Individual and consolidated financial statements

Alubar Metais e Cabos S.A.

December 31, 2023
with Independent Auditor's Report

Alubar Metais e Cabos S.A.

Individual and consolidated financial statements

December 31, 2023

Contents

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

Independent auditors' report on individual and consolidated financial statements

To the Shareholders, Board of Directors and Officers of
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, 2023, and the statements of profit or loss, of comprehensive income, of changes in equity and cash flows for the year then ended, and notes to the financial statements, including a summary of material accounting policies and other explanatory information.

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, 2023, 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 requirements provided for in the Code of Ethics for Professional Accountants and in the professional standards issued by Brazil's National Association of State Boards of Accountancy, 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 a matter – Significant transactions with related parties

As described in Notes 6 and 17 to the individual and consolidated financial statements, the Company performs significant transactions with related parties, focused on the purchase and sale of finished products, sale of assets and loan agreement transactions, which significantly impacted the results of its operations for the years ended December 31, 2023 and 2022. As a consequence, the results of its operations could be different from those that would be obtained if the transactions were carried out with unrelated 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 matters below, provide the basis for our audit opinion on the accompanying financial statements.

Revenue recognition

As mentioned in Note 2.2 to the individual and consolidated financial statements, the revenue recognition by the Company involves different revenue streams due to the different contractual characteristics associated to them The Company and its subsidiaries sell electrical cables for transmission and distribution, rebar and aluminum alloys with different types of arrangements for delivery to the buyer, such as Sale for Future Delivery in "bill-and-hold" type arrangements, mainly for the domestic market, in addition to direct sales to the domestic and foreign markets with different shipping methods such as Cost, Insurance and Freight - CIF and Free On Board - FOB.

From a revenue recognition standpoint, in addition to aspects such as the effective occurrence of transactions, such arrangements involve controls with the objective of ensuring the integrity of transaction records, in addition to aspects related to the fulfillment of performance obligations that indicate the effective moment in which revenue must be recognized (when the performance obligation to transfer control of products to customers is satisfied), including sales under "bill-and-hold" arrangements. Furthermore, the process of measuring direct sales billed and not delivered at year-end also involves a certain degree of judgment, by the Company, in determining estimates of average delivery times. Therefore, we consider this matter to be significant for our audit.

How our audit addressed this matter

Our audit procedures included, among others: i) analyzing contracts entered into on a "bill- and-hold" basis to confirm that the criteria that determine that the buyer has obtained control of the product, as defined by NBC TG 47 – Revenue from Contracts with Customers, were all met; ii) analyzing the average delivery terms used by the Company in estimating the calculation of sales billed and not delivered at year-end and comparison with the average terms of sales made at year-end; iii) performing data analysis procedures; iv) performing detailed testing on samples to confirm both the occurrence and appropriate cut-off of transactions; and v) assessing the adequacy of the disclosures in the respective notes to the individual and consolidated financial statements as at December 31, 2023.

Based on the result of the audit procedures carried out on the revenue recognition from the sale of products, which is consistent with the Company's assessment, we consider the criteria and assumptions on the recognition of revenue from the sale of products adopted by the Company, as well as the respective disclosures in Notes 2.2 and 19 to be acceptable in the context of the individual and consolidated financial statements taken as a whole.

Other matters

Statements of value added

The individual and consolidated statements of value added (SVA) for year ended December 31, 2023, prepared under the responsibility of 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 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 the executive board and those charged with governance for the individual and consolidated financial statements

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

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

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 the executive board.
- Concluded on the appropriateness of the executive board's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the individual and consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or 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.

We also provide those charged with governance with a statement that we have complied with relevant ethical requirements, including applicable independence requirements, and communicate all potential relationships or matters that could materially affect our independence, including, where applicable, the respective safeguards. From the matters communicated with those charged with governance, we 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, March 28, 2024

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

Henrique Piereck de Sá
Accountant CRC PE-023398/O

Alubar Metais e Cabos S.A.

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

	Note	Individual 2023	Individual 2022	Consolidated 2023	Consolidated 2022
Assets					
Current assets					
Cash and cash equivalents	4	**157.776**	25.312	**159.445**	32.423
Marketable securities	5	**39.340**	47.715	**39.340**	47.715
Trade accounts receivable	6	**467.919**	195.700	**586.047**	272.592
Inventories	7	**142.259**	135.028	**186.632**	203.580
Advances to suppliers		**5.337**	13.352	**9.265**	33.242
Taxes recoverable	8	**86.892**	139.281	**135.344**	173.268
Income tax and social contribution recoverable		**4.206**	6.950	**4.206**	6.950
Related parties	17	**300.000**	-	**300.000**	-
Other assets		**8.311**	6.780	**13.834**	11.838
Total current assets		**1.212.040**	570.118	**1.434.113**	781.608
Noncurrent assets					
Marketable securities	5	**16.405**	18.383	**16.405**	18.383
Trade accounts receivable	6	**1.544**	2.868	**1.544**	2.868
Taxes recoverable	8	**22.535**	3.078	**23.361**	3.904
Income tax and social contribution recoverable		**5.308**	1.879	**5.308**	1.879
Judicial deposits		**192**	180	**192**	180
Deferred income and social contribution taxes	25	**40.488**	-	**63.798**	18.879
Related parties	17	**154.195**	432.102	**154.195**	452.471
Investments	9	**325.761**	305.277	**-**	-
Property, plant and equipment	10	**602.698**	621.029	**798.509**	818.639
Right of use		**23.774**	30.765	**23.774**	30.765
Intangible assets		**4.154**	4.791	**5.255**	6.126
Total noncurrent assets		**1.197.054**	1.420.352	**1.092.341**	1.354.094
Total assets		**2.409.094**	1.990.470	**2.526.454**	2.135.702

	Note	Individual 2023	Individual 2022	Consolidated 2023	Consolidated 2022
Liabilities and equity					
Current liabilities					
Trade accounts payable	11	**159.939**	164.496	**247.028**	175.901
Loans, financing and debentures	12	**812.198**	254.903	**1.005.310**	290.785
Labor and social security obligations		**13.856**	9.343	**19.464**	12.742
Lease liabilities		**6.297**	6.651	**6.297**	6.651
Taxes payable	13	**12.286**	14.384	**52.564**	34.744
Income tax and social contribution payable		**5.695**	26.301	**8.231**	26.323
Derivative financial instruments	16	**236.635**	64.801	**238.685**	64.895
Dividends payable	15	**31.396**	30.854	**31.396**	30.854
Advances from customers		**5.072**	3.151	**5.952**	4.781
Related parties	17	**279.250**	-	**-**	-
Other accounts payable		**-**	-	**950**	1.478
Total current liabilities		**1.562.624**	574.884	**1.615.877**	649.154
Noncurrent liabilities					
Loans, financing and debentures	12	**555.830**	928.265	**625.036**	1.029.252
Lease liabilities		**21.254**	24.114	**21.254**	24.114
Taxes payable	13	**8.592**	19.402	**8.592**	19.402
Income tax and social contribution payable		**3.519**	1.525	**3.519**	1.525
Derivative financial instruments	16	**33.595**	89.771	**33.595**	89.771
Related parties	17	**-**	21.772	**-**	-
Pension plan obligations	29	**-**	-	**5.921**	4.589
Provision for contingencies	14	**5.523**	2.620	**5.531**	2.634
Provision for loss on investments	9	**11.028**	12.870	**-**	-
Total noncurrent liabilities		**639.341**	1.100.339	**703.448**	1.171.287
Equity	18				
Capital		**87.114**	87.114	**87.114**	87.114
Income reserve		**460.166**	368.709	**460.166**	368.709
Equity adjustment		**(340.151)**	(140.576)	**(340.151)**	(140.576)
Equity attributable to controlling interests		**207.129**	315.247	**207.129**	315.247
Noncontrolling interests		**-**	-	**-**	14
Total equity		**207.129**	315.247	**207.129**	315.261
Total liabilities and equity		**2.409.094**	1.990.470	**2.526.454**	2.135.702

See accompanying notes.

Alubar Metais e Cabos S.A.

Statements of profit or loss
Years ended December 31, 2023 and 2022
(In thousands of reais, except for earnings per share, expressed in reais)

	Note	Individual 2023	Individual 2022	Consolidated 2023	Consolidated 2022
Net revenue	19	**1.911.444**	1.781.794	**3.373.380**	3.597.184
Cost of sales	20	**(1.397.295)**	(1.452.310)	**(2.702.550)**	(3.157.325)
Gross profit		**514.149**	329.484	**670.830**	439.859
Operating (expenses)/income					
Selling expenses	21	**(106.571)**	(81.376)	**(172.134)**	(157.092)
General and administrative expenses	22	**(91.040)**	(79.720)	**(121.594)**	(112.954)
Equity pickup	9	**34.206**	(10.634)	**-**	-
Other operating income (expenses), net	23	**(7.132)**	194.191	**(5.142)**	203.303
Total operating (expenses)/income		**(170.537)**	22.461	**(298.870)**	(66.743)
Income (loss) before finance income (costs), income tax and social contribution		**343.612**	351.945	**371.960**	373.116
Finance income	24	**175.843**	124.619	**205.695**	135.875
Finance costs	24	**(409.418)**	(303.100)	**(454.618)**	(338.906)
Finance income (costs)	24	**(233.575)**	(178.481)	**(248.923)**	(203.031)
Income (loss) before income tax and social contribution		**110.037**	173.464	**123.037**	170.085
Current income tax and social contribution	25	**-**	(29.421)	**(16.105)**	(36.282)
Deferred income tax and social contribution	25	**15.547**	(9.711)	**18.641**	536
Income taxes		**15.547**	(39.132)	**2.536**	(35.746)
Net income for the year		**125.584**	134.332	**125.573**	134.339
Income (loss) attributable to:					
Controlling interests		**125.584**	134.332	**125.584**	134.332
Noncontrolling interests		**-**	-	**(11)**	7
Net income for the year		**125.584**	134.332	**125.573**	134.339
Earnings per share - basic and diluted - R$	26	**1,4416**	**1,5420**		
Number of common shares at end of year (in thousands of shares)		**87.114**	87.114		

See accompanying notes.

Alubar Metais e Cabos S.A.

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

	Note	Individual 2023	Individual 2022	Consolidated 2023	Consolidated 2022
Net income for the year		**125.584**	134.332	**125.573**	134.339
Other comprehensive income for the year, net of taxes					
Hedge accounting transactions	16(a)	**(180.943)**	(296.250)	**(180.943)**	(296.250)
Cumulative adjustments in pension plan		**1.482**	29.808	**1.482**	29.808
Exchange effect on the translation of the financial statements of foreign subsidiaries	9	**(20.114)**	(37.249)	**(20.114)**	(37.249)
Total comprehensive income (loss)		**(73.991)**	(169.359)	**(74.002)**	(169.352)
Income (loss) attributable to:					
Controlling interests		**(73.991)**	(169.359)	**(73.991)**	(169.359)
Noncontrolling interests		**-**	-	**(11)**	7
		(73.991)	**(169.359)**	**(74.002)**	(169.352)

See accompanying notes.

Alubar Metais e Cabos S.A.

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

		Consolidated										
		Individual										
			Income reserve									
	Note	Capital	Legal reserve	Tax incentive reserve	Capital budget reserve	Retained profits	Additional dividends proposed	Equity adjustment	Retained earnings	Subtotal	Noncontrolling interests	Total
Balances at December 31, 2021		87.114	17.423	143.560	-	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 *t*ransactions	16	-	-	-	-	-	-	(296.250)	-	(296.250)	-	(296.250)
Cumulative adjustments in pension plan		-	-	-	-	-	-	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	17.423	145.088	-	169.293	36.905	(140.576)	-	315.247	14	315.261
Net income for the year		-	-	-	-	-	-	-	**125.584**	**125.584**	**(11)**	**125.573**
Allocation of income												
Mandatory minimum dividends (R$0.38/share)		-	-	-	-	-	-	-	**(31.396)**	**(31.396)**	-	**(31.396)**
Retained profits		-	-	-	-	**94.188**	-	-	**(94.188)**	-	-	-
Additional dividends approved	15	-	-	-	-	-	**(2.731)**	-	-	**(2.731)**	-	**(2.731)**
Recognition of capital budget reserve		-	-	-	**196.707**	**(162.533)**	**(34.174)**	-	-	-	-	-
Minority interests share in subsidiary's equity		-	-	-	-	-	-	-	-	-	**(3)**	**(3)**
Other comprehensive income												
Hedge accounting *transactions*	16	-	-	-	-	-	-	**(180.943)**	-	**(180.943)**	-	**(180.943)**
Cumulative adjustments in pension plan		-	-	-	-	-	-	**1.482**	-	**1.482**	-	**1.482**
Exchange effect on the translation of the financial statements of foreign subsidiaries	9	-	-	-	-	-	-	**(20.114)**	-	**(20.114)**	-	**(20.114)**
Balances at December 31, 2023		**87.114**	**17.423**	**145.088**	**196.707**	**100.948**	**-**	**(340.151)**	**-**	**207.129**	**-**	**207.129**

See accompanying notes.

Alubar Metais e Cabos S.A.

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

	Note	Individual 2023	Individual 2022	Consolidated 2023	Consolidated 2022
Cash flows from operating activities					
Net income for the year		**125.584**	134.332	**125.573**	134.339
Adjustments to:					
Depreciation	10	**39.536**	31.858	**49.651**	43.994
Amortization of intangible assets		**935**	1.856	**1.318**	2.356
Amortization of right-of-use assets		**12.684**	8.186	**12.684**	8.186
Residual value on write-off of property, plant and equipment and intangible a	10	**705**	11.640	**2.371**	12.978
Gain on disposal of subsidiary and sale of property, plant and equipment to the parent		**-**	(203.376)	**-**	(203.376)
Allowance for expected credit losses	6	**4.205**	2.242	**3.905**	4.291
Provision for inventory losses	7	**73**	66	**73**	66
Equity pickup	9	**(34.206)**	10.634	**-**	-
Provision for contingencies	14	**2.903**	120	**2.897**	134
Current income and social contribution taxes		**-**	-	**16.105**	-
Deferred income tax and social contribution		**(15.547)**	9.711	**(18.641)**	(536)
Interest incurred on lease liabilities		**1.955**	1.007	**1.955**	1.007
Derivative financial instruments		**-**	(100.597)	**-**	(101.745)
Interest, monetary and foreign exchange differences, net		**222.814**	123.108	**109.353**	143.136
Residual value on write-off of investments	9	**294**	-	**294**	-
		361.935	30.787	**307.538**	44.830
Variations in:					
Trade accounts receivable		**(262.450)**	85.019	**(307.114)**	58.342
Inventories		**(7.304)**	19.184	**14.320**	(59.579)
Advances to suppliers		**8.015**	(7.868)	**23.384**	(11.507)
Taxes recoverable		**32.932**	(19.787)	**17.910**	(21.536)
Income tax and social contribution recoverable		**(685)**	-	**(685)**	-
Judicial deposits		**(12)**	(34)	**(12)**	(34)
Other assets		**(1.534)**	2.806	**(2.317)**	3.224
Trade accounts payable		**(7.335)**	(100.318)	**71.891**	(60.549)
Labor and social security obligations		**4.513**	(2.334)	**6.954**	(1.997)
Taxes payable		**(12.908)**	11.687	**8.358**	13.395
Income tax and social contribution payable		**(18.612)**	-	**(32.203)**	-
Derivative financial instruments		**(90.317)**	-	**(89.655)**	-
Advances from customers		**1.921**	(68.056)	**1.248**	(66.979)
Other accounts payable		**-**		**428**	1.064
Cash (used in) from operating activities		**8.159**	(48.914)	**20.045**	(101.326)
Interest paid on loans, financing and debentures	12	**(172.059)**	(128.692)	**(173.834)**	(135.324)
Interest paid on lease liabilities		**(1.955)**	(1.007)	**(1.955)**	(1.007)
Net cash flows used in operating activities		**(165.855)**	(178.613)	**(155.744)**	(237.657)
Cash flows from investing activities					
Investments in marketable securities		**(109.562)**	(725.965)	**(109.562)**	(725.965)
Redemption of investments in marketable securities		**124.579**	715.135	**124.580**	715.135
Cash flows written off upon disposal of subsidiary		**-**	-	**-**	(21.582)
Acquisition of property, plant and equipment	10	**(19.132)**	(77.692)	**(40.096)**	(201.594)
Acquisition of intangible assets		**(298)**	(659)	**(521)**	(1.126)
Capital increase in subsidiaries	8	**(6.952)**	(529)	**-**	(529)
Net cash flows used in investing activities		**(11.365)**	(89.710)	**(25.599)**	(235.661)
Cash flows from financing activities					
Loans, financing and debentures raised	12	**1.318.141**	1.343.758	**1.501.345**	1.563.240
Repayments of principal – loans, financing and debentures	12	**(1.142.010)**	(1.064.418)	**(1.212.429)**	(1.081.544)
Payment of principal of lease liabilities		**(8.907)**	(8.186)	**(8.907)**	(8.186)
Intercompany loans		**176.045**	(43.087)	**62.031**	(46.657)
Dividends paid out	15	**(33.585)**	(48.936)	**(33.585)**	(48.936)
Net cash flows from financing activities		**309.684**	179.131	**308.455**	377.917
Increase (decrease) in cash and cash equivalents		**132.464**	(89.192)	**127.112**	(95.401)
Effect of foreign exchange differences on cash flows of foreign subsidiaries		**-**	-	**(90)**	(1.312)
Cash and cash equivalents at beginning of year		**25.312**	114.504	**32.423**	129.136
Cash and cash equivalents at end of year		**157.776**	25.312	**159.445**	32.423

See accompanying notes.

Alubar Metais e Cabos S.A.

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

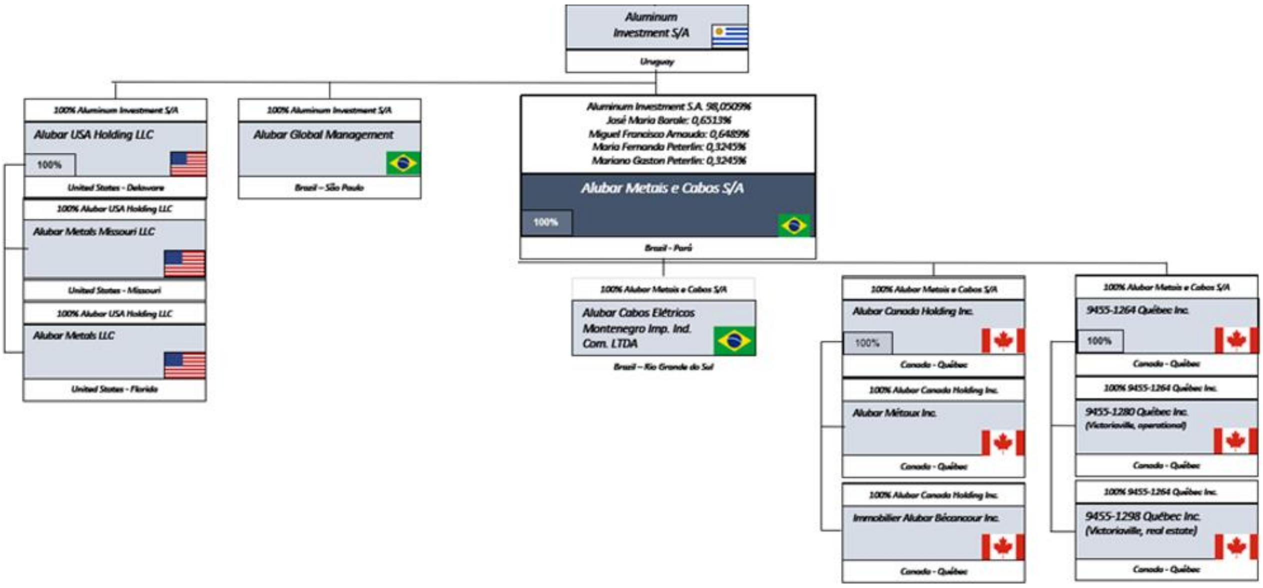
	Individual		Consolidated	
	2023	**2022**	**2023**	**2022**
Revenues				
Sales of products	**1.911.445**	1.781.794	**3.373.380**	3.613.014
Allowance for expected credit losses	**(4.205)**	(2.242)	**(3.905)**	(4.291)
Other revenues	**1.750**	239.768	**7.992**	251.394
	1.908.990	2.019.320	**3.377.467**	3.860.117
Inputs acquired from third parties (ICMS and IPI included)				
Cost of sales	**(1.288.765)**	(1.366.764)	**(2.550.636)**	(3.048.051)
Raw materials, power and services from suppliers	**(174.564)**	(180.416)	**(260.462)**	(279.977)
	(1.463.329)	(1.547.180)	**(2.811.098)**	(3.328.028)
Gross value added	**445.661**	472.140	**566.369**	532.089
Depreciation and amortization	**(53.155)**	(28.935)	**(63.653)**	(35.144)
Net value added generated by the Company	**392.506**	443.205	**502.716**	496.945
Value added received from transfers				
Equity pickup	**34.206**	(10.634)	**-**	-
Finance income	**180.810**	124.619	**210.665**	136.522
	215.016	113.985	**210.665**	136.522
Total value added to be distributed	**607.522**	557.190	**713.381**	633.467
Value added distributed				
Employees				
Salaries	**(49.019)**	(37.095)	**(90.336)**	(75.652)
Benefits	**(18.192)**	(14.693)	**(21.591)**	(16.644)
Unemployment Compensation Fund (FGTS)	**(3.608)**	(3.329)	**(3.839)**	(3.533)
	(70.819)	(55.117)	**(115.766)**	(95.829)
Taxes				
Federal taxes	**1.307**	(56.042)	**(13.179)**	(54.043)
State taxes	**(50)**	(397)	**(781)**	(1.039)
Local taxes	**(2.919)**	(903)	**(3.208)**	(1.227)
	(1.662)	(57.342)	**(17.168)**	(56.309)
Debt remuneration				
Finance charges	**(409.417)**	(303.101)	**(454.620)**	(338.416)
Rent	**(40)**	(7.298)	**(253)**	(8.599)
	(409.457)	(310.399)	**(454.873)**	(347.015)
Equity remuneration				
Profits withheld for the year	**(94.188)**	(101.131)	**(94.178)**	(101.113)
Dividends	**(31.396)**	(33.201)	**(31.396)**	(33.201)
	(125.584)	(134.332)	**(125.574)**	(134.314)
Value added	**(607.522)**	(557.190)	**(713.381)**	(633.467)

See accompanying notes.

1. Operations

Alubar Metais e Cabos S.A. ("Company" or "Parent Company"), jointly with its subsidiaries referred to as "Alubar Group" or "Group", is a privately held corporation, "B" category, controlled by aliens, incorporated on August 31, 2006, with head office at Highway PA 481 s/n, Km 2. 3 – Centro, Barcarena, Pará (PA) State. The Alubar Group is primarily engaged in the manufacturing of bare and insulated aluminum electrical conductors, wires, cables and copper cables; production of aluminum and its alloys in primary forms; 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.



As at December 31, 2023, the Group has negative net working capital of R$181,764 (Consolidated) and R$350,584 (Individual). The Group plans to equalize this position by generating its own cash and through renegotiations to reprofile debts from short to long term.

1. **Operations** (Continued)

1.1. Risks of international conflicts

International conflicts 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 conflicts themselves and the sanctions imposed (and other sanctions that may be imposed), as well as the possible responses to the sanctions, have and may have destabilizing effects on financial markets and certain commodity markets. Military conflicts 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. All these effects are monitored by the Group and were considered when reviewing accounting estimates and assessing the fair value of financial instruments in its financial statements for the year ended December 31, 2023. Additionally, the Group evaluated scenarios and concluded that there was no evidence of risk related to continuity of business operations, and maintains constant monitoring of commodity price risks, interest rates and exchange rates, credit risk management and capital management (Note 16).

2. Material accounting policies

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).

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.

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.

2. Material accounting policies

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

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 March 28, 2024.

2.1. Basis of consolidation

The consolidated financial statements comprise the financial statements of the Company and its subsidiaries as at December 31, 2023. Control is achieved when the Company is exposed, or has rights, to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee.

Specifically, the Company controls an investee if, and only if, the Company 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 Company has less than a majority of the voting rights of an investee, the Company 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 Company’s voting rights and potential voting rights (investor).

2. Material accounting policies (Continued)

2.1. Basis of consolidation (Continued)

The Company 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 Company obtains control over the subsidiary and ceases when the Company 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 Company gains control until the date the Company ceases to control the subsidiary.

Profit or loss and each component of OCI are attributed to controlling and noncontrolling interests of the Company, 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 Company'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.

If the Company 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 Company's investments in its subsidiaries are recognized using the equity method.

<u>List of subsidiaries</u>

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

(In thousands of reais, unless otherwise stated)

2. Material accounting policies (Continued)

2.1. Basis of consolidation (Continued)

<u>List of subsidiaries</u> (Continued)

		Equity interest %	
	Country	2023	2022
Direct subsidiaries:			
Alubar Cabos Elétricos Montenegro Importação, Indústria e Comércio Ltda.	Brazil	**100.0%**	100.0%
Alubar Coppertec Indústria e Comércio de Fios e Cabos Elétricos Ltda.	Brazil	**-**	99.5%
Alubar Canada Holding Inc.	Canada	**100.0%**	100.0%
9455-1264 Québec inc, - Holdco	Canada	**100.0%**	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 Cabos Elétricos Montenegro Importação, Indústria e Comércio Ltda. ("Alubar Montenegro"): manufacturing plant located in Montenegro, State of Rio Grande do Sul (RS). The subsidiary manufactures and sells rods, bare and insulated wires and electrical conductor cables obtained from the transformation of aluminum and copper. It is logistically relevant for the Group in Brazil due to its geographical location in the south of the country.

Alubar Canada Holding Inc. ("Alubar Canada")

Incorporated in August 2019 and in operation since April 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 with Alubar Métaux Inc.

9455-1264 Quebec 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.

2. Material accounting policies (Continued)

2.2. 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 for direct sales, and up to 180 days for sales under “bill-and-hold” arrangements.

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.

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; (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).

2. Material accounting policies (Continued)

2.2. Revenue from contracts with customers (Continued)

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.

Significant financing component

Under the bill-and-hold type arrangement, the Group makes installment sales to its customers. There is a significant financing component in these contracts considering the period between receipt of payment and the transfer of control of the products, as well as market interest rates. As such, the transaction price for these contracts is discounted using the interest rate implicit in the contract. This rate is equivalent to the rate that would be reflected in a separate financing transaction between the Group and its customers at the inception of the contract.

Right of return

A provision reducing accounts receivable is recognized for goods which are expected to be returned (amounts not included in the transaction price).

Trade accounts receivable

A receivable is recognized if a consideration amount is unconditionally due from a customer (i.e., only the passage of time is required for payment of the consideration to become due). See accounting policies for financial assets in Note 2.9.

2.3. 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.

2. Material accounting policies (Continued)

2.3. Fair value measurement (Continued)

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.

2.4. 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.

2. Material accounting policies (Continued)

2.4. Government grants (Continued)

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. In year 2023, the Company reported tax loss, and therefore did not use this tax benefit. The amount used in 2023 was R$1,528, according to Note 25.

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$177,621 (R$215,948 in 2022), according to Note 19.

2.5. 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.

2.6. Taxes

Income and social contribution taxes

Current and deferred income and social contribution taxes are calculated at the rate of 15% income tax and a surplus of 10% on taxable profit exceeding R$240 and 9% on taxable profit for social contribution tax on net profit, and take into consideration the offset of income and social contribution tax losses, limited to 30% of taxable profit computed on the Company’s accounting records (‘lucro real’) for the quarter. Income and social contribution tax expenses include current balances and are recognized in income for the year.

2. Material accounting policies (Continued)

2.6. Taxes (Continued)

<u>Income and social contribution taxes</u> (Continued)

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.

<u>Current income and social contribution taxes of foreign subsidiaries</u>

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.

<u>Deferred income and social contribution taxes</u>

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:

2. Material accounting policies (Continued)

2.6. Taxes (Continued)

Deferred income and social contribution taxes (Continued)

- 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.

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;

2. Material accounting policies (Continued)

2.6. Taxes (Continued)

Sales taxes (Continued)

- 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.

2.7. 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 and supplies - 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.

2.8. Property, plant and equipment

Recognition and measurement

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.

2. Material accounting policies (Continued)

2.8. Property, plant and equipment (Continued)

Recognition and measurement (Continued)

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 gains or losses arising from the asset write-off (calculated as the difference between net sales and carrying amount) are included in the statement of profit or loss for the year when the asset is written off.

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%
Computers and peripherals	20%
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.

2.9. 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.

2. Material accounting policies (Continued)

2.9. Financial instruments (Continued)

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.

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.

2. Material accounting policies (Continued)

2.9. Financial instruments (Continued)

i) Financial assets (Continued)

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.

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 of the asset or has assumed an obligation to fully pay the cash flows received, without significant delay to a third party under a "pass-through" arrangement; and (a) the Group has transferred substantially all risks and rewards of the asset, or (b) the Company has neither transferred nor retained substantially all risks and rewards related to the asset, but has transferred control over the asset.

2. Material accounting policies (Continued)

2.9. Financial instruments (Continued)

i) <u>Financial assets</u> (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 CPC 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.

2. Material accounting policies (Continued)

2.9. 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 CPC 48.

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

2. Material accounting policies (Continued)

2.9. 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, if and only if the criteria in CPC 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, as well as debentures issued. For more information, refer to Note 12.

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.

2. Material accounting policies (Continued)

2.9. 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:

2. Material accounting policies (Continued)

2.9. 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.

2. Material accounting policies (Continued)

2.9. 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.

2. Material accounting policies (Continued)

2.9. 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 16 for more details.

2.10. 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 net book value exceeds recoverable amount, a provision for impairment is recorded so as to adjust the net book value to the recoverable amount. The recoverable amount of an asset or a specific cash-generating unit is defined as the greater of the value in use and the net sales value.

2. Material accounting policies (Continued)

2.10. Impairment of non-financial assets (Continued)

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 assets' 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.

2.11. Provisions

Provisions are recognized when the Group has a present (legal or constructive) obligation 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.

2. Material accounting policies (Continued)

2.11. Provisions (Continued)

Provisions for tax, civil and labor contingencies

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.

2.12. 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.

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).

2. Material accounting policies (Continued)

2.12. Foreign currency translation (Continued)

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.

2.13. New or revised pronouncements first-time adopted in 2023

The Group applied for the first time certain standards and amendments, which are effective for annual periods beginning on or after January 1, 2023. 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.

<u>IFRS 17 - Insurance contracts</u>

IFRS 17 (equivalent to CPC 50 Insurance Contracts) is a new accounting standard with scope for insurance contracts, covering recognition and measurement, presentation and disclosure. IFRS 17 (CPC 50) supersedes IFRS 4 - Insurance Contracts (equivalent to CPC 11). IFRS 17 (CPC 50) applies to all types of insurance contracts (such as life, property and casualty, direct insurance and reinsurance), regardless of the type of entities that issue them, as well as to certain guarantees and financial instruments with characteristics of discretionary participation; some scope exceptions will apply. IFRS 17 (CPC 50) general purpose is to provide insurance companies with an accounting model for insurance contracts that is more useful and consistent, covering all relevant accounting aspects. IFRS 17 (CPC 50) is based on a general model, complemented by:

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

2. Material accounting policies (Continued)

2.13. New or revised pronouncements first-time adopted in 2023 (Continued)

IFRS 17 - Insurance contracts (Continued)

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

Definition of Accounting Estimates - Amendments to IAS 8

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

These amendments had no impact on the individual and consolidated financial statements of the Group.

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

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

The changes had an impact on the disclosures of the Group’s accounting policies, but not on the measurement, recognition or presentation of items in its individual and consolidated financial statements.

Deferred Tax related to Assets and Liabilities arising from a Single Transaction - Amendments to IAS 12

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

These amendments had no impact on the individual and consolidated financial statements of the Group.

2. Material accounting policies (Continued)

2.13. New or revised pronouncements first-time adopted in 2023 (Continued)

Internation tax Reform – Pilla Two Model Rules – Amendments to IAS 12

The amendments to IAS 12 (equivalent to CPC 32 – Income taxes) were introduced in response to the OECD's BEPS Pillar Two rules and include:

- A mandatory temporary exception to the recognition and disclosure of deferred taxes arising from jurisdictional implementation of Pillar Two model rules; and
- Disclosure requirements for affected entities to help users of financial statements better understand an entity's exposure to Pillar Two income taxes arising from this legislation, especially before the effective date.

The mandatory temporary exception - the use of which must be disclosed - takes effect immediately. The remaining disclosure requirements apply to annual reporting periods beginning on or after January 1, 2023, but not to any interim period ending on or before December 31, 2023.

The changes had no impact on the Group's individual and consolidated financial statements, since the Group is not subject to the rules of the Pillar Two model as its revenue is less than €750 million per year.

2.14. Standards issued but not yet effective

The new and amended standards and interpretations issued 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.

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

In September 2022, IASB issued amendments to IFRS 16 (equivalent to CPC 06 (R2) – Leases) to specify the requirements that a seller-lessee uses in measuring the lease liability arising from a sale and leaseback transaction, in order to ensure that the seller-lessee does not recognize any amount of gain or loss that relates to the right of use that they maintain.

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

2. Material accounting policies (Continued)

2.14. Standards issued but not yet effective (Continued)

These amendments are not expected to have a material impact on the Group’s financial statements.

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

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

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

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

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

The Group is currently assessing the impact that the amendments will have on current practice and whether existing loan agreements may require renegotiation.

Supplier financing arrangements - Amendments to IAS 7 and IFRS 7

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

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

These amendments are not expected to have a material impact on the Group’s financial statements.

3. Significant accounting judgments, estimates and assumptions

The preparation of the Group's individual and consolidated financial statements requires management to make professional judgments, estimates and adopt assumptions that affect the reported amounts of revenues, expenses, assets and liabilities, as well as the respective disclosures. Actual results may differ from those estimates. Estimates and assumptions are reviewed on a continuous basis. Revisions to estimates are recognized prospectively.

Upon applying the Group's accounting policies, management made the following judgments that have a more 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 2.2 – Revenue from contracts with customers – The Company exercises judgment in determining when to recognize revenues from contracts with customers in bill-and-hold arrangements and also in determining sales billed but not delivered on the reporting date.
- 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 CPC 48/IFRS 9.
- Note 14 - 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 16 - 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.

(In thousands of reais, unless otherwise stated)

4. Cash and cash equivalents

	Individual		Consolidated	
	2023	2022	2023	2022
Cash	**1**	1	**5**	15
Banks - checking account	**115,944**	16,375	**117,609**	23,472
Short-term investments (a)	**41,831**	8,936	**41,831**	8,936
	157,776	25,312	**159,445**	32,423
In local currency	**157,776**	25,312	**157,823**	31,164
In foreign currency	**-**	-	**1,622**	1,259

(a) Refer to financial investments with immediate liquidity that are indexed to the Bank Deposit Certificates (CDI) and intended to meet short-term commitments. Those amounts are held in financial institutions rated between AA- and AA+, based on the rating disclosed by Moody's, and their gross income for the year was approximately 100% of the Interbank Deposit Certificate (CDI) (95% of the CDI as at December 31, 2022).

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 CPC 03 (R3)/IAS 7 – Statement of Cash Flows.

5. Marketable securities (Individual and Consolidated)

	2023	2022
Banco da Amazônia (a)	**21,963**	22,117
Caixa Econômica Federal (b)	**16,214**	18,233
Banco Santander (c)	**9,206**	-
Banco Votorantim (b)	**3,467**	4,641
Banco BIB (b)	**2,259**	3,310
Banco Banpará (b)	**1,433**	1,261
Banco J.P. Morgan (d)	**1,203**	5,218
BTG Pactual (b)	**-**	7,040
	-	4,278
	55,745	66,098
Current	**39,340**	47,715
Noncurrent	**16,405**	18,383

(a) Refer to applications in capitalization bonds and restricted cash given as collateral for loans, in addition to deposits of the reinvestment benefit under the government subsidy discussed in Note 25. The bonds are updated monthly at the defined reference rate, with a return of approximately 1.85% on December 31, 2023 (1.76% p.a. on December 31, 2022).

(b) Refer to investments in investment funds and Bank Deposit Certificate (CDB) securities, whose average yield for the year was 96% to 104% of the CDI (96% to 104% on December 31, 2022).

(c) Refer to investments in certificate accounts with lottery prizes at Santander bank given as collateral for loans, redeemable in October 2024 and restated monthly by reference to the basic remuneration rate (TR) applied to savings accounts.

(d) Refer to margin deposits in hedging transactions entered 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

	Individual		Consolidated	
	2023	2022	2023	2022
Trade accounts receivable – domestic market	**400,652**	162,566	**473,700**	172,199
Trade accounts receivable – foreign market	**-**	674	**70,144**	86,670
Accounts receivable from related parties (Note 17)	**76,737**	39,282	**52,788**	22,059
	477,389	202,522	**596,632**	280,928
(-) Allowance for expected credit losses	**(7,926)**	(3,954)	**(9,041)**	(5,468)
	469,463	198,568	**587,591**	275,460
Current	**467,919**	195,700	**586,047**	272,592
Noncurrent	**1,544**	2,868	**1,544**	2,868

Aging list of accounts receivable

	Individual		Consolidated	
	2023	2022	2023	2022
Falling due above 91 days	**98,359**	12,640	**98,383**	12,640
Falling due from 31 to 90 days	**200,935**	85,176	**269,319**	85,176
Falling due from 1 to 30 days	**113,442**	45,741	**175,306**	119,649
Total falling due	**412,736**	143,557	**543,008**	217,465
Overdue from 1 to 30 days	**19,190**	26,263	**8,714**	31,481
Overdue from 31 to 90 days	**5,596**	15,547	**3,481**	17,693
Overdue from 91 to 180 days	**3,975**	9,684	**4,417**	9,361
Overdue above 181 days	**35,892**	7,471	**37,012**	4,928
Total overdue	**64,653**	58,965	**53,624**	63,463
	477,389	202,522	**596,632**	280,928

Changes in allowance for expected credit losses

	Individual		Consolidated	
	2023	2022	2023	2022
Balance at beginning of year	**(3,954)**	(5,208)	**(5,468)**	(6,228)
Write off	**233**	3,496	**332**	5,051
Allowance for expected credit losses	**(4,205)**	(2,242)	**(3,905)**	(4,291)
Balance at end of year	**(7,926)**	(3,954)	**(9,041)**	(5,468)

The analysis is carried out by security and customer considering the specific default history of each customer and the general history of the portfolio, in addition to the expected loss on outstanding receivables.

As of December 31, 2023, the Group has R$28,140 in the individual and consolidated, in securities outstanding for more than 181 days with Alubar Metals Missouri LLC, a company of the Alubar Group (R$2,779 in the individual and consolidated, on December 31, 2022), for which no allowance for losses was recorded. Throughout 2022, Alubar Metals Missouri had to honor some sales contracts with local customers in the United States of America but was still in the final phase of adjustments and commissioning of its industrial park. For this reason, the Company exported to the related party, which then sold the products to its end customers, thus honoring the commitments assumed.

(In thousands of reais, unless otherwise stated)

7. Inventories

	Individual		Consolidated	
	2023	**2022**	**2023**	**2022**
Raw materials and consumables	**71,583**	61,589	**92,243**	83,272
Finished products	**51,563**	52,814	**72,850**	85,070
Work in process	**16,590**	19,006	**18,143**	21,948
Supplies and packaging materials	**6,530**	5,553	**7,403**	17,224
	146,266	138,962	**190,639**	207,514
(-) Provision for impairment loss	**(4,007)**	(3,934)	**(4,007)**	(3,934)
	142,259	135,028	**186,632**	203,580

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, 2023, the amount of R$73 (R$66 on December 31, 2022) was recognized as a decrease in inventories in profit or loss.

8. Taxes recoverable

	Individual		Consolidated	
	2023	**2022**	**2023**	**2022**
Contribution Tax on Gross Revenue for Social Security Financing (COFINS) recoverable (a)	**83,963**	113,482	**100,128**	127,996
Contribution Tax on Gross Revenue for Social Integration Program (PIS) recoverable (a)	**19,926**	24,845	**24,865**	28,468
Withholdings recoverable (Pis/Cofins)	**3,078**	3,078	**3,078**	3,078
Federal VAT (IPI) recoverable	**1,662**	653	**1,990**	653
State VAT (ICMS) recoverable (a)	**767**	301	**17,623**	10,163
Service Tax (ISS) recoverable	**31**	-	**31**	-
Other taxes recoverable (VAT Canada)	**-**	-	**10,990**	6,814
	109,427	142,359	**158,705**	177,172
Current	**86,892**	139,281	**135,344**	173,268
Noncurrent	**22,535**	3,078	**23,361**	3,904

(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).

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

Balance breakdown

	Equity interest	**2023**	**2022**
Alubar Canada Holding, Inc	100.0%	**323,510**	302,558
Alubar Cabos Elétricos Montenegro Importação, Indústria e Comércio Ltda.	100.0%	**(11,028)**	(12,543)
Alubar Coppertec Indústria e Comércio de Fios e Cabos Elétricos Ltda.	99.5%	**-**	2,719
9455-1264 Québec inc, - Holdco	100.0%	**2,251**	(327)
		314,733	292,407
Presented in:			
Investments		**325,761**	305,277
Provision for loss on investments		**(11,028)**	(12,870)

(In thousands of reais, unless otherwise stated)

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

Changes in investments and provision for loss on investments

Subsidiary	Balances in 2022	Foreign exchange differences of foreign operations	Equity pickup	Other comprehensive income	Investment write-off (b)	Capital paid in	Balances in 2023
Alubar Canada Holding, Inc	302,558	**(20,149)**	**39,525**	**1,576**	**-**	**-**	**323,510**
Alubar Montenegro (a)	(12,543)	**-**	**(1,047)**	**-**	**-**	**2,562**	**(11,028)**
Alubar Coppertec (b)	2,719	**-**	**(2,425)**	**-**	**(294)**	**-**	**-**
9455-1264 Quebec Inc	(327)	**35**	**(1,847)**	**-**	**-**	**4,390**	**2,251**
	292,407	**(20,114)**	**34,206**	**1,576**	**(294)**	**6,952**	**314,733**
Presented in:							
Investments	305,277						**325,761**
Provision for loss on investments	(12,870)						**(11,028)**

(a) On June 28, 2023, the Company increased the capital of subsidiary Alubar Montenegro through a contribution in local currency.
(b) On September 29, 2023, subsidiary Alubar Coppertec Indústria e Comércio de Fios e Cabos Elétricos Ltda ceased to exist through an Agreement for Company Dissolution registered with the Commercial Registry of the State of São Paulo (JUCESP).

Subsidiary	Equity interest %	Balances in 2021	Foreign exchange differences of foreign operations	Equity pickup	Transfers	Capital paid in	Other comprehensive income	Write-off (a)	Balances in 2022
Alubar Canada	100.0%	296,028	(38,098)	14,820	-	-	29,808	-	302,558
Alubar USA (c)	100.0%	22,724	13,539	(5,464)	94,483	1,171	-	(126,453)	-
Alubar Montenegro	100.0%	7,728	-	(20,271)	-	-	-	-	(12,543)
Alubar Coppertec	99.5%	1,869	-	850	-	-	-	-	2,719
Alubar Metals LLC (d)	100.0%	859	19	(236)	529	(1,171)	-	-	-
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)

(c) On September 1st, 2022, a Special General Meeting (SGM) approved the payment of capital in subsidiary Alubar USA Holding LLC, totaling R$94,483 relating to the acquisition of buildings and equipment. Additionally, on September 1st, 2022, according to the Minutes of the Board of Directors' Meeting, the Company's corporate restructuring was approved upon the transfer of control of direct subsidiary Alubar USA Holding LLC to the parent company of the Alubar Group, Aluminum Investment S.A. The price agreed in the contract executed between the parties was R$145,000, with the cost (book value) of the investment being R$126,453. On that same date, Alubar USA Holding LLC was no longer included in the Company's consolidated statements.

(d) On March 16, 2022, the Special General Meeting (SGM) 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.

Summarized financial information

	2023			
	Alubar Canada	**Alubar Montenegro**	**Alubar Coppertec**	**9455-1264 Quebec Inc**
Current assets	**399,749**	**124,685**	**-**	**839**
Noncurrent assets	**165,424**	**53,500**	**-**	**5,949**
Current liabilities	**233,203**	**122,538**	**-**	**711**
Noncurrent liabilities	**8,460**	**66,675**	**-**	**3,826**
Equity	**323,510**	**(11,028)**	**-**	**2,251**
Net revenue	**1,422,382**	**163,669**	**1,315**	**-**
Net income (loss)	**39,525**	**(1,047)**	**(2,436)**	**(1,847)**

(In thousands of reais, unless otherwise stated)

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

Summarized financial information (Continued)

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

10. Property, plant and equipment

Balance breakdown

		Individual					
		2023			2022		
	Annual rate	Cost	Accumulated depreciation	Net	Cost	Accumulated depreciation	Net
Land	-	**5,324**	**-**	**5,324**	969	-	969
Buildings	2 to 8%	**209,099**	**(41,961)**	**167,138**	190,222	(35,741)	154,481
Leasehold improvements	2 to 8%	**1,751**	**(641)**	**1,110**	1,751	(495)	1,256
Facilities	5 to 10%	**18,520**	**(6,690)**	**11,830**	18,093	(5,251)	12,842
Machinery and equipment	2 to 10%	**600,626**	**(200,673)**	**399,953**	589,676	(174,481)	415,195
Vehicles	7 to 20%	**12,852**	**(5,469)**	**7,383**	9,387	(4,772)	4,615
Furniture and fixtures	10%	**6,126**	**(3,002)**	**3,124**	5,406	(2,570)	2,836
Computers and peripherals	20%	**7,164**	**(5,261)**	**1,903**	6,880	(4,556)	2,324
Tools	50%	**1,584**	**(1,213)**	**371**	1,408	(452)	956
Construction in progress	-	**4,562**	**-**	**4,562**	25,555	-	25,555
		867,608	**(264,910)**	**602,698**	849,347	(228,318)	621,029

		Consolidated							
		2023				2022			
	Annual rate	Cost	Accumulated depreciation	Foreign exchange differences	Net	Cost	Accumulated depreciation	Foreign exchange differences	Net
Land	-	**11,857**	**-**	**(131)**	**11,726**	7,242	-	258	7,500
Buildings	2 to 8%	**240,630**	**(49,076)**	**(999)**	**190,555**	216,438	(39,825)	2,400	179,013
Leasehold improvements	2 to 8%	**16,187**	**(642)**	**(315)**	**15,230**	7,611	(497)	(167)	6,947
Facilities	5 to 10%	**18,594**	**(6,708)**	**-**	**11,886**	18,345	(5,309)	-	13,036
Machinery and equipment	2 to 10%	**767,319**	**(214,939)**	**(7,805)**	**544,575**	772,291	(182,645)	(21,435)	568,211
Vehicles	7 to 20%	**15,833**	**(7,093)**	**(73)**	**8,667**	12,251	(6,243)	182	6,190
Furniture and fixtures	10%	**6,941**	**(3,235)**	**(10)**	**3,696**	6,218	(2,745)	(8)	3,465
Computers and peripherals	20%	**8,400**	**(5,810)**	**(21)**	**2,569**	7,976	(4,999)	(13)	2,964
Tools	50%	**1,584**	**(1,213)**	**-**	**371**	1,408	(452)	-	956
Construction in progress	-	**9,529**	**-**	**(295)**	**9,234**	29,999	-	358	30,357
		1,096,874	**(288,716)**	**(9,649)**	**798,509**	1,079,779	(242,715)	(18,425)	818,639

(In thousands of reais, unless otherwise stated)

10. Property, plant and equipment (Continued)

Changes for the year ended December 31, 2023

	Individual					
	2022	Additions	Write-offs	Depreciation	Transfers	2023
Land	969	**-**	**-**	**-**	**4,355**	**5,324**
Buildings	154,481	**2,046**	**-**	**(6,220)**	**16,831**	**167,138**
Leasehold improvements	1,256	**-**	**-**	**(146)**	**-**	**1,110**
Facilities	12,842	**378**	**-**	**(1,438)**	**48**	**11,830**
Machinery and equipment	415,195	**9,808**	**(98)**	**(27,684)**	**2,732**	**399,953**
Vehicles	4,615	**2,136**	**(34)**	**(2,061)**	**2,727**	**7,383**
Furniture and fixtures	2,836	**713**	**(3)**	**(453)**	**31**	**3,124**
Computers and peripherals	2,324	**314**	**(157)**	**(773)**	**195**	**1,903**
Tools	956	**92**	**-**	**(761)**	**84**	**371**
Construction in progress (a)	25,555	**6,423**	**(413)**	**-**	**(27,003)**	**4,562**
Total	621,029	**21,910**	**(705)**	**(39,536)**	**-**	**602,698**

Changes for the year ended December 31, 2023 (Continued)

	Consolidated						
	2022	Additions	Write-offs	Depreciation	Transfers	Foreign exchange differences	2023
Land	7,500	**-**	**-**	**-**	**4,357**	**(131)**	**11,726**
Buildings	179,013	**2,413**	**-**	**(9,250)**	**19,378**	**(999)**	**190,555**
Leasehold improvements	6,947	**11,336**	**(22)**	**(147)**	**(2,569)**	**(315)**	**15,230**
Facilities	13,036	**379**	**(127)**	**(1,450)**	**48**	**-**	**11,886**
Machinery and equipment	568,211	**15,753**	**(1,285)**	**(34,184)**	**3,885**	**(7,805)**	**544,575**
Vehicles	6,190	**2,236**	**(291)**	**(2,375)**	**2,980**	**(73)**	**8,667**
Furniture and fixtures	3,465	**785**	**(43)**	**(532)**	**31**	**(10)**	**3,696**
Computers and peripherals	2,964	**573**	**(190)**	**(952)**	**195**	**(21)**	**2,569**
Tools	956	**92**	**-**	**(761)**	**84**	**-**	**371**
Construction in progress (a)	30,357	**7,974**	**(413)**	**-**	**(28,389)**	**(295)**	**9,234**
	818,639	**41,541**	**(2,371)**	**(49,651)**	**-**	**(9,649)**	**798,509**

(a) At December 31, 2023, the balance of Construction in progress in the amount of R$4,562 and R$9,234 (individual and consolidated , respectively), refers mainly to (I) R$4,239 corresponding to Project Evolve and R$4,562 corresponding to investments in the plant in Victoriaville (Canada).. The Group does not expect losses on these ongoing projects.

Changes for the year ended December 31, 2022

	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

(In thousands of reais, unless otherwise stated)

10. Property, plant and equipment (Continued)

Changes for the year ended December 31, 2022 (Continued)

	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

(a) At December 31, 2022, an additional amount was recorded referring to capitalized interest amounting to of R$6,687, in accordance with CPC 20 (R2)/IAS 23 - Borrowing costs, as explained in Note 12.

(b) On December 31, 2022, the balances of Construction in progress, corresponding to R$25,555 and R$30,357 (individual and consolidated, respectively), refer 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.

(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.

(d) On 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 8). 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.

11. Trade accounts payable

Balance breakdown

	Individual		Consolidated	
	2023	2022	2023	2022
Raw material – aluminum	**80,123**	104,857	**141,781**	106,441
Inputs	**29,347**	24,020	**38,218**	27,184
Freight	**15,036**	6,578	**20,598**	9,088
Services	**11,660**	9,127	**16,205**	10,432
Trade accounts payable / Related parties (Note 17)	**3,048**	144	**7,114**	1,788
Acquisition of machinery and equipment	**762**	3,540	**2,601**	4,591
Sundry	**19,963**	16,230	**20,511**	16,377
	159,939	164,496	**247,028**	175,901
In local currency	**158,775**	161,349	**166,865**	165,148
In foreign currency	**1,164**	3,147	**80,163**	10,753

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 2023, 77,418(*) tons of aluminum (73,639(*) tons in 2022) were supplied in Brazil. In 2023, 87,857(*) tons of aluminum (84,928(*) tons in 2022) were supplied in Canada.

(*) unaudited information

(In thousands of reais, unless otherwise stated)

12. Loans, financing and debentures

Balance breakdown

	Individual		Consolidated	
	2023	2022	2023	2022
Secured transactions and debentures	**1,386,944**	1,209,720	**1,526,814**	1,309,881
Unsecured transactions	**-**	-	**123,515**	38,275
Subtotal	**1,386,944**	1,209,720	**1,650,329**	1,348,156
(-) Funding costs	**(18,916)**	(26,552)	**(19,983)**	(28,119)
Total loans and financing	**1,368,028**	1,183,168	**1,630,346**	1,320,037
Current	**812,198**	254,903	**1,005,310**	290,785
Noncurrent	**555,830**	928,265	**625,036**	1,029,252

Balance breakdown by issuer and type

Issuer	Type	Cost of debt	Maturity	Individual 2023	Individual 2022	Consolidated 2023	Consolidated 2022
Loans and financing							
Banco do Brasil	Working capital	12.01% p.a.	08/20/2026	**143,920**	156,311	**143,920**	156,311
Caixa Econômica Federal	Working capital	16.89% p.a.	11/30/2026	**142,993**	192,829	**142,993**	192,829
Banco Industrial	Working capital	22.26% p.a.	03/17/2025	**18,701**	29,894	**18,701**	29,894
Banco da Amazônia	Working capital	8.97% p.a.	01/10/2026	**58,619**	95,315	**58,619**	95,315
Bradesco	Working capital	17.54% a.a.	02/08/2030	**38,446**	48,740	**38,446**	48,740
Santander	Working capital	18.59% p.a.	02/20/2024	**25,461**	811	**25,461**	811
Banco BMP	Working capital	23.34% p.a.	10/15/2024	**24,930**	-	**24,930**	-
Banco ABC Brasil	Working capital	9.62% p.a.	04/15/2024	**17,833**	-	**17,833**	-
Credit Suisse	Working capital	4.70% p.a.	01/15/2024	**20,940**	108,639	**20,940**	108,639
Daycoval	Working capital	21.44% p.a.	11/28/2023	**-**	19,944	**-**	19,944
Banco Votorantim	Working capital	17.43% p.a.	01/27/2025	**15,188**	35,359	**15,188**	35,359
BTG Pactual	Working capital	13.07% p.a.	02/27/2024	**33**	10,305	**33**	10,305
Fundo de Investimento Pátria	Working capital	17.49% p.a.	12/30/2026	**-**	310	**86,228**	83,104
Bank of Montreal (BMO)	Working capital	7.24% p.a.	30 days	**-**	-	**85,935**	35,883
Banque National du Canada	Working capital	7.51% p.a.	05/31/2024	**-**	-	**35,043**	-
Itaú	Working capital	17.49% p.a.	12/30/2026	**-**	-	**16,447**	15,798
Cafo Inc	Working capital	6.50% p.a.	12/30/2024	**-**	-	**2,537**	2,394
				507,064	698,457	**733,254**	835,326
Tied to accounts receivable (a)							
Banco ABC Brasil	Trade notes	9.62% p.a.	04/15/2024	**249,271**	-	**285,399**	-
Banco Industrial	Trade notes	22.26% p.a.	03/17/2025	**40,114**	-	**40,114**	-
Banco Daniele	Trade notes	30.00% p.a.	02/02/2024	**34,478**	-	**34,478**	-
Banco Guanabara	Trade notes	20.00% p.a.	02/22/2024	**27,883**	-	**27,883**	-
Santander	Trade notes	18.59% p.a.	02/20/2024	**10,744**	-	**10,744**	-
Daycoval	Trade notes	21.44% p.a.	05/27/2024	**3,782**	-	**3,782**	-
				366,272	-	**402,400**	-
Debentures							
2nd issue of debentures	Working capital	CDI + 4.80% p.a.	06/10/2027	**494,692**	484,711	**494,692**	484,711
				494,692	484,711	**494,692**	484,711
				1,368,028	1,183,168	**1,630,346**	1,320,037
In local currency				**1,006,351**	988,734	**1,109,026**	1,087,328
In foreign currency				**361,677**	194,434	**521,320**	232,709

(a) Private credit assignment instrument with co-obligation.

(In thousands of reais, unless otherwise stated)

12. Loans, financing and debentures (Continued)

Changes in loans, financing and debentures and assignment of credit with co-obligation

	Individual		Consolidated	
	2023	**2022**	**2023**	**2022**
Balance at beginning of year	1,183,168	902,723	1,320,037	987,576
Borrowings	**1,318,141**	1,343,758	**1,501,345**	1,563,240
Payments of principal	**(1,142,010)**	(1,064,418)	**(1,212,429)**	(1,081,544)
Payments of interest	**(172,059)**	(128,692)	**(173,834)**	(135,324)
Interest and charges incurred (a)	**178,325**	145,776	**196,620**	161,102
Amortization of borrowing costs	**13,535**	8,713	**13,876**	9,016
Write-off due to disposal of subsidiary (b)	**-**	-	**-**	(158,656)
Foreign exchange differences, net	**(11,072)**	(24,692)	**(15,269)**	(25,373)
Balance at end of year	**1,368,028**	1,183,168	**1,630,346**	1,320,037

(a) In the year ended December 31, 2023, no capitalized interest was added since there were no PPE items eligible for capitalization. In the year ended December 31, 2022, the amount of R$ 6,687 was capitalized to the cost of PPE items eligible under the rules of CPC 20 (R2) / IAS 23 – Borrowing costs.

(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 17.b).

Amortization schedule

	Individual		Consolidated	
	2023	**2022**	**2023**	**2022**
2024	**-**	341,382	**-**	375,135
2025	**250,167**	263,091	**283,570**	296,748
2026	**180,663**	198,792	**213,997**	232,369
2027	**125,000**	125,000	**127,469**	125,000
	555,830	928,265	**625,036**	1,029,252

Second 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, maturity in 2027 and yield of 100% CDI + 4.80% p.a. The balance of the Nominal Unit Value of the Debentures will be amortized in 4 (four) annual installments starting in June 2024.

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.

Guarantees

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

(In thousands of reais, unless otherwise stated)

12. Loans, financing and debentures (Continued)

Guarantees (Continued)

	2023	2022
Lien on real estate properties	**36,000**	36,000
Lien on machinery and equipment	**48,521**	16,000
Assignment of receivables - financial investments	**21,332**	31,682
Assignment of receivables – escrow account	**92,858**	3,249
Assignment of receivables - receivables	**906,022**	517,867
Bank guarantee	**-**	20,000
Pledged inventory	**48,000**	48,000
	1,152,733	672,798

Covenants

The Group's loan and financing agreements and debenture indentures contain covenants that are based on certain financial ratios (debt ratio, current liquidity ratio, etc.) for the fulfillment of special guarantees measured on quarterly and yearly bases. Failure to comply with those covenants may result in the early maturity of debts, as declared automatically or not.

As of December 31, 2023, the Group failed to comply with certain financial contractual obligations for contracts whose balances are already classified as current liabilities based on their original amortization schedules.

13. Taxes payable

	Individual		Consolidated	
	2023	2022	2023	2022
IPI	**4,329**	4,136	**5,338**	4,452
ICMS	**823**	827	**13,309**	5,275
PIS/COFINS	**-**	62	**-**	62
Taxes on Canada's subsidiaries	**-**	-	**26,753**	15,574
Other taxes and contribution taxes payable	**1,186**	581	**1,216**	603
	6,338	5,606	**46,616**	25,966
IPI - installment payment	**11,512**	18,005	**11,512**	18,005
ICMS - installment payment	**1,984**	3,023	**1,984**	3,023
Social Security Tax (INSS) – installment payment	**978**	2,419	**978**	2,419
Other	**66**	4,733	**66**	4,733
	14,540	28,180	**14,540**	28,180
	20,878	33,786	**61,156**	54,146
Current	**12,286**	14,384	**52,564**	34,744
Noncurrent	**8,592**	19,402	**8,592**	19,402

(In thousands of reais, unless otherwise stated)

14. Provision for contingencies

	Individual		Consolidated	
	2023	2022	2023	2022
Provision for lawsuits	**2,589**	2,620	**2,597**	2,634
Other provisions	**2,934**	-	**2,934**	-
	5,523	2,620	**5,531**	2,634

Provision for lawsuits and administrative proceedings

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:

	Individual		Consolidated	
	2023	2022	2023	2022
Civil	**2,589**	2,588	**2,589**	2,588
Tax	**-**	12	**-**	12
Labor	**-**	20	**8**	34
	2,589	2,620	**2,597**	2,634

Changes in provisions for contingencies

	Individual		Consolidated	
	2023	2022	2023	2022
Opening balance	**2,620**	2,500	**2,634**	2,500
Supplemental provision	**-**	132	**-**	146
Reversal of provision	**(31)**	(12)	**(37)**	(12)
Closing balance	**2,589**	2,620	**2,597**	2,634

(In thousands of reais, unless otherwise stated)

14. Provision for contingencies (Continued)

Provision for lawsuits and administrative proceedings (Continued)

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:

	Individual		Consolidated	
	2023	2022	2023	2022
Tax	**13,529**	13,998	**16,906**	13,998
Civil	**655**	-	**1**	-
Labor	**332**	1,853	**367**	1,853
	14,516	15,851	**17,274**	15,851

Tax

On December 31, 2023, 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) E-Request for Federal Tax Recovery, Refund or Offset (PERDCOMPs) – RFB – In the amount of R$2,505 (R$2,393 as of December 31, 2022), 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).

(ii) Statement for Ascertainment of Noncumulative Social Contribution Taxes (DACON) – PERDCOMPs – RFB – In the amount of R$2,505 (R$2,496 as of December 31, 2022), referring to proceedings in which the Brazilian IRS notified about an allegedly incorrect completion of DACON.

(iii) COFINS / PIS – RFB – DRF – In the amount of R$2,580 (R$2,625 as of December 31, 2022), referring to proceedings in which the Brazilian IRS challenged the Company about reimbursement of tax credits.

(iv) CSLL and IPI– RFB: In the amount of R$5,427 (R$3,162 as of December 31, 2022), referring to proceedings in which the Brazilian IRS challenged the Company about reimbursement of tax credits. The proceedings are currently at the CARF, after an analysis by the Brazilian IRS Regional Office (DRF).

Environmental

Together with a group of more than 50 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 thousands of reais, unless otherwise stated)

14. Provision for contingencies (Continued)

Environmental (Continued)

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.

Together with 04 other companies, the Company figures as defendant in a Collective Action, the attributed amount of which is R$50,000. However, this does not correspond to the amount of any possible conviction, as the Company is not imputed for any action or omission that it may have resulted in the environmental damage described in the action. The lawsuit is still in its initial phase, in which the jurisdiction for its judgment has not yet been defined.

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.

Other provisions

Includes provisions for miscellaneous risks not related to materialized legal and administrative proceedings. On December 31, 2023, the balance was R$2,934 (R$0 on December 31, 2022).

15. Dividends payable (Individual and Consolidated)

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

	2023	**2022**
Opening balance	30,854	46,589
Additional dividends approved (a)	**2,731**	-
Dividends paid out (b)	**(33,585)**	(48,936)
Mandatory minimum dividends	**31,396**	33,201
Closing balance	**31,396**	30,854

(a) At the Annual General Meeting (AGM) held on January 17, 2023, the shareholders resolved and unanimously approved the payment of additional dividends corresponding to year 2021 in the amount of R$2,731, which were distributed using the balance of income reserves recorded in previous years.
(b) In the current year the Company paid out dividends to its shareholders in the amount of R$33,585, referring to income from previous years.

16. 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.

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.

16. Financial instruments and risk management (Continued)

a) Financial risk management (Continued)

Risk management structure (Continued)

Market risk (Continued)

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 out 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.

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 out in derivatives.

Exposure to foreign currency

On December 31, 2023 and 2022, the Group has transactions relating to trade accounts receivable, trade accounts payable, loans and derivatives with exposure to currency risk.

(In thousands of reais, unless otherwise stated)

16. Financial instruments and risk management (Continued)

a) Financial risk management (Continued)

Risk management structure (Continued)

Currency risk (Continued)

Exposure to foreign currency (Continued)

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

	Individual									
	2023					2022				
	USD	CHF	EUR	CAD	R$	USD	CHF	EUR	CAD	R$
Assets										
Accounts receivable from related parties	**10,904**	**-**	**-**	**-**	**52,788**	4,356	-	-	24	22,823
Total	**10,904**	**-**	**-**	**-**	**52,788**	4,356	-	-	24	22,823
Liabilities										
Derivative financial instruments	**(55,818)**	**-**	**-**	**-**	**(270,230)**	(29,625)	-	-	-	(154,572)
Loans, financing and debentures	**(65,262)**	**(4,003)**	**(3,964)**	**-**	**(361,677)**	(6,090)	(20,022)	(8,982)	-	(194,434)
Trade accounts payable	**(240)**	**-**	**-**	**-**	**(1,164)**	(603)	-	-	-	(3,147)
Total	**(121,320)**	**(4,003)**	**(3,964)**	**-**	**(633,071)**	(36,318)	(20,022)	(8,982)	-	(352,153)
Currency risk exposure, net	**(110,416)**	**(4,003)**	**(3,964)**	**-**	**(580,283)**	(31,962)	(20,022)	(8,982)	24	(329,330)

	Consolidated									
	2023					2022				
	USD	CHF	EUR	CAD	R$	USD	CHF	EUR	CAD	R$
Assets										
Cash in foreign currency	**-**	**-**	**-**	**442**	**1,622**	-	-	-	327	1,259
Trade accounts receivable – foreign market	**-**	**-**	**-**	**18,933**	**69,454**	-	-	-	-	-
Accounts receivable from related parties	**10,904**	**-**	**-**	**-**	**52,788**	129	-	-	21,976	86,670
Total	**10,904**	**-**	**-**	**19,375**	**123,864**	129	-	-	22,303	87,929
Liabilities										
Derivative financial instruments	**(56,241)**	**-**	**-**	**-**	**(272,280)**	(29,642)	-	-	-	(154,665)
Loans, financing and debentures	**(72,682)**	**(4,003)**	**(3,964)**	**(33,669)**	**(521,321)**	(6,090)	(20,022)	(8,982)	(9,806)	(232,709)
Trade accounts payable	**(16,558)**	**-**	**-**	**-**	**(80,163)**	(604)	-	-	(1,925)	(10,753)
Total	**(145,481)**	**(4,003)**	**(3,964)**	**(33,669)**	**(873,764)**	(36,336)	(20,022)	(8,982)	(11,731)	(398,127)
Currency risk exposure, net	**(134,577)**	**(4,003)**	**(3,964)**	**(14,294)**	**(749,900)**	(36,207)	(20,022)	(8,982)	10,572	(310,198)

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 of December 31, 2023 are described below:

- Scenario I – considers a shock in the market curves and quotations as of December 31, 2023.
- Scenario II – considers a shock of + or - 25% in the market curves as of December 31, 2023.

(In thousands of reais, unless otherwise stated)

16. Financial instruments and risk management (Continued)

a) Financial risk management (Continued)

Risk management structure (Continued)

Currency risk (Continued)

Exposure to foreign currency (Continued)

- Scenario III – considers a shock of + or - 50% in the market curves as of December 31, 2023.

	Individual					
	2023			2022		
	Probable scenario US$	Possible scenario US$ (+25%)	Remote scenario US$ (+50%)	Probable scenario US$	Possible scenario US$ (+25%)	Remote scenario US$ (+50%)
Exchange rate (R$/US$)	**4.84**	**6.05**	**7.26**	5.22	6.52	7.83
Loans in US$	**361,677**	**451,718**	**541,759**	194,434	243,043	291,651
Hedge accounting effect	**-**	**(70,969)**	**(143,151)**	-	(134,299)	(320,701)
Effect on profit or loss	**-**	**380,749**	**398,608**		108,744	(29,050)

	Consolidated					
	2023			2022		
	Probable scenario US$	Possible scenario US$ (+25%)	Remote scenario US$ (+50%)	Probable scenario US$	Possible scenario US$ (+25%)	Remote scenario US$ (+50%)
Exchange rate (R$/US$)	**4.84**	**6.05**	**7.26**	5.22	6.52	7.83
Loans in US$ (a)	**521,078**	**650,850**	**780,623**	232,709	290,886	349,064
Hedge accounting effect	**-**	**(102,440)**	**(206,473)**	-	(134,299)	(320,693)
Effect on profit or loss	**-**	**548,410**	**574,150**		156,587	28,371

(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.

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 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)

16. Financial instruments and risk management (Continued)

a) Financial risk management (Continued)

Risk management structure (Continued)

Interest rate risk (Continued)

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

	Individual		Consolidated	
	2023	2022	2023	2022
Investments - cash equivalents	**41,831**	8,936	**41,831**	8,936
Marketable securities	**55,745**	59,354	**55,745**	59,354
Loans, financing and debentures	**(974,380)**	(955,354)	**(1,078,122)**	(1,055,354)
	(876,804)	(887,064)	**(980,546)**	(987,064)

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, as of December 31, 2023, in a Probable Scenario, the CDI rate was 13.04% p.a. (2022: 13.65% p.a.). The Company carried out a sensitivity analysis of the effects on its P&L, arising from an increase in the CDI and TJLP rates of 25% in relation to the possible scenario, and 50% in relation to the remote scenario, as well as two more scenarios to show the reverse effects with the reduction of 25% and 50%, considered to be Possible and Remote scenarios, respectively. The CDI rate usually follows Brazil's Central Bank benchmark rate (SELIC) variation.

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:

	Individual					
	2023			2022		
	Possible Scenario CDI	Possible Scenario CDI	Remote Scenario CDI	Probable Scenario CDI	Possible Scenario CDI	Remote Scenario CDI
		(+25%)	(+50%)		(+25%)	(+50%)
CDI effective rates	**13.04%**	**16.30%**	**19.56%**	13.65%	17.06%	20.48%
Net debt with variable interest	**974,380**			948,094		
Effect on profit or loss	**127,059**	**158,825**	**190,589**	129,415	161,768	194,122

(In thousands of reais, unless otherwise stated)

16. 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					
	2023			2022		
	Probable Scenario CDI	Possible Scenario CDI	Remote Scenario CDI	Probable Scenario CDI	Possible Scenario CDI	Remote Scenario CDI
		(+25%)	(+50%)		(+25%)	(+50%)
CDI effective rates	**13.04%**	**16.30%**	**19.56%**	13.65%	17.06%	20.48%
CDI rates according to scenarios						
Net debt with variable interest	**1,078,122**			1,048,094		
Effect on profit or loss	**140,587**	**175,734**	**210,881**	143,065	178,805	214,650

	Individual and Consolidated					
	2023			2022		
	Probable Scenario TJLP	Possible Scenario TJLP	Remote Scenario TJLP	Probable scenario TJLP	Possible scenario TJLP	Remote scenario TJLP
		(+25%)	(+50%)		(+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

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.

16. Financial instruments and risk management (Continued)

a) Financial risk management (Continued)

Risk management structure (Continued)

Credit risk (Continued)

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.

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 CPC 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.

(In thousands of reais, unless otherwise stated)

16. 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. This 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 of December 31, 2023 and 2022.

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.

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

		Individual		**Consolidated**	
	Note	**2023**	**2022**	**2023**	**2022**
Cash and cash equivalents (a)	4	**157,776**	25,312	**159,445**	32,423
Marketable securities (a)	5	**55,745**	66,098	**55,745**	66,098
Trade accounts receivable	6	**469,463**	198,568	**587,591**	275,460
Related parties	17	**454,195**	432,102	**454,195**	452,471
		1,137,179	722,080	**1,256,976**	826,452

(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.

16. 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 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 of December 31, 2023, the Group had issued a Letter of Guarantee of R$0 (R$20,000 as of December 31, 2022) and made an assignment of accounts receivable in the amount of R$906,022 (R$517,867 as at December 31, 2022).

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:

(In thousands of reais, unless otherwise stated)

16. Financial instruments and risk management (Continued)

a) Financial risk management (Continued)

Risk management structure (Continued)

Liquidity risk (Continued)

	Individual				
	2023				
	Total amount	**Within 1 year**	**1 - 2 years**	**2 - 5 years**	**More than 5 years**
Liabilities					
Loans, financing and debentures	**(1,368,028)**	**(812,198)**	**(250,167)**	**(180,663)**	**(125,000)**
Trade accounts payable	**(159,939)**	**(159,939)**	**-**	**-**	**-**
Lease liabilities	**(27,551)**	**(6,297)**	**(1,810)**	**(1,531)**	**(17,913)**
	(1,555,518)	**(978,434)**	**(251,977)**	**(182,194)**	**(142,913)**

	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)	(199,109)
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)	(213,316)

	Consolidated				
	2023				
	Total amount	**Within 1 year**	**1 - 2 years**	**2 - 5 years**	**More than 5 years**
Liabilities					
Loans, financing and debentures	**(1,630,346)**	**(1,005,310)**	**(283,570)**	**(216,466)**	**(125,000)**
Trade accounts payable	**(247,028)**	**(247,028)**	**-**	**-**	**-**
Lease liabilities	**(27,551)**	**(6,297)**	**(1,810)**	**(1,531)**	**(17,913)**
	(1,904,925)	**(1,258,635)**	**(285,380)**	**(217,997)**	**(142,913)**

	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)	(278,215)
Trade accounts payable	(175,901)	(175,901)	-	-	-
Lease liabilities	(30,765)	(6,651)	(2,489)	(7,417)	(14,208)
Total	(1,526,703)	(473,337)	(347,120)	(413,823)	(292,423)

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

(In thousands of reais, unless otherwise stated)

16. Financial instruments and risk management (Continued)

a) Financial risk management (Continued)

Risk management structure (Continued)

Liquidity risk (Continued)

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.

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.

On December 31, 2023 and 2022, the balances are presented in the statement of financial position as follows:

	Individual		Consolidated	
	2023	2022	2023	2022
Current liabilities				
Cash flow hedges	**218,656**	47,708	**213,734**	47,802
Fair value hedges	**16,962**	10,045	**23,934**	10,045
Derivatives not designated as hedge	**1,017**	7,048	**1,017**	7,048
	236,635	64,801	**238,685**	64,895
Noncurrent liabilities				
Cash flow hedges	**33,595**	89,771	**33,595**	89,771
	33,595	89,771	**33,595**	89,771
Total liabilities	**270,230**	154,572	**272,280**	154,666
Statement of profit or loss (i)				
Cash flow hedges	**(80,691)**	86,074	**(80,833)**	94,109
Fair value hedges	**(11,402)**	(10,300)	**(11,402)**	(10,300)
Derivatives not designated as hedge	**(907)**	(5,381)	**(907)**	(5,381)
	(93,000)	70,393	**(93,142)**	78,428
Statement of comprehensive income				
Cash flow hedges	**(180,943)**	(296,250)	**(180,943)**	(296,250)
	(180,943)	(296,250)	**(180,943)**	(296,250)

(i) Cash flow hedging transactions (aluminum NDFs) are accounted for in raw material costs (Note 20) in profit or loss for the year.

16. Financial instruments and risk management (Continued)

a) Financial risk management (Continued)

Risk management structure (Continued)

Liquidity risk (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.

The hedge ineffectiveness can arise from:

- Differences in timing of cash flows of the hedged items and 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.

(In thousands of reais, unless otherwise stated)

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

Cash flow hedge	Nominal amount	Carrying amount	Line item in the financial statements	Change in fair value used for measuring ineffectiveness
At December 31, 2023				
Foreign exchange forward contracts – "Aluminum"	R$ 625,047	**(113,648)**	Liabilities – Derivative financial instruments	**(92,799)**
Commodity forward contracts – "Aluminum"	126,232 tons	**(138,603)**	Liabilities – Derivative financial instruments	**(113,176)**
		(252,251)		
	Current liabilities	**(218,656)**		
	Noncurrent liabilities	**(33,595)**		
		(252,251)		
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	(69,937)	Liabilities – Derivative financial instruments	(166,436)
		(137,479)		
	Current liabilities	(47,708)		
	Noncurrent liabilities	(89,771)		
		(137,479)		

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.

(b) In March 2022, the Group entered into a debt arrangement with Banco do Brasil in the amount of EUR 4,500 thousand (R$25,038 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 exchange difference + 3.13% p.a. This transaction was designated to hedge accounting using the fair value hedge method.

(In thousands of reais, unless otherwise stated)

16. 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)

(c) In April 2023, the Group entered into a debt arrangement with Banco ABC Brasil S/A in the amount of USD 3,693 thousand (R$18,500 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 exchange difference + 9.92% p.a. This transaction was designated to hedge accounting using the fair value hedge method.

(d) In July 2023, the Group entered into a debt arrangement with Banco ABC Brasil S/A in the amount of USD 12,346 thousand (R$60,000 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 exchange difference + 8.59% p.a. This transaction was designated to hedge accounting using the fair value hedge method.

(e) In October 2023, the Company entered into a loan agreement with Banco ABC – Cayman Islands Branch in the amount of USD 7,298, and entered into the same counterparty to hedge against currency risk a swap at a notional amount of R$ 37,000, equivalent to USD 7,298. The company receives exchange difference + 8.40% p.a. and pays 100.00% of the CDI + 2.50% p.a.

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
On December 31, 2023				
Votorantim contract No. SWAP 10256502	**R$ 20,000**	**-**	Liabilities - Derivative financial instruments	**2**
Banco ABC contract No. SWAP 12804423	**R$ 18,500**	**(662)**	Liabilities - Derivative financial instruments	**85**
Banco ABC contract No. SWAP 13619823	**R$ 60,000**	**(1,987)**	Liabilities - Derivative financial instruments	**529**
Banco ABC contract No. SWAP 14377723	**R$ 193,000**	**(10,925)**	Liabilities - Derivative financial instruments	**5,220**
Banco do Brasil contract No. SWAP02849352	**R$ 46,115**	**(2,078)**	Liabilities - Derivative financial instruments	**(106)**
Banco do Brasil contract No. SWAP02869472	**R$ 25,038**	**(1,310)**	Liabilities - Derivative financial instruments	**269**
		(16,962)		
On 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	(3,906)	Liabilities - Derivative financial instruments	58
		(10,045)		

16. 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)

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.

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 and financing on December 31, 2023 is the amount of R$20,940 (USD 4,325), (R$108,639 (USD 20,821) at December 31, 2022), 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 this investment.

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.

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.

(In thousands of reais, unless otherwise stated)

16. Financial instruments and risk management (Continued)

a) Financial risk management (Continued)

Hedging activities and derivatives (Continued)

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	**2023**	**2022**
Statement of profit or loss		
Gains on financial instruments	**8,817**	17,465
Losses on financial instruments	**(9,724)**	(22,847)
	(907)	(5,382)

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 its debt-to-equity ratio.

The financial leverage ratios are as follows:

		Individual		Consolidated	
	Note	**2023**	**2022**	**2023**	**2022**
Loans, financing and debentures	12	**1,368,028**	1,183,168	**1,630,346**	1,320,037
Lease liabilities		**27,551**	30,765	**27,551**	30,765
Cash and cash equivalents	4	**(157,776)**	(25,312)	**(159,445)**	(32,423)
Marketable securities	5	**(55,745)**	(66,098)	**(55,745)**	(66,098)
Net debt		**1,182,058**	1,122,523	**1,442,707**	1,252,281
Total equity		**207,129**	315,247	**207,129**	315,261
Equity + net debt - total capital		**1,389,187**	1,437,770	**1,649,836**	1,567,542
Financial leverage ratio - %		**85%**	78%	**87%**	80%

(In thousands of reais, unless otherwise stated)

16. Financial instruments and risk management (Continued)

a) Financial risk management (Continued)

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.

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 of December 31, 2023 and 2022 are identified as follows:

		Individual			
	Category	2023		2022	
Assets	**CPC 48/ IFRS 9**	**Carrying amount**	**Fair value**	**Carrying amount**	**Fair value**
Investments - cash equivalents (Note 4)	FVPL	**41,831**	**41,831**	8,936	8,936
Marketable securities (Note 5)	FVPL	**55,745**	**55,745**	66,098	66,098
Total assets		**97,576**	**97,576**	75,034	75,034
Liabilities					
Derivative financial instruments	FVOCI	**247,329**	**247,329**	137,479	137,479
Derivative financial instruments	FVPL	**22,901**	**22,901**	17,093	17,093
Total liabilities		**270,230**	**270,230**	154,572	154,572

(In thousands of reais, unless otherwise stated)

16. Financial instruments and risk management (Continued)

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

		Consolidated			
	Category	2023		2022	
Assets	CPC 48/ IFRS 9	Carrying amount	Fair value	Carrying amount	Fair value
Investments - cash equivalents (Note 4)	FVPL	**41,831**	**41,831**	8,936	8,936
Marketable securities (Note 5)	FVPL	**55,745**	**55,745**	66,098	66,098
Total assets		**97,576**	**97,576**	75,034	75,034
Liabilities					
Derivative financial instruments	FVOCI	**247,329**	**247,329**	137,573	137,573
Derivative financial instruments	FVPL	**24,951**	**24,951**	17,094	17,094
Total liabilities		**272,280**	**272,280**	154,667	154,667

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.

		Individual		
		Fair value		
	Balance at 2023	Active market – quoted price (Level 1)	No active market – Valuation technique (level 2)	No active market – Valuation technique (level 3)
Assets				
Investments - cash equivalents (Note 4)	**41,831**	**41,831**	**-**	**-**
Marketable securities (Note 5)	**55,745**	**55,745**	**-**	**-**
Liabilities				
Derivative financial instruments (Note 16)	**270,230**	**-**	**270,230**	**-**
	Balance at 2022			
Assets				
Investments - cash equivalents (Note 4)	8,936	8,936	-	-
Marketable securities (Note 5)	66,098	66,098	-	-
Liabilities				
Derivative financial instruments (Note 16)	154,572	-	154,572	-

(In thousands of reais, unless otherwise stated)

16. Financial instruments and risk management (Continued)

c) Fair value hierarchy (Continued)

		Consolidated		
		Fair value		
	Balance at 2023	**Active market – quoted price (Level 1)**	**No active market – Valuation technique (level 2)**	**No active market – Valuation technique (level 3)**
Assets				
Investments - cash equivalents (Note 4)	**41,831**	**41,831**	**-**	**-**
Marketable securities (Note 5)	**55,745**	**55,745**	**-**	**-**
Liabilities				
Derivative financial instruments (Note 16)	**272,280**	**-**	**272,280**	**-**
	Balance at 2022			
Assets				
Investments - cash equivalents (Note 4)	8,936	8,936	-	-
Marketable securities (Note 5)	66,098	66,098	-	-
Liabilities				
Derivative financial instruments (Note 16)	154,666	-	154,666	-

There were no transfers between levels 1, 2 and 3 of the fair value hierarchy in the years ended December 31, 2023 and 2022.

(In thousands of reais, unless otherwise stated)

17. Related parties

	Note	Individual				Consolidated			
		2023	2023	2022	2022	2023	2023	2022	2022
		Assets (Liabilities)	Income (Expense)	Assets (Liabilities)	Income (Expense)	Assets (Liabilities)	Income (Expense)	Assets (Liabilities)	Income (Expense)
Assets									
Trade accounts receivable (Note 6)									
Alubar Coppertec Ind Com de Fios e Cabos Elétricos Ltda	(a)	**-**	**1,436**	1,240	5,364	**-**	**-**	-	-
Alubar Cabos Elétricos Montenegro Imp. Ind. Com. Ltda	(a)	**23,949**	**158,723**	15,890	87,244	**-**	**-**	-	-
Alubar Metaux Inc	(a)	**-**	-	93	**-**	**-**	**-**	-	-
Alubar Global Management Ltda	(a)	**-**	-	4	**-**	**-**	**-**	4	-
Alubar Metals Missouri LLC	(a)	**52,788**	**64,998**	22,055	22,055	**52,788**	**64,998**	22,055	22,055
		76,737	**225,157**	39,282	114,663	**52,788**	**64,998**	22,059	22,055
Other transactions – Current assets									
Aluminum Investment S/A	(b)	**300,000**	**-**	-	-	**300,000**	-	-	-
9455-1280 Québec Inc.	(g)	**-**	**(838)**	-	-	**-**	**-**	-	-
		300,000	**(838)**	-	-	**300,000**	**-**	-	-
Other transactions – Noncurrent assets									
Aluminum Investment S/A	(b)	**112,642**	**70,642**	342,000	203,375	**112,642**	**70,642**	342,000	203,375
Alubar Energia S/A (Railec)	(h)	**-**	**988**	-	-	**-**	**988**	-	-
Advances to officers	(c)	**-**	-	747	-	**-**	-	747	-
Alubar Cabos Elétricos Montenegro Imp. Ind. Com. Ltda	(i)	**-**	**(72)**	1,242	3	**-**	-	-	-
Alubar Metals Missouri LLC	(d)	**41,553**	**2,366**	72,873	(3,903)	**41,553**	**2,366**	109,724	(3,903)
Alubar Metaux Inc		**-**	-	-	(613)	-	-	-	-
9455-1298 Quebec Inc.	(g)	**-**	-	2,284	16	-	-	-	-
9455-1280 Québec Inc.	(g)	**-**	-	12,956	446	-	-	-	-
		154,195	**73,924**	432,102	199,324	**154,195**	**73,996**	452,471	199,472
Total assets		**530,932**	**298,243**	471,384	313,987	**506,983**	**138,994**	474,530	221,527

(In thousands of reais, unless otherwise stated)

17. Related parties (Continued)

		Individual				Consolidated			
		2023	2023	2022	2022	2023	2023	2022	2022
	Note	Assets (Liabilities)	Income (Expense)	Assets (Liabilities)	Income (Expense)	Assets (Liabilities)	Income (Expense)	Assets (Liabilities)	Income (Expense)
Trade accounts payable (Note 11)									
Alubar Global Management Ltda	(f)	**(3,048)**	**(50,670)**	(144)	(47,071)	**(7,114)**	**(60,435)**	(1,788)	(52,965)
		(3,048)	**(50,670)**	(144)	(47,071)	**(7,114)**	**(60,435)**	(1,788)	(52,965)
Other transactions – Current assets									
Alubar Metaux Inc		-	**239**	-	-	-	**-**	**-**	-
Alubar Canada Holding Inc.	(e)	**(279,250)**	**(13,985)**	-	-	**-**	**-**	-	-
		(279,250)	**(13,746)**	-	-	**-**	**-**	-	-
Other transactions – Noncurrent assets									
Alubar Canada Holding Inc.	(e)	**-**	**-**	(21,772)	522	**-**	**-**	-	-
		-	**-**	(21,772)	522	**-**	**-**	-	-
Total liabilities		**(282,298)**	**(64,416)**	(21,916)	(46,549)	**(7,114)**	**(60,435)**	(1,788)	(52,965)

Transactions with related parties are carried out at prices and conditions contracted between the parties as under:

(a) Accounts receivable - mainly refer to purchase and sale transactions between the Company and its subsidiaries Alubar Coppertec and Alubar Montenegro, in addition to Alubar Metals Missouri LLC (subsidiary until September 30, 2022). As disclosed in Note 6, part of this balance, in the amount of R$28,140 (R$2,799 on December 31, 2022) is overdue for more than 181 days. Management did not record an allowance for losses on these amounts since it does not expect any credit loss arising from the receipt of these amounts. The amounts with the related party Alubar Metals Missouri LLC are adjusted at 100% of the CDI + 4.15% p.a.

(b) As mentioned in Note 9, 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, posted to profit or loss for the third quarter of 2022.

17. Related parties (Continued)

On December 15, 2022, the Company sold fixed assets (machinery and equipment) that were 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, posted to profit or loss for the third quarter of 2022.

On June 30, 2023, contractual amendments were executed to include the provision of remuneration interest equivalent to 100% of the CDI + 4.15% p.a. as well as to set deadlines for amortization as follows: R$300,000 until June 30, 2024, R$42,000 until June 30, 2025 and the remaining balance until June 30, 2026. The outstanding balance will be amortized through retained profits, dividends planned for the coming years and cash receipts.

(c) This refers to advances made to officers to cover expenses incurred in activities related to their duties in the Group. Amounts advanced and that may not be used in the exercise of the officers' duties must be fully returned to the Company, adjusted by an interest rate linked to the CDI (100% CDI) from the date the advance is made until the date of effective payment. The transaction was settled in the current year.

(d) These balances refer to loan agreements as a source of working capital and for CAPEX purposes entered into between the Company and its related party Alubar Metals Missouri LLC, a company controlled by the same controlling shareholder as that of the Company. The agreements provide for remuneration interest of 3.75% p.a. +Selic and repayment term is 365 days from the date of the transaction.

(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 classified as current will be settled within 1 year from the release date.

(f) This balance refers to the payments made by the parent company of expenses and contracts at the beginning of Alubar Global Management (AGM) operations. The Company and its subsidiaries have a cost sharing agreement with related party 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) The Company has entered into loan agreements with its subsidiaries 9455-1298 Quebec Inc. and 9455-1280 Quebec Inc. in Canadian dollars, on which exchange differences plus an adjustment by 6.625% p.a. are applied. The transaction was settled in the current year.

(h) The Company has entered into a loan agreement with related party Railec Energia e Construção S.A. in reais (R$), on which an adjustment by 100% of CDI + 4.88% p.a. are applied. The transaction was settled in the current year.

(i) he Company has entered into a loan agreement with related party Alubar Cabos Elétricos Montenegro Imp. Ind. Com. Ltda, in reais (R$), adjusted by reference to the SELIC rate. The transaction was settled in the current year.

(In thousands of reais, unless otherwise stated)

17. Related parties (Continued)

Key management personnel compensation

The Group's management is carried out by members of the Board of Directors and officers allocated directly to the Company, as well as allocated to the related party Alubar Global Management and the North American parties, with which the Group has a cost-sharing agreement (see Note (f)). In the year ended December 31, 2023, key management personnel compensation amounted to R$3,144 allocated to the parent company, R$14,292 allocated to Alubar Global Management and R$3,300 allocated to North American related parties (R$3,611, R$11,399 and R$1,720, respectively, in 2022).

The Company and its subsidiaries do not grant its managing officers and directors share-based compensation, post-employment benefits or employment termination benefits, in addition to those provided for by applicable law.

18. Equity

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 up, represented by 87,114,193 common shares, with a par value of R$1.00 (one real) each, held as follows:

	2023 and 2022		
Shareholders	**Common shares**	**Amount**	**%**
Aluminum Investment S.A.	**85,416,243**	**85,416**	**98.05%**
Individuals	**1,697,950**	**1,698**	**1.95%**
	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.

Income reserve

The Company recognizes income reserves to cover capital increases, profit distribution, absorption of loss, among others. On December 31, 2023, the balance of this reserve was R$460,166 (R$368,709 at December 31, 2022).

(In thousands of reais, unless otherwise stated)

18. Equity (Continued)

Income reserve (Continued)

Legal reserve

The legal reserve is set up 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. As of December 31, 2023 and 2022, the reserve was set up at 20% of the capital, in the amount of R$17,423.

Tax incentive reserve

The tax incentive reserve recognized in the Company refers to federal tax incentives (profit from tax-incentive activities).

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 of December 31, 2023, the Company management proposed the distribution of dividends pursuant to the Articles of Incorporation:

	2023	2022
Net income for the year	**125,584**	134,332
(-) Legal reserve - 5%	**-**	-
(-) Tax incentive reserve	**-**	(1,528)
	125,584	132,804
Mandatory minimum dividends - 25%	**31,396**	33,201

Capital budget reserve

This reserve is intended for capital investments in fixed assets, intangibles and investments of the Company, in accordance with the capital budget previously approved at the General Meeting on May 2, 2023, pursuant to article 196 of Law No. 6404/76. As of December 31, 2023, the balance of this reserve was R$196,707 (R$0 on December 31, 2022).

Equity adjustment

Represented by cumulative translation adjustments to foreign currency; unrealized gains and losses on net investment and cash flow hedge operations; and unrealized actuarial gains and losses from a defined benefit (DB-type) pension plan.

(In thousands of reais, unless otherwise stated)

19. Net revenue

	Individual		Consolidated	
	2023	2022	2023	2022
Gross sales revenue	**2,291,124**	2,131,630	**3,814,340**	4,001,166
(-) Deductions				
ICMS	**(187,338)**	(228,652)	**(190,090)**	(245,482)
ICMS grant	**177,621**	215,948	**177,621**	215,948
IPI	**(95,943)**	(85,504)	**(103,472)**	(92,866)
COFINS	**(37,918)**	(64,687)	**(31,113)**	(69,266)
PIS	**(8,232)**	(14,044)	**(6,755)**	(15,038)
Returns/Canceled sales	**(227,870)**	(172,897)	**(287,151)**	(197,278)
Total deductions	**(379,680)**	(349,836)	**(440,960)**	(403,982)
	1,911,444	1,781,794	**3,373,380**	3,597,184

20. Cost of sales

	Individual		Consolidated	
	2023	2022	2023	2022
Raw materials	**(1,087,834)**	(1,177,596)	**(2,294,336)**	(2,764,584)
Packaging material	**(78,094)**	(75,087)	**(89,805)**	(86,993)
Personnel	**(71,847)**	(57,386)	**(108,587)**	(100,202)
Fuel and lubricants	**(49,474)**	(53,058)	**(60,218)**	(65,421)
Depreciation and amortization	**(36,573)**	(19,011)	**(44,879)**	(27,368)
Third-party services	**(29,610)**	(22,954)	**(53,200)**	(57,157)
Amortization of right of use	**(11,607)**	(5,604)	**(11,607)**	(5,604)
Other costs	**(32,256)**	(41,614)	**(39,918)**	(49,996)
	(1,397,295)	(1,452,310)	**(2,702,550)**	(3,157,325)

21. Selling expenses

	Individual		Consolidated	
	2023	2022	2023	2022
Freight on sales	**(90,977)**	(68,630)	**(149,947)**	(134,889)
Allowance for expected credit losses	**(4,205)**	(2,242)	**(3,905)**	(4,291)
Personnel	**(3,088)**	(2,434)	**(3,162)**	(4,271)
Sales commissions	**(2,830)**	(5,144)	**(8,931)**	(6,588)
Insurance	**(2,642)**	(1,317)	**(2,646)**	(1,437)
Third-party services	**(856)**	(706)	**(1,537)**	(4,268)
Depreciation and amortization	**(248)**	(311)	**(248)**	(389)
Other selling expenses	**(1,725)**	(592)	**(1,758)**	(959)
	(106,571)	(81,376)	**(172,134)**	(157,092)

(In thousands of reais, unless otherwise stated)

22. General and administrative expenses

	Individual		Consolidated	
	2023	2022	2023	2022
Personnel	**(38,756)**	(35,574)	**(55,535)**	(47,818)
Third-party services	**(31,071)**	(27,062)	**(44,219)**	(43,339)
Depreciation and amortization	**(4,727)**	(4,335)	**(7,426)**	(6,595)
Insurance	**(3,586)**	(1,717)	**(3,586)**	(1,722)
Materials	**(2,335)**	(1,828)	**(3,463)**	(2,961)
Travel and lodging	**(1,276)**	(2,160)	**(1,480)**	(2,350)
Other expenses	**(9,289)**	(7,044)	**(5,885)**	(8,169)
	(91,040)	(79,720)	**(121,594)**	(112,954)

23. Other operating income (expenses), net

	Individual		Consolidated	
	2023	2022	2023	2022
Gain (loss) on sale of scrap	**(2,671)**	(11,615)	**(1,730)**	(7,834)
Gain on disposal of property, plant and equipment (a)	**-**	170,972	**-**	170,972
Write-off /disposal of subsidiary (b)	**(294)**	32,404	**(294)**	32,404
Recovery of expenses	**842**	1,880	**2,235**	1,880
Other income (expenses) net	**(5,009)**	550	**(5,353)**	5,881
	(7,132)	194,191	**(5,142)**	203,303

(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 29, 2023, subsidiary Alubar Coppertec Indústria e Comércio de Fios e Cabos Elétricos Ltda ceased to exist through an Agreement for Company Dissolution registered with the Commercial Registry of the State of São Paulo (JUCESP)., generating a loss of R$294 (Note 9).

In addition, on September 1st, 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 in 2022 in the amount of R$32,404 includes R$13,857 relating to OCI realized upon divestiture.

(In thousands of reais, unless otherwise stated)

24. Finance income (costs)

	Individual		Consolidated	
	2023	**2022**	**2023**	**2022**
Finance income				
Interest on accounts receivable	**12,650**	9,203	**13,682**	14,815
Financial investment yield	**4,664**	11,351	**4,664**	11,378
Income from swap	**27,466**	30,364	**28,303**	30,364
Discounts earned	**503**	411	**542**	500
Finance income / Related parties	**97,582**	1,127	**123,747**	1,608
Monetary/foreign exchange gains	**32,978**	72,163	**34,757**	77,210
Total finance income	**175,843**	124,619	**205,695**	135,875
Finance costs				
Interest on loans and financing and amortization of borrowing costs	**(191,860)**	(125,471)	**(210,496)**	(148,904)
Interest expenses on other financial liabilities	**(33,625)**	(41,375)	**(42,622)**	(48,373)
Bank charges	**(20,138)**	(8,337)	**(21,423)**	(8,871)
Monetary/foreign exchange losses	**(52,477)**	(61,055)	**(54,023)**	(64,065)
Discounts for advance on receivables	**(43,967)**	(15,510)	**(48,918)**	(16,486)
Finance costs / Related parties	**(32,480)**	(4,656)	**(41,377)**	(5,511)
Swap expenses	**(34,871)**	(46,696)	**(35,759)**	(46,696)
Total finance costs	**(409,418)**	(303,100)	**(454,618)**	(338,906)
	(233,575)	(178,481)	**(248,923)**	(203,031)

25. Income tax and social contribution

Current

	Individual		Consolidated	
	2023	**2022**	**2023**	**2022**
Income before income tax and social contribution	**110,037**	173,464	**123,037**	170,085
Combined tax rate	**34%**	34%	**34%**	34%
Income tax and social contribution	**37,413**	58,977	**41,833**	57,829
Effects of permanent additions (exclusions):	**(52,960)**	(19,845)	**(44,369)**	(22,083)
Loss on equity pickup of subsidiaries (Note 9)	**1,808**	9,214	**-**	9,214
Swap additions	**44,033**	-	**44,033**	-
Other additions	**8,613**	-	**33,050**	11,369
ICMS grant (Note 19)	**(60,391)**	(73,422)	**(60,391)**	(73,422)
Gain on equity pickup of subsidiaries (Note 9)	**(13,439)**	(5,599)	**-**	(5,599)
Depreciation difference	**(20,643)**	-	**(20,643)**	-
Swap exclusions	**(10,078)**	-	**(10,078)**	-
Other exclusions (a)	**(2,863)**	-	**(17,568)**	-
Government grant on income tax	**-**	(1,528)	**-**	(1,528)
Tax rate difference of foreign subsidiary (b)	**-**	-	**(12,772)**	(13,607)
Unrecognized deferred IRPJ/CSLL	**-**	51,490	**-**	51,490
IRPJ/CSLL – Current	**-**	(29,421)	**(16,105)**	(36,282)
IRPJ/CSLL – Deferred	**15,547**	(9,711)	**18,641**	536
IRPJ/CSLL on income (loss) for the year	**15,547**	(39,132)	**2,536**	(35,746)
Effective rate	**(14%)**	23%	**(2%)**	21%

(In thousands of reais, unless otherwise stated)

25. Income tax and social contribution (Continued)

(a) (a) Of the amount of exclusions in 2023, the Company made payments in its swap transactions in the amount of R$59,087 (R$0 in 2022), which represented an exclusion of R$20,089 (R$0 in 2022) in their computation; and
(b) This balance refers to the difference in income tax rates of subsidiaries in Brazil and Canada (respectively, 34% and 26.6%).

Federal tax incentive - Reduction in IRPJ rate - Profit from tax incentive activities

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, 2023 the tax benefit under concern was not recognized, since the parent company, holder of the incentive, recorded a tax loss in the year.

Deferred income tax and social contribution

	Individual		Consolidated	
	2023	**2022**	**2023**	**2022**
Temporary differences with impact on profit or loss:				
Allowance for expected credit losses	**1,209**	1,344	**1,209**	1,635
Provision for inventory losses	**611**	1,338	**611**	1,338
Provision for contingencies	**842**	891	**842**	891
Effects of difference in tax depreciation and useful lives	**(21,381)**	(40,627)	**(21,381)**	(40,627)
Other temporary differences	**1,031**	-	**1,751**	1,439
	(17,688)	(37,054)	**(16,968)**	(35,324)
Temporary differences with impact on equity:				
Derivative financial instruments	**33,445**	16,991	**33,445**	16,991
Cumulative translation adjustment of investees abroad	**(7,528)**	(10,135)	**(7,528)**	(10,135)
Cumulative adjustment of pension plan	**(1,915)**	12,664	**(1,915)**	12,664
	24,002	19,520	**24,002**	19,520
Income tax and social contribution losses	**34,174**	17,534	**56,764**	34,683
Total, net – Deferred assets	**40,488**	-	**63,798**	18,879

At the Individual financial statements, the tax incentive rate was considered for setting up the deferred income tax.

Deferred income and social contribution tax liabilities are substantially realized due to the depreciation of fixed assets. The realization of this liability is estimated based on the depreciation rates of fixed assets (Note 10).

Additionally, a substantial portion of deferred income and social contribution tax assets refers to the difference in the moment of taxation of derivative financial instruments (cash versus accrual basis). These deductible temporary differences will be realized in line with the expiration and settlement of the respective contracts (Note 16).

(In thousands of reais, unless otherwise stated)

25. Income tax and social contribution (Continued)

The expected recovery of deferred tax credits set up on income (IRPJ) and social contribution (CSLL) tax losses indicated by the projections of taxable profit, as approved by the Board of Directors is as follows:

	Individual		Consolidated	
	2023	**2022**	**2023**	**2022**
2024	**8,030**	8,030	**8,030**	**8,030**
2025	**20,868**	9,504	**20,868**	**20,868**
2026	**5,276**	-	**22,713**	5,785
2027	**-**	-	**5,153**	-
	34,174	17,534	**56,764**	34,683

26. Earnings per share (basic and diluted)

<u>Basic and diluted earnings per share</u>

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.

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.

The calculation of basic and diluted earnings per share for years 2023 and 2022 is shown below:

	2023	**2023**
Net income for the year attributable to the Company's shareholders	**125,584**	134,332
Weighted average number of shares	**87,114,193**	87,114,193
Basic and diluted earnings per share – R$	**1.4416**	1.5420

27. Statements of cash flows

<u>Non-cash transactions</u>

CPC 03 (R2) / IAS 7 – Cash Flow Statements, in its revision, determines that investing and financing transactions that do not involve the use of cash or cash equivalents must be excluded from the cash flow statements and presented separately in an accompanying note.

All statements that did not involve the use of cash or cash equivalents, that is, that are not disclosed in the cash flow statements are set out below:

(In thousands of reais, unless otherwise stated)

27. Statements of cash flows (Continued)

	Non-cash effect	
	Individual	Consolidated
Investing activities		
PPE acquisitions matched against trade accounts payable	2,778	1,990
Total investing activities	2,778	1,990
Financing activities		
Additional dividends approved	2,731	2,731
Mandatory minimum dividends	31,396	31,396
Total financing activities	34,127	34,127
	36,905	36,117

Changes in liabilities related to financing activities

Individual	2022	Cash flow	Payments of interest (*)	Other (**)	2023
Loans, financing and debentures	1,183,168	176,131	(172,059)	180,788	1,368,028
Derivative financial instruments	154,572	(65,376)	-	181,034	270,230
Lease liabilities	30,765	(8,907)	(1,955)	7,648	27,551
Dividends payable	30,854	(33,585)	-	34,127	31,396
	1,399,359	68,263	(174,014)	403,597	1,697,205

Consolidated	2022	Cash flow	Payments of interest (*)	Other (**)	2023
Loans, financing and debentures	1,320,037	288,916	(173,834)	195,227	1,630,346
Derivative financial instruments	154,666	(63,326)	-	180,940	272,280
Lease liabilities	30,765	(8,907)	(1,955)	7,648	27,551
Dividends payable	30,854	(33,585)	-	34,127	31,396
	1,536,322	183,098	(175,789)	417,942	1,961,573

(*) The Company and its subsidiaries classify interest paid as cash flows from operating activities; and

(**) Changes included in “Other” comprise the effects of the appropriation of debt charges, interest, net monetary and exchange variations and the recognition of dividends payable but not yet paid at the end of the period.

28. Business segment (Consolidated)

The Group analyzes the performance of business segments and allocates funds based on several factors, with revenue and operating income being the predominant financial factors.

Segment information is presented in a manner consistent with internal reports provided to the Company’s Chief Executive Officer (CEO), who is the Chief Operating Decision Maker (CODM) and is responsible for allocating resources, evaluating the performance of the Company’s operating segments and making strategic decisions of the Group.

No operating segments have been aggregated to form reportable operating segments. When making decisions, the Group’s management members analyze the units by geographic segment. As such, the economic segments in which it operates are Brazil and Canada.

(In thousands of reais, unless otherwise stated)

28. Business segment (Consolidated) (Continued)

Information on operating income, assets and liabilities by reportable segment

	2023			
	Brazil	Canada	Eliminations	Total
Operating revenue, net	**2,076,428**	**1,422,382**	**(125,430)**	**3,373,380**
Operating expenses and costs	**(1,748,652)**	**(1,378,198)**	**125,430**	**(3,001,420)**
Operating income (loss) before finance income (costs)	**327,776**	**44,184**	**-**	**371,960**
Finance income	**178,916**	**26,779**	**-**	**205,695**
Finance costs	**(434,105)**	**(20,513)**	**-**	**(454,618)**
Finance income (costs)	**(255,189)**	**6,266**	**-**	**(248,923)**
Equity interests income (costs)	**34,206**	**-**	**(34,206)**	**-**
Income and social contribution taxes	**15,308**	**(12,772)**	**-**	**2,536**
Net income for the year	**122,101**	**37,678**	**(34,206)**	**125,573**
Additions to PPE, right of use and intangible assets	**23,853**	**349**	**-**	**42,202**
Depreciation and amortization	**(55,764)**	**(8,396)**	**-**	**(64,160)**

	2022				
	Brazil	Canada	USA	Eliminations	Total
Operating revenue, net	1,887,661	1,606,241	217,642	(114,360)	3,597,184
Operating expenses and costs	(1,536,165)	(1,583,892)	(218,371)	114,360	(3,224,068)
Operating income (loss) before finance income (costs)	351,496	22,349	(729)	-	373,116
Finance income	124,005	9,292	2,578	-	135,875
Finance costs	(320,846)	(10,510)	(7,550)	-	(338,906)
Finance income (costs)	(196,841)	(1,218)	(4,972)	-	(203,031)
Equity interests income (costs)	(10,634)	-	-	10,634	-
Income and social contribution taxes	(29,104)	(6,642)	-	-	(35,746)
Net income for the year	114,917	14,489	(5,701)	10,634	134,339
Additions to PPE, right of use and intangible assets	98,426	20,027	200,105	-	318,558
Depreciation and amortization	(52,257)	(2,279)	-	-	(54,536)

Net operating revenue by geographical segment

	2023			
	Brazil	Canada	Eliminations	Total
Gross sales revenue	**2,552,146**	**1,422,382**	**(160,188)**	**3,814,340**
Electrical cables for transmission and distribution	**2,354,988**	**-**	**-**	**2,354,988**
Rods	**197,158**	**1,422,382**	**(160,188)**	**1,459,352**
Total deductions	**(475,718)**	**-**	**34,758**	**(440,960)**
	2,076,428	**1,422,382**	**(125,430)**	**3,373,380**

(In thousands of reais, unless otherwise stated)

28. Business segment (Continued)

Net operating revenue by geographical segment (Continued)

	2022				
	Brazil	**Canada**	**USA**	**Eliminations**	**Total**
Gross sales revenue	2,291,643	1,606,241	217,642	(114,360)	4,001,166
Electrical cables for transmission and distribution	2,165,170	-	-	-	2,165,170
Rods	126,473	1,606,241	217,642	(114,360)	1,835,996
		-			
Total deductions	(403,982)	-	-	-	(403,982)
	1,887,661	1,606,241	217,642	(114,360)	3,597,184

As of December 31, 2023 and 2022, no sales were made between the business segments.

Information on major customers

	2023		2022		
	Brazil	**Canada**	**Brazil**	**Canada**	**USA**
Major customer	**354,524**	**341,828**	153,892	425,751	114,616
2 to 11 major customers	**934,974**	**1,020,135**	588,147	1,117,724	103,026
12 to 50 major customers	**480,110**	**60,419**	704,153	62,766	-
Other	**181,390**	**-**	327,109	-	
	1,950,998	**1,422,382**	1,773,301	1,606,241	217,642

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 of December 31, 2023 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, 2023.

(In thousands of reais, unless otherwise stated)

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

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 of December 31, 2023, the Group had R$5,921 referring to the present value of actuarial obligations recorded in noncurrent liabilities. In 2022, this amount was R$4,589.

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:

	2023	2022
Assets:		
Number of participants	**34**	34
Average age (years)	**49.6**	49.6
Average length of service (years)	**15.8**	15.8
Average annual salary (CAD $)	**92,500**	92,500
Retirees and pensioners		
Quantitative	**21**	21
Average age (years)	**61.1**	61.1
Average annual benefit payroll (CAD $)	**35,900**	35,900

	2023	2022
Real discount rate	**4.75%**	5.00%
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%

On December 31, 2023 and 2022, the position of actuarial assets and liabilities was as follows:

		2023	2022
1,1	Present value of actuarial obligations	**70,356**	71,703
1,2	Fair value of plan assets (-)	**(64,435)**	(67,114)
1,3	Actuarial liabilities (1.1-1.2)	**5,921**	4,589
1,4	Asset ceiling effect	**-**	-
1,5	Actuarial liabilities recorded (1.3+1.4)	**5,921**	4,589
1,6	Debts assumed by the sponsor with the plan	**-**	-
1,7	Actuarial liabilities recorded (max [1.5; 1.6])	**5,921**	4,589

(In thousands of reais, unless otherwise stated)

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

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

		2023	2022
1,1	Actuarial liabilities at beginning of year	4,589	31,722
1,2	Expenses/(income) recognized in the year	**255**	1,175
1,3	Contributions to the plan	**(114)**	(119)
1,4	Amounts to be recognized in OCI	**1,191**	(29,808)
1,5	Other	**-**	1,619
2	Actuarial liabilities recorded	**5,921**	4,589

The history of actuarial remeasurements is as follows:

	2023	2022
Present value of the defined benefit plan obligation	**(70,356)**	(71,703)
Fair value of plan assets	**64,435**	67,114
Deficit	**(5,921)**	(4,589)

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

30. Insurance coverage

As of December 31, 2023, the Group's insurance coverage against operational risks totaled R$1,692,176 (R$1,041,950 in 2022), R$1,606,581 for property damage (R$1,167,416 in 2022), R$722,937 for loss of profits (R$560,661 in 2022), and R$130,000 for D&O civil liability (R$130,000 in 2022).

31. Events after the reporting period

Approval of Registration with the CVM – category B

On January 29, 2024, the Brazilian Securities and Exchange Commission (CVM) granted the Company registration as a securities issuer (publicly held company) category "B", under CVM Code No. 2743-0.

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