

FERROLEASE COMÉRCIO E LOCAÇÃO DE EQUIPAMENTOS FERROVIÁRIOS S.A.
FINANCIAL STATEMENTS AT DECEMBER
31, 2023 AND 2022 - INDEPENDENT AUDITOR'S REPORT

INDEPENDENT AUDITOR'S REPORT ON THE FINANCIAL STATEMENTS

To the Management of

Ferrolease Comércio e Locação de Equipamentos Ferroviários S.A.

Opinion

We have audited the annual report of Ferrolease Comércio e Locação de Equipamentos Ferroviários S.A. (Company), which comprise the balance sheet as of December 31, 2023 and its corresponding statements of income, changes in equity, cash flow and comprehensive income for the fiscal year ended on that date, as well as the corresponding Notes to the Financial Statements, including the summary of the main accounting policies.

In our opinion, the aforementioned annual report properly present, in all material respects, the financial position of Ferrolease Comércio e Locação de Equipamentos Ferroviários S.A as of December 31, 2023, the performance of its operations and corresponding cash flows for the fiscal year ended on that date, in accordance with the accounting practices adopted in Brazil.

Basis for the Opinion

Our audit was conducted in accordance with Brazilian and international auditing standards. Our responsibility, in accordance with such standards, are described in the following section, entitled "Auditor's responsibility regarding the auditing of the annual report". We are an independent party in relation to the Company, in accordance with the relevant ethical principles of the Code of Professional Ethics for Accountants and professional standards issued by the Brazilian Federal Accounting Council (CFC), and we comply with other ethical responsibilities in accordance with these standards. We believe that the audit evidence obtained is proper and sufficient to base our opinion.

Management and Governance Responsibilities for the Annual Report

Management is responsible for properly preparing and presenting the annual report in accordance with accounting practices adopted in Brazil, and for the internal controls that it has determined necessary to ensure that the annual report is prepared without relevant misrepresentation, whether caused by fraud or error.

Upon preparing the annual report, management is responsible for assessing the Company's capacity to continue operating, disclosing, as applicable, the issues related to its operational continuity and the use of accounting basis to prepare the annual report, unless directors intend to liquidate the Company or terminate its operations, or has no realistic alternative to avoid closing its operations.

The parties responsible for corporate governance must oversee the process of preparing the annual report.

Auditor's Responsibilities Regarding the Auditing of the Annual Report

Our goals are to obtain reasonable assurance that the annual report, taken as a whole, is free from relevant misrepresentation, whether caused by fraud or error, and issue the audit report containing our opinion. Reasonable assurance is a high level of assurance, but not a guarantee that the audit, carried out in accordance with the Brazilian and international audit standards, always detect possible relevant misrepresentation. Misrepresentation can be caused by fraud or error, and are considered relevant when, individually or jointly, reasonably affect the users' economic decisions, taken on the basis of such annual report.

As part of an audit conducted in accordance with Brazilian and international auditing standards, we apply our professional judgment and maintain professional skepticism throughout the audit. In addition:

- We identify and evaluate the risks of relevant misrepresentation in annual report, whether caused by fraud or error, we plan and implement audit procedures in response to such risks, and we obtain proper and sufficient audit evidence on which to base our opinion. The risk of not detecting relevant misrepresentation resulting from fraud is greater than from error, since fraud may involve the act of circumventing internal controls, collusion, falsification, omission, or intentional false representations.
- We obtained knowledge of internal controls relevant to the audit to plan audit procedures suitable to the circumstances, but not with the purpose of expressing an opinion on the effectiveness of the Company's internal controls.
- We have assessed the suitability of accounting policies applied, and the reasonableness of accounting estimates and corresponding disclosures made by management.

- We have reached a conclusion whether the accounting basis of operational continuity used by Management is suitable and, based on the audit evidence obtained, whether there is any significant uncertainty concerning events or circumstances that may entail significant doubt regarding the Company's capacity to continue operating. If we conclude that there is significant uncertainty, we must draw attention in our audit report to the corresponding disclosures in the annual report or include changes in our opinion, if the disclosures are not suitable. Our conclusions are based on the audit evidence obtained up to the date of our report. However, future events or conditions may cause the Company to no longer remain operational.
- We assess the overall presentation, structure, and content of the annual report, including the disclosures and whether the annual report represents the corresponding transactions and events in a manner compatible with the purpose of fair presentation.

We communicate with the parties responsible for governance regarding, among other aspects, the expected range, audit period and significant audit findings, including any significant deficiencies in internal controls identified during our work.

Campinas, April 12, 2024.

Sincerely,

A handwritten signature in black ink, appearing to read "Carlos Cristiano Poltronieri".

Carlos Cristiano Poltronieri

Accountant CRC 1SP240875/O-9

Consulcamp Auditoria e Assessoria Ltda

CRC SP-010626/O-4

Ferrolease Comércio e Locação de Equipamentos Ferroviários S.A.

Balance sheet

At December 31, 2023 and 2022

(In Reais)

Assets	Note	2023	2022	Liabilities	Note	2023	2022
Current				Current			
Cash and cash equivalents	4	13,435,911	6,810,767	Borrowings and financing	9	1,839,732	2,680,540
Accounts receivable	5	1,072,932	1,609,553	Labor and social contributions		122,255	118,519
Recoverable taxes	7	132,074	324,467	Advance to Customers	10	578,280	1,029,781
Other accounts receivable		107,668	90,573	Payable taxes	11	313,888	633,086
		14,748,585	8,835,360	Dividends	6	5,515,471	4,708,415
				Other accounts payable		31,141	43,064
						8,400,767	9,213,405
Non-current				Non-current			
Related parties	6	45,966	45,966	Borrowings and financing	9	152,991	1,989,521
Fixed Asset	8	63,066,716	65,436,172	Related parties	6	585,620	548,240
		63,112,682	65,482,138	Deferred income taxes	12	15,862,394	14,254,277
				Payable taxes	11	-	148,287
						16,601,005	16,940,325
				Equity	13		
				Capital		13,497,026	13,497,026
				Profit Reserve		39,362,469	34,666,742
						52,859,495	48,163,768
		77,861,267	74,317,498			77,861,267	74,317,498

The notes are an integral part of the financial statements.

Ferrolease Comércio e Locação de Equipamentos Ferroviários S.A.

Statement of income

At December 31, 2023 and 2022

(In Reais)

	Note	2023	2022
Net operating revenue	14	17,874,470	17,373,198
Lease Costs	16	-	(27,225)
Leasing	15	(37,380)	(37,380)
Depreciation of railway assets		(2,350,575)	(2,350,575)
Gross income		15,486,515	14,958,018
Operating Expenses	16		
Administrative		(480,916)	(640,932)
Depreciation and amortization		(7,177)	(6,872)
Services rendered by third parties		(300,017)	(403,564)
Labor expenses		(1,246,076)	(1,047,394)
Travel expenses		(54,718)	(58,279)
		(2,088,904)	(2,157,041)
Other Operating Income/Expenses	16	-	(569,379)
Income (loss) before financial income and taxes		13,397,611	12,231,598
Financial revenue	17	1,142,780	603,359
Financial expenses	17	(88,008)	(580,352)
Financial income (loss)		1,054,772	23,007
Income (loss) before income taxes		12,254,605	14,452,383
Current income tax and social contribution	18	(2,125,471)	(1,647,864)
Deferred income tax and social contribution	18	(1,608,117)	(1,509,253)
Net income for the year		10,718,795	9,097,488

The notes are an integral part of the financial statements.

Ferrolease Comércio e Locação de Equipamentos Ferroviários S.A.

Statement of comprehensive income

At December 31, 2023 and 2022

(In Reais)

	2023	2022
Net Income	<u>10,718,795</u>	<u>9,097,488</u>
Other comprehensive income	-	-
Total comprehensive income	<u>10,718,795</u>	<u>9,097,488</u>

The notes are an integral part of the financial statements.

Ferrolease Comércio e Locação de Equipamentos Ferroviários S.A.

Statement of changes in equity

At December 31, 2023 and 2022

(In Reais)

	Note	Profit reserves				Retained earnings	Total
		Capital	Equity appraisal adjustments	Legal reserve	Profit retention reserve		
Balance on December 31st, 2021		<u>13,497,026</u>	<u>-</u>	<u>2,080,910</u>	<u>28,642,332</u>	<u>-</u>	<u>44,220,268</u>
Capital payment		-	-	-	3,989	-	3,989
Net income		-	-	-	-	9,097,488	9,097,488
<i>Distributions:</i>							-
Legal reserve	13 b	-	-	454,874	-	(454,874)	-
Dividend	13 d	-	-	-	-	(5,157,977)	(5,157,977)
Earnings retained in the year	13 c	-	-	-	3,484,637	(3,484,637)	-
Balance on December 31st, 2022		<u>13,497,026</u>	<u>-</u>	<u>2,535,784</u>	<u>32,130,958</u>	<u>-</u>	<u>48,163,768</u>
Capital payment		-	-	-	-	-	-
Net income		-	-	-	-	10,718,795	10,718,795
<i>Distributions:</i>							-
Legal reserve	13 b	-	-	163,621	-	(163,621)	-
Dividend	13 d	-	-	-	-	(6,023,068)	(6,023,068)
Earnings retained in the year	13 c	-	-	-	4,532,106	(4,532,106)	-
Balance on December 31st, 2023		<u>13,497,026</u>	<u>-</u>	<u>2,669,405</u>	<u>36,663,064</u>	<u>-</u>	<u>52,859,495</u>

The notes are an integral part of the financial statements.

Ferrolease Comércio e Locação de Equipamentos Ferroviários S.A.

Statement of Cash Flow

At December 31, 2023 and 2022

(In Reais)

	2023	2022
Cash flows from operating activities		
Net income for the year	10,718,795	9,097,488
Adjustments for:		
Depreciation	2,411,047	2,410,741
Interest and fines appropriated on loans and financing	(52,616)	372,305
Deferred income tax and social contribution	1,608,117	1,509,253
Current Income Tax and Social Contribution	2,125,471	1,647,864
Changes in assets and liabilities		
Trade accounts receivable	536,621	(87,540)
Recoverable taxes and other accounts receivable	292,539	240,995
Related parties	37,380	37,380
Labor and social contributions	3,736	(22,311)
Customer advances	(451,501)	63,369
Payable taxes	(674,067)	(644,791)
Other payable accounts	(11,924)	(232)
Taxes on profit paid	(2,036,130)	(1,850,913)
Cash flows produced by operating activities	14,507,468	12,773,608
Cash flows from investment activities		
Acquisition/Write-Off of fixed assets	(41,590)	(11,169)
Net cash flow provided by (used in) investment activities	(41,590)	(11,169)
Cash flows from financing activities		
Capital payment	-	3,989
Payment of dividends	(5,216,012)	(5,947,648)
Payment of loans and financings	(2,483,847)	(4,676,183)
Payment of loans and financings - Interest	(140,875)	(351,404)
Net cash flows used in financing activities	(7,840,734)	(10,971,246)
Net increase (decrease) in cash and cash equivalents	6,625,144	1,791,193
Increase (decrease) in cash and cash equivalents		
At the beginning of year	6,810,767	5,019,574
At the end of year	13,435,911	6,810,767
Net decrease in cash and cash equivalents	6,625,144	1,791,193

The notes are an integral part of the financial statements.

Ferrolease Comércio e Locação de Equipamentos Ferroviários S.A.

Notes to the financial statements

At December 31, 2023 and 2022

(In Reais)

1. Operations

Ferrolease Participações S.A. ("Company") was founded on March 11, 2010 on October 31, 2019, the Company incorporated its wholly owned subsidiary Ferrolease Locação e Venda de Equipamentos Ferroviários SA, and its corporate name was changed to Ferrolease Comércio e Locação de Equipamentos Ferroviários SA.

The Company's headquarters are located at Av. Brigadeiro Faria Lima 1485, room 124, São Paulo - SP.

Its corporate purpose includes the rental and sale of railway equipment, basically wagons.

The Company has a fleet of 361 railcars, of which 89 are leased from the shareholder Global Railroad Leasing LLC ("GRL") and the remaining 272 are owned by the Company. Since the beginning of 2021, Ferrolease has 100% of its portfolio leased to customers.

The Company's revenue in 2023 was predominantly generated through railcar lease contracts, signed with the companies RUMO Malha Paulista S / A ("RUMO"), Agrex do Brasil S / A ("Agrex") and Arcelor Mittal do Brasil ("Arcelor").

105 HFT hopper cars (150 m³ of capacity) leased to Agrex on November 18, 2009 (30 units) and February 7, 2011 (75 units). The 1st contract (30 units) has a maturity date of October 30, 2034 (according to the 2nd contractual amendment dated December 1, 2017). As for the second contract (75 units) - which was originally set to expire on December 31, 2024 - it was renewed (via the 5th amendment dated June 22, 2023) for an additional 2 (two) years, and the new maturity date will be on December 31, 2025. These wagons transport grains on the broad gauge rail lines of the Carajás Railway ("EFC") and the North-South Railway ("FNS").

In December 2012 the Company signed a lease agreement for 33 HAE type railcars with ArcelorMittal do Brasil. The railcars are used to transport ore in an internal circuit. This fleet is for the exclusive use of the customer, responsible for loading and unloading raw ore between the mine and Arcelor's plant in the city of João Monlevade, in Minas Gerais. The contract - which would expire in August 2023 - was renewed through a new amendment signed on October 2023, and the new maturity will take place on August 1, 2033.

There are four contracts with RUMO ALL. The first entails the leasing of 89 HFT railroad cars (capacity of 135m³). These railroad cars are being used to transport grain between Alto Araguaia/MT and Santos/SP,

Ferrolease Comércio e Locação de Equipamentos Ferroviários S.A.

Notes to the financial statements

At December 31, 2023 and 2022

(In Reais)

operating within RUMO's wide gauge northern network. The contract was renewed for another 60 months in June 2022 and the new term will expire on June 1, 2027.

The second contract includes the lease of 88 tank wagons (of the TCT type) that are being used in the railway operation, for RUMO, a stretch between the cities of Rondonópolis / MT to Paulínia / SP. This contract was signed on January 15, 2014, the lease started in July 2015.

The third contract - lease of 13 hopper wagons, type HAS (55m³ of volumetric capacity), was signed on December 6, 2019, and will expire in December 2021. At the beginning of November 2021. The wagons are being used to transport gravel and ballast in the execution of services and works on sections of the railway in the states of Goiás, Minas Gerais and Tocantins.

On November 16, 2020, the concessionaire Rumo signed a new rental agreement for the leasing of 33 (thirteen) units of tank wagons (type TCS), which will be used for the transportation of petrochemicals, alcohol, vegetable oil, and liquid materials, in the railroad network operated by Rumo, in the States of São Paulo and Mato Grosso. The contract expired in March 2023 and is currently in the final stages of negotiation for renewal for an additional 60 (sixty) months.

2. Basis of preparation

2.1 Statement of compliance

The individual and consolidated financial statements have been prepared in accordance with accounting practices adopted in Brazil (full IFRS). The Directors authorized the issuance of the individual and consolidated financial statements on April 8, 2024. After their issuance, only the shareholders have the power to change the financial statements.

All the specific and relevant information to the financial statements, and only them, are being evidenced, and correspond to those used by the Administration in its management.

2.2 Functional and reporting currency

The financial statements are presented in Reais, which is the functional currency of the Company. The financial information has been rounded to the nearest decimal, except otherwise indicated.

Ferrolease Comércio e Locação de Equipamentos Ferroviários S.A.

Notes to the financial statements

At December 31, 2023 and 2022

(In Reais)

2.3 Use of estimates and judgments

In the preparation of these financial statements, management used judgments, estimates and assumptions that affect the application of accounting principles and the reported amounts of assets, liabilities, income, and expenses. Actual results may differ from these estimates.

Estimates and assumptions are reviewed on a continuous basis. Reviews of estimates are recognized on a prospective basis.

Information about judgment referring to accounting policies adopted which presents effects on amounts recognized in the financial statements, as well as information on uncertainties related to assumptions and estimates that pose a significant risk of resulting in a material adjustment in the year ending on December 31, 2023 are included in the following notes:

- **Note 08** – Fixed Asset (residual value and useful life of assets);
- **Note 19** – Financial instruments (measurement of fair value and classification of financial instruments)

3. Accounting Policies

The Company applied the accounting policies described below consistently to all the years presented in these financial statements:

3.1 Basis of measurement

The financial statements have been prepared considering historical cost as a basis of value, with the expectation of financial instruments whose criteria for recognition, measurement and disclosure are mentioned in note 3.2 (g).

(a) Determination of fair values

Other accounting policies and disclosures of the Company require the fair value be determined for both financial assets and liabilities and non-financial assets and liabilities. Fair values have been determined for measurement and/or disclosure purposes based on the following methods where applicable, further information about the assumptions made in determining fair values is disclosed in the notes specific to that asset or liability.

Ferrolease Comércio e Locação de Equipamentos Ferroviários S.A.

Notes to the financial statements

At December 31, 2023 and 2022

(In Reais)

3.2 Main Accounting Policies

(a) Foreign currency transactions

Transactions in foreign currency are translated into the respective functional currency of the Group at the exchange rates on the dates of the transactions.

(b) Operating revenue

Operating revenue from the lease of wagons in the normal course of business is measured at fair value of the consideration received or receivable, minus any estimated cancellations, commercial discounts and other bonuses awarded to the buyer and other such deductions. Revenue is recognized monthly, based on the wagon lease agreements, on the accrual basis. Revenue is not recognized if there are significant uncertainties as to its realization.

(c) Short-term employee benefits

Short-term employee benefit obligations are measured on an undiscounted basis and are expensed as the related service is provided.

The liability is recognized at the expected amount to be paid if the Company and its subsidiary have a legal or constructive obligation to pay this amount because of the services provided by the employee, and the obligation can be reliably estimated.

(d) Finance income and finance costs

Finance income primarily comprises interest income on short-term investments. Finance costs primarily consist of interest expenses on loans.

Interest income and expense are recognized in the income statement using the effective interest method.

(e) Income tax and social contribution

Income tax and social contribution for the current year are calculated based on the rates of 15%, plus a surcharge of 10% on taxable income in excess of R\$ 240,000 for income tax and 9% on taxable income for social contribution on net income and consider the offsetting of tax loss carry forwards and negative basis of social contribution limited to 30% of the taxable income.

Ferrolease Comércio e Locação de Equipamentos Ferroviários S.A.

Notes to the financial statements

At December 31, 2023 and 2022

(In Reais)

Income tax and social contribution expenses comprise current and deferred income taxes. Current and deferred taxes are recognized in income, unless they are related to business combinations, or items directly recognized in equity or other comprehensive income.

(i) Current income tax and social contribution expenses

Current tax is the expected tax payable or receivable on the taxable income or loss for the year, using tax rates enacted or substantively enacted at the reporting date, and any adjustment to tax payable in respect of previous years. The amount of current tax payable or receivable is recognized in the balance sheet as an asset or tax liability for the best estimate of the expected amount of taxes to be paid or received reflecting the uncertainties related to its calculation, if any. It is measured based on the tax rates enacted at the reporting date.

Current tax assets and liabilities are offset if there is a legally enforceable right to offset current tax liabilities and assets.

(ii) Deferred income tax and social contribution expenses

Deferred tax assets and liabilities are recognized in relation to the temporary differences between the book values of assets and liabilities for financial statement purpose and the related amounts used for taxation purposes. Changes in deferred tax assets and liabilities for the year are recognized as deferred income and social contribution tax expense.

A deferred tax asset is recognized in respect of tax losses and unused deductible temporary differences to the extent that it is probable that future taxable income will be available against which it will be used. Future taxable profits are determined based on the reversal of relevant taxable temporary differences. If the amount of the taxable temporary differences is insufficient to fully recognize a deferred tax asset, the future taxable income adjusted for the reversals of the existing temporary differences will be considered, based on the business plans of the Company.

Deferred tax assets are reviewed at each reporting date and are reduced to the extent that their realization is no longer probable.

Deferred tax assets and liabilities are measured based on the rates that are expected to be applied to temporary differences when they are reversed, based on the rates that were decreed up to the reporting date.

Ferrolease Comércio e Locação de Equipamentos Ferroviários S.A.

Notes to the financial statements

At December 31, 2023 and 2022

(In Reais)

The measurement of deferred tax assets and liabilities reflects the tax consequences arising from the manner in which the Company expects to recover or settle its assets and liabilities

Deferred tax assets and liabilities are offset if there is a legally enforceable right to offset current tax liabilities and assets.

(f) Property, plant, and equipment

(i) Recognition and measurement

Property, plant, and equipment items are stated at historical acquisition or construction cost, including loan cost capitalized, net of accumulated depreciation and impairment losses.

When significant parts of a property, plant and equipment item have different useful lives, they are accounted for as separate items (major components) of property, plant, and equipment.

Any gains and losses on disposal a property, plant and equipment item are recognized in income (loss).

(ii) Subsequent costs

Subsequent costs are capitalized in accordance with the probability that associated future economic benefits may be earned by the Group.

(iii) Depreciation

Depreciation is calculated to amortize the cost of items of property, plant and equipment, net of their estimated residual values, using the straight-line method based on estimated useful lives of such items. Depreciation is recognized in profit or loss. Leased assets are depreciated over the shorter of the estimated useful life of the asset and the contractual term, unless it is certain that the Group will become the owner of the asset at the end of the lease term. Land is not depreciated.

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

Railway assets	33.33 years
Leasehold improvements	6 years
Computer and telephony equipment	5 years
Machines and equipment	10 years
Furniture and utensils	10 years
Software	5 years

Ferrolease Comércio e Locação de Equipamentos Ferroviários S.A.

Notes to the financial statements

At December 31, 2023 and 2022

(In Reais)

The depreciation methods, useful lives and residual values are reviewed at each reporting date and adjusted when necessary.

(g) Financial instruments

The Group classifies non-derivative financial assets in the category loans receivables and financial liabilities in the category others financial liabilities.

(i) Non-derivative financial assets - recognition and derecognition

The Group initially recognizes loans, receivables, and deposits on the date that they are originated. All other financial assets are recognized initially on the trade date, which is the date that the Group becomes a part to the contractual provisions of the instrument.

The Group derecognizes a financial asset when the contractual rights to the cash flows from the asset expire, or it transfers the rights to receive the contractual cash flows in a transaction in which substantially all the risks and rewards of ownership of the financial asset are transferred. Any interest in such transferred financial assets that is created or retained by the Group is recognized as a separate asset or liability.

The Group derecognizes a financial liability when its contractual obligations are withdrawn, canceled, or expired.

Financial assets or liabilities are offset, and their net value recorded in the balance sheet only when the Group is legally entitled to offset the amounts and intends to settle on a net basis or realize the asset and settle the liabilities simultaneously.

(ii) Non-derivative financial assets - measurement

Loans and receivables

Assets are recognized initially at fair value plus any directly attributable transaction costs. Subsequent to initial *recognition*, loans and receivables were measured at amortized cost using the effective interest method.

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Notes to the financial statements

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(In Reais)

(iii) Non-derivative financial liabilities - measurement

Other non-derivative financial liabilities are recognized initially at fair value less any directly attributable transaction costs. Subsequent to initial recognition, these financial liabilities are measured at amortized cost using the effective interest method.

(h) Impairment

(i) Non-derivative financial assets

A financial asset not classified as at fair value through profit or loss is assessed at each reporting date to determine whether there is objective evidence that it is impaired. A financial asset is impaired if there is objective evidence of impairment as a result of one or more events that occurred after the initial recognition of the asset, and that loss event(s) had an impact on the estimated future cash flows of that asset that can be estimated reliably.

Objective evidence that the financial assets have incurred impairment can include nonpayment or late payment by the debtor, restructuring of the amount owed to the Company on terms that it would not normally accept in other transactions, signs that the debtor or issuer is going to enter bankruptcy proceedings or the disappearance of an active market for a security. In addition, for an investment in an equity security, a significant or prolonged decline in its fair value below its cost is objective evidence of impairment.

(ii) Non-financial assets

The recoverable amount of an asset or CGU is the greater of its value in use and its fair value minus costs to sell. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset or CGU. For impairment testing, assets are grouped together into the smallest group of assets that generates cash inflows from continuing use that are largely independent of the cash inflows of other assets or CGUs.

The carrying amounts of the Company's non-financial assets are reviewed at each reporting date to determine whether there is any indication of impairment. If any such indication exists, then the asset's recoverable amount is estimated. In the case of intangible assets with an indefinite useful life, the recoverable value is tested every year.

Ferrolease Comércio e Locação de Equipamentos Ferroviários S.A.

Notes to the financial statements

At December 31, 2023 and 2022

(In Reais)

Impairment losses are recognized when the book value of an asset or its cash operating unit exceeds its estimated recoverable value. Impairment losses are recognized in profit or loss.

An impairment loss in respect of goodwill is not reversed. For other assets, an impairment loss is reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined, net of depreciation or amortization, if no impairment loss had been recognized.

(i) Provisions

Provisions are determined by discounting the estimated future cash flows at a pre-tax rate which reflects the current market evaluations as to the value of the cash over time and the specific risks of the liability in question. The derecognition effects of discount for overtime are recognized in income (loss) as financial expense.

(j) Leases

Payments made under operating leases are recognized in profit or loss on a straight-line basis over the term of the lease. Lease incentives received are recognized as an integral part of the total lease expense, over the term of the lease.

(k) Fair value Measurement

Accounting policies and disclosures from the company require the determination of fair value, both for financial and non-financial assets and liabilities. Fair values have been determined for measurement and/or disclosure purposes based on the methods below. When applicable, additional information on the assumptions used in determining fair values is disclosed in the notes specific to that asset or liability.

(i) Accounts receivable and other receivables and suppliers

The fair value of accounts receivable and other receivables is estimated as the present value of future cash flows, discounted at the market rate of interest calculated on the date of presentation. This fair value is determined for disclosure purposes.

(ii) Non-derivative financial liabilities

The fair value, which is determined for disclosure purposes, is calculated based on the present value of the principal and future cash flows, discounted at the market rate of interest calculated on the date of presentation of the financial statements.

3.3 New Accounting Standards and Pronouncements (IFRS/CPC)

a) New or revised pronouncements applied for the first time in 2023

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

IFRS 17 - Insurance Contracts

IFRS 17 (equivalent to CPC 50 Insurance Contracts) is a new accounting standard applicable to insurance contracts, covering recognition and measurement, presentation, and disclosure. IFRS 17 (CPC 50) replaces IFRS 4 - Insurance Contracts (equivalent to CPC 11). IFRS 17 (CPC 50) applies to all types of insurance contracts (such as life, non-life, direct insurance, and reinsurance), regardless of the type of entities issuing them, as well as to certain guarantees and financial instruments with discretionary participation features; some scope exceptions will apply. The overall objective of IFRS 17 (CPC 50) is to provide a comprehensive accounting model for insurance contracts that is more useful and consistent for insurers, covering all relevant accounting aspects. IFRS 17 (CPC 50) is based on a general model, supplemented by:

- A specific adaptation for contracts with direct participation features (the variable fee approach)
- A simplified approach (the premium allocation approach) mainly for short-duration contracts

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

Definition of Accounting Estimates - Amendments to IAS 8

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

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

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

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The Amendments to IAS 1 (equivalent to CPC 26 (R1) - Presentation of Financial Statements) and IFRS Practice Statement 2 provide guidance and examples to help entities apply materiality judgments to accounting policy disclosures. The amendments aim to assist entities in providing more useful accounting policy disclosures, replacing the requirement for entities to disclose their "significant" accounting policies with a requirement to disclose their "material" accounting policies and adding guidance on how entities apply the concept of materiality when making decisions about accounting policy disclosures. The amendments impacted the Company's accounting policy disclosures but not the measurement, recognition, or presentation of items in the Company's financial statements.

Deferred Tax Related to Assets and Liabilities Arising from a Single Transaction Amendments to IAS 12

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

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

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

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

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

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

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

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b) Standards issued but not yet effective

The new and amended standards and interpretations issued but not yet effective as of the date of the Company's financial statements are described below. The Company intends to adopt these new and amended standards and interpretations, where applicable, when they become effective.

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

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

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

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

Amendments to IAS 1: Classification of Liabilities as Current or Non-Current

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

- What constitutes the right to defer settlement.
- That the right to defer must exist at the end of the reporting period.
- That classification is not affected by the probability of the entity exercising its right to defer.
- That only if an embedded derivative in a convertible liability is itself an equity instrument will the terms of a liability not affect its classification.

Additionally, a disclosure requirement was introduced when a liability arising from a loan agreement is classified as non-current and the entity's right to defer settlement depends on compliance with future covenants within twelve months.

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The amendments are effective for annual periods beginning on or after January 1, 2024, and must be applied retrospectively. The Company is currently assessing the impact the amendments will have on current practice and whether existing loan agreements may require renegotiation.

Supplier Financing Arrangements - Amendments to IAS 7 and IFRS 7

In May 2023, the IASB issued amendments to IAS 7 (equivalent to CPC 03 (R2) – Statement of Cash Flows) and IFRS 7 (equivalent to CPC 40 (R1) - Financial Instruments: Disclosures) to clarify the characteristics of supplier financing arrangements and require additional disclosures of these arrangements. The disclosure requirements in the amendments aim to assist users of financial statements in understanding the effects of supplier financing arrangements on an entity's obligations, cash flows, and liquidity risk exposure.

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

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

4. Cash and Cash Equivalent

	2023	2022
Cash and bank deposits	1,827	1,958
Financial investments	13,434,084	6,808,809
	13,435,911	6,810,767

These securities are readily convertible into a known amount of cash and they are subject to an insignificant risk of impairment. These invested funds were accordingly classified as cash and cash equivalents in the cash flow statements.

As of December 31, 2023, the short-term investments refer substantially to fixed-income funds, remunerated at rates like the CDI - Interbank Deposit Certificate.

5. Accounts Receivable

The balance of accounts receivable is shown in the following table:

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	<u>2023</u>	<u>2022</u>
Accounts Receivable	1,072,932	1,609,553
	<u>1,072,932</u>	<u>1,609,553</u>

The accounts receivable are related to wagon leasing contracts, as described in note 1. As of December 31, the total Accounts Receivable is still outstanding. Management evaluated the outstanding balances and did not identify any amount to be provisioned.

6. Related Parties

The balances with related companies were carried out according to the terms and conditions agreed between the parties, which could be different if they were carried out with third parties and are presented as follows:

	<u>2023</u>	<u>2022</u>
Non-current asset		
Loan to à GRL USA (i)	31,338	31,338
Other	14,628	14,628
	<u>45,966</u>	<u>45,966</u>
	<u>2023</u>	<u>2022</u>
Current liabilities		
Dividends (ii)	5,515,471	4,708,415
	<u>5,515,471</u>	<u>4,708,415</u>
Non-current liabilities		
Rent owed to GRL (iii)	585,620	548,240
	<u>585,620</u>	<u>548,240</u>

- (i) Refers to loans in the amounts of R \$ 290,000, R \$ 350,000, and R \$ 50,000, plus interest of 9.83% pa. and Libor + 3% p.a., respectively. On April 15, 2009, an Extraordinary Shareholders' Meeting resolved to offset the balances related to rents payable by Ferrolease S.A to GRL USA with amounts of loans granted by Ferrolease S.A to GRL USA. Whereas the Management has not yet set a deadline to offset these amounts, these assets were reclassified to noncurrent assets in 2009. The balance was substantially settled in 2021.
- (ii) The balance comprises dividends payable in the amount of R\$ 2,638,831 (R\$ 2,160,688 in 2022) and interest on equity in the amount of R\$ 2,876,640 (R\$ 2,547,727 in 2022), to be paid in full in the first quarter of 2024.
- (iii) Amounts related to rent payable arising from the agreement with GRL USA, owner of the 100 wagons leased by the subsidiary. Adjusted for 89 wagons in 2016 due to a total loss accident involving 11 units.

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7. Recoverable taxes

The balance is comprised of the following amounts:

	2023	2022
IRPJ/CSLL (Current asset)	132,074	324,467
	132,074	324,467

8. Fixed Asset

	2023			2022
	Cost	Accumulated depreciation	Net	Net
Railway assets	98,323,530	(35,313,724)	63,009,806	65,413,676
Computers and peripherals	73,205	(58,934)	14,271	20,994
Machinery and Equipment	3,289	(3,288)	1	39
Furnitures and fixtures	48,058	(39,648)	8,410	1,463
Software	37,421	(3,193)	34,228	-
	98,485,503	(35,418,787)	63,066,716	65,436,172

Changes in costs

	Balance in 12/31/2022	Amortization Provision	Additions	Balance in 12/31/2023
Railway assets	98,323,530	-	-	98,323,530
Computers and peripherals	73,205	-	-	73,205
Machinery and equipment	3,289	-	-	3,289
Furniture and fixtures	40,696	-	7,362	48,058
Software	3,193	-	34,228	37,421
	98,443,913	-	41,590	98,485,503

Changes in depreciation

	Balance in 12/31/2022	Depreciation	Balance in 12/31/2023
Railway assets	(32,909,854)	(2,403,870)	(35,313,724)
Computers and peripherals	(52,211)	(6,723)	(58,934)
Machinery and equipment	(3,250)	(38)	(3,288)
Furniture and fixtures	(39,233)	(415)	(39,648)
Software	(3,193)	-	(3,193)
	(33,007,740)	(2,411,047)	(35,418,787)

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Review of useful life

The depreciation rates of property, plant and equipment were reviewed during the year, as required by CPC 27 - Property, Plant and Equipment, and the Company did not identify the need to change the depreciation / useful lives used in the previous year.

Warranties

The purchased cargo wagons were pledged as collateral in the operation contracted with the Special Agency for Industrial Financing – FINAME (see note 9).

9. Borrowings and financing

	<u>2023</u>	<u>2022</u>
In local currency		
FINAME (fixed interest + 4.5% p.a.) (ii)	1,992,723	3,993,606
FINAME (fixed interest + 7.0% p.a.) (iii)	-	676,455
	<u>1,992,723</u>	<u>4,670,061</u>
Current Liability	1,839,732	2,680,540
Non-current Liability	152,991	1,989,521

- (i) Between the dates of February 19, 2015 and August 25, 2015, the Company concludes the negotiation of financing through resources originating from on lending's of the Special Industrial Financing Agency - FINAME of the National Bank for Economic and Social Development - BNDES , which will be paid in 112 monthly and successive installments, the first maturing on April 15, 2015 and the last on January 15, 2025. This limit was approved for the acquisition of 44 tankers, type TCT, which were offered in fiduciary disposal as collateral for the debt. In addition to the 44 TCT tank wagons given as collateral to the financing agent, as described in note 9, the Company must comply with other obligations with the funder (financial covenants) for this agreement.
- (ii) Between the dates of May 19, 2015 and September 17, 2015, the Company concludes the negotiation of financing through funds originating from on lending's of the Special Industrial Financing Agency - FINAME of the National Bank for Economic and Social Development - BNDES , which will be paid in 88 monthly and successive installments, the first maturing on July 15, 2015 and the last on April 17, 2023. This limit was approved for the acquisition of 44 tankers, type TCT, which were offered in fiduciary disposal as collateral for the debt. In addition to the 44 TCT tank wagons given as collateral to the financing agent, as described in note 9, the Company must comply with other obligations with the funder (financial covenants) for this agreement.

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Changes in borrowings and financing

	2023
Balance on December 31st, 2022	4,670,061
(+) Interest appropriation and exchange variations	(52,616)
(-) Settlement of loan	(2,483,847)
(-) Settlement of interests	(140,875)
Balance on December 31st, 2023	1,992,723

The purchased cargo wagons were pledged as collateral in the operation contracted with the Special Agency for Industrial Financing – FINAME.

As of December 31, 2023 the Company is in compliance with all the obligations required by the loan and financing agreements.

10. Advances to customers

The balance refers to advances obtained on account of lease agreements for wagons, with the final maturity of the advanced amounts occurring in January 2024.

11. Payable taxes

The balance of taxes and contributions payable is shown in the table below:

	2023	2022
Current		
PIS/COFINS	5,384	-
PIS/COFINS	144,385	147,878
Withholding taxes	579	40,347
Fiscal Installments (PIS / COFINS)	94,512	257,092
Fiscal Installments (IRPJ / CSLL)	69,028	187,769
	313,888	633,086
Non-current		
Installments of PIS / COFINS	-	85,697
Installments of Income tax and social contribution	-	62,590
	-	148,287

The installment taxes will expire in April 2024.

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12. Deferred income taxes

The Company opted for the adoption of the deemed cost, adjusting the balances for its main groups of assets. The other deferred taxes are composed according to the table below.

In 2020, due to the history of profitability and the expectation of future profitability, the Company decided to recognize the tax credit resulting from its accumulated tax losses. Management expects that these losses will be consumed in up to 5 years. The values are shown in the table below.

	<u>2023</u>	<u>2022</u>
IR/CS (Useful Life of Fixed Assets)	18,214,772	17,535,319
IR/CS (Deferred tax losses)	(2,352,378)	(3,281,042)
	<u>15,862,394</u>	<u>14,254,277</u>

13. Equity (Parent Company)

a. Capital

The Company's capital stock, according to the Extraordinary General Meeting held on December 28, 2010, is R\$ 13,497,026, of which 3,788,740 common shares ("ON") and 1,633,460 preferred shares ("PN"), totaling 5,422,200 shares with no par value, with the following rights:

<u>Shareholders</u>	<u>Common shares</u>
Global Railroad Leasing, LLC	1,453,551
Palmas (1)	1,238,486
ATT Centro Oeste Ltda.	804,036
Sofimax Participações	93,237
Shareholders (private individuals)	199,426
Others	5
	<u>3,788,741</u>

(1) In January 2022, Palmas shares were transferred to Membeca LLC.

b. Legal reserve

It is constituted at the rate of 5% of the net income determined in each fiscal year pursuant to art. 193 of Law 6,404 / 76, up to a limit of 20% of the capital stock.

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c. Profit reserve

The balances of retained earnings as of December 31, were allocated to the retained earnings reserve for investments in the expansion and strengthening of working capital.

d. Dividends

The Company's bylaws determine the distribution of a mandatory minimum dividend of 25% of the result of the period adjusted according to the law. In 2023, Management decided on interest on equity, of which R\$ 3,384,275 (R\$ 2,997,323 in 2022) gross, and R\$ 2,876,634 (R\$ 2,547,725 in 2022) net of withholding income tax, to be paid in the first quarter of 2024. Minimum dividends were also provisioned in the amount of R\$ 2,638,794 (R\$ 2,160,654 in 2022).

14. Net operating revenue

The net operating revenue is composed according to the table below:

	2023	2022
Railcar and locomotive rental revenue	19,696,386	19,144,020
Service taxes	(1,821,916)	(1,770,822)
Net operating revenue	17,874,470	17,373,198

15. Railcar rental agreements

On December 31, 2023, the Company has a lease agreement for 89 HFT wagons, in which the Company is a lessee. The agreement has a term of 5 years, with clauses of option of renewal, option to purchase and readjustment after that date.

As a lessee of such wagons, the Company recognized the following amounts of Costs with lease operations:

	2023	2022
Leasing costs	37,380	37,380

The sublease agreement has annual renewal.

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16. Operational expenses

The expenses are comprised as follows:

	2023	2022
Payroll and benefits	1,246,076	1,047,394
Professional services expenses	300,017	403,564
Administrative expenses	199,334	303,154
Travel Expenses	54,718	58,279
Temporary admission expenses	281,582	337,778
Wagon maintenance	-	27,225
Leases	37,380	37,380
Tax contingencies	-	569,379
Others	7,177	6,872
	2,126,284	2,791,025

	2023	2022
Presented as:		
Cost of leases	37,380	64,605
Operational expenses	2,088,904	2,157,041
Other Operating Income/Expenses (a)	-	569,379

(a) The expense refers to the success of a lawsuit that resulted in the payment of fees for succumbency.

17. Financial results

	2023	2022
Finance income		
Financial investment earnings	1,107,137	575,637
Others	35,643	27,722
	1,142,780	603,359
Finance expenses		
Financial investment earnings	(34,699)	(552,295)
Others	(53,309)	(28,057)
	(88,008)	(580,352)
	1,054,772	23,007

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18. Income tax and social contribution

Deferred income and social contribution taxes are recorded in order to reflect the future tax effects attributable to temporary differences between the taxable base of assets and liabilities and the respective carrying amounts.

On December 31, income, and social contribution taxes, recorded in non-current liabilities, are as follows:

	<u>2023</u>
Calculation basis	
Balance of tax loss	6,917,459
Temporary difference (provisions)	1,300
Difference tax and book depreciation	(53,572,860)
	<u>(46,654,101)</u>
Statutory rate	34%
Deferred income tax (25%)	(11,663,525)
Deferred social contributions (9%)	(4,198,869)
Deferred tax liability	<u>(15,862,394)</u>

The reconciliation between the tax expense as calculated by the combined statutory rates and the income and social contribution tax expense recognized in net income is presented below:

	<u>2023</u>	<u>2022</u>
Net income for the year before tax	<u>14,452,383</u>	<u>12,254,605</u>
Income tax and social contribution statutory rates (25% and 9%)	<u>(4,913,810)</u>	<u>(4,166,566)</u>
Permanent additions and exclusions and other		
Equity in net income of subsidiaries	1,150,654	1,019,090
Nondeductible expenses	11,286	-
Other	18,282	(9,641)
	<u>(3,733,588)</u>	<u>(3,157,117)</u>
Income tax and social contribution		
Current	(2,125,471)	(1,647,864)
Deferred charges	(1,608,117)	(1,509,253)
Effective rate	<u>26%</u>	<u>26%</u>

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19. Financial Instruments

The Company and its subsidiary use operations with derivative financial instruments. The management of these instruments is done through operating strategies and internal controls, aimed at liquidity, profitability, and security.

(i) Credit Risk

Credit risk is the risk of the Group incurring financial losses if a customer or a counterparty in a financial instrument fails to comply with its contractual obligations. This risk is mainly due to the accounts receivable from customers and other financial instruments of the Group.

The book value of the financial assets represents the maximum credit exposure.

<i>Consolidated</i>	Book value	
	2023	2022
Cash and cash equivalents	13,434,084	6,808,809
Accounts receivable	1,072,932	1,609,553

(ii) Liquidity risk

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

The Group's approach to liquidity management is to ensure, to the extent possible, that it always has sufficient liquidity to meet its maturity obligations, under both normal and stress conditions, without causing unacceptable losses or risking damage to the Group.

<i>Consolidated</i>	Book value	
	2023	2022
Borrowings and Financing	1,992,723	4,670,061

(iii) Market risk

Market risk is the risk that changes in market prices, such as interest rates, will affect the Group's earnings or the value of its holdings in financial instruments. The objective of market risk management is to manage and control exposures to market risks, within acceptable parameters, while optimizing return. The Group's

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Management does not invest in financial assets that could generate significant fluctuations in its market prices.

Exposure to interest rate risk

The Group's interest rate profile of financial instruments, remunerated by interest, as reported to Management is shown below:

	<u>2023</u>	<u>2022</u>
Assets		
Cash and cash equivalents	13,434,084	6,808,809
Accounts receivable	1,072,932	1,609,553
Liabilities		
Borrowings and Financing	1,992,723	4,670,061

For loans and financing, management has its contracts signed at fixed rates, which has no risk of material fluctuation.

Fair Value

The fair value of financial assets and liabilities, together with the carrying amounts presented in the financial statements, are as follows:

- Parent Company**

	<u>2023</u>		<u>2022</u>	
	<u>Loans and Receivables</u>	<u>Other Liabilities at amortized costs</u>	<u>Fair Value</u>	<u>Fair Value</u>
Assets				
Cash and cash equivalents	13,434,084	-	13,434,084	6,808,809
Accounts receivable	1,072,932	-	1,072,932	1,609,553
Liabilities				
Loans and financing	-	1,992,723	1,992,723	4,670,061
Other accounts payable	-	31,141	31,141	43,064

The following methods and assumptions were adopted in determining fair value:

- Cash and cash equivalents** - The book values in the balance sheet are the same as fair value because their yields are based on the Interbank Deposit Certificate - CDI rate.

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- **Accounts receivable and other accounts receivable** - derive directly from the Company and its subsidiary's operations, measured at amortized cost, and stated at their original values, minus the provision for impairment and adjusted to present value, when applicable. The carrying amount is substantially equal to the fair value given the very short term in which these operations are settled (under 90 days).
- **Loans and financing** - Classified as financial liabilities not stated at fair value and recorded by the amortized cost method according to the contractual terms. This definition was adopted, because the amounts are not held for trading which management states reflect the most important accounting information. The fair values of this financing are the same as their book values, because they are financial instruments with rates equal to market rates and they have exclusive properties, deriving from specifically created sources of financing.

20. Contingences

The Company is a party to lawsuits and administrative proceedings involving tax matters. Based on the opinion of its legal advisors, there are risks in the amount of R\$ 598,692 with a possibility of possible loss.

21. Insurance coverage

The lease agreements between the Company and its clients RUMO - America Latina Logística S/A (RUMO ALL), Agrex do Brasil S/A (AGREX) and AcelorMittal do Brasil (Arcelor), provide insurance coverage for railcars subject to risk, at amounts deemed sufficient to cover any claims, considering the nature of the activity involved.

The Company also has insurance policies taken out with the main insurance companies in Brazil, which were determined in accordance with the orientation of experts and take into consideration the nature and the level of risk involved.
