason for the bill-and-hold arrangement must be substantive (for example, the customer has requested the arrangement); (b) the product must be identified separately as belonging to the customer; (c) the product currently must be ready for physical transfer to the customer; and (d) the entity cannot have the ability to use the product or direct it to another customer (this is due to the specifics of wires and cables ordered under this type of arrangement).

Generally, the payment terms of the arrangement consider that part of payments will be in advance or letters of credit will be used. In some cases, the selling price is determined temporarily at the selling date, with subsequent adjustments based on changes in quoted market prices or contractual prices up to the date the final price is determined.

3. Significant accounting policies (Continued)

3.3. Fair value measurement

The Group measures financial instruments (such as derivatives) at fair value at each reporting date.

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

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

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

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

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

- Level 1 - Quoted (unadjusted) prices in active markets for identical assets or liabilities that the entity can access at the measurement date;
- Level 2 – Valuation techniques for which the lowest level input that is significant to the fair value measurement is directly or indirectly observable; and
- Level 3 – Valuation techniques for which the lowest level input that is significant to the fair value measurement is unobservable.

For assets and liabilities that are recognized in the financial statements at fair value on a recurring basis, the Group determines whether transfers have occurred between levels in the hierarchy by re-assessing categorization (based on the lowest level input that is significant to the fair value measurement as a whole) at the end of each reporting period. For the purpose of fair value disclosures, the Group has determined classes of assets and liabilities on the basis of the nature, characteristics and risks of the asset or liability and the level of the fair value hierarchy, as explained above. The corresponding disclosures at the fair value of financial instruments measured at fair value are summarized in the respective notes.

3. Significant accounting policies (Continued)

3.4. Government grants

Government grants are recognized where there is reasonable assurance that the grant will be received and all attached conditions will be complied with. When the grant relates to an expense item, it is recognized as income on a systematic basis over the periods that the related costs, for which it is intended to compensate, are expensed.

The Company receives incentives from the Federal Government represented by a 75% income tax reduction, upon prior approval from the Supervisory Authority for the Development of the Amazon (SUDAM). The calculation of profits from tax incentive activities follows the rules defined by law. The aluminum-related benefit is effective until the calendar year 2026 and the copper-related benefit is effective until the calendar year 2027. The amount used in 2022 was R$1,528 (R$28,535 in 2021), according to Note 26.

The Company is also entitled to benefits granted by the Government of the State of Pará relating to the State Value-Added Tax (ICMS) of that state. The incentive is a fixed percentage of 95% calculated as a matching credit rebate from the balance payable for intrastate and interstate billing/shipments of products manufactured by the Company in the State of Pará, in accordance with Resolution No. 20 of 09/15/2010 issued by the Commission for the Policy on Incentives for the Social and Economic Development of the State of Pará. The benefit is effective for 15 years from September 2010.The amount used in 2022 was R$215,948 (R$297,014 in 2021), according to Note 20.

3.5. Distribution of profits

The Group recognizes a liability to pay dividends when the distribution is authorized and is no longer at the discretion of the Company, or when provided for by Law. In accordance with the corporation law in force, a distribution is authorized when it is approved by the shareholders. A corresponding amount is recognized directly in equity. The Brazilian Corporation Law further provides for the payment of mandatory minimum dividends after adjustments to income for the year, and for allocation to reserves, as provided for in Article 202 of the Corporation Law.

3. Significant accounting policies (Continued)

3.6. Taxes

Income tax and social contribution

Current and deferred income tax and social contribution are calculated at a rate of 15% for income tax, plus 10% surtax on taxable profit exceeding R$240, and a rate of 9% on taxable profit for social contribution tax on net income, and both take into consideration the offset of income tax and social contribution losses, up to 30% of quarterly taxable profit. Income tax and social contribution expenses comprise current balances and are recognized in profit or loss for the year.

Current tax expense is the estimated tax payable or receivable on taxable profit or loss for the year and any adjustment to taxes payable with respect to prior years. The amount of current taxes payable or receivable is recognized in the statement of financial position as a tax asset or liability at the best estimate of the expected amount of taxes payable or receivable that reflects the uncertainties related to its calculation, if any. It is measured based on the tax rates enacted at the reporting date.

The Group offsets current tax assets and current tax liabilities if the Group:

- Has the legally enforceable right to offset the recognized amounts; and
- Intends to settle on a net basis, or to realize the assets and settle the liabilities simultaneously.

Current income and social contribution taxes of foreign subsidiaries

The income tax of Alubar Canada Holding Inc. and 9455-1264 Québec Inc, - Holdco (foreign subsidiaries - Canada) is calculated based on the local legislation and at the tax rates enacted in that country.

3. Significant accounting policies (Continued)

3.6. Taxes (Continued)

Deferred income tax and social contribution

Deferred tax arises from temporary differences at the reporting date between the tax bases of assets and liabilities and their carrying amounts. Deferred tax liabilities are recognized for all taxable temporary differences, except:

- When the deferred tax liability arises from the initial recognition of goodwill or an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss; and
- In respect of taxable temporary differences associated with investments in subsidiaries, when the timing of the reversal of the temporary differences can be controlled and it is probable that the temporary differences will not reverse in the foreseeable future.

Deferred tax assets are recognized for all deductible temporary differences, the carry forward of unused tax credits and any unused tax losses to the extent that it is probable that taxable profit will be available against which the deductible temporary differences can be realized, and the carry forward of unused tax credits and unused tax losses can be utilized, except:

- When the deferred tax asset relating to the deductible temporary difference arises from the initial recognition of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit (or taxable loss); and

- In respect of deductible temporary differences associated with investments in subsidiaries, deferred tax assets are recognized only to the extent that it is probable that the temporary differences will reverse in the foreseeable future and taxable profit will be available against which the temporary differences can be utilized.

The carrying amount of deferred tax assets is reviewed at each reporting date and reduced to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the deferred tax asset to be utilized. Unrecognized deferred tax assets are reassessed at each reporting date and are recognized to the extent that it has become probable that future taxable profits will allow the deferred tax asset to be recovered.

3. Significant accounting policies (Continued)

3.6. Taxes (Continued)

Deferred income tax and social contribution (Continued)

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

Deferred taxes relating to items recognized directly in equity are also recognized in equity rather than in the statement of profit or loss. Deferred tax items are recognized in correlation to the underlying transaction either in other comprehensive income or directly in equity.

Deferred tax assets and liabilities are presented net if there is a legally enforceable right to offset tax assets against tax liabilities and the deferred taxes relate to the same taxable entity and the same taxation authority.

Sales taxes

Expenses and assets are recognized net of the amount of sales tax, except:

- When the sales tax incurred on a purchase of assets or services is not recoverable from the taxation authority, in which case, the sales tax is recognized as part of the cost of acquisition of the asset or as part of the expense item, as applicable;

- When receivables and payables are stated with the amount of sales tax included; and

- When the net amount of sales tax recoverable from, or payable to, the taxation authority is included as part of receivables or payables in the statement of financial position.

3. Significant accounting policies (Continued)

3.7. Inventories

Inventories are valued at the lower of cost and net realizable value. Costs incurred in bringing each product to its present location and condition are accounted for as follows:

- Raw materials - purchase cost based on average cost; and
- Finished goods and work in progress - cost of direct materials and labor, and a proportion of manufacturing overheads based on the normal operating capacity, but excluding borrowing costs.

The cost of inventories includes the transfer of gains and losses on qualifying cash flow hedges, recognized in equity, in respect of the purchases of raw materials.

Net realizable value is the selling price in the ordinary course of business, less estimated costs of completion and the estimated costs necessary to make the sale.

3.8. Property, plant and equipment

<u>Recognition and measurement</u>

Property, plant and equipment items are measured at historical acquisition or construction cost, which includes capitalized borrowing costs, net of accumulated depreciation and accumulated impairment losses, if any.

Such cost includes expenditures directly attributable to the acquisition of an asset. The cost of self-constructed assets includes the cost of materials and direct labor, and any other costs incurred to bring the asset to the location and condition necessary for it to operate in the manner intended by management.

When parts of a property, plant and equipment item have different useful lives, they are recorded as separate items (main components) of property, plant and equipment.

An item of property, plant and equipment is derecognized upon disposal (i.e., at the date the recipient obtains control) or when no future economic benefits are expected from its use or disposal. Any gain or loss arising on derecognition of the asset (calculated as the difference between the net disposal proceeds and the carrying amount of the asset) is included in the statement of profit and loss when the asset is derecognized.

3. Significant accounting policies (Continued)

3.8. Property, plant and equipment (Continued)

Subsequent costs

Subsequent costs are capitalized to the extent that it is probable that future benefits associated with the expenditures will be earned by the Group. All other repair and maintenance costs are recognized in profit or loss as incurred.

Depreciation

Depreciation is calculated to amortize the cost of property, plant and equipment items, net of their estimated residual values, using the straight-line method based on the estimated useful lives of the items. Depreciation is recognized in profit or loss. Land is not depreciated.

The estimated useful lives of property, plant and equipment items are as follows:

	Annual average rates
Buildings	2% to 8%
Facilities	5% to 10%
Machinery and equipment	2% to 10%
Furniture and fixtures	10%
Vehicles	7% to 20%
IT equipment	20%
Improvements	2% to 8%
Leasehold improvements	2% to 8%

The methods of depreciation, useful lives and residual values are reviewed at each reporting date and adjusted prospectively, if appropriate.

Construction in progress

Construction in progress represents the disbursements made for investments in the Group's plants. Cost includes all expenses directly related to specific projects that will positively influence its operating performance.

3.9. Intangible assets

Recognition and measurement

Intangible assets that are acquired by the Group and have finite useful lives are measured at cost, less any accumulated amortization and accumulated impairment losses.

3. Significant accounting policies (Continued)

3.9. Intangible assets (Continued)

Subsequent costs

Subsequent costs are capitalized only if they increase future economic benefits of the specific asset to which they relate. All other costs are recognized in profit or loss as incurred.

Amortization

Amortization is calculated using the straight-line method based on the estimated useful lives of the assets, net of their estimated residual values. Amortization is generally recognized in profit or loss.

The estimated useful lives of intangible assets are as follows:

	Annual average rates
Data processing system	20%

3.10. Financial instruments

A financial instrument is any contract that gives rise to a financial asset of one entity and a financial liability or equity instrument of another entity.

i) Financial assets

Initial recognition and measurement

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

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

3. Significant accounting policies (Continued)

3.10. Financial instruments (Continued)

i) Financial assets (Continued)

Initial recognition and measurement (Continued)

In order for a financial asset to be classified and measured at amortized cost or fair value through OCI, it needs to give rise to cash flows that are “solely payments of principal and interest” (also referred to as the SPPI test) on the principal amount outstanding. This assessment is performed at an instrument level. Financial assets with cash flows that are not SPPI are classified and measured at fair value through profit or loss, irrespective of the business model.

The Company’s business model for managing financial assets refers to how it manages its financial assets in order to generate cash flows. The business model determines whether cash flows will result from collecting contractual cash flows, selling the financial assets, or both. Financial assets classified and measured at amortized cost are held within a business model with the objective to hold financial assets in order to collect contractual cash flows while financial assets classified and measured at fair value through OCI are held within a business model with the objective of collecting contractual cash flows and selling.

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

Subsequent measurement

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

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

3. Significant accounting policies (Continued)

3.10. Financial instruments (Continued)

i) Financial assets (Continued)

Subsequent measurement (Continued)

Financial assets at amortized cost (debt instruments)

Financial assets at amortized cost are subsequently measured using the effective interest (EIR) method and are subject to impairment. Gains and losses are recognized in profit or loss when the asset is derecognized, modified or impaired.

The Group’s financial assets at amortized cost include trade accounts receivable and receivables from related parties.

Financial assets at fair value through profit or loss

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

This category includes derivative instruments and listed equity investments which the Company had not irrevocably elected to classify at fair value through OCI.

Derecognition

A financial asset (or, where applicable, a 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 Group has transferred its rights to receive cash flows from the asset or has assumed an obligation to pay the received cash flows in full without material delay to a third party under a “pass-through” arrangement; and either (a) the Group has transferred substantially all the risks and rewards of the asset, or (b) the Group has neither transferred nor retained substantially all the risks and rewards of the asset, but has transferred control of the asset.

3. Significant accounting policies (Continued)

3.10. Financial instruments (Continued)

i) Financial assets (Continued)

Derecognition (Continued)

When the Group has transferred its rights to receive cash flows from an asset or has entered into a pass-through arrangement, it evaluates if, and to what extent, it has retained the risks and rewards of ownership. When it has neither transferred nor retained substantially all of the risks and rewards of the asset, nor transferred control of the asset, the Group continues to recognize the transferred asset to the extent of its continuing involvement. In that case, the Group also recognizes an associated liability. The transferred asset and the associated liability are measured on a basis that reflects the rights and obligations that the Group has retained.

Continuing involvement that takes the form of a guarantee over the transferred asset is measured at the lower of: (i) the carrying amount of the asset; and (ii) the maximum amount of consideration that the entity could be required to repay.

Impairment of financial assets

In accordance with NBC TG 48, the Group recognizes, where applicable, an allowance for expected credit losses for all financial assets valued at amortized cost.

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

The Group considers a financial asset in default when contractual payments are 180 days past due. Management considers this maturity to be appropriate considering the Group's business model and customers' payment history, since during this period the Group may negotiate payment of notes, thus reducing credit risk. However, in certain cases, the Group may also consider a financial asset to be in default when internal or external information indicates that the Group is unlikely to receive the outstanding contractual amounts in full before taking into account any credit enhancements held by the Group. A financial asset is written off when there is no reasonable expectation of recovering the contractual cash flows.

3. Significant accounting policies (Continued)

3.10. Financial instruments (Continued)

ii) Financial liabilities

Initial recognition and measurement

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

All financial liabilities are measured initially at fair value and, in the case of a financial liability not at fair value through profit or loss, plus or less transaction costs directly attributable to the issue of the financial liability.

The Group's financial liabilities include mainly trade accounts payables, loans and financing, and derivative financial instruments.

Subsequent measurement

For purposes of subsequent measurement, financial liabilities are classified in two categories:

- Financial liabilities at fair value through profit or loss; and
- Financial liabilities at amortized cost.

The measurement of financial liabilities depends on their classification, as described below:

Financial liabilities at fair value through profit or loss

Financial liabilities at fair value through profit or loss include financial liabilities held for trading and financial liabilities designated upon initial recognition as at fair value through profit or loss.

Financial liabilities are classified as held for trading if they are incurred for the purpose of repurchasing in the near term. This category also includes derivative financial instruments entered into by the Company that are not designated as hedging instruments in hedge relationships as defined by NBC TG 48.

Gains or losses on liabilities held for trading are recognized in the statement of profit or loss.

3. Significant accounting policies (Continued)

3.10. Financial instruments (Continued)

ii) Financial liabilities (Continued)

Financial liabilities at fair value through profit or loss (Continued)

Financial liabilities designated upon initial recognition at fair value through profit or loss are designated at the initial date of recognition, and only if the criteria in NBC TG 48 are satisfied.

Financial liabilities at amortized cost (loans and financing)

This is the category most relevant to the Group. After initial recognition, interest-bearing loans, borrowings and financing are subsequently measured at amortized cost using the EIR method. Gains and losses are recognized in profit or loss when the liabilities are derecognized as well as through the EIR amortization process.

Amortized cost is calculated by taking into account any discount or premium on acquisition and fees or costs that are an integral part of the EIR. The EIR amortization is included as finance costs in the statement of profit or loss. This category generally applies to interest-bearing borrowings and financing. For more information, refer to Note 13.

Derecognition

A financial liability is derecognized when the obligation under the liability is terminated, i.e. when the obligation specified in the contract is discharged or cancelled or expires. When an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as the derecognition of the original liability and the recognition of a new liability. The difference in the respective carrying amounts is recognized in the statement of profit or loss.

Offsetting of financial instruments

Financial assets and financial liabilities are offset and the net amount is reported in the individual and consolidated statement of financial position if there is a currently enforceable legal right to offset the recognized amounts and there is an intention to settle on a net basis, to realize the assets and settle the liabilities simultaneously.

3. Significant accounting policies (Continued)

3.10. Financial instruments (Continued)

ii) Financial liabilities (Continued)

Derivative financial instruments and hedge accounting

Initial recognition and subsequent measurement

The Group uses derivative financial instruments, such as forward currency contracts, interest rate swaps and forward commodity contracts, to hedge its foreign currency risks, interest rate risks and commodity price risks, respectively. Such derivative financial instruments are initially recognized at fair value on the date on which a derivative contract is entered into and are subsequently remeasured at fair value. Derivatives are carried as financial assets when the fair value is positive and as financial liabilities when the fair value is negative.

For the purpose of hedge accounting, hedges are classified as:

- Fair value hedges when hedging the exposure to changes in the fair value of a recognized asset or liability or an unrecognized firm commitment;
- Cash flow hedges when hedging the exposure to variability in cash flows that is either attributable to a particular risk associated with a recognized asset or liability or a highly probable forecast transaction or the foreign currency risk in an unrecognized firm commitment; or
- Hedges of a net investment in a foreign operation.

At the inception of a hedge relationship, the Group formally designates and documents the hedge relationship to which it wishes to apply hedge accounting and the risk management objective and strategy for undertaking the hedge.

The documentation includes identification of the hedging instrument, the hedged item, the nature of the risk being hedged and how the entity will assess whether the hedging relationship meets the hedge effectiveness requirements (including the analysis of sources of hedge ineffectiveness and how the hedge ratio is determined). A hedging relationship qualifies for hedge accounting if it meets all of the following effectiveness requirements:

3. Significant accounting policies (Continued)

3.10. Financial instruments (Continued)

ii) Financial liabilities (Continued)

Derivative financial instruments and hedge accounting (Continued)

- There is an economic relationship between the hedged item and the hedging instrument;
- The effect of credit risk does not dominate the value changes that results from that economic relationship; and
- The hedge ratio of the hedging relationship is the same as that resulting from the quantity of the hedged item that the entity actually hedges and the quantity of the hedging instrument that the entity actually uses to hedge that quantity of hedged item.

Hedges that meet all the qualifying criteria for hedge accounting are accounted for, as described below:

Fair value hedges

The change in the fair value of a hedging instrument is recognized in the statement of profit or loss as other expenses. The change in the fair value of the hedged item attributable to the risk hedged is recorded as part of the carrying value of the hedged item and is also recognized in the statement of profit or loss as other expenses.

For fair value hedges relating to items carried at amortized cost, any adjustment to carrying value is amortized through profit or loss over the remaining term of the hedge using the EIR method. The EIR amortization may begin as soon as an adjustment exists and no later than when the hedged item ceases to be adjusted for changes in its fair value attributable to the risk being hedged.

If the hedged item is derecognized, the unamortized fair value is recognized immediately in profit or loss.

When an unrecognized firm commitment is designated as a hedged item, the subsequent cumulative change in the fair value of the firm commitment attributable to the hedged risk is recognized as an asset or liability with a corresponding gain or loss recognized in profit or loss.

3. Significant accounting policies (Continued)

3.10. Financial instruments (Continued)

ii) Financial liabilities (Continued)

Derivative financial instruments and hedge accounting (Continued)

Cash flow hedges

The effective portion of the gain or loss on the hedging instrument is recognized in OCI, while any ineffective portion is recognized immediately in the statement of profit or loss. The cash flow hedge reserve is adjusted to the lower of the cumulative gain or loss on the hedging instrument and the cumulative change in fair value of the hedged item.

The Group uses forward currency contracts as hedges of its exposure to foreign currency risk in forecast transactions and firm commitments, as well as forward commodity contracts for its exposure to volatility in the commodity prices. The ineffective portion relating to foreign currency contracts is recognized as other expenses and the ineffective portion relating to commodity contracts is recognized in other operating income or expenses.

The Group designates only the spot element of forward contracts as a hedging instrument. The forward element is recognized in OCI.

The amounts accumulated in OCI are accounted for, depending on the nature of the underlying hedged transaction. If the hedged transaction subsequently results in the recognition of a non-financial item, the amount accumulated in equity is removed from the separate component of equity and included in the initial cost or other carrying amount of the hedged asset or liability. This is not a reclassification adjustment and will not be recognized in OCI for the period. This also applies where the hedged forecast transaction of a non-financial asset or non-financial liability subsequently becomes a firm commitment for which fair value hedge accounting is applied.

For any other cash flow hedges, the amount accumulated in OCI is reclassified to profit or loss as a reclassification adjustment in the same period or periods during which the hedged cash flows affect profit or loss.

3. Significant accounting policies (Continued)

3.10. Financial instruments (Continued)

ii) Financial liabilities (Continued)

Derivative financial instruments and hedge accounting (Continued)

Cash flow hedges (Continued)

If cash flow hedge accounting is discontinued, the amount that has been accumulated in OCI must remain in accumulated OCI if the hedged future cash flows are still expected to occur.

Otherwise, the amount will be immediately reclassified to profit or loss as a reclassification adjustment. After discontinuation, once the hedged cash flow occurs, any amount remaining in accumulated OCI must be accounted for depending on the nature of the underlying transaction as described above.

Hedges of a net investment

Hedges of a net investment in a foreign operation, including a hedge of a monetary item that is accounted for as part of the net investment, are accounted for in a way similar to cash flow hedges. Gains or losses on the hedging instrument relating to the effective portion of the hedge are recognized as OCI while any gains or losses relating to the ineffective portion are recognized in the statement of profit or loss.

On disposal of the foreign operation, the cumulative value of any such gains or losses recorded in equity is transferred to the statement of profit or loss.

The Group uses a loan as a hedge of its exposure to foreign exchange risk on its investments in foreign subsidiaries. Refer to Note 17 for more details.

3. Significant accounting policies (Continued)

3.11. Impairment of non-financial assets

Management annually tests assets for impairment in order to assess any events or changes in economic, operating or technological circumstances that may indicate impairment. When such evidence is found and the net carrying amount exceeds the recoverable amount, a provision for impairment is recorded to adjust the net carrying amount to the recoverable amount. The recoverable amount of an asset or a cash-generating unit is the higher of its value in use and fair value less costs of disposal.

In assessing an asset's value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects the weighted average cost of capital (WACC) for the industry in which the cash-generating unit operates. The fair value less costs of disposal is determined, whenever possible, based on recent market transactions conducted at arm's length for similar assets. If no such transactions can be identified, an appropriate valuation model is used. The calculations under this model are corroborated by available fair value indicators, such as prices quoted for listed entities, among other available indicators.

The Group bases its impairment calculation on most recent budgets and forecast calculations, which are prepared separately by management for each CGU to which the assets are allocated. The projections based on these budgets and forecasts generally cover a period of five years. An average long-term growth rate is calculated and applied to future cash flows after the fifth year.

The asset's impairment loss is recognized in the statement of profit or loss consistently with the function of the impaired asset.

For assets excluding goodwill, an assessment is made at each reporting date to determine whether there is an indication that previously recognized impairment losses no longer exist or have decreased. If such indication exists, the Group estimates the asset's or CGU's recoverable amount. A previously recognized impairment loss is reversed only if there has been a change in the estimates used to determine the asset's **recoverable amount** since the last impairment loss was recognized. The reversal is limited so that the carrying amount of the asset does not exceed the carrying amount that would have been determined (net of depreciation, amortization or depletion), had no impairment loss been recognized for the asset in prior years. Such reversal is recognized in the statement of profit or loss.

3. Significant accounting policies (Continued)

3.12. Provisions

Provisions are recognized when the Group has a present obligation (legal or constructive) as a result of a past event, it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and a reliable estimate can be made of the amount of the obligation. When the Group expects some or all of a provision to be reimbursed, for example, under an insurance contract, the reimbursement is recognized as a separate asset, but only when the reimbursement is virtually certain. The expense relating to a provision is presented in the statement of profit or loss net of any reimbursement.

<u>Provisions for tax, civil and labor contingencies</u>

Provisions for contingencies are recognized for all legal proceedings for which an outflow of funds to settle the contingency/obligation is probable and a reasonable estimate can be made. Assessment of the likelihood of loss includes analysis of available evidence, the hierarchy of laws, available case law, the most recent court decisions and their relevance in the legal system, as well as the opinion of outside legal advisors.

Provisions are reviewed and adjusted considering changes in circumstances, such as applicable statutes of limitation, tax audit conclusions or additional exposures identified based on new court matters or rulings.

3.13. Borrowing costs

Borrowing costs directly attributable to the acquisition, construction or production of an asset that necessarily takes a substantial period of time to get ready for its intended use or sale are capitalized as part of the cost of the asset. All other borrowing costs are expensed in the year in which they occur. Borrowing costs consist of interest and other costs that an entity incurs in connection with the borrowing of funds.

3. Significant accounting policies (Continued)

3.14. Current versus noncurrent classification

The Group presents assets and liabilities in the statement of financial position based on current/noncurrent classification. An asset is current when it is:

- Expected to be realized or intended to be sold or consumed in the normal operating cycle;
- Held primarily for the purpose of trading;
- Expected to be realized within twelve months after the reporting period; and
- Cash or cash equivalent (as defined in NBC TG 03 (R3) / IAS 7 – Statement of Cash Flows) unless restricted from being exchanged or used to settle a liability for at least twelve months after the reporting period.

All other assets are classified as noncurrent.

A liability is current when:

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

The terms of the liability that could, at the option of the counterparty, result in its settlement by the issue of equity instruments do not affect its classification. The Group classifies all other liabilities as noncurrent.

Deferred tax assets and liabilities are classified as noncurrent assets and liabilities.

(In thousands of reais, unless otherwise stated)

4. Cash and cash equivalents

	Consolidated		Individual	
	2022	**2021**	**2022**	**2021**
Cash	**15**	15	**1**	1
Banks - checking account	**23,472**	23,859	**16,375**	9,242
Financial investments – cash equivalents (a)	**8,936**	105,262	**8,936**	105,261
	32,423	129,136	**25,312**	114,504
In local currency	**31,164**	115,781	**25,312**	114,504
In foreign currency	**1,259**	13,355	**-**	-

(a) Refer to financial investments with immediate liquidity, are indexed to the Bank Deposit Certificates (CDI) and are intended to meet short-term commitments. The amounts are scheduled investments linked to checking accounts held in financial institutions rated between AA- and AA+, based on the rating disclosed by Moody's, and their gross income for the year ended December 31, 2022 was approximately 95% of the Interbank Deposit Certificate (CDI) (95% of the CDI as at December 31, 2021).

Financial investments are available for use in the Group's transactions, are readily convertible to a known amount of cash and are subject to an insignificant risk of changes in value, i.e. they are highly liquid financial assets. These transactions mature within less than three months from the transaction date and have the issuer's repurchase commitment, thus they are classified as cash and cash equivalents, in accordance with NBC TG 03 (R3)/IAS 7 – Statement of Cash Flows.

5. Marketable securities (Individual and Consolidated)

	2022	**2021**
Banco da Amazônia (a)	**22,117**	18,259
Caixa Econômica Federal (b)	**18,233**	21,557
Banco BTG Pactual (c)	**7,040**	6,938
Banco do Brasil (d)	**4,278**	7,397
Banco Votorantim (e)	**4,641**	-
Banco J.P. Morgan (f)	**5,218**	-
Banco BIB	**3,310**	-
Banco Banpará	**1,261**	1,117
	66,098	55,268
Current	**47,715**	39,054
Noncurrent	**18,383**	16,214

(a) Refer to investments in certificate accounts with lottery prizes and restricted cash given as collateral for loans, in addition to deposits of the reinvestment benefit under the government grant described in Note 3.4. The securities are restated monthly at the defined reference rate, with a return of approximately 1.76% p.a. at December 31, 2022 and 2021.

(b) Refer to corporate investment funds. The return at December 31, 2022 and 2021 was 96% of the CDI.

(c) Refer mostly to investments in investment funds and CDBs and expected to mature until February 27, 2023. The return at December 31, 2022 and 2021 was 100% of the CDI.

(d) Refer to corporate investment funds, with an average return of 12.99% p.a. in 2022 and 2021.

(e) The financial investments in Banco Votorantim refer to fixed income funds - CDB. The return at December 31, 2022 and 2021 was 104% of the CDI.

(f) Refer to margin deposits in hedging transactions entered into to hedge the purchase of aluminum against the fluctuation of the LME.

(In thousands of reais, unless otherwise stated)

6. Trade accounts receivable

Balance breakdown

	Consolidated		Individual	
	2022	2021	2022	2021
Trade accounts receivable – domestic market	**172,199**	319,182	**162,566**	269,763
Trade accounts receivable – foreign market	**86,670**	117,713	**674**	-
Accounts receivable from related parties (Note 18)	**22,059**	17	**39,282**	21,274
	280,928	436,912	**202,522**	291,037
(-) Allowance for expected credit losses	**(5,468)**	(6,228)	**(3,954)**	(5,208)
	275,460	430,684	**198,568**	285,829
Current	**272,592**	430,684	**195,700**	285,829
Noncurrent	**2,868**	-	**2,868**	-

Aging list of accounts receivable

	Consolidated		Individual	
	2022	2021	2022	2021
Falling due	**217,465**	380,280	**143,557**	245,051
Overdue from 1 to 30 days	**31,481**	30,689	**26,263**	25,171
Overdue from 31 to 90 days	**17,693**	15,168	**15,547**	14,004
Overdue from 91 to 180 days	**9,361**	3,772	**9,684**	1,298
Overdue above 181 days	**4,928**	7,003	**7,471**	5,513
	280,928	436,912	**202,522**	291,037

Changes in allowance for expected credit losses

	Consolidated		Individual	
	2022	2021	2022	2021
Opening balance	(6,228)	(6,577)	(5,208)	(6,277)
Write off	**5,051**	1,840	**3,496**	1,840
Recognition of allowance	**(4,291)**	(1,491)	**(2,242)**	(771)
Closing balance	**(5,468)**	(6,228)	**(3,954)**	(5,208)

As at December 31, 2022, the Parent Company had R$2,779 overdue for more than 181 days with subsidiary Alubar Montenegro, for which no loss allowance has been recognized.

(In thousands of reais, unless otherwise stated)

7. Inventories

	Consolidated		Individual	
	2022	**2021**	**2022**	**2021**
Finished products	**85,070**	70,651	**52,814**	31,257
Work in process	**21,948**	48,125	**19,006**	41,839
Raw materials and consumables	**83,272**	84,894	**61,589**	77,218
Supplies and packaging materials	**17,224**	8,752	**5,553**	7,832
	207,514	212,422	**138,962**	158,146
(-) Provision for impairment loss	**(3,934)**	(3,868)	**(3,934)**	(3,868)
	203,580	208,554	**135,028**	154,278

The balances of work in process, raw materials, consumables and packaging materials are presented at cost, while finished products are presented at the lower of cost or net realizable value. In the year ended December 31, 2022, the amount of R$66 (R$0 in 2021) was recognized as a decrease in inventories in profit or loss, under cost of sales.

8. Taxes recoverable

	Consolidated		Individual	
	2022	**2021**	**2022**	**2021**
Contribution Tax on Gross Revenue for Social Security Financing (COFINS) recoverable (a)	**127,996**	109,509	**113,482**	97,921
Contribution Tax on Gross Revenue for Social Integration Program (PIS) recoverable (a)	**28,468**	26,573	**24,845**	22,585
State VAT (ICMS) recoverable (a)	**10,163**	12,973	**301**	-
Federal VAT (IPI) recoverable	**653**	-	**653**	-
Withholding taxes recoverable (Withholding Income Tax (IRRF), PIS/COFINS/Social Contribution Tax on Net Profit (CSLL))	**4,957**	3,948	**4,957**	3,948
Other taxes recoverable (VAT Canada)	**6,814**	5,275	**-**	-
	179,051	158,278	**144,238**	124,454
Current	**173,268**	144,367	**139,281**	111,445
Noncurrent	**5,783**	13,911	**4,957**	13,009

(a) In Brazil, the Group calculates ICMS, PIS and COFINS credits on purchases of inputs for the production of goods intended for sale. From time to time, these credits are used to offset tax liabilities, through administrative proceedings duly formalized with the State Finance Departments and the Brazilian Internal Revenue Service. Credits subject to reimbursement are related to sales with suspended PIS/COFINS charges on transactions under the Special Tax Incentive Regime for Infrastructure Development (REIDI).

(In thousands of reais, unless otherwise stated)

9. Investments and provision for loss on investments (Individual)

Changes in investments and provision for loss on investments

Changes to investments in subsidiaries, presented in the Parent Company's individual financial statements, are as follows:

Subsidiary	Equity interest %	Balances in 2021	Foreign exchange differences of foreign operations	Share of profit of subsidiaries	Capital paid in	Transfers (b)	Other comprehensive income	Write-offs (a)	Balances in 2022
Alubar Coppertec	99.5%	1,869	**-**	**850**	**-**	**-**	**-**	**-**	**2,719**
Alubar Canada	100.0%	296,028	**(38,098)**	**14,820**	**-**	**-**	**29,808**	**-**	**302,558**
Alubar USA	100.0%	22,724	**13,539**	**(5,464)**	**94,483**	**1,171**	**-**	**(126,453)**	**-**
Alubar Metals LLC	100.0%	859	**19**	**(236)**	**529**	**(1,171)**	**-**	**-**	**-**
Alubar Montenegro	100.0%	7,728	**-**	**(20,271)**	**-**	**-**	**-**	**-**	**(12,543)**
9455-1264 Quebec Inc	100.0%	-	**6**	**(333)**	**-**	**-**	**-**	**-**	**(327)**
		329,208	**(24,534)**	**(10,634)**	**95,012**	**-**	**29,808**	**(126,453)**	**292,407**
Presented in:									
Investments		329,208							**305,277**
Provision for loss on investments		-							**12,870**

Subsidiary	Equity interest %	Balances in 2020	Foreign exchange differences of foreign operations	Share of profit of subsidiaries	Capital paid in	Other comprehensive income	Other	Balances in 2021
Alubar Coppertec	99.5%	2,092	-	(223)	-	-	-	1,869
Alubar Montenegro	100.0%	12,447	-	(4,719)	-	-	-	7,728
Alubar Canada	100.0%	217,626	23,393	28,449	-	26,915	(355)	296,028
Alubar Metals	100.0%	435	26	398	-	-	-	859
Alubar USA	100.0%	-	318	-	22,406	-	-	22,724
		232,600	23,737	23,905	22,406	26,915	(355)	329,208

(a) On September 1, 2022, according to the Minutes of the Board of Directors' Meeting, the Company's corporate restructuring was approved, which provided for the transfer of control of its direct subsidiary Alubar USA Holding LLC to the parent company of the Alubar Group, Aluminum Investment S/A. The price agreed under the agreement entered into between the parties was R$145,000, and the cost (carrying amount) of the investment as at September 30, 2022 was R$126,453. From that same date, Alubar USA Holding LLC was no longer included in the Group's consolidated statements. The gain recorded in profit or loss was R$32,404, including R$13,857 in other comprehensive income realized at that time (Note 24).

(b) On March 16, 2022, the Special General Meeting (EGM) approved the payment of capital in subsidiary Alubar Metals LLC (Miami) and full transfer of control over this subsidiary to the other subsidiary of the Group, Alubar USA Holding LLC.

(In thousands of reais, unless otherwise stated)

9. Investments and provision for loss on investments (Individual) (Continued)

Summarized financial information

	2022			
	Alubar Coppertec	**Alubar Montenegro**	**Alubar Canada**	**9455-1264 Quebec Inc**
Current assets	**1,538**	**61,291**	**154,186**	**11,700**
Noncurrent assets	**3,021**	**50,743**	**220,032**	**4,802**
Current liabilities	**1,827**	**24,730**	**64,677**	**262**
Noncurrent liabilities	**-**	**99,847**	**6,983**	**16,567**
Equity	**2,732**	**(12,543)**	**302,558**	**(327)**
Net revenue	**9,811**	**96,056**	**1,620,787**	**-**
Net income (loss)	**857**	**(20,271)**	**14,820**	**(333)**

	2021				
	Alubar Coppertec	**Alubar Montenegro**	**Alubar USA**	**Alubar Canada**	**Alubar Metals**
Current assets	6,627	81,025	6,334	214,278	397
Noncurrent assets	5,615	35,836	17,000	195,263	840
Current liabilities	10,277	41,700	546	31,968	25
Noncurrent liabilities	77	67,433	64	36,270	353
Equity	1,888	7,728	22,724	341,303	859
Net revenue	12,715	122,964	-	1,396,380	3,015
Net income (loss)	(197)	(4,719)	-	28,449	372

(In thousands of reais, unless otherwise stated)

10. Property, plant and equipment

Balance breakdown

	Consolidated								
		2022				2021			
	Annual rate	Cost	Accumulated depreciation	Foreign exchange differences	Net	Cost	Accumulated depreciation	Foreign exchange differences	Net
Land	-	**7,242**	**-**	**258**	**7,500**	7,063	-	179	7,242
Buildings	2 to 8%	**216,438**	**(39,825)**	**2,400**	**179,013**	202,366	(32,601)	1,648	171,413
Leasehold improvements	2 to 8%	**7,611**	**(497)**	**(167)**	**6,947**	6,882	(416)	-	6,466
Facilities	5 to 10%	**18,345**	**(5,309)**	**-**	**13,036**	16,305	(3,841)	-	12,464
Machinery and equipment	2 to 10%	**772,291**	**(182,645)**	**(21,435)**	**568,211**	633,387	(163,953)	32,913	502,347
Vehicles	7 to 20%	**12,251**	**(6,243)**	**182**	**6,190**	10,913	(5,302)	-	5,611
Furniture and fixtures	10%	**6,218**	**(2,745)**	**(8)**	**3,465**	5,530	(2,280)	-	3,250
Computers and peripherals	20%	**7,976**	**(4,999)**	**(13)**	**2,964**	7,825	(3,440)	-	4,385
Tools	50%	**1,408**	**(452)**	**-**	**956**	-	-	-	-
Construction in progress	-	**29,999**	**-**	**358**	**30,357**	194,835	-	-	194,835
Advances related to PPE	-	**-**	**-**	**-**	**-**	3,713	-	-	3,713
		1,079,779	**(242,715)**	**(18,425)**	**818,639**	1,088,819	(211,833)	34,740	911,726

	Individual						
		2022			2021		
	Annual rate	Cost	Accumulated depreciation	Net	Cost	Accumulated depreciation	Net
Land	-	**969**	**-**	**969**	969	-	969
Buildings	2 to 8%	**190,222**	**(35,741)**	**154,481**	179,479	(30,324)	149,155
Leasehold improvements	2 to 8%	**1,751**	**(495)**	**1,256**	1,732	(302)	1,430
Facilities	5 to 10%	**18,093**	**(5,251)**	**12,842**	16,069	(3,808)	12,261
Machinery and equipment	2 to 10%	**589,676**	**(174,481)**	**415,195**	505,618	(159,218)	346,400
Vehicles	7 to 20%	**9,387**	**(4,772)**	**4,615**	5,481	(3,928)	1,553
Furniture and fixtures	10%	**5,406**	**(2,570)**	**2,836**	4,273	(2,182)	2,091
Computers and peripherals	20%	**6,880**	**(4,556)**	**2,324**	5,900	(3,210)	2,690
Tools	50%	**1,408**	**(452)**	**956**	-	-	-
Construction in progress	-	**25,555**	**-**	**25,555**	176,897	-	176,897
Advances related to PPE	-	**-**	**-**	**-**	3,713	-	3,713
		849,347	**(228,318)**	**621,029**	900,131	(202,972)	697,159

(In thousands of reais, unless otherwise stated)

10. Property, plant and equipment (Continued)

Changes for the year ended December 31, 2022

	Consolidated							
	2021	Additions (a)	Write-offs	Write-off due to disposal of subsidiary (c)	Depreciation	Transfers (d)	Foreign exchange differences	2022
Land	7,242	-	-	-	-	-	258	7,500
Buildings	171,413	439	-	-	(7,883)	12,643	2,401	179,013
Leasehold improvements	6,466	850	-	(100)	(215)	113	(167)	6,947
Facilities	12,464	385	-	-	(1,593)	1,780	-	13,036
Machinery and equipment	502,347	22,765	(9,640)	(1,088)	(29,294)	104,557	(21,436)	568,211
Vehicles	5,611	2,726	(1,149)	(227)	(2,347)	1,393	183	6,190
Furniture and fixtures	3,250	451	(26)	(632)	(501)	931	(8)	3,465
Computers and peripherals	4,385	159	-	(840)	(1,709)	983	(14)	2,964
Tools	-	176	-	-	(452)	1,232	-	956
Construction in progress (b)	194,835	293,194	(2,163)	(210,950)	-	(244,916)	357	30,357
Advances related to PPE	3,713	(3,713)	-	-	-	-	-	-
	911,726	317,432	(12,978)	(213,837)	(43,994)	(121,284)	(18,426)	818,639

	Individual					
	2021	Additions (a)	Write-offs	Depreciation	Transfers (d)	2022
Land	969	-	-	-	-	969
Buildings	149,155	329	-	(5,416)	10,413	154,481
Leasehold improvements	1,430	20	-	(194)	-	1,256
Facilities	12,261	374		(1,443)	1,650	12,842
Machinery and equipment	346,400	6,150	(9,382)	(21,644)	93,671	415,195
Vehicles	1,553	2,726	(84)	(974)	1,394	4,615
Furniture and fixtures	2,091	320	(11)	(388)	824	2,836
Computers and peripherals	2,690	87	-	(1,347)	894	2,324
Tools	-	176	-	(452)	1,232	956
Construction in progress (b)	176,897	81,450	(2,163)	-	(230,629)	25,555
Advances related to PPE	3,713	(3,713)	-	-	-	-
Total	697,159	87,919	(11,640)	(31,858)	(120,551)	621,029

(a) At December 31, 2022, an additional amount was recorded referring to capitalized interest amounting to of R$6,687 (R$6,292 in 2021), in accordance with NBC TG 20 (R2)/IAS 23 - Borrowing costs , as explained in Note 13. Therefore, this amount has been adjusted in the presentation of the statements of cash flows for the year.

(b) At December 31, 2022, the balance of Construction in progress, in the amount of R$35,416 and R$25,555 (consolidated and individual, respectively), refers mainly to (I) R$25,668 corresponding to Land and Buildings located in Victoriaville, and (II) R$4,239 corresponding to Project Evolve. The Group does not expect any losses on projects in progress.

(In thousands of reais, unless otherwise stated)

10. Property, plant and equipment (Continued)

(c) Refers to the write-off of PPE balances due to the deconsolidation of Alubar USA Holding LLC, whose controlling interest was transferred to Aluminum Investment S/A as of September 30, 2022 (Note 18.b).

(d) At December 31, 2022, the balance in the individual statements refers to the transfer made for payment of capital in the former subsidiary Alubar Missouri, in the amount of R$94,483 (Note 9). The remaining balance refers to write-offs due to the disposal of assets in Victoriaville, in the amount of R$26,028, and to reclassifications to intangible assets.

Changes for the year ended December 31, 2021

	Consolidated						
	2020	Additions (a)	Write-offs	Depreciation	Transfers (c)	Foreign exchange differences	2021
Land	7,527	-	-	-	69	(354)	7,242
Buildings	154,768	534	(147)	(5,987)	25,478	(3,233)	171,413
Improvements	4,899	-	-	-	(4,899)	-	-
Leasehold improvements	311	1,368	-	(303)	5,090	-	6,466
Facilities	4,361	64	-	(727)	8,768	-	12,466
Machinery and equipment	456,633	21,679	-	(22,532)	31,598	14,968	502,346
Vehicles	6,778	1,058	(519)	(1,931)	225	-	5,611
Furniture and fixtures	2,311	739	(6)	(400)	604	-	3,248
Computers and peripherals	2,472	2,056	(14)	(674)	545	-	4,385
Construction in progress (b)	83,125	181,959	-	-	(70,248)	-	194,836
Advances related to PPE	5,287	-	(1,574)	-	-	-	3,713
	728,472	209,457	(2,260)	(32,554)	(2,770)	11,381	911,726

	Individual					
	2020	Additions (a)	Write-offs	Depreciation	Transfers (c)	2021
Land	969	-	-	-	-	969
Buildings	127,848	408	(147)	(4,471)	25,517	149,155
Improvements	1,440	-	-	-	(1,440)	-
Leasehold improvements	287	5	-	(302)	1,440	1,430
Facilities	4,161	64	-	(705)	8,741	12,261
Machinery and equipment	329,088	5,779	-	(19,586)	31,119	346,400
Vehicles	2,810	-	(519)	(804)	66	1,553
Furniture and fixtures	1,753	119	(6)	(330)	555	2,091
Computers and peripherals	2,129	550	(14)	(507)	532	2,690
Construction in progress (b)	83,426	162,689	-	-	(69,218)	176,897
Advances related to PPE	5,285	-	(1,572)	-	-	3,713
Total	559,196	169,614	(2,258)	(26,705)	(2,688)	697,159

11. Right-of-use assets and lease liabilities (Individual and Consolidated)

The Alubar Group leases land and vehicles to transport employees. Land leases usually last for 20 years while vehicle transportation leases last between one and two years, with lease renewal option after this period. Lease payments are adjusted annually to reflect market values.

The land lease was entered into in July 1995 and is currently in its third renewal. Vehicle leases are short-term contracts ranging from 1 to 2 years. These contracts are classified as leases under NBC TG 06 (R3)/IFRS 16.

(In thousands of reais, unless otherwise stated)

11. Right-of-use assets and lease liabilities (Individual and Consolidated) (Continued)

Information on leases in which the Group is a lessee is presented below.

a) Group as a lessee - right of use

Right-of-use assets related to leased properties that do not meet the definition of investment property are presented under Right of use in the statement of financial position.

	2021	Remeasurements	Amortization	2022
Land	23,976	**1,659**	**(1,686)**	**23,949**
Transport vehicles	6,984	**6,332**	**(6,500)**	**6,816**
	30,960	**7,991**	**(8,186)**	**30,765**

	2020	Remeasurements	Amortization	2021
Land	25,533	-	(1,557)	23,976
Transport vehicles	10,365	4,068	(7,449)	6,984
	35,898	4,068	(9,006)	30,960

b) Lease liabilities

	2022	2021
Opening balance	**30,960**	35,884
Interest incurred	**1,007**	201
Remeasurements	**7,991**	4,069
Payments of principal	**(8,186)**	(8,992)
Payments of interest	**(1,007)**	(202)
Closing balance	**30,765**	30,960
Current	**6,651**	4,523
Noncurrent	**24,114**	26,437

Amortization schedule

	2022	2021
2023	**-**	2,729
2024	**4,450**	3,706
2025	**1,769**	3,287
2026	**1,769**	1,139
2027	**1,769**	1,139
2028 to 2040	**14,357**	14,437
	24,114	26,437

(In thousands of reais, unless otherwise stated)

11. Right-of-use assets and lease liabilities (Individual and Consolidated) (Continued)

c) Interpretations and impacts on the assessment of IFRS 16 – Leases/NBC TG 06(R3) – Leases

Potential PIS and COFINS credits

The Group is entitled to PIS and COFINS credits on the rental agreements recorded in accordance with NBC TG 06 (R3), upon payment. Potential tax credits are presented below.

	2022	2021
Lease consideration	**23,780**	23,806
Potential PIS and COFINS (9.25%)	**(2,200)**	(2,202)
	21,580	21,604

Misleading resulting from the full application of NBC TG 06 (R2)

In accordance with the Memorandum Circular CVM/SNC/SEP No. 02/2019, the Group has adopted the requirements of NBC TG 06 (R2) in measuring and remeasuring its lease liabilities and right of use, and uses the discounted cash flow method without considering the projected future inflation in the flows to be discounted, according to the prohibition imposed by CPC 06 (R2). Such prohibition may result in misleading in the scenario of rising long-term interest rates in Brazil. Thus, the presentation of tables containing the maturities of leases allows the users of the financial information to calculate and assess the impacts of any future changes in long-term interest rates and inflation rates on the liabilities recorded by the Group.

To ensure a reliable representation of the information under the requirements of NBC TG 06 (R2) and to comply with the guidance issued by the technical departments of the Brazilian Securities and Exchange Commission (CVM), the table presents liability balances without inflation effect, which is effectively accounted for based on the Central Bank benchmark rate (Selic) ranging from 2% to 9.25% p.a. (2% p.a. to 9.25% p.a. at December 31, 2021).

	Real flow		Inflation-adjusted flow	
	2022	2021	2022	2021
Land	**23,949**	23,976	**27,050**	39,015
Transport vehicles	**6,816**	6,984	**7,945**	7,471
Total	**30,765**	30,960	**34,995**	46,486

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

(In thousands of reais, unless otherwise stated)

12. Trade accounts payable

	Consolidated		Individual	
	2022	2021	2022	2021
Raw material – aluminum	**106,441**	221,343	**104,857**	205,338
Freight	**9,088**	11,775	**6,578**	10,890
Inputs	**27,184**	13,008	**24,020**	11,629
Acquisition of machinery and equipment	**4,591**	3,464	**3,540**	2,695
Services	**12,220**	19,183	**9,271**	17,828
Sundry	**16,377**	15,196	**16,230**	12,894
	175,901	283,969	**164,496**	261,274
In local currency	**165,148**	264,360	**161,349**	258,589
In foreign currency	**10,753**	19,609	**3,147**	2,685

Aluminum supply agreement

The Group has entered into aluminum supply agreements, its main raw material, with Albras Alumínio Brasileiro S.A. (Albras) in Brazil and with Alcoa USA Corp in Canada, which are strategic suppliers of the Group. In 2022, 73,639(*) tons of aluminum (106,539(*) tons in 2021) were supplied in Brazil. In Canada, 84,928(*) tons of aluminum were supplied in 2022 (79,812(*) tons in 2021).

(*) unaudited information

13. Loans, financing and debentures

Balance breakdown

	Consolidated		Individual	
	2022	2021	2022	2021
Secured transactions and debentures	**1,309,881**	846,374	**1,209,720**	762,374
Unsecured transactions	**38,275**	2,431	**-**	-
Forfaiting transactions	**-**	149,796	**-**	149,796
Subtotal	**1,348,156**	998,601	**1,209,720**	912,170
(-) Borrowing costs	**(28,119)**	(11,025)	**(26,552)**	(9,447)
Total loans, financing and debentures	**1,320,037**	987,576	**1,183,168**	902,723
Current	**290,785**	452,706	**254,903**	437,714
Noncurrent	**1,029,252**	534,870	**928,265**	465,009

(In thousands of reais, unless otherwise stated)

13. Loans, financing and debentures (Continued)

Balance breakdown by issuer and type

				Consolidated		Individual	
Issuer	**Type**	**Average interest rate**	**Maturity**	**2022**	**2021**	**2022**	**2021**
Oliveira Trust	Working capital	4.80% p.a.	06/10/2027	**484,711**	-	**484,711**	-
Caixa Econômica Federal	Working capital	6.62% p.a.	11/30/2026	**192,829**	185,583	**192,829**	185,583
Credit Suisse	Working capital	4.20% p.a.	01/15/2024	**108,639**	168,303	**108,639**	168,303
Banco do Brasil	Working capital	9.06% p.a.	08/20/2026	**156,311**	154,480	**156,311**	154,480
Banco da Amazônia	Working capital	5.62% p.a.	01/10/2026	**95,315**	104,776	**95,315**	104,776
Fundo de Investimento Pátria	Working capital	3.95% p.a.	12/30/2026	**83,104**	82,422	**310**	-
Bradesco	Working capital	6.92% p.a.	02/08/2030	**48,740**	65,184	**48,740**	65,184
BTG Pactual	Working capital	13.07% p.a.	02/27/2023	**10,305**	46,133	**10,305**	46,133
Banco Votorantim	Working capital	FX + 1.74% p.a.	01/27/2025	**35,359**	17,915	**35,359**	17,915
Santander	Working capital	12.50% p.a.	01/16/2023	**811**	10,517	**811**	10,517
Cafo Inc	Working capital	3.85% p.a.	12/30/2024	**2,394**	2,431	**-**	-
Banco Industrial	Working capital	10.81% p.a.	03/17/2025	**29,894**	36	**29,894**	36
Daycoval	Working capital	11.38% p.a.	08/15/2023	**19,944**	-	**19,944**	-
Itaú	Working capital	3.95% p.a.	12/30/2026	**15,798**	-	**-**	-
BMO Bank of Montreal	Working capital	8.00% p.a.	06/18/2023	**35,883**	-	**-**	-
BTG Pactual (a)	Forfaiting	0.833% p.m.	APP of 76 days	**-**	73,036	**-**	73,036
Santander (a)	Forfaiting	0.899% p.m.	APP of 111 days	**-**	41,226	**-**	41,226
Itaú (a)	Forfaiting	0.886% p.m.	APP of 70 days	**-**	28,130	**-**	28,130
Banco ABC Brasil (a)	Forfaiting	0.861% p.m.	APP of 74 days	**-**	7,404	**-**	7,404
				1,320,037	987,576	**1,183,168**	902,723
In local currency				**1,087,328**	733,850	**988,734**	651,428
In foreign currency				**232,709**	253,726	**194,434**	251,295

(a) Refer to agreements entered into with financial institutions in order to structure transactions with the Group's suppliers that are usually called "forfait", "confirming", "reverse factoring", or "supply chain finance". In this type of transaction, suppliers transfer their right to receivables to a bank, which becomes the creditor. In these transactions, payment terms change by 90 days on average (between 30 and 120 days) in relation to the terms originally agreed with suppliers. Additionally, the Group does not receive any rebate for being the ordering party of this transaction. These transactions have been fully settled throughout the current year and there are no outstanding forfait amounts as at December 31, 2022.

(In thousands of reais, unless otherwise stated)

13. Loans, financing and debentures (Continued)

Changes in loans, financing and debentures

	Consolidated		Individual	
	2022	**2021**	**2022**	**2021**
Balance at beginning of year	987,576	704,067	902,723	702,209
Borrowings	**1,563,240**	1,240,405	**1,343,758**	1,159,561
Payments of principal	**(1,081,544)**	(927,046)	**(1,064,418)**	(927,046)
Payments of interest	**(135,324)**	(62,586)	**(128,692)**	(62,586)
Interest and charges incurred (a)	**161,102**	48,043	**145,776**	47,608
Amortization of borrowing costs	**9,016**	4,533	**8,713**	4,533
Write-off due to disposal of subsidiary (b)	**(158,656)**	-	**-**	-
Foreign exchange differences, net	**(25,373)**	(19,840)	**(24,692)**	(21,556)
Balance at end of year	**1,320,037**	987,576	**1,183,168**	902,723

(a) At December 31, 2022, interest and charges comprise amount to R$6,687 (R$6,292 at December 31, 2021), which has no contra entry in profit or loss for the year, since it was capitalized in property, plant and equipment in accordance with NBC TG 20 (R2)/IAS 23 - Borrowing costs. Therefore, this amount is adjusted in the presentation of the statements of cash flows.

(b) Refers to the write-off of loan balances due to the deconsolidation of Alubar USA Holding LLC, whose controlling interest was transferred to Aluminum Investment S/A as of September 30, 2022 (Note 18.b).

Amortization schedule

	Consolidated		Individual	
	2022	**2021**	**2022**	**2021**
2023	**-**	241,287	**-**	229,049
2024	**375,135**	133,112	**341,382**	126,604
2025	**296,748**	73,966	**263,091**	61,696
2026	**232,369**	47,683	**198,792**	32,371
2027	**125,000**	38,822	**125,000**	15,289
	1,029,252	534,870	**928,265**	465,009

First Private Issue of Convertible Debentures, with security interest and guarantee by the Company

On May 11, 2009, the Company and Banco da Amazônia S.A. entered into the Indenture for the Issue of Convertible Debentures for subscription to the Amazon Development Fund (FDA), operated by Banco da Amazônia S.A. and managed by the Supervisory Authority for the Development of the Amazon (SUDAM). The issue was in 9 series totaling R$31,474, with TJLP (long-term interest rate) + 3.00% p.a. and final maturity on June 15, 2023.

13. Loans, financing and debentures (Continued)

First Private Issue of Convertible Debentures, with security interest and guarantee by the Company (Continued)

As at December 31, 2022, the balance of these debentures was R$3,885 (R$10,905 as at December 31, 2021), presented in the table above in secured transactions.

Conversion of debentures into the Company's shares

At the maturity date of the semiannual amortization installmens or upon redemption, SUDAM may choose to convert the subscribed debentures into preferred or common shares, up to the limit of 15% (fifteen percent) of the subscribed amount. If SUDAM does not chose to convert the debentures, the Company must pay the semiannual payments and redeem the securities in full at their respective maturities.

Each debenture installment to be converted will correspond to whole number of shares obtained by dividing the amount to be converted by the issue price of each share. The share conversion price will be equivalent to the lower of the following amounts: (a) the average quotation of the last 30 days in which the shares were traded on the national stock exchange; or (b) the adjusted equity value based on the Company's statement of financial position for the last fiscal year. If there is no trading on a stock exchange, the conversion price will be determined as described in letter (b). In addition, for the conversion, it is also necessary that the Company be registered as a publicly-held company with the Brazilian Securities and Exchange Commission within 120 days from SUDAM's notice of its option to convert shares, and that Banco da Amazônia S.A. issue the Certificate of Completion of the Project.

Until December 31, 2022, SUDAM did not choose to convert the debentures into shares, thus the Company paid and redeemed the securities in full according to the schedule set forth in the Indenture for the Issue of Debentures.

First Private Issue of Nonconvertible Debentures

On June 10, 2022, the Company issued unsecured nonconvertible debentures for public distribution with restricted placement efforts. The amount raised was R$500,000, with a two-year vesting period and maturity in 2027, and yield of 100% CDI + 4.80% p.a.

The debentures were issued in accordance with CVM Resolution No. 160/2022, issued by the Brazilian Securities and Exchange Commission (CVM). The funds raised by the Company through the debentures were used to refinance liabilities and for working capital purposes. The covenants of this transaction will be measured from the interim period ending September 30, 2023.

(In thousands of reais, unless otherwise stated)

13. Loans, financing and debentures (Continued)

Guarantees

To guarantee these loans, there are supply agreements with customers, financial investments and bank guarantees, as detailed below:

	2022	2021
Lien on real estate properties	**36,000**	30,408
Lien on machinery and equipment	**16,000**	13,440
Assignment of receivables - financial investments	**31,682**	22,474
Assignment of receivables – escrow account	**3,249**	2,729
Assignment of receivables - receivables	**517,867**	472,200
Bank guarantee	**20,000**	20,000
Pledged inventory	**48,000**	40,320
	672,798	601,571

Covenants

The Group’s loan and financing agreements and debenture issue indentures contain covenants that are based on certain financial ratios (debt ratio, current liquidity ratio, etc.) for the fulfillment of special guarantees. Failure to comply with those covenants may result in the early maturity of debts.

As at December 31, 2022, the Group has fulfilled all financial and non-financial covenants under those agreements, except for the agreement with Credit Suisse, for which the Group obtained a waiver for the measurement as at December 31, 2022, and for the agreements with BTG Pactual and Santander, which are already classified in current liabilities due to their original amortization schedules.

(In thousands of reais, unless otherwise stated)

14. Tax obligations

	Consolidated		Individual	
	2022	**2021**	**2022**	**2021**
IPI	**4,452**	6,343	**4,136**	6,001
ICMS	**5,275**	8,864	**827**	2,292
Other taxes payable	**441**	675	**419**	664
Sales taxes - Alubar Canada	**15,574**	12,060	**-**	-
	25,742	27,942	**5,382**	8,957
IPI - installment payment	**14,409**	18,059	**14,409**	18,059
Corporate Income Tax (IRPJ) and Social Contribution Tax on Net Profit (CSLL) – installment payment	**12,618**	16,826	**12,618**	16,826
Social Security Tax (INSS) – installment payment	**1,936**	2,805	**1,936**	2,805
ICMS - installment payment	**2,419**	2,024	**2,419**	2,024
Other	**182**	293	**182**	292
	31,564	40,007	**31,564**	40,006
Current	**36,379**	38,341	**16,019**	19,355
Noncurrent	**20,927**	29,608	**20,927**	29,608

15. Provisions for contingencies

The Company is a party, whether as a plaintiff or defendant, to legal and administrative proceedings before government agencies. Provisions are recognized for all contingencies referring to legal proceedings for which it is likely that a cash outflow will be required to settle the contingency/obligation and a reasonable estimate can be made.

The assessment of the likelihood of loss includes analyses of available evidence, the hierarchy of laws, available case law, the most recent court decisions and their relevance in the legal system, as well as the opinion of external legal advisors. Supported by the opinion of its legal advisors and, when applicable, based on specific opinions issued by specialists, management assesses the expected outcome of ongoing proceedings and determines whether or not a provision for contingencies is required, according to the assessment of the likelihood of loss of the proceedings.

The Group has ongoing proceedings involving causes assessed as a probable loss, as follows:

	Consolidated		Individual	
	2022	**2021**	**2022**	**2021**
Civil	**2,588**	2,487	**2,588**	2,487
Tax	**12**	-	**12**	-
Labor	**34**	13	**20**	13
	2,634	2,500	**2,620**	2,500

(In thousands of reais, unless otherwise stated)

15. Provisions for contingencies (Continued)

Changes in provisions for contingencies

	Consolidated		Individual	
	2022	**2021**	**2022**	**2021**
Opening balance	2,500	3,185	2,500	3,185
Supplemental provision	**146**	2	**132**	2
Reversal of provision	**(12)**	(684)	**(12)**	(684)
Payments	**-**	(3)	**-**	(3)
Closing balance	**2,634**	2,500	**2,620**	2,500

The amounts referring to labor, tax and civil proceedings, assessed as a possible loss by the Group's legal advisors, as well as the clarifications for the most significant proceedings are as follows:

	Consolidated		Individual	
	2022	**2021**	**2022**	**2021**
Tax	**13,998**	6,528	**13,998**	6,528
Civil	**-**	131	**-**	131
Labor	**1,853**	406	**1,853**	406
	15,851	7,065	**15,851**	7,065

Tax

At December 31, 2022, the tax proceedings assessed as possible losses refer to Notices of Assessment and Notices of Deficiency challenged directly by the Group. Currently, those proceedings are in progress and monitored with the respective federal or state tax authorities, as detailed below:

(i) IPI - RFB (Brazilian Internal Revenue Service) – DRF (Regional Office of the Brazilian IRS) Recife – In the amount of R$3,033 (R$2,768 at December 31, 2021). Proceeding of July 2015, in which the taxation authority notified the Company based on its understanding that the return invoices issued do not comply with the legislation. The proceeding is currently at the Administrative Board of Tax Appeals ("CARF"), after an analysis by the Brazilian IRS Regional Office.

(ii) E-Request for Federal Tax Recovery, Refund or Offset (PERDCOMPs) – RFB – In the amount of R$2,393 (R$2,222 as at December 31, 2021), referring to proceedings in which the Brazilian Internal Revenue Service notified about an one-time fine of 50% on DCOMPs. The proceeding is currently under analysis by the Brazilian IRS Judgment Office (DRJ).

(iii) Statement for Ascertainment of Non-cumulative Social Contribution Taxes (DACON) – PERDCOMPs – RFB – In the amount of R$2,496 (R$1,569 as at December 31, 2021), referring to proceedings in which the Brazilian IRS notified about an alleged incorrect completion of DACON.

15. Provisions for contingencies (Continued)

Tax (Continued)

(iv) COFINS / PIS – RFB – DRF – In the amount of R$2,625, referring to proceedings in which the Brazilian IRS challenged the Company about reimbursement of tax credits.

(v) CSLL and IPI – RFB – In the amount of R$3,162, referring to proceedings in which the Brazilian IRS notified the Company for reimbursement of tax credits. The proceedings are currently at the CARF, after an analysis by the Brazilian IRS Regional Office.

Environmental

Together with a group of more than 25 companies, the Company is a defendant in two lawsuits: a Popular Action and a Public Civil Action in which it is jointly accused of disposing of waste from its manufacturing process in disagreement with the environmental standards. For both lawsuits, the likelihood of loss is assessed by its legal advisors as possible.

In the Popular Action, the amount of the cause is R$50,000. However, it does not correspond to the amount of an eventual conviction, because the plaintiff has not requested penalties for pain and suffering or property damages. The lawsuit is still in the initial phase (discovery phase) and the possible responsibilities has not been separated.

In the Public Civil Action, the amount of the cause is R$85,907. However, it does not correspond to the amount of an eventual conviction, since the extent of the alleged environmental damage imputed to the group of companies will still be subject to an analysis by a court assessor, in order to separate the responsibilities of those involved. The Company has already removed its waste and has already implemented measures to prevent environmental damages.

The Group’s legal advisors rated as possible the likelihood of loss in those actions, since the jurisdiction for the judgment of the actions has not been defined. The amounts attributed do not correspond to the amount of a separate conviction of the Group, since no act or omission has been imputed to the Company in the lawsuit, but rather to the co-defendants, which is why the Group’s legal advisors understand that the Group is an illegitimate party to the lawsuit, due to the inexistence of proof of causation.

(In thousands of reais, unless otherwise stated)

16. Dividends payable (Individual and Consolidated)

Changes in the Company's dividends payable are as follows:

	2022	2021
Opening balance	46,589	31,901
Dividends paid out	**(48,936)**	(48,166)
Additional dividends approved (a)	**-**	29,576
Mandatory minimum dividends	**33,201**	33,278
Closing balance	**30,854**	46,589

(a) At the Annual General Meeting held on June 9, 2021, the shareholders resolved and unanimously approved the payment of additional dividends in the amount of R$29,576, which were distributed using the balance of reserves recorded in previous years.

17. Financial instruments and risk management

a) Financial risk management

Overview

The economic and financial risks reflect mainly the behavior of macroeconomic variables, such as the aluminum price, exchange rates and interest rates, as well as the characteristics of the financial instruments used by the Group. These risks are managed through monitoring by the senior management, which has an active role in the Group's operations management.

The Group manages existing risks using a conservative approach, aiming first and foremost to preserve the value and liquidity of financial assets and to ensure financial resources for the good performance of its business. The main financial risks considered by the senior management are:

- Market risk;
- Interest rate risk;
- Liquidity risk; and
- Credit risk.

This note presents information on the Group's exposure to the aforementioned risks, and its objectives, policies and processes for measuring and managing risks and capital.

17. Financial instruments and risk management (Continued)

a) Financial risk management (Continued)

Risk management structure

The Board of Directors has the overall responsibility for the establishment and supervision of the Group's risk management structure.

The Group's risk management policies are established to identify and analyze any risks to which the Group is exposed, to define risk limits and appropriate controls, and to monitor risks and compliance with the defined limits. The risk management policies and systems are regularly reviewed to reflect changes in market conditions and in the Group's activities. Through its training and management standards and procedures, the Group aims at maintaining a disciplined and control environment, in which all employees are aware of their roles and obligations.

Market risk

Market risk derives from the possibility of fluctuations in market prices and, in the specific case of the Group, this risk refers to aluminum for both local and foreign markets, plus fluctuations in foreign exchange rates, interest rates and prices of raw materials used in the production process and of other inputs used.

Management monitors the market and its fluctuations, especially the prices of the foreign aluminum market, on a permanent basis. The Group seeks to anticipate market movements, using commodity price hedges as its primary mechanism to mitigate this risk. In this context, in order to hedge its customers from any sudden changes in the prices of billed materials, the Group adopts the assumption of using Hedge - Swap, and the hedge is managed entirely based on commodity exchanges duly authorized for that purpose. Hedging is used to purchase the metal that is used in the production of its products.

The notional amount of the derivative used to hedge the cost of aluminum will be established at the parity of 1:1, i.e., for each kilogram of aluminum expected to be used under a sales agreement, whose cost is a hedged item, an amount equivalent to one (1) kilogram will be taken in derivatives.

Currency risk

Currency risk arises from the possibility of fluctuations in the rates of foreign currencies used by the Group, primarily in connection with the financial instruments entered into.

(In thousands of reais, unless otherwise stated)

17. Financial instruments and risk management (Continued)

a) Financial risk management (Continued)

Risk management structure (Continued)

Currency risk (Continued)

The hedging instruments used to manage exposures (Hedge - Swap) are defined by management, so that they are not used for speculative purposes nor result in any additional risk.

The notional amount of the derivative used to hedge loans and financing against foreign exchange fluctuations will be defined at the parity of 1:1, i.e., for each R$/US$1.00 of loan and/or financing, an amount equivalent to R$/US$1.00 will be taken in derivatives.

Exposure to foreign currency

At December 31, 2022 and 2021, the Group has transactions relating to trade accounts receivable, trade accounts payable, loans and derivatives with exposure to currency risk.

The Group's exposure to currency risk, as reported to management, is summarized below:

	Consolidated									
	2022					2021				
	USD	**CHF**	**EUR**	**CAD**	**R$**	**USD**	**CHF**	**EUR**	**CAD**	**R$**
Assets										
Derivative financial instruments	**-**	**-**	**-**	**-**	**-**	21,311	-	-	-	118,926
Cash in foreign currency	**-**	**-**	**-**	**327**	**1,259**	14	-	-	3,026	13,355
Trade accounts receivable	**129**	**-**	**-**	**21,976**	**86,670**	-	-	-	26,744	117,713
Total	**129**	**-**	**-**	**22,303**	**87,929**	21,325	-	-	29,770	249,994
Liabilities										
Derivative financial instruments	**(29,642)**	**-**	**-**	**-**	**(154,665)**	(8,469)	-	-	-	(47,264)
Loans, financing and debentures	**(6,090)**	**(20,022)**	**(8,982)**	**(9,806)**	**(232,709)**	(5,906)	(28,000)	(7,281)	(553)	(253,726)
Trade accounts payable	**(604)**	**-**	**-**	**(1,925)**	**(10,753)**	(645)	-	-	(3,649)	(19,609)
Total	**(36,336)**	**(20,022)**	**(8,982)**	**(11,731)**	**(398,127)**	(15,020)	(28,000)	(7,281)	(4,202)	(320,599)
Currency risk exposure, net	**(36,207)**	**(20,022)**	**(8,982)**	**10,572**	**(311,476)**	6,304	(28,000)	(7,281)	25,568	(70,961)

(In thousands of reais, unless otherwise stated)

17. Financial instruments and risk management (Continued)

a) Financial risk management (Continued)

Risk management structure (Continued)

Currency risk (Continued)

	Individual									
	2022					2021				
	USD	CHF	EUR	CAD	R$	USD	CHF	EUR	CAD	R$
Assets										
Derivative financial instruments	-	-	-	-	-	21,311	-	-	-	118,926
Trade accounts receivable	4,356	-	-	24	22,823	-	-	-	-	-
Total	4,356	-	-	24	22,823	21,311	-	-	-	118,926
Liabilities										
Derivative financial instruments	(29,625)	-	-	-	(154,572)	(8,469)	-	-	-	(47,264)
Loans, financing and debentures	(6,090)	(20,022)	(8,982)	-	(194,434)	(5,906)	(28,000)	(7,281)	-	(251,295)
Trade accounts payable	(603)	-	-	-	(3,147)	(481)			-	(2,685)
Total	(36,318)	(20,022)	(8,982)	-	(352,153)	(14,856)	(28,000)	(7,281)	-	(301,244)
Currency risk exposure, net	(31,962)	(20,022)	(8,982)	24	(329,330)	6,455	(28,000)	(7,281)	-	(182,318)

The analysis of currency risk sensitivity that has an impact on the pricing of outstanding financial instruments of loans and financing is presented below. The scenarios for these factors are prepared using market sources and specialized sources, in accordance with the Group's governance.

The scenarios as at December 31, 2022 are described below:

- Scenario I – considers a shock in the market curves and quotations as at December 31, 2022.
- Scenario II – considers a shock of + or - 25% in the market curves as at December 31, 2022.
- Scenario III – considers a shock of + or - 50% in the market curves as at December 31, 2022.

	Consolidated		
	2022		
	Probable scenario US$	Possible scenario US$ (+25%)	Remote scenario US$ (+50%)
Exchange rate (R$/US$)	5.22	6.52	7.83
Loans in US$ (a)	232,709	290,886	349,064
Hedge accounting effect	-	(134,299)	(320,693)
Effect on profit or loss	-	156,587	28,371

(In thousands of reais, unless otherwise stated)

17. Financial instruments and risk management (Continued)

a) Financial risk management (Continued)

Risk management structure (Continued)

Currency risk (Continued)

	Individual		
	2022		
	Probable scenario US$	**Possible scenario US$ (+25%)**	**Remote scenario US$ (+50%)**
Exchange rate (R$/US$)	**5.22**	**6.52**	**7.83**
Loans in US$	**194,434**	**243,043**	**291,651**
Hedge accounting effect	**-**	**(134,299)**	**(320,701)**
Effect on profit or loss	**-**	**(108,744)**	**(29,050)**

(a) In the consolidated statements, the difference corresponds to a loan in the amount of CAD 9,806 (USD 7,244) of the subsidiary in Canada, which is not exposed to currency risk. The various currencies are converted to USD for the purpose of calculating currency risk.

	Consolidated		
	2021		
	Probable scenario US$	**Possible scenario US$ (+25%)**	**Remote scenario US$ (+50%)**
Exchange rate (R$/US$)	5.58	6.98	8.37
Loans in US$	253,726	253,726	253,726
Effect on profit or loss	1,011	62,168	125,347

	Individual		
	2021		
	Probable scenario US$	**Possible scenario US$ (+25%)**	**Remote scenario US$ (+50%)**
Exchange rate (R$/US$)	5.58	6.98	8.37
Loans in US$	251,295	251,295	251,295
Effect on profit or loss	1,006	61,566	124,138

Interest rate risk

Interest rate risk derives from the possibility of the Group incurring gains or losses arising from fluctuations in interest rates charged on its financial assets and liabilities.

To mitigate this risk, the Group diversifies its long-term borrowings, at fixed or floating rates pegged to the CDI. Furthermore, as previously mentioned, the Group enters into fair value hedging structures to hedge against fluctuations in interest rates, in a manner that any results arising from the volatility of those indices will have little or no impact.

(In thousands of reais, unless otherwise stated)

17. Financial instruments and risk management (Continued)

a) <u>Financial risk management</u> (Continued)

Risk management structure (Continued)

<u>*Interest rate risk*</u> (Continued)

The carrying amounts of financial assets and liabilities that represent the maximum interest rate risk exposure at the reporting date were as follows:

	Consolidated		Individual	
	2022	**2021**	**2022**	**2021**
Investments - cash equivalents	**8,936**	105,262	**8,936**	105,261
Marketable securities	**59,354**	49,266	**59,354**	49,266
Loans, financing and debentures	**(1,055,354)**	(542,727)	**(955,354)**	(460,305)
	(987,064)	(388,201)	**(887,064)**	(305,778)

Cash flow sensitivity analysis for variable rate instruments

With regard to the most significant interest rate risk and based on external research with financial institutions, in a probable scenario, the CDI rate at December 31, 2022 was 13.65% p.a. (9.15% p.a. in 2021) and the long-term interest rate (TJLP) was 7.20% p.a. (5.32% p.a. in 2021). The Group conducted a sensitivity analysis of the effects on profit or loss arising from an increase in the CDI rate and the TJLP by 25% in relation to the possible scenario, and by 50% in relation to the remote scenario, as well as two other scenarios to show the inverse effect, i.e. a decrease by 25% and 50%, considered as possible and remote, respectively. The CDI rate usually follows the fluctuation of the SELIC rate.

The Group's transactions are indexed to floating rates based on the TJLP and CDI. Therefore, in general, management understands that any oscillation in interest rates would not have any significant impact on the Group's profit or loss, as shown below:

	Consolidated		
	2022		
	Probable scenario CDI	**Possible scenario CDI**	**Remote scenario CDI**
		(+25%)	**(+50%)**
CDI effective rates	**13.65%**	**17.06%**	**20.48%**
CDI rates according to scenarios			
Net debt with variable interest	**1,048,094**		
Effect on profit or loss	**143,065**	**178,805**	**214,650**

(In thousands of reais, unless otherwise stated)

17. Financial instruments and risk management (Continued)

a) Financial risk management (Continued)

Risk management structure (Continued)

Interest rate risk (Continued)

Cash flow sensitivity analysis for variable rate instruments (Continued)

	Consolidated		
	2022		
	Probable scenario TJLP	**Possible scenario TJLP**	**Remote scenario TJLP**
		(+25%)	**(+50%)**
TJLP effective rates	**7.20%**	**9.00%**	**10.80%**
TJLP rates according to scenarios			
Net debt with variable interest	**7,260**		
Effect on profit or loss	**523**	**653**	**784**

	Individual		
	2022		
	Probable scenario CDI	**Possible scenario CDI**	**Remote scenario CDI**
		(+25%)	**(+50%)**
CDI effective rates	**13.65%**	**17.06%**	**20.48%**
Net debt with variable interest	**948,094**		
Effect on profit or loss	**129,415**	**161,768**	**194,122**

	Individual		
	2022		
	Probable scenario TJLP	**Possible scenario TJLP**	**Remote scenario TJLP**
		(+25%)	**(+50%)**
TJLP effective rates	**7.20%**	**9.00%**	**10.80%**
Net debt with variable interest	**7,260**		
Effect on profit or loss	**523**	**653**	**784**

(In thousands of reais, unless otherwise stated)

17. Financial instruments and risk management (Continued)

a) Financial risk management (Continued)

Risk management structure (Continued)

Interest rate risk (Continued)

Cash flow sensitivity analysis for variable rate instruments (Continued)

	Consolidated		
	2021		
	Probable scenario CDI	Possible scenario CDI (+25%)	Remote scenario CDI (+50%)
CDI effective rates	9.15%	11.44%	13.73%
CDI rates according to scenarios			
Net debt with variable interest	542,727		
Effect on profit or loss	49,660	62,088	74,516

	Consolidated		
	2021		
	Probable scenario TJLP	Possible scenario TJLP (+25%)	Remote scenario TJLP (+50%)
TJLP effective rates	5.32%	6.65%	7.98%
TJLP rates according to scenarios			
Net debt with variable interest	10,905		
Effect on profit or loss	580	725	870

	Individual		
	2021		
	Probable scenario CDI	Possible scenario CDI (+25%)	Remote scenario CDI (+50%)
CDI effective rates	9.15%	11.44%	13.73%
Net debt with variable interest	460,305		
Effect on profit or loss	42,118	52,659	63,200

(In thousands of reais, unless otherwise stated)

17. Financial instruments and risk management (Continued)

a) Financial risk management (Continued)

Risk management structure (Continued)

Interest rate risk (Continued)

Cash flow sensitivity analysis for variable rate instruments (Continued)

	Individual		
	2021		
	Probable scenario TJLP	Possible scenario TJLP (+25%)	Remote scenario TJLP (+50%)
TJLP effective rates	5.32%	6.65%	7.98%
Net debt with variable interest	10,905		
Effect on profit or loss	580	725	870

Credit risk

Credit risk is the risk of the Group incurring losses in the event a customer or a counterparty in a financial instrument fails to comply with its contractual obligations. This risk derives mainly from trade accounts receivable and financial instruments of the Group. The carrying amount represents the maximum credit exposure.

The Group's exposure to credit risk is influenced mainly by the individual characteristics of each customer. However, management also considers factors that may influence the credit risk of its customer base, including the industry default risk. The concentration of trade accounts receivable is detailed in Note 6.

The Group's credit risk management relies on a payment schedule in which cash inflows from customers match the production schedule, in a manner that a surplus cash flow be obtained in each period, and on ongoing monitoring of receivables and of the production process for all outstanding trade receivables. In addition, the Group seeks to maintain a diversified customer portfolio and to concentrate its sales on relevant customers.

17. Financial instruments and risk management (Continued)

a) Financial risk management (Continued)

Risk management structure (Continued)

Credit risk (Continued)

Overall, the business' strategic direction is discussed in committee meetings to support the Group's decision-making process. Results are monitored and the established strategies are reviewed to achieve the expected results.

Assessment of expected credit loss on trade accounts receivable

The Group adopts NBC TG 48/IFRS 9, which has significant impacts on the use of all reasonable information relating to past events, current conditions and economic conditions, such as risk indicators and macroeconomic variations in the analyses in order to evaluate the expected future losses related to the trade accounts receivable base.

The criteria established to measure the allowance for expected credit losses are as follows:

- Stage 1: When receivables are overdue, but have been received or have a history of repayment, under negotiation/agreement with high probability of recovery:

  - Group A: Large contracts, for which there is a good history of compliance with contractual conditions and payment schedule, and customers with an average default of up to 43 days. As regards customers classified in this category, under this situation, the Group understands that there is no risk of loss; therefore, no allowance for expected credit loss is recorded.
  - Group B: Customers with notes in default for more than 180 days and installment payment agreements and/or acknowledgment of debt. For customers in this situation, the allowance for expected credit loss ranges from 1% to 20%, depending on the expected receipt, based on financial analysis, as well as the effectiveness of collection measures for each customer.

17. Financial instruments and risk management (Continued)

a) Financial risk management (Continued)

Risk management structure (Continued)

Credit risk (Continued)

Assessment of expected credit loss on trade accounts receivable (Continued)

- Group C: Customers whose receivables are under in-court collection process, as long as any arrangements made directly with the customer are not successful. For customers in this situation, the allowance for expected credit loss ranges from 21% to 50%, depending on the expected receipt, based on financial analysis, as well as the effectiveness of collection measures for each customer.

- Stage 2: When receivables are overdue for more than 180 days and have already been renegotiated, however remained in default, and there is no probability of recovery. It includes customers under in-court reorganization. For customers in this situation, the allowance is recognized for 100% of the balance in trade accounts receivable as an impairment loss.

Based on the criteria presented above, the Group reached the conclusion shown in Note 6 as regards the allowance for expected credit losses as at December 31, 2022 and 2021.

To hedge itself against the risk of default of customers, the Group uses systems and processes to check creditworthiness and the ability to pay. These systems and processes include, but are not limited to, the following functions:

- Third-party decision-making tools (Credit analysis software);
- Active management of the existing customer base;
- Active management of receipt processes; and
- Credit risk monitoring.

(In thousands of reais, unless otherwise stated)

17. Financial instruments and risk management (Continued)

a) Financial risk management (Continued)

Risk management structure (Continued)

Credit risk (Continued)

Assessment of expected credit loss on trade accounts receivable (Continued)

The carrying amounts of financial assets that represent the maximum exposure to credit risk at the reporting date are as follows:

		Consolidated		Individual	
	Note	**2022**	**2021**	**2022**	**2021**
Cash and cash equivalents (a)	4	**32,423**	129,136	**25,312**	114,504
Marketable securities (a)	5	**66,098**	55,268	**66,098**	55,268
Trade accounts receivable	6	**275,460**	430,684	**198,568**	285,829
Derivative financial instruments	17	**-**	118,926	**-**	118,926
Transactions with related parties	18	**452,471**	2,323	**432,102**	25,298
		826,452	736,337	**722,080**	599,825

(a) Cash and cash equivalents and marketable securities are held in banks and financial institutions that are rated between AA- and AA+ by the credit rating agency Moody's.

The balances presented in cash and cash equivalents are concentrated in six financial institutions. The Group has loan and financing transactions with these institutions, whose outstanding balances on that date were significantly higher than the balances held in cash.

In general, management understands that there is no significant credit risk to which Group is exposed, in view of the characteristics of the counterparties, concentration levels and the relevance of the amounts in relation to revenue.

Guarantees

The Group's policy is to offer financial guarantees for obligations with customers, such as insurance for customer advances, faithful fulfillment insurance related to the fulfillment of contracts, and also corrective maintenance insurance. As at December 31, 2022, the Group had issued a Letter of Guarantee of R$20,000 (R$20,000 as at December 31, 2021) and made an assignment of accounts receivables in the amount of R$517,867 (R$472,200 as at December 31, 2021).

(In thousands of reais, unless otherwise stated)

17. Financial instruments and risk management (Continued)

a) Financial risk management (Continued)

Risk management structure (Continued)

Liquidity risk

Liquidity risk is the risk that the Group will face difficulties in complying with obligations associated with financial liabilities that are settled with cash payments or another financial asset.

The Group's liquidity risk management approach is to ensure the payment of its obligations; therefore, its objective is to maintain cash available to fulfill its short-term obligations, making efforts to ensure sufficient liquidity to meet any obligations falling due, under normal and stress conditions, without incurring unacceptable losses or reputational risks.

The Group aligns cash availability and cash generation in order to meet its obligations within the agreed terms.

The contractual maturities of financial liabilities, including estimated interest payments, and excluding the impact of net positions in forex trading, are as follows:

	Consolidated				
	2022				
	Total amount	**Within 1 year**	**1 - 2 years**	**2 - 5 years**	**More than 5 years**
Liabilities					
Loans, financing and debentures	**(1,320,037)**	**(290,785)**	**(344,631)**	**(406,406)**	**(278,216)**
Trade accounts payable	**(175,901)**	**(175,901)**	**-**	**-**	**-**
Lease liabilities	**(30,765)**	**(6,651)**	**(2,489)**	**(7,417)**	**(14,208)**
	(1,526,703)	**(473,357)**	**(347,120)**	**(413,823)**	**(292,423)**

	2021				
	Total amount	**Within 1 year**	**1 - 2 years**	**2 - 5 years**	**More than 5 years**
Liabilities					
Loans, financing and debentures	(987,576)	(452,706)	(374,398)	(121,649)	(38,823)
Trade accounts payable	(283,969)	(283,969)	-	-	-
Lease liabilities	(30,960)	(4,523)	(6,435)	(4,427)	(15,575)
Total	(1,302,505)	(741,198)	(380,833)	(126,076)	(54,398)

(In thousands of reais, unless otherwise stated)

17. Financial instruments and risk management (Continued)

a) Financial risk management (Continued)

Risk management structure (Continued)

Liquidity risk (Continued)

	Individual				
	2022				
	Total amount	**Within 1 year**	**1 - 2 years**	**2 - 5 years**	**More than 5 years**
Liabilities					
Loans, financing and debentures	**(1,183,168)**	**(254,903)**	**(361,094)**	**(368,062)**	**(199,110)**
Trade accounts payable	**(164,496)**	**(164,496)**	**-**	**-**	**-**
Lease liabilities	**(30,765)**	**(6,651)**	**(2,489)**	**(7,418)**	**(14,207)**
	(1,378,429)	**(426,050)**	**(363,583)**	**(375,480)**	**(213,317)**

	2021				
	Total amount	**Within 1 year**	**1 - 2 years**	**2 - 5 years**	**More than 5 years**
Liabilities					
Loans, financing and debentures	(902,723)	(437,714)	(355,653)	(94,067)	(15,289)
Trade accounts payable	(261,274)	(261,274)	-	-	-
Lease liabilities	(30,960)	(4,523)	(6,435)	(4,427)	(15,575)
	(1,194,957)	(703,511)	(362,088)	(98,494)	(30,864)

The Group does expect that the cash flows included in its maturity analyses will occur significantly earlier or at amounts significantly different.

Hedging activities and derivatives

The Group is exposed to various market risks, including fluctuations in exchange rates, indices, interest rates, and commodity prices (aluminum and copper). To reduce the impact of those risks on its financial assets and liabilities or cash flows and future revenues, the Group uses derivative financial instruments. All derivative financial instruments in effect are reviewed on a monthly basis by the Chief Financial Officer, who validates the fair value of these instruments. All gains and losses derived from adjustments to the fair value of derivative financial instruments are recognized in the Group's individual and consolidated financial statements.

The Group has established policies to identify market risks and approve the use of derivative financial instruments in relation to those risks. The Group entered into derivative financial instruments solely to manage the market risks mentioned above and never for speculative purposes. Derivative financial instruments are used only when they have a corresponding position (capital deficiency) arising from the Group's operating, investing and financing activities.

(In thousands of reais, unless otherwise stated)

17. Financial instruments and risk management (Continued)

a) Financial risk management (Continued)

Risk management structure (Continued)

Liquidity risk (Continued)

The fair value of derivative financial instruments is determined by using models and other valuation techniques, including future prices and market curves.

Derivative transactions may include interest rate and/or currency swaps, currency forward contracts and currency options contracts.

At December 31, 2022 and 2021, the balances are presented in the statement of financial position as follows:

	Consolidated		Individual	
	2022	2021	2022	2021
Current assets				
Cash flow hedges	**-**	52,534	-	52,534
Fair value hedges	**-**	615	-	615
	-	53,149	-	53,149
Noncurrent assets				
Cash flow hedges	**-**	65,777	-	65,777
	-	65,777	-	65,777
Total assets	**-**	118,926	-	118,926
Current liabilities				
Cash flow hedges	**47,802**	32,067	**47,708**	32,067
Fair value hedges	**10,045**	1,973	**10,045**	1,973
Derivatives not designated as hedge	**7,048**	13,814	**7,048**	13,224
	64,895	47,854	**64,801**	47,264
Noncurrent liabilities				
Cash flow hedges	**89,771**	-	**89,771**	-
	89,771	-	**89,771**	-
Total liabilities	**154,666**	47,854	**154,572**	47,264
Statement of profit or loss (i)				
Cash flow hedges	**94,109**	310,604	**86,074**	310,604
Fair value hedges	**(10,300)**	(5,442)	**(10,300)**	(5,442)
Derivatives not designated as hedge	**(5,381)**	(678)	**(5,381)**	(678)
	78,428	304,484	**70,393**	304,484
Statement of comprehensive income				
Cash flow hedges	**(296,250)**	49,121	**(296,250)**	49,121
Investment hedges	**-**	(9,343)	**-**	(9,343)
	(296,250)	39,778	**(296,250)**	39,778

(i) Cash flow hedging transactions (aluminum and copper NDFs) are accounted for in raw material costs (Note 21) in profit or loss for the year.

17. Financial instruments and risk management (Continued)

a) Financial risk management (Continued)

Hedging activities and derivatives (Continued)

Derivatives designated as hedging instruments

Cash flow hedges

For the production of the cables ordered by customers, the Group purchases metals (aluminum and copper) on an ongoing basis as production inputs. The cables are sold for future delivery at a price fixed under the supply agreement and, consequently, the Group assumes the risk of an increase in the aluminum price. To hedge against the risk of an increase in this input, non-deliverable forwards (NDFs) are entered into with several counterparties. The NDFs are designated to hedge accounting using the cash flow hedge method.

Additionally, the Group has the following debts hedged by instruments designated as cash flow hedge:

(a) In March 2020, the Group entered into a debt arrangement with Banco Bradesco in the amount of USD 8,866,000 (R$40,000 at the exchange rate at the time) and entered into a swap transaction with the same financial institution to hedge against currency risk, in the same amount of principal, swapping the debt index payable for a fixed rate receivable under the swap agreement. This transaction was designated to hedge accounting using the cash flow hedge method.

There is an economic relationship between the hedged items and the hedging instruments as the terms of the foreign exchange and commodity forward contracts match the terms of the expected highly probable forecast transactions (i.e. notional amount and expected payment date). The Group has established a hedge ratio of 1:1 for the hedging relationships as the underlying risk of the foreign exchange and commodity forward contracts are identical to the hedged risk components. To test the hedge effectiveness, the Group uses the hypothetical derivative method and compares the changes in the fair value of the hedging instruments against the changes in fair value of the hedged items attributable to the hedged risks.

17. Financial instruments and risk management (Continued)

a) Financial risk management (Continued)

Hedging activities and derivatives (Continued)

Derivatives designated as hedging instruments (Continued)

Cash flow hedge (Continued)

The hedge ineffectiveness can arise from:

- Differences in the timing of the cash flows of the hedged items and the hedging instruments.
- Different indexes (and accordingly different curves) linked to the hedged risk of the hedged items and hedging instruments.
- The counterparties' credit risk differently impacting the fair value movements of the hedging instruments and hedged items.
- Changes to the forecasted amount of cash flows of hedged items and hedging instruments.

The impact of the hedging instruments on the consolidated statement of financial position is as follows:

(In thousands of reais, unless otherwise stated)

17. Financial instruments and risk management (Continued)

a) Financial risk management (Continued)

Hedging activities and derivatives (Continued)

Derivatives designated as hedging instruments (Continued)

Cash flow hedge	Nominal amount	Carrying amount	Line item in the financial statements	Change in fair value used for measuring ineffectiveness
At December 31, 2022				
Foreign exchange forward contracts – "Aluminum"	R$ 1,064,682	**(67,542)**	Liabilities – Derivative financial instruments	(160,740)
Commodity forward contracts – "Aluminum"	94,196 tons	**(69,936)**	Liabilities – Derivative financial instruments	(166,436)
		(137,479)		
At December 31, 2021				
Bradesco contract No. SWAP0303202021	R$ 40,000	**3,077**	Assets – Derivative financial instruments	651
Commodity forward contracts – "Aluminum"	59,408 tons	**115,234**	Assets – Derivative financial instruments	18,258
		118,311		
Commodity forward contracts – "Aluminum"	2,904 tons	**(32,067)**	Liabilities – Derivative financial instruments	(5,081)
		(32,067)		

Fair value hedge

The Group enters into Fixed rate vs. DI (interbank deposit) swap transactions through which it receives a fixed interest rate and pays a floating interest rate, both in local currency.

The Group has the following debts hedged by instruments designated as fair value hedge:

(a) In January 2021, the Group entered into a debt arrangement with Banco do Brasil in the amount of EUR 7,192,000 (R$46,115 at the exchange rate at the time) and entered into a swap transaction with the same financial institution to hedge against currency risk, in the same amount of principal, swapping the debt index payable for 100% CDI + Fixed rate. This transaction was designated to hedge accounting using the fair value hedge method.

(In thousands of reais, unless otherwise stated)

17. Financial instruments and risk management (Continued)

a) Financial risk management (Continued)

Hedging activities and derivatives (Continued)

Derivatives designated as hedging instruments (Continued)

Fair value hedge (Continued)

(b) In May 2021, the Group entered into a debt arrangement with Banco Votorantim in the amount of USD 3,773,000 (R$20,000 at the exchange rate at the time) and entered into a swap transaction with the same financial institution to hedge against currency risk, in the same amount of principal, swapping the debt index payable for 100% CDI + Fixed rate. This transaction was designated to hedge accounting using the fair value hedge method.

(c) In August 2021, the Group entered into a debt arrangement with Banco Bradesco in the amount of R$50,000 and entered into a swap transaction with the same financial institution to hedge against interest rate risk, in the same amount of principal, swapping the debt index payable for 100% CDI + Fixed rate. This transaction was designated to hedge accounting using the fair value hedge method.

The impact of the hedging instruments on the consolidated statement of financial position is as follows:

Fair value hedge	Nominal amount	Carrying amount	Line item in the financial statements	Change in fair value used for measuring ineffectiveness
At December 31, 2022				
Votorantim contract No. SWAP 10256502	R$ 20,000	**(199)**	Liabilities - Derivative financial instruments	388
Banco do Brasil contract No. SWAP02849352	R$ 46,115	**(5,940)**	Liabilities - Derivative financial instruments	(2,031)
Banco do Brasil contract No. SWAP02869472	R$ 25,038	**(3,907)**	Liabilities - Derivative financial instruments	58
		(10,045)		
At December 31, 2021				
Votorantim contract No. SWAP 10256502	R$ 20,000	**614**	Assets - Derivative financial instruments	(35)
Banco do Brasil contract No. SWAP02849352	R$ 46,115	**(1,973)**	Liabilities - Derivative financial instruments	(809)
		(1,359)		

There is an economic relationship between the hedged item and the hedging instrument as the terms of the interest rate swap match the terms of the fixed rate loan (i.e., notional amount, maturity, payment). The Group has established a hedge ratio of 1:1 for the hedging relationships as the underlying risk of the interest rate swap is identical to the hedged risk component. To test the hedge effectiveness, the Group uses the hypothetical derivative method and compares the changes in the fair value of the hedging instrument against the changes in fair value of the hedged item attributable to the hedged risk.

17. Financial instruments and risk management (Continued)

a) Financial risk management (Continued)

Hedging activities and derivatives (Continued)

Derivatives designated as hedging instruments (Continued)

The hedge ineffectiveness can arise from:

- Different interest rate curve applied to discount the hedged item and hedging instrument.
- Differences in timing of cash flows of the hedged items and hedging instruments.
- The counterparties' credit risk differently impacting the fair value movements of the hedging instruments and hedged items.

Hedge of net investments in foreign operations

Included in loans at December 31, 2022 and 2021 was a financing of USD 32,364,000 (R$180,605, including the interest rate swap effect mentioned above), which has been designated as a hedge of the net investments in the Canadian subsidiaries, and is being used to hedge the Group's exposure to the currency risk on these investments.

Gains or losses on the translation of this financing are transferred to OCI to offset any gains or losses on translation of the net investments in the subsidiaries.

(In thousands of reais, unless otherwise stated)

17. Financial instruments and risk management (Continued)

a) Financial risk management (Continued)

Hedging activities and derivatives (Continued)

Derivatives designated as hedging instruments (Continued)

Hedge of net investments in foreign operations (Continued)

There is an economic relationship between the hedged item and the hedging instrument as the net investment creates a translation risk that will match the currency risk on the USD loan. The Group has established a hedge ratio of 1:1 as the underlying risk of the hedging instrument is identical to the hedged risk component. The hedge ineffectiveness will arise when the amount of the investment in the foreign subsidiary becomes lower than the amount of the fixed rate loan.

The impact of the hedging instrument on the consolidated statement of financial position as at December 31, 2022 and 2021 is as follows:

	Individual and Consolidated	
Fair value of derivatives	**2022**	**2021**
Statement of comprehensive income		
Gains on financial instruments	**-**	7,996
Losses on financial instruments	**-**	(17,340)
	-	(9,344)

Derivatives not designated as hedging instruments

The Group has a debt in Swiss Franc and has entered into a swap agreement with Credit Suisse in Swiss Franc, in the amount of CHF 36,000,000, in order to hedge against the exchange rate fluctuation. This transaction was not designated to hedge accounting and it is accounted for at fair value through profit or loss.

	Individual and Consolidated	
Fair value of derivatives	**2022**	**2021**
Statement of profit or loss		
Gains on financial instruments	**17,465**	5,320
Losses on financial instruments	**(22,847)**	(5,998)
	(5,382)	(678)

(In thousands of reais, unless otherwise stated)

17. Financial instruments and risk management (Continued)

a) Financial risk management (Continued)

Capital structure risk

This risk arises from the Group choosing either equity (capital contributions and retained profits) and debt to fund its operations. In order to mitigate liquidity risks and optimize the weighted average cost of capital, the Group permanently monitors its debt levels based on market standards and analyzes it debt-to-equity ratio.

The financial leverage ratios are as follows:

		Consolidated		Individual	
	Note	2022	2021	2022	2021
Loans, financing and debentures	13	**1,320,037**	987,576	**1,183,168**	902,723
Lease liabilities	11	**30,765**	30,960	**30,765**	30,960
Cash and cash equivalents	4	**(32,423)**	(129,136)	**(25,312)**	(114,504)
Marketable securities	5	**(66,098)**	(55,268)	**(66,098)**	(55,268)
Net debt		**1,252,281**	834,132	**1,122,523**	763,911
Total equity		**315,261**	517,811	**315,247**	517,804
Equity + net debt - total capital		**1,599,748**	1,351,943	**1,437,770**	1,281,715
Financial leverage ratio - %		**78%**	62%	**78%**	60%

Commodity price risk

The Alubar Group purchases aluminum on an ongoing basis as its operating activities require a continuous supply of aluminum for the production of its electrical wires and cables. In order to hedge against price volatility of the foreign market of this input, as well as those in foreign currencies, the Alubar Group established a risk management policy that allows the use of derivative financial instruments in order to reduce the impact resulting from price fluctuations of those commodities.

These contracts are expected to reduce the price volatility of the input (aluminum). The contracts are intended to hedge against the aluminum purchase price volatility risk based on existing purchase agreements.

(In thousands of reais, unless otherwise stated)

17. Financial instruments and risk management (Continued)

b) Category and fair value of financial instruments

The estimated fair values of the Group's financial assets and financial liabilities were determined using information available on the market and appropriate valuation techniques. However, considerable judgment was required in interpreting market data to produce the most adequate estimated realizable value. As a result, the estimates below do not necessarily reflect the amounts that could be realized in the current exchange market. The use of different market methodologies could have a material impact on estimated realizable values.

The accounting balances and market values of the financial instruments included in the statement of financial position as at December 31, 2022 and December 31, 2021 are identified as follows:

		Consolidated			
	Category	**2022**		**2021**	
Assets	**NBC TG 48/ IFRS 9**	**Carrying amount**	**Fair value**	**Carrying amount**	**Fair value**
Marketable securities	FVPL	**66,098**	**66,098**	55,268	55,268
Derivative financial instruments	FVOCI	**-**	**-**	118,311	118,311
Derivative financial instruments	FVPL	**-**	**-**	615	615
Total assets		**66,098**	**66,098**	174,194	174,194
Liabilities					
Derivative financial instruments	FVOCI	**137,572**	**137,572**	32,067	32,067
Derivative financial instruments	FVPL	**17,094**	**17,094**	15,787	15,787
Total liabilities		**154,666**	**154,666**	47,854	47,854

		Individual			
	Category	**2022**		**2021**	
Assets	**NBC TG 48/ IFRS 9**	**Carrying amount**	**Fair value**	**Carrying amount**	**Fair value**
Marketable securities	FVPL	**66,098**	**66,098**	55,268	55,268
Derivative financial instruments	FVOCI	**-**	**-**	118,311	118,311
Derivative financial instruments	FVPL	**-**	**-**	615	615
Total assets		**66,098**	**66,098**	174,194	174,194
Liabilities					
Derivative financial instruments	FVOCI	**137,479**	**137,479**	32,067	32,067
Derivative financial instruments	FVPL	**17,093**	**17,093**	15,197	15,197
Total liabilities		**154,572**	**154,572**	47,264	47,264

(In thousands of reais, unless otherwise stated)

17. Financial instruments and risk management (Continued)

b) Category and fair value of financial instruments (Continued)

The table above does not include differences on the fair value of financial assets and liabilities, since the carrying amount is a reasonable approximation of fair value.

c) Fair value hierarchy

Fair value is measured at market value based on the assumptions that market participants would use to measure an asset or liability. To increase consistency and comparability, the fair value hierarchy prioritizes the inputs used to measure at three major levels.

		Consolidated		
		Fair value at December 31, 2022		
	Balance at 2022	**Active market - Quoted price (Level 1)**	**No active market – Valuation technique (level 2)**	**No active market - Equity instrument (Level 3)**
Assets				
Investments - cash equivalents	**23,472**	**23,472**	**-**	**-**
Marketable securities	**66,098**	**66,098**	**-**	**-**
Liabilities				
Derivative financial instruments	**154,666**	**-**	**154,666**	**-**

		Consolidated		
		Fair value at December 31, 2021		
	Balance at 2021	**Active market - Quoted price (Level 1)**	**No active market – Valuation technique (level 2)**	**No active market - Equity instrument (Level 3)**
Assets				
Investments - cash equivalents	105,262	105,262	-	-
Marketable securities	55,268	55,268	-	-
Derivative financial instruments	118,926	-	118,926	-
Liabilities				
Derivative financial instruments	47,854	-	47,854	-

(In thousands of reais, unless otherwise stated)

17. Financial instruments and risk management (Continued)

c) Fair value hierarchy (Continued)

		Individual		
		Fair value at December 31, 2022		
	Balance at 2022	Active market - Quoted price (Level 1)	No active market – Valuation technique (Level 2)	No active market - Equity instrument (Level 3)
Assets				
Investments - cash equivalents	**8,936**	**8,936**	**-**	**-**
Marketable securities	**66,098**	**66,098**	**-**	**-**
Liabilities				
Derivative financial instruments	**154,572**	**-**	**154,572**	**-**

		Individual		
		Fair value at December 31, 2021		
	Balance at 2021	Active market - Quoted price (Level 1)	No active market – Valuation technique (Level 2)	No active market - Equity instrument (Level 3)
Assets				
Investments - cash equivalents	105,261	105,261	-	-
Marketable securities	55,268	55,268	-	-
Derivative financial instruments	118,925	-	118,925	-
Liabilities				
Derivative financial instruments	47,264	-	47. 264	-

There were no transfers between levels 1, 2 and 3 of the fair value hierarchy in the years ended December 31, 2022 and 2021.

(In thousands of reais, unless otherwise stated)

18. Transactions with related parties

		Consolidated		Individual	
Assets	**Note**	**2022**	**2021**	**2022**	**2021**
Trade accounts receivable (Note 6)					
Alubar Coppertec Ind Com de Fios e Cabos Elétricos Ltda	(a)	**-**	-	**1,240**	9,796
Alubar Cabos Elétricos Montenegro Imp. Ind. Com. Ltda	(a)	**-**	-	**15,890**	11,380
Alubar Global Management Ltda	(a)	**4**	17	**4**	17
Alubar Metaux Inc	(a)	**-**	-	**93**	81
Alubar Metals Missouri LLC	(a)	**22,055**	-	**22,055**	-
		22,059	17	**39,282**	21,274
Other transactions					
Aluminum Investiment S/A	(b)	**342,000**	-	**342,000**	-
Advances to officers	(c)	**747**	416	**747**	416
Alubar Coppertec Ind Com de Fios e Cabos Elétricos Ltda		**-**	-	**-**	77
Alubar Cabos Elétricos Montenegro Imp. Ind. Com. Ltda	(d)	**-**	-	**1,242**	-
Alubar Metals Missouri LLC	(d)	**109,724**	-	**72,873**	-
Alubar Canadá Holding Inc	(e)	**-**	-	**-**	22,920
Alubar Global Management Ltda	(f)	**-**	1,907	**-**	1,885
9455-1298 Quebec Inc.	(g)	**-**	-	**2,284**	-
9455-1280 Québec Inc.	(g)	**-**	-	**12,956**	-
		452,471	2,323	**432,102**	25,298
Total assets		**474,530**	2,340	**471,384**	46,572
Liabilities					
Other transactions					
Alubar Global Management		**-**	-	**-**	58
Alubar Canadá Holding Inc.	(e)	**-**	-	**21,772**	-
Total liabilities		**-**	-	**21,772**	58
Profit or loss					
Sales of products from the Parent Company to Alubar Coppertec	(a)	**-**	-	**5,364**	11,097
Sales of products from the Parent Company to Alubar Montenegro	(a)	-	-	**87,244**	123,567
Sales of products from the Parent Company to Alubar Metals Missouri	(a)	**22,055**	-	**22,055**	-
Total sales revenues		**22,055**	-	**114,663**	134,664
Other operating income					
Aluminum Investiment S/A (Note 24)	(b)	**203,375**	-	**203,375**	-
Finance income (costs)					
Interest income		**4,046**	-	**8,408**	602
Foreign exchange differences, net		**2,879**	1,109	**7,397**	1,109
		6,925	1,109	**15,805**	1,711

All balances with related parties are measured on a historical cost basis and are to be settled in accordance with the specific conditions agreed by and between the parties.

(a) Accounts receivable - refer primarily to purchase and sale transactions between the Company and the subsidiaries Alubar Coppertec, Alubar Montenegro and Alubar Metals Missouri LLC (a subsidiary until September 30, 2022). No expenses were recognized in the current year or prior year for bad debts or doubtful accounts in relation to related-party payables.

18. Transactions with related parties (Continued)

(b) As mentioned in Note 8, on September 1, 2022, according to the Minutes of the Board of Directors' Meeting, the Company's corporate restructuring was approved, which provided for the transfer of control of its direct subsidiary Alubar USA Holding LLC to the parent company of the Alubar Group, Aluminum Investment S/A. The price agreed under the agreement between the parties was R$145,000, and the cost (carrying amount) of the investment as at September 30, 2022 was R$126,453. The gain recorded for this transaction was R$32,404, which includes R$13,857 in OCI realized in the transaction (Note 24).

On December 15, 2022, the Company sold fixed assets (machinery and equipment) that are physically located in Victoriaville (Canada) at the premises of its subsidiary 9455-1264 Québec, Inc to its parent company Aluminum Investment S/A. The price agreed under the agreement entered into between the parties was R$197,000, which was determined based on a valuation report of the fair value of the assets sold prepared by an independent specialist engaged by the Company, and the cost of the assets sold was R$26,028. The gain recorded for this transaction was R$170,972 (Note 24).

The contracts were in Brazilian reais, thus not subject to foreign exchange differences, nor to interest rates or fixed payment term. The payment will use the dividends expected for the coming years.

(c) Sundry advances made to officers to cover expenses incurred in activities related to their duties in the Group. These advances are made without a contract and without charges, and are settled upon proof of the expenditures.

(d) Refer to payments made by the Company for the purchase of property, plant and equipment items from Alubar Metals Missouri LLC, and payment of expenses of the subsidiary Alubar Montenegro. No interest is charged on these balances and there is no fixed payment term.

(e) The Company has entered into a loan agreement with its subsidiary Alubar Canada Holding Inc, in Canadian dollars, on which exchange differences plus an adjustment by 4.70% p.a. + Selic are applied. The balance receivable as at December 31, 2021 was received throughout the third quarter of 2022.

The balance payable as at December 31, 2022 refers to a loan agreement bearing interest of 4.70% p.a. + Selic. During the year, there was a net impact of R$2,380 in interest expenses and of R$2,822 in foreign exchange losses.

(f) This balance refers to the payments made by the parent company of expenses and contracts at the beginning of Alubar Global Management's operations. The Company and its subsidiaries has a cost sharing agreement with related party Alubar Global Management (AGM) for the following activities: procurement, logistics, legal, human resources, communication, executive secretaries, commercial, controllership, finance, expansion, engineering, executive officers, production planning & control, and information technology, with apportionment of costs and expenses according to the professionals assigned to each activity. This agreement has an indefinite term and does not provide for compensation to AGM. Shared costs are charged through the issue of debit notes.

(g) This balance refers to expenses paid by the Company and advances made under agreements with the subsidiaries located in Victoriaville, Canada.

Key management personnel compensation

The Group is managed by the officers assigned to the related party Alubar Global Management, with which the Group has a cost sharing agreement (see Note (f)). In addition, the members of the Board of Directors are allocated and paid directly by the Group. In the year ended December 31, 2022, key management personnel compensation amounted to R$8,379 (R$5,858 in 2021), including costs shared and directly incurred by the Group.

The Group does not grant its managing officers and directors share-based compensation, post-employment benefits or severance benefits other than those provided for by the applicable legislation.

(In thousands of reais, unless otherwise stated)

19. Equity

a) Capital

The Company's authorized capital is R$150,000 and is represented by 150,000,000 (one hundred and fifty million) common shares, with a par value of R$1.00 (one real) each, of which the amount of R$87,114 is subscribed and paid in, represented by 87,114,193 common shares, with a par value of R$1.00 (one real) each, held as follows:

	2022 and 2021		
Shareholders	**Common shares**	**Amount**	**%**
Aluminum Investment S.A.	**85,416,243**	**85,416**	**98.06%**
Individuals	**1,697,950**	**1,698**	**1.94%**
	87,114,193	**87,114**	**100.00%**

Common shareholders are entitled to receive dividends as defined in the Company's Articles of Incorporation. Each common share is entitled to one vote at the Company's General Meetings, pursuant to article 110 of Law No. 6404/76.

Class "A" preferred shares - Amazon Development Fund (FDA)

Class "A" preferred shares, which are mandatorily registered and without voting rights if and when issued, will be used for the conversion of Debentures to be subscribed by the Amazon Development Fund (FDA) (Note 13), based on the provisions of Decrees No. 4254 of May 2002 and No. 5593 of November 2005, ensuring their holders the following advantages:

(a) Priority in the distribution of dividends of at least 25% (twenty-five percent);
(b) Priority in the reimbursement of capital, in case of dissolution of the company;
(c) Full share in the Company's profits, so that no other type and classes of shares can be entitled to better equity advantages, competing in all events qualified as distribution of profits, including the capitalization of available reserves and profits retained for any purposes.

b) Income reserves

The Company recognizes income reserves to cover capital increases, profit distribution, absorption of loss, among others.

(In thousands of reais, unless otherwise stated)

19. Equity (Continued)

b) Income reserves (Continued)

As at December 31, 2022, the balance of income reserves, except for tax incentives, exceeds the Company's capital by R$136,507. In accordance with article 199 of Law No. 6404/76, the 2023 annual general meeting will decide whether to use of the excess amount for capital increase or for the distribution of dividends.

c) Legal reserve

The legal reserve is recorded at 5% of net income for each year, under the terms of article 193 of Law No. 6404/76, capped at 20% of the capital. Since December 31, 2021, this reserve has been recorded within the limit of 20% of capital.

d) Dividends

The Company's Articles of Incorporation determine the distribution of a mandatory minimum dividend of 25% on P&L for the year, adjusted in accordance with the law.

As at December 31, 2022, the Company management proposed the distribution of dividends pursuant to the Articles of Incorporation:

	2022	2021
Net income for the year	**134,332**	161,648
(-) Legal reserve - 5%	**-**	-
(-) Tax incentive reserve	**(1,528)**	(28,535)
Dividend base	**132,804**	133,113
Mandatory minimum dividends - 25%	**33,201**	33,278

20. Sales revenue

	Consolidated		Individual	
	2022	2021	2022	2021
Gross sales revenue	**4,001,166**	3,786,537	**2,131,630**	2,355,097
(-) Deductions				
ICMS	**(245,482)**	(322,925)	**(228,652)**	(314,721)
ICMS grant (Note 3.4)	**215,948**	297,014	**215,948**	297,014
IPI	**(92,866)**	(180,043)	**(85,504)**	(172,871)
PIS	**(15,038)**	(8,770)	**(14,044)**	(11,015)
COFINS	**(69,266)**	(40,397)	**(64,687)**	(50,737)
Returns/Canceled sales	**(197,278)**	(63,406)	**(172,897)**	(35,059)
Total deductions	**(403,982)**	(318,527)	**(349,836)**	(287,389)
Total revenues	**3,597,184**	3,468,010	**1,781,794**	2,067,708

(In thousands of reais, unless otherwise stated)

21. Cost of sales

	Consolidated		Individual	
	2022	2021	2022	2021
Raw materials	**(2,764,584)**	(2,650,548)	**(1,177,596)**	(1,421,342)
Packaging material	**(86,993)**	(94,821)	**(75,087)**	(90,084)
Personnel	**(100,202)**	(92,761)	**(57,386)**	(62,612)
Fuel and lubricants	**(65,421)**	(60,843)	**(53,058)**	(54,216)
Third-party services	**(57,157)**	(35,688)	**(22,954)**	(24,188)
Depreciation and amortization	**(32,972)**	(22,393)	**(24,615)**	(19,569)
Other costs	**(49,996)**	(19,491)	**(41,614)**	(10,246)
	(3,157,325)	(2,976,545)	**(1,452,310)**	(1,682,257)

22. Selling expenses

	Consolidated		Individual	
	2022	2021	2022	2021
Freight on sales	**(134,889)**	(116,712)	**(68,630)**	(67,802)
Sales commissions	**(6,588)**	(9,939)	**(5,144)**	(5,479)
Insurance	**(1,437)**	(2,366)	**(1,317)**	(2,349)
Allowance for expected credit losses	**(4,291)**	(1,491)	**(2,242)**	(771)
Personnel	**(4,271)**	(2,244)	**(2,434)**	(2,220)
Third-party services	**(4,268)**	(703)	**(706)**	(703)
Depreciation and amortization	**(389)**	(18)	**(311)**	(18)
Other expenses	**(959)**	(773)	**(592)**	(761)
	(157,092)	(134,246)	**(81,376)**	(80,103)

23. General and administrative expenses

	Consolidated		Individual	
	2022	2021	2022	2021
Personnel	**(47,818)**	(45,154)	**(35,574)**	(35,811)
Third-party services	**(43,339)**	(32,974)	**(27,062)**	(18,419)
Depreciation and amortization	**(6,595)**	(5,811)	**(4,335)**	(3,740)
Materials	**(2,961)**	(2,268)	**(1,828)**	(1,777)
Travel and lodging	**(2,350)**	(1,535)	**(2,160)**	(1,316)
Insurance	**(1,722)**	(969)	**(1,717)**	(915)
Other expenses	**(8,169)**	(10,492)	**(7,044)**	(11,160)
	(112,954)	(99,203)	**(79,720)**	(73,138)

(In thousands of reais, unless otherwise stated)

24. Other income (expenses), net

	Consolidated		Individual	
	2022	**2021**	**2022**	**2021**
Gain on disposal of property, plant and equipment (a)	**170,972**	-	**170,972**	-
Gain on disposal of subsidiary (b)	**32,404**	-	**32,404**	-
Recovery of expenses (c)	**1,880**	18,031	**1,880**	17,670
Gain (loss) on sale of scrap	**(7,834)**	8,143	**(11,615)**	5,679
Previously unused PIS/COFINS credit	**-**	6,732	**-**	5,852
Other income (expenses), net	**5,881**	(5,509)	**550**	(10,311)
	203,303	27,397	**194,191**	18,890

(a) On December 15, 2022, the Company sold fixed assets (machinery and equipment) that are physically located in Victoriaville (Canada) at the premises of its subsidiary 9455-1264 Québec, Inc to its parent company Aluminum Investment S/A. The price agreed under the agreement entered into between the parties was R$197,000, which was determined based on a valuation report of the fair value of the assets sold prepared by an independent specialist engaged by the Company, and the cost of the assets sold was R$26,028. The gain of R$170,972 was recorded in profit or loss for the year.

(b) On September 1, 2022, according to the Minutes of the Board of Directors' Meeting, the Company's corporate restructuring was approved, which provided for the transfer of control of its direct subsidiary Alubar USA Holding LLC to the parent company of the Alubar Group, Aluminum Investment S/A. The price agreed under the agreement between the parties was R$145,000, and the cost (carrying amount) of the investment as at September 30, 2022 was R$126,453. The gain recorded includes R$13,857 relating to OCI realized upon divestiture.

(c) At December 31, 2021, a substantial part of the balance referring to recovery of expenses (R$16,630) refers to the indemnity received, in materials, for the cancellation of the transaction with ATE XVI Transmissora de Energia S.A. on March 10, 2021.

25. Finance income (costs)

	Consolidated		Individual	
	2022	**2021**	**2022**	**2021**
Finance income				
Revenue from swap	**30,364**	30,465	**30,364**	30,466
Monetary/foreign exchange differences	**78,818**	29,557	**72,163**	29,648
Interest on accounts receivable	**14,815**	1,351	**10,330**	1,073
Discounts received	**500**	349	**411**	347
Short-term investment income	**11,378**	3,213	**11,351**	3,213
Total finance income	**135,875**	64,935	**124,619**	64,747
Finance costs				
Monetary/foreign exchange losses	**(64,065)**	(60,266)	**(52,094)**	(58,615)
Interest on loans, financing and debentures	**(154,415)**	(41,751)	**(139,089)**	(41,316)
Bank charges	**(8,871)**	(20,621)	**(8,337)**	(19,868)
Swap expenses	**(46,696)**	(18,425)	**(46,696)**	(18,426)
Interest expenses on other liabilities	**(48,373)**	(10,760)	**(41,374)**	(10,037)
Discounts granted	**(16,486)**	(6,152)	**(15,510)**	(6,090)
Total finance costs	**(338,906)**	(157,975)	**(303,100)**	(154,352)
Finance income (costs)	**(203,031)**	(93,040)	**(178,481)**	(89,605)

(In thousands of reais, unless otherwise stated)

26. Income tax and social contribution

The Group recorded a provision for taxes on income for the year at the following amounts, also considering the profit from tax-incentive activities (*lucro da exploração*):

	Consolidated		Individual	
	2022	**2021**	**2022**	**2021**
Income before income tax and social contribution	**170,085**	192,373	**173,464**	185,400
Combined tax rate	**34%**	34%	**34%**	34%
Income tax and social contribution	**57,829**	65,407	**58,977**	63,036
Effects of permanent additions (exclusions):	**(58,438)**	9,244	**(69,807)**	(10,749)
Loss on equity pickup of subsidiaries (Note 9)	**9,214**	3,306	**9,214**	3,306
Other additions	**11,369**	17,372	**-**	284
ICMS grant (Note 20)	**(73,422)**	-	**(73,422)**	-
Gain on equity pickup of subsidiaries (Note 9)	**(5,599)**	(11,434)	**(5,599)**	(11,434)
Other exclusions	**-**	-	**-**	(2,905)
Government grant on income tax	**(1,528)**	(28,535)	**(1,528)**	(28,535)
Tax rate difference of foreign subsidiary	**(13,607)**	(15,390)	**-**	-
Unrecognized deferred IRPJ/CSLL	**51,490**	-	**51,490**	-
	35,746	30,726	**39,132**	23,752
IRPJ/CSLL – Current	**(36,282)**	(29,732)	**(29,421)**	(17,554)
IRPJ/CSLL – Deferred	**536**	(994)	**(9,711)**	(6,198)
IRPJ/CSLL on profit or loss for the period	**(35,746)**	(30,726)	**(39,132)**	(23,752)
Effective rate	**21%**	16%	**23%**	13%

<u>Federal tax incentive - Reduction in IRPJ rate - Profit from tax incentive activities</u>

The Group operates under the regime whereby taxable profit is computed based on accounting records, on a quarterly basis, and benefits from a tax incentive related to the reduction of the income tax rate by 75% on operating income arising from its main activities (profit from tax incentive activities).

This tax incentive is recognized directly in the statement of profit or loss, and the income tax amount is stated on a net basis, i.e. the total tax amount less the incentive received. In the year ended December 31, 2022, the Group recognized R$1,528 (R$28,535 in 2021) relating to this tax incentive.

(In thousands of reais, unless otherwise stated)

26. Income tax and social contribution (Continued)

Deferred income tax and social contribution

Deferred income tax and social contribution balances are shown below:

	Consolidated		Individual	
	2022	2021	2022	2021
Temporary differences with impact on profit or loss:				
Allowance for expected credit losses	**1,635**	1,141	**1,344**	794
Provision for inventory losses	**1,338**	590	**1,338**	590
Provision for contingencies	**891**	381	**891**	381
Effects of the adoption of NBC TG 06 (R3)	**(40,627)**	(14,605)	**(40,627)**	(14,605)
Income and social contribution tax losses	**34,683**	-	**17,534**	-
Other temporary differences	**1,441**	8,284	**-**	-
	(641)	(4,209)	**(19,520)**	(12,840)
Temporary differences with impact on equity				
Effects of the adoption of NBC TG 48	**16,991**	(1,465)	**16,991**	(1,465)
Cumulative translation adjustment of investees	**(10,135)**	(3,620)	**(10,135)**	(3,620)
Cumulative adjustment of pension plan	**12,664**	(4,105)	**12,664**	(4,105)
	19,520	(9,190)	**19,520**	(9,190)
Total deferred tax assets (liabilities), net	**18,879**	(13,399)	**-**	(22,030)
Presented in the statement of financial position as:				
Deferred tax assets	**18,879**	8,631	-	-
Deferred tax liabilities	**-**	(22,030)	-	(22,030)
Total deferred tax assets (liabilities), net	**18,879**	(13,399)	**-**	(22,030)

27. Earnings per share (basic and diluted)

Basic earnings per share

Basic earnings per share are calculated by dividing the profit attributable to the Company's shareholders by the weighted average number of common shares outstanding during the period.

The calculation of basic earnings per share for the years ended December 31, 2022 and 2021 is shown below:

	2022	2021
Net income for the year attributable to the Company's shareholders	**134,339**	161,647
Weighted average number of shares (Note 19)	**87,114,193**	87,114,193
Basic earnings per share - R$	**1.54**	1.86

(In thousands of reais, unless otherwise stated)

27. Earnings per share (basic and diluted) (Continued)

Diluted earnings per share

Diluted earnings per share are calculated by adjusting the weighted average number of common shares outstanding, to assume the conversion of all dilutive potential common shares. In calculating diluted earnings per share, the numerator is adjusted for the effect of interest expenses of convertible debentures (Note 13) and the denominator is increased to include the number of dilutive potential common shares that are assumed to be outstanding during the period.

As disclosed in Note 13, SUDAM is entitled to the conversion of up to 15% of the amount of each repayment installment of the subscribed amount paid semiannually into common or preferred shares of the Company, at its discretion. Considering that, to date, SUDAM has not elected to convert the debentures into shares, the Company paid and redeemed the securities in full, in accordance with the amortization schedule provided for in the Indenture for the Issue of Debentures. If SUDAM chooses to convert falling due installments into common shares of the Company (limited to 15% of the debit balance), the effects at December 31, 2022 and 2021 would be as follows:

	2022	2021
Net income for the year attributable to the Company's shareholders	**134,339**	161,647
(+) Interest incurred on convertible debentures (limited to 15%)	**130**	128
Adjusted net income	**134,469**	161,775
Weighted average number of shares (Note 19)	**87,114,193**	87,114,193
Dilutive potential shares	**161,018**	273,289
	87,275,211	87,387,482
Diluted earnings per share - R$	**1.54**	1.85

28. Segment information

Assessment of information by segment

Due to the concentration of its activities substantially in the production of electrical wires and cables, the Group is organized and managed as one single business unit. The diverse mix of products and solutions that include bare aluminum power conductors, multiplexed and covered cables, bare and copper-coated wires and cables, as well as aluminum and alloy rods to serve the electrical and steel market, is not controlled and managed by management as independent segments, and the Group's results are followed up, monitored and evaluated on an integrated basis, as a single segment.

29. Post-employment benefits (Consolidated)

Accounting policy

Through its foreign subsidiary Alubar Canada, the Group participates in pension plans administered by a closed private pension entity that provide its unionized employees with post-employment benefits.

The defined benefit plan liability is the present value of the defined benefit obligation at the reporting date, less the fair value of the plan's assets. The defined benefit obligation is calculated annually by independent actuaries using the projected unit credit method. The present value of the defined benefit obligation is determined by discounting future estimated cash disbursements using interest rates that are in line with market yields, which are denominated in the currency in which the benefits will be paid, and have maturity terms close to those of the respective pension plan obligation.

The discount rate as at December 31, 2022 was determined in accordance with the revised educational note "Setting the accounting discount rate assumption for pension and post-employment benefits plans" issued by the Canadian Institute of Actuaries, and using the "Fiera Capital's CIA Accounting Discount Rate Curve" as at December 31, 2022.

Gains and losses arising from changes in actuarial and pension plan assumptions are recognized in "Equity valuation adjustments" in the period in which they occur.

Contributions are recognized as an employee benefit expense when due. Contributions paid in advance are recognized as an asset to the extent that a cash reimbursement or future payment reduction is available.

As at December 31, 2022, the Group had R$4,589 referring to the present value of actuarial obligations recorded in noncurrent liabilities. In 2021, this amount was R$31,722.

(In thousands of reais, unless otherwise stated)

29. Post-employment benefits (Consolidated) (Continued)

Accounting policy (Continued)

The defined benefit plan inputs and the assumptions adopted to calculate and account for the defined benefit component of the plan are summarized as follows:

	2022
Assets:	
Number of participants	**34**
Average age (years)	**49.6**
Average length of service (years)	**15.8**
Average annual salary (CAD $)	**92,500**
Retirees and pensioners	
Quantitative	**21**
Average age (years)	**61.1**
Average annual benefit payroll (CAD $)	**35,900**

	2022	2021
Real discount rate	**5.00%**	3.00%
General mortality table	**CPM 2014**	CPM 2014
Mortality improvement	**CPM Scale B**	CPM Scale B
Disabled mortality table	**N/A**	N/A
Disability table	**N/A**	N/A
Real salary growth rate	**2.50%**	2.50%
Turnover rate	**Nil**	Nil
Maximum des gains admissibles (MGA)	**2.50%**	2.50%

At December 31, 2022 and 2021, the position of actuarial assets and liabilities was as follows:

		2022	2021
1.1	Present value of actuarial obligations	**71,703**	117,793
1.2	Fair value of plan assets (-)	**(67,144)**	(86,071)
1.3	Actuarial liabilities (1.1-1.2)	**4,589**	31,722
1.4	Asset ceiling effect	**-**	-
1.5	Actuarial liabilities recorded (1.3+1.4)	**4,589**	31,722
1.6	Debts assumed by the sponsor with the plan	**-**	-
1.7	Actuarial liabilities recorded (max [1.5; 1.6])	**4,589**	31,722

(In thousands of reais, unless otherwise stated)

29. Post-employment benefits (Consolidated) (Continued)

Accounting policy (Continued)

Changes in actuarial assets and liabilities for the year were as follows:

		2022	2021
1.1	Actuarial liabilities at beginning of year	**31,722**	54,997
1.2	Expenses/(income) recognized in the year	**1,175**	1,708
1.3	Contributions to the plan	**(119)**	(2,356)
1.4	Amounts to be recognized in OCI	**(29,808)**	(26,915)
1.5	Other	**1,619**	4,288
2	Actuarial liabilities recorded	**4,589**	31,722

The history of actuarial remeasurements is as follows:

	2022	2021
Present value of the defined benefit plan obligation	**(71,703)**	(117,793)
Fair value of plan assets	**67,114**	86,071
Deficit	**(4,589)**	(31,722)

Remeasurements are recognized in the period in which they occur and are recorded directly in other comprehensive income.

30. Insurance coverage

As at December 31, 2022, the Group's insurance coverage against operational risks totaled R$1,041,950 (R$832,507 in 2021), R$1,167,416 for property damage (R$986,790 in 2021), R$560,661 for loss of profits (R$166,056 in 2021), and R$130,000 for D&O civil liability (R$130,000 in 2021).

31. Events after the reporting period

Supreme Court decision on the ‘res judicata’ on tax matters

On February 8, 2023, the Federal Supreme Court (STF) concluded the judgment on the ‘res judicata’ decisions on taxes paid on an ongoing basis, in the sense that an individual res judicata decision will lose its effects when a new contrary decision is handed down addressing tax matters. The Supreme Court also rejected the request for limitation of the effects of that decision in time, determining the payment of past amounts, provided that such amounts are not yet subject to statute of limitation.

The Group assessed the effects of that decision on proceedings for which a final decision has already been handed down and concluded that there are no impacts on the financial statements, since no case was identified for which the understanding of the Supreme Court has been modified under a constitutionality-related action subject to STF decisions only.

Waiver obtained from Credit Suisse

As mentioned in Note 13, as at December 31, 2022, the Group presented a covenant under a loan agreement with Credit Suisse in an amount that exceeds the one provide for in the agreement. Therefore, on March 7, 2023, the Group obtained a waiver from the financial institution, exempting it from complying with the referred to ratios for that reporting date.

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