



RHODIUS

**RHODIUS South América Assessoria
Técnica e Comercial em Abrasivos Ltda**

**Financial Statements as of
March 31ST, 2024 and 2023**

“A free translation from the original report in Portuguese”



FINANCIAL STATEMENTS OF MARCH 31st, 2024

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Dear Partners,

Pursuant to the legal and corporate provisions, we hereby submit to Your Excellency the Financial Statements of **RHODIUS South América Assessoria Técnica e Comercial em Abrasivos Ltda.**, drawn up on March 31st, 2024.

Curitiba (PR), June 20th, 2024.

Board of directors.

Balance Sheet

		<i>Years ended March 31</i>	
		<i>(amounts expressed in Brazilian reais)</i>	
	Note	03/31/2024	03/31/2023
ASSETS			
Current			
Cash and Cash Equivalents	04	844.969,13	626.505,36
Trade Accounts Receivable	05	457.805,09	477.625,31
Taxes and Contributions Recoverable	06	135.502,19	129.941,67
Advances	-	3.059,08	31.852,85
Prepaid expenses	-	941,76	11.240,63
		1.442.277,25	1.277.165,82
Non current			
Fixed Assets	07	255.154,27	56.798,80
Taxes and Contributions Recoverable		5.732,71	
		260.886,98	56.798,80
Total Assets		1.703.164,23	1.333.964,62
LIABILITIES			
Current			
Suppliers	-	3.350,00	12.420,09
Social and Labor Obligations	09	105.448,20	110.728,49
Tax Obligations	10	50.243,47	74.696,97
Bonus obligations	11	258.059,00	45.000,00
Other Liabilities	-	321,90	25.419,73
		417.422,57	268.265,28
Non current			
Loan Intercompany	13	1.417.154,96	1.340.006,16
		1.417.154,96	1.340.006,16
Net equity			
Capital	14	150.000,00	150.000,00
Advance for Future Capital Increase		3.990,00	3.990,00
Losses accumulated		(285.403,30)	(428.296,82)
		(131.413,30)	(274.306,82)
Total Liabilities		1.703.164,23	1.333.964,62

The notes are an integral part of Financial Statements.

Income Statement

				<i>Years ended March 31</i>	
				<i>(amounts expressed in Brazilian reais)</i>	
	Note	03/31/2024	03/31/2023		
Net Revenue from Operating Activities	15	1.850.877,08	432.043,03		
Cost of operating activities	16	(592.099,02)	(125.178,17)		
Gross Profit		1.258.778,06	306.864,86		
Operational Revenues and (Expenses)					
General and Administrative Expenses	17	(700.226,68)	(151.182,55)		
Commercial expenses	18	(520.138,67)	(102.515,31)		
Other Net Operational Revenues and Expenses	-	93.060,89	-		
		(1.127.304,46)	(253.697,86)		
Profit Before Financial Effects		131.473,60	53.167,00		
Financial Revenues	19	78.166,52	39.724,43		
Financial Expenses	19	(111.471,34)	(15.865,14)		
Net exchange variation	19	20.254,63	(6.089,00)		
Profit Before Income Taxes		118.423,41	70.937,29		
Taxes on Income and Social Contribution	-	(25.685,04)	1.585,62		
Taxes on Income and Social Contribution Deferred assets	-	50.155,15	-		
Profit/Loss of the Year		142.893,52	72.522,91		

Comprehensive Income Statement

				<i>Years ended March 31</i>	
				<i>(amounts expressed in Brazilian reais)</i>	
	Note	03/31/2024	03/31/2023		
Profit/Loss of the year		142.893,52	72.522,91		
Other comprehensive income and expense	-	-	-		
Comprehensive income for the year		142.893,52	72.522,91		

The notes are an integral part of Financial Statements.

Statement of Changes in Equity

Years ended March 31
(amounts expressed in Brazilian reais)

Description	Capital	Advance for Future capital increase	Accumulated Results	Total
Balances as of December 31st, 2022	<u>150.000,00</u>	<u>3.990,00</u>	<u>(500.819,73)</u>	<u>(346.829,73)</u>
Profit for the year	-	-	72.522,91	72.522,91
Balances as of March 31st, 2023	<u>150.000,00</u>	<u>3.990,00</u>	<u>(428.296,82)</u>	<u>(274.306,82)</u>
Profit for the year	-	-	142.893,52	142.893,52
Balances as of March 31st, 2024	<u>150.000,00</u>	<u>3.990,00</u>	<u>(285.403,30)</u>	<u>(131.413,30)</u>

The notes are an integral part of Financial Statements.

Statement of Cash Flows - Indirect method

	<i>Years ended March 31</i> <i>(amounts expressed in Brazilian reais)</i>	
	03/31/2024	03/31/2023
CASH FLOWS FROM OPERATING ACTIVITIES	561.296,92	(194.069,41)
Profit/Loss for the Year before Income Tax and Social Contribution	118.423,41	70.937,29
<u>Adjustments by:</u>	230.663,97	(16.598,48)
. Interest and Monetary Restatement	144.591,02	(20.900,76)
. Resultado apurado na alienação de créditos	-	-
. Depreciation and Amortization	50.133,84	4.302,28
. Adjustment assets impariment	-	-
. Income in the sale of Fixed Assets	35.939,11	-
ADJUSTED INCOME	349.087,38	54.338,81
<u>Increase (Reduction) in Liabilities</u>	172.934,90	(191.498,96)
. Suppliers	(9.762,59)	9.062,45
. Paid income tax and social contribution	10.166,77	-
. Taxes Obligations	(10.150,16)	10.125,29
. Social and Labor Obligations	(5.280,29)	(30.607,85)
. Bonus obligations	213.059,00	(183.244,21)
. Stock	-	-
. Advances from Clients	-	-
. Other Liabilities	(25.097,83)	3.165,36
<u>Reduction (Increase) in Assets</u>	39.274,64	(56.909,26)
. Accounts Receivables	11.475,23	(67.974,12)
. Stocks	-	-
. Taxes and Contributions Recoverable	(11.293,23)	(11.850,71)
. Advances	28.793,77	11.450,23
. Judicial deposits	-	-
. Bens destinados à venda	-	-
. Prepaid expenses	10.298,87	11.465,34
. Other assets	-	-
CASH FLOWS FROM INVESTING ACTIVITIES	(284.428,42)	-
. Acquisition of Fixed Assets	(284.428,42)	-
. Acquisition of Intangible	-	-
. Recurso com venda de imobilizado	-	-
. Venda de investimentos	-	-
CASH FLOWS FROM FINANCING ACTIVITIES	(58.404,73)	(643.939,68)
. Loan and Financing Intercompany	-	-
. Financing obtained	-	-
. Payment of Loans and Financing	-	-
. Payment of installment tax liabilities	-	-
. Loan Intercompany	(58.404,73)	(643.939,68)
. Dividendos pagos	-	-
NET INCREASE OF CASH AND CASH EQUIVALENTS	218.463,77	(838.009,09)
CASH AND CASH EQUIVALENTS AT THE BEGINNING OF THE PERIOD	626.505,36	1.464.514,45
CASH AND CASH EQUIVALENTS AT THE END OF THE PERIOD	844.969,13	626.505,36

The notes are an integral part of Financial Statements.

NOTE 01 - OPERATIONAL CONTEXT:

01.1 Social Object

RHODIUS South America Assessoria Técnica e Comercial em Abrasivos Ltda. was founded in September 2013 as a limited liability company in the city of Curitiba, state of Paraná.

According to the 1st amendment to the articles of association, the Company aims to explore the wholesale of hardware and tools, intermediation activities and agency services and business in general, except real state, direct marketing and training in professional and managerial development.

NOTE 02 - PREPARATION BASIS AND PRESENTATION OF THE FINANCIAL STATEMENTS:

02.1 Conformity declaration

The individual financial statements of the Company have been worked out and are being presented according to the accounting practices adopted in Brazil, following the provisions mentioned on the Brazilian corporate Law and on the NBC TG 1000 (R1) - Accounting for Small and Medium Sized Companies.

02.2 Agreement declaration

The Management of the Company certifies that has reviewed, discussed and agreed with the Financial Statements year ending on June 20st, 2024.

The financial statements, including the explanatory notes, are the responsibility of the Company's management.

02.3 Functional currency

The financial statements are presented in Real, as this is the functional currency of the Company. All financial information is disclosed in Real, unless otherwise indicated.

02.4 Measurement basis

The financial statements have been prepared based on the historical cost and adjusted based on the use of estimates, unless otherwise stated.

02.5 Use of estimate

The preparation of the financial statements according to the norms requires the Management of the Company to make judgments, estimates and premises that affect the application of accounting policies and the reported values of assets, liabilities, incomes and expenses. In fact, the real results may diverge from the corresponding estimates, when performed.

Estimates and premises related to the future are revised in a systematic way by the Company and are based on the historical experience and in other factors, including expectations. Revisions

related to accounting estimates are recognized on the period in which the estimates are revised and on any future affected periods.

NOTE 03 - MAIN ACCOUNTING PRACTICES:

The main accounting practices adopted by the Company on these financial statements are described below. These policies have been consistently applied in the years presented, except when otherwise indicated.

a) Foreign currency

Transactions in foreign currency are converted into the functional currency by the exchange rates valid on the transaction dates. The exchange gains or losses coming from the conversion of foreign currency are recognized on the result.

b) Financial Instruments

b.1) Non-Derivative Financial Assets

The Company recognizes the receivables initially on the date they were originated. All the other financial assets are recognized initially on the date of the dealing in which the Company becomes one of the parties of the contractual provisions of the instrument.

The Company has receivables as non-derivative financial assets. Receivables are financial assets with fixed or calculable payments that are not quoted on the asset market. The receivables include those from clients.

b.2) Non-Derivative Financial Liabilities

The Company initially recognizes financial liabilities on the trade date on which the Company becomes a party to the contractual provisions of the instrument.

The Company has the following non-derivative financial liabilities: loans intercompany, suppliers and other accounts payable.

Such financial liabilities are recognized initially by the fair value plus any costs of transaction attributable. After the initial recognition, these financial liabilities are measured by the amortized cost thru the method of effective interests.

c) Cash Equivalents

Include the balances of cash money, cash bank deposits and financial applications of immediate liquidity.

d) Receivables from Clients

The receivables from clients are initially recognized by the transaction value and subsequently measured by the amortized cost by using the method of the effective interest rate. The estimate of

losses on doubtful accounts was constituted after evaluation of the existence of objective evidence about the possibility of impairment of accounts receivable.

e) Stocks

Inventories of finished products, resale items, are valued at average acquisition costs.

f) Fixed Assets

The items of the fixed assets are evaluated at the historical acquisition cost, less the accumulated depreciation. The historical cost includes the expenses directly attributable necessary for the specific item to have the intended use. Repairs and maintenances, including the cost of the spare parts will only be activated when it is probable that the expenses offer future economic benefits for the Company. Otherwise, they will be booked as expenses of the financial year, when incurred. Depreciation is recognized in order to allocate the depreciable value of the assets during their respective useful lives. The depreciation method used is linear. Depreciation begins when the asset is in the conditions of use intended by Management and ceases when the asset is derecognized or classified as an asset held for sale. An item of property, plant and equipment is derecognized when it is sold or when no future economic benefit is expected.

g) Provisions

The provisions are recognized when the Company has a liability present or not formalized as a result from past events; when it is probable that an outflow of resources be necessary to settle the liability; and when the value may be estimated with certainty. The provisions are measured by the present value of the expenses that become necessary to settle the liability.

h) Deferred income tax and social contribution

Current income tax and social contribution are calculated based on taxable income at rates established under current tax legislation. Deferred income tax and social contribution are recognized on temporary differences and on tax losses and negative basis of social contribution and presented in current assets according to their nature and expected date of realization.

i) Other Current and Non-Current Assets and Liabilities

An asset is recognized on the balance sheet when it is probable that its future economic benefits will be generated in favor of the Company and its cost or value may be measured with certainty. A liability is recognized on the balance sheet when the Company has a legal or formed liability as a result from a past event, being probable that an economic resource be required to settle it in the future.

j) Related parties

These are operations to buy and sell products related to the activity, as well as, operations of financing loan with companies or persons connected are registered by its original values plus the earnings at the contractual rates up to the date of the balance sheet.

k) Contingent assets and liabilities

The recognition, the measuring and the release of the eventual assets and liabilities are affected in the following way:

Eventual assets are not recognized on the accounting data, except when the Management of the Company controls completely the situation or when there are real guarantees or favorable judicial decisions, on which no appeals are allowed.

Eventual liabilities are recognized on the accounting data by considering the opinion of the legal advisory body, the nature of the demands, the similarity with other processes, the complexity on the positioning of the court, among other analysis of the Management of the Company, whenever the losses be evaluated as probable, what will cause a future outflow of resources for the settlement of the liabilities, and when the involved amounts be measurable with sufficient certainty. The eventual liabilities classified as possible losses are informed on notes and the eventual liabilities classified as remote losses do not require neither provision nor be informed on the financial statements.

The settlement of the transactions involving these estimates may result on values diverging a lot from those registered on the financial statements due to the non-accuracies inherent to the process of its determination.

l) Recognition of incomes

The sale income is recognized when the products are delivered and the property is transferred. The income is measured by the fair value of the counterpart received or to receive, net from any discounts, reductions, returns and taxes falling on. Usually, the incomes are recognized on the result by the amount equivalent to the value of the issued invoices.

The financial income is recognized based on the method of the effective interest rate. The other incomes are always recognized by the accrual basis. An income is not recognized if there is a significant uncertainty regarding its realization.

m) Segregation between Current and Non-Current

The lending and borrowing transactions with due dates under 365 days are registered on the current and those with longer deadlines on the non-current.

n) Comprehensive Income statement

The comprehensive result is presented according to the Brazilian accounting standard NBC TG 26 (R5).

Notes

*Financial years ending on March 31st, 2023 and 2024
Expressed in BRL*

o) Statements of the Cash Flows

The statements of the cash flows were prepared by the indirect method.

p) Application of the accounting norms for small and medium companies (NBC TG 1000 - R1)

The Company is subject to the rules brought from the norms issued by the Commission of Accounting Pronouncements for small and medium sized companies. The application of these norms took into consideration if the benefits derived from this information would exceed the costs of its generation.

NOTE 04 - CASH AND CASH EQUIVALENTS:

	<u>03/31/2024</u>	<u>03/31/2023</u>
Banco Bradesco S/A. - Checking account	1,00	1,00
Bradesco Invet Fac - Financial Investment	844.968,13	626.504,36
	<u>844.969,13</u>	<u>626.505,36</u>

Financial applications are substantially represented by Fixed Income and CDB-DI investments, both of which are remunerated based on a percentage of the Interbank Deposit Certificate variation, considering the amount, term and time of the application and can be redeemed at any time in accordance with the Company's need for resources.

NOTE 05 - RECEIVABLES FROM CLIENTS AND INTERCOMPANY:

	<u>03/31/2024</u>	<u>03/31/2023</u>
National customer	278.693,25	174.097,68
Overseas customer	179.111,84	303.527,63
	<u>457.805,09</u>	<u>477.625,31</u>

National costumers

They represent amounts receivable from issued invoices. The direct taxes under the Company's responsibility is included on the receivable amounts.

Overseas customers

They represent receivable amounts from commissions. The amount on 31 March 2024 represents the balance of € 33.198,37 at an exchange rate of R\$ 5,3952 to € 1,00.

Notes

*Financial years ending on March 31st, 2023 and 2024
Expressed in BRL*

NOTE 06 - RECOVERABLE TAXES AND CONTRIBUTIONS:

	03/31/2024	03/31/2023
COFINS	3.146,15	3.146,15
PIS	910,13	910,13
ICMS	-	1.027,23
IRRF	85.462,90	67.116,34
FGTS	2.551,10	2.551,10
CSSL	23.486,42	23.486,42
IRPJ	9.692,40	11.826,04
INSS	10.253,09	19.878,26
	135.502,19	129.941,67

The balances of IRPJ and CSSL - are from previous periods and are collected by estimate. They will be offset against future debts.

NOTE 07 - FIXED ASSETS:

	Year Ended March 2023	Addition	Written off	Transfer	Year Ended March 2024	% (*)
Fixed Assets - Cost						
IT Equipments	21.676,64	-	-	-	21.676,64	
Telephone Equipments	14.599,33	4.585,62	(4.989,00)	-	14.195,95	
Vehicles	177.209,00	279.842,80	(177.209,00)	-	279.842,80	
	213.484,97	284.428,42	(182.198,00)	-	315.715,39	
Fixed Assets - Depreciation						
IT Equipments	14.877,18	3.686,64	(1.499,91)	-	17.063,91	20
Telephone Equipments	-	1.451,41	-	-	1.451,41	10
Vehicles	141.808,99	44.995,79	(144.758,98)	-	42.045,80	20
	156.686,17	50.133,84	(146.258,89)	-	60.561,12	
Fixed Assets - Net	56.798,80	234.294,58	(35.939,11)	-	255.154,27	

(*) - Annual depreciation rates

The Management of the Company did not identify evidences regarding the need of provision registration to adjust the assets to the recoverable values ("Impairment"), in order to meet the new accounting norms of reduction to the recoverable value.

The fixed assets are registered at the acquisition or formation cost, net of accumulated depreciation.

NOTE 08 - SENSITIVITY - INTERCOMPANY SUPPLIERS AND LOANS:

The Company has not identified risks related to the sensitivity of a significant variation that may occur in the exchange rate of the euro (EUR €) or other foreign currency, or even of post-fixed indexes that could affect the operations already contracted.

Notes

*Financial years ending on March 31st, 2023 and 2024
Expressed in BRL*

NOTE 09 - SOCIAL AND LABOR LIABILITIES:

	<u>03/31/2024</u>	<u>03/31/2023</u>
Salary amounts payable	17.757,67	23.669,42
FGTS to collect	2.770,77	12.590,61
INSS to collect	10.525,64	9.667,97
Withholding Tax on Salaries Payable	8.765,52	11.479,37
Thirteenth salary payable	7.883,91	7.596,05
INSS provision on thirteenth salary	2.112,88	2.035,73
FGTS provision on thirteenth salary vacation	630,71	607,68
Provision of Vacations	40.159,33	31.959,68
Provision of Vacations - INSS	11.629,03	8.565,22
Provision of Vacations - FGTS	3.212,74	2.556,76
	<u>105.448,20</u>	<u>110.728,49</u>

NOTE 10 - TAX LIABILITIES:

	<u>03/31/2024</u>	<u>03/31/2023</u>
CSLL	5.333,52	3.366,69
COFINS	13.332,00	12.434,76
PIS	2.894,45	2.632,98
ISS	28.683,50	11.840,10
IRPJ Deferred	-	32.663,82
CSLL Deferred	-	11.758,62
	<u>50.243,47</u>	<u>74.696,97</u>

NOTE 11 - GRATIFICATION, BONUS:

The bonus payment for Regional Manager corresponds to 1.75% (one seventy-five percent) of the turnover generated by Rhodius South America, higher than the balance and / or turnover generated by Rhodius South America in 2012, which was the amount of EUR 80,228.

NOTE 12 – INTERCOMPANY LOAN:

It is a loan operation for R\$ R\$ 2.003.976,00 (€ 360.000,00), with RHODIUS SchleifwerKeuge GmbH & CO KG, carried out in February 2017, with payment of quarterly updates calculated at simple interest of 3% (three percent) per year.

Notes

*Financial years ending on March 31st, 2023 and 2024
Expressed in BRL*

NOTE 13 - TRANSACTIONS WITH RELATED PARTIES:

Detailing	03/31/2024	03/31/2023
Current Assets		
Receivables		
RHODIUS SchleifwerKeuge GmbH & CO KG	(179.111,84)	(303.527,63)
	(179.111,84)	(303.527,63)
Current Liabilities		
Loan intercompany		
RHODIUS SchleifwerKeuge GmbH & CO KG	1.295.496,00	1.325.208,00
RHODIUS SchleifwerKeuge GmbH & CO KG - - loan interest	121.658,96	14.798,16
	1.417.154,96	1.340.006,16
Income Statement		
Intercompany revenue		
RHODIUS SchleifwerKeuge GmbH & CO KG	706.889,22	254.848,04
Financial Expenses		
Financial Expenses	(106.261,41)	(14.811,66)
	600.627,81	240.036,38

NOTE 14 - NET EQUITY:

The paid-in capital on March 31, 2024 is formed by 150.000 (one hundred and fifty thousand) shares at the unit value of R\$ 1,00 (one Reais), distributed:

	Quota	Value - R\$
RHODIUS SchleifwerKeuge GmbH & CO KG	148.500	148.500,00
RHODIUS SchleifwerKeuge Verwaltungsgesellschaft mbH	1.500	1.500,00
	150.000	150.000,00

There were no changes in the capital stock and / or the number of shares of the Company during the year 2023.

NOTE 15 - INCOME:

	03/31/2024	03/31/2023
Service revenue - Internal Market	1.353.219,41	215.967,47
Service revenue - External Market	706.889,22	254.848,04
Gross revenue	2.060.108,63	470.815,51
(-) PIS on total sales	(22.791,29)	(3.821,67)
(-) COFINS on total sales	(105.694,99)	(18.002,50)
(-) ISS on Service Revenue	(80.745,27)	(16.948,31)
Taxes on revenue	(209.231,55)	(38.772,48)
	1.850.877,08	432.043,03

Notes

*Financial years ending on March 31st, 2023 and 2024
Expressed in BRL*

NOTE 16 – COST OF OPERATING ACTIVITIES:

	03/31/2024	03/31/2023
Payroll costs	443.916,13	101.051,65
Vacation costs and social charges	48.513,21	(5.462,74)
Cost of thirteenth salary and social charges	28.187,83	6.687,14
Health care	71.481,85	22.902,12
	592.099,02	125.178,17

NOTE 17 - GENERAL AND ADMINISTRATIVE EXPENSES:

	03/31/2024	03/31/2023
Payroll expenses	67.843,65	15.663,05
Other Taxes and Contributions	22.170,66	6.299,32
Third Party Services	397.749,83	85.965,00
Rentals furniture	21.343,93	6.058,55
Travel and accommodation expenses	52.083,55	14.391,07
Costs and training	70.864,12	14.757,72
Other Expenses	68.170,94	8.047,84
	700.226,68	151.182,55

NOTE 18 – COMMERCIAL EXPENSES:

	03/31/2024	03/31/2023
Third Party Services	37.038,81	9.316,83
Travel and accommodation expenses	54.533,55	9.032,30
Bonus provision	213.961,33	45.048,59
Fuel and lubricant expenses	31.524,05	9.665,27
Meal expenses	25.357,21	-
Rentals car expenses	101.504,83	14.193,93
Insurance expenses	48.041,88	11.759,47
Maintenance expenses	6.860,95	2.570,00
Other Expenses	1.316,06	928,92
	520.138,67	102.515,31

NOTA 19 – NET FINANCIAL RESULT:

	03/31/2024	03/31/2023
Financial Revenues		
Financial application Income	78.166,52	39.724,43
	78.166,52	39.724,43
Financial Expenses		
Bank expenses	(915,31)	(1.053,38)
Interest paid	(4.294,62)	(0,10)
Intercompany interest	(106.261,41)	(14.811,66)
	(111.471,34)	(15.865,14)
Variação Cambial líquida		
Exchange variation - assets - Operation settled	6.355,87	10.743,87
Exchange variation - assets - Operation not settled	28.660,16	274.407,13
Exchange variation - liabilities - Operation settled	(14.761,40)	(291.240,00)
	20.254,63	(6.089,00)
	(13.050,19)	17.770,29

NOTE 20 - MANAGEMENT OF RISKS:

The operations of the Company are exposed to market and operation risks, as those of exchange variation and disasters.

The risks are constantly followed by the Company in order to minimize them, by using strategies of financial positions and systems of internal controls.

NOTE 21 - CONTRACTED INSURANCES:

The Management of the Company adopts the policy of contracting insurances of various modalities, whose coverage is considered sufficient by the Management and insurance agents to face the occurrence of disasters.

NOTE 22 - ENCUMBRANCE, AVAL AND GUARANTEES

The Company has no relevant encumbrances, nor does it guarantee surety with financial institutions for the benefit of other companies. In addition, the Company has no additional post-employment obligations, nor does it offer other long-term benefits or length of service licenses. The Company also does not offer other benefits in the dismissal of its senior management members, beyond what is required of the labour law in force in Brazil.

Curitiba (PR), June 20st,2024.

Eduardo Schreiber
Area Manager

Adriana Brodbeck
Accountant: CRCSC 020.307/O-2-T/PR