Greenbrier Maxion Equipamentos e Serviços Ferroviários S.A.

Financial Statements

GREENBRIER MAXION
AN AMSTED RAIL GLOBAL PARTNER

December 31, 2022

with Independent Auditor's Review Report

MANAGEMENT REPORT

1.1 MESSAGE FROM THE CFO

The year of 2022 was challenging for the Company, seeing as the production and sales volume of freight cars underwent variations during the year, mostly impacted by the volatility of international iron ore prices and by the agribusiness commodity prices.

> *The delivery volumes of railway vehicles (freight cars, locomotives and passenger cars) still remained quite low in 2022, sustaining a high and dramatic idleness rate in the industry, affecting the sector's entire production chain, which accumulates a drastic loss of qualified labor.*
>
> *The freight car industry delivered a lower volume of cars in 2022 (1,250 units) against 2021 (1,800 units), also below the forecast from one year ago (1,500 to 1,700 cars) Source: "Simefre".*

With the implementation of the New Regulatory Mark for Brazilian Railways, the private sector's participation via the regime of authorization for new grants and the incentive from the Federal Government to expand railways, the perspective for the coming years is growth in the demand for new freight cars, in particular for agribusiness and fuel transportation.

Raw material availability, lack of inputs for production, low availability of containers for imports, high prices of raw materials and a higher dollar to control freight prices were also challenging factors in 2022. The Board's strategic decisions sought to mitigate the impacts in raw material and input supplies for the Company.

Despite the freight car volumes in 2022 being smaller by 23% compared to 2021, it was possible to overcome the operational and financial results. The improvement of the result was due to the strategic purchase of raw materials, implementation of new freight car projects, cost reduction and expense control programs.

Another important factor for the Company was the change in profile of some clients, switching to direct sales for the "end users".

The company is focused on environmental and sustainability actions (ESG). As a policy, we have prioritized raw material and component suppliers that meet the environmental impact reduction criteria.

Steel is an important component in our production process, and with aim to reduce the consumption of natural and energy resources, we have more than 50% of our iron provided through recycled materials.

As ESG actions we have:

- <u>Environment</u> Selective waste collection, plastic lids collection, more sustainable products and processes that follow the concept of circular economy.
- <u>Social:</u> Formare Program, SENAI apprentice program, thinking about the future program, health on track program.
- <u>Governance</u> Ethics code, Ethic Points, Due Diligence and legal requirements control system.

Advanced engineering works on projects to reduce freight car weight, whereas some actions were already implemented in 2021 and 2022. Those initiatives have resulted in the reduction of fuel consumption by the railway operators, reduction of CO2 emissions, reduction in the change of rolling stock and a greater freight transport capacity by train.

The employees' safety is a VALUE for the Company. As a theme of the safety philosophy, we have: *"I take care of myself, I take care of my coworkers and I let others take care of me"*

As a result from management, the Company has received the following awards;

- ABQV Award: Gold Position in Quality of Life
- ISO 45001: Green Seal
- Época 360: 2nd place in ESG / Governance
- Época 360: 3rd place in People / ESG / Sustainability

With the earned net income in the year of 2022, it was possible to reverse the carrying loss accumulated until the year of 2021, and make the payment for the first time in the Company's history of the Interest Over Equity to shareholders and the payment of dividends in 2023 as well.

The company remains optimistic with the renewal of the current concessions and with the projection of new ones, forecasting an increase in sales for the coming years.

We consider 2023 to be a bridge year, where the Company is committed to continue generating value to their shareholders.

1.2 OPERATIONAL PLAN AND ACTIONS IMPLEMENTED BY THE COMPANY'S ADMINISTRATION

Net revenues reached R$789.8 million in 2022, a 2.7% reduction against the previous year.

Sales were predominantly to the Brazilian market and in Reais, without suffering the effect of currency exchange variation over the operations.

The absolute value of the net profit was R$50.7 million. Albeit a lower turnover compared to the previous year, the result was higher than 2021 by 66.4%.

1,174 freight cars were invoiced, a 23.2% reduction compared to 2021. Such reduction was due to a change in the mix of the freight car sales models, where we had a reduction in the sale of the gondola and platform cars and an increase in the sales of tank cars.

Car production was smaller than 2021 by 22.6%, totaling 1,197 units. In order to meet the production volume, we were required to adjust labor figures, reducing the employee total in 8%.

The company continues investing in automation, car standardization and reduction in the quantity of items per car, resulting in gains in efficiency, handling, quality and productivity.

Cash management was an extremely important factor to improve the Company's operational results. The net cash generation reached R$69.7 million (cash flow from operating activities net of cash flow used in investing activities).

The loans, financing and debentures (not including intercompany financing) was reduced by 34.3%, i.e. from R$ 73.6 million in 2021 to R$48.3 million in 2022.

With the profit for the year of 2022 at R$ 50.7 million, the Company reversed the losses accumulated until 2021, at the amount of R$13.7 million, enabling the payment of Interest Over Equity to partners in 2022 and the forecast for dividend distribution in 2023.

On December 31, 2022, the Company had positive working capital of R$ 52.0 million, improving the 2021 scenario, where the working capital was R$ 12.0 million. The shareholders are kept up to date as to the Company's results and they grant financial support to its operations via lines of credit, thus maintaining the commitment of financing the operations and providing the required financial support to pay its obligations, if they be required. With the measures and scenarios presented, the Administration has not identified situations that may affect the Company's operational continuity.

1.3 SUSTAINABILITY, SOCIAL AND ENVIRONMENTAL PROJECTS

FORMARE
Formare

Certification ISSO 14001:2015

Traineeship

Recycled material donations

SENAI Apprentice

Riparian Zone Reforestation

PROGRAMA SAÚDENOSTRILHOS
Health On Track Program

Open Factory

Waste reduction

1.4 COMMITMENT WITH ETHICS

The Company, as part of its values, is committed with ethics in all its chain and, with the goal of reinforcing that commitment, in addition to providing their Code of Ethics and Conduct in the electronic page available for queries in the world wide web (https://gbmx.com.br/governanca-corporativa/codigo-de-etica/), they also inform to have adhered voluntarily to the Pact for Integrity and Against Corruption, reiterating their purpose in disseminating good practices of corporate ethics.

Such adherence reinforces the ethical conduct as a base of the relationship between the Company, clients, suppliers, regulatory and government agencies, and reiterates the Company's strict commitment in prohibiting that any person or organization that acts on behalf of the Company or to their benefit, whether as a representative, agent, trustee or under any other bond:

- gives, commits to giving or offers a bribe, thus understood as any sort of gift, advantage or emolument, either direct or indirect, to any public agent, not even in order to obtain a decision favorable to their business;
- contributes to electoral campaigns with aim to obtain an advantage of any kind or with the goal of preventing illegal prosecutions or preterminations;
- uses any immoral or unethical means in the relationships with public agents.

The Company will support and collaborate with the Public Authorities in any investigation of a suspected irregularity or violation of the law or the ethical principles reflected in the referred Pact.

1.5 RAILWAY MARKET

Railway transport represented, since its emergence, an important strategic element for the economy. It is the best alternative for grains and container packed cargo, with a lower cost and lower environmental impacts, high load capacity, more safety in goods transport and lower risk of accidents.

In 2022 exercise, railway presented itself practically stable against the year of 2021 (-0.05%). There was a 9.5% expansion in November (compared to the same period of 2021) in the production of General Cargo. In the accumulated amount (January to November) there was a gain of 12.7% in respect to the same period of 2021. We also highlight the expansion of agriculture bulk (13.8%) and fuels (7.3%) transport, demonstrating that the modality is suitable to large volume cargo transport and stands extremely competitive and adaptable to all Brazilian regions.

The Federal Government, via the Infrastructure Department (MInfra), initiated a radical transformation in the country's railway transport system. Included in Provisional Measure 1,065/2021, the Pro-Trilhos program enables new railways to be built by the authorization method, by the free initiative of the private sector, which today only invests in concession projects auctioned by the government. Until December 31st, 2022, the MInfra received 89 requests. Altogether, they represent R$ 258 billion in investments and 22,000 kilometers of new tracks. 27 railways underwent all stages and were authorized by the Federal Government, representing 10,000 kilometers and an investment of R$133 billion. With the railway authorizations, the MInfra expects to raise the modality's share in the transports matrix from the current 20% to 40% until 2035, with an expansion from 30,000 kilometers to 35,000 kilometers of railways. The investments in port grants shall also optimize the connection between railways and terminals.

The year of 2023 shall start with Brazil's main railway grants already renewed for another 30 years, such as VALE, MRS and RUMO, with only VLI still pending. There are also new railway concessions that have already been signed, such as the North-South railway attained by RUMO, with an operation start forecast to the 1T23, and the FIOL-1 railway attained by BAMIN, with the start of operations expected for 2025.

Within the Infrastructure Departments planning, via the PPI (Investments Partnership Program), the anticipated renewal of the VLI is expected for the first semester of 2023, in addition to the Ferrogrão auction. The construction of the Mid-West Integration Railway (FICO), to be delivered in 2025, was included as a counterpart for the grant value in the anticipated delay of EFVM (Vale).

Altogether, the government's investments in the railway shall be R$101 billion, whereas R$50 billion for the concession renewal, R$43 billion in the new concessions and R$ 8 billion in privatizations.

We also underscore the continuity of the railway services business for revision, maintenance, reform and transformation of the railway freight cars and components, enabling better distribution and absorption of the productive labor, in addition to meeting the market demand. Currently almost 50% of the Brazilian fleet is already 30 years old, whereas 14,000 of those cars have already passed 50 years, hence requiring a series of replacements and new acquisitions to ensure the operational safety and productivity of railways.

Source: *Infrastructure Department and ANTF (National Railway Transports Association).*

1.6 PRODUCT PORTFOLIO

a) WAGONS

INNOVATIONS FOR ALL KINDS OF CARGO

Greenbrier Maxion has an expertise in the design and manufacturing of all types of cars:

- Design that is bold and facilitates maintenance;
- Reduced weight and larger cargo capacity, increasing the capacity per train;
- Automated loading and offloading;

- Technological partnership with Greenbrier, world leader in designs and car manufacturing;
- Global penetration and activities, standing as the largest railway operation in South America.

PORTFOLIO OF MORE THAN 30 CARS

i. GÔNDOLA

It includes 8 car models to carry: Iron ore, bauxite and coal.

A wide variety of projects to better meet their clients in ore transport. Standing out is the GDU car, with the largest carrying capacity produced by the Company and the first focused on the Brazilian market with a 7"x12" bogie. With a 37.5 tons/load axle capacity and 150 tons of max gross weight, it uses brakes with rates suitable to the service of 150 tons, adjusted for the use condition with or without load, in a way to reduce the temperature and extend the lifetime of the wheel.

ii. TANK

It includes 4 car models to carry: Fuel and vegetable oil.

Wide variety of projects supplied, both for the domestic and foreign markets. Produces tank cars to carry oil derivatives, cement and sulphuric acid, among others. Volumetric capacity and lower weight, in addition to systems that expedite offloading are the technological innovations.

iii. CLOSED

It includes 3 car models to carry: Cellulose

The Company developed a line of special and differentiated cars to meet the transport of cellulose in Brazilian railways.

iv. HOPPER

It includes 10 car models to carry: <u>Grains, bran, sugar, fertilizers and sulfur.</u>

The designs of Hopper cars are distinguished and innovative, with world renowned high technology and quality for transporting grain, sugar, corn, soy, bran, among others. One of the main technologies used is the automated loading and offloading, which enables actuating the cargo covers via a pneumatic system. The technology renders the process faster and safer both for the operator, during the car's loading/offloading, and the load, since it does not use human work to activate the gates, but rather the automated system.

v. PLATFORM

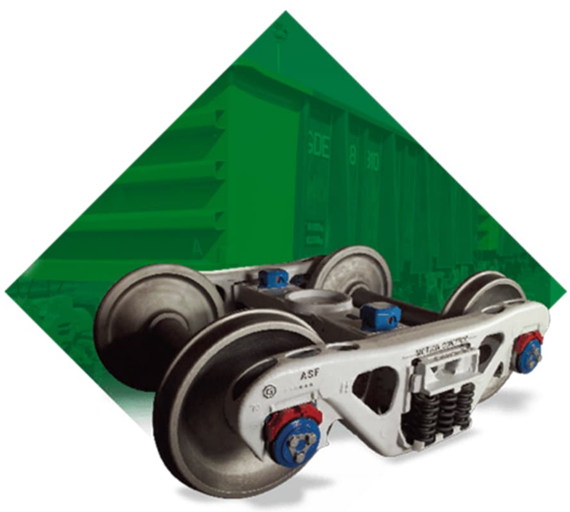
It includes 8 car models to carry: <u>Containers, either stacked or aligned.</u>

The Company developed a line of special platform cars to serve the transport of containers in Brazilian railways. The cars carry aligned and stacked containers meeting the requirements of their clients according to the railway infrastructure.

b) BOGIES

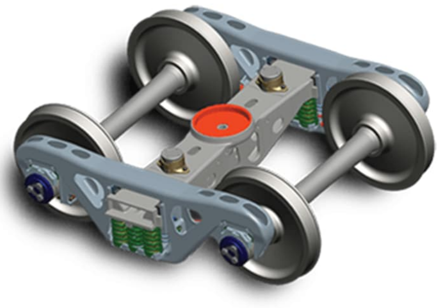
Through a technological partnership with Amsted Rail, they also use their expertise in manufacturing bodies and railway components, certified by the American Association of Railways (AAR):

- Innovative engineering that develops cast steel bogies for all existing gauges and capacities
- Robust components, with high operational performance and easy maintenance
- Wheel in microalloyed steel, with higher resistance and performance
- Better dynamic performance and lower derailing risk, with lower wheel and fuel consumption



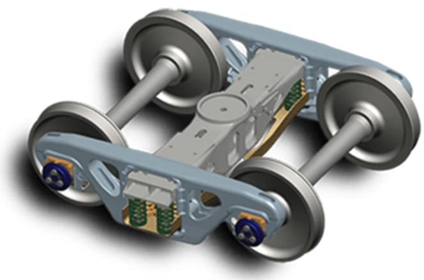
i. MOTION CONTROL®

- Premium bogies provided with special adapters.
- Reduction of fuel consumption
- Simplified maintenance process
- Better dynamic performance and lower risk of derailment



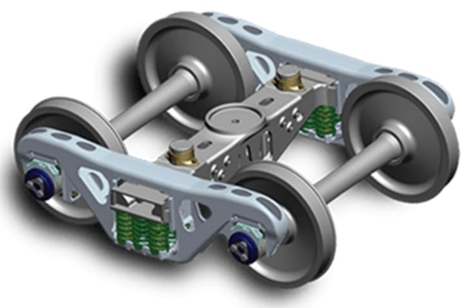
ii. SWING MOTION®

- 6.1/2” x 9” for 32.5 tons/axle
- 7” x 12” for 37.5 tons/axle



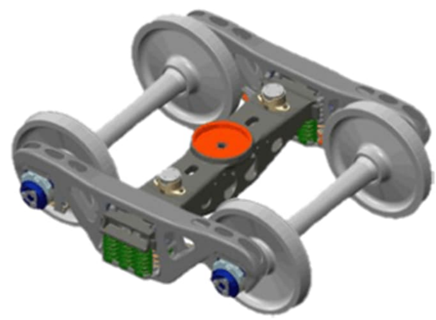
iii. RIDE CONTROL

- Practical and easy maintenance
- Constant damping
- Adaptation to the existing operational conditions



iv. SUPER SERVICE RIDE CONTROL

- Constant damping technology
- Rubber seats on the pedals
- Improvement in the car dynamics
- Reduction of component consumption



c) SERVICES

Greenbrier Maxion innovates while proposing complete and differentiated solutions in service provision.

The Company, with all its technology and expertise, has implemented a new line specialized in railway services in their Hortolândia-SP unit. The industrial shed with 4 thousand square meters receives freight cars that need revision, maintenance, renovation and transformation, coming out "brand new" for the customer.

The main objective of the new service line is to provide the market with complete solutions in respect to the operationalization of freight cars, via a superior proposal in benefit of our clients. That enables operators to eliminate concerns and high costs regarding the maintenance of their cars, focusing their efforts on the core of their business. Among the top advantages, the highlights are: greater reliability and availability; better productivity; maintenance backlog reduction; reduction of indirect costs, material management and reduction of train downtime, in addition to recycling and reuse of materials and parts.

The projects, as well as services, are treated as independent, personalized demands conceived for the specific needs of each client. As for the services of systems and of components, they may be carried out either completely or isolated. However, the best option that ensures a wider scope and lower costs is Integrated Maintenance.

<u>Before</u>

<u>After</u>

Greenbrier Maxion's expertise in operationalizing maintenance services with availability and superior quality.

- Replacement parts
- Preventive monitoring
- Periodic reviews
- Components remanufacturing
- Components kits
- Freight car renovation, modernization and transformation
- Inventory optimization
- Complete maintenance cell

1.7 COVID-19

The Covid-19 outbreak was first reported in the end of 2019 in Wuhan, China. Since then, the virus spread throughout the world. On March 11, 2020 the WHO declared the Covid-19 outbreak a pandemic.

The Covid-19 pandemic shows considerable signs of flexibilization, given that many countries have suspended travel prohibitions, ended lockdowns and facilitated quarantine measures. Many governments have announced certain measures to provide financial and non-financial assistance to the affected entities.

In view of such scenario, the Company has been constantly monitoring the evolution of the topic and there is no expected impact on operations.

The Company has also been monitoring cases with employees and has carried out communication and awareness campaigns, in addition to providing assistance to employees and society.

There was no increase in default in the Company's accounts receivable and no delay to suppliers, nor is there any forecast of loss of raw materials or materials due to the pandemic scenario.

1.8 UKRAINE WAR

The war in Ukraine, started in 2022, unchains a series of accounting considerations of the IFRS that affect financial statements.

Many countries imposed and continue to impose new sanctions to specific Russian entities and individuals. Sanctions have also been imposed to Belarus.

The situation, along with the potential fluctuations in commodity prices, exchange rates, restrictions to imports and exports, availability of local materials and services and access to local services shall directly affect the entities that have operations or significant exposure in Russia, Belarus or the Ukraine.

The war and its direct and indirect consequences may impact other entities besides those having direct interest in the countries involved, e.g. in result of the exposure to commodity prices and exchange rate fluctuations, as well as the possibility of a prolonged economic deceleration.

The Company has not been impacted in that scenario as to the supply of raw materials, consumables, among others, nor have their sales, since the largest market is domestic. No other financial impact has been demonstrated for the business.

SUMMARY

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

Independent auditor's report on financial statements

To the
Shareholders, Board of Directors and Officers of
Greenbrier Maxion Equipamentos e Serviços Ferroviários S.A.
Hortolândia - SP

Opinion

We have audited the financial statements of Greenbrier Maxion Equipamentos e Serviços Ferroviários S.A. (the "Company"), which comprise the statement of financial position as at December 31, 2022, and the statements of profit or loss, of comprehensive income, of changes in equity and cash flows for the year then ended, and notes to the financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of Greenbrier Maxion Equipamentos e Serviços Ferroviários S.A. as at December 31, 2022, and its financial performance and cash flows for the year then ended in accordance with the accounting practices adopted in Brazil.

Basis for opinion

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

Emphasis

As mentioned in explanatory notes 1.2 and 9 to the financial statements, the Company has received financial support from related parties in recent years and maintains purchase and selling balances transactions with related parties based on terms and conditions negotiated between them. Our opinion is not qualified in respect to this matter.

Key audit matter

Key audit matter is that matter that, in our professional judgment, was of most significance in our audit of the financial statements of the current period. This matter was addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on this matter. For the 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 financial statements section of our report, including in relation to this matter. Accordingly, our audit included the performance of procedures designed to respond to our assessment of the risks of material misstatement of the financial statements. The results of our audit procedures, including the procedures performed to address the matter below, provide the basis for our audit opinion on the accompanying financial statements.

Leases

As described in Note 3.3j) and 21, the Company adopted the new accounting pronouncement CPC 06 (R2) / NBC TG 06 (R3) as of January 1, 2019, using the retrospective modified approach as its transition method. This pronouncement establishes changes in accounting practices for the recognition, measurement, presentation, and disclosure of leases, substantially represented by its administrative and operational properties, and requires that lessees account for all leases using a single model in its financial statements. On the lease commencement date, the lessee recognizes a lease liability, referring to future minimum payments, and an asset representing the right-of-use asset, during the lease term, and separately recognizes expenses with financial charges on the lease liability, and the amortization expense of the right-of-use asset.

At December 31, 2022, as mentioned in Notes 3.3 j) and 21, balances referring to the right-of-use asset and lease liability totaled R$44,926 thousand and R$50,773 thousand, respectively, accounting for 8.8% of total assets and 12.8% of total current and non-current liabilities, respectively. In addition, for the year then ended, right-of-use asset amortization amounts and the financial costs, amounted to R$14,283 thousand and R$3,524 thousand, respectively, and the lease liability (including interest) paid amounted to R$14,361 thousand.

This matter was considered significant for our audit: i) due to the relevance of amounts involved; and, renegotiations undertaken by the Company ii) because the assessment involves significant judgments in determining the assumptions and estimates used to determine the right-of-use asset and lease liabilities.

How our audit addressed this matter

Our audit procedures included, among others: (i) assessment of the adequacy of accounting policies for recognizing the Company’s right-of-use asset and lease liabilities; (ii) inspection and reviewing lease contracts, on a sample basis, for the adequacy to said standard; (iii) testing, on a sample basis, the measured values of the right-of-use asset and lease liabilities, both recorded at the present value of the minimum lease payments; (iv) testing, on a sample basis, the amortization values of the right-of-use asset; and (v) analysis of the incremental interest rate calculated by the Company.

As a result of these procedures, we identified an audit adjustment relating to remeasurement effects. This adjustment was not recorded by board of directors, since it was considered immaterial on the financial statements as a whole.

Based on the results of our audit procedures carried out, we believe that the criteria and assumptions adopted by management, as well as the respective disclosures in Notes 3.3 j) and 21, are acceptable, in the context of the financial statements taken as a whole.

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

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

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

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

Auditor’s responsibilities for the audit of the financial statements

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

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

- Identified and assessed the risks of material misstatement of the 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 internal control.
- Evaluated the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by board of directors.

- Concluded on the appropriateness of board of directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Company to cease to continue as a going concern.
- Evaluated the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

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

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

São Paulo, March 20, 2023.

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

Luciano Ferreira da Cunha
Accountant CRC-1SP210861/O-2

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Balance sheet

In thousands of reais

Assets	Note	2022	2021
Current assets			
Cash and cash equivalents	4	122,509	90,184
Trade receivables	5.1	9,983	12,105
Inventories	6	197,307	165,374
Recoverable taxes	7	17,516	22,232
Prepaid expenses		1,168	863
Other receivables		4,916	3,011
Total current assets		**353,399**	**293,769**
Noncurrent assets			
Trade receivables	5.1	8,673	11,012
Recoverable taxes	7	491	406
Deferred income tax and social contribution	8	30,103	27,013
Escrow deposits	14.1	6,574	7,614
Other receivables		1,000	1,000
Right of use of leased assets	21	44,926	21,145
Property, plant and equipment	10	67,594	63,992
Total noncurrent assets		**159,361**	**132,182**
Total assets		**512,760**	**425,951**

The accompanying notes are an integral part of the financial statements.

Balance sheet

In thousands of reais

Liabilities and equity	Note	2022	2021
Current liabilities			
Borrowings, financing and debentures	11	105,385	113,958
Trade payables	12	60,426	67,643
Taxes payable		2,406	1,808
Payroll and related taxes	13	29,748	24,950
Advances from customers	5.2	65,244	18,930
Dividends payable	15.3	4,642	-
Lease liability - right of use	21	6,223	16,003
Other payables		27,302	38,469
Total current liabilities		**301,376**	**281,761**
Noncurrent liabilities			
Borrowings, financing and debentures	11	28,343	39,117
Provision for tax, civil and labor risks	14	21,934	22,851
Lease liability - right of use	21	44,550	7,543
Other payables		965	-
Total noncurrent liabilities		**95,792**	**69,511**
Equity			
Share capital	15.1	87,707	87,707
Statutory reserve	15.3	24,537	-
Legal reserve	15.3	1,808	-
Equity adjustments		1,540	666
Accumulated losses	15.3	-	(13,694)
Total equity		**115,592**	**74,679**
Total liabilities and equity		**512,760**	**425,951**

The accompanying notes are an integral part of the financial statements.

Statement of profit or loss

In thousands of reais, except profit for the year per share

(P&L)	Note	2022	2021
Net sales revenue	16	789,804	811,684
Cost of sales and services	19	(685,040)	(718,641)
Gross profit		**104,764**	**93,043**
Operating expenses			
Selling expenses	19	(7,529)	(9,126)
General and administrative expenses	19	(18,718)	(14,550)
Management fees	19	(6,623)	(6,317)
Other operating expenses, net	20	(8,518)	(8,165)
Income before finance expenses		**63,376**	**54,885**
Finance income	17	15,611	6,259
Finance costs	17	(23,322)	(15,572)
Foreign exchange differences, net	18	(310)	66
Profit before income tax and social contribution		**55,355**	**45,638**
Income tax and social contribution			
Current	8.1	(7,715)	(21,280)
Deferred	8.1	3,090	6,129
Profit for the year		**50,730**	**30,487**
Earnings per share - basic and diluted - R$	**15.4**	**1.04975**	**0.63086**

The accompanying notes are an integral part of the financial statements.

Statement of comprehensive income

In thousands of reais

(SCI)	2022	2021
Profit for the year	50,730	30,487
Other comprehensive income	-	-
Total comprehensive income for the year	**50,730**	**30,487**

The accompanying notes are an integral part of the financial statements.

Statement of changes in equity

In thousands of reais

SCE	Note	Share capital	Equity adjustments	Legal reserve	Statutory reserve	Accumulated losses	Total
Balances on December 31, 2020		**87,707**	**989**	**-**	**-**	**(44,504)**	**44,192**
Realization of deemed cost, net of tax effects		-	(323)	-	-	323	-
Profit for the year		-	-	-		30,487	30,487
Balances at December 31, 2021		**87,707**	**666**	**-**	**-**	**(13,694)**	**74,679**
Realization of deemed cost, net of tax effects		-	874	-	-	(874)	-
Profit for the year		-	-	-	-	50,730	50,730
Destinations of net profit for the year:							
Legal reserve	15.3	-	-	1,808	-	(1,808)	-
Statutory reserve	15.3	-	-	-	24,537	(24,537)	-
Interest on equity	15.3	-	-	-	-	(5,175)	(5,175)
Mandatory minimum dividends	15.3	-	-	-	-	(4,642)	(4,642)
Balances at December 31, 2022		**87,707**	**1,540**	**1,808**	**24,537**	**-**	**115,592**

The accompanying notes are an integral part of the financial statements.

Statement of cash flows

In thousands of reais

Cash flows from operating activities	Note	2022	2021
Profit for the year		50,730	30,487
Adjustments to reconcile net earnings for the year to cash from operating activities:			
Depreciation	10.2	9,529	9,820
Amortization of right of use	21	14,283	13,658
Addition / write-off of right of use	21	-	(5,169)
Income tax and social contribution	8.1	4,625	15,138
Interest on borrowings and financing	11.1	17,687	10,237
Interest on lease liabilities	21	3,524	7,168
Residual value of property, plant and equipment items written off	10.1 and 10.2	2,853	843
Reversal of the allowance for inventory losses	6	2,933	4,554
Provision for tax, civil, and labor risks, net of reversals		(917)	12,805
Other		-	(7)
Decrease (increase) in assets:			
Trade receivables		4,461	102,186
Inventories		(34,866)	(80,015)
Recoverable taxes		4,631	1,012
Escrow deposits		1,040	1,982
Other receivables and other assets		(2,210)	8,428
(Decrease) increase in liabilities:			
Trade payables		(7,217)	(27,348)
Advances from customers		46,314	(18,864)
Payroll and related taxes		4,798	4,260
Other payables and other liabilities		(9,604)	25,741
Cash from operating activities		**112,594**	**116,916**
Payment of income tax and social contribution	8.1	(7,715)	(21,280)
Payment of interest on lease liabilities	21	(7,513)	(389)
Payment of interest on borrowings, financing and debentures	11	(11,756)	(8,255)
Cash from operating activities		**85,610**	**86,992**
Cash flows from investing activities			
Purchase of property, plant and equipment	10.1	(15,984)	(14,701)
Cash used in investing activities		**(15,984)**	**(14,701)**
Cash flows from financing activities			
Borrowing, financing and debentures taken out	11	1,000	136,103
Repayment of lease liabilities - principal	21	(6,848)	(13,839)
Repayment of borrowing, financing and debentures - principal	11	(26,278)	(185,935)
Interest on equity payment	15.3	(5,175)	-
Cash used in financing activities		**(37,301)**	**(63,671)**
Increase in cash and cash equivalents		**32,325**	**8,620**
Cash and cash equivalents at beginning of year		90,184	81,564
Cash and cash equivalents at end of year		**122,509**	**90,184**

The accompanying notes are an integral part of the financial statements.

1. OPERATIONAL BACKGROUND

1.1 GENERAL INFORMATION

Greenbrier Maxion Equipamentos e Serviços Ferroviários S.A. ("Company") is a privately-held corporation, incorporated on September 16, 2014, with registered head office at Avenida Carlos Roberto Prataviera, s/n Lote 71 - Sítio São João, Jardim Nova Europa, Hortolândia/SP – Zip Code 13184 889. 21.042.930/0001-88 e I.E.: 748,169,456,110.

The Company started its operations on May 1, 2015, which consist on the manufacturing, milling, assembly, remodelling, repair, distribution, and sale of any type of railroad equipment, as well as import and export transactions.

The Company is jointly managed by two shareholders:

- Greenbrier do Brasil Participações Ltda. holding 60% stake
- Amsted Maxion Fundição e Equipamentos Ferroviários S.A. holding 40% stake.

1.2 FINANCIAL POSITION AND SUPPORT

On December 31, 2022, the Company had positive working capital of R$ 52.0 million, improving the 2021 scenario, where the working capital was R$ 12.0 million. The shareholders are kept up to date as to the Company's results and they grant financial support to its operations via lines of credit, thus maintaining the commitment of financing the operations and providing the required financial support to pay its obligations, if they be required. With the measures and scenarios presented, the Administration has not identified situations that may affect the Company's operational continuity.

The loans, financing and debentures (not including intercompany financing) was reduced by 34.3%, i.e. from R$ 73.6 million on December 31, 2021 to R$48.3 million on December 31, 2022. As of December 31, 2022, the Company also maintains intercompany financing in the amount of R$ 85.4 million, see notes 9 and 11.

2. BASIS OF PREPARATION OF THE FINANCIAL STATEMENTS

2.1 STATEMENT OF COMPLIANCE

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

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

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

2.2 BASIS OF MEASUREMENT

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

Fair value is defined as the price that would be received for the sale of an asset or paid for the transfer of a liability in a transaction between market participants at the measurement date, whether or not this price may be directly observed or estimated using a different valuation technique.

In estimating fair value of an asset or liability, the Company takes into consideration the characteristics of the asset or liability in case the market participants take these characteristics into account in pricing the asset or liability at measurement date.

For purposes of measurement and/or disclosure in these financial statements, fair value is determined on this base, except for lease transactions within the scope of CPC 06 (R2) – Leases (equivalent to IFRS 16) and measurements that have certain similarity with fair value but are not fair value, such as unrealized net amounts mentioned in CPC 16 (R1) - Inventories (equivalent to IAS 2) or value in use in CPC (R1) – Impairment of Assets (equivalent to IAS 36).

2.3 FUNCTIONAL AND PRESENTATION CURRENCY

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

2.4 USE OF ESTIMATES AND JUDGMENTS

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

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

Areas that involved estimates and judgments are disclosed as follows:

- Note 5 - Allowance for doubtful debts.
- Note 6 – Allowance for inventory losses.
- Note 8 - Income tax and social contribution.
- Note 14 - Provision for tax, civil and labor risks.
- Note 22 – Risk and financial instrument management.

3. SIGNIFICANT ACCOUNTING POLICIES

3.1 IMPACT OF THE ADOPTION OF IFRS AND CHANGE IN STANDARDS FOR THE FIRST TIME

For the first time, the Company applied specific standards and changes, which are valid for annual periods beginning on or after January 1st, 2022, (except when otherwise indicated). The Company decided not to adopt in advance any other standard, interpretation or modification that has been issued, but which are not yet in effect.

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

The changes to the standards above derive from the annual changes related to the improvement cycle between 2018 and 2020, such as:

- Onerous contract – contract performance costs;
- Property, Plant and Equipment - proceeds before intended use;
- References to the conceptual framework.

The term in effect of those changes should be set by the regulatory bodies that approve them, whereas, for the full compliance to IFRS, the entity shall apply those changes in the annual period beginning on or after January 1st, 2022.

i. Onerous contract – contract performance costs

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

The changes specify that, upon assessing if a contract is onerous or loss-making, an entity needs to include the costs directly related to a goods or services supply contract, including incremental costs (e.g. the costs with direct labor and materials) and an allocation of costs directly related to contract activities (e.g. depreciation of equipment used to fulfill the contract and costs of contract management and supervision). General and administrative costs do not relate directly to a contract and are excluded unless they are explicitly chargeable to the counterparty under the contract.

Those changes had no impact on the financial statements, since the Company does not have any onerous contracts.

ii. Property, Plant and Equipment - Proceeds before Intended Use

The amendment prohibits entities from deducting from the cost of an item of property, plant and equipment, any proceeds of the sale of items produced while bringing that asset to the location and condition necessary for it to be capable of operating in the manner intended by management. Instead, an entity recognizes the proceeds from selling such items, and the costs of producing those items, in profit or loss.

In accordance with the transitional provisions, the Company applies the amendments retrospectively only to items of PP&E made available for use on or after the beginning of the earliest period presented when the entity first applies the amendment (the date of initial application).

These amendments had no impact on the financial statements of the Company as there were no sales of such items produced by property, plant and equipment made available for use on or after the beginning of the earliest period presented.

iii. References to the conceptual framework

The modification replaces a reference to a previous version of the IASB's Conceptual Framework with a reference to the current version issued in March 2018 without significantly changing its requirements.

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

The changes also add a new paragraph to IFRS 3 to clarify that contingent assets do not qualify for recognition at the acquisition date.

In accordance with the transitional provisions, the Company applies the amendments prospectively, i.e., to business combinations occurring after the beginning of the annual reporting period in which it first applies the amendments (the date of initial application).

These amendments had no impact on the financial statements of the Company as there were no contingent assets, liabilities, or contingent liabilities within the scope of these amendments that arose during the period.

iv. IFRS 9 Financial Instruments – Fees in the '10 per cent' test for derecognition of financial liabilities (equivalent to CPC 48 - Financial Instruments)

The change clarifies the fees that an entity includes upon assessing whether the terms of a new or modified financial liability are substantially different from the terms of the original financial liability. Those fees only include those paid or received between the borrower and lender, including the fees paid or received by either the borrower or by the lender on the other's behalf.In accordance with the transitional provisions, the Company applies the amendment to financial liabilities that are modified or exchanged on or after the beginning of the annual reporting period in which the entity first applies the amendment (the date of initial application). These changes had no impact on the financial statements of the Company as there were no modifications of the Company's financial instruments during the period.

3.2 ADOPTION OF NEW AND REVISED IFRS NOT YET APPLICABLE

The new and amended standards and interpretations issued, but not yet in force until the date of the Company's financial statements issuance are describe as follows. The Company intends to adopt those new and changed standards and interpretations, if applicable, when they enter into effect.

i. *Changes to IAS 1: Classification of Liabilities as Current or Non-current (equivalent to review 20 of the Accounting Pronouncements Committee)*

In January 2020, the IASB issued changes in paragraphs 69 to 76 of IAS 1, correlated to CPC 26, in a way to specify the requirements for classifying liabilities as current or noncurrent. The changes clarify:

- What is meant by a right to defer settlement;
- That a right to defer must exist at the end of the reporting period;
- That classification is unaffected by the likelihood that an entity will exercise its deferral right;
- That only if an embedded derivative in a convertible liability is itself an equity instrument would the terms of a liability not impact its classification.

The changes are effective for annual reporting periods beginning on or after 1 January 1st, 2023 and must be applied retrospectively.

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

ii. *Changes to IAS 8: Definition of accounting estimates (equivalent to review 20 of the Accounting Pronouncements Committee)*

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

The changes are effective for annual reporting periods beginning on or after January 1st, 2023 and apply to changes in the accounting policies and changes in accounting estimates that occur on or after the start of that period. Earlier application is permitted as long as this fact is disclosed.

It is not expected that the changes have a material impact on the Company's financial statements.

iii. Changes to the IAS 1 and IFRS Practice Statement 2: Disclosure of accounting estimates (equivalent to review 20 of the Accounting Pronouncements Committee)

In February 2021, IASB issued changes to IAS 1 (standard correlated to CPC 26 (R1)) and IFRS Practice Statement 2 Making Materiality Judgments, which it provides guidance and examples to help entities in applying the materiality judgements to accounting policy disclosures. The amendments aim to help entities provide accounting policy disclosures that are more useful 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 in making decisions about accounting policy disclosures.

The changes to IAS 1 are applicable for annual periods beginning on or after January 1st, 2023 with earlier application permitted. Since the changes to Practice Statement 2 provide non-mandatory guidance on the application of the definition of material to accounting policy information, an effective date for these amendments is not necessary.

The Company is currently revisiting their accounting policy information disclosures to ensure consistency with the amended requirements.

iv. Changes to IAS 12: Deferred taxes related to Assets and Liabilities arising from a Single Transaction (of the Accounting Pronouncements Committee)

In May, 2021, the Board issued amendments to IAS 12, which narrow the scope of the initial recognition exception under IAS 12, so that it no longer applies to transactions that give rise to equal taxable and deductible temporary differences. The amendments should be applied to transactions that occur on or after the beginning of the earliest comparative period presented. In addition, at the beginning of the earliest comparative period presented, a deferred tax asset (provided that sufficient taxable profit is available) and a deferred tax liability should also be recognized for all deductible and taxable temporary differences associated with leases and decommissioning obligations.

The Company is currently assessing the impact of the amendments.

3.3 OTHER ACCOUNTING POLICIES

a) General principles and revenue recognition criteria

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

Revenue is measured at the fair value of the consideration received, less any discounts, rebates and taxes or charges on sales. The Company measures revenue transactions in accordance with specific criteria to determine whether it is operating as an agent or a principal and eventually concluded that it has been operating as a principal in all its revenue agreements.

The Company provides no guarantee other than the guarantee set forth by law, in line with the industry practice.

b) Foreign currency transactions

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

c) Cash and cash equivalents

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

d) Trade receivables and expected credit losses

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

e) Inventories

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

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

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

f) Property, plant and equipment

i. Recognition and measurement

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

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

ii. Subsequent costs

Replacement costs of a PPE item are recognized at book value of the item in case economic benefits embodied in the item are likely to flow to the Company, and their cost can be reliably measured.

Maintenance costs of property, plant and equipment are recognized in P&L as incurred.

iii. Depreciation

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

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

The depreciation rates estimated based on the useful lives are disclosed in Note 10.

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

g) Impairment testing

i. Property, plant and equipment

On an annual basis, the Company analyzes whether there is evidence that the carrying amount of an asset might be impaired (reduction to their recoverable amount). If there is any evidence of impairment, the recoverable amount of the asset is estimated, which is the highest of its fair value less the costs to sell and its value in use. The value in use is equivalent to pretax discounted cash flows arising from the continuing use of the asset. When the residual value of the asset exceeds its recoverable amount, an impairment loss is recognized.

For impairment valuation purposes, assets are grouped at the lowest levels for which there are separately identifiable cash flows (i.e., cash generating units - CGUs), which for the Company, only a CGU was considered.

ii. Financial assets (including receivables)

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

h) Provisions

i. Provision for tax, civil and labor risks

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

This is adjusted up to the end of each fiscal year for the probable loss amount, according to the nature of each contingency and based on the opinion of the Company's legal counsel. The bases for and nature of the provision for tax, civil, and labor risks are described in Note 14.

i) Taxation

i. Current taxes

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

ii. Deferred taxes

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

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

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

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

j) Leases

The Company assesses whether a contract is or contains a lease at the commencement of the agreement. That is, it assesses whether the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration.

i. Lessee

The Company applies a single recognition and measurement approach for all leases, except for short-term leases and low-value asset leases. The Company recognizes lease liabilities to make lease payments and right-of-use assets that represent the right to use the underlying assets.

Right-of-use assets

The Company recognizes right-of-use assets at the commencement date of the lease (that is, the date the underlying asset is available for use). The right-of-use assets are measured at cost, less accumulated depreciation and accumulated impairment losses, and adjusted for any remeasurement of lease liabilities. The cost of right-of-use assets includes the amount of recognized lease liabilities, initial direct costs incurred and lease payments made through the commencement date, less any lease incentives received. The right-of-use assets are depreciated on a straight-line basis, for the shortest period between the lease term and the estimated useful life of the assets.

In certain cases, if ownership of the leased asset is transferred to the Company at the end of the lease term or if the cost represents the exercise of a purchase option, depreciation is calculated using the estimated useful life of the asset.

Lease liabilities

At the commencement date of the lease, the Company recognizes lease liabilities measured at the present value of the lease payments to be made over the lease term.

Lease payments include fixed payments (including, substantially, fixed payments) less any lease incentives receivable, variable lease payments that depend on an index or rate, and amounts expected to be paid under residual value guarantees. Lease payments further include the exercise price of a purchase option reasonably certain to be exercised by the Company and payments of penalties for terminating the lease, if the lease term reflects the Company exercising the option to terminate the lease.

Variable lease payments that do not depend on an index or rate are recognized as expenses (unless they are incurred to produce inventories) in the period in which the event or condition giving rise to those payments occurs.

When calculating the present value of lease payments, the Company uses its incremental borrowing rate at the commencement date because the interest rate implicit in the lease is not easily determinable. After the commencement date, the amount of the lease liability is increased to reflect accrued interest and reduced for lease payments made. In addition, the carrying amount of lease liabilities is remeasured if there is a modification, a change in the lease term, a change in lease payments (for example, changes in future payments resulting from a change in an index or rate used to determine such lease payments) or a change in the valuation of an option to purchase the underlying asset.

Short-term leases and low-value asset leases: The Company applies the short-term lease recognition exemption to its short-term leases of machinery and equipment (i.e., leases whose lease term is equal to or less than 12 months from the commencement date and which do not contain a purchase option).

The Company also applies the low-value asset recognition exemption grant to leases of office equipment deemed to be low-value. Short-term lease payments and lease payments for low-value assets are recognized as an expense on a straight-line basis over the lease term.

ii. Lessor

Leases to which the company does not transfer substantially all the risks and rewards inherent in the ownership of the asset are classified as operating leases. Rent income is recorded on a straight-line basis over the lease period and is included in income in the statement of profit or loss, due to its operational nature. Initial direct costs incurred in negotiating operating leases are added to the carrying amount of the leased asset and recognized over the lease term on a similar basis to rent income. Contingent rents are recognized as income over the time they are earned.

k) Financial instruments

i. Classification and measurement of financial assets

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

ii. Financial assets

Amortized cost

Financial assets held within a business model whose purpose is to hold financial assets in order to receive contractual cash flows are recorded at amortized cost. These flows are received on specific dates and solely constitute payment of principal and interest.

The following are examples of assets classified into this category: "Cash and cash equivalents", "Trade receivables" and "Other receivables".

Fair value through profit or loss

The following assets are recorded at fair value through profit or loss:

(i) assets that do not fall into the business models through which they could be classified at amortized cost or fair value through other comprehensive income (loss);

(ii) equity instruments designated at fair value through profit or loss; and

(iii) financial assets that are managed in order to obtain cash flow from the sale of assets.

iii. Initial measurement

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

iv. Subsequent measurement

Observing the assets classification, the subsequent measurement shall be:

Amortized cost

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

Fair value through profit or loss

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

Impairment of financial assets

Regarding the impairment of financial assets, CPC 38 requires an “expected credit loss” model compared to the “incurred credit loss” model set out in CPC 38 (IFRS 9).

Under the “expected credit loss” model, the Company is required to recognize expected credit losses and related variations at each reporting date to reflect any changes in the credit risk occurred since the initial recognition of the financial assets. In other words, it is no longer necessary for a credit event to have occurred before credit losses are recognized.

CPC 38 (IFRS 9) specifically requires the Company to recognize an allowance for expected credit losses on trade receivables. In particular, CPC 38 (IFRS 9) requires the Company to measure the loss allowance for a financial instrument in an amount equivalent to lifetime expected credit losses (ECL) if the credit risk underlying such financial instrument has increased significantly since the initial recognition, or if the financial instrument corresponds to an acquired or originated financial asset that might be impaired. Nevertheless, if the credit risk underlying a financial instrument has not increased significantly since the initial recognition (except for acquired or originated financial assets that might be impaired), the Company is required to measure the loss allowance for that financial instrument in an amount equivalent to the 12-month ECL. CPC 38 (IFRS 9) also sets a simplified approach to measure a loss allowance in an amount equivalent to lifetime ECL for trade receivables, contract assets and lease receivables under certain circumstances.

Trade receivables, among the financial assets held by the Company, are subject to recognition of the allowance for impairment (Note 5). The Company's activities are organized in the railway sector, whereas most of its trade receivables are from few clients with proper financial status. The allowance balance variation is due to receivables from the lessee of the property's sub-lease, who entered into receivership and presented difficulties in fulfilling their obligations.

l) Financial liabilities

Company financial liabilities are classified into:

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

Initial recognition and measurement

Financial liabilities are classified, in their 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 their fair value, plus or minus, in the case of a financial liability other than at fair value through profit or loss, the transaction costs that are directly attributable to the issuance of the financial liability.

The Company’s financial liabilities include: trade payables and other payables, borrowings, financing and debentures.

ii. Subsequent measurement

For subsequent measurement purposes, financial liabilities are classified into 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 comprise financial liabilities for trading and financial liabilities designated on initial recognition at fair value through profit or loss.

Financial liabilities are classified as held for trading if incurred for short-term repurchase purposes.

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

Financial liabilities designated on initial recognition at fair value through profit or loss are designated on the initial recognition date and only if the CPC 48 criteria are met.

Financial assets/liabilities	Classification under IFRS 9
Cash and cash equivalents	Amortized cost
Trade receivables	Amortized cost
Escrow deposits	Amortized cost
Other receivables	Amortized cost
Borrowings, financing and debentures	Amortized cost
Trade payables	Amortized cost
Lease liabilities	Amortized cost
Other payables	Amortized cost

Financial liabilities at amortized cost (borrowings, financing and debentures)

This is the most relevant category for the Company. After initial recognition, interest-bearing borrowings and financing taken out and granted are subsequently measured at amortized cost, using the effective interest rate method. Gains and losses are recognized in profit or loss when liabilities are written off, as well as through the amortization process under the effective interest rate method.

Amortized cost is calculated considering any discount or premium on the acquisition and fees or costs that are an integral part of the effective interest rate method. Amortization using the effective interest rate method is included as finance costs in the statement of profit or loss.

This category generally applies to borrowings, financing and debentures.

Derecognition

A financial liability is derecognized when the obligation under the liability is extinguished, that is, when the obligation specified in the contract is settled, canceled 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 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.

Offset of financial instruments

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

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

4. CASH AND CASH EQUIVALENTS

Cash and cash equivalents	2022	2021
Cash and banks	232	262
Highly liquid short-term investments	122,277	89,922
Total	**122,509**	**90,184**

As at December 31, 2022, the short-term investments held by the Company are represented by Bank Deposit Certificates - CDBs, distributed in several financial institutions with remuneration of 96.39% (rate calculated by weighted average) of the variation of the Interbank Deposit Certificate - CDI (97.75% in December 2021), and are classified as cash and cash equivalents, as they have a maximum period of 90 days for redemption from the date of application and are considered financial assets with an immediate redemption guarantee, subject to an insignificant risk of change in value.

5. TRADE RECEIVABLES AND ADVANCES FROM CUSTOMERS

5.1 TRADE RECEIVABLES

Trade receivables	2022	2021
In Brazil	19,685	23,333
Abroad	245	-
Related parties	676	262
Expected credit loss	(1,950)	(478)
Total	**18,656**	**23,117**
Current assets	9,983	12,105
Noncurrent assets	8,673	11,012
Breakdown by maturity	**2022**	**2021**
Falling due	18,466	22,748
Overdue:		
1 to 30 days	47	61
31 to 60 days	-	9
61 to 90 days	-	9
91 to 180 days	143	290
Above 181 days	1,950	478
Total	**20,606**	**23,595**

Changes in expected credit losses	2022	2021
Balance at the beginning of the fiscal year	**(478)**	**(478)**
Reversals	1,525	-
Additions	(2,997)	-
Balance at the end of the fiscal year	**(1,950)**	**(478)**

The company fully derecognized trade receivables through transfer of rights without resource agreements the amount of R$220,827 for the year ended December 31, 2022 (R$17,618 for the year ended December 31, 2021), which have resulted in fees in the amount of R$932 recorded under finance costs.

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

The outstanding trade receivable balances also includes a receivable in connection to a guarantee from suppliers in the amount of R$11,502 at December 31, 2022 (R$12,275 at December 31, 2021). That balance opening between current and noncurrent is respectively R$3,325 and R$8,177 at December 31st, 2022 (at December 31, 2021, the opening between current and noncurrent is respectively R$2,907 and R$9,368).

5.2 ADVANCES FROM CUSTOMERS

As of December 31, 2022, the outstanding balance of Advances from Customers is R$65,244 (R$18,930 as of December 31, 2021) refer to signed contracts, which record the amounts payable within 12 months, resulting from installments received in advance of the production of goods or execution of services, of customers who contracted such goods or services.

6. INVENTORIES

Inventories	2022	2021
Finished products	75,472	44,057
Work in progress	25,427	29,201
Raw material	104,179	97,363
Ancillary materials	3,904	3,594
Imports in transit	155	56
Provision for losses	(11,830)	(8,897)
Total	**197,307**	**165,374**
Changes in the provision for losses	**2022**	**2021**
Balance at the beginning of the fiscal year	(8,897)	(4,343)
Reversals	295	3,855
Additions	(3,228)	(8,409)
Balance at the end of the fiscal year	**(11,830)**	**(8,897)**

7. RECOVERABLE TAXES

Recoverable taxes	2022	2021
State Valued Added Tax (State VAT) – ICMS	9,135	3,303
Contribution for Social Security Financing- COFINS	773	10,387
Social Integration Program – PIS	131	2,262
Corporate Income Tax – IRPJ	6,280	3,998
Federal on Value Added Tax on Industrialized Products – IPI	1,688	2,688
Total	**18,007**	**22,638**
Current assets	17,516	22,232
Noncurrent assets	491	406
Total	**18,007**	**22,638**

In order to encourage the growth and recovery of Brazilian ports, the Federal Government granted under Law No. 11033 of December 1, 2004, the suspension of IPI, PIS/PASEP, COFINS and Importation Taxes for those under an Incentive Program known as REPORTO – Tax Regime for Incentive to the Modernization and Expansion of Port Facilities.

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

Beneficiaries of referred regime are the Port operator, the organized port concessionaire, the lessee of a public-use port facility and the company authorized to operate a private mixed-use port facility.

This benefit can be used in sales carried out in the domestic market, with suspension of IPI (average rate of 5%), PIS/PASEP (rate of 1.65%), COFINS (rate of 7.6%) and on IPI imports (average rate of 5%), PIS/PASEP (rate of 1.65%), COFINS (rate of 7.6%) and Import Tax (rate of 14%).

In addition to these incentives, the regime also provides a benefit related to ICMS, which authorizes the Brazilian states listed in the Federal Official Gazette (D.O.U.) of April 5, 2005 to grant ICMS tax exemption on goods intended for the modernization of port areas in the state.

In 2022, the ICMS exemption was partially granted, from which the tax rate of 2,93% was applied on the sales of freight cars made within the state of São Paulo to the REPORTO beneficiaries.

As of January 2021, upon termination of REPORTO (Tax Regime for Incentive to the Modernization and Expansion of Port Facilities), which granted suspension of taxes on sales made to customers eligible for the aforementioned regime, which was resumed in 2022 as of March. As expected, the credits were redeemed over 2022 offsetting the debits generated by the sales made to non-beneficiaries of REPORTO.

8. INCOME TAX AND SOCIAL CONTRIBUTION

Deferred	2022	2021
Tax loss carryforwards	7,317	751
Social contribution losses carryforwards	2,634	270
Provision for tax, civil and labor risks	7,239	7,537
Allowance for inventory losses	4,022	3,024
Allowance for expected credit loss	663	163
Accrued profit sharing	3,280	2,927
Provision for warranties and reviews	4,255	3,645
Provision for accrual basis	4,984	9,419
Other	3,394	2,472
Total deferred income tax and social contribution assets	**37,788**	**30,208**
Deemed cost of property, plant and equipment	(819)	(507)
Difference in depreciation criteria	(6,034)	(2,688)
Leases	(832)	-
Total deferred income tax and social contribution liabilities	**(7,685)**	**(3,195)**
Deferred tax asset, net	**30,103**	**27,013**

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

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

Year	2022
2023	1,356
2024	3,740
2025	6,982
2026	9,369
2027	8,656
Total	**30,103**

The estimated recovery of tax credits was based on taxable profit forecasts, taking into consideration several financial and business assumptions.

8.1 RECONCILIATION OF STATUTORY INCOME TAX RATES WITH THE EFFECTIVE TAX RATES

Reconciliation	2022	2021
Profit before income tax and social contribution	55,355	45,638
Combined rate	**34%**	**34%**
Income tax and social contribution credit at combined rate	(18,821)	(15,517)
Permanent differences	(89)	(887)
Provision for unrealizable credits (*)	14,285	1,253
Income tax and social contribution in profit or loss	**(4,625)**	**(15,151)**
Current	(7,715)	(21,280)
Deferred	3,090	6,129
Effective rates	**8%**	**33%**
Deferred taxes over tax losses carryforwards and negative social contribution from previous years	(12,306)	-
Effective rates without the effect of accounting losses from previous years	**31%**	**33%**

(*) Net effect of the provision for unrealizable credits and temporary adjustments on the filing of accessory obligations for 2021 carried out in September 2022.

In 2022, R$12,306 were accounted regarding deferred income tax assets on tax losses from previous years.

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

9. RELATED PARTIES

9.1 KEY MANAGEMENT PERSONNEL COMPENSATION

Compensation	2022	2021
Key management personnel (salaries and benefits)	**6,623**	**6,317**

The amounts regarding the remuneration of key personnel from the Administration, pursuant to the bylaws.

9.2 GROUP COMPANIES

In the ordinary course of business, the Company conducted intragroup transactions under prices, terms and finance charges according to the conditions established among the parties. The main asset and liability balances as at December 31, 2021, as well as the transactions that impacted profit or loss for the year then ended, regarding the transactions with related parties are as follows:

2022	Assets	Liabilities	Profit or loss	
	Trade receivables	Trade payables	Sales	Purchases
Amsted Rail Brasil Equip. Ferroviários S.A.	117	14,155	-	82,664
Amsted Maxion Fundição e Equip. Ferr. S.A.	559	16,922	1,462	136,865
Total	**676**	**31,077**	**1,462**	**219,529**

2021	Assets	Liabilities	Profit or loss	
	Trade receivables	Trade payables	Sales	Purchases
Amsted Rail Brasil Equip. Ferroviários S.A.	108	25,472	-	95,237
Amsted Maxion Fundição e Equip. Ferr. S.A.	154	14,962	188	164,767
Total	**262**	**40,434**	**188**	**260,004**

Intercompany loans	12/31/2022			
Lender	Nature	Rate	Currency	Total
Greenbrier Companies	**Bridge Loan**	**CDI**	**BRL**	**85,395**

The Company acquires raw materials and railroad components (mainly railroad axles, bearings, wheels, and casts) from Amsted Maxion Fundição e Equipamentos Ferroviários S.A. and Amsted Rail Brasil Equipamentos Ferroviários S.A., a subsidiary of Amsted Industries, Inc.

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

The sublease of the industrial area of R$ 1,100 annual is also carried out for the year ended on December 31, 2022 (R$ 1,000 in 2021), used as a storage and administrative area for Amsted Rail Brasil Equipamentos Ferroviários S.A.

9.3 SHARED SERVICES AGREEMENT

On May 6, 2015, the Company and Amsted Maxion Fundição e Equipamentos Ferroviários S.A., entered into an agreement that regulates the sharing of the management infrastructure comprising, but not limited to, employees, technicians, contractors, equipment, and materials (back office). On December 3, 2019, an amendment was made to the agreement changing the departments covered, and the said amendment covers the sharing of expenses in the following corporate sectors: Information Technology (IT), Sales and Marketing. The expenses related to this agreement are recorded under “General and administrative expenses”.

Shared services	2022	2021
Net Shared Service	**1,966**	**2,861**

10. PROPERTY, PLANT AND EQUIPMENT

Accounting group	Average annual depreciation rate	2022			2021
		Cost	Accumulated depreciation	Net	Net
Buildings and improvements	3.0%	7,864	(4,703)	3,161	4,245
Machinery and equipment	8.6%	63,814	(30,710)	33,104	31,044
Tooling	8.0%	155	(72)	83	163
Molds	10.1%	29,374	(17,143)	12,231	14,271
Furniture and fixtures	10.5%	5,310	(3,095)	2,215	2,434
Vehicles	0.0%	445	(356)	89	89
IT equipment	23.9%	4,559	(3,640)	919	1,011
Other property, plant and equipment	5.3%	-	-	-	32
Construction in progress	0.0%	15,792	-	15,792	10,703
Total		**127,313**	**(59,719)**	**67,594**	**63,992**

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

10.1 VARIATIONS IN COST – 2022

Accounting group	2021	2022			
	Cost	Additions	Write offs	Transfers	Cost
Buildings and improvements	8,779	-	(916)	-	7,863
Machinery and equipment	63,901	368	(9,048)	8,593	63,814
Tooling	438	-	(282)	-	156
Molds	30,800	-	(2,091)	665	29,374
Furniture and fixtures	5,139	-	(857)	1,028	5,310
Vehicles	445	-	-	-	445
IT equipment	5,477	-	(1,158)	240	4,559
Other property, plant and equipment	131	-	(131)	-	-
Construction in progress (*)	10,702	15,616	-	(10,526)	15,792
Total	**125,812**	**15,984**	**(14,483)**	**-**	**127,313**

(*) The amounts of the property, plant and equipment in progress refer to the construction of the freight car production lines, equipment renovations in compliance with standard NR12 and Data Centers in the process of installation.

10.2 VARIATIONS IN DEPRECIATION – 2022

Accounting group	2021	2022			
	Accumulated depreciation	Additions	Write offs	Transfers	Accumulated depreciation
Buildings and improvements	(4,535)	(887)	719	-	(4,703)
Machinery and equipment	(32,855)	(5,134)	7,279	-	(30,710)
Tooling	(274)	(26)	228	-	(72)
Molds	(16,529)	(2,158)	1,544	-	(17,143)
Furniture and fixtures	(2,706)	(1,063)	674	-	(3,095)
Vehicles	(356)	-	-	-	(356)
IT equipment	(4,467)	(253)	1,081	-	(3,639)
Other property, plant and equipment	(98)	(8)	105	-	(1)
Construction in progress	-	-	-	-	-
Total	**(61,820)**	**(9,529)**	**11,630**	**-**	**(59,719)**

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

10.3 VARIATIONS IN COST – 2021

Accounting group	2020	2021			
	Cost	Additions	Write offs	Transfers	Cost
Buildings and improvements	8,483	296	-	-	8,779
Machinery and equipment	56,067	10,049	(2,087)	(128)	63,901
Tooling	626	48	(19)	(217)	438
Molds	32,496	1,847	(2,886)	(657)	30,800
Furniture and fixtures	5,006	471	(338)	-	5,139
Vehicles	-	-	-	445	445
IT equipment	5,145	343	(11)	-	5,477
Other property, plant and equipment	131	-	-	-	131
Construction in progress (*)	8,498	15,633	-	(13,429)	10,702
Total	**116,452**	**28,687**	**(5,341)**	**(13,986)**	**125,812**

(*) The amounts of the property, plant and equipment in progress refer to the construction of the freight car production lines and to equipment renovations in compliance with standard NR12.

10.4 VARIATIONS IN DEPRECIATION – 2021

Accounting group	2020	2021			
	Accumulated Depreciation	Additions	Write offs	Transfers	Accumulated Depreciation
Buildings and improvements	(3,590)	(945)	-	-	(4,535)
Machinery and equipment	(29,858)	(4,947)	1,950	-	(32,855)
Tooling	(407)	114	19	-	(274)
Molds	(15,934)	(2,819)	2,224	-	(16,529)
Furniture and fixtures	(2,525)	(477)	296	-	(2,706)
Vehicles	-	-	-	(356)	(356)
IT equipment	(4,095)	(381)	9	-	(4,467)
Other property, plant and equipment	(89)	(9)	-	-	(98)
Construction in progress	-	-	-	-	-
Total	**(56,498)**	**(9,464)**	**4,498**	**(356)**	**(61,820)**

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

11. BORROWINGS, FINANCING AND DEBENTURES

Borrowings and Financing	Index	Effective annual interest rate	Last maturity date	2022	2021
Working Capital	CDI+3.98%	13.49%	3/22/2022	-	2,676
Working Capital	CDI+4.56%	14.13%	2/25/2022	-	2,754
NCE	CDI + 1.66%	17.40%	7/6/2023	5,061	5,045
Debentures	CDI+2.96%	17.56%	7/16/2024	42,314	61,313
Finame	11.00%	11.00%	12/15/2022	-	235
Finame	6.05%	6.05%	10/15/2023	215	473
Finame	6.65%	6.65%	12/15/2023	149	298
Finame	5.10%	5.10%	12/15/2024	97	145
Finame	4.95%	4.95%	11/17/2025	497	668
Financing "related parties"	CDI	13.65%	1/16/2023	85,395	79,468
Total				**133,728**	**153,075**
Current liabilities				105,385	113,958
Noncurrent liabilities				28,343	39,117
Total				**133,728**	**153,075**

Settlement schedule	2022
2023	19,990
2024	28,016
2025	327
Total	**48,333**

Financing with related parties was not considered in the settlement scheduled.

The company negotiated the amount of R$36,954 through supply chain financing arrangements (“reverse factoring”) for the year ended December 31, 2022 (R$69,671 for the year ended December 31, 2021), which resulted in the amount of R$1,103 recorded under finance costs. As of December 31, 2022 and 2021 the outstanding balance of reverse factoring is R$0 "zero" (R$0 at December 31, 2021).

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

11.1 VARIATIONS IN BORROWINGS, FINANCING AND DEBENTURES

Variations in borrowings, financing and debentures	2022	2021
Balances at December 31	**153,075**	**200,925**
Borrowings	1,000	136,103
Accrued interest	17,687	10,237
Principal repayment	(26,278)	(185,935)
Payment of interest	(11,756)	(8,255)
Balances at December 31	**133,728**	**153,075**

All of the Company's credit operations are done without the guarantee of goods or other instruments.

11.2 DEBENTURES

The debentures issued by the Company are 1st issuance (CVM Instruction No. 476) of simple, registered, book-entry, unsecured debentures, in a single series.

The debentures were subscribed at the unit par value paid in one lump sum in local currency upon subscription, with interest being amortized on a quarterly basis.

Debentures	Category	Principal amount upon issuance	Issuance date	Final maturity	Finance charges	Amount as at 12/31/2022
1st issuance	Simple	60,000	7/16/2021	7/16/2024	CDI+2.96%	42,314

The main objective of this issuance was to lengthen the Company's debt profile. The Debentures do not have to comply with financial ratios covenants, however, the Company has to comply with certain restrictions, such as default on any financial debt equal to or greater than R$4,000, among other restrictions.

12. TRADE PAYABLES

Trade payables	2022	2021
Domestic	29,349	27,209
Related parties (Note 9.2)	31,077	40,434
Total	**60,426**	**67,643**

As at December 31, 2022 and 2021, the outstanding balance of reverse factoring included on trade payables were R$4.140 and R$2.522, respectively. This operation does not change the commercial conditions with the supplier.

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

13. PAYROLL AND RELATED TAXES

Category	2022	2021
Social charges	4,957	5,035
Accrued vacation pay	9,789	8,807
Profit sharing	9,646	8,610
Provision due to INSS preliminary injunction (third parties)	5,356	2,498
Total	**29,748**	**24,950**

14. PROVISION FOR TAX, CIVIL AND LABOR RISKS

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

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

Category of lawsuits	2022	2021
Labor lawsuits	18,302	19,454
Federal tax lawsuits	3,344	3,172
Civil lawsuits	288	225
Total	**21,934**	**22,851**

14.1 VARIATIONS DURING THE YEAR

Variations 2022	Balance at 2021	Additions	Monetary restatements	Reversals	Write offs	Balance at 2022
Labor lawsuits	19,454	11,480	1,669	(6,477)	(7,824)	18,302
Federal tax lawsuits	3,172	204	40	(72)	-	3,344
Civil lawsuits	225	63	-	-	-	288
Total	**22,851**	**11,747**	**1,709**	**(6,549)**	**(7,824)**	**21,934**
Variations 2021	**Balance at 2020**	**Additions**	**Monetary restatements**	**Reversals**	**Write offs**	**Balance at 2021**
Labor lawsuits	7,335	18,221	2,647	(233)	(8,516)	19,454
Federal tax lawsuits	2,486	676	10	-	-	3,172
Civil lawsuits	225	-	-	-	-	225
Total	**10,046**	**18,897**	**2,657**	**(233)**	**(8,516)**	**22,851**

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

a) Labor lawsuits

As at December 31, 2021, the Company was a party to 411 labor lawsuits, a 12.2% reduction against the previous year (468 at December 31, 2021). The main claims in these lawsuits refer to occupational illnesses, accidents, health hazard and hazardous duty premiums, overtime, salary parity and severance pay, among others, and there are no lawsuits whose amounts are individually relevant.

The total amount under litigation is R$71,377 (R$76,065 at December 31, 2021) for which a provision in the amount of R$18,302 (R$19,454 as at December 31, 2021) was recognized based on historical information representing the best estimate of probable losses.

The reduction in the provision from 2021 to 2022 was due to the reduction in the number of lawsuits and a revision of the percentage of loss in the lawsuits.

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

b) Possible risks

The Company is a party to several ongoing tax and civil lawsuits, whose likelihood of loss, based on the Company's estimates and its legal counsel's opinion, is assessed as possible; therefore, no provisions were recorded.

As at December 31, 2021, tax lawsuits amounted to R$3,344 (R$3,172 as at December 31, 2021), whereas civil lawsuits amounted to R$288 (R$225 as at December 31, 2021).

c) Escrow deposits

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

As at December 31, 2022, the balance of R$6,574 (R$7,614 as at December 31, 2021) refers to escrow deposits related to labor, tax and civil lawsuits. These deposits, which do not involve current obligations, were necessary to proceed with the lawsuits. Based on management's and its legal counsel's opinion, the likelihood of loss is not considered probable and, therefore, no provision for tax, civil and labor risks was recognized.

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

15. EQUITY

15.1 SHARE CAPITAL

As at December 31, 2022 and 2021, subscribed and paid-in capital amounts to R$87,707.

Share capital	Country	Number of shares	% of participation	Total R$
Amsted Maxion Fundição e Equip. Ferr. S.A.	Brazil	19,330,272	40.0%	19,330
Greenbrier do Brasil Participações Ltda	Brazil	28,995,406	60.0%	68,377
Total		**48,325,678**	**100.0%**	**87,707**

15.2 EQUITY ADJUSTMENTS

These are recorded as a result of revaluation of PPE items (deemed cost) based on appraisal reports prepared by independent valuation experts. The corresponding income tax and social contribution are classified in noncurrent liabilities and are realized upon depreciation or write-off of the revalued assets matched against accumulated losses, net of taxes.

15.3 EARNINGS DISTRIBUTION

Profit for the year, when positive, will be calculated in accordance with the terms of article 191 of Law 6,404/76 and will be allocated as follows: (i) 5% for the constitution of the legal reserve, which will not exceed 20% of the share capital: (ii) 25% for the distribution of mandatory dividends: and (iii) 70% of the remainder that is not allocated to the statutory investment and working capital reserve or retained as provided for in the capital budget approved by the Ordinary General Meeting, which will be allocated as a supplementary dividend to shareholders.

On November 9, 2022, the Board of Directors approved the payment of interest on equity (IOE) in the gross amount of R$5,175 equivalent to R$0.107088286 per common share, corresponding to the net amount of R$4,399 or R$0.091025043 per common share, already deducted from withheld federal taxes (IRRF), respectively. “IOE” was fully paid on December 21, 2022.

As decided by the Board of Directors on that date, “IOE” will be imputed to the mandatory minimum dividend for the year ended December 31, 2022, pursuant to article 36 – sole paragraph of the Company's Bylaws. The payment of the remaining minimum mandatory dividends in the amount of R$4,642 to its shareholders, in proportion to their interest, will be discussed at the next shareholders' meeting.

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

Profit or loss distribution	2022
Retained accumulated at December 31, 2021	**(13,694)**
Profit for the year	50,730
Net earnings accumulated at December 2022	**37,036**
Realization of the depreciation of the deemed cost, net of taxes	874
Total to distribute	**36,162**
Allocation of profits:	
Mandatory minimum dividends (25%)	**9,041**
Interest on equity paid in 2022	5,175
Withheld taxes over interest on equity	(776)
Interest on equity imputed to the minimum mandatory dividends, net of taxes	4,642
Legal reserve (5%)	**1,808**
Bylaw reserve of investments and working capital (70%)	**24,537**
Total distributed	**9,817**
Total distribution	**27.1%**

For the first time the Company paid Interest on Equity for the year of 2022 as a means to anticipate the distribution of minimum dividends.

15.4 EARNINGS PER SHARE

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

Earnings per share	2022	2021
Earnings attributable to owners of the Company	50,730	30,487
Weighted average number of shares (Thousand)	48,326	48,326
Earnings per share - basic and diluted - R$	**1.04975**	**0.63086**

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

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

16. NET SALES REVENUE

Sales revenue:	2022	2021
Gross sales revenue:		
Product sales	954,856	933,392
Services rendered	1,207	12,252
Deductions:		
Taxes on sales and services	(105,534)	(131,523)
Returns and cancellations in the year	(60,725)	(2,437)
Net sales revenue	**789,804**	**811,684**

A substantial portion of the Company’s sales is carried out in accordance with the incoterms categories known as Freight On Board (FOB), under which the Company is responsible for making goods available for pickup at its location and the customer assumes full responsibility for the collection (both financially and in terms of safeguarding the assets). At this time, control over goods is transferred to the customer and, consequently, revenue is recognized.

For the year ended on December 31, 2022, there were freight cars invoiced and not shipped at the amount of R$7,777, in which the revenue was not recognized at the end of the year.

17. FINANCE INCOME (COSTS)

Finance income	2022	2021
Discounts obtained	62	5
Interest receivable	810	399
Interest on highly liquid short-term investments	13,354	4,951
Other	1,385	904
Total	**15,611**	**6,259**
Finance costs	**2022**	**2021**
Interest on borrowings, financing and debentures	(17,687)	(10,237)
Other financial charges	(1,710)	(3,166)
Interest on lease liabilities	(3,524)	(2,010)
Tax on Financial Transactions (IOF)	(395)	(156)
Other	(6)	(3)
Total	**(23,322)**	**(15,572)**
Total finance income (cost), net	**(7,711)**	**(9,313)**

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

18. EXCHANGE VARIATION, NET

Exchange variation	2022	2021
Foreign exchange gains on foreign currency-denominated assets and liabilities	12	114
Foreign exchange losses on foreign currency-denominated assets and liabilities	(322)	(48)
Total	**(310)**	**66**

19. COSTS AND EXPENSES

Costs and expenses by nature	2022	2021
Raw material	(472,959)	(509,479)
Salaries, charges and benefits	(157,176)	(145,970)
Supplies and maintenance	(27,537)	(30,876)
Depreciation	(8,652)	(9,072)
Outsourced services	(12,681)	(10,775)
Freight	(1,122)	(560)
Amortization of right of use	(14,283)	(13,474)
Warranties	(3,152)	(5,148)
Electric energy	(2,917)	(2,936)
Transportation and communication	(2,434)	(1,595)
Commissions	(6)	(2)
Other costs	(14,992)	(18,747)
Total	**(717,910)**	**(748,634)**

Costs and expenses by nature	2022	2021
Cost of sales and services	(685,040)	(718,641)
Selling expenses	(7,529)	(9,126)
General and administrative expenses	(18,718)	(14,550)
Management Fees	(6,623)	(6,317)
Total	**(717,910)**	**(748,634)**

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

20. OTHER OPERATING INCOME (EXPENSES), NET

Other income	2022	2021
Technical cooperation agreement	284	303
Income from exclusion of ICMS from PIS and COFINS base	-	2,486
Total other income	**284**	**2,789**

Other expenses:	2022	2021
Contingencies and legal costs	(6,562)	(6,315)
Project Formare (Fundação Iochpe)	(224)	(57)
Municipal Property Tax (IPTU)	(507)	(401)
Federal and state taxes	(297)	(254)
Trade association dues	(167)	(35)
Audit	(270)	(182)
Covid	(768)	(2,146)
Other	(7)	(1,564)
Total other expenses	**(8,802)**	**(10,954)**
Other operating expenses, net	**(8,518)**	**(8,165)**

21. RIGHT OF USE AND LEASE LIABILITIES

Assets with finite useful lives	Property	Vehicles	Total
Balances at December 31, 2020	**64,634**	**-**	**64,634**
Additions	-	1,177	1,177
Write offs	(30,442)	(566)	(31,008)
Depreciation	(13,474)	(184)	(13,658)
Balances at December 31, 2021	**20,718**	**427**	**21,145**
Additions	-	874	874
Additions (remeasurement)	37,190	-	37,190
Amortization of right of use	(13,894)	(389)	(14,283)
Balances at December 31, 2022	**44,014**	**912**	**44,926**

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

Lease liability	Property	Vehicles	2022	2021
Balance at January 1st	**22.980**	**566**	**23,546**	**65,606**
Additions	-	874	874	-
Additions (remeasurement)	37,190	-	37,190	-
Write offs	-	-	-	(35,000)
Principal repayment	(6,503)	(345)	(6,848)	(13,839)
Interest payment	(7,477)	(36)	(7,513)	(389)
Accrued interest	3,494	30	3,524	7,168
Balances at December 31st	**49.684**	**1.089**	**50,773**	**23,546**
Current assets			**6,223**	**16,003**
Noncurrent assets			**44,550**	**7,543**

On September 16, 2021, the Company signed the 8th addendum with Savoy Imobiliária Construtora (main lease agreement for its industrial plant with 124,009 meters² of constructed area) in which from January 1, 2022, the monthly rent increased to the amount of R$ 1,165, maturing on June 14, 2023. On October 4, 2022, the letter of intent to renew the contract for another 60 months was signed, such was considered our best estimate of contractual terms, expiring on June 14, 2028. Additionally, the interest rate used in the remeasurement of the contract was 18.76% per year.

Settlement schedule	Total
2024	7,421
2025	8,510
2026	9,950
2027	11,867
2028	6,802
Total	**44,550**

The company has a sublease of their industrial area for the related party company (refer to Note 9.2) and for 6 third parties equivalent to 27,994 meters² of built area, which were considered operational subleases and are recognized in the profit or loss in a linear manner. The sublease income for year ended at December 31, 2022 totaled R$7,053 (R$6,781 in 2021). The sublease income is recorded in Cost of Sales and Services and the outstanding lease receivable balance at December 31, 2022 is R$ 1,318 and (R$1,448 at December 31, 2021) is recorded under Trade Receivables.

In the year ended December 31, 2022, the total accumulated amount of expenses with leases classified as short-term and low value assets is R$4,566 (R$3,518 for the year ended December 31, 2021).

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

22. RISK MANAGEMENT AND FINANCIAL INSTRUMENTS

22.1 GENERAL CONSIDERATIONS AND POLICIES

The Company's main financial liabilities other than derivatives refer to borrowings, trade payables and other accounts payable. The main purpose of these financial liabilities is to finance the Company's operations. The Company's main financial assets include accounts receivable, cash and cash equivalents that result directly from its operations. The Company also holds investments in debt and equity instruments.

The Company is exposed to market risk, credit risk and liquidity risk. The Company's top management supervises risk management. The Company's management relies on the support of a financial risks committee.

The Board of Directors reviews and sets policies for the management of each of these risks, which are summarized below, based on the financial statements (considering the low exposure existing in the financial statements).

22.2 CLASSIFICATION OF FINANCIAL INSTRUMENTS BY CATEGORY

Financial Assets	Note	2022	2021
Financial assets (amortized cost) cash and cash equivalents	4	122,509	90,184
Trade receivables (included due from related parties)	5	18,656	23,117
Escrow deposits	14.1	6,574	7,614
Other receivables		5,916	4,011
Total		**153,655**	**124,926**

Financial Liabilities	Note	2022	2021
Financial liabilities (amortized cost) borrowings, financing and debentures	11	133,728	153,075
Trade payables (includes due to related parties)	12	60,426	67,643
Lease liabilities	21	50,773	23,546
Other payables		28,267	38,469
Total		**273,194**	**282,733**

22.3 FAIR VALUES

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

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

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

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

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

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

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

As at December 31, 2021, the Company had no financial instruments stated at fair value.

22.4 FINANCIAL RISK MANAGEMENT

a) Credit risk

Arises from the possibility of the Company incurring losses as a result of default by its counterparties or financial institutions that are depositaries of funds or financial investments.

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

To mitigate this risk, the Company adopts the procedure of analyzing the financial position of its counterparties, as well as establishing credit limits, and constantly monitoring its balances. Concerning the financial institutions, the Company only conducts transactions with financial institutions highly rated by credit rating agencies.

Almost all revenues are allocated between the railway and mining logistics operators. The Company's Management believes that the allowances recognized are sufficient to cover potential default, and there are no differences between the fair value and the carrying amounts of these allowances (see the allowance for doubtful debts amount in Note 5).

In addition, a significant portion of its purchases is made with related parties, as described in Note 9.2.

b) Liquidity risk

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

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

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

Liquidity risk	2022			2021	
	Up to 1 year	Between 1 and 2 years	Between 3 and 5 years	Up to 1 year	Between 1 and 2 years
Borrowings, financing, and debentures	105,385	28,016	327	113,958	39,117
Trade payables (includes due to related parties)	60,426	-	-	67,643	-
Lease liabilities	13,980	27,960	41,940	16,003	7,543
Other payables	27,302	965	-	38,469	-
Total	**207,093**	**56,941**	**42,267**	**236,073**	**46,660**

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

c) Steel product price fluctuation risk

A significant part of the Company's operations depends on its ability to purchase steel products at competitive prices. If raw material prices increase significantly, and the Company is unable to pass on the price increase to products or to reduce operating costs to offset such increase, the operating margin will be lower.

Currently, the Company is striving to enter into long-term agreements with suppliers and customers so that exposure to fluctuations has the lesser impact possible.

d) Interest rate risk

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

Interest rate risk	2022		2021	
	Index	R$	Index	R$
Highly liquid short-term investments	CDI	122,277	CDI	89,922
Borrowings, financing and debentures - (includes intercompany)	CDI	133,728	CDI	153,075

e) Exchange rate risk

For the sensitivity analysis to foreign exchange exposure as at December 31, 2022, the Company considered the balances as demonstrated below.

Exchange rate risk	2022	
	US$	R$
Trade receivables	47	245
Trade payables	-	-
Net exposure	**47**	**245**

The Administration did not consider the sensitivity analysis for the probable scenario for considering that it substantially reflects the exchange variations already registered in the financial demonstrations regarding the year ended on December 31, 2022.

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

f) Sensitivity analysis of interest rate variations

The financial instruments, including derivatives, are exposed to fair value variations resulting from interest rate fluctuation (CDI). The sensitivity assessments of financial instruments are presented as follows:

i) Risk selection

The Company has selected the interest rate as the market risk that can most affect the value of the financial instruments held by them.

ii) Selection of scenarios

The potential and remote scenarios consider variations of 25% and 50%, respectively, in the CDI interest rates in relation to the closing quotations at December 31, 2022:

Highly liquid short-term investments - CDI	Scenarios		
	Probable	Possible -25%	Remote -50%
CDI at December 31, 2021	10.0%	7.5%	5.0%
Carrying amount considering the estimated finance income	12,232	9,174	6,116
Effect – loss		(3,058)	(6,116)

Borrowings and financing - CDI	Scenarios		
	Probable	Possible +25%	Remote +50%
CDI at December 31, 2020	6.2%	7.8%	9.4%
Carrying amount considering the estimated finance income	8,338	10,417	12,504
Effect - loss		(2,079)	(4,165)

g) Concentration risk

The Company's products are usually sold upon purchase orders of relevant amounts, periodically placed by a concentrated number of customers, who represent a significant volume of their sales. Currently, about 85% of their operational income is concentrated in 4 customers. The loss of a relevant customer or the reduction of the volume acquired by them may negatively affect the Company. We emphasize that customer concentration is variable between fiscal years, meeting market demands.

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

23. CAPITAL MANAGEMENT

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

The Company's management seeks to strike a balance between the highest possible returns with more appropriate financing levels and the advantages and security afforded by a sound capital position.

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

Capital management	2022	2021
Total borrowings, financing and debentures (includes lease liabilities)	184,501	176,621
(-) Cash and cash equivalents	(122,509)	(90,184)
Net debt	**61,992**	**86,437**
Total equity	115,592	74,679
Net debt-to-equity ratio	**186.5%**	**86.4%**

24. INSURANCE COVERAGE

The Company has an insurance policy that considers mainly the risk concentration and its materiality, according to the type of its activities and advice from their insurance brokers. Insurance coverage as at December 31, 2022, is as follows:

Insurance coverage	2022	2021
Loss of profits	188,925	181,611
Buildings	167,781	167,781
Property damage	184,197	157,528
D&O insurance	60,000	36,366
Leases	6,737	6,737
Civil liability	10,000	12,600
Total	**617,640**	**562,623**

25. ADDITIONAL INFORMATION TO THE STATEMENTS OF CASH FLOWS

Transactions occurring without cash disbursement	2022
Supply chain financing arrangement (reverse factoring) additions	36,954
Right of use additions	874
Right of use remeasurement	37,190

26. AUTHORIZATION FOR ISSUANCE OF THE FINANCIAL STATEMENTS

These financial statements were approved by the Company's Executive Board and authorized for disclosure and issuance at the meeting held on March 20, 2023.