(*A free translation from Portuguese into English of the financial statements originally issued in Portuguese*)

Financial Statements

Sipcam Nichino Brasil S.A.

December 31, 2023
with Independent Auditor's Report

Sipcam Nichino Brasil S.A.

Financial statements

December 31, 2023

Contents

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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
Sipcam Nichino Brasil S.A.
Uberaba – MG

Opinion

We have audited the financial statements of Sipcam Nichino Brasil S.A. (the "Company"), which comprise the statement of financial position as at December 31, 2023, and the statements of income, comprehensive income, changes in equity and cash flows for the year then ended, and notes to the financial statements, including material accounting policy information .

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the Company as at December 31, 2023, its financial performance and its 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 the 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 and the professional standards issued by Brazil's National Association of State Boards of Accountancy (CFC), and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Key audit matters

Key audit matters are those that, in our professional judgment, were of most significance in our audit of the financial statements of the current period. These matters were addressed in the context of our audit of the financial statements taken as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters. 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 key audit 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.

<u>Revenue recognition from goods sold</u>

As disclosed in Note 2.1, Company’s revenue is measured at fair value of the consideration received or receivable and is only recognized when the goods are delivered, and the customers obtain control over the assets. The volume of transactions occurred in the year, as well the potential risks involved relating to the record on an accrual basis of revenue recognition and potential returns led us to identify this issue as significant risk that requires special audit considerations.

How our audit addressed this matter

Our audit procedures included, among others: (a) understanding of the controls involved in the revenue recognition process; (b) voucher tests on a sample basis, including the exam of invoices, and evidence of delivery and receipt of the assets; (c) review of subsequent returns and potential returns in future periods; and (d) analytical procedures on changes in revenue for the year, in order to identify changes that are inconsistent with our expectations, obtained based on our previous knowledge of the Company and industry that could indicate potential accrual problems.

Based on the result of the audit procedures performed on recognition of revenue from sale of goods, which is consistent with the policy adopted by the executive board, we believe that the criteria adopted by management, as well as the related disclosures in explanatory notes, are acceptable in the context of the financial statements taken as a whole.

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

The executive board 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 it determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the executive board is responsible for assessing the Company’s ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting, unless the executive board either intends to liquidate the Company or to cease operations, or has no other 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 the 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 the Brazilian and International Standards on Auditing, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control.

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the executive board.

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

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

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

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

Goiânia, March 5, 2024.

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

Eric Piantino
Eric Horta Piantino
Accountant CRC MG-107829/O

Sipcam Nichino Brasil S.A.

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

	Note	12/31/2023	12/31/2022
Assets			
Current assets			
Cash and cash equivalents	3	**267,655**	161,421
Trade receivables	4	**377,729**	421,608
Inventories	5	**248,494**	305,823
Taxes recoverable	6	**47,478**	8,768
Derivative financial instruments	23	**227**	2,340
Other assets		**1,977**	712
Total current assets		**943,560**	900,672
Noncurrent assets			
Trade receivables	4	**381**	932
Taxes recoverable	6	**20,554**	23,920
Assets held for sale	7	**6,820**	7,116
Deferred income taxes	8	**26,504**	34,777
Judicial deposits	13	**154**	154
Derivative financial instruments	23	**1,272**	12,531
Investments		**2,779**	2,468
Property, plant and equipment	9	**36,850**	37,325
Intangible assets	10	**11,727**	13,056
Total noncurrent assets		**107,041**	132,279
Total assets		**1,050,601**	1,032,951

	Note	12/31/2023	12/31/2022
Liabilities and equity			
Current liabilities			
Loans, financing and debentures	11	**221,990**	100,493
Transactions with related parties	22	**269**	314
Trade accounts payable	12	**307,004**	324,738
Assignment of receivables by suppliers	12	**5,166**	34,914
Salaries and social charges		**5,334**	15,101
Taxes payable		**2,714**	4,341
Derivative financial instruments	23	**11,597**	45,055
Advances from customers		**9,165**	25,310
Other liabilities		**19,766**	20,495
Total current liabilities		**583,005**	570,761
Noncurrent liabilities			
Loans, financing and debentures	11	**261,881**	235,072
Transactions with related parties	22	**65,786**	75,435
Derivative financial instruments	23	**-**	19
Provision for legal proceedings	13	**2,698**	479
Total noncurrent liabilities		**330,365**	311,005
Equity			
Capital	14	**223,897**	223,897
Accumulated losses		**(86,666)**	(72,712)
Total equity		**137,231**	151,185
Total liabilities and equity		**1,050,601**	1,032,951

See accompanying notes.

Sipcam Nichino Brasil S.A.

Statement of income
December 31, 2023 and 2022
(In thousands of reais, except for profit (loss) per share, in reais – R$)

	Note	12/31/2023	12/31/2022
Net revenue	16	**820,400**	984,990
Costs of goods sold and services rendered	17	**(730,700)**	(785,599)
Gross profit		**89,700**	199,391
Operating income (expenses)			
Selling expenses	18.a	**(45,571)**	(37,452)
General and administrative expenses	18.a	**(26,309)**	(31,347)
Equity pickup		**310**	817
Other operating expenses, net	18.b	**(2,986)**	(13,398)
		(74,556)	(81,380)
Income before finance income (costs) and income taxes		**15,144**	118,011
Finance expenses	19	**(325,098)**	(355,208)
Finance income	19	**269,604**	302,320
		(55,494)	(52,888)
Income before income taxes		**(40,350)**	65,123
Income taxes:			
Current		**34,669**	(26,020)
Deferred		**(8,273)**	5,671
	8	**26,396**	(20,349)
Net income (loss) for the year		**(13,954)**	44,774
Number of shares	14	**2,471,492,952**	2,471,492,952
Profit (loss) per thousand shares - in reais		**(5.65)**	18.12

See accompanying notes.

Sipcam Nichino Brasil S.A.

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

	12/31/2023	12/31/2022
Net income (loss) for the year	**(13,954)**	44,774
Other comprehensive income	**-**	-
Other comprehensive income (loss)	**(13,954)**	44,774

See accompanying notes.

Sipcam Nichino Brasil S.A.

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

	Capital	Accumulated losses	Total
Balances at December 31, 2021	223,897	(117,486)	106,411
Net income for the year	-	44,774	44,774
Balances at December 31, 2022	223,897	(72,712)	151,185
Net loss for the year	**-**	**(13,954)**	**(13,954)**
Balances at December 31, 2023	**223,897**	**(86,666)**	**137,231**

See accompanying notes.

Sipcam Nichino Brasil S.A.

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

	12/31/2023	12/31/2022
Operating activities		
Income before income taxes	**(40,350)**	65,123
Non-cash income/(costs):		
Write-off of property, plant and equipment and intangible assets	**163**	3,023
Equity pickup	**(310)**	(817)
Restatement of trade receivables	**1,967**	2,607
Provision for equalization/customers' prompt payment	**2,883**	8,428
Allowance for expected credit losses	**3,393**	19
Set-up (Reversal) of provision for obsolescence and realization of inventory	**788**	(765)
Depreciation and amortization	**10,927**	11,968
Losses (gains) on derivative financial instruments	**(17,960)**	26,974
Other provisions	**11,200**	17,598
Provision for legal proceedings	**2,264**	113
Interest paid on loans, financing, debentures, leases and intercompany loans	**43,535**	20,901
Borrowing and financing costs	**507**	(248)
Foreign exchange differences and monetary variations, net	**(13,319)**	(32,894)
Debt modification	**38**	38
Provision for sales returns	**(46)**	(766)
Present value adjustment, net	**(7,439)**	17,351
Decrease (increase) in operating assets		
Trade receivables	**38,134**	(55,696)
Inventories	**61,635**	(154,372)
Taxes recoverable	**(675)**	2,121
Other assets	**(969)**	743
Increase (decrease) in operating liabilities		
Trade accounts payable and assignment of receivables by suppliers	**(40,743)**	20,542
Salaries and social charges	**28**	(1,310)
Advances from customers	**(16,145)**	(1,180)
Other liabilities	**(3,103)**	(4,255)
Legal proceedings paid	**(45)**	(35)
Rural credit	**(7,345)**	(456)
Taxes paid	**(21,831)**	(29,583)
Payment of interest on borrowings, intercompany loans and lease charges	**(28,815)**	(9,942)
Cash (used in) operating activities	**(21,633)**	(94,770)
Investing activities		
Sales of property, plant and equipment and intangible assets	**45**	940
Acquisition of property, plant and equipment and intangible assets	**(9,286)**	(9,720)
Cash (used in) investing activities	**(9,241)**	(8,780)
Financing activities		
Loans and financing raised	**290,435**	150,000
Payment of loans, financing and leases	**(153,327)**	(73,764)
Cash from (used in) financing activities	**137,108**	76,236
Net (decrease) in cash and cash equivalents	**106,234**	(27,314)
Cash and cash equivalents at beginning of year	**161,421**	188,735
Cash and cash equivalents at end of year	**267,655**	161,421
Net (decrease) in cash and cash equivalents	**106,234**	(27,314)

See accompanying notes.

1. Operations

Sipcam Nichino Brasil S.A. (the “Company” or “Sipcam-Nichino”) is privately held joint stock corporation with head office at Rua Igarapava, 599 - Distrito Industrial III, in the city of Uberaba, Minas Gerais State, Brazil. The Company is primarily engaged in the production, formulation, repackaging, import, export, sale and distribution of agrochemicals, e.g., herbicides, insecticides, acaricides, fungicides, fertilizers, plant nutrition products and chemicals for agriculture in general.

2. Presentation of the financial statements and summary of significant accounting practices

The Company’s financial statements for the year ended December 31, 2023 were prepared in accordance with the accounting practices adopted in Brazil. The Company considered the guidance provided for in Accounting Guidance OCPC 07, issued by the Brazilian FASB (CPC) in November 2014, in preparing its financial statements. Accordingly, significant information of the financial statements themselves is being disclosed and corresponds to that used to manage the Company’s operations.

The Company’s executive board authorized the issue of the financial statements on March 5, 2024.

These financial statements were prepared under various measurement bases used in accounting estimates. The accounting estimates involved in preparing the financial statements were based on both objective and subjective factors, and in line with management’s judgment to determine the appropriate amount to be recorded in the financial statements. Significant items subject to these estimates and assumptions include selection of useful lives and recoverability of property, plant and equipment in operations, fair value measurement of financial assets, credit risk analysis in determining the allowance for expected credit losses, as well as the analysis of other risks in determining other provisions, including provision for legal proceedings.

The Company’s functional currency is the Brazilian real, which is also its presentation currency. All financial information presented in thousands of reais was rounded to the nearest thousand, unless otherwise stated.

The settlement of transactions involving these estimates may result in amounts significantly different from those recorded in the financial statements due to uncertainties inherent in the estimate process.

The Company reviews its estimates and assumptions on an annual basis. See Note 2.13 for further details on estimates.

2. Presentation of the financial statements and summary of significant accounting practices (Continued)

The financial statements were prepared based on the historical cost, unless otherwise stated, as described in the summary of significant accounting practices. The historical cost is generally based on the value of the consideration paid in exchange for assets.

2.1. Determination of profit or loss

Profit or loss from operations is recorded on an accrual basis. Sales revenues are recognized net, i.e., less sales taxes and discounts, which are stated as a reduction thereof.

Company’s revenue from sale of goods is measured at fair value of the consideration received or receivable and is only recognized when the goods are delivered, and the customers obtain control over the assets. Revenue is not recognized when there is significant uncertainty about realization thereof. In compliance with CPC 47, the Company conducts an analysis based on the history of goods returned in the past two years and applies the percentage prospectively on current year sales not converted into cash.

Interest income and expenses are recognized under the effective interest rate method under “Finance income/costs”.

2.2. Foreign currency-denominated transactions

Monetary assets and liabilities denominated in foreign currencies are translated into the functional currency (Brazilian real) at the exchange rate in force as of the corresponding statement of financial position date. Gains and losses resulting from restatement of these assets and liabilities between the exchange rate prevailing at the date of the transaction and the reporting period closing dates are recognized as finance income or costs in profit or loss for the year.

2.3. Cash and cash equivalents

Cash and cash equivalents are held to meet short-term cash commitments rather than for investment or other purposes. The Company considers cash equivalents a short-term investment readily convertible into a known cash amount and subject to an insignificant risk of change in value. Therefore, an investment normally qualifies as a cash equivalent when it has short-term maturity, for example, three months or less from the investment date.

2. Presentation of the financial statements and summary of significant accounting practices (Continued)

2.4. Trade receivables

Trade receivables are recorded and maintained in the statements of financial position at the nominal value of the notes representing these receivables, which does not significantly differ from present value.

The allowance for expected credit losses is recorded by management for receivables whose recovery is considered doubtful when there is significant doubt as to collection of overdue notes.

Based on the aging list of the immediately prior period, the Company calculated these amounts taking into consideration trade receivables and amounts effectively converted into cash. As such, it obtained the historical percentages per maturity that are applied on trade receivables for the current period, pursuant to CPC 48.

2.5. Inventories

Inventories are measured at the lower of cost and net realizable value. The inventory cost is based on the average cost principle and includes the costs incurred in acquiring inventories and other costs incurred in bringing them to their existing locations and conditions.

The net realizable value is the estimated sale price in the ordinary course of business, less costs and selling expenses.

2.6. Property, plant and equipment

These are recorded at acquisition cost. Depreciation is calculated on a straight-line basis at the rates mentioned in Note 9, which take into consideration the assets' estimated useful lives.

A property, plant and equipment item is derecognized on disposal or when no future economic benefit is expected from its use or sale. Any gains or losses arising from the asset write-off (calculated as the difference between asset net sales proceeds and its carrying amount) are recognized in the statement of income for the year in which the asset is written off.

Residual values, useful lives and depreciation methods are reviewed yearly and adjusted prospectively, where applicable.

2. Presentation of the financial statements and summary of significant accounting practices (Continued)

2.7. Intangible assets

Intangible assets acquired separately are measured upon their initial recognition at acquisition cost and subsequently deducted of their accumulated amortization and impairment losses, where applicable.

Internally-generated intangible assets, excluding capitalized amounts of product development costs, are recognized in profit or loss for the year in which they are generated. Intangible assets with finite useful lives are amortized according to their estimated economic useful lives and, when evidence of impairment losses is found, they are tested for impairment.

2.8. Provision for impairment of nonfinancial assets

Management annually tests the net carrying amount of assets to assess events or changes in economic, operating or technological circumstances that may indicate deterioration or impairment. When such evidence is identified and net carrying amount exceeds recoverable amount, a provision for impairment is set up by adjusting net carrying amount to the recoverable amount.

The recoverable amount of an asset or a cash-generating unit is defined as the higher of value in use and fair value less costs to sell.

In estimating the value in use, the estimated future cash flows are discounted to their present value by using a pre-tax discount rate that reflects the weighted average cost of capital for the industry in which the cash-generating unit operates. Fair value less cost to sell is determined, where possible, based on firm sales agreements in a transaction carried out on an arm's length basis among knowledgeable and willing parties, adjusted by expenses attributable to the sale of the asset or, when there is no firm sales agreement, based on the market price in an active market or at the most recent transaction price with similar assets.

(In thousands of reais, unless otherwise stated)

2. Presentation of the financial statements and summary of significant accounting practices (Continued)

2.9. Other assets and liabilities

An asset is recognized in the statement of financial position when its future economic benefits are likely to flow to the Company, and its cost or value can be reliably measured. A liability is recognized in the statement of financial position when the Company has a legal or constructive obligation resulting from a past event, and will probably require an economic resource to settle it. Provisions are set up reflecting the best estimates of the risk involved.

Assets and liabilities are classified as current when their realization or settlement is likely to occur within the next twelve months. Otherwise, they are stated as noncurrent.

2.10. Taxation

Sales and service revenues are subject to the taxes and contributions below, at the following statutory rates:

State Value-Added Tax	ICMS	Between 4% and 18%
Federal Value-Added Tax	IPI	0%
Contribution Tax on Gross Revenue for Social Security Financing	COFINS	0%
Contribution Tax on Gross Revenue for Social Integration Program	PIS	0%

Pursuant to Decree No. 3777, dated March 23, 2001, amended by Decree No. 6006 of December 28, 2006, sales of agrochemicals are subject to IPI reduced to 0%.

The Company has been granted a 60% reduction in the ICMS tax base, as established by Agreement No. 100/97 and amended and extended by ICMS Agreement No. 133/2020 up to December 31, 2025. Some of its goods in accordance with Brazil's federal Senate Resolution No. 13 of 2013 are subject to a 4% tax rate. From January 2020, in detriment to Decree No. 64213 of April 30, 2019, in São Paulo State intrastate operations, ICMS credits are mandatorily reversed in receipts of inputs and/or products for sale. On October 15, 2020, Decree No. 65254 was published, in effect from 2021, which increased the tax burden in interstate operations originated in the State of São Paulo from 2.8% to 3.70% and from 4.8% to 6.34%. On September 29, 2021, Decree No. 66054 was published in the State of São Paulo, assimilating the provisions of Agreement No. 026/2021, not providing full maintenance of credit in ICMS-tax-exempt operations and or with a reduction in the ICMS tax base. The same occurred in the State of Minas Gerais upon publication of Decree No. 48337 of December 30, 2021.

2. Presentation of the financial statements and summary of significant accounting practices (Continued)

2.10. Taxation (Continued)

PIS and COFINS rates were reduced to 0%, pursuant to Law No. 10925/2004, and ratified by Decree No. 5630/2005.

Current income taxes

Income taxes comprise both income and social contribution taxes. Income tax is calculated at a rate of 15%, plus a 10% surtax on taxable profit exceeding R$ 240 over 12 months, whereas social contribution tax is calculated at a rate of 9% on taxable profit, both recognized on an accrual basis. As such, additions to book income, deriving from temporarily nondeductible expenses, or exclusions of temporarily nontaxable income upon determination of current taxable profit, generate deferred tax assets or liabilities. Taxes prepaid or recoverable are stated in current and noncurrent assets based on their expected realization.

Deferred income taxes

Deferred taxes arise from temporary differences, income and social contribution tax losses at the statement of financial position date between the tax bases of assets and liabilities and their book value.

Current and deferred income taxes

Deferred tax assets are recognized for all deductible tax differences, unused tax credits or losses to the extent that it is probable that there will be taxable profit available to allow realization of deductible temporary differences, as well as use of unused tax credits and tax losses.

The carrying amount of deferred tax assets is reviewed at each statement of financial position date and reduced to the extent that it is no longer probable that taxable profit will be available to allow all or part of the deferred tax asset to be used. Deferred tax assets written off are re-assessed at each reporting date and are recognized to the extent that it has become probable that future taxable profits will allow the deferred tax asset to be recovered.

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

Deferred tax assets and liabilities are presented net when there is a legal or constructive right to offset the tax asset against the tax liability and deferred taxes are related to the same taxed entity and subject to the same tax authority.

2. Presentation of the financial statements and summary of significant accounting practices (Continued)

2.11. Lease transactions

The lease definitions contained in CPC 06 (R2) were applied to all lease contracts in force.

At the inception of the contract, the Company recognizes a right-of-use asset and a lease liability that represents the obligation to make payments related to the underlying asset of the lease.

The right-of-use asset is initially measured at cost and comprises the initial amount of the lease liability adjusted for any payment made on or before the contract commencement date, plus any initial direct cost incurred and estimated cost of dismantling, removing, and restoring the asset to the location where it is, less any incentive received.

The right-of-use asset is subsequently depreciated under the straight-line method from the commencement date to the end of the useful life of the right-of-use or the end of the lease term. The options for extending the term or early termination of contracts are analyzed individually, considering the type of asset involved as well as its relevance in the Company's production process. The estimated useful life of the right-of-use asset is determined on the same basis as the assets owned by the Company.

Additionally, the right-of-use asset is periodically impaired in accordance with CPC 01, when applicable, and readjusted by remeasurement of the lease liability.

The lease liability is initially measured at the present value of unpaid payments, discounted at the incremental borrowing rate.

This lease liability is then measured at amortized cost using the effective interest rate method. It is remeasured when there is a change in (i) future payments resulting from a change in index or rate; (ii) the estimate of the expected amount to be paid in the guaranteed residual value; or (iii) the assessment of whether the Company will exercise the option to purchase, extension or termination.

When the lease liability is remeasured, the corresponding adjustment amount is recorded in the carrying amount of the right-of-use asset or in profit or loss, if the carrying amount of the right-of-use asset has been reduced to zero.

2. Presentation of the financial statements and summary of significant accounting practices (Continued)

2.12. Other employee benefits

The Company's employee and management benefits include, in addition to fixed compensation (salaries and social security contributions (INSS), vacation pay and 13th monthly salary), variable compensation, such as profit sharing and bonuses. These benefits are recognized in the statement of income for the year, under "Selling expenses" and "General and administrative expenses", as incurred.

2.13. Significant accounting judgments, estimates and assumptions

Judgments

The preparation of the financial statements by the Company requires management to use professional judgments, estimates and assumptions that affect the stated amounts of revenues, expenses, assets and liabilities, as well as the disclosure of contingent liabilities at the financial statement date. The uncertainty related to these assumptions and estimates could lead to the need to make significant adjustments, in future periods, to the carrying amount of the affected asset or liability.

Accounting estimates and assumptions

Significant assumptions about sources of uncertainty in future estimates and other important sources of uncertainty in estimates at the statement of financial position date, involving a significant risk of causing a material adjustment to the book value of the assets and liabilities in the subsequent year, are discussed below:

Impairment of nonfinancial assets

Impairment is identified when the carrying amount of an asset or cash-generating unit exceeds its recoverable amount, which is the higher of fair value less costs to sell and value in use. The estimated fair value less cost to sell is based on information available on sale transactions of similar assets or market price less additional costs to dispose of the asset.

Management annually tests the carrying amount of the assets to determine whether there are any events or changes in economic, operating, or technological circumstances that may indicate impairment loss.

When such evidence is found and the carrying amount exceeds the recoverable amount, a provision for impairment is recorded to adjust the carrying amount to the recoverable amount.

2. Presentation of the financial statements and summary of significant accounting practices (Continued)

2.13. Significant accounting judgments, estimates and assumptions (Continued)

Accounting estimates and assumptions (Continued)

Taxes

Uncertainties exist with respect to the interpretation of complex tax regulations and the amount and timing of future taxable income. Given the extensive international trading relationships, in addition to the long-term nature and complexity of existing contractual instruments, the differences between actual results and the assumptions used, or future changes in such assumptions, could lead to future adjustments to tax revenues and expenses already recorded. The Company set up provisions based on reasonable estimates, for possible consequences of audits by tax authorities of the jurisdiction in which it operates. The amount of these provisions is based on several factors such as experience of previous tax audits and differing interpretations of tax regulations by the taxable entity and the competent tax authority. These differences of interpretation may arise for various matters, depending on the conditions prevailing in the jurisdiction in which the Company operates.

Significant professional judgment by management is required to determine the amount of deferred tax assets that can be recognized based on the probable term and level of future taxable profits together with future tax planning strategies.

Provision for legal proceedings

The Company recognizes a provision for civil and labor claims. Assessment of the likelihood of loss includes an evaluation of available evidence, hierarchy of laws, available case law, most recent court decisions and their relevance to the legal system, as well as the opinion of external legal advisors. Provisions are reviewed and adjusted considering changes in circumstances, such as applicable statute of limitations, tax audit conclusions or additional exposures identified based on new matters or court decisions.

The settlement of transactions involving these estimates may result in amounts significantly different from those recorded in the financial statements due to uncertainties inherent in the estimate process. The Company reviews its estimates and assumptions at least on an annual basis.

2. Presentation of the financial statements and summary of significant accounting practices (Continued)

2.14. Statements of cash flows

The statements of cash flows were prepared by using the indirect method and are presented in accordance with accounting pronouncement CPC 03 (R2) - Statement of Cash Flows, issued by the Brazilian FASB (CPC).

2.15. Financial instruments

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

a) Financial assets

Initial recognition and measurement

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

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

For a financial asset to be classified and measured at amortized cost or at fair value through other comprehensive income, it needs to generate cash flows that are "solely payment of principal and interest" on the outstanding principal amount. This assessment is conducted at the instrument level. Financial assets with cash flows that are not solely payments of principal and interest are classified and measured at fair value through profit or loss, irrespective of the business model adopted.

The Company's business model for management of financial assets refers to how it manages its financial assets to generate cash flows. The business model determines whether cash flows will result from the collection of contractual cash flows, from sale of financial assets, or from both.

2. Presentation of the financial statements and summary of significant accounting practices (Continued)

2.15. Financial instruments (Continued)

a) Financial assets (Continued)

Initial recognition and measurement (Continued)

Financial assets classified and measured at amortized cost are maintained in a business plan with the objective of maintaining financial assets to obtain contractual cash flows, while financial assets classified and measured at fair value matched against other comprehensive income are maintained in a business model with the objective of obtaining contractual cash flows and also for the purpose of sale.

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

Subsequent measurement

For subsequent measurement purposes, financial assets are classified into four categories, as follows:

(i) Financial assets at amortized cost (debt instruments);

(ii) Financial assets at fair value through other comprehensive income, with reclassification of retained earnings/accumulated losses (debt instruments);

(iii) Financial assets designated at fair value through other comprehensive income, without reclassification of accumulated gains and losses upon derecognition (equity instruments); and

(iv) Financial assets at fair value through profit or loss.

Financial assets at amortized cost (debt instruments)

Financial assets at amortized cost are subsequently measured using the effective interest rate method and are subject to impairment. Gains and losses are recognized in P&L when the asset is written off, modified or impaired.

2. Presentation of the financial statements and summary of significant accounting practices (Continued)

2.15. Financial instruments (Continued)

a) Financial assets (Continued)

Initial recognition and measurement (Continued)

Subsequent measurement (Continued)

Financial assets at fair value through other comprehensive income (debt instruments)

For debt instruments at fair value through other comprehensive income, if any, interest income, exchange rate revaluation, and impairment losses or reversals are recognized in the statement of income and calculated in the same way as financial assets measured at amortized cost. Remaining changes in fair value are recognized in other comprehensive income. Upon derecognition, the cumulative change in fair value recognized in other comprehensive income is reclassified to P&L.

Financial assets at fair value through profit or loss

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

Derecognition

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

(i) The rights to receive cash flows from the asset have expired; or

(ii) The Company has transferred its rights to receive cash flows from the asset or has assumed an obligation to pay the received cash flows in full without material delay to a third party under a ‘pass-through’ arrangement; and either (a) the Company has transferred substantially all the risks and rewards of the asset, or (b) the Company has neither transferred nor retained substantially all the risks and rewards of the asset, but has transferred control over the asset.

2. Presentation of the financial statements and summary of significant accounting practices (Continued)

2.15. Financial instruments (Continued)

a) Financial assets (Continued)

Impairment of financial assets

The Company analyzes impairment of its financial assets under the model proposed by CPC 48 referring to expected credit losses. Measurement applies to assets classified as amortized cost and fair value through other comprehensive income, and based on the perception of increase in credit risk as from initial recognition of the asset, in which a provision is set up based on the 12-month expected loss or for the asset lifetime expected losses. For the receivable's portfolio, which have no significant financing component, the Company applies the simplified approach allowed as a practical expedient by CPC 48, in which expected losses are recorded over the entire lifetime as from initial recognition of the receivables. Further details on measurement of expected credit losses are provided in Note 4.

b) Financial liabilities

Initial recognition and measurement

Upon initial recognition, financial liabilities are classified as financial liabilities at fair value through profit or loss, financial liabilities at amortized cost, or derivatives designated as hedging instruments in an effective hedge, as the case may be.

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

Subsequent measurement

For subsequent measurement purposes, financial liabilities are classified into two categories, as follows:

2. Presentation of the financial statements and summary of significant accounting practices (Continued)

2.15. Financial instruments (Continued)

b) Financial liabilities (Continued)

Subsequent measurement (Continued)

(i) Financial liabilities at fair value through profit or loss; and

(ii) Financial liabilities at amortized cost.

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

Financial liabilities at fair value through profit or loss

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

Financial liabilities are classified as held for trading if they are incurred for the purpose of repurchasing in the short term.

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

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

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

After initial recognition, interest-bearing loans, financing and debentures are subsequently measured at amortized cost using the effective interest rate method. Gains and losses are recognized in profit or loss when liabilities are derecognized, and through the amortization process by the effective interest rate method.

2. Presentation of the financial statements and summary of significant accounting practices (Continued)

2.15. Financial instruments (Continued)

Financial liabilities (Continued)

Subsequent measurement (Continued)

Financial liabilities at amortized cost (loans, financing and debentures) (Continued)

Amortized cost is calculated by considering any discount or premium on acquisition and fees or costs that are an integral part of the EIR. The EIR amortization is included as finance expenses in the statement of income.

Derecognition

A financial liability is derecognized when the obligation thereunder is extinguished, i.e., 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 an exchange or modification is treated as the derecognition of the original liability and the recognition of a new liability. Any difference in the respective carrying amounts is recognized in the statement of income.

Offsetting (net presentation) of financial instruments

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

Hedge accounting - fair value measurement

Nonderivative financial asset or nonderivative financial liability measured at fair value through profit or loss can be designated as a hedging instrument, as provided in CPC 48. The Company measures it at fair value through profit or loss, designating it as a hedging instrument.

2. Presentation of the financial statements and summary of significant accounting practices (Continued)

2.15. Financial instruments (Continued)

Hedge accounting - fair value measurement (Continued)

Regarding accounting:

(i) Gain or loss on hedging instrument is recognized in the statement of income;

(ii) The hedged gain or loss on the hedged item adjusts the book value of the hedged item and is recognized in the statement of income.

Derecognition

The Company prospectively discontinues hedge accounting only when the hedging relationship (or part of the hedging relationship) no longer meets the qualifying criteria (after taking into consideration any rebalancing of the hedging relationship, if applicable). This includes examples of when the hedging instrument expires or is sold, terminated or exercised.

2.16. Present value adjustment of assets and liabilities

Noncurrent monetary assets and liabilities are monetarily restated, and therefore adjusted to present value. The present value adjustment of current monetary assets and liabilities is calculated and only recorded when the effect is considered significant in relation to the financial statements taken as a whole. The present value adjustment is calculated using contractual cash flows and the explicit, and sometimes implicit, interest rates of the respective assets and liabilities. As such, interest embedded in revenues, expenses and costs associated with these assets and liabilities are discounted in order to recognize them on an accrual basis.

Interest is subsequently reallocated to finance income and costs in P&L through the effective interest method in relation to contractual cash flows. Implicit interest rates applied were determined based on assumptions, and accounting estimates are considered.

2. Presentation of the financial statements and summary of significant accounting practices (Continued)

2.16. Present value adjustment of assets and liabilities (Continued)

In 2023 and 2022, the Company recorded the present value of its accounts receivable balances, which are recorded and maintained in the statement of financial position at the value of notes, thus adjusted to present value, and trade accounts payable and assignment of receivables by suppliers initially recorded at their present value matched against “Inventories”. The reversal of the present value adjustment is recorded under “Cost of goods sold and services rendered by nature”.

2.17. New accounting pronouncements, amendments and interpretations that have not become effective

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

Amendments to CPC 06: Lease Liability in a Sale and Leaseback

In September 2022, amendments to CPC 06 were issued to specify the requirements that a seller-lessee uses in measuring the lease liability arising in a sale and leaseback transaction, to ensure the seller-lessee does not recognize any amount of the gain or loss that relates to the right of use it retains.

The amendments are effective for annual reporting periods beginning on or after January 1, 2024 and must be applied retrospectively to sale and leaseback transactions entered into after the initial application date of CPC 06. Earlier application is permitted, and this fact must be disclosed.

These amendments are not expected to significantly impact the Company’s financial statements.

2. Presentation of the financial statements and summary of significant accounting practices (Continued)

2.17. New accounting pronouncements, amendments and interpretations that have not become effective (Continued)

ii) Amendments to CPC 26 (R1): Classification of Liabilities as Current or Noncurrent

In January 2020 and October 2022, amendments to paragraphs 69 to 76 of CPC 26 (R1) were issued to specify the requirements for classifying liabilities as current or noncurrent. The amendments 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.

In addition, a disclosure requirement has been introduced where a liability arising from a loan agreement is classified as noncurrent and the entity's right to defer settlement is contingent on compliance with future covenants within twelve months.

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

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

iii) Supplier financing arrangements – Amendments to CPC 03 (R2) and CPC 40 (R1)

In May 2023, amendments to CPC 03 (R2) – Statements of Cash Flows and to CPC 40 (R1) - Financial instruments: disclosures were issued to clarify the characteristics of supplier financing arrangements and require additional disclosures about these arrangements. The disclosure requirements in the amendments are intended to assist users of the financial statements in understanding the effects of supplier financing arrangements on an entity's liabilities, cash flows, and exposure to liquidity risk.

2. Presentation of the financial statements and summary of significant accounting practices (Continued)

2.17. New accounting pronouncements, amendments and interpretations that have not become effective (Continued)

iii) Supplier financing arrangements – Amendments to CPC 03 (R2) and CPC 40 (R1) (Continued)

The amendments are effective for annual reporting periods beginning on or after January 1, 2024. Earlier adoption is permitted, but must be disclosed.

These amendments are not expected to materially impact the Company’s financial statements, since the Company already discloses all its transactions involving the assignment of receivables of suppliers.

2.18. New accounting pronouncements, amendments and interpretations issued

The Company applied for the first time certain standards and amendments to standards effective for annual periods beginning on or after January 1, 2023 (unless otherwise stated). The Company elected not to early adopt any other standard, interpretation or amendment that has been issued, but is not yet effective.

i) CPC 50 - Insurance contracts

CPC 50 is a new accounting standard for insurance contracts, the scope of which covers recognition and measurement, presentation and disclosure. CPC 50 replaces CPC 11. CPC 50 applies to all types of insurance contracts (life, nonlife, direct insurance and reinsurance), regardless of the type of entity issuing them, as well as certain guarantees and financial instruments with discretionary participation features; certain scope exceptions will apply. The overall objective of CPC 50 is to provide a comprehensive accounting model for insurance contracts that is more useful and consistent for insurers, covering all significant accounting aspects. CPC 50 is based on a general model, supplemented by:

• A specific adaptation to contracts with direct participation features (variable rate approach);

• A simplified approach (premium allocation approach) mainly for short-term contracts;

The new standard had no impact on the Company’s financial statements.

2. Presentation of the financial statements and summary of significant accounting practices (Continued)

2.18. New accounting pronouncements, amendments and interpretations issued (Continued)

ii) Definition of Accounting Estimates - Amendments to CPC 23

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

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

iii) Disclosure of Accounting Policies - Amendments to CPC 26 (R1) – Presentation of financial statements

The amendments to CPC 26 (R1) provide guidance and examples to help entities apply materiality judgments to accounting policy disclosures. The amendments aim to help entities provide more useful accounting policy disclosures by replacing the requirement for entities to disclose their "significant" accounting policies with a requirement to disclose their "material" accounting policies and adding guidance on how entities apply the concept of materiality in making decisions about accounting policy disclosures.

The amendments had no impact on the Company's accounting policy disclosures, since the Company already discloses only its material accounting policies in its financial statements.

iv) Deferred Tax related to Assets and Liabilities arising from a Single Transaction - Amendments to CPC 32 – Income taxes

The amendments to CPC 32 narrow the scope of the initial recognition exception, so that it no longer applies to transactions that give rise to equal taxable and deductible temporary differences, such as leases and decommissioning liabilities.

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

(In thousands of reais, unless otherwise stated)

2. Presentation of the financial statements and summary of significant accounting practices (Continued)

2.18. New accounting pronouncements, amendments and interpretations issued (Continued)

v) International Tax Reform – Pillar Two Model Rules – Amendments to CPC 32 – Income taxes

The amendments to CPC 32 were introduced in response to the OECD's Pillar Two rules on BEPS and include:

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

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

The mandatory temporary exception – the use of which is required to be disclosed – applies immediately. The remaining disclosure requirements apply for annual reporting periods beginning on or after 1 January 2023, but not for any interim periods ending on or before December 31, 2023.

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

3. Cash and cash equivalents

	12/31/2023	12/31/2022
Cash and banks	**545**	3,301
Short-term investments (a)	**267,110**	158,120
Total cash and cash equivalents	**267,655**	161,421

(a) These refer to floating-rate Bank Deposit Certificates (CDBs) that reflect the usual market conditions, whose maturity at the statement of financial position date is within 90 days. They are highly liquid and have no risk of significant changes due to interest rate fluctuation, bearing interest ranging from 94% to 103% of the Interbank Deposit Certificate (CDI) rate in December 2023 (70% to 102% of the CDI in December 2022) and measured at fair value matched against profit or loss.

(In thousands of reais, unless otherwise stated)

4. Trade receivables

	12/31/2023	12/31/2022
Trade notes receivable	**410,621**	459,218
Receivables from related party	**6,899**	1,667
Present value adjustment	**(20,156)**	(27,334)
Discount on/restatement of trade receivables	**(15,714)**	(10,864)
	381,650	422,687
Allowance for expected credit losses	**(3,540)**	(147)
	378,110	422,540
Current	**377,729**	421,608
Noncurrent	**381**	932

At December 31, 2023, trade notes receivable amounting to R$ 29,016 (R$40,292 at December 31, 2022) were offered as guarantee for loans and financing.

The aging list of accounts receivable as at December 31, 2023 and 2022 is as follows:

	12/31/2023	12/31/2022
Falling due	**379,915**	421,197
Overdue within 30 days	**1,688**	1,162
Overdue between 31 and 60 days	**47**	22
Overdue between 61 and 90 days	**-**	38
Overdue between 91 and 180 days	**-**	197
Overdue above 180 days	**-**	71
	381,650	422,687

Allowance for expected credit losses

Changes in the allowance for expected credit losses are as follows:

	12/31/2023	12/31/2022
Opening balance	**(147)**	(19,514)
Reversals (allowances) (a)	**(3,393)**	19,367
Closing balance	**(3,540)**	(147)

Management sets up an allowance for expected credit losses at an amount deemed sufficient to cover possible risks of loss on realization of receivables, considering the history of losses and security interests for amounts overdue.

(a) In 2022, after all attempts to receive overdue and fully provisioned amounts have been made, the accounts receivable and the related provision were written off.

(In thousands of reais, unless otherwise stated)

4. Trade receivables (Continued)

The percentage of the allowance for expected credit losses is broken down as follows:

	%	
	12/31/2023	**12/31/2022**
Falling due	**0.14%**	0.02%
Overdue within 90 days	**0.14%**	0.02%
Overdue from 91 to 180 days	**0.14%**	0.02%
Overdue above 180 days	**100.00%**	100.00%

5. Inventories

	12/31/2023	**12/31/2022**
Finished goods	**129,209**	161,110
Raw, packaging and auxiliary materials	**61,280**	63,776
Imports in transit	**51,140**	78,378
Allowance for sales returns	**10,340**	5,246
Allowance for obsolete inventories	**(724)**	(473)
Allowance for inventory realization, net	**(2,751)**	(2,214)
	248,494	305,823

The Company records allowances for 100% of its inventories not moving for more than 360 days, in addition to analyzing inventory items individually. Changes in allowances are as follows:

	12/31/2022	**Allowance**	**12/31/2023**
Allowance for obsolescence	(473)	**(251)**	**(724)**
Allowance for inventory realization, net	(2,214)	**(537)**	**(2,751)**
	(2,687)	**(788)**	**(3,475)**

	12/31/2021	**Reversal**	**12/31/2022**
Allowance for obsolescence	(475)	2	(473)
Allowance for inventory realization, net	(2,977)	763	(2,214)
	(3,452)	765	(2,687)

(In thousands of reais, unless otherwise stated)

6. Taxes recoverable

	12/31/2023	12/31/2022
ICMS	**18,757**	24,433
IPI	**4,564**	4,573
PIS and COFINS	**3,015**	3,195
Income taxes (a)	**41,696**	487
	68,032	32,688
Current	**47,478**	8,768
Noncurrent	**20,554**	23,920

(a) In April 2023, the Company filed a Writ of Mandamus seeking enforcement of an Investment Grant. In July of the same period, a favorable decision was handed down to the Company, in line with the recent decision of the Higher Court of Justice (STJ), removing the need to prove that the ICMS tax benefits applicable to the Company have been granted as an incentive and/or implementation of an enterprise for the exclusion of the IRPJ and CSLL tax bases, the only requirement being the set-up of a reserve. Accordingly, the amount of R$39,717 (principal of R$34,669 and restatement by reference to SELIC of R$5,047) was recognized under Taxes recoverable, referring to IRPJ and CSLL for the years 2018, 2021 and 2022.

The Company intends to realize ICMS, IPI, PIS and COFINS balances by means of its operations and refund requests. Until December 2023, the Company offset, through Request for Offset, R$11,982, of which R$4,440 referring to IPI, R$1,365 referring to PIS, R$6,177 referring to COFINS. In April 2023, the Company received from the Brazilian IRS refunds amounting to R$30 referring to COFINS (in 2022 the Company received from the Brazilian IRS refunds amounting to R$14,951, of which R$6,057 referring to IPI, R$1,280 to PIS, R$7,118 to COFINS and R$496 to income tax (IRPJ) losses).

7. Assets held for sale

The groups of assets held for sale are measured at the lower of their carrying amount and the fair value less costs to sell. Originated from accounts receivable from customers, the amounts are net of any expenses for their realization in accordance with CPC 31.

The amount of R$6,820 at December 31, 2023 (R$7,116 at December, 2022) refers to real properties received in payment for customer debts, which are under negotiation.

8. Current and deferred income taxes

Deferred income and social contribution taxes were recorded based on the rates in force, as follows:

(In thousands of reais, unless otherwise stated)

8. Current and deferred income taxes (Continued)

	12/31/2023	12/31/2022
Deferred income tax asset on:		
Temporarily nondeductible provisions	**17,562**	23,645
Income and social contribution tax losses	**72,049**	40,752
Deferred social contribution tax asset on:		
Temporarily nondeductible provisions	**6,322**	8,512
Income and social contribution tax losses	**25,252**	13,985
	121,185	86,894
Less write-off due to unexpected realization	**(94,681)**	(52,117)
Noncurrent assets	**26,504**	34,777

The main provisions that are the basis for temporary differences are as follows:

	12/31/2023	12/31/2022
Allowance for expected credit loss	**3,540**	147
Provision for discount/restatement of trade receivables	**15,714**	10,864
Sales commissions	**6,629**	5,899
Incineration	**60**	1,380
Provision for legal proceedings	**2,698**	479
Allowance for profit sharing	**350**	10,543
Allowance for inventory obsolescence/realization of losses	**3,475**	2,687
Allowance for loss (gain) on derivatives	**10,097**	30,203
Customer campaign	**9,888**	8,800
Debt modification	**(64)**	(102)
Allowance for sales returns	**1,252**	1,298
Fair value of derivative instruments	**2,014**	(132)
Present value adjustment, net	**9,913**	17,351
Other	**4,683**	5,163
	70,249	94,580
Prevailing income tax rate of 25%	**17,562**	23,645
Prevailing social contribution tax rate of 9%	**6,322**	8,512
	23,884	32,157

Based on expected generation of future taxable profits, as determined by technical studies approved by the Board of Directors, the Company recognized tax credits on temporary differences and tax losses. The Company reviews book value and tax credit realization on an annual basis.

Grounded on technical studies of expected generation of future taxable profits, the Company estimates to recover these tax credits in the next five (5) years.

		%
2023	12,173	46
2024	11,368	43
2025	2,963	11
	26,504	100

(In thousands of reais, unless otherwise stated)

8. Current and deferred income taxes (Continued)

The tax credits recovery estimates were based on taxable income projections, taking into consideration various financial and business assumptions considered at the period ended December 31, 2023. As a result, these estimates may not materialize in the future considering the uncertainties related to these forecasts.

<u>Reconciliation of income tax expense</u>

Reconciliation of the expense calculated by applying the combined tax rates and the income tax expenses charged to the statement of income is as follows:

	12/31/2023	12/31/2022
Income (loss) before taxes	**(40,350)**	65,123
Tax expenses at statutory rate - 34%	**13,719**	(22,142)
Effective rate adjustments:		
Permanent differences and other	**(19,744)**	139
Tax granted	**40,738**	-
"Lei do Bem" (Brazil's Tax Relief Law)	**-**	1,654
Income taxes losses not accounted for and income taxes recoverable	**(7,957)**	-
Net tax expense in the statement of income	**26,396**	(20,349)
Effective rate	**-**	31%

Accumulated income and social contribution tax losses are broken down as follows:

	12/31/2023	12/31/2022
Income tax losses	**288,196**	163,005
Social contribution tax losses	**280,578**	155,387

Income and social contribution tax losses may be carried indefinitely; however, their offset is limited to 30% of taxable profit each year.

Changes in deferred taxes are as follows:

	12/31/2023	12/31/2022
Opening balance	**34,777**	29,105
Tax loss offsetting	**-**	(11,291)
Net recognition of deferred charges on temporary differences	**(8,273)**	16,963
Closing balance	**26,504**	34,777

(In thousands of reais, unless otherwise stated)

9. Property, plant and equipment

	12/31/2023										
	Land	**Buildings and improvements**	**Machinery**	**Tools, presses and molds**	**Facilities**	**Furniture and fixtures**	**Vehicles**	**Hardware**	**Right-of-use lease**	**Construction in progress**	**Total**
Acquisition cost											
Balance at beginning of year	1,270	23,141	36,811	260	31,325	5,765	119	2,544	6,556	2,005	109,796
Additions	**-**	**-**	**489**	**-**	**-**	**2**	**-**	**4**	**3,467**	**3,644**	**7,606**
Write-offs	**-**	**-**	**(307)**	**-**	**(480)**	**(49)**	**(38)**	**(17)**	**(3,908)**	**(1)**	**(4,800)**
Transfers	**-**	**338**	**2,486**	**2**	**808**	**128**	**-**	**93**	**-**	**(3,855)**	**-**
Balance at end of year	**1,270**	**23,479**	**39,479**	**262**	**31,653**	**5,846**	**81**	**2,624**	**6,115**	**1,793**	**112,602**
Depreciation											
Balance at beginning of year	-	(14,956)	(23,235)	(189)	(23,534)	(4,647)	(75)	(1,829)	(4,006)	-	(72,471)
Additions	**-**	**(815)**	**(2,393)**	**(16)**	**(1,207)**	**(254)**	**(8)**	**(414)**	**(2,811)**	**-**	**(7,918)**
Write-offs	**-**	**-**	**287**	**-**	**471**	**44**	**38**	**16**	**3,781**	**-**	**4,637**
Balance at end of year	**-**	**(15,771)**	**(25,341)**	**(205)**	**(24,270)**	**(4,857)**	**(45)**	**(2,227)**	**(3,036)**	**-**	**(75,752)**
Net balance	**1,270**	**7,708**	**14,138**	**57**	**7,383**	**989**	**36**	**397**	**3,079**	**1,793**	**36,850**
Annual average depreciation rates	-	4%	10% and 20%	10%	10% and 20%	10% and 20%	20%	20%	28%	-	

(In thousands of reais, unless otherwise stated)

9. Property, plant and equipment (Continued)

	12/31/2022										
	Land	**Buildings and improvements**	**Machinery**	**Tools, presses and molds**	**Facilities**	**Furniture and fixtures**	**Vehicles**	**Hardware**	**Right-of-use lease**	**Construction in progress**	**Total**
Acquisition cost											
Balance at beginning of year	1,375	23,027	33,834	227	29,610	5,793	119	2,615	5,779	457	102,836
Additions	-	-	-	-	-	3	-	-	1,612	6,768	8,383
Write-offs	(105)	-	(106)	(5)	(1)	(265)	-	(105)	(835)	(1)	(1,423)
Transfers	-	114	3,083	38	1,716	234	-	34	-	(5,219)	-
Balance at end of year	1,270	23,141	36,811	260	31,325	5,765	119	2,544	6,556	2,005	109,796
Depreciation											
Balance at beginning of year	-	(14,170)	(21,318)	(181)	(20,690)	(4,660)	(67)	(1,489)	(2,336)	-	(64,911)
Additions	-	(786)	(2,023)	(13)	(2,845)	(241)	(8)	(432)	(2,415)	-	(8,763)
Write-offs	-	-	106	5	1	254	-	92	745	-	1,203
Balance at end of year	-	(14,956)	(23,235)	(189)	(23,534)	(4,647)	(75)	(1,829)	(4,006)	-	(72,471)
Net balance	1,270	8,185	13,576	71	7,791	1,118	44	715	2,550	2,005	37,325
Annual average depreciation rates	-	4%	10% and 20%	10%	10% and 20%	10% and 20%	20%	20%	28%	-	

Impairment test

In accordance with CPC 01 (R1) - Impairment of Assets, the Company evaluated the indications of impairment in the years ended December 31, 2023 and 2022 and concluded that there were no indications that would require impairment test.

(In thousands of reais, unless otherwise stated)

10. Intangible assets

	12/31/2023					
	Trademarks and patents	**Software**	**Products under registration**	**Products being sold**	**Intangible assets in progress**	**Total**
Acquisition cost						
Balance at beginning of year	138	5,626	6,731	19,511	79	32,085
Additions	**-**	**-**	**1,381**	**-**	**299**	**1,680**
Transfers	**-**	**347**	**-**	**-**	**(347)**	**-**
Balance at end of year	**138**	**5,973**	**8,112**	**19,511**	**31**	**33,765**
Amortization						
Balance at beginning of year	-	(4,490)	-	(14,539)	-	(19,029)
Additions	**-**	**(446)**	**-**	**(2,563)**	**-**	**(3,009)**
Balance at end of year	**-**	**(4,936)**	**-**	**(17,102)**	**-**	**(22,038)**
Net balance	**138**	**1,037**	**8,112**	**2,409**	**31**	**11,727**
Annual average amortization rates	-	20%	-	20%	-	

	12/31/2022					
	Trademarks and patents	**Software**	**Products under registration**	**Products being sold**	**Intangible assets in progress**	**Total**
Acquisition cost						
Balance at beginning of year	138	5,536	9,770	18,890	78	34,412
Additions	-	-	1,246	-	91	1,337
Write-offs	-	-	-	(3,664)	-	(3,664)
Transfers	-	90	(4,285)	4,285	(90)	-
Balance at end of year	138	5,626	6,731	19,511	79	32,085
Amortization						
Balance at beginning of year	-	(4,064)	-	(12,621)	-	(16,685)
Additions	-	(426)	-	(2,779)	-	(3,205)
Write-offs	-	-	-	861	-	861
Balance at end of year	-	(4,490)	-	(14,539)	-	(19,029)
Net balance	138	1,136	6,731	4,972	79	13,056
Annual average amortization rates	-	20%	-	20%	-	

Out of the total intangible assets at December 31, 2023, R$8,112 refer to products under registration (R$6,731 at December 31, 2022). Once these registrations are obtained from the relevant bodies, the products will start to be sold and the amounts recorded under intangible assets will be amortized over a period of 5 (five) years.

(In thousands of reais, unless otherwise stated)

11. Loans, financing and debentures

	Interest rate	12/31/2023	12/31/2022
Foreign currency			
Law No. 4131 (EUR) - Brazil	FX + 5.10% p.a.	**53,978**	-
Law No. 4131 (EUR) - Brazil	FX + 1.81% p.a.	**-**	26,189
Law No. 4131 (EUR) - Mizuho	FX + 0.51% p.a.	**-**	31,022
CPRF (USD) – Itaú	FX + 7.4547% p.a.	**19,901**	-
FINIMP (USD) – Santander	FX + 5.4825% p.a.	**24,897**	-
Law No. 4131 (USD) - MUFG	FX + 6.1530% p.a.	**71,527**	-
Fair value of derivative instruments (b)	-	**1,920**	2
Local currency			
Working capital	CDI + 1.88% p.a.	**-**	20,698
Working capital	6.48% p.a.	**5,066**	10,132
Fair value of derivative instruments (b)	-	**(15)**	(426)
CPRF Bradesco	CDI + 1.83% p.a.	**20,031**	-
Debentures 3rd issue – 1st series	CDI + 1.55% p.a.	**91,807**	79,985
Debentures 4th issue - MUFG	CDI + 2.00% p.a.	**75,349**	75,485
Debentures 4th issue - Mizuho	CDI + 2.00% p.a.	**75,349**	75,485
Debenture raising costs	-	**(511)**	(1,017)
NC – Mizuho	CDI + 1.75% p.a.	**33,385**	-
Lease, right of use - CPC 06 (R2)	1.97% to 7.75% p.a.	**3,478**	2,856
Finance charges on lease - CPC 06 (R2)	-	**(327)**	(227)
Rural credit - Free funds (a)	-	**8,036**	15,381
		483,871	335,565
Current		**221,990**	100,493
Noncurrent		**261,881**	235,072

(a) Credit facility referring to the financing of customers' rural activities, to which Sipcam Nichino is a guarantor.

(b) Fair value adjustment of financial liabilities designated in hedge accounting.

The aging list of long-term loans, financing and debentures are disclosed in explanatory note 15 b)

At December 31, 2022, trade notes receivable amounting to R$29,016 (R$40,292 at December 31, 2022) were offered as guarantee for loans.

<u>Debentures</u>

Issue	Principal	Annual yield	Final maturity	12/31/2023	12/31/2022
3rd issue – 1st series (a)	60,000	100% of CDI + 1.55% p.a.	March 28, 2024	**91,807**	79,985
4th issue - MUFG (b)	75,000	100% of CDI + 2.00% p.a.	December 15, 2025	**75,349**	75,485
4th issue - Mizuho (b)	75,000	100% of CDI + 2.00% p.a.	December 15, 2025	**75,349**	75,485
Current				**92,505**	970
Noncurrent				**150,000**	229,985

(In thousands of reais, unless otherwise stated)

11. Loans, financing and debentures (Continued)

The Company obtained approval for the 3rd issue of unsecured nonconvertible debentures amounting to R$90,000, in two series, in which the 1st series matures on March 28, 2024 and the 2nd series matures on March 29, 2022. Interest of this transaction has been paid for the year in which it is incurred. No guarantees were given under this issue.

The Company obtained approval for the 4th issue of unsecured nonconvertible debentures amounting to R$150,000, of which R$75,000 in bank MUFG and R$75,000 in bank Mizuho, both maturing on December 15, 2025. Interest of this transaction has been paid for the year in which it is incurred.

Covenants

The Company has contractual obligations arising from financing agreements related to the maintenance of certain financial and nonfinancial ratios established in those agreements (covenants), whose calculation period is at year-end. Management has timely controls over those ratios and at December 31, 2023, it considers that the pre-established requirements have been met, and that any requirement by creditors before the original long-term maturity as well as the need for reclassification are unlikely.

Changes in financial liabilities from financing activities

	Loans and financing	Leases payable	Debentures	Total
Balances at 12/31/2022	102,998	2,629	229,938	335,565
Additions	**308,356**	**-**	**-**	**308,356**
(-) Payments of principal	**(175,754)**	**(2,838)**	**-**	**(178,592)**
(-) Payments of interest	**(5,186)**	**(335)**	**(22,398)**	**(27,919)**
Interest incurred	**8,295**	**335**	**33,948**	**42,578**
New leases and remeasurements	**-**	**3,360**	**-**	**3,360**
Foreign exchange differences	**(2,312)**	**-**	**-**	**(2,312)**
Other	**2,329**	**-**	**506**	**2,835**
Balances at 12/31/2023	**238,726**	**3,151**	**241,994**	**483,871**

(In thousands of reais, unless otherwise stated)

12. Trade accounts payable and assignment of receivables by suppliers

	12/31/2023	12/31/2022
Domestic market		
Sundry suppliers	**24,912**	32,044
	24,912	32,044
Foreign market		
Raw material / resale material	**142,286**	85,257
Raw material / resale material - related parties	**150,050**	217,420
Raw material / resale material - assignment of receivables	**5,166**	34,914
	297,502	337,591
Present value adjustment	**(10,244)**	(9,983)
	312,170	359,652

The Company makes it possible for certain suppliers to have the option of assigning the Company's notes, without right of recourse, to financial institutions. In this operation, the supplier has the right to reduce its finance expenses as the financial institution considers the buyer's credit risk. As at December 31, 2023, the discount rates on assignment transactions carried out by the Company's suppliers with financial institutions ranged from 7.43% to 7.90% (3.70% to 7.70% at December 31, 2022).

13. Provision for legal proceedings

The Company is a party to tax, civil and labor claims arising from the ordinary course of its business. Company management understands that the provision for contingencies is sufficient to cover losses, if any, on legal proceedings. The provisions for contingencies were set up for proceedings whose likelihood of loss was assessed as probable, based on the opinion of its lawyers and outside legal advisors. The unfavorable outcome of proceedings, whether individually or in the aggregate, will not have a material adverse effect on the Company's financial position or business. Judicial deposits were made for some of these proceedings when required by the judicial branch.

Changes in provision for contingencies, by nature, are as follows:

	12/31/2022	Provision/ (reversal)	(Payments)	12/31/2023
Tax	166	**(16)**	**-**	**150**
Civil	95	**2,002**	**(3)**	**2,094**
Labor	218	**278**	**(42)**	**454**
Total provision	479	**2,264**	**(45)**	**2,698**
Judicial deposits	(154)	**-**	**-**	**(154)**

(In thousands of reais, unless otherwise stated)

13. Provision for legal proceedings (Continued)

	12/31/2021	Provision/ (reversal)	(Payments)	12/31/2022
Tax	167	17	(18)	166
Civil	96	6	(7)	95
Labor	138	90	(10)	218
Total provision	401	113	(35)	479
Judicial deposits	(154)	-	-	(154)

Provisions consist of civil, labor and tax lawsuits assessed as probable loss and refer mainly to customer claims on product purchase contracts and labor claims on dismissals of former employees of the Company.

Proceedings whose likelihood of loss is assessed as possible:

	12/31/2023	12/31/2022
Tax	**4,463**	5,552
Civil	**47,861**	127
Total	**52,324**	5,679

The obligations arising from these proceedings are not considered to be contingent liabilities, since it is not probable that an outflow of resources will occur as a result of such lawsuits. The Company has in its base of lawsuits assessed as possible loss suits of civil nature that involve disputes with customers and tax lawsuits primarily related to issues concerning the import of products. The increase in the amount of civil proceedings is due to a lawsuit in which liability for products that were in the Company's possession for industrialization at the customer's request is discussed.

14. Equity

a) Capital

At December 31, 2023 and 2022, the Company’s paid-in capital totals R$223,897 and is represented by 2,471,492,952 common shares.

(In thousands of reais, unless otherwise stated)

14.Equity (Continued)

a) Capital (Continued)

The Company's shareholding structure at December 31, 2023 and 2022 is summarized as follows:

	Number of shares	%
Sipcam Nederland Holding N.V.	150,127,424	6.08
Obras Latin América Participações Ltda.	518,134,294	20.96
Obras S.R.L.	567,484,758	22.96
Nihon Nohyaku CO. Ltd.	1,235,746,476	50.00
	2,471,492,952	100.00

b) Income reserve and dividends

Due to accumulated losses, the Company did not set up reserves and/or propose the distribution of dividends in 2023 and 2022.

c) Tax incentive reserves

The Company benefits from ICMS tax incentives, which are provided for in CONFAZ agreements and regulated by decree 47,394 of 2018, complying with the requirements of Article 10 of Complementary Law 160/2017. These benefits, referred to as subsidies, result from the exemption and reduction of the ICMS base calculation in taxed operations. The subsidy amounts are recognized as revenue and excluded from the calculation base for income tax and social contribution.

Due to the accumulated losses and the loss for the current fiscal year, the Company did not establish reserves for tax incentives it would be entitled to in the year 2023. As of December 31, 2023, the Company has a balance of tax incentive reserves of R$ 424,461 to be established with future profits. Tax incentive reserves will be established up to the limit of the mandatory amount or the remaining balance of the fiscal year's profit.

15. Risk considerations

a) Credit risk

The Company's sales policies are subordinated to the credit policies established by management and are designed to minimize any problems arising from customer default. This is achieved through careful selection of the customers' portfolio, which takes into consideration each customer's capacity to pay (credit rating analysis) and risk dispersion through sales diversification.

(In thousands of reais, unless otherwise stated)

15. Risk considerations (Continued)

b) Liquidity risk

The Company prepares cash flow forecasts as a means to monitor its future needs in advance in order to ensure it has sufficient cash to meet the operational demands. The Company maintains cash surplus, if any, in interest bearing short-term investments and by choosing instruments that provide liquidity adequate to its needs.

The aging list of the Company's main financial liabilities (loans, financing and debentures) is as follows:

	12/31/2023	12/31/2022
2023	**-**	100,493
2024	**221,990**	85,072
2025	**150,642**	150,000
2026	**111,239**	-
	483,871	335,565

c) Interest rate risk

The Company's profit or loss is subject to losses arising from changes in floating interest rates, such as: CDI and changes in inflation indexes, such as the Extended Consumer Price Index (IPCA), on its financial assets and liabilities. The amounts relating to these transactions are stated in Notes 3 and 11.

d) Currency risk

The Company's profit or loss is exposed to significant variation since part of inputs used in the production process is impacted by the foreign exchange rate fluctuation, particularly the US dollar, euro and yen, referring to intercompany loan transactions.

To reduce certain effects of exchange rate fluctuation, the Company hedges against the effects of exchange rate devaluation of local currency on its financial assets and liabilities denominated in dollars, euros and yen through Swap transactions and Non-Deliverable Forwards - commitment to purchase US currency at previously agreed-upon rates - pegged to the US dollar fluctuation. The amounts of such transactions are summarized in Note 23.f.

(In thousands of reais, unless otherwise stated)

16. Net revenue

	12/31/2023	12/31/2022
Gross revenue from sales of goods	**866,172**	996,975
Allowance for sales returns	**(5,048)**	8,498
Gross service revenue	**13,184**	22,399
Gross revenue	**874,308**	1,027,872
Sales taxes	**(12,684)**	(16,483)
Sales returns	**(41,224)**	(26,399)
Taxes on sales and services and sales returns	**(53,908)**	(42,882)
Net revenue	**820,400**	984,990

17. Costs of goods sold and services rendered by nature

	12/31/2023	12/31/2022
Manufacturing overheads		
Direct labor costs - own	**(6,011)**	(5,439)
Direct labor costs - third parties	**(1,538)**	(2,213)
Electric power	**(2,173)**	(2,573)
Depreciation and amortization	**(1,847)**	(2,611)
Maintenance of property, plant and equipment	**(1,600)**	(881)
Other direct costs	**(828)**	(1,199)
Indirect costs		
Indirect labor costs - own	**(7,474)**	(6,757)
Indirect labor costs - third parties	**(348)**	(264)
Electric power	**(265)**	(136)
Depreciation and amortization	**(1,052)**	(1,461)
Maintenance of property, plant and equipment	**(1,803)**	(906)
Incineration	**(837)**	(1,761)
Other indirect costs	**(2,620)**	(2,251)
	(28,396)	(28,452)
Inputs		
Raw and packaging materials	**(525,253)**	(604,867)
(Reversal of) Allowance for sales returns	**5,094**	(7,732)
Goods for resale	**(87,530)**	(66,473)
	(607,689)	(679,072)
Other costs		
Freight on sales	**(23,432)**	(17,975)
Insurance on sales	**(438)**	(660)
Storage	**(6,596)**	(5,047)
Reversal of ICMS on transfers	**(20,573)**	(24,417)
Inpev (packaging collection cost)	**(937)**	(617)
(Reversal of) Allowance for inventory	**(788)**	765
Promotional campaign	**(6,186)**	(5,043)
Provision for equalizations - Trade receivables	**(16,815)**	(7,012)
Inventory write-off	**(1,158)**	(2,085)
Trade discounts	**(4,032)**	(4,854)
Sales commissions	**(9,430)**	(8,033)
Other	**(4,230)**	(3,097)
	(94,615)	(78,075)
	(730,700)	(785,599)

(In thousands of reais, unless otherwise stated)

18. Operating income (expenses)

a) Selling, general and administrative expenses

	12/31/2023		12/31/2022	
	Selling expenses	General and administrative expenses	Selling expenses	General and administrative expenses
Salaries and social charges	**(19,566)**	**(9,634)**	(19,531)	(16,989)
Fees and labor hired	**(1,601)**	**(3,318)**	(1,648)	(3,593)
Travel	**(1,463)**	**(352)**	(1,219)	(320)
Vehicles	**(1,016)**	**(46)**	(861)	(46)
Meetings, fairs and exhibitions	**(2,739)**	**(199)**	(2,374)	(280)
Associations	**(26)**	**(264)**	(25)	(233)
Third-party services	**(6,808)**	**(8,251)**	(4,190)	(6,015)
Communication	**(163)**	**(295)**	(127)	(288)
Cleaning supplies	**(77)**	**(740)**	(81)	(704)
Insurance	**(1,785)**	**(175)**	(72)	(138)
Security equipment	**(15)**	**-**	(36)	-
Amortization and depreciation	**(4,087)**	**(1,949)**	(4,136)	(1,815)
(Set-up) Reversal of allowance for expected credit losses / Write-off of trade receivables	**(3,393)**	**-**	(19)	-
Other	**(2,832)**	**(1,086)**	(3,133)	(926)
	(45,571)	**(26,309)**	(37,452)	(31,347)

b) Other operating income (expenses), net

	12/31/2023	12/31/2022
Manufacturing overheads (i)	**(3,719)**	(3,295)
Depreciation (i)	**(1,939)**	(1,945)
Maintenance of property, plant and equipment (i)	**(1,729)**	(814)
Other production costs (i)	**(2,093)**	(2,351)
Provision for legal proceedings	**(317)**	(85)
Income from federal tax restatement	**5,086**	39
Revenues from royalties	**1,030**	-
Write-off of intangible assets	**(117)**	(2,805)
Other revenues (expenses)	**812**	(2,142)
	(2,986)	(13,398)

(i) Refers to non-utilization of the full capacity installed in the industry.

(In thousands of reais, unless otherwise stated)

19. Finance income and expenses

	12/31/2023	12/31/2022
Finance expenses		
Interest on loans, intercompany loans and leases	**(43,535)**	(20,901)
Debt modification	**(38)**	(38)
Losses on derivative financial instruments, realized	**(68,059)**	(36,172)
Losses on derivative financial instruments, accrued	**(28,628)**	(46,765)
Discounts granted to customers	**(4,469)**	(3,714)
Difference in trade receivables, realized	**(5,273)**	(4,871)
Difference in trade receivables, accrued	**(2,863)**	(2,607)
Foreign exchange differences, realized	**(5,389)**	(17,593)
Foreign exchange differences, accrued	**(127,550)**	(184,865)
Tax on Financial Transactions (IOF)	**(339)**	(461)
PIS/COFINS on finance income	**(762)**	(383)
Present value adjustment	**(27,869)**	(24,373)
Other finance expenses	**(10,324)**	(12,465)
	(325,098)	(355,208)
Finance income		
Gains on derivative financial instruments, realized	**1,881**	5,345
Gains on derivative financial instruments, unrealized	**46,588**	19,792
Difference in trade receivables, realized	**495**	437
Difference in trade receivables, accrued	**896**	-
Foreign exchange differences, realized	**17,121**	19,884
Foreign exchange differences, accrued	**140,869**	217,759
Short-term investment yields	**7,192**	6,947
Interest income	**722**	164
Present value adjustment	**52,380**	31,326
Other finance income	**1,460**	666
	269,604	302,320
	(55,494)	(52,888)

20. Management compensation

At the Annual and Special General Meeting held on April 24, 2023, the shareholders approved the compensation of R$5,939 effectively paid as fixed and variable fees in the period from April 2022 to March 2023. At the same meeting, the annual and overall amount of the fixed and variable fees payable to the members of the Board of Directors and the Executive Board was established, from April 2023 to March 2024, in the amount of up to R$10,500. It is incumbent upon the Board of Directors to set the amounts that will be the responsibility of each Company’s officer, as well as the payment criteria, provided that the maximum amount stated above is not exceeded.

(In thousands of reais, unless otherwise stated)

21. Insurance coverage

The Company maintains insurance coverage for operational risks and other to safeguard its property, plant and equipment and inventories.

The amount of insurance taken out at December 31, 2023 is deemed sufficient to cover any losses according to the opinion of the Company's insurance advisors.

Insurance coverage, by nature, as at December 31, 2023 is composed as follows:

Classification	Insured risk	Amount insured	Effectiveness
Property damages/bodily injury	Commercial facilities, inventories and other	57,273	2023-2024
General civil liability	Industrial and commercial operations	37,000	2023-2024
Civil liability - D&O	Administrative and commercial operations	65,000	2023-2024

(In thousands of reais, unless otherwise stated)

22. Transactions with related parties

	Oxon Brasil Defensivos Agrícolas Ltda.		Sipcam Oxon S.p.A		Sipcam Paraguay S.p.A		Nihon Nohyaku CO. Ltd.		Nihon India Private		Sofbey SA		Total	
	12/31/2023	12/31/2022	12/31/2023	12/31/2022	12/31/2023	12/31/2022	12/31/2023	12/31/2022	12/31/2023	12/31/2022	12/31/2023	12/31/2022	12/31/2023	12/31/2022
Balances														
Current assets:														
Trade receivables (Note 4)	-	-	-	-	6,899	1,667	-	-	-	-	-	-	6,899	1,667
Current liabilities:														
Accounts payable (Note 12)	-	-	113,691	170,701	-	-	24,724	42,090	6,518	-	5,117	4,629	150,050	217,420
Intercompany loan (*)	-	-	-	-	-	-	269	314	-	-	-	-	269	314
Noncurrent liabilities:														
Intercompany loan (*)	-	-	-	-	-	-	65,786	75,435	-	-	-	-	65,786	75,435

	Oxon Brasil Defensivos Agrícolas Ltda.		Sipcam Oxon S.p.A.		Sipcam Paraguay S.p.A.		Nihon Nohyaku CO. Ltd.		Nihon India Private		Sofbey SA		Total	
	12/31/2023	12/31/2022	12/31/2023	12/31/2022	12/31/2023	12/31/2022	12/31/2023	12/31/2022	12/31/2023	12/31/2022	12/31/2023	12/31/2022	12/31/2023	12/31/2022
Transactions														
Purchases	-	-	245,399	341,746	-	-	27,135	50,785	6,798	-	5,204	5,767	284,536	398,298
Sales	-	-	-	-	7,624	1,667	-	-	-	-	-	-	7,624	1,667
Other revenues (expenses)	(1,740)	(1,153)	-	-	-	-	-	-	-	-	-	-	(1,740)	(1,153)
Finance income (costs)	-	-	8,492	5,797	296	-	11,276	21,500			218	84	20,282	27,381

Transactions with related parties are carried out at specific prices and conditions agreed-upon between the parties.

(*) This balance refers to an intercompany loan agreement amended in August 2020 with Nihon Nohyaku CO., Ltd, at the original amount of R$98,880 (JPY1,920,000,000), subject to interest of 1.38% p.a., maturing on August 31, 2025.

23. Financial instruments

a) Accounting classification and fair values

Financial instruments recorded at fair value using a valuation method are presented in the table below. The different levels were defined as follows:

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

The carrying amounts of financial instruments recorded in the statement of financial position, when compared to the amounts that could be obtained from their trading in an active market, or in the absence of such market, using the net present value adjusted for the current market interest rate, substantially approximate the corresponding market values.

There were no transfers between levels to be considered as at December 31, 2023, in relation to the disclosures as at December 31, 2022.

The tables below show the book values and fair values of financial assets and liabilities, including their fair value hierarchy level. It does not include information on the fair value of assets and liabilities not measured at fair value, if the book value is a reasonable approximation of fair value.

In 2023 and 2022, the Company adopted hedge accounting, which allows for a decrease in the volatility of profit or loss, thereby eliminating the differences in the time of recognition of gains or losses that exist between the derivative instrument and the hedged item or transaction. This is done by deferring the gains or losses on the derivative instrument out of profit or loss in equity or offsetting the gains or losses on the derivative instrument in profit or loss by recording the change in fair value of the hedged item in profit or loss.

(In thousands of reais, unless otherwise stated)

23. Financial instruments (Continued)

(a) Accounting classification and fair values (Continued)

December 31, 2023	Book value: Fair value through profit or loss	Book value: Amortized cost	Book value: Total	Fair value: Level 1	Fair value: Level 2	Fair value: Level 3	Fair value: Total
Financial assets measured at fair value							
Short-term investments	267,110	-	267,110	-	267,110	-	267,110
Derivative financial instruments	1,499	-	1,499	-	1,499		1,499
Total	268,609	-	268,609	-	268,609		268,609
Financial assets not measured at fair value							
Cash and banks	-	545	545				
Accounts receivable and other receivables	-	378,110	378,110				
Other assets	-	1,977	1,977				
Total	-	380,632	380,632				

December 31, 2023	Book value: Fair value through profit or loss	Book value: Amortized cost	Book value: Total	Fair value: Level 1	Fair value: Level 2	Fair value: Level 3	Fair value: Total
Financial liabilities measured at fair value							
Derivative financial instruments	11,597	-	11,597	-	11,597	-	11,597
Total	11,597	-	11,597	-	11,597	-	11,597
Financial liabilities not measured at fair value							
Loans, financing and debentures	-	483,871	483,871				
Intercompany loans	-	66,055	66,055				
Accounts payable and assignment of receivables by suppliers	-	312,170	312,170				
Advances from customers	-	9,165	9,165				
Other liabilities	-	19,766	19,766				
Total	-	891,027	891,027				

(In thousands of reais, unless otherwise stated)

23. Financial instruments (Continued)

(a) Accounting classification and fair values (Continued)

	Book value			Fair value			
December 31, 2022	**Fair value through profit or loss**	**Amortized cost**	**Total**	**Level 1**	**Level 2**	**Level 3**	**Total**
Financial assets measured at fair value							
Short-term investments	158,120	-	158,120	-	158,120	-	158,120
Derivative financial instruments	14,871	-	14,871	-	14,871	-	14,871
Total	172,991	-	172,991	-	172,991	-	172,991
Financial assets not measured at fair value							
Cash and banks	-	3,301	3,301				
Accounts receivable and other receivables	-	422,540	422,540				
Other assets	-	712	712				
Total	-	426,553	426,553				

	Book value			Fair value			
December 31, 2022	**Fair value through profit or loss**	**Amortized cost**	**Total**	**Level 1**	**Level 2**	**Level 3**	**Total**
Financial liabilities measured at fair value							
Derivative financial instruments	45,074	-	45,074	-	45,074	-	45,074
Total	45,074	-	45,074	-	45,074	-	45,074
Financial liabilities not measured at fair value							
Loans, financing and debentures	-	335,565	335,565				
Intercompany loans	-	75,749	75,749				
Accounts payable and assignment of receivables by suppliers	-	359,652	359,652				
Advances from customers	-	25,310	25,310				
Other liabilities	-	20,495	20,495				
Total	-	816,771	816,771				

(In thousands of reais, unless otherwise stated)

23. Financial instruments (Continued)

b) Credit risk exposure

The book value of financial assets represents the maximum credit exposure. The maximum credit risk exposure at the reporting date was as follows:

	12/31/2023	12/31/2022
Cash and cash equivalents	**545**	3,301
Short-term investments	**267,110**	158,120
Trade receivables and other receivables	**378,110**	422,540
Derivative financial instruments	**1,499**	14,871
Total	**647,264**	598,832
Current assets	**645,611**	585,369
Noncurrent assets	**1,653**	13,463

c) Liquidity risk exposure

The book value of financial liabilities with liquidity risk is shown below:

	12/31/2023	12/31/2022
Loans, financing and debentures	**483,871**	335,565
Intercompany loans	**66,055**	75,749
Accounts payable and assignment of receivables by suppliers	**312,170**	359,652
Advances from customers	**9,165**	25,310
Derivative financial instruments	**11,597**	45,074
Other provisions	**19,766**	20,495
Total	**902,624**	861,845
Current liabilities	**574,957**	551,319
Noncurrent liabilities	**327,667**	310,526

(In thousands of reais, unless otherwise stated)

23. Financial instruments (Continued)

d) Currency risk exposure

The net exposure in foreign currency is shown in the table below by principal amounts:

	Currency	12/31/2023	12/31/2022
Accounts payable	USD	**(30,457)**	(23,031)
Trade payables/related parties	USD	**(30,994)**	(41,670)
NDF	USD	**47,583**	43,768
Exposure in USD		**(13,817)**	(20,933)
Loans	EUR	**(10,086)**	(10,304)
Swap	EUR	**10,086**	10,304
Exposure in EUR		**-**	-
Loans	USD	**(23,941)**	-
Swap	USD	**23,941**	**-**
Exposure in USD		**-**	-
Intercompany loans	JPY	**(1,920,000)**	(1,920,000)
NDF	JPY	**-**	1,920,000
NDF	JPY	**-**	(1,920,000)
Swap	JPY	**1,920,000**	1,920,000
Exposure in JPY		**-**	-

e) Sensitivity analysis of financial assets and liabilities

Sensitivity analysis is established based on exposure to interest rates and other indexes of nonderivative financial instruments at the end of the year ended December 31, 2023. Two scenarios are presented, including variations of 25% and 50% of the risk variable considered. Potential impacts of increases (decreases) in equity and statement of income for the period are presented below. These scenarios may have impacts on the Company's statement of income and future cash flows, as follows:

- Scenario I: this refers to the most probable scenario for interest rates at the reporting date;
- Scenario II: 25% decrease in the main risk factor of the financial instrument in relation to the level of the probable scenario; and
- Scenario III: 50% decrease in the main risk factor of the financial instrument in relation to the level of the probable scenario.

(In thousands of reais, unless otherwise stated)

23. Financial instruments (Continued)

e) Sensitivity analysis of financial assets and liabilities

			Scenarios				
	Exposure		Probable	Variation by 25%		Variation by 50%	
Instruments	at 12/31/2023	Risk	Current	%	Amount	%	Amount
Financial assets							
Short-term investments	267,110	CDI	11.65%	14.56%	7,780	17.48%	15,559
Financial liabilities							
Working capital	(53,416)	CDI	11.65%	14.56%	(1,556)	17.48%	(3,111)
Debentures	(242,505)	CDI	11.65%	14.56%	(7,063)	17.48%	(14,126)
Law No. 4131 - Banco do Brasil	(53,978)	EUR	5.3516	6.69	13,495	8.03	(144,434)
Law No. 4131 MUFG	(71,527)	USD	4.8413	6.05	17,882	7.26	(173,142)
Finimp Santander	(24,897)	USD	4.8413	6.05	6,224	7.26	(60,267)
CPRF Itau	(19,901)	USD	4.8413	6.05	4,975	7.26	(48,173)
Intercompany loans	(66,010)	JPY	0.03422	0.04278	(565)	0.05133	(1,129)
Accounts payable	(297,502)	USD	4.8413	6.05	74,315	7.26	20,467
Derivative financial instruments							
NDF	230,365	USD	4.8413	6.05	(57,591)	7.26	(115,182)
Swap	53,978	EUR	5.3516	6.69	(13,495)	8.03	(26,989)
Swap	116,325	USD	4.8413	6.05	(29,081)	7.26	(58,163)
Swap	66,010	JPY	0.03422	0.04278	565	0.05133	1,129
Impact on profit or loss and equity					15,885		31,769

(In thousands of reais, unless otherwise stated)

23. Financial instruments (Continued)

e) Sensitivity analysis of financial assets and liabilities

			Scenarios					
			Probable		Variation by 25%		Variation by 50%	
Instruments	**Exposure at 12/31/2022**	**Risk**	**Current**	**Amount**	**%**	**Amount**	**%**	**Amount**
Financial assets								
Short-term investments	158,120	CDI	13.65%	179,703	17.06%	5,396	20.48%	10,792
Financial liabilities								
Working capital	(20,698)	CDI	13.65%	(23,523)	17.06%	(706)	20.48%	(1,413)
Debentures	(230,955)	CDI	13.65%	(262,480)	17.06%	(7,881)	20.48%	(15,763)
Law No. 4131 - Banco do Brasil	(26,189)	EUR	5.5668	(30,893)	6.85	(1,332)	8.23	(7,825)
Law No. 4131 - Mizuho	(31,022)	EUR	5.5668	(36,595)	6.85	(1,578)	8.23	(9,268)
Intercompany loans	(75,749)	JPY	0.03917	(78,519)	0.05	(15,930)	0.06	(34,820)
Accounts payable	(337,591)	USD	5.2177	(402,291)	6.52	(19,697)	7.83	(104,094)
Derivative financial instruments								
Swap	(57,364)	EUR	5.5668	(67,669)	6.85	(2,918)	8.23	(17,139)
Swap	(9,705)	CDI	13.65%	(11,030)	17.06%	(331)	20.48%	(662)
NDF	229,777	USD	5.2177	273,814	6.52	13,406	7.83	70,850
Swap	75,850	JPY	0.03917	78,821	0.05	15,991	0.06	34,954
Impact on profit or loss and equity						(15,580)		(74,388)

(In thousands of reais, unless otherwise stated)

23. Financial instruments (Continued)

f) Derivative financial instruments

The Company is exposed to the exchange risk of future cash flow in foreign currency, due to the purchase of inputs and contracting of working capital for its operations. In order to mitigate this risk, the Company adopts hedging procedures based on exchange exposure calculated by the value of commercial credits. The future cash flow hedge is reviewed and discussed by the Board of Directors, which approves and authorizes the contracting and designation of derivative financial instruments.

		12/31/2023		12/31/2022
Assets	**Type Currency**	**Notional amount (R$ thousand)**	**Fair value (R$)**	**Fair value (R$)**
Swap	JPY	**66,010**	**(6,006)**	5,057
Swap	USD	**116,325**	**(190)**	-
Swap		**53,978**	**(146)**	(11,253)
Swap		**5,123**	**(74)**	(473)
NDF		**230,365**	**(3,682)**	2,340
NDF		**-**	**-**	(20,346)
NDF		**-**	**-**	(5,528)
Total		**471,801**	**(10,098)**	(30,203)
Current assets			**227**	2.340
Non current assets			**1.272**	12.531
			1.499	14.871
Current liabilities			**(11.597)**	(45.055)
Non current liabilities			**-**	(19)
			(11.597)	(45.074)

The derivative financial instruments have the following aging:

(In thousands of reais, unless otherwise stated)

23. Financial instruments (Continued)

f) Derivative financial instruments (Continued)

12/31/2023	Type Currency	Notional amount (R$ thousand)	Fair value (R$)	Until 12 months	1 to 2 year
Swap	JPY	**66,010**	**(6,006)**	**(7,278)**	**1,272**
Swap	USD	**116,325**	**(190)**	**(190)**	**-**
Swap	EUR	**53,978**	**(146)**	**(146)**	**-**
Swap	BRL	**5,123**	**(74)**	**(74)**	**-**
NDF	USD	**252,757**	**(3,682)**	**(3,682)**	**-**
Total		**494,193**	**(10,098)**	**(11,370)**	**1,272**

12/31/2022	Type Currency	Notional amount (R$ thousand)	Fair value (R$)	Until 12 months	1 to 2 year
Swap	JPY	75,850	5,057	(7,474)	12,531
Swap	EUR	57,364	(11,253)	(11,253)	-
Swap	BRL	9,075	(473)	(454)	(19)
NDF	USD	229,777	2,340	2,340	-
NDF	JPY	75,580	(20,346)	(20,346)	-
NDF	JPY	75,580	(5,528)	(5,528)	-
Total		523,226	(30,203)	(42,715)	12,512