Individual and Consolidated Financial Statements

Vulcabras S.A.

December 31, 2023
with Independent Auditor’s Report

Vulcabras S.A.

Individual and consolidated financial statements

December, 31 2023

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4Q23
EARNINGS
RELEASE
VULCABRAS
we live for the sports

Jundiaí/SP, March 07th, 2024 – Vulcabras S.A. (B3: VULC3) today announces its results for the fourth quarter of 2023 (4Q23). The operational and financial information of Vulcabras S.A. (Company) is presented based on consolidated figures and in millions of reais, prepared in accordance with accounting practices adopted in Brazil and international financial reporting standards (CPC 21 and ISA 34). The data in this report refers to the performance in the fourth quarter of 2023, compared to the same period of 2022, unless specified otherwise

HIGHLIGHTS

GROSS VOLUME
8.7 million

pairs/pieces in **4Q23**, **an increase of 0.5%** compared to **4Q22** and of **31.4 million** pairs/pieces in **2023**, a decrease of 0.9% compared to **2022.**

NET REVENUE
R$ 791.3 million

in **4Q23, an increase of 7.1%** compared to **4Q22**, and **R$ 2,817.7 million** in **2023,** an **increase of 11.1%** compared to **2022.**

GROSS PROFIT
R$ 337.5 million

in **4Q23, an increase of 19.3%** compared to **4Q22**, and **R$ 1,176.0 million** in **2023**, an increase of **25.5%** compared to **2022.**

GROSS MARGIN
42.7%

in **4Q23**, **an increase of 4.4 p.p**. compared to **4Q22, and 41.7% in 2023, an increase of 4.7 p.p.** compared to the margin for **2022.**

RECURRING NET INCOME AND RECURRING NET MARGIN
R$ 144.7 million

in 4Q23, **an increase of 18.5%** compared to **4Q22**, with a recurring Net Margin of **18.3%, 1.8 p.p. higher than in 4Q22**, and **R$ 489.7 million** in **2023**, **an increase of 32.0%** compared to **2022.**

RECURRING EBITDA AND RECURRING EBITDA MARGIN
R$ 177.7 million

in 4Q23, **growth of 22.8%** compared to **4Q22,** presenting **22.5% of Recurring EBITDA Margin (2.9 p.p. higher than in 4Q22)** and **R$ 640.5 million** in **2023**, with **an increase of 31.5%** compared to **2022** and **22.7%** of **Recurring EBITDA Margin** in **2023 (3.5 p.p. higher than in 2022).**

Earnings Video Conference

03/08/2024 at 9h00 a.m.

(Brazilian time)

Access in Portuguese

VULC3 Quote (12/31/2023)
R$ 20.14

Market Value
R$ 5.0 billion

Number of shares
Common
245.916.244

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MESSAGE FROM MANAGEMENT

With the combination of strong brands, a vertical business model 100% focused on sports and efficiency gains in operations, Vulcabras (VULC3) records in 2023 the best year in its history.

Gross revenue was R$ 3.2 billion, a new record, with growth of 11.5% compared to 2022. The gross margin reached its highest historical level, reaching 41.7% in the year, an increase of 4.7 p.p. versus the consolidated figure for 2022. Recurring EBITDA increased by 31.5% against the result presented in 2022, reaching R$ 640.5 million in 2023. The recurring EBITDA margin was 22.7%, 3.5 p.p. higher than in 2022. Recurring net profit was R$ 489.7 million, an increase of 32.0% compared to the result in 2022.

The Company's own e-commerce channel continued to grow rapidly. Compared to 2022, it recorded a growth of 104.4%, with an increase from R$ 136.9 million in 2022 to R$ 279.8 million in net revenue in 2023. In the year, it reached a 9.9% share of total revenue.

The revenue of the Athletic footwear division grew by 13.1% in turnover, a result of the complementarity of the brand and channel mix, operation in new product categories, and portfolios aligned with the profile of each consumer, expanding the performance and revenue of the brands.

4th quarter of 2023

With revenue of R$ 919.1 million, growth of 7.1% compared to 4Q22, Vulcabras also records the best quarter in its history, the 14th consecutive period of growth.

The gross margin, like revenue, also grew, reaching 42.7%, an increase of 4.4 p.p. against the same period of 2022. Recurring EBITDA was R$ 177.7 million in 4Q23, growth of 22.8% compared to 4Q22, with a 22.5% recurring EBITDA margin (2.9 p.p. higher than in 4Q22). Recurring net profit reached R$ 144.7 million in 4Q23, an increase of 18.5% compared to 4Q22, with a recurring Net Margin of 18.3%, 1.8 p.p. higher than in 4Q22.

The e-commerce channel recorded net revenue of R$ 94.9 million in the quarter, growth of 101.1% compared to R$ 47.2 million recorded in 4Q22. In the period, the share of the Company's total revenue was 12.0%. With a strategy focused on positioning and consumer experience, the channel evolves exponentially in both revenue and profitability, capturing relevant synergies and economies of scale and strengthening Vulcabras' performance.

The record performance in 2023 and 4Q23 consolidates the best year in Vulcabras' history, marked by the strong growth of our brands. The historical performance reflects a mix of complementary brands, knowledge of more than seven decades in building brands in the national market and a vertical business model, from development to production, which offers the Company's brands agility and an exclusive assortment to explore their respective avenues of growth.

At Olympikus, the expansion of revenue with the “Família do Corre”, focused on sports performance, increased its presence in the running market and elevated the brand's perceived value. Today the category already represents more than 15% of the brand's revenue and the Corre 3, one of the models in the performance line, was the most used sneaker by Brazilians in runs recoded on the Strava app in Brazil in 2023.

Mizuno accelerated expansion in high-performance running with the development of national collections of performance Athletic footwear to complement the portfolio offered, and expansion of the assortment with the start of local manufacturing of the Morelia football boot line.

Under Armour maintained its growth focused on training and basketball categories, conquering Brazilian gyms and courts and becoming the leading brand in training footwear sales, with a focus on gyms, in the main clients of the Brazilian multi-brand retail.

Vulcabras, which throughout 2023 made dividend payments consistently, totaling R$ 208.4 million and which recently announced an extraordinary payment of approximately R$ 367.7 million, today announces another dividend payment in the approximate amount of R$ 204.2 million (R$ 0.75 per share). This recurrence and constancy reinforces the Company's ability to generate cash and constantly search for the best capital allocation, thus delivering to its investors one of the best Returns on Invested Capital on the market.

We closed 2023 in our best shape, maintaining the consistency of the evolution of the Company's results. For 2024, we will continue executing the strategy with a focus on sports, seeking to expand our operations based on the strengths of the business, investing in our brands and paying attention to new avenues of growth and synergies, aiming to maintain the consistent and sustainable growth cycle of our business.

“With historical results, Vulcabras consolidates itself as a reference in the sector”

CONSOLIDATED PERFORMANCE

R$ Milion	4Q23	4Q22	Var.% 4Q23/ 4Q22	2023	2022	Var. % 2023/2022
Volume (milion pairs and Itens)	8.7	8.6	0.5%	31.4	31.7	-0.9%
Gross Operating Revenue	**919.1**	**858.0**	**7.1%**	**3,267.7**	**2,931.9**	**11.5%**
Net Revenue	791.3	738.8	7.1%	2,817.7	2,536.9	11.1%
Domestic Market	768.0	689.5	11.4%	2,651.3	2,309.0	14.8%
Foreign Market	23.3	49.3	-52.7%	166.4	227.9	-27.0%
Gross profit	**337.5**	**282.9**	**19.3%**	**1,176.0**	**937.4**	**25.5%**
Gross margin %	**42.7%**	**38.3%**	**4.4 p.p.**	**41.7%**	**37.0%**	**4.7 p.p.**
SG&A Operation Expenses	-185.1	-173.8	6.5%	-641.3	-549.4	16.7%
Other Net Operating Income (Expenses)	-2.2	43.6	-105.1%	-0.1	50.2	-100.2%
EBITDA	177.7	176.6	0.6%	641.3	525.8	22.0%
EBITDA Margin	**22.5%**	**23.9%**	**-1.4 p.p.**	**22.8%**	**20.7%**	**2.1 p.p.**
Recurring EBITDA	177.7	144.7	22.8%	640.5	487.1	31.5%
Recurring EBITDA Margin	**22.5%**	**19.6%**	**2.9 p.p.**	**22.7%**	**19.2%**	**3.5 p.p.**
Net Income	144.7	214.3	-32.5%	494.9	469.9	5.3%
Net Margin	**18.3%**	**29.0%**	**-10.7 p.p.**	**17.6%**	**18.5%**	**-0.9 p.p.**
Recurring Net Income	144.7	122.1	18.5%	489.7	370.9	32.0%
Recurring Net Margin	18.3%	16.5%	1.8 p.p.	17.4%	14.6%	2.8 p.p.

GROSS VOLUME

In 4Q23, gross volume reached the mark of 8.7 million pairs/pieces, an increase of 0.5% compared to 8.6 million pairs/pieces in 4Q22. When comparing the periods, the highlights were:

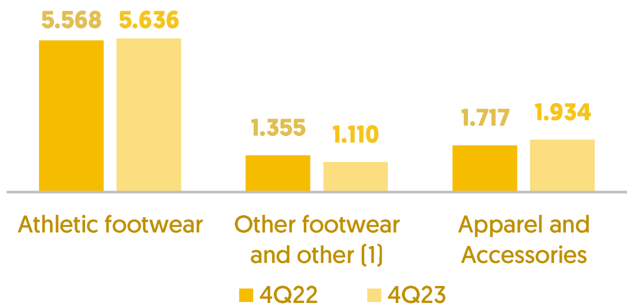
(i) Athletic Footwear recorded an increase of 1.2% in 4Q23 compared to the volume sold in 4Q22. This growth is due to the increase in sales in the domestic market, but this was overshadowed by the reduction in sales in the foreign market, especially for the Argentine market.

(ii) Other Footwear and Others there was a reduction of 18.1% mainly due to the decrease in the volume sold of flip-flops and boots for professional use.

(iii) Apparel & Accessories recorded growth of 12.6% in 4Q23 when compared to the volume recorded in 4Q22. This growth is due to the increase in sales in the domestic market, mainly direct to Consumer.

GROSS VOLUME OF PAIRS AND PIECES/THOUSAND – 4Q23 vs 4Q22

Pairs and itens (thousand)	4Q23	Share %	4Q22	Share %	Var. % 4Q23/ 4Q22
Athletic footwear	5,636	64.9%	5,568	64.4%	1.2%
Other footwear and other (1)	1,110	12.8%	1,355	15.7%	-18.1%
Apparel and Accessories	1,934	22.3%	1,717	19.9%	12.6%
Total	**8,680**	**100.0%**	**8,640**	**100.0%**	**0.5%**

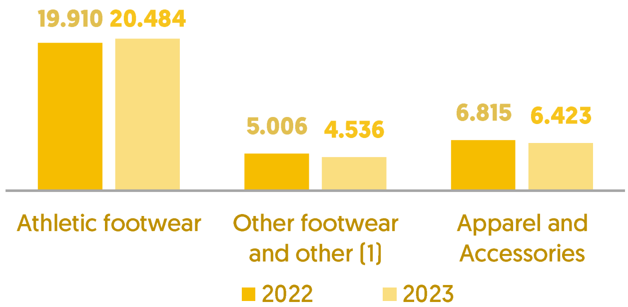


In 2023, gross volume reached 31.4 million pairs/pieces, a reduction of 0.9% compared to the volume of 2022, which reached 31.7 million pairs/pieces.

The dynamics throughout 2023 was one of volume growth in the domestic market, which was overshadowed by the retraction in sales in the foreign market and at the branch in Peru, especially for the Argentine market.

GROSS VOLUME OF PAIRS AND PIECES/THOUSAND - 2023 VS 2022

Pairs and itens (thousand)	2023	Share %	2022	Share %	Var. % 2023/ 2022
Athletic footwear	20,484	65.1%	19,910	62.7%	2.9%
Other footwear and other (1)	4,536	14.4%	5,006	15.8%	-9.4%
Apparel and Accessories	6,423	20.5%	6,815	21.5%	-5.8%
Total	**31,443**	**100.0%**	**31,731**	**100.0%**	**-0.9%**



(1) Slippers, boots, women footwear and shoes component

NET OPERATING REVENUE: CATEGORY

Even in the face of the continued challenging scenario in the sports retail segment, the Company's net revenue reached the mark of R$ 791.3 million, an increase of 7.1% compared to R$ 738.8 million recorded in the same period of the previous year. This result highlights Vulcabras' resilience in facing market adversities, consolidating its leading position in the sector.

This was the 14th quarter with consecutive growth, reinforcing the solid pace of sales expansion and achieving positive performance across all of its sports brands.

The Athletic Footwear category recorded an increase of 7.8% in 4Q23 compared to the same period of the previous year. This growth in revenue is due to the increase in sales in the domestic market, which was overshadowed by the reduction in sales in the foreign market.

The Other Footwear and Others category decreased by 8.5% over 4Q22. The reduction in revenue in this category was caused by the decline in the performance of flip-flops sold in both the domestic and foreign markets.

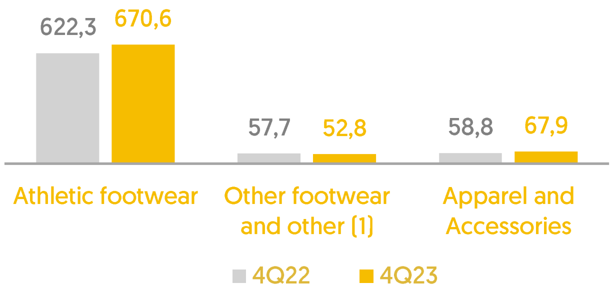
The Apparel and Accessories category increased by 15.5% over 4Q22. Despite the challenging retail scenario, especially in the specialized distribution of apparel and accessories, revenues of this category presented an increase in sales in the domestic market, both in the wholesale sales channel and mainly in the DTC (Direct to Consumer) channel.

In 2023, net revenue reached the mark of R$ 2,817.7 million, reflecting a growth of 11.1% compared to the same period of the previous year, when it reached R$ 2,536.9 million.

> **Constant and consistent growth for the 14th consecutive quarter**

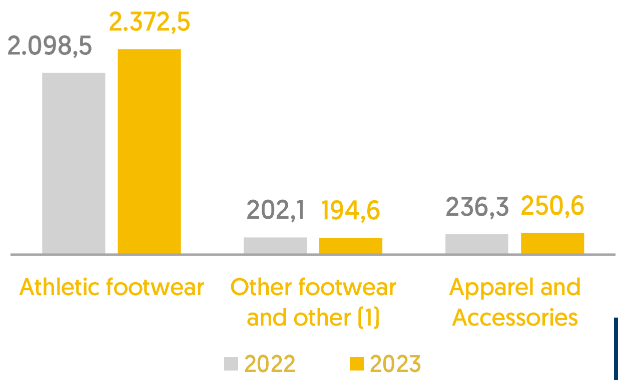
NET REVENUE BY CATEGORY – 4Q23 VS 4Q22

R$ Million	4Q23	Share %	4Q22	Share %	Var. % 4Q23/ 4Q22
Athletic footwear	670.6	84.7%	622.3	84.2%	7.8%
Other footwear and Other (1)	52.8	6.7%	57.7	7.8%	-8.5%
Apparel and Accessories	67.9	8.6%	58.8	8.0%	15.5%
Total Net Revenue	**791.3**	**100.0%**	**738.8**	**100.0%**	**7.1%**



NET REVENUE BY CATEGORY – 2023 VS 2022

R$ Million	4Q23	Share %	4Q22	Share %	Var. % 4Q23/ 4Q22
Athletic footwear	2,372.5	84.2%	2,098.5	82.7%	13.1%
Other footwear and Other (1)	194.6	6.9%	202.1	8.0%	-3.7%
Apparel and Accessories	250.6	8.9%	236.3	9.3%	6.1%
Total Net Revenue	**2,817.7**	**100.0%**	**2,536.9**	**100.0%**	**11.1%**



(1) Slippers, boots, women footwear and shoes component

NET OPERATING REVENUE: MARKETS

In the domestic market, net revenue reached the mark of R$ 768.0 million in 4Q23, an increase of 11.4% compared to the same period of 2022, when it reached R$ 689.5 million. This positive performance confirms the Company's constant growth rate in the domestic market.

The Company's three brands presented growth in the domestic market compared to 4Q22. The highlight of the quarter was the growth of Athletic footwear and the resumption of growth in the apparel and accessories category.

In the foreign market, net revenue for 4Q23 reached R$ 23.3 million, a strong decrease of 52.7% compared to R$ 49.3 million recorded in 4Q22.

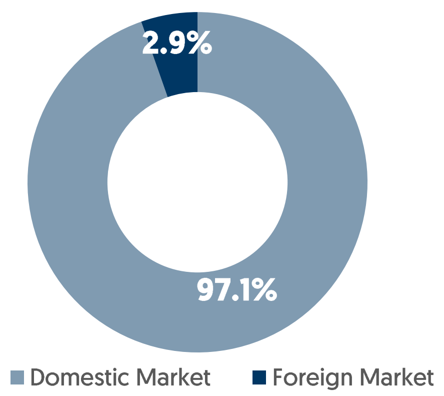
All categories had their revenues strongly impacted by the stagnation of sales to Argentina (the main destination for our exports) due to the unpredictability of the measures implemented by the new government and which led to the interruption of shipments pending greater clarity regarding the country's future behavior.

At the Peru branch, in 4Q23 there was a reduction in revenue compared to the same period of the previous year, reflecting the continuity of macroeconomic difficulties that impact the economic activity and consequently the consumption.

NET REVENUE BY MARKET –4Q23 VS 4Q22

R$ Million	4Q23	Share %	4Q22	Share %	Var. % 4Q23/ 4Q22
Domestic Market	768.0	97.1%	689.5	93.3%	11.4%
Foreign Market	23.3	2.9%	49.3	6.7%	-52.7%
Total Net Revenue	**791.3**	**100.0%**	**738.8**	**100.0%**	**7.1%**

MARKET SHARE – 4Q23



NET OPERATING REVENUE: MARKETS

In 2023, net revenue in the domestic market totaled R$ 2,651.3 million, a significant increase of 14.8% compared to the same period of 2022, when net revenue reached R$ 2,309.0 million. This growth evidences our robust performance in the domestic market, highlighting the commitment and effectiveness in meeting the demands and expectations of the national scenario.

On the other hand, in the foreign market, net revenue in 2023 totaled R$ 166.4 million, a reduction of 27.0% compared to R$ 227.9 million obtained in the same period of the previous year.

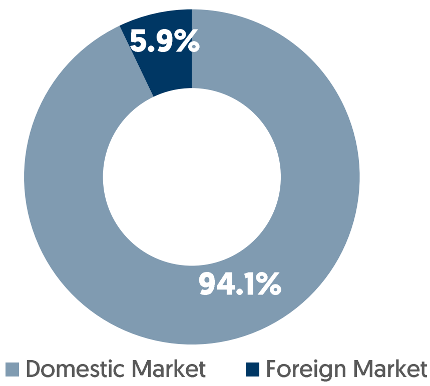
This variation highlights the specific challenges faced in Latin America, mainly in Argentina, which has repeatedly faced problems related to economic and exchange rate instability.

It is worth noting that in the comparison of the accumulated for the year, the accumulated value of 2022 was increased by the exports of flip-flops made with the Under Armour brand to the North American market, supporting our partner that was facing, at the time, complications in global supply of these models and increased the comparison base by 418 thousand pairs of flip-flops in the Other footwear and Others category.

NET REVENUE BY MARKET - 2023 vs 2022

R$ Million	2023	Share %	2022	Share %	Var. % 2023/ 2022
Domestic Market	2,651.3	94.1%	2,309.0	91.0%	14.8%
Foreign Market	166.4	5.9%	227.9	9.0%	-27.0%
Total Net Revenue	**2,817.7**	**100.0%**	**2,536.9**	**100.0%**	**11.1%**

MARKET SHARE– 2023



E-COMMERCE

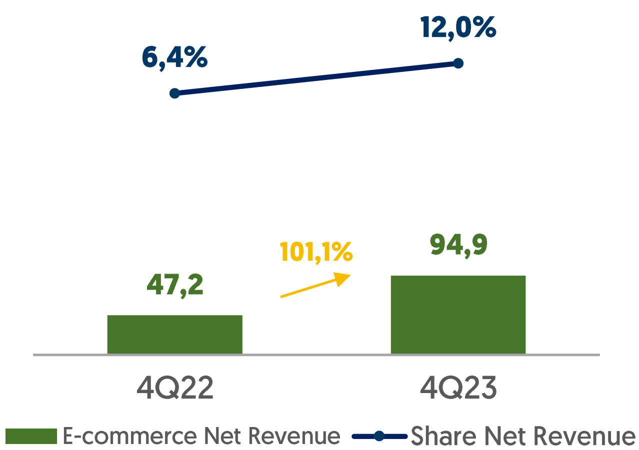
Highlight in 4Q23, the Company's E-commerce recorded a significant growth of 101.1% in relation to the same period of the previous year, reaching the significant mark of R$ 94.9 million in net revenue.

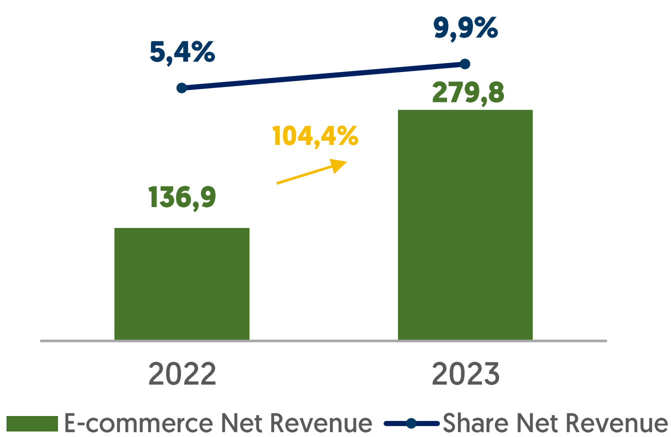
With a strategy focused on positioning and consumer experience, the channel continues to evolve rapidly. The share of digital sales in 4Q23 reached 12.0% of consolidated net operating revenue, an increase of 5.6 p.p. compared to 6.4% recorded in the same period of the previous year. In 2023, the share of digital sales reached 9.9% of consolidated net operating revenue, an increase of 4.5 p.p. compared to 5.4% in 2022.

These robust results highlight the Company's effectiveness in aligning its online presence with consumers' ever-changing expectations, thus consolidating a solid position in the e-commerce landscape.

NET REVENUE AND NOR PARTICIPATION

R$ Million	4Q23	4Q22	Var. % 4Q23/4Q22	2023	2022	Var. % 2023/2022
E-commerce Net Revenue	94.9	47.2	101.1%	279.8	136.9	104.4%
NOR Participation %	12.0%	6.4%	5.6 p.p.	9.9%	5.4%	4.5 p.p.





COST OF GOODS SOLD (COGS)

In 4Q23, the cost of goods sold represented 57.3% of net sales revenue, in contrast to 61.7% recorded in the same period of 2022.

During 4Q23, the Company's plants operated at full capacity. The constitution of the order backlog for the last quarter of 2023 still during the previous quarter brought the necessary predictability for the preparation and execution of more assertive production plans and, combined with the high volumes produced, enabled the achievement of productive efficiency within the planned levels and consequently the obtainment of better costs of the products produced.

In 4Q23, the costs of raw materials and inputs remained stable within normal limits. As is usually done every year, in December the plants were stopped for collective vacation, which ended up affecting the cost of products produced in that month, but without overshadowing the excellent performance obtained in October and November.

In 2023, as a percentage of net sales revenue, cost of sales represented 58.3% compared to 63.0% in the same period of 2022.

COST OF GOODS SOLD (% COGS/NOR)

GROSS PROFIT AND GROSS MARGIN

Gross profit in 4Q23 reached the mark of R$ 337.5 million, a significant increase of 19.3% compared to R$ 282.9 million in the same period of 2022. Gross margin reached 42.7% in 4Q23, reflecting a significant expansion of 4.4 percentage points compared to the 38.3% obtained in 4Q22.

The positive impact brought to costs due to the large volume produced in 4Q23 provided gains in production efficiency and the capture of operational synergies that resulted in the improvement of the gross margin.

For the twelfth consecutive quarter, the Company reports growth in its gross margin. The 4.4 p.p. gain achieved in 4Q23 compared to the margin obtained in 4Q22 demonstrates the consistency and robustness of the Company's business model.

In 2023, gross profit was R$ 1,176.0 million, an increase of 25.5% compared to R$ 937.4 million obtained in 2022. Margin in 2023 reached 41.7%, 4.7 p.p. higher than the 37.0% obtained in 2022.

The main factors that contributed to this gross margin gain in 2023 were:

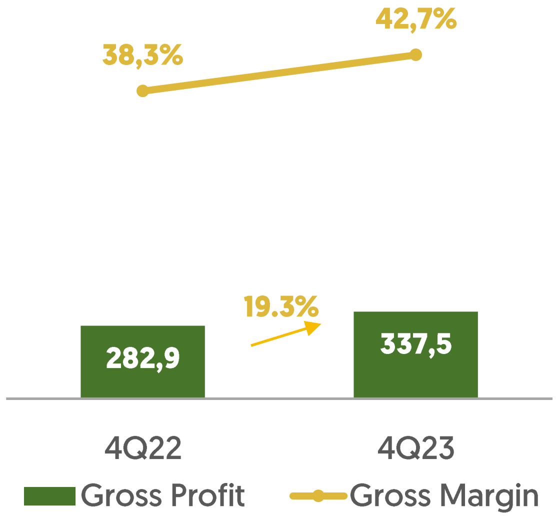
i) Capturing synergies and economies of scale resulting from production growth;

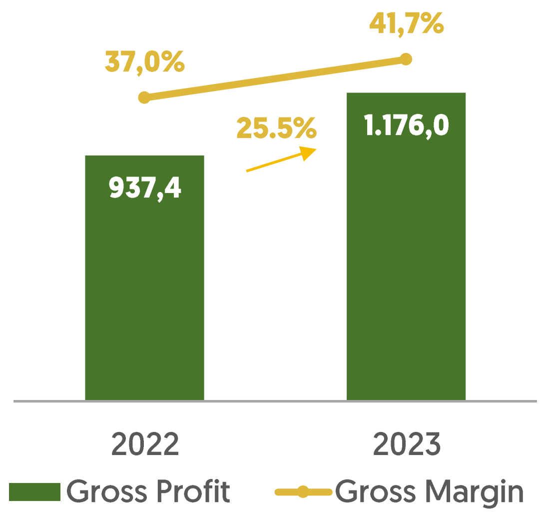
ii) Expansion of the product portfolio across all brands, exploring new categories and expanding the offer;

iii) Growth in the share of DTC (Direct to Consumer) sales, where gross margins are higher than the Company's general average due to the characteristics of this channel;

iv) Stabilization of prices of main raw materials.

GROSS PROFIT AND GROSS MARGIN





SELLING AND ALLOWANCE FOR DOUBTFUL ACCOUNTS EXPENSES

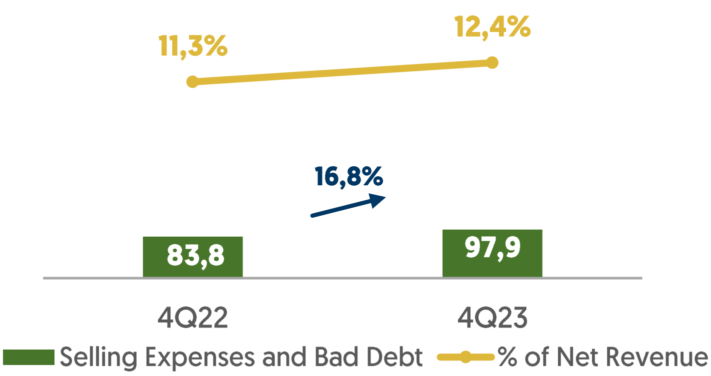
Selling, advertising and allowance for doubtful accounts expenses in 4Q23 totaled R$ 140.7 million, an increase of 22.6% compared to the same period of 2022.

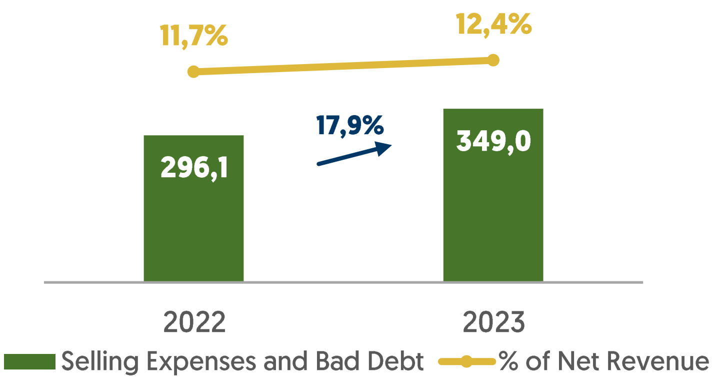
Direct expenses linked to sales and allowance for doubtful accounts, excluding those related to advertising, reached the mark of R$ 97.9 million, growing 16.8% when compared to R$ 83.8 million recorded in the same period of the previous year. In terms of revenue share, selling expenses, excluding advertising, in 4Q23 represented 12.4% and in 4Q22 the share was 11.3%.

During 4Q23, some variable selling expenses showed an increase in their representation relative to revenue, mainly due to changes in shares between channels. The increase in the share of sales made through E-commerce, with a considerable part of these sales made through marketplaces, led to an increase in expenses with commissions and shipping.

In 2023, selling expenses, excluding advertising, totaled R$ 349.0 million, an increase of 17.9% compared to R$ 296.1 million recorded in 2022 . The relative share of these expenses over net revenue increased by 0.7 p.p. in the comparison between 2023 (12.4%) and 2022 (11.7%).

SELLING AND ALLOWANCE FOR DOUBTFUL ACCOUNTS EXPENSES (Excluding advertising expenses)





ADVERTISING AND MARKETING EXPENSES

In 4Q23, advertising and marketing expenses totaled R$ 42.8 million, an increase of 38.1% compared to R$ 31.0 million in 4Q22.

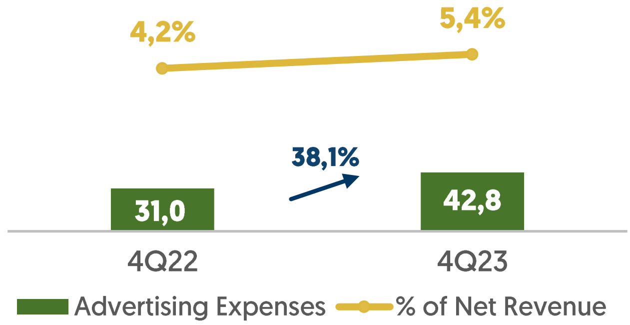
In relation to net revenue, advertising and marketing expenses represented 5.4% in 4Q23, an increase of 1.2 p.p. in relation to the share observed in 4Q22.

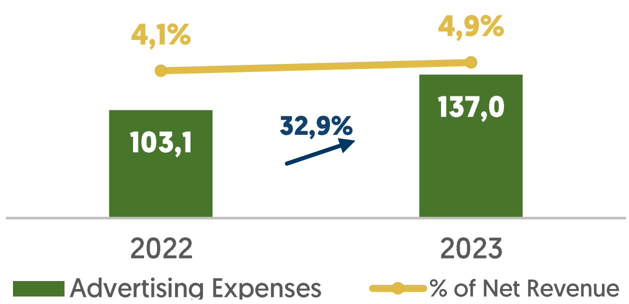
In 4Q23, Olympikus won some important awards in recognition of the work built in partnership with the running community. The "Bota Pra Correr" case won the Share Award in the "Campaign with Influencers" category; At the Effie Awards Brasil, the brand won bronze with "A Criação do Corre" in the Innovative Marketing Solution category. The Corre 3 was voted the best in the "Tênis Sem Placa Cost-Benefit" category of the Best of the Year Corrida no Ar Award, and was the big winner in 3 categories of the Tênis Certo 2023 Award: best "Pau Pra toda Obra" sneaker, "Beginners" and "Best Value for Money". Closing the year, in 2023, the Corre 3 was the most used sneaker by Brazilian runners on the Strava app, one of the biggest apps used by runners and cyclists to record their routes.

At Mizuno, to confirm the brand's presence with the high-performance running public, Mizuno's super sneaker, the Rebellion Pró, was chosen as the best "Super Sneaker" and "Sneaker of the Year" in the 'The Best Sneakers of the Year 2023' Awards from Canal Tênis Certo.

In December, Under Armour held the 2nd edition of SUAR. The event brought together more than 200 high-performance athletes and the country's main training influencers.

ADVERTISING AND MARKETING EXPENSES





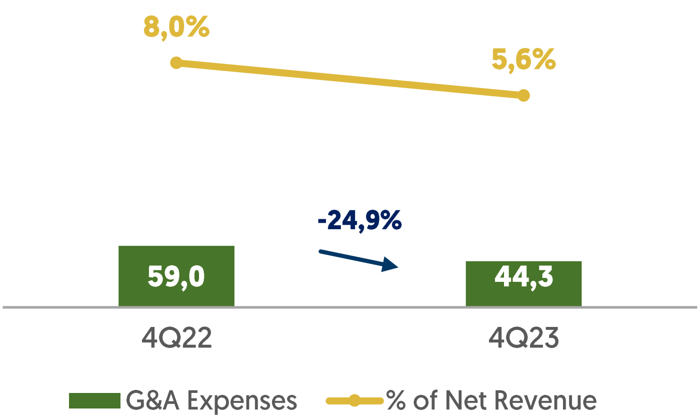
GENERAL AND ADMINISTRATIVE EXPENSES

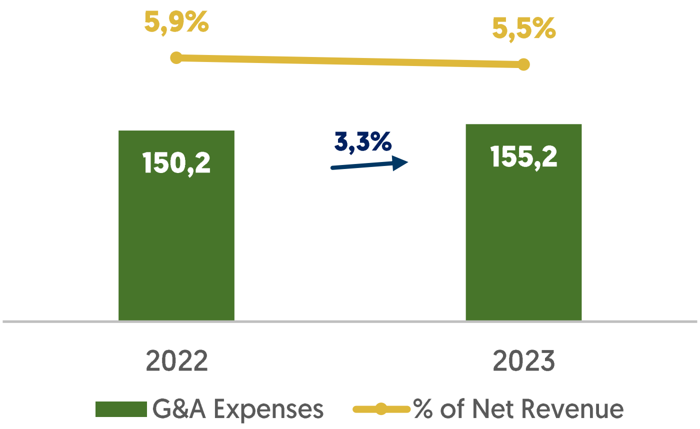
General and administrative expenses totaled R$ 44.3 million in 4Q23, a decrease of 24.9% compared to 4Q22. As a percentage of net revenue, there was a reduction of 2.4 p.p., from 8.0% in 4Q22 to 5.6% in 4Q23.

The reduction in the comparison between the quarters of 2022 and 2023 is due to the recognition in 4Q22 of "non-recurring" expenses in the amount of R$ 18.0 million in legal fees related to the gain in a Pis/Cofins lawsuit over ICMS in the subsidiary of Ceará. Excluding the effect of this expense, the variation would be an 8% growth, most of which is linked to the increase in spending on Technology due to the growth in sales through ecommerce.

In 2023, there was an increase of 3.3% in general and administrative expenses compared to 2022, from R$ 150.2 million to R$ 155.2 million in 2023. When comparing the percentage of net revenue, there is an increase of 0.4 p.p. in 2023 compared to 2022.

GENERAL AND ADMINISTRATIVE EXPENSES





OTHER NET OPERATING INCOME (EXPENSES)

In 4Q23, Other Net Operating Income (Expenses) reported an expense of R$ 2.2 million, compared to an income of R$ 43.6 million in 4Q22.

It should be noted that in 4Q22 there was the recognition of "non-recurring income (expenses)" in the net amount of R$ 50.0 million that impacted this item.

In 2023, compared to 2022, there was a reduction of 100.2%, resulting in an expense of R$ 0.1 million in 2023.

The variation observed mainly refers to the recognition of "non-recurring" income (expenses) in 2022, which reached a net revenue amount of R$ 56.8 million.

OTHER NET OPERATING INCOME (EXPENSES)

R$ Million	4Q23	4Q22	Var. % 4Q23/4Q22	2023	2022	Var. % 2023/2022
Other Net Operating Income (Expenses)	**-2.2**	**43.6**	**-105.1%**	**-0.1**	**50.2**	**-100.2%**

NET FINANCIAL INCOME (EXPENSES)

In 4Q23, the Company reported a net financial expense of R$ 2.9 million, a deterioration compared to the same period of 2022 when it reported a net financial income of R$ 65.8 million.

It should be noted that in 4Q22 there was the recognition of "non-recurring" net financial income of R$ 72.4 million that impacted the result. Comparing 4Q23 with 4Q22 excluding the effect of non-recurring income, the main variation was observed in the increase in financial income. This is due to the increase in cash and also the correction of Pis/Cofins credits to be recovered that were recognized during 2022.

In the year, financial income (expenses) presented a financial expense of R$ 4.8 million in 2023, in contrast to a financial income of R$ 41.3 million in 2022.

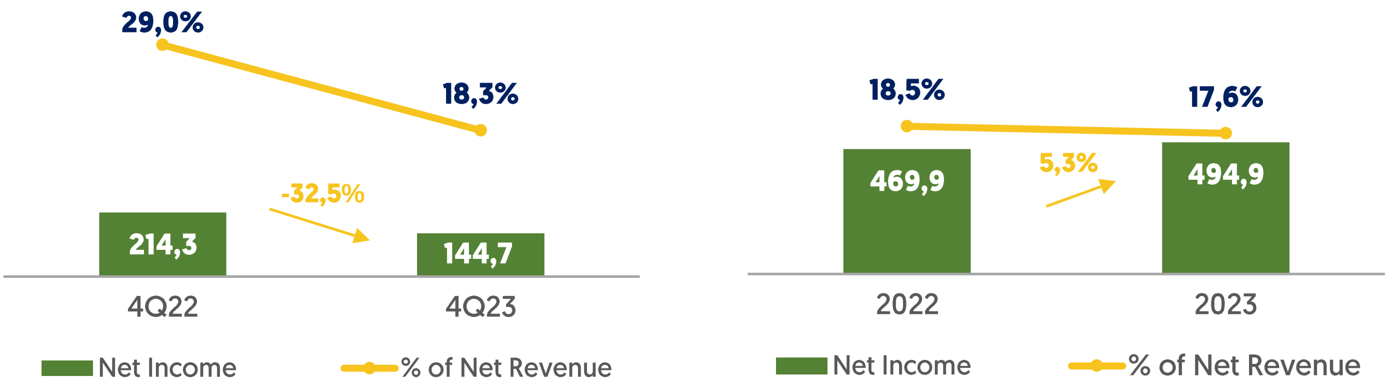
NET FINANCIAL INCOME (EXPENSES)

R$ Million	4Q23	4Q22	Var. % 4Q23/4Q22	2023	2022	Var. % 2023/2022
Capital structure	-13.4	-13.3	0.8%	-56.9	-48.2	18.0%
Operating	-3.5	-3.8	-7.9%	-10.9	-12.1	-9.9%
Exchange differences	-3.0	-2.0	50.0%	-23.2	-24.3	-4.5%
Financial Costs	**-19.9**	**-19.1**	**4.2%**	**-91.0**	**-84.6**	**7.6%**
Capital structure	11.9	7.0	70.0%	42.6	21.0	102.9%
Operating	4.0	75.6	-94.7%	23.4	84.7	-72.4%
Exchange differences	1.1	2.3	-52.2%	20.2	20.2	0.0%
Financial Income	**17.0**	**84.9**	**-80.0%**	**86.2**	**125.9**	**-31.5%**
Net Financial Income	**-2.9**	**65.8**	**-104.4%**	**-4.8**	**41.3**	**-111.5%**

NET INCOME

Net income in 4Q23 reached the mark of R$ 144.7 million, a decrease of 32.5% over the income of R$ 214.3 million in 4Q22. Net margin reached 18.3% in 4Q23, a decrease of 10.7 p.p. compared to 29.0% in 4Q22.

NET INCOME AND NET MARGIN



It is important to highlight that in 4Q22 there were “non-recurring” events that impacted the Company's net income. Considering Recurring Net Income, the income in 4Q23 was R$ 144.7 million, an increase of 18.5% compared to R$ 122.1 million in 4Q22 .

The recurring net margin also increased by 1.8 p.p., from 16.5% in 4Q22 to 18.3% in 4Q23. The improvement in net margin in 4Q23 is mainly due to the improvement in operational performance, which resulted in increase in gross margin.

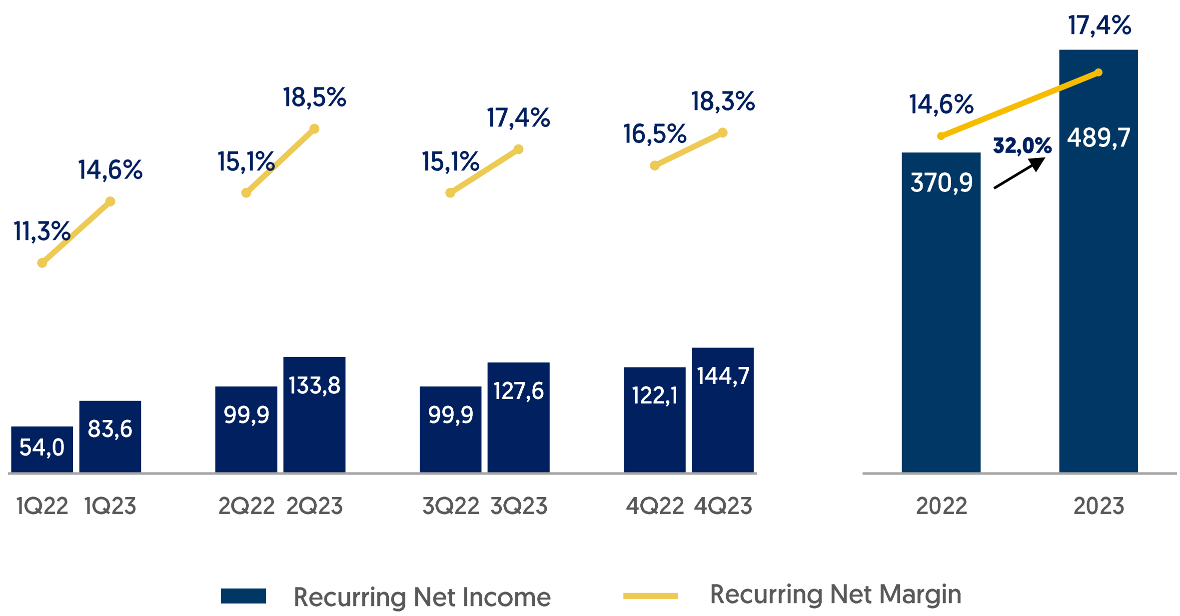
R$ Milhões	4Q23	4Q22	Var. % 4Q23 / 4Q22	2023	2022	Var. % 2023/2022
Net Income	**144.7**	**214.3**	**-32.5%**	**494.9**	**469.9**	**5.3%**
(-) Main Pis/Cofins Credit	0.0	-53.3	N/A	0.0	-53.3	N/A
(-) Credit for updating main values	0.0	-72.4	N/A	0.0	-72.4	N/A
(+) Pis/Cofins on updating Pis/Cofins credits and Judicial Deposits	0.0	3.4	N/A	0.0	3.4	N/A
(+) IRPJ / CSLL on credit update of recognized Pis/Cofins	0.0	12.1	N/A	0.0	12.1	N/A
(-) Undue IR/CSLL on recognized tax credits	0.0	0.0	N/A	0.0	-8.8	N/A
(+) Lawyer fees on legal proceedings	0.0	18.0	N/A	0.0	18.0	N/A
(+) Spontaneous collection of ICMS from previous years	0.0	0.0	N/A	0.0	2.0	N/A
(+) Net principal value in share of Eletrobrás' compulsory deposits.	0.0	0.0	N/A	-0.8	0.0	N/A
(-) Eletrobrás Credit Correction	0.0	0.0	N/A	-4.4	0.0	N/A
Recurring Net Income	**144.7**	**122.1**	**18.5%**	**489.7**	**370.9**	**32.0%**
Recurring Net Income Margin	**18.3%**	**16.5%**	**1.8 p.p.**	**17.4%**	**14.6%**	**2.8 p.p.**

NET INCOME

Net income in 2023 reached R$ 494.9 million, an increase of 5.3% compared to 2022. The net margin decreased by 0.9 p.p. when comparing 2023 and 2022, from 18.5% to 17.6%.

In the comparison of recurring net income, the growth in 2023 was 32.0% and reached R$ 489.7 million, compared to the adjusted income of R$ 370.9 million obtained in 2022.

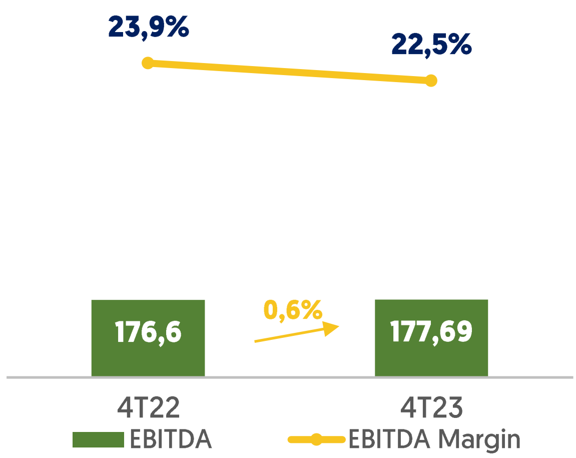
RECURRING NET INCOME AND RECURRING NET MARGIN

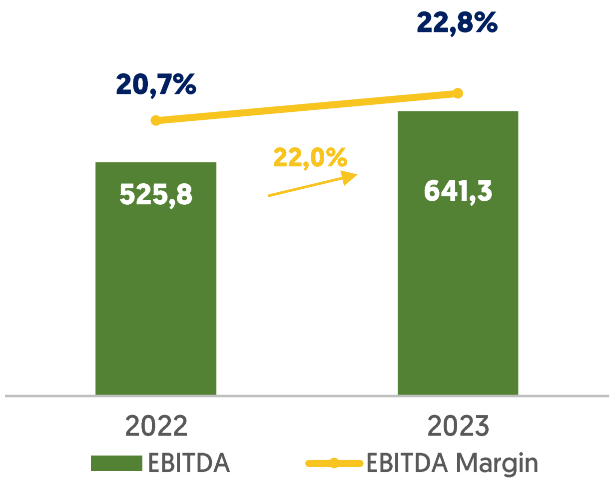


EBITDA

In 4Q23, EBITDA reached the mark of R$ 177.7 million, a growth of 0.6% compared to R$ 176.6 million obtained in 4Q22. The EBITDA margin decreased by 1.4 p.p., reaching 22.5% in 4Q23 compared to 23.9% in 4Q22.

EBITDA AND EBITDA MARGIN





It is important to highlight that in 4Q22 there were "non-recurring" events that impacted the Company's EBITDA. When considering the Recurring EBITDA, the result obtained in 4Q23 was R$ 177.7 million, a growth of 22.8% compared to R$ 144.7 million in 4Q22. The recurring EBITDA Margin also increased considerably by 2.9 p.p., from 19.6% in 4Q22 to 22.5% in 4Q23.

R$ Millions	4Q23	4Q22	Var. % 4Q23/4Q22	2023	2022	Var. % 2023/2022
EBITDA	**177.7**	**176.6**	**0.6%**	**641.3**	**525.8**	**22.0%**
(-) Main Pis/Cofins Credit	0.0	-53.3	N/A	0.0	-53.3	N/A
(+) Pis/Cofins on updating Pis/Cofins credits and Judicial Deposits	0.0	3.4	N/A	0.0	3.4	N/A
(-) Undue IR/CSLL on recognized tax credits	0.0	0.0	N/A	0.0	-8.8	N/A
(+) Lawyer fees on legal proceedings	0.0	18.0	N/A	0.0	18.0	N/A
(-) Spontaneous collection of ICMS from previous years	0.0	0.0	N/A	0.0	2.0	N/A
(-) Net principal value in share of Eletrobrás' compulsory deposits.	0.0	0.0	N/A	-0.8	0.0	N/A
Recurring EBITDA	**177.7**	**144.7**	**22.8%**	**640.5**	**487.1**	**31.5%**
Recurring EBITDA Margin	**22.5%**	**19.6%**	**2.9 p.p.**	**22.7%**	**19.2%**	**3.5 p.p.**

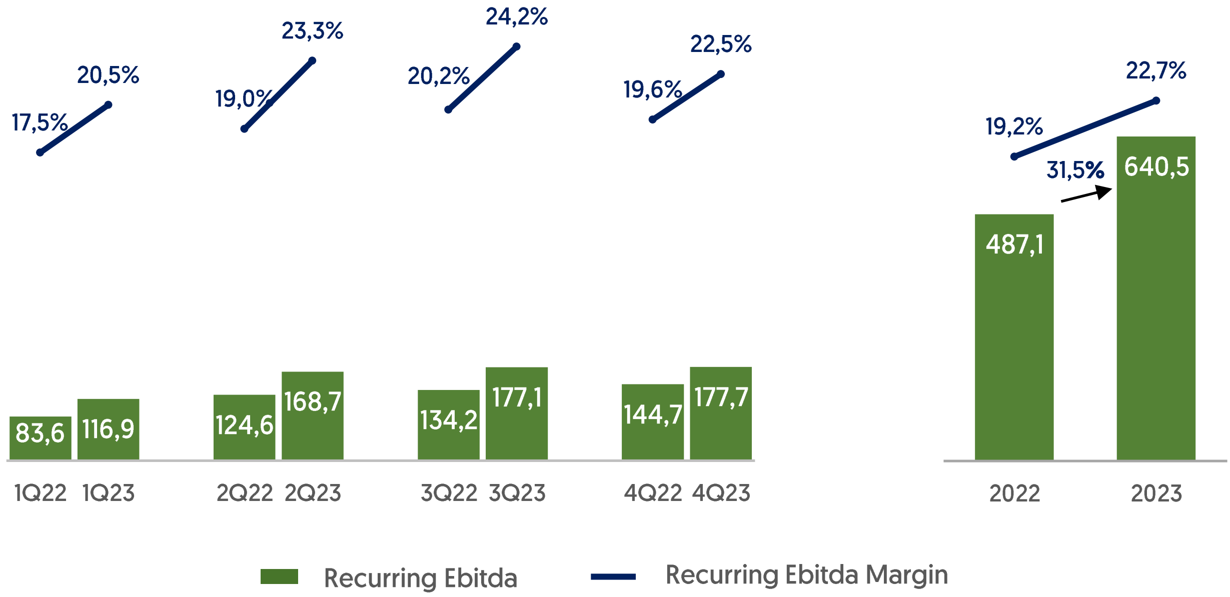
EBITDA

The 2.9 p.p. gain in EBITDA Margin in 4Q23 against the same period of the previous year is mainly due to the excellent operational performance, which resulted in an increase of 4.4 p.p. in gross margin.

In 2023, EBITDA reached R$ 641.3 million, an increase of 22.0% compared to 2022. The EBITDA Margin when comparing 2023 to 2022 increased by 2.1 p.p., from 20.7% to 22.8%.

In the comparison of Recurring EBITDA, the growth in 2023 was 31.5% when compared to the recurring EBITDA obtained in 2022. Recurring EBITDA Margin when comparing 2023 to 2022 increased by 3.5 p.p., from 19.2% to 22.7%.

RECURRING EBITDA AND RECURRING EBITDA MARGIN



ROIC (RETURN ON INVESTED CAPITAL)

Annualized return on invested capital – ROIC² – reached 25.0% in 4Q23-LTM (last twelve months ended 12/31/2023), an increase of 0.9 p.p. over the 24.1% obtained at 12/31/2022

ROIC	2020	2021	2022	4Q23
Net Income for the period (LTM)	31.5	313.8	469.9	494.9
(+) Net Financial Income (LTM)	0.1	(12.4)	(41.3)	4.8
NOPAT	**31.6**	**301.4**	**428.6**	**499.7**
Invested Capital				
Loans and Financing	311.6	361.3	417.0	437.8
(-) Cash and cash equivalents	(158.6)	(114.6)	(197.2)	(361.0)
(-) Financial Investments	(90.5)	(10.3)	(8.9)	(13.4)
(+) Related Parties	17.6	18.0	18.4	–
(+) Equity	1,125.4	1,356.6	1,711.8	1,995.3
Invested Capital	**1,205.5**	**1,611.0**	**1,941.1**	**2,058.7**
Average invested capital for the period (1)	**1,144.0**	**1,408.2**	**1,776.0**	**1,999.9**
Annualized ROIC (2)	**2.8%**	**21.4%**	**24.1%**	**25.0%**

Annualized adjusted return on invested capital (Adjusted ROIC³) reached 28.4% in 4Q23-LTM (last twelve months ended 12/31/2023), an increase of 0.3 p.p. over the 28.1% obtained at 12/31/2022.

ROIC AJUSTADO	2020	2021	2022	4Q23
Net Income for the period (LTM)	31.5	313.8	469.9	494.9
(+) Net Financial Income (LTM)	0.1	(12.5)	(41.3)	4.8
(-) Equity Results (LTM)	2.0	(3.1)	(5.3)	(7.9)
NOPAT (Adjusted)	**33.6**	**298.2**	**423.3**	**491.8**
Invested Capital				
Loans and Financing	311.6	361.3	417.0	437.8
(-) Cash and cash equivalents	(158.6)	(114.6)	(197.2)	(361.0)
(-) Financial Investments	(90.5)	(10.3)	(8.9)	(13.4)
(+) Related Parties	17.6	18.0	18.4	–
(-) Goodwill on acquisition	(198.2)	(198.2)	(198.2)	(198.2)
(-) Investment in subsidiary	(60.0)	(69.4)	(75.7)	(62.9)
(+) Equity	1,125.4	1,356.6	1,711.8	1,995.3
Total Adjusted Invested Capital	**947.3**	**1,343.4**	**1,667.2**	**1,797.6**
Average adjusted invested capital for the period (1)	**884.8**	**1,145.4**	**1,505.3**	**1,732.4**
Adjusted Annualized ROIC 3	**3.8%**	**26.0%**	**28.1%**	**28.4%**

ROIC: Return on invested capital.

(1) Average invested capital at the end of this period and the end of the previous year.

(2) ROIC calculation: NOPAT for the last 12 months divided by the average invested capital.

(3) Adjusted ROIC is a non-accounting measure calculated by dividing Adjusted NOPAT (defined as net income (loss) plus net financial income less equity and the result from discontinued operations), divided by average invested capital in the period. Adjusted Invested Capital is defined as the sum of own capital (equity) and Net Debt (as defined below), less goodwill recorded in intangible assets and investment in non-controlled companies.

CAPEX

In 4Q23, R$ 39.6 million were invested in property, plant and equipment and intangible assets, a decrease of 9.6% compared to the amount invested in the same period of 2022.

In 4Q23, the highlight of investments in capex was the expansion of the industrial pavilion of the rectilinear machinery park at the Ceará plant, intended for the production of Knit uppers.

ADDITIONS TO PROPERTY, PLANT AND EQUIPMENT AND INTANGIBLE ASSETS

R$ Million	4Q23	4Q22	Var. % 4Q23/4Q22	2023	2022	Var. % 2023/2022
Molds	10.7	10.7	0.0%	41.4	35.6	16.3%
Machinery and equipment	8.7	18.5	-53.0%	44.8	63.0	-28.9%
Industrial facilities	3.5	4.9	-28.6%	14.6	22.1	-33.9%
Others	16.1	9.0	78.9%	36.8	37.5	-1.9%
Property, plant and equipment	**39.0**	**43.1**	**-9.5%**	**137.6**	**158.2**	**-13.0%**
Software	0.6	0.7	-14.3%	1.7	2.5	-32.0%
Intangible assets	**0.6**	**0.7**	**-14.3%**	**1.7**	**2.5**	**-32.0%**
Total	**39.6**	**43.8**	**-9.6%**	**139.3**	**160.7**	**-13.3%**

OPERATING CASH GENERATION

The variation in cash in 2023 was R$ 168.4 million, essentially due to the following events

(i) EBITDA of R$ 641.3 million;

(ii) Variation between Long-Term Assets/Liabilities of R$ 117.6 million,

(iii) Increase in bank liabilities by R$ 20.7 million;

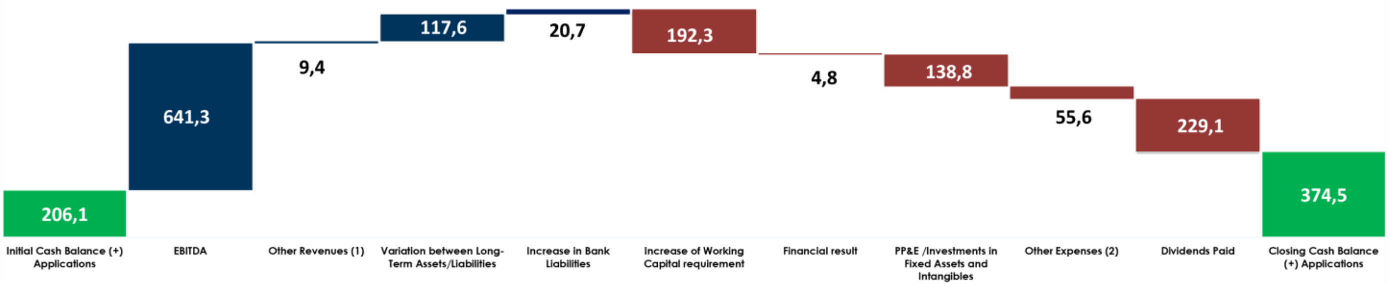
(iv) Increase in the need for working capital of R$ 192.3 million;

(v) Investments in property, plant and equipment and intangible assets of R$ 138.8 million;

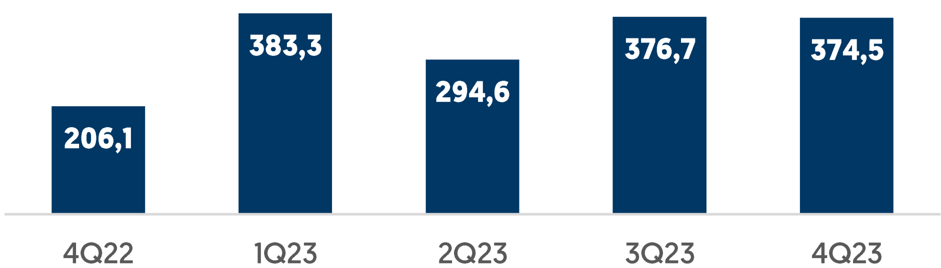
(vi) Dividends paid of R$ 229.1 million.

These events combined resulted in a positive cash variation of R$ 168.4 million over 2023, demonstrating the Company's financial health and cash generation capacity.

CASH FLOW – 2023



CASH FLOW – CASH



(1) Other Revenues : Sale/Write-off of Property, Plant and Equipment and Intangible Assets + Expenses with issuing Shares + Effect of the conversion of investees abroad.

(2) Other Expenses: Income Tax and Social Contributions+ Stock Options + Payment of finance lease liabilities.

NET DEBT

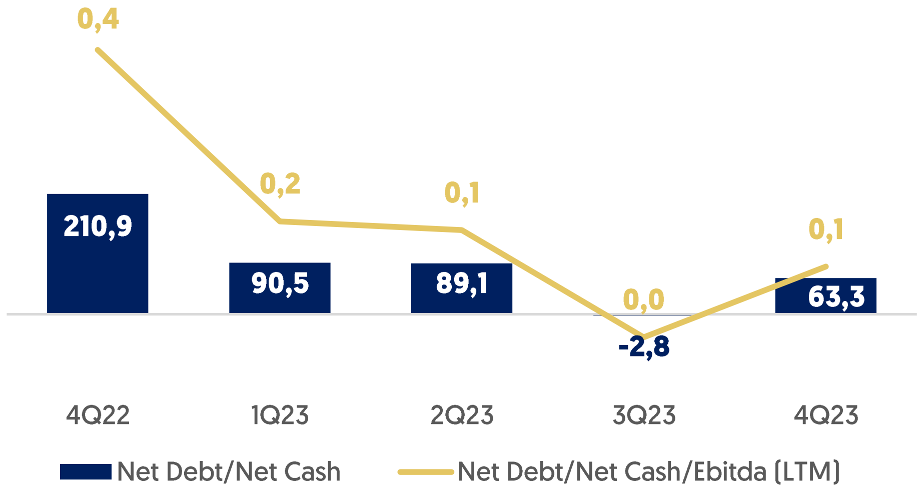
At 12/31/2023, the Company had a net debt of R$ 63.3 million, 70.0% lower than at 12/31/2022.

The reduction in net debt was mainly due to the excellent generation of operating cash due to the expressive result recorded in 2023, despite the expansion of working capital and capex acquisitions, as well as the payment of dividends throughout the year.

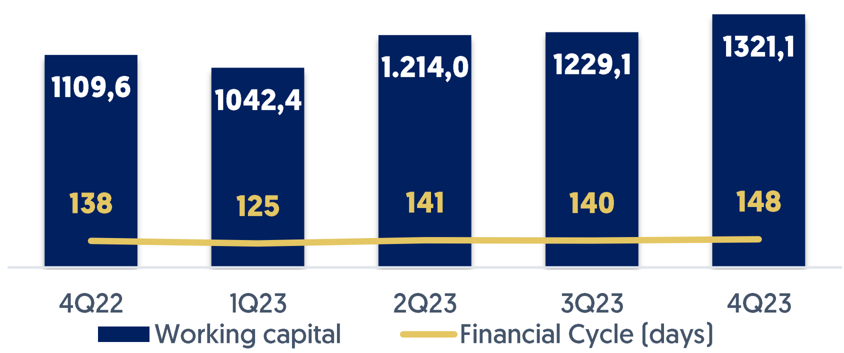
NET DEBT

R$ Million	12/31/2021	12/31/2022	12/31/2023	Var. % 12/31/2023 vs 12/31/2022
Loans and Financing	361.3	417.0	437.7	5.0%
Cash and cash equivalents	(114.6)	(197.2)	(361.0)	83.1%
Financial investments	(10.3)	(8.9)	(13.4)	50.6%
Net Debt/Net Cash	**236.4**	**210.9**	**63.3**	**-70.0%**

EVOLUTION OF NET DEBT AND LEVERAGE



WORKING CAPITAL AND FINANCIAL CYCLE



CAPITAL MARKET

DIVIDENDS

In 2023, Vulcabras announced a series of early dividend payments, demonstrating a commitment to returning value to shareholders.

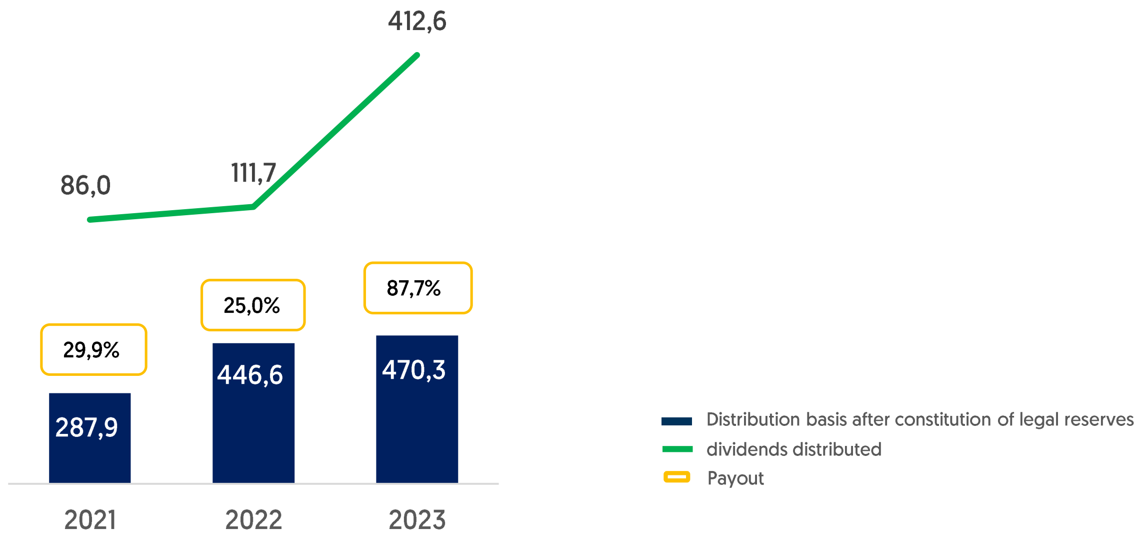
In total, four advance payments of dividends were made relating to the result for 2023, totaling R$ 208.4 million.

On January 22, 2024, based on its statutory reserves, the Company informed its shareholders that it would make a new distribution of dividends, this time in the amount of R$1.50 (one real and fifty cents) per share, totaling R$ 367.7 million, where the first installment corresponding to R$ 1.00 (one real) per share, totaling R$ 245.1 million, was paid on February 8, 2024 and the second installment corresponding to R$ 0,50 (fifty cents) totaling R$ 122.6 million, which will be paid on April 17, 2024.

On March 7, 2024, the Board of Directors approved a new distribution of dividends in the amount of R$ 0.75 (seventy-five cents) per share, totaling R$ 204.2 million. These will be paid on March 25, 2024.

RETURN TO SHAREHOLDERS

Type	Total Amount	Amount paid per Share	Base date for distribution	Payment Date
Interim Dividends	36.8	0.15	05/22/2023	06/06/2023
Interim Dividends	36.8	0.15	08/30/2023	09/14/2023
Interim Dividends	98.0	0.40	10/13/2023	11/24/2023
Interim Dividends	36.8	0.15	11/08/2023	11/24/2023
Interim Dividends	204.2	0.75	03/13/2024	03/25/2024
Total Dividends 2023	**412.6**			
Interim Dividends	245.1	1.00	01/25/2024	02/08/2024
Interim Dividends	122.6	0.50	01/25/2024	04/17/2024
Interim Dividends	**367.7**			



CAPITAL MARKET

SHARE BUYBACK PROGRAM

Since May 2022, the Company has the Share Buyback Program, with the aim of maximizing capital allocation and generating value for shareholders. On October 31, 2023, the Board of Directors approved the extension of the Company's share buyback program for a period of 18 months. The program authorizes the repurchase of up to 5 million shares.

During 4Q23, the Company did not make any new purchases and the balance acquired and held in treasury was 766.2 thousand shares.

This share buyback program is a strategy that aims to optimize capital and increase value for shareholders, in addition to demonstrating the Company's confidence in its future performance.

Type	Balance 12/31/2022	Balance 03/31/2023	Balance 06/30/2023	Balance 09/30/2023	Balance 12/31/2023
Treasury Shares Quantity	**491.6**	**567.2**	**680.1**	**766.2**	**766.2**
Treasury Shares BRL	**6.1**	**7.0**	**8.5**	**10.0**	**10.0**

SUSTAINABILITY

SUSTAINABILITY

As part of our commitment to positive impact through sport, Vulcabras annually selects annually social projects focused on education and sport in the regions of our units to receive contributions via the Tax Incentive Law.

Since 2022, we have been building a long-term relationship with several institutions, so that pedagogical and educational projects are consistent and can contribute to the training of children, young people and adults in vulnerable situations.

In the 2024 cycle, 13 projects were selected, 5 of which were maintenance, 1 expansion and 8 new projects.

- **Sport:**
    - Horizonte Triathlon School
    - Pecém Triathlon School
    - Swimming with Thiago Pereira

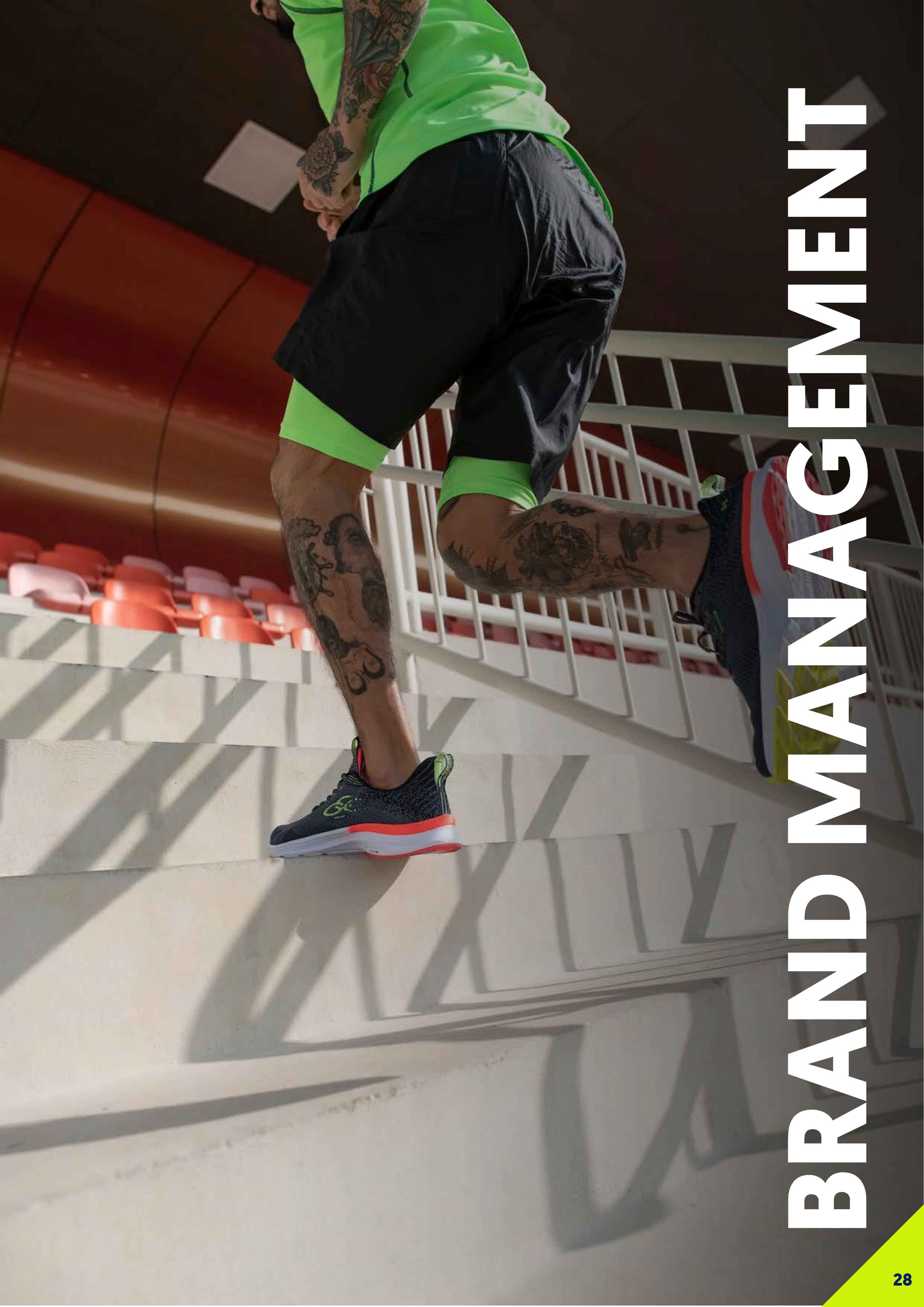
- **Culture:**
    - World of Reading,
    - Palm to Palm
    - Mercosul Biennial

- **Fund for Children and Adolescents**
    - Sea Octopus - Early Childhood Project
    - Wimbelemdom

- **Elderly Fund:**
    - 60+ Wellbeing Program
    - Maturity

- **Pronon:**
    - Santa Casa de Misericórdia de Sobral,
    - Irmandade do Hosp. Nsa. Sra. Das Dores

- **Pronas:**
    - APAE Igrejinha



BRAND MANAGEMENT

BRAND MANAGEMENT

With a portfolio designed for the Brazilian market, our brands continued to expand their presence in the market in the last quarter of the year.

The launch of new products, supported by communication campaigns that connect brands with their respective communities, expanded the presence of the Mizuno, Olympikus and Under Armour brands in the national market.

MIZUNO

In the fourth quarter, Mizuno continued to expand the brand into high-performance running, brought new colors to its trail running models and continued with actions to connect the brand with its target audience. And to confirm the brand's presence with the high-performance public, Mizuno's super sneaker, the Rebellion Pró, was chosen as the best “Super Sneaker” and “Sneaker of the Year” in the 'The Best Sneakers of the Year 2023' Awards. from Canal Tênis Certo.

Running performance

One of the brand's flagships in the running performance category, the Wave Rider 27 won a commemorative edition for the Amsterdam Marathon, sponsored by the brand, in honor of the Dutch painter Vermeers Straatje. Especially for the competition, the sneakers were given the official colors of blue and yellow, characteristic of one of Vermeer's most famous works, “The Milkmaid”. The result of an unprecedented collab with the Rijksmuseam, Amsterdam Art Museum, the commemorative sneaker brings the versatility of previous models added to a more breathable and technological upper. Another new feature is the internal part, which reproduces the artist's canvas on the sneaker's insole.

Recently updated, Mizuno Wave Rider 27 features the new version of Smooth Stretch Woven (SSW) technology, 20 grams lighter than the previous edition, with an elastic and breathable fabric upper, for a more secure, comfortable and soft fit. With a design inspired by the strength of sea waves, it is an excellent option for running, daily training and marathons. R$ 999.00.

Neo Collection – Performance with sustainable materials

Combining performance and sustainability, Mizuno launched the Neo Collection in Brazil, a pack made up of the brand's two most sustainable models: Wave Neo Wind and Wave Neo Ultra. Combining Mizuno's latest technologies with the most sustainable materials ever developed by the brand, the two sneakers feature different processes and materials that make them more sustainable and emit less CO2 into nature.

Made with Mizuno Enerzy technologies, based on algae, and Mizuno Enerzy Lite, based on castor oil, the midsole of the models is biodegradable. Without any type of dyeing, the Wave Neo Ultra's upper has 70% recycled materials and the Wave Neo Wind's 60%, reducing 100% of water use in its production process.

The Wave Neo Ultra is a sneaker in the maximum cushioning category. For the first time, it has the triple combo of Enerzy technology, with Mizuno Enerzy Core, Mizuno Enerzy Lite and Mizuno Enerzy, providing a running sensation with lots of cushioning, great energy return and softness, without compromising stability. On the sole, G3 technology guarantees greater traction and less weight. The Wave Neo Wind features Mizuno Enerzy Lite and Mizuno Enerzy technology, combined with the Wave Plate also made from castor oil, which results in a run with excellent cushioning, softness, stability and a feeling of propulsion. The Wave Neo Wind's sole is also made with G3 technology, but with a design that further increases traction. Both models are now available on the brand's website. R$ 1,499.99 and R$ 1299.99.

OLYMPIKUS

Olympikus continued to consolidate itself in the running scene with the Corre line, democratizing access to high-end sports technology, based on an ecosystem that puts the consumer at the center, and includes high-performance products at more democratic prices, proprietary events, such as the Bota Pra Correr (BPC), event sponsorships, sports consultancy and elite athletes.

In the last quarter of the year, the brand won some important awards in recognition of the work built in partnership with the running community. The "Bota Pra Correr" case won the Share Award in the "Campaign with Influencers" category; At the Effie Awards Brasil, the brand won bronze with "A Criação do Corre" in the Innovative Marketing Solution category. The Corre 3 was voted the best in the "Tênis Sem Placa Cost-Benefit" category of the Best of the Year Corrida no Ar Award, and was the big winner in 3 categories of the Tênis Certo 2023 Award: best "Pau Pra toda Obra" sneaker, "Beginners" and "Best Value for Money". Closing the year, in 2023, the Corre 3 was the most used sneaker by Brazilian runners on the Strava app, one of the biggest apps used by runners and cyclists to record their routes.

Bota pra Correr (BPC)

The brand continued to activate the running community with its proprietary running event, Bota Pra Correr. In November, the brand brought together the running community in Bento Gonçalves (RS) for the second edition of the year of Bota Pra Correr – this time in Vale dos Vinhedos. Despite the cancellation of the race, in respect for the families who were victims of the floods and safety risks brought by the rain, the edition showed that the BPC has become the biggest running festival in the country as it is in line with the main philosophy of the sport: learning from the challenges.

Until the eve of the race, the festival had a lot of exchange, human warmth and interactive activities, through a program that included workshops, talk with Vanderlei Cordeiro de Lima, talk with Elkana Kiptum Ruto, who shared knowledge of the 'Land of Champions' in the lecture "Mental Fortitude: the run of Champions", followed by the first-hand presentation of the documentary "Mental: the Kenyan school".

Olympics with Vanderlei

After 20 years, Vanderlei Cordeiro de Lima returns to the stage of his bronze medal at the 2004 Olympic Games: the city of Athens. And to celebrate the idol of Brazilian running, Olympikus invited the athlete, who is a brand ambassador, to run the Athens Marathon, on the same circuit where he became a global symbol of the sport. The former athlete's entire preparation journey was documented by Olympikus on its social networks. Vanderlei Cordeiro de Lima returned to his former training location in Paipa, Colombia, this time as a brand ambassador and with Corre 3 on his feet.

On November 12th, Vanderlei Cordeiro de Lima crossed the finish line. The emotion was intertwined with the significance of the event in the history of world athletics. The Corre 3 used in the race by Vanderlei, along with three photos taken throughout the race, were delivered to the Marathon Museum, strengthening the athlete's story and consolidating his legacy of resilience and sportsmanship.

Baw Collab

To strengthen the brand's presence in the sports lifestyle segment, Olympikus teamed up with the Brazilian brand Baw for an exclusive collaboration, getting closer to urban lifestyle fans. The collection, called “Do Corre pro Rolê”, combined Olympikus’ technical expertise in the sports segment with Baw’s vision of style and design. The union of running and lifestyle resulted in an exclusive Corre 3 model in brown, incorporating elements of style and design, without giving up the technologies that make the sneaker the flagship among the brand's high-performance running products. The collab also brought an exclusive clothing collection, with pieces designed to reflect the style values of both brands, providing a complete offer to consumers. The collab is available on both brands' e-commerce sites and in Baw's physical stores. Prices vary between R$ 59.00 and R$ 599.99. (Link to website).

UNDER ARMOUR

In the fourth quarter of the year, Under Armour brought all of Vulcabras' knowledge to Brazilian athletes by launching the Tribase Cross SE on the national market, developed and manufactured by Vulcabras to revolutionize the experience of physical activity, during the 2nd edition of SUAR, the brand's immersive platform that brought together athletes and professionals connected to performance. This event renewed Under Armour's commitment to the Brazilian training community. In this way, it maintained its growth focused on training and basketball, conquering gyms and basketball courts, becoming the sales leader in training shoes, with a focus on gyms, among the main customers.

UA Tribase Cross SE

In December, UA launched the Tribase Cross SE, a sneaker developed and designed in Brazil by Vulcabras to meet the needs of exercisers in various modalities, such as gym, crossfit and functional. The product campaign featured major influencers in the training market and was launched at the brand's proprietary event, SUAR.

The sneaker stands out from the first contact with the foot, due to its exceptional comfort. Its upper is made of straight mesh, resembling a sock, providing a precise fit and eliminating unwanted friction. This innovation guarantees freedom of movement, avoiding pressure points and allowing the athlete to concentrate completely on their exercises, without distractions.

One of the main new features of the model is the application of High Frequency TPU on the toecap, significantly reinforcing the structure of the front area of the shoe, providing greater protection for the toes. This robust addition reinforces the durability of the shoe, protecting it against wear and impacts, even during the most intense workouts.

The ribbon lace loop not only adds a modern touch to the design, but also allows for a custom fit, keeping the shoe secure on your feet during dynamic workouts. R$ 549.99.

SUAR – connection with the training community

In December, Under Armour held the 2nd edition of SUAR. The event brought together more than 200 athletes and training influencers in a program that united body and mind, a chat with Brazil's greatest cyclist, Henrique Avancini, and the Brazilian Olympic Committee's psychologist, Carla di Pierro, as well as a training session led by important names in the fitness universe, such as Juliana Hitomi, Lucas Pretto and Luciano D'Elia. During the action, guests were able to train with the UA Tribase Cross SE launch.

ATTACHMENTS

BALANCE SHEET

BALANCE SHEET (CONSOLIDATED)

In thousand of Reais

ASSETS	12/31/2023	12/31/2022
Cash and cash equivalents	361,020	197,197
Financial Investiments	3	4
Trade accounts receivable	830,672	769,457
Inventories	583,534	567,831
Recoverable taxes	119,435	18,685
Income tax and social contribution	26,786	13,859
Other accounts receivable	39.177	26,074
CURRENT ASSETS	**1,960,627**	**1,593,107**
Financial Investiments	13,446	8,942
Trade accounts receivable	3,873	5,153
Recoverable taxes	59,236	193,504
Deferred income tax and social contribution	1,286	13,591
Judicial deposits	27,847	22,419
Goods intended for sale	194	194
Other accounts receivable	2,090	1,934
LONG-TERM ASSETS	**107,972**	**245,737**
Investments	62,883	75,662
Investment property	2	4
Right to use	12,903	18,119
Property, plant and equipment (PP&E)	422,650	379,031
Intangible assets	208,116	209,096
	706,554	**681,912**
NON-CURRENT ASSETS	**814,526**	**927,649**
TOTAL ASSETS	**2,775,153**	**2,520,756**

LIABILITIES	12/31/2023	12/31/2022
Suppliers	83,779	104,925
Loans and financing	234,497	283,638
Lease liability	8,433	8,509
Taxes payable	39,332	19,670
Salaries and vacation payable	56,070	56,139
Provisions	2,739	3,102
Commissions payable	28,239	19,538
Dividends payable	15	20,734
Other accounts payable	58,576	53,716
CURRENT LIABILITIES	**511,680**	**569,971**
Loans and financing	203,253	133,410
Loans with related parties	0	18,448
Lease liability	6,862	12,059
Provisions	53,147	54,274
Deferred income tax and social contribution	2,071	17,079
Other accounts payable	2,844	3,681
NON-CURRENT LIABILITIES	**268,177**	**238,951**
SHAREHOLDERS' EQUITY		
Capital	1,108,354	1,106,717
Capital Reserves	-4,102	-1,472
Revaluation reserves	4,020	4,175
Unrealized income reserve	862,750	576,094
Equity valuation adjustments	23,965	25,974
Shareholders' equity attributable to controllers	**1,994,987**	**1,711,488**
Non-controlling interests	309	346
TOTAL SHAREHOLDERS' EQUITY	**1,995,296**	**1,711,834**
TOTAL LIABILITIES	**779,857**	**808,922**
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY	**2,775,153**	**2,520,756**

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

INCOME STATEMENT

INCOME STATEMENT (CONSOLIDATED)	4Q23	4Q22	VAR (%)	2023	2022	VAR (%)
In thousand of Reais						
Net Revenue	**791,289**	**738,843**	**7.1%**	**2,817,679**	**2,536,936**	**11.1%**
Cost of sales	-453,776	-455,991	-0.5%	-1,641,645	-1,599,498	2.6%
Gross Profit	**337,513**	**282,852**	**19.3%**	**1,176,034**	**937,438**	**25.5%**
Gross Margin	***42.7%***	***38.3%***	***4.4 p.p.***	***41.7%***	***37.0%***	***4.7 p.p.***
Sales Expenses	-139,705	-108,515	28.7%	-486,315	-384,695	26.4%
Expected losses for bad debts	-1,004	-6,347	-84,2%	297	-14,539	-102.0%
General and Administrative Expenses	-44,349	-58,969	-24.8%	-155,252	-150,168	3.4%
Other net Operating income (Expenses)	-2,173	43,597	-105.0%	-108	50,233	-100.2%
Equity in net income of subsidiaries	2,174	1,376	58.0%	7,864	5,298	48.4%
Net Income before net financial income and taxes	**152,456**	**153,994**	**-1.0%**	**542,520**	**443,567**	**22.3%**
Financial income	17,001	84,905	-80.0%	86,204	125,916	-31.5%
Financial Expenses	-19,919	-19,114	4.2%	-90,979	-84,618	7.5%
Net financial Income	**-2,918**	**65,791**	**-104.4%**	**-4,775**	**41,298**	**-111.6%**
Net Income before taxes	**149,538**	**219,785**	**-32.0%**	**537,745**	**484,865**	**10.9%**
Deferred income tax and social contribution	-4,833	-5,485	-11.9%	-42,862	-14,935	187.0%
Net Income	**144,705**	**214,300**	**-32.5%**	**494,883**	**469,930**	**5.3%**
Net Income Margin	***18.3%***	***29.0%***	***-10.7 p.p.***	***17.6%***	***18.5%***	***-0.9 p.p.***
Income (loss) attributable to:						
Controlling Shareholders	144,688	214,288		494,892	469,900	
Non-controlling Shareholders	17	12		-9	30	
Net Income	**144,705**	**214,300**		**494,883**	**469,930**	
Earnings (loss) per share						
Earnings per common share - basic	0.5900	0.8721		2.0180	1.9124	
Earnings per common share - diluted	0.5862	0.8690		2.0051	1.9056	
Number of shares at end of the year						
Outstanding common shares	245,237,428	245,710,968		245,237,428	245,710,968	
Outstanding common shares with a dilution effect	246,820,783	246,595,701		246,820,783	246,595,701	

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

CASH FLOW STATEMENT

CASH FLOW STATEMENT (INDIRECT METHOD)	2023	2022
In thousand of Reais		
Cash flows from operating activities		
Net Income for the period	**494,883**	**469,930**
Adjustments for:		
Depreciation and amortization	98,720	82,253
Provision (reversal) for impairment losses on Inventories	21,055	26,372
Interest on provisioned leases	4,202	4,277
Net value of written off tangible and intangible assets	6,168	10,174
Income from financial investments	-1,679	-889
Provision for contingency	9,550	5,767
Equity in net income of subsidiaries	-7,864	-5,298
Transaction with share-based payments	1,269	-84
Provision (Reversal) for expected losses for doubtful debt	-297	14,539
Tax overpayment - SELIC	0	-8,792
Financial charges and exchange variation recognized in profit or loss	46,995	42,078
Current and deferred income tax and social contribution	42,862	14,935
Non-controlling interest	9	-30
Recovery of PIS and COFINS on ICMS	-11,062	-126,151
Adjusted Income for the period	**704,811**	**529,081**
Changes in assets and liabilities		
Account Receivable	-60,766	-166,396
Inventories	-36,758	-100,706
Recoverable taxes	31,653	25,919
Receivables for sale of operation	905	2,580
Other accounts receivable	-13,259	-8,685
Judicial deposits	-3,595	-8,497
Suppliers	-21,431	26,882
Commissions payable	8,701	5,233
Taxes to collect	25,191	20,362
Salaries and vacations payable	-69	10,521
Other accounts payable	3,986	29,278
Provisions	-12,873	-6,186
Changes in assets and liabilities	**-78,315**	**-169,695**
Cash provided by (used in) operating activities	**626,496**	**359,386**
Interest paid	-51,879	-32,252
Payment of lease interest	-1,934	-2,306
Taxes paid on profit	-49,431	-24,203
	-103,244	**-58,761**

CASH FLOW STATEMENT

CASH FLOW STATEMENT (INDIRECT METHOD)	2023	2022
In thousand of Reais		
Net Cash Flow provided by (used in) operating activities	**523,252**	**300,625**
Cash flow from investing activities		
Acquisitions of property, plant and equipment	-137,115	-157,217
Redemption (application) of financial investments	-2,824	2,255
Resources from the disposal of fixed assets	1,537	1,057
Acquisition of intangible assets	-1,695	-2,537
Receipt of dividends	2,857	134
Net Cash Flow used in investing activities	**-137,240**	**-156,308**
Cash flow from financing activities		
Loans obtained - Main	333,995	337,630
Payment of loans obtained - Main	-312,490	-291,073
Acquisition of treasure shares	-3,899	-6,119
Dividends and interest on shareholders' equity paid	-229,110	-90,930
Capital Increase	1,637	0
Payment of lease liabilities	-12,407	-12,397
Net Cash Flow used in financing activities	**-222,274**	**-62,889**
Increase (decrease) in cash and cash equivalents	**163,738**	**81,428**
Cash and cash equivalents at beginning of the period	197,197	114,635
Effect of exchange variation on cash and cash equivalents	85	1,134
Cash and cash equivalents at end of the period	361,020	197,197
Increase (decrease) in cash and cash equivalents	**163,738**	**81,428**

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

INSTITUTIONAL

Vulcabras has been operating in the Brazilian footwear sector for 71 years and during this period it has consolidated itself as the largest Athletic footwear industry in the country and has become the manager of leading brands in their respective segments, such as Olympikus, national champion in tennis sales, Under Armour, one of the world's largest brands of clothing, footwear and sports accessories, and Mizuno, the performance brand that believes in the value of sport and supports the journey of everyone who gives their best, regardless of who they are, level and type of sport.

Founded in July 1952 with the incorporation of the Company Industrial Brasileira de Calçados Vulcanizados SA, in São Paulo, it manufactured leather shoes with vulcanized rubber soles, and one of its first icons was the Vulcabras 752, whose name was a reference to the month and year of the company's foundation. In 1973 we started the production of sports brands in Brazil and since then we have specialized in delivering technology in shoes for the democratization of sports performance.

The shoes produced by the company are found in stores throughout Brazil, with an extensive commercial team that serves more than 10,000 customers nationwide and in South American countries, in e-commerce and the brands' own stores. There are more than 800 new models per year, designed and developed in the largest technology and development center for sports shoes in Latin America, located in Parobé - RS.

The products are made in two modern factories located in the Northeast region, in Horizonte/CE and Itapetinga/BA. The Company's administrative center, in turn, is located in Jundiaí - SP, in addition to a Logistics Distribution Center for the E-commerce Channel located in Extrema - MG. These five units in Brazil directly employ more 18,000 workers. There is also a branch with a distribution center in Peru.

The Company works with a portfolio diversification strategy, constantly seeking innovation and improvement.

INDEPENDENT AUDIT

INDEPENDENT AUDIT

In accordance with CVM Instruction 381/03, Vulcabras S.A. informs that since 01/01/2022, it has appointed "Ernst & Young Auditores Independentes S/S Ltda" to audit its individual and consolidated financial statements.

For the services to the annual review (2023) fees of approximately R$ 690.6 thousand were disbursed.

BOARD STATEMENT

Pursuant to article 25, paragraph 1, item 5 of CVM Instruction 480/09, the Board of Directors, in a meeting held on 03/07/2024, declares that it has reviewed, discussed and agreed with the accounting information of Vulcabras S.A. for the fourth quarter of 2023 and the independent auditors' report on the individual and consolidated financial information.

MANAGEMENT

MEMBERS OF THE BOARD OF DIRECTORS

Pedro Grendene Bartelle	Chairman
André de Camargo Bartelle	1st Vice Chairman
Pedro Bartelle	2nd Vice Chairman
Paulo Sérgio da Silva	Independent Member
Rafael Ferraz Dias de Moraes	Independent Member

MEMBERS OF THE BOARD OF EXECUTIVE OFFICERS

Pedro Bartelle	Chief Executive Officer
Rafael Carqueijo Gouveia	Superintendent-Director
Wagner Dantas da Silva	Chief Financial and Administrative Officer and Investor Relations Officer
Evandro Saluar Kollet	Chief Product Development and Technology Officer
Márcio Kremer Callage	Chief Marketing Officer
Rodrigo Miceli Piazer	Chief Supply Officer

VULCABRAS

MIZUNO OLYMPIKUS UNDER ARMOUR

II - Individual and consolidated financial statements and independent auditor’s report

Vulcabras S.A.

Individual and consolidated financial statements

December 31, 2023

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A free translation from Portuguese into English of Independent Auditor's Report on Individual and Consolidated Financial Statements prepared in Brazilian currency in accordance with the accounting practices adopted in Brazil and with the International Financial Reporting Standards (IFRS), issued by International Accounting Standards Board (IASB)

Independent auditor's report on individual and consolidated financial statements

To the Shareholders, Board of Directors and Officers
Vulcabras S.A.
Jundiaí - SP

Opinion

We have audited the individual and consolidated financial statements of Vulcabras S.A. (the "Company"), identified as Individual and Consolidated, respectively, which comprise the statement of financial position as at December 31, 2023, and the statements of profit or loss, of comprehensive income, of changes in equity and of cash flows for the year then ended, and notes to the financial statements, including material accounting policies and other explanatory information.

In our opinion, the accompanying individual and consolidated financial statements present fairly, in all material respects, the individual and consolidated financial position of the Company as at December 31, 2023, and its individual and consolidated financial performance and cash flows for the year then ended, in accordance with accounting practices adopted in Brazil and with the International Financial Reporting Standards (IFRS) issued by the International Accounting Standards Board (IASB).

Basis for opinion

We conducted our audit in accordance with Brazilian and International Standards on Auditing. Our responsibilities under those standards are further described in the Auditor's responsibilities for the audit of the individual and consolidated financial statements section of our report. We are independent of the Company and its subsidiaries in accordance with the 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 audit 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 individual and consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters. For 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 individual and consolidated financial statements section of our report, including in relation to this matter. Accordingly, our audit included the performance of procedures designed to respond to our assessment of the risks of material misstatement of the financial statements. The results of our audit procedures, including the procedures performed to address the matter below, provide the basis for our audit opinion on the accompanying financial statements.

Recognition of sales revenue

The Company’s sales revenues comprise a large volume of transactions with deliveries to its customers in all regions of Brazil. Executive board monitors the delivery of products to customers to identify invoiced and undelivered sales at the end of the year, in order to recognize revenue in its correct accrual period.

Considering the large volume and dispersion of its sales as well as the materiality of the related amount recorded in its financial statements, the Company has controls to determine the product delivery date for the accounting record of revenues in the correct accrual period. The determination of the revenue amount to be recognized, as well as the timing of its recognition, requires Company executive board to analyze in detail the terms and conditions of sales, and also involve the use of professional judgment. Professional judgment may lead to the risk of early recognition of revenue, especially with regard to the monthly accounting closing period. With that in view, we consider revenue recognition a key audit matter.

How our audit addressed this matter:

Our audit procedures included, among other: (i) assessment of operational effectiveness and design of key controls implemented by the Company in determining the timing of revenue recognition; (ii) analysis of the monthly changes in balances of revenue recognized by the Company in order to assess the existence of variations contrary to our expectations established based on our knowledge of the sector and of the Company; (iii) analysis of returns and cancellations occurred after the end of the year; and (iv) for a sample of sales recorded over the year, we obtained the related supporting documentation to assess whether the revenue was recognized in the appropriate accounting period. In addition, we assessed the adequacy of related disclosures, included in Notes 3.3 and 21.

Based on the result of the audit procedures performed on sales revenue, which is consistent with executive board’s assessment, we consider that the revenue recognition criteria and assumptions adopted by the executive board, as well as the respective disclosures in Notes 3.3. and 21, are appropriate, in the context of the individual and consolidated financial statements taken as a whole.

Other matters

Statements of value added

The individual and consolidated statements of value added (SVA) for the year ended December 31, 2023, prepared under the responsibility of the Company's executive board and presented as supplementary information for IFRS purposes, were submitted to audit procedures conducted jointly with the audit of the Company's financial statements. To form our opinion, we evaluated if these statements are reconciled to the financial statements and accounting records, as applicable, and if their form and content comply with the criteria defined by Accounting Pronouncement NBC TG 09 – Statement of Value Added. In our opinion, these statements of value added were prepared fairly, in all material respects, in accordance with the criteria defined in the abovementioned accounting pronouncement, and are consistent in relation to the individual and consolidated financial statements taken as a whole.

Other information accompanying the individual and consolidated financial statements and the auditor's report

The executive board is responsible for such other information, which comprises the Management Report.

Our opinion on the individual and consolidated financial statements does not cover the Management Report and we do not express any form of assurance conclusion thereon.

In connection with our audit of the individual and consolidated financial statements, our responsibility is to read the Management Report and, in doing so, consider whether this report is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If, based on the work we have performed, we conclude that there is a material misstatement of the Management Report, we are required to report that fact. We have nothing to report in this regard.

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

The executive board is responsible for the preparation and fair presentation of the individual and consolidated financial statements in accordance with accounting practices adopted in Brazil and with the International Financial Reporting Standards (IFRS) issued by the International Accounting Standards Board (IASB), and for such internal control as 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 individual and consolidated financial statements, the executive board is responsible for assessing the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the executive board either intends to liquidate the Company or to cease its operations, or has no realistic alternative but to do so.

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

Auditor's responsibilities for the audit of the individual and consolidated financial statements

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

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

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

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

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

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

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

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

We also provide those charged with governance with a statement that we have complied with relevant ethical requirements, including applicable independence requirements, and communicated with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

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

Recife, March 7, 2024

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

Francisco da Silva Pimentel
Accountant CRC SP-171230/O

A free translation from Portuguese into English of individual and consolidated financial statements prepared in Brazilian currency in accordance with the accounting practices adopted in Brazil and with the International Financial Reporting Standards (IFRS), issued by International Accounting Standards Board (IASB)

Vulcabras S.A.

(Publicly-held corporation)

Statements of financial position

December 31, 2023 and 2022

(In thousands of reais)

		Consolidated		Individual	
Assets	**Note**	**12/31/2023**	**12/31/2022**	**12/31/2023**	**12/31/2022**
Cash and cash equivalents	4	361,020	197,197	1,023	35,161
Short-term investments	5	3	4	3	4
Trade accounts receivable	6	830,672	769,457	-	-
Inventories	7	583,534	567,831	-	-
Taxes recoverable	8	119,435	18,685	648	582
Income and social contribution taxes	9a	26,786	13,859	992	1,331
Other accounts receivable - related parties	11b	-	-	255,742	-
Other accounts receivable and other credits		39,177	26,074	4,142	6,141
Total current assets		**1,960,627**	**1,593,107**	**262,550**	**43,219**
Financial investments	5	13,446	8,942	2	1
Trade accounts receivable	6	3,873	5,153	-	-
Taxes recoverable	8	59,236	193,504	1,920	1,831
Deferred income and social contribution taxes	9b	1,286	13,591	-	301
Judicial deposits	10	27,847	22,419	250	408
Goods for sale		194	194	-	-
Other accounts receivable		2,090	1,934	1,012	973
Long-term assets		**107,972**	**245,737**	**3,184**	**3,514**
Investments	12a	62,883	75,662	1,733,010	1,798,458
Investment property		2	4	-	-
Right of use	18	12,903	18,119	-	-
Property, plant and equipment	13	422,650	379,031	-	-
Intangible assets	14	208,116	209,096	111	111
		706,554	**681,912**	**1,733,121**	**1,798,569**
Total noncurrent assets		**814,526**	**927,649**	**1,736,305**	**1,802,083**
Total assets		**2,775,153**	**2,520,756**	**1,998,855**	**1,845,302**

		Consolidated		Individual	
Liabilities and equity	**Note**	**12/31/2023**	**12/31/2022**	**12/31/2023**	**12/31/2022**
Trade accounts payable	16	83,779	104,925	2,631	368
Loans and financing	17	234,497	283,638	-	-
Lease liabilities	18	8,433	8,509	-	-
Taxes payable		39,332	19,670	195	330
Salaries and vacation payable		56,070	56,139	21	13
Provisions	19	2,739	3,102	382	397
Commissions payable		28,239	19,538	-	-
Dividends and profits payable		15	20,734	15	20,734
Other accounts payable		58,576	53,716	225	1,191
Total current liabilities		**511,680**	**569,971**	**3,469**	**23,033**
Loans and financing	17	203,253	133,410	-	-
Intercompany loans	11	-	18,448	-	109,889
Lease liabilities	18	6,862	12,059	-	-
Provisions	19	53,147	54,274	399	591
Deferred income and social contribution taxes	9b	2,071	17,079	-	301
Other accounts payable		2,844	3,681	-	-
Total noncurrent liabilities		**268,177**	**238,951**	**399**	**110,781**
Equity					
Capital	20a	1,108,354	1,106,717	1,108,354	1,106,717
Reservas de capital	20b	(4,102)	(1,472)	(4,102)	(1,472)
Revaluation reserves	20c	4,020	4,175	4,020	4,175
Equity adjustments	20d	23,965	25,974	23,965	25,974
Income reserve	20e	862,750	576,094	862,750	576,094
Equity attributable to controlling shareholders		**1,994,987**	**1,711,488**	**1,994,987**	**1,711,488**
Noncontrolling shareholders		**309**	**346**	**-**	**-**
Total equity		**1,995,296**	**1,711,834**	**1,994,987**	**1,711,488**
Total liabilities		**779,857**	**808,922**	**3,868**	**133,814**
Total liabilities and equity		**2,775,153**	**2,520,756**	**1,998,855**	**1,845,302**
		-	-	-	-

See accompanying notes.

Vulcabras S.A.

(Publicly-held corporation)

Statements of profit or loss

December 31, 2023 and 2022

(In thousands of reais, except earnings per share)

	Note	Consolidated		Individual	
		12/31/2023	**12/31/2022**	**12/31/2023**	**12/31/2022**
Continuing operations					
Net sales revenue	21	2,817,679	2,536,936	-	-
Cost of sales and resales	22	(1,641,645)	(1,599,498)	-	-
Gross profit		**1,176,034**	**937,438**	**-**	**-**
Selling expenses	23	(486,315)	(384,695)	-	-
(Setup) reversal of allowance for expected credit losses	23	297	(14,539)	-	-
Administrative expenses	24	(155,252)	(150,168)	(7,331)	(5,398)
Other operating income (expenses), net	25	(108)	50,233	9,643	5,050
Equity pickup	12b	7,864	5,298	492,883	473,848
Income (loss) before net finance income and costs and taxes		**542,520**	**443,567**	**495,195**	**473,500**
Finance income		86,204	125,916	6,641	18,244
Finance costs		(90,979)	(84,618)	(6,015)	(21,821)
Finance income and costs, net	26	**(4,775)**	**41,298**	**626**	**(3,577)**
Income before income taxes		**537,745**	**484,865**	**495,821**	**469,923**
Current and deferred income and social contribution taxes	9c	(42,862)	(14,935)	(929)	(23)
Net income for the year		**494,883**	**469,930**	**494,892**	**469,900**
Income attributable to:					
Controlling shareholders		494,892	469,900	494,892	469,900
Noncontrolling shareholders		(9)	30	-	-
Net income for the year		**494,883**	**469,930**	**494,892**	**469,900**
Earnings per share					
Earnings per common share - basic				2.0180	1.9124
Earnings per common share - diluted				2.0051	1.9056
Number of shares at end of year					
Common shares outstanding				245,237,428	245,710,968
Common shares outstanding with a dilution effect				246,820,783	246,595,701

See accompanying notes.

Vulcabras S.A.

(Publicly-held corporation)

Statements of comprehensive income

December 31, 2023 and 2022

(In thousands of reais)

	Consolidated		Individual	
	12/31/2023	**12/31/2022**	**12/31/2023**	**12/31/2022**
Income for the year	494,883	469,930	494,892	469,900
Other comprehensive income - OCI	(2,009)	3,230	(2,009)	3,230
Items that can be subsequently reclassified to profit or loss				
Exchange differences from translation of foreign operations	(2,059)	2,873	(2,059)	2,873
Financial assets at fair value through other comprehensive income	50	357	50	357
Total comprehensive income	492,874	473,160	492,883	473,130
Comprehensive income attributable to:				
Controlling shareholders	492,883	473,130	492,883	473,130
Noncontrolling shareholders	(9)	30	-	-

See accompanying notes.

Vulcabras S.A.

(Publicly-held corporation)

Statements of changes in equity

December 31, 2023 and 2022

(In thousands of reais)

	Consolidated										
	Individual										
		Capital reserve		OCI	Income reserve						
	Capital	**Capital reserve (stock option) and treasry shares**	**Revaluation reserve at subsidiaries**	**Equity adjustment**	**Legal reserve**	**Unrealized income reserve**	**Statutory reserve**	**Retained earnings (accumulated losses)**	**Total**	**Noncontrolling shareholders**	**Total equity**
Balances at January 1, 2022	**1,106,717**	**4,731**	**4,410**	**22,744**	**15,692**	**201,927**	**-**	**-**	**1,356,221**	**341**	**1,356,562**
Realization of revaluation reserve in subsidiary, net of taxes	-	-	(235)	-	-	-	-	235	-	-	-
Share-based payment transaction	-	(84)	-	-	-	-	-	-	(84)	-	(84)
Treasury shares acquired	-	(6,119)	-	-	-	-	-	-	(6,119)	-	(6,119)
Transfer from unrealized income reserve to statutory reserve	-	-	-	-	-	(201,927)	201,927	-	-	-	-
Other comprehensive income											
Exchange differences from translation of foreign operations	-	-	-	2,873	-	-	-	-	2,873	(25)	2,848
Financial assets at fair value through other comprehensive income	-	-	-	357	-	-	-	-	357	-	357
Net income for the year	-	-	-	-	-	-	-	469,900	469,900	30	469,930
Allocation of income:											
Setup of legal reserve	-	-	-	-	23,495	-	-	(23,495)	-	-	-
Mandatory minimum dividends	-	-	-	-	-	-	-	(111,660)	(111,660)	-	(111,660)
Setup of statutory reserve	-	-	-	-	-	-	334,980	(334,980)	-	-	-
Balances at December 31, 2022	**1,106,717**	**(1,472)**	**4,175**	**25,974**	**39,187**	**-**	**536,907**	**-**	**1,711,488**	**346**	**1,711,834**
Balances at January 1, 2023	**1,106,717**	**(1,472)**	**4,175**	**25,974**	**39,187**	**-**	**536,907**	**-**	**1,711,488**	**346**	**1,711,834**
Realization of revaluation reserve in subsidiary, net of taxes	-	-	(155)	-	-	-	-	155	-	-	-
Share-based payment transaction	-	1,269	-	-	-	-	-	-	1,269	-	1,269
Treasury shares acquired	-	(3,899)	-	-	-	-	-	-	(3,899)	-	(3,899)
Capital increase (Note 20.a)	1,637	-	-	-	-	-	-	-	1,637	-	1,637
Other comprehensive income											
Exchange differences from translation of foreign operations	-	-	-	(2,059)	-	-	-	-	(2,059)	(28)	(2,087)
Financial assets at fair value through other comprehensive income	-	-	-	50	-	-	-	-	50	-	50
Net income for the year	-	-	-	-	-	-	-	494,892	494,892	(9)	494,883
Allocation of income:											
Setup of legal reserve	-	-	-	-	24,744	-	-	(24,744)	-	-	-
Mandatory minimum dividends	-	-	-	-	-	-	(208,391)	-	(208,391)	-	(208,391)
Setup of statutory reserve	-	-	-	-	-	-	470,303	(470,303)	-	-	-
Balances at December 31, 2023	**1,108,354**	**(4,102)**	**4,020**	**23,965**	**63,931**	**-**	**798,819**	**-**	**1,994,987**	**309**	**1,995,296**

See accompanying notes.

Vulcabras S.A.
(Publicly-held corporation)

Statements of cash flows – indirect method

December 31, 2023 and 2022

(In thousands of reais)

	Note	Consolidated 12/31/2023	Consolidated 12/31/2022	Individual 12/31/2023	Individual 12/31/2022
Cash flow from operating activities					
Net income for the year		494,883	469,930	494,892	469,900
Adjustments for:					
Depreciation and amortization		98,720	82,253	-	-
Provision for impairment losses on inventories	7b	21,055	26,372	-	-
Accrued interest on leases	18	4,202	4,277	-	-
Net value of tangible and intangible assets written off		6,168	10,174	-	(52)
Financial investment yield		(1,679)	(889)	-	-
Pprovision for contingencies	19	9,550	5,767	673	635
Equity pickup	12b	(7,864)	(5,298)	(492,883)	(473,848)
Share-based payment transaction	20c	1,269	(84)	1,269	(84)
(Reversal of) allowance for expected credit losses		(297)	14,539	-	-
Recovery of PIS and COFINS on ICMS		(11,062)	(126,151)	-	-
Undue tax payment - SELIC		-	(8,792)	-	-
Financial charges and exchange differences recognized in profit or loss		46,995	42,078	-	-
Current and deferred income and social contribution taxes	9c	42,862	14,935	929	23
Noncontrolling shareholders		9	(30)	-	-
		704,811	**529,081**	**4,880**	**(3,426)**
Changes in assets and liabilities					
Trade accounts receivable		(60,766)	(166,396)	-	-
Inventories		(36,758)	(100,706)	-	-
Taxes recoverable		31,653	25,919	184	(601)
Receivables for disposal of operation		905	2,580	-	-
Other accounts receivable		(13,259)	(8,685)	(253,782)	(3,691)
Judicial deposits		(3,595)	(8,497)	158	(70)
Trade accounts payable		(21,431)	26,882	2,263	(1,304)
Taxes payable		25,191	20,362	(1,064)	177
Salaries and vacation payable		(69)	10,521	8	-
Provisions		(12,873)	(6,186)	(880)	(65)
Commissions payable		8,701	5,233	-	-
Other acccounts payable		3,986	29,278	(966)	1,038
Cash from (used in) operating activities		**626,496**	**359,386**	**(249,199)**	**(7,942)**
Interest paid	17d	(51,879)	(32,252)	-	-
Interest paid on lease	17d	(1,934)	(2,306)	-	-
Income taxes paid		(49,431)	(24,203)	-	-
		(103,244)	**(58,761)**	**-**	**-**
Cash flow from (used in) operating activities		**523,252**	**300,625**	**(249,199)**	**(7,942)**
Cash flow from investing activities					
Acquisitions of PPE (*)	13b	(137,115)	(157,217)	-	-
Redemption of (investment in) financial investments		(2,824)	2,255	-	(3)
Funds from disposal of PPE		1,537	1,057	-	-
Acquisitions of intangible assets	14b	(1,695)	(2,537)	-	-
Dividends received (*)		2,857	134	-	-
Reduction in equity interests in investee	12b	-	-	556,322	118,442
Net cash flow from (used in) investing activities		**(137,240)**	**(156,308)**	**556,322**	**118,439**
Cash flow from financing activities					
Borrowings - principal	17d	333,995	337,630	-	-
Repayment of borrowings - principal	17d	(312,490)	(291,073)	-	-
Intercompany loans received (paid)	11b	-	-	(109,889)	21,680
Acquisition of treasury shares	20b	(3,899)	(6,119)	(3,899)	(6,119)
Dividends and interest on equity paid	17d	(229,110)	(90,930)	(229,110)	(90,930)
Capital increase	20a	1,637	-	1,637	-
Payment of lease liabilities	17d	(12,407)	(12,397)	-	-
Net cash flow used in financing activities		**(222,274)**	**(62,889)**	**(341,261)**	**(75,369)**
Increase (decrease) in cash and cash equivalents		**163,738**	**81,428**	**(34,138)**	**35,128**
Cash and cash equivalents at beginning of year		197,197	114,635	35,161	33
Effect of exchange differences on cash and cash equivalents		85	1,134	-	-
Cash and cash equivalents at end of year		361,020	197,197	1,023	35,161
Increase (decrease) in cash and cash equivalents		**163,738**	**81,428**	**(34,138)**	**35,128**
		-	-	-	-

(*) The amounts of R$255 referring to acquisitions of PPE not settled in Trade accounts payable (R$1,029 at December 31, 2022) and R$18,599 referring to the portion of dividends distributed by susbsidiary had no cash effect for the period ended December 31, 2023.

See accompanying notes.

Vulcabras S.A.

(Publicly-held corporation)

Statements of value added

December 31, 2023 and 2022

(In thousands of reais)

	Consolidated		Individual	
	12/31/2023	12/31/2022	12/31/2023	12/31/2022
Revenues	**3,170,099**	**2,907,754**	**3,801**	**1,435**
Goods, products and services sold	3,159,110	2,853,151	-	-
Other income and expenses	10,692	69,142	3,801	1,435
Expected credit losses	297	(14,539)	-	-
Inputs acquired from third parties	**(1,411,069)**	**(1,381,023)**	**(5,716)**	**(4,697)**
Raw materials consumed	(635,383)	(642,830)	-	-
Cost of products, goods and services sold	(402,192)	(417,712)	-	-
Materials, energy, third-party services and other	(373,494)	(320,281)	(5,716)	(4,697)
Loss/recovery of asset values	-	(200)	-	-
Gross value added	**1,759,030**	**1,526,731**	**(1,915)**	**(3,262)**
Retentions	**(98,720)**	**(82,253)**	**-**	**-**
Depreciation and amortization	(98,720)	(82,253)	-	-
Net value added generated by the Company	**1,660,310**	**1,444,478**	**(1,915)**	**(3,262)**
Value added received in transfer	**103,524**	**139,574**	**506,746**	**497,780**
Equity pickup	7,864	5,298	492,883	473,849
Finance income	86,204	125,916	6,641	18,244
Other	9,456	8,360	7,222	5,687
Total value added to be distributed	**1,763,834**	**1,584,052**	**504,831**	**494,518**
Distribution of value added	**1,763,834**	**1,584,052**	**504,831**	**494,518**
Personnel	**746,271**	**653,192**	**1,023**	**706**
Direct compensation	490,881	438,395	-	-
Benefits	87,191	81,741	-	-
Unemployment Compensation Fund (FGTS)	35,450	30,510	-	-
Sales commissions	114,390	87,282	-	-
Directors' fees	18,359	15,264	1,023	706
Taxes, charges and contributions	**432,372**	**378,225**	**2,918**	**2,096**
Federal	414,553	323,075	2,624	1,808
State	17,063	54,427	-	-
Local	756	723	294	288
Debt remuneration	**90,308**	**82,705**	**5,998**	**21,816**
Interest	86,350	79,117	5,998	21,815
Rent	3,959	3,589	-	-
Other	(1)	(1)	-	1
Equity remuneration	**494,883**	**469,930**	**494,892**	**469,900**
Dividends	208,391	-	208,391	-
Retained profits	286,501	469,900	286,501	469,900
Noncontrolling shareholders	(9)	30	-	-

See accompanying notes.

1 Operations

Vulcabras S.A. is a publicly-held company headquartered in Jundiaí - state of São Paulo (SP), Brazil. Manufacturing operations are concentrated in subsidiaries located in the Northeast region, in the states of Ceará and Bahia. The Company is registered with B3 S.A. – Brasil, Bolsa, Balcão - in the *Novo Mercado* (New Market) segment, under the ticker VULC3.

The Company also holds investments in other companies, and is engaged in the sale and production in the domestic and foreign markets of clothing, particularly sportswear, and male, female and professional footwear, through its direct and indirect subsidiaries:

- Vulcabras CE, Calçados e Artigos Esportivos S.A. (“Vulcabras CE”) – which owns the following subsidiaries:
- Vulcabras SP, Comércio de Artigos Esportivos Ltda. (“Vulcabras SP”);
- Vulcabras Distribuidora de Artigos Esportivos Ltda. (“Vulcabras Distribuidora”);
- Distribuidora de Calçados e Artigos Esportivos Cruzeiro do Sul Ltda.;
- Vulcabras BA, Calçados e Artigos Esportivos S.A. (“Vulcabras BA”);
- Vulcabras Empreendimento Imobiliário SPE Ltda.;
- Calzados Azaléia Peru S.A.; and
- Running Comércio e Indústria de Artigos Esportivos Ltda.

The brands managed by the companies include:

Own brands: Azaléia, Dijean, Olk, Olympikus, Opanka and Vulcabras.
Third party brands: Under Armour and Mizuno.

(In thousands of reais)

1.1 List of subsidiaries

The consolidated financial statements include the information of the Company and its direct and indirect subsidiaries below, in which the equity interest held at the statement of financial position date is summarized as follows:

		Direct interest %		Indirect interest %		Total equity interest %	
	Country	**2023**	**2022**	**2023**	**2022**	**2023**	**2022**
Calzados Azaleia Peru S.A.	Peru	-	-	99,11	99,11	99,11	99,11
Distribuidora de Calçados e Artigos Esportivos Cruzeiro do Sul Ltda.	Brazil	-	-	100,00	100,00	100,00	100,00
Running Comércio e Indústria de Artigos Esportivos Ltda.	Brazil	-	-	100,00	100,00	100,00	100,00
Vulcabras BA, Calçados e Artigos Esportivos S.A.	Brazil	-	-	99,99	99,99	99,99	99,99
Vulcabras CE, Calçados e Artigos Esportivos S.A.	Brazil	99,99	99,99	-	-	99,99	99,99
Vulcabras Distribuidora de Artigos Esportivos Ltda.	Brazil	1,31	0,14	98,69	99,86	100,00	100,00
Vulcabras Empreendimento Imobiliário SPE Ltda.	Brazil	100,00	100,00	-	-	100,00	100,00
Vulcabras SP, Comércio de Artigos Esportivos Ltda.	Brazil	-	-	100,00	100,00	100,00	100,00

a. Main characteristics of subsidiaries included in consolidation

Calzados Azaleia Peru S.A.
Calzados Azaleia Peru S.A. is responsible for the import and sale of sports footwear and gear and women's shoes in the Peruvian market.

Distribuidora de Calçados e Artigos Esportivos Cruzeiro do Sul Ltda.
Distribuidora de Calçados e Artigos Esportivos Cruzeiro do Sul Ltda. is engaged in the sale and distribution of sports footwear and clothing and boots for professional use.

Running Comércio e Indústria de Artigos Esportivos Ltda.
Running Comércio e Indústria de Artigos Esportivos Ltda. is engaged in marketing of sports footwear, clothing and gear under the Mizuno brand.

Vulcabras BA, Calçados e Artigos Esportivos S.A.
Vulcabras BA, Calçados e Artigos Esportivos S.A is mainly engaged in the manufacturing, sale, import and export of sports footwear and boots for professional use.

Vulcabras CE, Calçados e Artigos Esportivos S.A.
Vulcabras CE, Calçados e Artigos Esportivos S.A is mainly engaged in the development, manufacturing, sale, import and export of sports footwear.

Vulcabras Distribuidora de Artigos Esportivos Ltda.
Vulcabras Distribuidora de Artigos Esportivos Ltda. is responsible for the sale and distribution of sports footwear and clothing.

Vulcabras Empreendimento Imobiliário SPE Ltda.
Vulcabras Empreendimento Imobiliário SPE Ltda. is specifically engaged in the planning, promotion, real estate development and sale of a real estate project, to be developed in the property located in Jundiaí - SP.

Vulcabras SP, Comércio de Artigos Esportivos Ltda.
Vulcabras SP, Comércio de Artigos Esportivos Ltda. is engaged in the sale and distribution of sports footwear, clothing and gear through its stores and e-commerce.

2 Basis of preparation and presentation of the individual and consolidated financial statements

2.1 Statement of compliance (with the IFRS and CPC standards) and measurement basis

The individual and consolidated financial statements were prepared in accordance with the International Financial Reporting Standards (IFRS), issued by the International Accounting Standards Board (IASB), and with accounting practices adopted in Brazil, which comprise the rules of the Brazilian Securities and Exchange Commission (CVM), and the pronouncements, guidance and interpretations issued by the Brazilian Financial Accounting Standards Board (CPC), as approved by Brazil's National Association of State Boards of Accountancy (CFC) and by the Brazilian Securities and Exchange Commission (CVM), and the rules and guidance issued by the CVM applicable to the preparation of financial information.

Management considered Accounting Guidance OCPC 07, issued by the CPC in November 2014, for preparation of the individual and consolidated financial statements. Accordingly, the significant information specific to the individual and consolidated financial statements, and only such information, is being disclosed, and corresponds to the information used in management of the Company's operations.

Management assessed the ability of the Company and its subsidiaries to continue as a going concern and is convinced that they have the resources to continue their business in the future. Furthermore, management is not aware of any material uncertainties that may cast significant doubt as to their ability to continue as a going concern. Accordingly, these individual and consolidated financial statements were prepared on a going concern basis.

The presentation of the Statement of Value Added (SVA), although not required by the IFRS, is mandatory for publicly-held companies in Brazil. As such, this statement is presented by the Company as supplementary information for IFRS purposes, without prejudice to its financial statements as a whole.

The financial statements were prepared on a historical cost basis, with the exception of equity investment funds at FVTOCI that are measured at fair value, and financial assets measured at fair value through profit or loss.

Authorization to complete and issue these individual and consolidated financial statements was granted by the Board of Directors on March 7, 2024.

Functional and presentation currency

The individual and consolidated financial statements are presented in Brazilian reais, which is also the Company's functional currency. The financial statements presented in reais were rounded to the nearest thousand, unless otherwise stated. The functional currency of the foreign companies is the US dollar, and the statements of financial position were translated into reais for presentation purposes.

2.2 Use of estimates and judgments

In preparing the financial statements, management used judgments, estimates and assumptions that affect the application of accounting policies and reported asset, liability, revenue and expense amounts. Actual results may differ from these estimates.

Estimates and assumptions are reviewed on an ongoing basis. Revised estimates are recognized prospectively.

a. Judgments

Information on judgments made for application of accounting policies that have significant effects on the amounts recognized in the individual and consolidated financial statements is included in the following notes:

- **Note 3.1.b -** equity pickup at investees: determination of whether the Company has significant influence over an investee;
- **Note 3.1.e -** consolidation: determination of whether the Company effectively holds control over an investee;
- **Note 18 -** Lease term: whether the Company's subsidiaries are reasonably certain to exercise extension options.

b. Uncertainties about assumptions and estimates

Information on uncertainties related to assumptions and estimates as of December 31, 2023 that have a significant risk of resulting in a material adjustment to the accounting balances of assets and liabilities in the next fiscal year is included in the following notes:

- **Note 6 -** Accounts receivable: measurement of expected credit loss for accounts receivable;
- **Note 7 -** Inventories: recognition of provision for losses on inventories without movement;
- **Note 15 -** Analysis of recoverability of nonfinancial assets: impairment test of non-financial assets: key assumptions regarding recoverable amounts;
- **Note 19 -** Provisions: recognition and measurement of provisions for contingencies: key assumptions as to the likelihood of loss and amount of outflow of funds.

2.3 Fair value measurement

Certain accounting policies and disclosures of the Company and its subsidiaries require measurement of the fair value of financial assets and liabilities.

The Company and its subsidiaries established a control structure related to fair value measurement.

Management regularly reviews significant unobservable data and valuation adjustments. If third-party information, such as broker quotes or pricing services, is used for fair value measurement, management analyzes the evidence obtained from third parties to support the conclusion that such measurements meet CPC/IFRS requirements, including the level in the fair value hierarchy under which such measurements are to be classified.

When measuring the fair value of an asset or liability, the Company and its subsidiaries use observable market data, whenever possible. The fair values are classified into different hierarchical levels based on inputs used in the valuation techniques, as follows:

- **Level 1:** quoted prices (unadjusted) in active markets for identical assets and liabilities;
- **Level 2 -** inputs, except quoted prices included in Level 1 that are observable for the asset or liability, either directly (based on prices) or indirectly (deriving from prices); and
- **Level 3 -** inputs for the asset or liability that are not based on market observable data (non-observable inputs).

The Company and its subsidiaries recognize transfers between fair value hierarchy levels at the end of the financial statement period in which the changes occurred.

Additional information on the assumptions for fair value measurement is included in the following note:

- **Note 28 -** Financial instruments and risk management.

3 Material accounting policies

The Company and its subsidiaries have applied the accounting policies described below in a consistent manner to all the years presented in these financial statements, unless otherwise stated.

3.1 Basis of consolidation

a. Business combination

Business combinations are recorded using the acquisition method when the set of activities and assets acquired meet the definition of a business and control is transferred to the Company and its subsidiaries. In determining whether a set of activities and assets is a business, the Company assesses whether the set of assets and activities acquired includes, at least, an input and a substantive process that together significantly contribute to the ability to generate output.

The Company has the option of applying a “concentration test” that allows a simplified assessment of whether a set of activities and assets acquired is not a business. The optional concentration test is met if substantially all of the fair value of the gross assets acquired is concentrated in a single identifiable asset or group of similar identifiable assets.

The consideration transferred is usually measured at fair value, as are the identifiable net assets acquired. Any goodwill arising from the transaction is tested annually for impairment. Gains on bargain purchases are immediately recognized in profit or loss. Transaction costs are recorded in P&L as incurred, except for costs related to issue of debt or equity instruments.

The consideration transferred does not include amounts referring to payment of preexisting relationships. These amounts are usually accounted for in P&L for the year.

Any contingent consideration to be transferred by the acquirer will be recognized at fair value at the acquisition date. Contingent consideration classified as equity is not remeasured and its subsequent settlement is accounted for within equity. Other contingent consideration is measured at fair value at each reporting date with changes in fair value recognized in profit or loss for the year.

b. Subsidiaries

The Company controls an entity when it is exposed, or has a right, to the variable returns arising from its involvement with the entity and has the ability to affect such returns by exercising its power over the entity. The subsidiaries' financial statements are included in the consolidated financial statements from the date that control commences until the date it ceases to exist.

In the Company's individual financial statements, the subsidiaries' financial information is recognized under the equity method.

c. Noncontrolling interests

The Company and its subsidiaries elected to measure noncontrolling interests initially by their proportional share in identifiable net assets of the acquiree on the acquisition date.

Changes in the Company's interest in a subsidiary that do not result in loss of control are accounted for as equity transactions.

d. Loss of control

If the Company loses control over a subsidiary, it derecognizes the related assets, liabilities, noncontrolling interests, and other components of equity. Any resulting gain or loss is recognized in profit or loss. If the Company retains any interest in the former subsidiary, this interest is measured at fair value on the date on which control is lost.

e. Investments in entities accounted for under the equity method

The Company's investments in entities accounted for using the equity method include interests in associates.

Associates are entities over which the Company has significant influence, either directly or indirectly, but not the control, or joint control, over their financial and operating policies.

These investments are initially recognized at cost, which includes transaction costs. After initial recognition, the financial statements include the Company's interests in the investee's P&L for the year and other comprehensive income until the date the significant influence or joint control ceases to exist. In the individual financial statements, investments in subsidiaries are also accounted for using this method.

f. Transactions eliminated on consolidation

Intercompany balances and transactions and any unrealized revenues or expenses derived from intercompany transactions are eliminated. Unrealized gains arising from transactions with investees accounted for under the equity method are eliminated against the investment, proportionally to the interest held in the investee. . Unrealized losses are eliminated similarly to unrealized gains, but only to the extent that there is no evidence of impairment loss.

3.2 Translation of balances in foreign currency

(i) Foreign currency transactions

Foreign currency transactions are translated into the respective functional currencies of the Company's entities and subsidiaries at the exchange rate in force on the transaction dates.

Monetary assets and liabilities denominated and calculated in foreign currency as of the statement of financial position date are translated back into the functional currency at the exchange rate effective on such date. Nonmonetary assets and liabilities measured at fair value in foreign currency are translated back into the functional currency at the exchange rate effective on the date the fair value was determined. Nonmonetary items that are measured based on historical cost in foreign currency are translated using the exchange rate prevailing on the transaction date. Differences in foreign currencies resulting from translation are usually recognized in P&L.

(ii) Foreign operations

Assets and liabilities from foreign operations, including goodwill and fair value adjustments resulting from the acquisition, are translated into reais at the exchange rates calculated on the statement of financial position date. Income and expenses from foreign operations are translated into reais using the exchange rates on the transaction dates.

Differences in foreign currencies generated upon translation into the presentation currency are recognized in other comprehensive income and accumulated in equity adjustments, in equity. If the subsidiary is not a wholly-owned subsidiary, the corresponding portion of the translation difference is attributed to noncontrolling shareholders.

When a foreign entity is derecognized in whole or in part, resulting in loss of control, of significant influence or of joint control, the accumulated amount of exchange rate differences related to that foreign entity is reclassified to profit or loss as part of the gain or loss on derecognition.

3.3 Revenue from contracts with customers

Revenue is measured based on the consideration specified in the contract with the customer. The Company's subsidiaries recognize revenue when control over the product is transferred to the customer. In this context, revenue is recognized when products are delivered and accepted by the customers at their premises.

For sales in which return of goods is permitted, revenue is recognized to the extent that it is highly probable that a significant reversal in the amount of accrued revenue recognized will not occur. Therefore, the amount of recognized revenue is adjusted for expected returns, which are estimated based on historical data for specific types of returns.

3.4 Employee benefits

a. Short-term employee benefits

Short-term employee benefit obligations are recognized as personnel expenses as the related service is provided. The liability is recognized for the amount of payment expected if the Company and its subsidiaries have a present legal or constructive obligation to pay this amount as a result of past service provided by the employee and the obligation can be reliably estimated.

b. Share-based payment

The fair value on the date of grant of the share-based payment to employees is recognized as personnel expenses, with a corresponding increase in equity, during the period in which employees unconditionally acquire the right to the awards. The amount recognized as expense is adjusted to reflect the number of awards for which there is an expectation that the service and performance conditions will be met, so that the final amount recognized as expense is based on the number of awards that effectively meet service and performance conditions on the vesting date. For share-based payment awards containing non-vesting conditions, the fair value on the data of grant of the share-based payment awards is measured to reflect such conditions and no further adjustments are made for differences between expected and actual results.

The fair value of the amount payable to employees in respect of share appreciation rights, which are settled in cash, is recognized as an expense with a corresponding increase in liabilities during the period in which employees unconditionally acquire the right to the payment. The liability is remeasured at each statement of financial position date and on the settlement date, based on the fair value of the share appreciation rights. Any changes in the liability’s fair value are recognized as personnel expenses in the statement of profit or loss.

3.5 Government grants

Government grants and assistance are recognized where there is reasonable assurance that all conditions set by the government agencies have been complied with. They are recorded as deductions from income in profit or loss during the period necessary to compensate the expense that the government grant or assistance is intended to offset.

3.6 Finance income and costs

The Company’s finance income and costs include the following:

- Interest income;
- Interest expense;
- Net gains/losses on financial assets measured at fair value through profit or loss;
- Exchange differences on financial assets and liabilities.

Interest income and expenses are recognized in P&L using the effective interest method.

The “effective interest rate” is the rate that exactly discounts estimated future cash payments or receipts over the expected life of the financial instrument at the:

- Gross carrying amount of the financial asset; or
- Amortized cost of the financial liability.

In calculating interest income or expense, the effective interest rate is applied to the gross carrying amount of the asset (when the asset is not impaired) or to the amortized cost of the liability. However, interest income is calculated by applying the effective interest rate to the amortized cost of the financial asset that has impairment issues after initial recognition. If the asset is no longer experiencing impairment issues, the calculation of interest income is again based on the gross amount.

3.7 Taxes

a. Sales taxes

Revenues, expenses and assets are recognized net of sales taxes, except when:

- The net amount of sales taxes, whether recoverable or payable, is included in the amounts receivable and payable in the statement of financial position.

Revenues from goods, under the noncumulative system, are subject to 1.65% Contribution Tax on Gross Revenue for Social Integration Program (PIS), 7.60% Contribution Tax on Gross Revenue for Social Security Financing (COFINS), ICMS at the rates in effect in each state, and 1.5% social security contribution.

b. *Income and social contribution taxes*

Current and deferred income taxes comprise both income and social contribution taxes. Income tax is calculated at a rate of 15%, plus 10% surtax on taxable profit exceeding R$240, whereas social contribution tax is computed at a rate of 9% on net income. These consider offset of income and social contribution tax losses, limited to 30% of taxable profit in the year.

Income and social contribution tax expenses include current and deferred taxes. Current and deferred taxes are recognized in P&L unless they refer to business combinations or to items recognized directly in equity or in other comprehensive income.

(i) Current

Current tax expense is the estimated tax payable or receivable on taxable profit for the year and any adjustment to taxes payable in relation to previous years.

The amount of current taxes payable or receivable is recognized in the statement of financial position as a tax asset or liability for the best estimate of the expected amount of taxes to be paid or received that reflects the uncertainties related to their determination, if any. It is measured based on tax rates established on the statement of financial position date.

Current tax assets and liabilities are offset only when certain criteria are met.

(ii) Deferred

Deferred income and social contribution taxes are recognized on differences generated between assets and liabilities recognized for tax purposes and corresponding amounts recognized in the consolidated financial statements.

The Company also recognizes deferred IRPJ and CSLL on income and social contribution tax losses, whose offset is limited to 30% of annual taxable profit.

However, deferred income and social contribution taxes are not recognized if they are generated upon initial recognition of assets and liabilities in operations that do not affect the tax bases, except in operations involving business combinations. Deferred income and social contribution taxes are determined based on rates (and legislation) in force on the consolidated financial statements preparation date and applicable when the respective income and social contribution taxes are realized.

Deferred income and social contribution tax assets are recognized only to the extent that taxable profit is likely to be available for temporary differences to be used and tax losses offset.

3.8 Inventories

Inventories are valued at the lower of historical acquisition and/or production cost and net realizable value. Cost of inventories is attributed by use of the weighted average cost criterion, and includes all acquisition and transformation costs, as well as other costs incurred in bringing inventories to their current condition and location.

In the case of industrially processed products, work in process and finished products, inventories include general manufacturing expenses based on normal production capacity.

Net realizable value is the estimated selling price in the ordinary course of business, less estimated completion costs and costs required to carry out the sale. Provisions for losses on slow-moving or obsolete inventories are set up when deemed necessary by management.

3.9 Property, plant and equipment

(i) Recognition and measurement

Property, plant and equipment items are stated at historical cost less respective depreciation and impairment losses, if applicable.

Cost includes expenses directly attributable to acquisition of an asset. Costs of assets constructed by the Company and its subsidiaries include:

- The cost of materials and direct labor;
- Any other costs to bring the asset to the location and condition necessary for it to be capable of operating in the manner intended by management;
- The costs of dismantling and restoring the location where these assets are located; and
- Borrowing costs on qualifying assets.

Other expenses are capitalized only when there is an increase in the economic benefits from the PPE item. All other types of expenditures are recognized as expenses in P&L as incurred. The residual value and estimated useful life of the assets are measured and adjusted, if necessary, at year-end date.

Purchased software that becomes an integral part of the functionality of an equipment is capitalized as part of such equipment.

Gains and losses on disposal of a PPE item (calculated as the difference between the proceeds from disposal and the carrying amount of the item) are recognized as other operating income (expenses) in profit or loss.

(ii) Subsequent costs

Subsequent costs are capitalized to the extent that future benefits associated with such expenses are likely to flow to the Company or its subsidiary. Recurring maintenance and repair costs are posted to profit or loss.

(iii) Depreciation

PPE items are depreciated under the straight-line method in P&L for the year, based on the estimated useful life of each component, considering the rates mentioned in Note 13. Leased assets are depreciated for the shortest period between the estimated useful life of the asset and the contract term, unless it is certain that the Company and its subsidiaries will obtain ownership of the asset at the end of the lease. Land is not depreciated.

3.10 Intangible assets and goodwill

(i) Goodwill

Goodwill is measured at cost, less accumulated impairment losses.

(ii) Research and development

Expenses with research activities are recognized in profit of loss as incurred.

Development expenses are capitalized only if they can be reliably measured, the product or process is technically and commercially viable, future economic benefits are likely, and the Company and its subsidiaries intend and have sufficient resources to complete the development and use or sell the asset.

Other development expenses are recognized in profit or loss as incurred. Subsequent to initial recognition, capitalized development expenses are measured at cost, less accumulated amortization and any accumulated impairment losses.

(iii) Other intangible assets

Other intangible assets acquired by the Company and its subsidiaries with finite useful lives are measured at cost, less accumulated amortization and any accumulated impairment losses.

(iv) Subsequent expenses

Subsequent expenses are capitalized only when they increase future economic benefits embodied in the specific asset to which they relate. All other expenses, including internally generated goodwill expenses and brands and patents, are recognized in profit or loss as incurred.

(v) Amortization

The useful life of intangible assets is assessed as finite or indefinite. Cost of intangible assets acquired in a business combination corresponds to fair value at the acquisition date.

Intangible assets with an indefinite useful life are not amortized, but undergo annual impairment testing. Intangible assets with a finite useful life are amortized considering their useful life.

The estimated useful life is reviewed at each year end. Amortization of intangible assets with finite lives is recognized in the statement of profit or loss as expense, consistent with the use of the intangible asset.

3.11 Financial instruments

(i) Recognition and measurement

Trade accounts receivable and debt securities issued are initially recognized on the date they were originated. All other financial assets and liabilities are initially recognized when the Company and its subsidiaries become a party to the corresponding contractual provisions.

A financial asset (other than trade accounts receivable without a significant financing component) or financial liability is initially measured at fair value, plus, for an item not measured at fair value through profit or loss (FVTPL), the transaction costs that are directly attributable to its acquisition or issue. Trade accounts receivable without a significant financing component is initially measured at the transaction price.

(ii) Classification and subsequent measurement

Financial assets

Upon initial recognition, a financial asset is classified as measured at amortized cost or at fair value through other comprehensive income (FVTOCI); a debt instrument at FVTOCI; and an equity instrument or financial assets at FVTPL.

Financial assets are not reclassified subsequently to initial recognition unless the Company and its subsidiaries change the business model for management of financial assets, in which case all affected financial assets are reclassified on the first day of the reporting period following the change in the business model.

A financial asset is measured at amortized cost if it meets both of the following conditions and is not designated as measured at FVTPL:

- It is held within a business model whose objective is to hold financial assets for the purpose of receiving contractual cash flows; and
- Its contractual terms generate, on specific dates, cash flows that are related solely to the payment of principal and interest on the outstanding principal amount.

A debt instrument is measured at FVTOCI if it meets both of the following conditions and is not designated as measured at FVTPL:

- It is held within a business model whose objective is achieved both by receiving contractual cash flows and by selling financial assets; and
- Its contractual terms generate, on specific dates, cash flows that are related solely to the payment of principal and interest on the outstanding principal amount.

Upon initial recognition of an investment in an equity instrument that is not held for trading, the Company and its subsidiaries may irrevocably elect to present subsequent changes in the fair value of the investment in Other comprehensive income (OCI). This election is made individually by investment.

All financial assets not classified as measured at amortized cost or at FVTOCI, as described above, are classified as at FVTPL.

Financial assets – business model evaluation

The Company and its subsidiaries carry out an evaluation of the objective of the business model in which a financial asset is held in a portfolio because this better reflects the way in which the business is managed and the information is provided to management. The information considered includes:

- The policies and objectives set forth for the portfolio and the practical operation of these policies. The issue of whether management's strategy is focused on obtaining contractual interest income, maintaining a certain interest rate profile, matching the duration of financial assets with the duration of related liabilities or expected cash outflows, or the realization of cash flows through the sale of assets;
- How the performance of the portfolio is evaluated and reported to the management of the Company and its subsidiaries;
- The risks that affect the performance of the business model (and the financial asset held within such business model) and how these risks are managed;
- The frequency, volume and timing of sales of financial assets in prior periods, the reasons for such sales, and expectations about future sales;

Financial assets - Assessment of whether contractual cash flows are solely payments of principal and interest

For the purpose of this evaluation, “principal” is defined as the fair value of the financial asset at initial recognition. “Interest” is defined as a consideration for the time value of money and for the credit risk associated with the principal amount outstanding during a given period of time, and for other basic borrowing risks and costs (e.g., liquidity risk and costs administrative), as well as a profit margin.

The Company considers the contractual terms of the instrument to assess whether the contractual cash flows are solely payments of principal and interest. This includes assessing whether the financial asset contains a contractual term that could change the timing or value of contractual cash flows so that it would not meet this condition. When making this assessment, the Company considers:

- Contingent events that change the amount or timing of cash flows;
- Terms that can adjust the contractual rate, including variable rates;
- Prepayment and extension of the term; and
- The terms that limit the Company's access to specific asset cash flows (e.g., based on the performance of an asset).

Financial assets - subsequent measurement and gains and losses

- **Financial assets at FVTPL -** These assets are subsequently measured at fair value. Net gains (losses), including interest, is recognized in P&L.
- **Financial assets at amortized cost -** These assets are subsequently measured at amortized cost using the effective interest rate method. Amortized cost is reduced by impairment losses. Interest income, exchange gains and losses, and impairment are recognized in P&L. Any gain or loss upon derecognition is stated in P&L.
- **Debt instruments at FVTOCI -** These assets are subsequently measured at fair value. Interest income calculated using the effective interest method, exchange gains and losses, and impairment are recognized in P&L. Other net income is recognized in OCI. Upon derecognition, accumulated gains (losses) in OCI are reclassified to P&L.

Financial liabilities – classification, subsequent measurement and gains and losses
Financial liabilities were classified as measured at amortized cost. A financial liability is classified as measured at fair value through profit or loss if it is classified as held for trading, is a derivative, or is designated as such upon initial recognition.

Financial liabilities measured at FVTPL are measured at fair value and net gains (losses), including interest, are recognized in P&L. Other financial liabilities are subsequently measured at amortized cost using the effective interest method. Interest expense and exchange gains and losses are recognized in P&L. Any gain or loss upon derecognition is also stated in P&L.

(iii) Derecognition

Financial assets
A financial asset is derecognized when:

- The contractual rights to the cash flows from the asset expire;
- It transfers contractual rights of receipt to contractual cash flows on a financial asset in a transaction in which:
- Substantially all risks and rewards of ownership of the financial asset are transferred; or
- The Company neither transfers nor retains substantially all the risks and rewards of ownership of the financial asset, nor does it retain control over the financial asset.

The Company carries out transactions in which it transfers assets recognized in the statement of financial position, but retains all or substantially all the risks and rewards of the transferred assets. In these cases, financial assets are not derecognized.

Financial liabilities
The Company and its subsidiaries derecognize a financial liability when the contractual obligation is discharged or canceled or expires. The Company and its subsidiaries also derecognize a financial liability when the terms are modified and the cash flows of the modified liability are substantially different, in which case a new financial liability based on the modified terms is recognized at fair value.

Upon derecognition of a financial liability, the difference between the extinguished carrying amount and the consideration paid (including transferred assets that do not flow through cash or liabilities assumed) is recognized in P&L.

(iv) Offset
Financial assets or liabilities are offset, and the net amount is stated in the statement of financial position when, and only when, the Company and its subsidiaries have a currently enforceable legal right to offset the amounts and intend to settle on a net basis or realize the asset and settle the liability simultaneously.

3.12 Capital

Common shares
Common shares are classified under equity. Incremental costs that are directly attributable to issuing shares and stock options are recognized as a deduction from equity, net of any tax effects.

3.13 Impairment

(i) Nonderivative financial assets
The Company and its subsidiaries recognize allowances for expected credit losses on financial assets measured at amortized cost.

The Company and its subsidiaries elected to measure allowance for losses in an amount equal to the lifetime expected credit loss.

In determining whether the credit risk of a financial asset has significantly increased since initial recognition and in estimating expected credit losses, the Company and its subsidiaries consider reasonable and supportable information that is relevant and available without excessive cost or effort. This includes quantitative and qualitative information and analyses, based on experience, credit assessment, and considering forward-looking information.

The Company and its subsidiaries assume that a financial asset has increased significantly if:

- It is unlikely that the debtor will pay its credit obligations in full without resorting to actions such as enforcement of the guarantee (if any); or
- The financial asset is past due for more than 90 days.

At each reporting date, the Company and its subsidiaries assess whether the financial assets recorded at amortized cost are experiencing recovery issues. A financial asset has "recovery issues" when one or more events occur that adversely impact the financial asset's estimated future cash flows.

Objective evidence that financial assets experienced recovery issues includes the following observable data:

- Significant financial difficulties faced by the borrower;
- Default or delay of more than 90 days;
- Restructuring of an amount payable to the Company under terms that would not be accepted in normal conditions;
- The likelihood that the debtor will file for bankruptcy or undergo another type of financial reorganization or in-court reorganization process; or
- The disappearance of an active market for the security because of financial difficulties.

(ii) Nonfinancial assets

At each reporting date, the Company and its subsidiaries review the carrying amounts of its nonfinancial assets to determine whether there is an indication of impairment. If this is the case, the recoverable amount of the asset is estimated. In the case of goodwill, the recoverable amount is tested on an annual basis.

For impairment tests, assets are grouped into Cash-Generating Units (CGUs), that is, the smallest possible group of assets that generates cash inflows through their continued use, where such inflows are mostly independent from cash inflows of other assets or CGUs. Goodwill from business combinations is allocated to CGUs or groups of CGUs that are expected to benefit from synergies from the combination.

The recoverable amount of an asset or CGU is the higher of the value in use and the fair value less costs to sell. Value in use is based on the estimated future cash flows, discounted to present value using a pre-tax discount rate that reflects current market valuations of the time value of money and risks specific to the asset or CGU.

An impairment loss is recognized when the carrying amount of an asset or CGU exceeds its recoverable amount.

Impairment losses are recognized in the statement of profit or loss.

An impairment loss relating to goodwill is not reversed. As for other assets, impairment losses are reversed only to the extent that the new carrying amount of the asset does not exceed the carrying amount that would otherwise have been computed, net of depreciation or amortization, had the impairment loss not been recognized.

3.14 Provisions

Provisions are recognized according to CPC 25 (IAS 37), when the Company and its subsidiaries have a present obligation (legal or constructive) as a result of a past event, it is probable that economic benefits will be required to settle the obligation, and a reliable estimate of the obligation can be made. If the effect of the time value of money is material, provisions are discounted using a current tax rate that reflects, where appropriate, the specific liability risks. When discounting is used, the increase in the provision due to the passage of time is recognized as a finance cost.

3.15 Leases

The Company and its subsidiaries assess, on the commencement date, whether the agreement is or contains a lease.

An agreement is or contains a lease if it transfers the right to control the use of an identified asset over a period of time in return for consideration.

(i) The Company as the lessee

Upon commencement or modification of an agreement that contains a lease component, the Company and its subsidiaries allocate the consideration in the agreement to each lease component based on their individual prices. However, for property leases, the Company and its subsidiaries elected not to separate the non-lease components and account for the lease and non-lease components as a single component.

The Company and its subsidiaries recognize a right-of-use asset and a lease liability on the lease commencement date. The right-of-use asset is initially measured at cost, which comprises the initial measurement value of the lease liability, adjusted for any lease payments made up to the commencement date, plus any initial direct costs incurred by the lessee and an estimate of the costs to be incurred by the lessee in dismantling and removing the underlying asset, restoring the location in which it is located, or restoring the underlying asset to the condition required by the lease terms and conditions, less any lease incentives received.

The right-of-use asset is subsequently depreciated on a straight-line basis from the commencement date to the end of the lease term unless the lease transfers ownership of the underlying asset to the lessee at the end of the lease term, or if the cost of the right-of-use asset reflects that the lessee will exercise the purchase option. In this case, the right-of-use asset will be depreciated over the useful life of the underlying asset, which is determined on the same basis as that of the PPE item. In addition, the right-of-use asset is periodically reduced by impairment losses, if any, and adjusted for certain remeasurements of the lease liability.

Lease liabilities are initially measured at the present value of lease payments that are not made on the commencement date, discounting the interest rate implicit in the lease, or, if this rate cannot be determined immediately, the incremental borrowing rate of the Company and its subsidiaries.

The Company and its subsidiaries determine the incremental borrowing rate by obtaining interest rates from various external sources of financing and making certain adjustments to reflect the terms of the agreement and the type of leased asset.

The lease payments included in measuring the lease liability comprise the following:

- Fixed payments, including in-substance fixed payments;
- Variable lease payments that depend on an index or rate, initially measured using the index or rate on the commencement date;
- Amounts expected to be paid by the lessee in accordance with residual value guarantees; and
- The exercise price of the purchase option if the lessee is reasonably certain to exercise that option, and payments of lease termination penalties, if the lease term reflects the lessee exercising the option to terminate the lease.

Lease liabilities are measured at amortized cost, using the effective interest method. It is remeasured when there is a change in future lease payments resulting from a change in index or rate, if there is a change in the amounts that are expected to be paid in accordance with the residual value guarantee, if the Company and its subsidiaries change their assessment, if they will exercise an option to purchase, extend or terminate, or if there is a revised in-substance lease payment.

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

The Company and its subsidiaries present right-of-use assets that do not meet the definition of investment property under “property, plant and equipment” and lease liabilities under “loans and financing” in the statement of financial position.

Leases of low-value assets
The Company and its subsidiaries elected not to recognize right-of-use assets and lease liabilities for leases of low-value assets and short-term leases, including IT equipment. The Company and its subsidiaries recognize lease payments associated with these leases as an expense on a straight-line basis over the lease term.

3.16 Fair value measurement

Fair value is the price that would be received from the sale of an asset or paid for the transfer of a liability in a transaction between willing market players on the measurement date, in the main market or, in the absence thereof, in the most advantageous market to which the Company and its subsidiaries have access on that date. The fair value of a liability reflects the risk of non-performance.

A series of accounting policies and disclosures of the Company and its subsidiaries require the measurement of fair values, both for financial and nonfinancial assets and liabilities (see Note 2.2(b)).

When available, the Company and its subsidiaries measure the fair value of an instrument using the price quoted in an active market for that instrument. A market is considered “active” if transactions for the asset or liability occur with sufficient frequency and in volume to provide pricing information on an ongoing basis.

If there is no quoted price in an active market, the Company and its subsidiaries use valuation techniques that maximize the use of relevant observable data and minimize the use of nonobservable data. The valuation technique chosen incorporates all the factors that market players would take into account when pricing a transaction.

If an asset or liability measured at fair value has a purchase price and a sales price, the Company and its subsidiaries measure assets based on purchase prices and liabilities based on sales prices.

The best evidence of the fair value of a financial instrument upon initial recognition is usually the transaction price – that is, the fair value of the consideration given or received. If the Company and its subsidiaries determine that the fair value upon initial recognition differs from the transaction price and the fair value is not evidenced either by a quoted price in an active market for an identical asset or liability or based on a valuation technique for which any unobservable inputs are judged to be insignificant with respect to measurement, the financial instrument will be initially measured at fair value adjusted to defer the difference between the fair value upon initial recognition and the transaction price. Subsequently, this difference is recognized in profit or loss on an appropriate basis over the life of the instrument, or until the valuation is fully supported by observable market data or the transaction is closed, whichever occurs first.

(In thousands of reais)

3.17 New standards applied for the first time in 2023 and interpretations not yet effective

The following amended standards and interpretations had no significant impact on the Company's individual and consolidated financial statements.

- Deferred tax related to assets and liabilities arising from a single transaction (amendments to CPC 32/IAS12);
- IFRS 17 - Insurance Contracts;
- Disclosure of accounting policies (amendments to CPC 26/IAS 1 and IFRS Practice Statement 2);
- Definition of accounting estimates (amendments to CPC 23/IAS 8).

The new standards and amendments had no significant impact on the Group’s consolidated financial statements.

The Group elected not to early adopt any other standard, interpretation or amendment that has been issued, but is not yet effective.

4 Cash and cash equivalents

	Consolidated		Individual	
	12/31/2023	**12/31/2022**	**12/31/2023**	**12/31/2022**
Checking account	8,092	10,587	3	4
Floating CDB (Invest Fácil)	20,679	10,803	42	21
Floating CDB	328,401	172,519	978	35,136
Foreign cash and cash equivalents	3,848	3,288	-	-
	361,020	**197,197**	**1,023**	**35,161**

The checking account balance is represented by bank deposits not subject to interest.

Financial investments classified as cash equivalents are represented by short-term investments, have daily liquidity, and can be redeemed at any time, regardless of their maturity, without loss of yield.

Investments that remunerate checking account balances (Invest Fácil) are automatic, according to the available bank balance, and redemptions take place based on immediate cash needs of the Company and its subsidiaries. Yield ranges from 5% to 10% of the Interbank Deposit Certificate (CDI) as of December 31, 2023 (from 5% to 10% of the CDI as of December 31, 2022).

Remuneration of floating Bank Deposit Certificates (CDB) ranges from 100.5% to 102.50% of the CDI as of December 31, 2023 (from 101.0% to 102.75% of the CDI as of December 31, 2022). They are readily convertible into cash. See Note 28 on credit risk exposure.

(In thousands of reais)

5 Financial investments

	Consolidated		Individual	
	12/31/2023	**12/31/2022**	**12/31/2023**	**12/31/2022**
Domestic financial investments				
Floating CDB	-	2,257	-	4
Fixed income investment funds	12,980	6,271	5	1
Equity investment funds	469	418	-	-
	13,449	**8,946**	**5**	**5**
Current	**3**	**4**	**3**	**4**
Noncurrent	**13,446**	**8,942**	**2**	**1**

Investments in fixed income funds in the amount of R$12,980 (R$6,271 as of December 31, 2022) bear interest of 105% of the CDI as of December 31, 2023 (84% of the CDI as of December 31, 2022), and do not have liquidity, as they are linked to guarantees in financing contracts (BNB).

Equity investment funds in the amount of R$469 (R$418 as of December 31, 2022) are financial assets valued at fair value through other comprehensive income. The shares were valued according to B3 quotation on the date of these financial statements.

6 Trade accounts receivable

a. Breakdown of balances

	Consolidated	
Accounts receivable	**12/31/2023**	**12/31/2022**
Domestic:		
Trade accounts receivable	827,522	751,487
Foreign:		
Trade accounts receivable	48,798	66,369
Subtotal trade accounts receivable	**876,320**	**817,856**
Impairment loss	(41,775)	(43,246)
Total trade accounts receivable, net	**834,545**	**774,610**
Current	**830,672**	**769,457**
Noncurrent	**3,873**	**5,153**

(In thousands of reais)

b. By maturity

	Consolidated	
	12/31/2023	**12/31/2022**
Falling due		
1 to 30 days	240,862	250,939
31 to 60 days	243,631	222,261
61 to 90 days	175,488	179,538
More than 90 days	169,830	115,494
	829,811	**768,232**
Days past due		
1 to 30 days	5,526	13,977
31 to 60 days	1,785	682
61 to 90 days	683	368
More than 90 days	38,515	34,597
	46,509	**49,624**
	876,320	**817,856**

Exposure of the Company and its subsidiaries to credit risk is mainly influenced by the individual characteristics of each customer. However, management also considers the factors that may influence the credit risk of its customer base, including the risk of non-payment of the industry, trade and the country in which the customer operates.

Details on gross sales in the foreign and domestic markets are disclosed in Note 21. Management understands that the amount that best represents its maximum exposure to credit risk for the year ended December 31, 2023 is R$41,775 (R$43,246 as of December 31, 2022) resulting from the criteria described in item (c).

c. Criteria for measurement of losses on trade accounts receivable (impairment)

The analysis of credit granting to customers is carried out when registering them in the Company's and its subsidiaries' system, for which all necessary documentation is required, including financial statements and commercial references. The credit limit is reassessed whenever new orders are placed, due to the seasonal nature of the financial market.

In addition to the individual analysis of each past due payment from customers, the Company and its subsidiaries use an allowance matrix to calculate the expected losses on trade accounts receivable. The allowance rates are based on days past due for groupings of customer segments that have similar loss patterns, such as by geographical region, line of product or type of customer, credit risk, among others.

(In thousands of reais)

The allowance matrix is initially based on historical loss rates observed by the Company and its subsidiaries. The matrix is reviewed prospectively for adjustment according to the historical loss experience. For example, if there is an expectation of deterioration in economic conditions for the following year, which could lead to an increase in defaults, the expected loss rates are adjusted, when deemed necessary. At all accounting closing dates, loss rates are updated and the need for changes to prospective estimates is assessed.

The criteria used to set up impairment losses are the same for the domestic and foreign market customer portfolio.

The Company and its subsidiaries carry out an individual analysis of each customer. For customers under in-court reorganization, the Company adopts the policy of setting up an allowance for expected loss in an amount that may vary from 20% to 40% of the outstanding balance for customers with a financial restructuring profile and of 100% for customers who do not have the same profile.

d. Changes in the provision for impairment

Changes in the provision for impairment for the years ended December 31, 2023 and 2022 are shown below:

	Consolidated	
	12/31/2023	**12/31/2022**
Opening balance	**(43,246)**	**(35,074)**
Additional provision	(12,165)	(16,403)
Write-offs	2,079	3,377
Recovery of provisions	11,557	4,854
Closing balance	**(41,775)**	**(43,246)**

Considering the capillarity of sales distribution and the credit policy of the Company’s subsidiaries, concentration of customers in sales or in the receivables portfolio is lower than 11%. As such, in the year ended December 31, 2023, there was no significant change in the share or concentration in the key customers.

The exposure of the Company and its subsidiaries to credit and currency risks and impairment losses related to trade accounts receivable and other accounts is disclosed in Note 28.

(In thousands of reais)

7 Inventories

	Consolidated	
	12/31/2023	**12/31/2022**
Finished products	114,513	117,538
Goods for resale	234,296	185,895
Work in process	55,128	54,830
Raw materials	109,087	135,236
Packaging materials and supplies	28,578	26,176
Goods in transit	35,767	26,637
Imports in progress	4,071	19,425
Other	2,094	2,094
	583,534	**567,831**

a. Criteria for measurement of provision (impairment)

Based on historical analysis and estimated losses, the Company's subsidiaries set up provision for losses on realization of inventories. For inventories of raw materials and work in process, a provision was set up for all items with no movement for more than 180 days. For inventories of finished products and goods for resale, all items were evaluated and provisions were set up for potential losses based on the respective sales prospects, with a provision for 100% of the items that presented a negative contribution margin.

As of December 31, 2023, provision for losses on finished products and resales amounts to R$9,158 (R$10,744 as of December 31, 2022), provision for losses on raw materials amounts to R$30,055 (R$25,746 as of December 31, 2022), and provision for losses on work in process amounts to R$4,081 (R$3,275 as of December 31, 2022).

The value of raw materials, labor and overhead used in the composition of the cost of sales totals R$1,196,907 as of December 31, 2023 (R$1,226,908 as of December 31, 2022).

b. Changes in the provision (impairment)

Changes in the provision for losses on realization of inventories for the year ended December 31, 2023 and 2022 are as follows:

(In thousands of reais)

	Consolidated	
	12/31/2023	12/31/2022
Opening balance	**(39,765)**	**(28,524)**
Additions/reversals in the year	(21,055)	(26,372)
Write-offs	17,526	15,131
Closing balance	**(43,294)**	**(39,765)**

8 Taxes recoverable

	Consolidated		Individual	
	12/31/2023	12/31/2022	12/31/2023	12/31/2022
ICMS	10,899	4,315	20	20
Federal VAT (IPI)	2,048	1,175	-	-
PIS/COFINS	151,498	192,405	-	-
FINSOCIAL	2,475	2,385	1,920	1,831
Brazilian Special Regime for Reinstatement of Taxes for Exporters (REINTEGRA)	453	610	-	-
Unduly paid taxes (a)	8,792	8,792	-	-
Other	2,506	2,507	628	562
	178,671	**212,189**	**2,568**	**2,413**
Current	**119,435**	**18,685**	**648**	**582**
Noncurrent	**59,236**	**193,504**	**1,920**	**1,831**

(a) Refers to recognition of undue tax payments (Central Bank Benchmark rate – SELIC), arising from non-taxation of monetary restatement based on the SELIC variation.

The Company's subsidiaries are parties to other lawsuits at different court levels but that require no recognition at this point.

(In thousands of reais)

9 Income and social contribution taxes

a. Income tax - prepayment

	Consolidated		Individual	
	12/31/2023	**12/31/2022**	**12/31/2023**	**12/31/2022**
Income tax - prepayment	26,786	13,859	992	1,331
	26,786	**13,859**	**992**	**1,331**

b. Deferred income and social contribution taxes on temporary differences

	Consolidated	
	12/31/2023	**12/31/2022**
Temporary differences in the year		
Revaluation of property, plant and equipment	(2,071)	(2,151)
Provisions	407	6,842
Previously unused PIS and COFINS credits	-	(8,501)
Foreign subsidiaries	879	322
Deferred income and social contribution taxes on temporary differences	**(785)**	**(3,488)**
Total deferred income and social contribution tax assets	1,286	13,591
Total deferred income and social contribution tax liabilities	(2,071)	(17,079)

c. Current and deferred income and social contribution taxes

Current and deferred income and social contribution taxes are accounted for in the consolidated P&L. As explained in Note 9d, the rate of 34% was used for calculation of the tax:

	Consolidated	
	12/31/2023	**12/31/2022**
Current income and social contribution taxes	(45,504)	(15,851)
Deferred income and social contribution taxes	2,642	916
	(42,862)	**(14,935)**

(In thousands of reais)

d. Reconciliation of effective tax rate

	Consolidated	
	IRPJ / CSLL	
	12/31/2023	**12/31/2022**
Income before income and social contribution taxes	**537,745**	**484,865**
Income and social contribution taxes at the rate of 34%	182,833	164,854
Nondeductible expenses	3,763	4,620
Tax incentives – state **(a)**	(103,952)	(82,054)
Technological innovation incentive	(10,902)	(10,190)
IRPJ incentive	(40,419)	(30,973)
Offset of income and social contribution tax losses	(36,433)	(15,179)
Temporary differences	24,097	(9,425)
Nontaxable revenues	-	(7,977)
Restatement of unduly paid taxes	(3,718)	(4,318)
Other	27,593	5,577
	(139,971)	(149,919)
Income and social contribution tax expense	**42,862**	**14,935**
Current	45,504	15,851
Deferred	(2,642)	(916)
Effective rate (b)	**7.97%**	**3.08%**

(a) A description of the tax benefits is presented in Note 30.

(b) Effective rate on book income before income and social contribution taxes.

(In thousands of reais)

e. Tax loss carryforward

The Company and its subsidiaries Vulcabras CE, Calçados e Artigos Esportivos S.A., Vulcabras BA, Calçados e Artigos Esportivos S.A. and Vulcabras Distribuidora de Artigos Esportivos Ltda. record significant tax incentives that considerably reduce the ability to offset any deferred income tax credits. Management periodically monitors tax incentive renewals. Considering the low expectation of realization, the Company and its subsidiaries do not record deferred income and social contribution taxes on income and social contribution tax losses. As of December 31, 2023 and 2022, the Company and its subsidiaries recorded income and social contribution tax loss carryforward on the following base amounts:

	12/31/2023							
	Vulcabras CE, Calçados e Artigos Esportivos S.A	Vulcabras BA, Calçados e Artigos Esportivos S.A.	Vulcabras Distribuidora de Artigos Esportivos Ltda.	Vulcabras SP, Comércio de Artigos Esportivos Ltda.	Running, Comércio e Indústria de Artigos Esportivos Ltda.	Distribuidora de Calçados e Artigos Esportivos Cruzeiro do Sul Ltda.	Vulcabras S.A	Total
Income tax losses as of 12/31/2023	206,493	574,929	45,332	463,085	11,312	39,270	147,956	1,488,377
Social contribution tax losses as of 12/31/2023	1,048,136	586,962	46,796	463,589	11,560	39,270	150,071	2,346,384

	12/31/2022							
	Vulcabras CE, Calçados e Artigos Esportivos S.A	Vulcabras BA, Calçados e Artigos Esportivos S.A.	Vulcabras Distribuidora de Artigos Esportivos Ltda.	Vulcabras SP, Comércio de Artigos Esportivos Ltda.	Running, Comércio e Indústria de Artigos Esportivos Ltda.	Distribuidora de Calçados e Artigos Esportivos Cruzeiro do Sul Ltda.	Vulcabras S.A	Total
Income tax losses as of 12/31/2022	262,862	602,406	70,474	377,313	4,867	39,268	149,157	1,506,347
Social contribution tax losses as of 12/31/2022	1,102,811	614,428	70,610	377,817	5,115	39,268	151,272	2,361,321

Offset of income and social contribution tax losses is limited to 30% of annual taxable profit accrued as of 1995, without expiration.

(In thousands of reais)

10 Judicial deposits

The Company and its subsidiaries record judicial deposits related to civil, labor and tax proceedings (Note 19), as shown below:

	Consolidated		**Individual**	
	12/31/2023	**12/31/2022**	**12/31/2023**	**12/31/2022**
Judicial deposits				
Civil	35	43	-	-
Labor	11,214	13,044	250	285
Tax	16,598	9,332	-	123
Total	**27,847**	**22,419**	**250**	**408**

a. Labor (consolidated)

The labor suits refer mostly to claims for overtime, equal pay, health exposure pay, hazard pay, pain and suffering, and occupational disease.

The judicial deposits mostly concern the amounts deposited in the records referring to appeals, review appeals, escrow deposits, and online attachment of part of the amounts included in the ongoing labor claims.

b. Civil (consolidated)

Civil lawsuits substantially involve claims for compensation in general for property damage and/or pain and suffering, as well as claims related to alleged defects arising from the manufacture of products. Judicial deposits related to the above civil suits were made as guarantee for the discussion of the claimed amounts.

c. Tax (consolidated)

Judicial deposits refer to lawsuits to which the Company and its subsidiaries are parties, mainly involving the following taxes: IRPJ, COFINS, PIS and ICMS.

11 Transactions with related parties

The main assets and liabilities balances as of December 31, 2023 and 2022, as well as transactions that influenced P&L for the years relating to transactions with related parties, stem from transactions between the Company and its subsidiaries in Brazil and Peru, as well as intercompany loans.

Intercompany loans are restated by reference to DI-CETIP.

a. Parent company and ultimate parent

The Company’s key parent company is Gianpega Negócios e Participações S.A., and its ultimate parent is Mr. Pedro Grendene Bartelle.

(In thousands of reais)

b. Transactions with the parent company

Transactions between the parent company and its subsidiaries, which are eliminated for consolidation purposes, were carried out under conditions and terms agreed between the parties, as follows:

	Vulcabras CE	Vulcabras BA	12/31/2023	12/31/2022
Assets				
Other accounts receivable - related parties (**)	255,742	-	255,742	-
Liabilities				
Borrowings from subsidiaries (*)	-	-	-	109,889
			12/31/2023	**12/31/2022**
P&L				
Finance income (costs)	(641)	(5,320)	(5,961)	(11,847)

(*) These loans and borrowings are restated at 100% of the CDI. These agreements are valid for five years, with a final maturity between 2025 and 2026.

(**) Refers to the capital reduction of the subsidiary Vulcabras CE approved at the Special General Meeting held on September 23, 2023, in the amount of R$356,327, of which R$100,585 has already been returned.

(In thousands of reais)

c. Transactions between subsidiaries

Vulcabras CE, Calçados e Artigos Esportivos S.A. and subsidiaries

Subsidiary Vulcabras CE, Calçados e Artigos Esportivos S.A. carries out purchase and sale transactions and intercompany loans with its subsidiaries to cover temporary cash needs, which incur charges related to the variation of the CDI, broken down as follows:

	Running	**Calzados Azaleia Peru.**	**Vulcabras SP**	**Vulcabras Distribuidora**	**Vulcabras BA**	**12/31/2023**	**12/31/2022**
Assets							
Accounts receivable	13,629	2,692	261,983	-	1,093	279,397	96,554
Other receivables	264	-	1,468	88,461	3,473	93,666	8,793
Liabilities							
Accounts payable	-	-	32	96	24,192	24,320	1,395
Other payables	-	-	2,595	-	2,223	4,818	495
P&L						**12/31/2023**	**12/31/2022**
Finance income (costs)	-	-	-	-	-	-	83
Intercompany sales	11,451	2,923	215,840	1,175	20,552	251,941	100,128
Intercompany purchases	-	-	(156)	(9,477)	(24,240)	(33,873)	(38,720)

Balances with related parties are eliminated for purposes of consolidated presentation. The main nature of the transactions refers to purchases and sales of footwear and gear.

(In thousands of reais)

d. Management compensation

At the Annual General Meeting held on April 25, 2023, the annual global management compensation was set at up to R$19,009. In the year ended December 31, 2023, management compensation totaled R$18,359 (R$15,264 as of December 31, 2022).

The Company's managing officers have no loan transactions, advances or other transactions with the Company and its subsidiaries other than their normal services.

As of December 31, 2023 and 2022, the Company and its subsidiaries, despite recording provisions related to long-term benefits, did not make payments to their key management personnel related to: a) long-term benefits; b) severance pay; and c) share-based compensation. Refer to Note 20.b for details on the stock option plan.

e. Other transactions with related parties

The Company, through its direct subsidiary Vulcabras CE, has related-party transactions with Grendene S.A., represented as follows:

	Calzados Azaleia Peru	Vulcabras CE	12/31/2023	12/31/2022
Assets				
Accounts receivable				
Grendene S.A.	-	1,351	1,351	983
Liabilities				
Accounts payable				
Grendene S.A.	1,535	-	1,535	946
			12/31/2023	**12/31/2022**
P&L				
Sale of inputs	-	528	528	444
Costs of resales	(5,617)	-	(5,617)	(3,616)
Service revenue (a)	-	3,040	3,040	2,336
Selling expenses (b)	-	(38)	(38)	(133)
Finance income (costs)	107	-	107	(85)

(a) Licensing agreement of "Azaleia" brand by subsidiary Vulcabras CE, on behalf of Grendene S.A., for the sale of women's footwear in general in Brazil and in any other country in the world, except Peru, Chile and Colombia. Agreement entered into for a period of 3 years, which may be renewed for another 3 years. In consideration for the licensing, Grendene S.A. will make the monthly payment of royalties to Vulcabras CE.

(In thousands of reais)

(b) Licensing, production and sale of sports shoes of “Melissa” brand, owned by Grendene S.A. The agreement grants subsidiaries Vulcabras CE and Vulcabras BA the right to sell in Brazil and, subject to prior approval by Grendene S.A., in any other country, for a 2-year period, which may be renewed by agreement between the parties. In consideration for the licensing, Grendene S.A. will receive monthly payment of royalties.

12 Investments

a. Breakdown of balances

	Consolidated		Individual	
	12/31/2023	**12/31/2022**	**12/31/2023**	**12/31/2022**
Permanent equity interests, net of losses:				
In subsidiaries	-	-	1,733,010	1,798,458
In associates (a)	55,954	68,090	-	-
Other investments (b)	6,929	7,572	-	-
Total	**62,883**	**75,662**	**1,733,010**	**1,798,458**

(a) Subsidiary Vulcabras BA, Calçados e Artigos Esportivos S.A. holds 50% equity interest as of December 31, 2023 (50% as of December 31, 2022) in the associate PARS Participações Ltda., which in turn holds 100% equity interest as of December 31, 2023 (100% as of December 31, 2022) in Brisa Indústria de Tecidos Tecnológicos S.A. Considering that the Company only has significant influence, this investment is not consolidated in its financial statements, pursuant to CPC 36 (R3) / IFRS 10 - Consolidated Financial Statements.

(b) The Company, through its subsidiaries Vulcabras BA and Vulcabras CE, holds equity interest in Ventos de São Mizael Holding S.A.

(In thousands of reais)

b. Changes in investments

	Consolidated		Individual	
	12/31/2023	**12/31/2022**	**12/31/2023**	**12/31/2022**
Opening balances	**75,662**	**69,408**	**1,798,458**	**1,439,770**
Equity pickup	7,864	5,298	492,883	473,848
Exchange differences from translation of foreign operations	-	-	(2,059)	2,873
Acquisition of/increase in investments (Note 12a)	813	1,090	-	52
Dividends received	(21,456)	(134)	-	-
Capital reduction (a)	-	-	(556,324)	(118,447)
Financial assets at fair value through other comprehensive income	-	-	50	357
Increase in equity interests in investee	-	-	2	5
Closing balances	**62,883**	**75,662**	**1,733,010**	**1,798,458**

(a) This refers to capital reduction in subsidiary Vulcabras CE, whose amount was partially received. The remaining balance receivable is disclosed in Note 11.b.

c. Information on direct equity interests - individual

	Vulcabras CE, Calçados e Artigos Esportivos S.A.		Vulcabras Distribuidora de Artigos Esportivos Ltda.		Globalcyr S.A.		Vulcabras Empreendimentos Ltda.		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**
Total assets	2,529,621	2,278,494	393,961	346,839	-	-	2,094	2,094	-	-
Total liabilities	799,559	482,265	328,342	243,803	-	-	-	-	-	-
Capital	516,118	1,072,445	10,018	94,018	-	-	2,094	2,094	-	-
Net revenue	1,560,156	1,349,322	563,373	418,329	-	-	-	-	-	-
P&L for the year	492,837	473,818	46,583	24,223	-	(83)	-	-	-	-
Number of shares or units of interest held (in thousands)	537,467	537,467	131	131	-	-	2,094	2,094	-	-
Equity	1,730,062	1,796,229	65,619	103,036	-	-	2,094	2,094	-	-
Equity interest in capital at the year end - %	99.99%	99.99%	1.31%	0.14%	-	-	100%	100%	-	-
Investments	1,730,055	1,796,220	861	144	-	-	2,094	2,094	1,733,010	1,798,458
Equity pickup	492,835	473,815	48	34	-	(1)	-	-	492,883	473,848

d. Information on indirect equity interests

As of December 31, 2023 and 2022, the Company holds indirect interest in the companies below, through its subsidiary Vulcabras CE, Calçados e Artigos Esportivos S.A.:

(In thousands of reais)

(i) Vulcabras CE, Calçados e Artigos Esportivos S.A.

12/31/2023	**Vulcabras Distribuidora de Artigos Esportivos Ltda.**	**Vulcabras SP, Comércio de Artigos Esportivos Ltda.**	**Vulcabras BA, Calçados e Artigos Esportivos S.A.**	**Running Comércio e Indústria de Artigos Esportivos Ltda**	**Distribuidora de Calçados e Artigos Esportivos Cruzeiro do Sul Ltda. (*)**	**Calzados Azaleia Peru S.A.**	**PARS Participações Ltda.**
Total assets	393,961	401,711	619,861	19,698	543	50,670	111,909
Total liabilities	328,342	504,176	154,922	29,769	13,760	17,537	1
Capital	10,018	402,995	255,403	3,621	26,207	1,072	36,116
Equity	65,619	(102,465)	464,939	(10,071)	(13,217)	33,133	111,908
Net revenue	563,373	298,934	801,696	23,312	-	58,198	-
P&L for the year	46,583	(80,815)	188,623	(8,063)	-	(1,615)	15,728
Equity interests	98.69%	100.00%	99.99%	100.00%	100.00%	99.11%	50.00%

12/31/2022	**Vulcabras Distribuidora de Artigos Esportivos Ltda.**	**Vulcabras SP, Comércio de Artigos Esportivos Ltda.**	**Globalcyr S.A.**	**Vulcabras BA, Calçados e Artigos Esportivos S.A.**	**Running Comércio e Indústria de Artigos Esportivos Ltda**	**Distribuidora de Calçados e Artigos Esportivos Cruzeiro do Sul Ltda. (*)**	**Calzados Azaleia Peru S.A.**	**PARS Participações Ltda.**
Total assets	346,839	186,042	-	641,252	17,861	728	57,457	136,181
Total liabilities	243,803	207,691	-	104,936	19,870	13,945	20,445	1
Capital	94,018	402,995	-	365,403	3,621	26,207	1,072	36,116
Equity	103,036	(21,649)	-	536,316	(2,009)	(13,217)	37,012	136,180
Net revenue	418,329	153,132	-	724,130	17,025	-	75,161	-
P&L for the year	24,223	(37,320)	(83)	120,543	(3,294)	(3)	2,936	10,596
Equity interests	99.86%	100.00%	98.45%	99.99%	100.00%	100.00%	99.11%	50.00%

(*) Indirect interests

(In thousands of reais)

13 Property, plant and equipment

a. Breakdown

		Consolidated					
		12/31/2023			12/31/2022		
At December 31, 2023	**Average depreciation rate**	**Cost**	**Depreciation**	**Net**	**Cost**	**Depreciation**	**Net**
Buildings	2 to 4	165,398	(98,656)	66,742	156,354	(94,888)	61,466
Machinery and equipment	10	480,239	(295,757)	184,482	437,061	(280,468)	156,593
Molds	100	298,266	(278,301)	19,965	288,976	(269,910)	19,066
Furniture and fixtures	10 to 20	47,870	(28,215)	19,655	43,272	(25,863)	17,409
Vehicles	20	2,436	(2,049)	387	2,393	(1,940)	453
IT equipment	20 to 25	41,935	(30,590)	11,345	38,882	(27,474)	11,408
Land	-	3,730	-	3,730	3,730	-	3,730
Molds in progress	-	-	-	-	823	-	823
Construction in progress	-	19,055	-	19,055	3,180	-	3,180
Facilities	10	172,062	(93,304)	78,758	157,697	(81,615)	76,082
Leasehold improvements	10 to 20	4,985	(2,536)	2,449	4,606	(1,549)	3,057
Imports in progress	-	16,082	-	16,082	25,763	-	25,763
Improvements in leased property	20	1,671	(1,671)	-	1,671	(1,671)	-
Other	10 to 20	26	(26)	-	26	(25)	1
		1,253,755	**(831,105)**	**422,650**	**1,164,434**	**(785,403)**	**379,031**

(In thousands of reais)

b. Changes in cost

	Consolidated										
	01/01/2022	12/31/2022					12/31/2023				
At December 31, 2023	**Opening balance**	**Additions**	**Write-offs**	**Transfers**	**Translation adjustment**	**Closing balance**	**Additions**	**Write-offs**	**Transfers**	**Translation adjustment**	**Closing balance**
Buildings	131,113	1,001	(68)	24,901	(593)	156,354	120	(1,967)	11,578	(687)	165,398
Machinery and equipment	395,160	24,076	(20,306)	38,131	-	437,061	25,483	(11,116)	28,811	-	480,239
Molds	278,863	34,806	(24,693)	-	-	288,976	41,391	(32,924)	823	-	298,266
Furniture and fixtures	40,777	6,294	(3,360)	-	(439)	43,272	5,215	(126)	-	(491)	47,870
Vehicles	2,241	287	(111)	-	(24)	2,393	91	(8)	-	(40)	2,436
IT equipment	32,775	6,490	(65)	-	(318)	38,882	3,526	(111)	-	(362)	41,935
Land	3,326	430	(26)	-	-	3,730	-	-	-	-	3,730
Molds in progress	-	823	-	-	-	823	-	-	(823)	-	-
Construction in progress	7,719	22,964	(2,594)	(24,901)	(8)	3,180	27,473	(18)	(11,578)	(2)	19,055
Facilities	135,563	22,144	(10)	-	-	157,697	14,426	(61)	-	-	172,062
Leasehold improvements	4,586	20	-	-	-	4,606	378	-	-	1	4,985
Imports in progress	29,249	38,912	(4,267)	(38,131)	-	25,763	19,267	(138)	(28,811)	1	16,082
Improvements in leased property	1,671	-	-	-	-	1,671	-	-	-	-	1,671
Other	28	-	(2)	-	-	26	-	-	-	-	26
	1,063,071	**158,247**	**(55,502)**	**-**	**(1,382)**	**1,164,434**	**137,370**	**(46,469)**	**-**	**(1,580)**	**1,253,755**

(In thousands of reais)

c. Changes in depreciation

	Consolidated								
	01/01/2022	12/31/2022				12/31/2023			
At December 31, 2023	Opening balance	Additions	Write-offs	Translation adjustment	Closing balance	Additions	Write-offs	Translation adjustment	Closing balance
Buildings	(91,221)	(3,824)	-	157	(94,888)	(4,384)	413	203	(98,656)
Machinery and equipment	(279,326)	(20,023)	18,881	-	(280,468)	(25,233)	9,945	(1)	(295,757)
Molds	(262,565)	(29,317)	21,972	-	(269,910)	(36,698)	28,307	-	(278,301)
Furniture and fixtures	(27,285)	(2,164)	3,324	262	(25,863)	(2,700)	25	323	(28,215)
Vehicles	(1,953)	(108)	96	25	(1,940)	(134)	-	25	(2,049)
IT equipment	(25,000)	(2,741)	58	209	(27,474)	(3,415)	50	249	(30,590)
Facilities	(71,758)	(9,860)	3	-	(81,615)	(11,713)	24	-	(93,304)
Leasehold improvements	(603)	(946)	-	-	(1,549)	(987)	-	-	(2,536)
Improvements in leased property	(996)	(675)	-	-	(1,671)	-	-	-	(1,671)
Other	(27)	(1)	3	-	(25)	(1)	-	-	(26)
	(760,734)	**(69,659)**	**44,337**	**653**	**(785,403)**	**(85,265)**	**38,764**	**799**	**(831,105)**

Interest on loans and financing was not capitalized in the cost of construction in progress, given that the main contracts are related to the acquisition of machinery and equipment put into immediate operation.

The Company and its subsidiaries review the useful lives of property, plant and equipment items on an annual basis. The Company and its subsidiaries adopt the policy of maintaining the key property, plant and equipment items until the end of their useful lives.

The Company identified no indication of impairment loss on its property, plant and equipment.

(In thousands of reais)

14 Intangible assets

a. Breakdown

		Consolidated					
		12/31/2023			12/31/2022		
At December 31, 2023	**Useful life**	**Cost**	**Amortization**	**Net**	**Cost**	**Amortization**	**Net**
Finite useful life							
Software	5 years	45,254	(38,944)	6,310	43,899	(36,626)	7,273
Assignment of rights	Contractual term	162	(102)	60	533	(456)	77
Indefinite useful life							
Trademarks and patents		2,068	-	2,068	2,068	-	2,068
Goodwill		1,464	-	1,464	1,464	-	1,464
Goodwill		198,214	-	198,214	198,214	-	198,214
		247,162	**(39,046)**	**208,116**	**246,178**	**(37,082)**	**209,096**

Amortization of intangible assets is recorded against P&L, in the cost of sales (industrial software) and selling expenses (assignment of rights) group.

(In thousands of reais)

b. Changes in cost

				Consolidated			
At December 31, 2023	**life**	**Amortization method**	**Balance at 01/01/2023**	**Additions**	**Write-offs**	**Translation adjustment**	**Balance at 12/31/2023**
Finite useful life							
Software	5 years	Straight line	43,899	1,695	(180)	(160)	45,254
Assignment of rights	Contractual term	Straight line	533	-	(329)	(42)	162
Indefinite useful life							
Trademarks and patents			2,068	-	-	-	2,068
Goodwill			1,464	-	-	-	1,464
Goodwill			198,214	-	-	-	198,214
Total			**246,178**	**1,695**	**(509)**	**(202)**	**247,162**

				Consolidated			
At December 31, 2022	**Useful life**	**Amortization method**	**Balance at 01/01/2022**	**Additions**	**Write-offs**	**Translation adjustment**	**Balance at 12/31/2022**
Finite useful life							
Software	5 years	Straight line	41,516	2,537	(66)	(88)	43,899
Assignment of rights	Contractual term	Straight line	566	-	-	(33)	533
Indefinite useful life							
Trademarks and patents			2,068	-	-	-	2,068
Goodwill			1,464	-	-	-	1,464
Goodwill			198,214	-	-	-	198,214
Total			**243,828**	**2,537**	**(66)**	**(121)**	**246,178**

(In thousands of reais)

c. Changes in amortization

				Consolidated			
At December 31, 2023	**Useful life**	**Amortization method**	**Balance at 01/01/2023**	**Additions**	**Write-offs**	**Translation adjustment**	**Balance at 12/31/2023**
Finite useful life							
Software	5 years	Straight line	(36,626)	(2,574)	180	76	(38,944)
Assignment of rights	Contractual term	Straight line	(456)	(11)	329	36	(102)
Total			**(37,082)**	**(2,585)**	**509**	**112**	**(39,046)**

				Consolidated			
At December 31, 2022	**Useful life**	**Amortization method**	**Balance at 01/01/2022**	**Additions**	**Write-offs**	**Translation adjustment**	**Balance at 12/31/2022**
Finite useful life							
Software	5 years	Straight line	(34,289)	(2,394)	-	57	(36,626)
Assignment of rights	Contractual term	Straight line	(453)	(28)	-	25	(456)
Total			**(34,742)**	**(2,422)**	**-**	**82**	**(37,082)**

d. Goodwill from business combination

The goodwill balances determined in the acquisition of equity interests, presented in subsidiary Vulcabras CE, Calçados e Artigos Esportivos S.A., are supported by reports issued by independent experts, are based on the expected future profitability of the operations acquired in 2009, are not amortized as they refer to assets with an indefinite useful life, pursuant to CVM Resolution No. 553/08 and CPC 01 (R1), and are subject to annual impairment testing, as per Note 15.

15 Impairment of nonfinancial assets

a. Tangible and intangible assets with finite useful lives

Management annually tests the net carrying amount of tangible and intangible assets with finite useful lives to determine whether there are any events or changes in economic, operating or technological circumstances that may indicate deterioration or impairment.

For the year ended December 31, 2023, an impairment test was carried out on intangible assets with finite useful lives through calculation based on value in use based on cash projections from financial budgets approved by senior management.

There was no indication of impairment loss as of December 31, 2023.

b. Goodwill based on expected future profitability

The goodwill calculated on the acquisition of equity interests is based on expected profitability of the acquired operations and amounts to R$198,214 as of December 31, 2023 (R$198,214 as of December 31, 2022).

The Company annually tests the recoverable amount of its intangible assets with an indefinite useful life, which consists mainly of goodwill for expected profits arising from business combinations, using the concept of value in use, through discounted cash flow models.

Goodwill arising from acquisition of the investment is tested annually for impairment at the cash-generating unit level.

c. Main assumptions used in impairment testing of tangible and intangible assets

For purposes of impairment testing of tangible and intangible assets, it is not possible to separate a CGU (Cash-Generating Unit) and determine it as the exclusive cash generator due to the acquisition of Azaleia, given that since the acquisition, the operations of the two companies merged and it became impossible to distinguish which revenues were generated from the exclusive assets acquired in the acquisition of Azaleia. Therefore, the Company and its subsidiaries are considered a single cash-generating unit.

Future cash flows were discounted based on the rate corresponding to the cost of capital. Consistently with the economic valuation techniques, assessment of the value in use is made over a five-year period and, thereafter, considering the perpetuity of the assumptions in view of the ability to continue as a going concern for an indefinite period of time.

To discount future cash flows, the rate of 11.33% p.a. was used as of December 31, 2023 (16.07% p.a. as of December 31, 2022).

The estimate of value in use used the following assumptions:

Revenues
Volume and sales price were projected on a real basis (without inflation) based on the Company's estimates and result in a compound annual growth rate (CAGR) of 6.53% p.a. as of December 31, 2023 (7.99% p.a. as of December 31, 2022) between 2024 and 2028.

Cost
The cost of sales was projected based on the Companies' estimates.

After defining the sales projection, the distribution of the production need was defined according to the installed capacity and the level of efficiency to be obtained.

Other overhead costs were based on budgeted expenses and approved by senior management for the indirect cost centers.

Expenses
Variable selling expenses were projected based on historical percentages of gross operating revenue.

Administrative and general selling expenses were based on budgeted expenses and approved by senior management for the cost centers.

Net income and free cash generation
Net income resulting from application of the assumptions above grows with a compound growth rate (CAGR) of 9.05% p.a. (10.96% p.a. as of December 31, 2022) between 2024 to 2028.

Free cash generation is then calculated using investment projections and changes in working capital. For perpetuity, the growth rate used is zero.

The value in use was approximately R$5.7 billion as of December 31, 2023 (R$3.9 billion as of December 31, 2022), therefore significantly higher than the carrying amount of tangible and intangible assets.

(In thousands of reais)

16 Trade accounts payable

a. Breakdown

	Consolidated		Individual	
	12/31/2023	**12/31/2022**	**12/31/2023**	**12/31/2022**
Trade accounts payable				
Domestic	62,673	64,559	2,631	368
Foreign	21,106	40,366	-	-
	83,779	**104,925**	**2,631**	**368**

b. By maturity

	Consolidated	
	12/31/2023	**12/31/2022**
Falling due		
1 to 30 days	64,804	77,442
31 to 60 days	15,100	22,822
61 to 90 days	2,554	3,542
More than 90 days	1,288	270
	83,746	**104,076**
Days past due		
1 to 30 days	30	845
31 to 60 days	-	-
61 to 90 days	-	1
More than 90 days	3	3
	33	**849**
	83,779	**104,925**

Given the characteristics of the products and the supply chain of the Company and its subsidiaries, with a wide range of raw materials, supplies and suppliers, there is no concentration of the supplier portfolio.

In compliance with CVM Resolution No. 564 of December 17, 2008, which approved CPC 12, the Company and its subsidiaries carried out studies to calculate the present value adjustments of their current liabilities. Considering the days purchase outstanding for these liabilities of approximately 39 days as of December 31, 2023 (39 days as of December 31, 2022), the effects of present value adjustments were deemed immaterial and, therefore, were not accounted for in profit or loss, such as with current and noncurrent assets.

(In thousands of reais)

17 Loans and financing

a. Breakdown

			Consolidated	
	Interest rate 2023	**Interest rate 2022**	**12/31/2023**	**12/31/2022**
Domestic currency				
PPE	IPCA + 2.04% to 4.98% p.a./Fixed rate 10.22% p.a.	IPCA + 2.04% p.a./Fixed rate 10.22% p.a.	68,562	68,929
Tax incentive	TJLP	TJLP	4,189	3,145
Working capital	CDI + 0.60% to 1.80% p.a./ TLP +1.90% p.a./Fixed rate 12.61% p.a.	IPCA + 2.07% p.a./ CDI + 1.28% to 1.70% p.a./TLP +1.90% p.a./Fixed rate 11.44% p.a.	363,475	341,178
			436,226	**413,252**
Foreign currency				
Working capital	Fixed rate 9.75% to 9.90% p.a.	Fixed rate 1.18% to 6.09% p.a.	1,524	3,796
			1,524	**3,796**
Total loans and financing			**437,750**	**417,048**
Current			**234,497**	**283,638**
Noncurrent			**203,253**	**133,410**

As of December 31, 2023 and 2022, the installments related to the loans and financing balances matured as follows:

	12/31/2023		12/31/2022	
Maturity	**Fair**	**%**	**Fair**	**%**
Current	**234,497**	**53%**	**283,638**	**68%**
2023	-		283,638	68%
2024	234,497	53%	94,257	22%
2025	169,187	39%	17,141	4%
2026	15,062	3%	11,466	2%
2027	4,703	1%	2,751	1%
2028	4,703	1%	2,751	1%
2029	4,703	1%	2,751	1%
2030	4,244	1%	2,293	1%
2030	651	1%	-	-
Noncurrent	**203,253**	**46%**	**133,410**	**32%**
Total	**437,750**	**100%**	**417,048**	**100%**

(In thousands of reais)

b. Sureties and guarantees

Collaterals for financing include promissory notes, long-term financial investments, personal guarantee and endorsement of the parent company, mortgage of the Horizonte-CE and Itapetinga-BA plants, and disposal of machinery and equipment acquired with the financing.

c. Covenants

Certain financing agreements include provisions that require that the Company present, through documentary and physical evidence, the acquisition of PPE and objectives sought in Research and Development (R&D) activities. These provisions are monitored and had been fully complied with within the terms defined in the contracts. There are no covenants for working capital loans.

d. Reconciliation of the financial flow to cash flows from financing activities

	Liabilities					
	Loans and financing	**Lease liabilities**	**Dividends and profits payable**	**Treasury shares**	**Capital**	**Total**
Balance at January 1, 2023	**417,048**	**20,568**	**20,734**	**(6,119)**	**1,106,717**	**1,558,948**
Changes in cash flows from financing activities						
Borrowings - principal	333,995	-	-	-	-	333,995
Payment of lease liabilities	-	(12,407)	-	-	-	(12,407)
Capital increase	-	-	-	-	1,637	1,637
Share issue costs	-	-	-	-	-	-
Acquisition of treasury shares	-	-	-	(3,899)	-	(3,899)
Dividends paid out	-	-	(229,110)	-	-	(229,110)
Repayment of borrowings - principal	(312,490)	-	-	-	-	(312,490)
Total changes in cash flows from financing activities	**21,505**	**(12,407)**	**(229,110)**	**(3,899)**	**1,637**	**(222,274)**
Other changes related to liabilities						
Interest paid	(51,879)	(1,934)	-	-	-	(53,813)
Distribution of interim dividends	-	-	208,391	-	-	208,391
Additions related to Proade (non-cash effect)	1,602	-	-	-	-	1,602
Additions/adjustments of contracts	-	5,247	-	-	-	5,247
Accrued interest	-	4,202	-	-	-	4,202
Write-off of lease	-	(381)	-	-	-	(381)
Financial charges posted to P&L	49,474	-	-	-	-	49,474
Total other changes related to liabilities	**(803)**	**7,134**	**208,391**	**-**	**-**	**214,722**
Balance as of December 31, 2023	**437,750**	**15,295**	**15**	**(10,018)**	**1,108,354**	**1,551,396**

(In thousands of reais)

	Liabilities					
	Loans and financing	Intercompany loans	Lease liabilities	Dividends and profits payable	Treasury shares	Total
Balance at January 1, 2022	**361,250**	**18,041**	**19,779**	**4**	**-**	**399,074**
Changes in cash flows from financing activities						
Borrowings - principal	337,630	-	-	-	-	337,630
Payment of lease liabilities	-	-	(12,397)	-	-	(12,397)
Dividends paid out	-	-	-	(90,930)	-	(90,930)
Acquisition of treasury shares	-	-	-	-	(6,119)	(6,119)
Repayment of borrowings - principal	(291,073)	-	-	-	-	(291,073)
Total changes in cash flows from financing activities	**46,557**	**-**	**(12,397)**	**(90,930)**	**(6,119)**	**(62,889)**
Other changes related to liabilities						
Interest paid	(32,252)	407	(2,306)	-	-	(34,151)
Distribution of dividends	-	-	-	111,660	-	111,660
Additions related to Proade (non-cash effect)	1,284	-	-	-	-	1,284
Additions/adjustments of contracts	-	-	11,215	-	-	11,215
Accrued interest	-	-	4,277	-	-	4,277
Financial charges posted to P&L	40,209	-	-	-	-	40,209
Total other changes related to liabilities	**9,241**	**407**	**13,186**	**111,660**	**-**	**134,494**
Balance as of December 31, 2022	**417,048**	**18,448**	**20,568**	**20,734**	**(6,119)**	**470,679**

18 Leases

a. Operating leases

The Company's subsidiaries only lease commercial properties.

These leases typically have a term of five years, with an option to renew the lease after that period. The amounts are adjusted annually to reflect the amount adopted in the market. Certain commercial leases provide for additional rent payments that are based on the property's monthly billing.

Information on leases for which the Company's subsidiaries are lessees is presented below:

	Consolidated	
	12/31/2023	12/31/2022
Right of use		
Opening balance	**18,119**	**17,442**
Additions / adjustments	6,033	10,848
Write-offs	(381)	-
Amortization	(10,868)	(10,171)
Closing balance	**12,903**	**18,119**

(In thousands of reais)

	Consolidated	
	12/31/2023	**12/31/2022**
Lease liabilities		
Opening balance	**20,568**	**19,779**
Additions / adjustments	5,247	11,215
Accrued interest	4,202	4,277
Write-offs	(381)	-
Repayments of principal	(12,407)	(12,397)
Interest paid	(1,934)	(2,306)
Closing balance	**15,295**	**20,568**
Current	**8,433**	**8,509**
Noncurrent	**6,862**	**12,059**

Noncurrent installment payment schedule

	12/31/2023		12/31/2022	
Maturity	**Fair**	**%**	**Fair**	**%**
2024	-	-	6,764	56%
2025	5,332	78%	4,558	38%
2026	1,059	15%	524	4%
2027	471	7%	213	2%
Total	**6,862**	**100%**	**12,059**	**100%**

Extension options

Certain lease agreements contain extension options exercisable by the Company's subsidiaries up to one year before the end of the non-cancelable agreement period. Whenever possible, the Company's subsidiaries seek to include extension options in new leases to provide operational flexibility.

19 Provisions

The Company and subsidiaries are parties (defendants) to legal and administrative proceedings at certain courts and government agencies arising from the ordinary course of business, involving tax, labor and civil matters, among other issues.

(In thousands of reais)

Based on information from legal advisors, management follows the criteria for recognizing provisions established by CVM Resolution No. 489/05 and CPC 25/IAS 37, which determine that a provision must be recognized when: (i) the entity has a present obligation arising from a past event; (ii) it is probable that an outflow of resources embodying economic benefits will be required to settle such obligation; and (iii) a reliable estimate can be made of the amount of the obligation. If any of these conditions are not met, a provision should not be set up, and the disclosure of a contingent liability may possibly be required.

Upon analysis of pending lawsuits, based on experience regarding the amounts claimed, provisions were set up in amounts considered sufficient to cover estimated losses on ongoing lawsuits, with classification as current and noncurrent, as follows:

a. Breakdown of balances

	Consolidated		**Individual**	
	12/31/2023	**12/31/2022**	**12/31/2023**	**12/31/2022**
Provision for legal and administrative proceedings:				
Civil	18,343	18,385	161	49
Labor	36,746	37,550	400	596
Tax	797	1,441	220	343
Total	**55,886**	**57,376**	**781**	**988**
Current	**2,739**	**3,102**	**382**	**397**
Noncurrent	**53,147**	**54,274**	**399**	**591**

b. Labor claims (consolidated)

The labor suits refer mostly to claims for overtime, equal pay, health exposure pay, hazard pay, and occupational disease. The effect of the provision for losses on labor claims is recorded as a contra entry to profit or loss, under Other expenses.

c. Civil suits (consolidated)

These refer substantially to compensation in general, including pain and suffering and material damages. The effect of the provision for losses on civil suits is recorded as a contra entry to profit or loss, under Other expenses. The effects of the provision for compensation are recorded as a contra entry to profit or loss, under Selling expenses.

d. Tax suits (consolidated)

These refer to lawsuits to which the Company and its subsidiaries are parties, mainly involving the following taxes: IRPJ, COFINS, PIS and ICMS. The effect of the provision for losses on tax suits is recorded as a contra entry to profit or loss, under Other expenses.

(In thousands of reais)

e. Changes in proceedings

	Consolidated										
	12/31/2021	**12/31/2022**					**12/31/2023**				
At December 31, 2023	**Opening balance**	**Additions**	**Reversals**	**Payments**	**Adjustment for net presentation (*)**	**Closing balance**	**Additions**	**Reversals**	**Payments**	**Adjustment for net presentation (*)**	**Closing balance**
Nature											
Civil	18,455	355	(320)	(105)	-	18,385	468	(425)	(85)	-	18,343
Labor	40,041	16,430	(15,124)	(5,143)	1,346	37,550	20,410	(14,586)	(9,591)	2,963	36,746
Tax	1,382	4,627	(201)	(938)	(3,429)	1,441	5,054	(1,371)	(3,197)	(1,130)	797
Total	**59,878**	**21,412**	**(15,645)**	**(6,186)**	**(2,083)**	**57,376**	**25,932**	**(16,382)**	**(12,873)**	**1,833**	**55,886**

	Individual								
	12/31/2021	**12/31/2022**				**12/31/2023**			
At December 31, 2023	**Opening balance**	**Additions**	**Reversals**	**Payments**	**Closing balance**	**Addition s**	**Reversals**	**Payments**	**Closing balance**
Nature									
Civil	53	65	(4)	(65)	49	161	(1)	(48)	161
Labor	189	479	(72)	-	596	12	(15)	(193)	400
Tax	176	233	(66)	-	343	641	(125)	(639)	220
Total	**418**	**777**	**(142)**	**(65)**	**988**	**814**	**(141)**	**(880)**	**781**

(*) The net presentation amounts refer only to reclassifications between judicial deposits and provisions for contingencies, in compliance with item 35 of CPC 26 (IAS 1). Accordingly, these amounts had no cash effect and were not considered in the statements of cash flows.

(In thousands of reais)

Contingencies

Based on the opinion of its legal advisors, management believes that the resolution of the civil, labor and tax issues listed below will not have a material adverse effect on its financial condition.

The breakdown of the amounts under discussion at different court levels for which the likelihood of loss is considered possible as of December 31, 2023 and 2022 is as follows:

	Consolidated	
Contingencies	**12/31/2023**	**12/31/2022**
Civil	1,671	1,796
Labor	35,896	33,998
Tax	38,733	42,353
Total	**76,300**	**78,147**

Contingent assets

The subsidiary Vulcabras BA is plaintiff in a proceeding claiming recognition of the exclusion of ICMS related to sales of goods from the PIS and COFINS tax bases, which, in management's opinion, is significant to the business. At this point, it is not possible to guarantee when or if the estimated amount will be effectively realized. Consequently, the subsidiary assessed the status of the lawsuit and concluded that, as of December 31, 2023, the requirements of CPC 25/IAS 37 for recognition of the credit had not been met, therefore no amount was recorded.

20 Equity (individual)

a. Capital

On March 21, 2023, the Board of Directors approved the capital increase within the authorized capital limit due to the exercise of the Company's stock option, within the Stock option plan approved in 2019, in the amount of R$1,637, though the issue of 160,000 new common registered book-entry no-par-value shares.

As of December 31, 2023, capital totals R$1,108,354 (R$1,106,717 as of December 31, 2022), represented by 245,916,244 (245,756,244 as of December 31, 2022) common registered no-par-value shares.

At the Board of Directors' meeting held on January 28, 2024, the public offering of shares was approved (see Note 32). The cost consumed with the issue of shares in progress until December 31, 2023 is R$1,344.

The Company, upon resolution of its Board of Directors, is authorized to increase capital, regardless of statutory amendment, up to the limit of R$2,000,000.

(In thousands of reais)

b. Capital reserve

(i) Stock options

General conditions
The Company has four Stock Option Plans in force.

Stock option plan approved in 2020

Plan approval
On August 10, 2020, the Board of Directors approved the 3rd stock option grant within the scope of the Stock Option Plan. The options granted on this date totaled 870,000 (eight hundred and seventy thousand), with a unit strike price of 8.57 (eight reais and fifty-seven cents), distributed among the elected beneficiaries. To satisfy the exercise of options granted, the Company may issue new shares, within the authorized capital limit, excluding the preemptive right of the Company's current shareholders, as permitted by article 171, paragraph 3, of Law No. 6404 of December 15, 1976.

Plan characteristics

3rd stock option plan - 2020	3rd grant
Grant date	08/10/2020
Number of options granted	870,000(3)
Vesting period	3 years
Deadline for exercise	03/31/2023
Maximum period for exercise	03/31/2024
Strike price	R$ 8.57 (1)
Beneficiaries (employees)	21(2)

(1) The strike price is set at 8.57 (eight reais and fifty-seven cents), restated by the variation of the Extended National Consumer Price Index (IPCA) from the date of grant to the date of effective exercise of the Option.

(2) The initial number of participants upon approval of the plan was 21 (twenty-one) executives, but with the withdrawal of three of these beneficiaries, the current number of participants entitled to exercise the purchase of options is eighteen (18).

(3) The initial number of options granted upon approval of the plan was 870,000 (eight hundred and seventy thousand), but with the withdrawal of beneficiaries during the period, the current number of options that can be exercised is 785,000 (six hundred and eighty-five thousand).

Beneficiaries
Directors (whether statutory or not), division managers and employees of Vulcabras S.A. and companies under its direct or indirect control (subsidiaries) may be elected as beneficiaries of stock option grants, including in relation to new hires, all of whom are subject to approval by the Company's Board of Directors.

Pricing method
The method used for pricing options is the Black-Scholes model, which uses the following basic assumptions: grant price, strike price, grace period, volatility of the stock price, percentage of dividends distributed, and the risk-free rate.

(In thousands of reais)

Stock option plan approved in 2021

Plan approval

On May 11, 2021, the Board of Directors approved the 4th stock option grant within the scope of the Stock Option Plan. The options granted on this date totaled 970,000 (nine hundred and seventy thousand), with a unit strike price of 8.06 (eight reais and six cents), distributed among the elected beneficiaries. To satisfy the exercise of options granted, the Company may issue new shares, within the authorized capital limit, excluding the preemptive right of the Company's current shareholders, as permitted by article 171, paragraph 3, of Law No. 6404 of December 15, 1976.

Plan characteristics

4th stock option plan - 2021	**4th grant**
Grant date	05/11/2021
Number of options granted	970,000(3)
Vesting period	3 years
Deadline for exercise	03/31/2024
Maximum period for exercise	03/31/2025
Strike price	R$ 8.06 (1)
Beneficiaries (employees)	23(2)

(1) The strike price is set at 8.06 (eight reais and six cents), restated by the variation of the Extended National Consumer Price Index (IPCA) from the date of grant to the date of effective exercise of the Option.

(2) The initial number of participants upon approval of the plan was 23 (twenty-three) executives, but with the withdrawal of four of these beneficiaries, the current number of participants entitled to exercise the purchase of options is nineteen (19).

(3) The initial number of options granted upon approval of the plan was 970,000 (nine hundred and seventy thousand), but with the withdrawal of beneficiaries during the period, the current number of options that can be exercised is 855,000 (eight hundred and fifty-five thousand).

Beneficiaries

Directors (whether statutory or not), division managers and employees of Vulcabras S.A. and companies under its direct or indirect control (subsidiaries) may be elected as beneficiaries of stock option grants, including in relation to new hires, all of whom are subject to approval by the Company's Board of Directors.

Pricing method

The method used for pricing options is the Black-Scholes model, which uses the following basic assumptions: grant price, strike price, grace period, volatility of the stock price, percentage of dividends distributed, and the risk-free rate.

(In thousands of reais)

Stock option plan approved in 2022

Plan approval
On May 3, 2022, the Board of Directors approved the 5th stock option grant within the scope of the Stock Option Plan. The options granted on this date totaled 980,000 (nine hundred and eighty thousand), with a unit strike price of 8.89 (eight reais and eighty-nine cents), distributed among the elected beneficiaries. To satisfy the exercise of options granted, the Company may issue new shares, within the authorized capital limit, excluding the preemptive right of the Company's current shareholders, as permitted by article 171, paragraph 3, of Law No. 6404 of December 15, 1976.

Plan characteristics

5th stock option plan - 2022	5th grant
Grant date	05/03/2022
Number of options granted	980,000(3)
Vesting period	3 years
Deadline for exercise	03/31/2025
Maximum period for exercise	03/31/2026
Strike price	R$ 8.89 (1)
Beneficiaries (employees)	23 (2)

(1) The strike price is set at 8.89 (eight reais and eighty-nine cents), restated by the variation of the Extended National Consumer Price Index (IPCA) from the date of grant to the date of effective exercise of the Option.

(2) The initial number of participants upon approval of the plan was 23 (twenty-three) executives, but with the withdrawal of three of these beneficiaries, the current number of participants entitled to exercise the purchase of options is twenty (20).

(3) The initial number of options granted upon approval of the plan was 980,000 (nine hundred and eighty thousand), but with the withdrawal of beneficiaries during the period, the current number of options that can be exercised is 895,000 (eight hundred and ninety-five thousand).

Beneficiaries
Directors (whether statutory or not), division managers and employees of Vulcabras S.A. and companies under its direct or indirect control (subsidiaries) may be elected as beneficiaries of stock option grants, including in relation to new hires, all of whom are subject to approval by the Company's Board of Directors.

Pricing method
The method used for pricing options is the *Black-Scholes* model, which uses the following basic assumptions: grant price, strike price, grace period, volatility of the stock price, percentage of dividends distributed, and the risk-free rate.

(In thousands of reais)

Stock option plan approved in 2023

Plan approval

On May 2, 2023, the Board of Directors approved the 6th stock option grant within the scope of the Stock Option Plan. The options granted on this date totaled 1,575,000 (one million, five hundred and seventy-five thousand), with a unit strike price of 11.40 (eleven reais and forty cents), distributed among the elected beneficiaries. To satisfy the exercise of options granted, the Company may issue new shares, within the authorized capital limit, excluding the preemptive right of the Company's current shareholders, as permitted by article 171, paragraph 3, of Law No. 6404 of December 15, 1976.

Plan characteristics

6th stock option plan - 2023	**6th grant**
Grant date	05/02/2023
Number of options granted	1,575,000 (3)
Vesting period	3 years
Deadline for exercise	03/31/2026
Maximum period for exercise	03/31/2027
Strike price	R$ 11.40 (1)
Beneficiaries (employees)	23 (2)

(1) The strike price is set at 11.40 (eleven reais and forty cents), restated by the variation of the Extended National Consumer Price Index (IPCA) from the date of grant to the date of effective exercise of the Option.

(2) The initial number of participants upon approval of the plan was 23 (twenty-three) executives, but with the withdrawal of one of these beneficiaries, the current number of participants entitled to exercise the purchase of options is twenty two (22).

(3) The initial number of options granted upon approval of the plan was 1,575,000 (one million, five hundred and seventy-five thousand), but with the withdrawal of beneficiaries during the period, the current number of options that can be exercised is 1,535,000 (one million, five hundred and thirty-five thousand).

Beneficiaries

Directors (whether statutory or not), division managers and employees of Vulcabras S.A. and companies under its direct or indirect control (subsidiaries) may be elected as beneficiaries of stock option grants, including in relation to new hires, all of whom are subject to approval by the Company's Board of Directors.

Pricing method

The method used for pricing options is the *Black-Scholes* model, which uses the following basic assumptions: grant price, strike price, grace period, volatility of the stock price, percentage of dividends distributed, and the risk-free rate.

(In thousands of reais)

Stock option plan expenses

The amortization amounts recorded as expenses in profit or loss, against the Company's equity, from the grant date until December 31, 2023, are presented below (in reais):

Plan	Strike price	Grant date	Accumulated expense 12/31/2023 – R$	Accumulated expense 12/31/2022 – R$
Plan – 2019 (a)	R$ 7.96	05/05/2019	-	1,558
Plan - 2020	R$ 8.57	08/10/2020	1,665	1,530
Plan - 2021	R$ 8.06	05/11/2021	1,539	961
Plan - 2022	R$ 8.89	05/03/2022	1,484	598
Plan - 2023	R$ 11.40	05/02/2023	1,228	-
Total			**5,916**	**4,647**

(a) The accumulated expense until March 31, 2023, in the amount of R$1,558, was reversed in the 1Q23, due to the expiration of the maximum period to exercise this plan.

(ii) Treasury shares

On October 31, 2023, the Board of Directors approved a new share buyback plan of the Company's own issue, with no par value. The purpose of the share buyback program is to (i) generate value for shareholders through the efficient management of the Company's capital structure; (ii) maximization in the generation of value for the shareholders, when according to Company's management understanding, the current value of shares in the market is far below the actual value of its assets regarding the prospect of profitability and generation of results; (iii) honor the Company's commitments in share-based compensation programs; (iv) use the Company's shares to settle a portion of the price in corporate transactions; (v) maintain in treasury; or (vi) public or private disposal, according to applicable regulations. The maximum number of shares to be acquired by the Company will be up to five million (5,000,000) common shares. The share buyback program is scheduled to close on March 31, 2025.

Changes in treasury shares are as follows:

	Individual		
	Number	**Amount**	**Average price**
Acquisition of shares in 2022	491,600	6,119	12.4463
Balance at 12/31/2022	**491,600**	**6,119**	**12.4463**
Acquisition of shares in 2023	274,644	3,899	14.1982
Balance at 12/31/2023	**766,244**	**10,018**	**13.0742**

c. Revaluation reserve

This reserve is set up as a result of revaluation of property, plant and equipment of the subsidiaries, based on valuation report prepared by independent appraisers. Corresponding income and social contribution taxes are classified as noncurrent liabilities. The revaluation reserve balance as of December 31, 2023 totals R$4,020 (R$4,175 as of December 31, 2022).

The revaluation reserve is realized through the depreciation or write-off of the revalued assets against retained earnings (accumulated losses), net of taxes. As amended and permitted by Law No. 11638/07, management decided to maintain the revaluation reserves until their full realization.

d. Equity adjustments

This account includes: (i) accumulated net changes of financial assets at fair value through other comprehensive income until the investments are derecognized or undergo impairment loss; and (ii) cumulative translation adjustments include all foreign currency differences arising from the translation of the financial statements of foreign operations. As of December 31, 2023, equity adjustments totaled R$23,965 (R$25,974 as of December 31, 2022).

e. Income reserve

(i) Legal reserve

The legal reserve allocated as of December 31, 2023 was R$24,744, based on 5% of net income for the year, totaling the balance of R$63,931 (R$39,187 as of December 31, 2022).

(ii) Statutory reserve

The statutory reserve for new investments was established pursuant to article 35 of the Company's Articles of Incorporation and article 194 of the Brazilian Corporation Law. The balance as of December 31, 2023 amounts to R$798,819 (R$536,907 at December 31, 2022).

f. Dividends

The portion corresponding to at least twenty-five percent (25%) of the net income, calculated on the balance obtained with the deductions and additions provided for in article 202, items II and III of the Brazilian Corporation Law, will be distributed to shareholders as a mandatory dividend.

On April 14, 2023, dividends were paid out in the amount of R$20,729, as approved by the Board of Directors on March 1, 2023.

On June 6, 2023, dividends were paid out in the amount of R$36,785, as approved by the Board of Directors on May 2, 2023.

On September 14, 2023, dividends were paid out in the amount of R$36,773, as approved by the Board of Directors on August 1, 2023.

On November 24, 2023, dividends were paid out in the amounts of R$98,060 and R$36,773, as approved by the Board of Directors on October 09 and October 31, 2023, respectively.

(In thousands of reais)

The mandatory minimum dividends are shown below:

	12/31/2023
Net income for the year	494,892
(-) Legal reserve - 5%	(24,744)
(+) Realization of revaluation reserve	155
Tax base	470,303
Mandatory minimum dividend - 25%	117,576
Proposed additional dividends - 19.31%	90,815
Balance available for distribution referring to 2023	208,391

For the year ended December 31, 2023, the Company declared dividends in the amount of R$208,391 (R$111,660 as of December 31, 2022) to be paid with the balance of statutory income reserves, which will be imputed to and deducted from the mandatory minimum dividends for the current year. As of December 31, 2023, the balance of dividends payable related to those amounts is R$15 (R$20,734 as of December 31, 2022).

21 Net sales revenue

	Consolidated	
	12/31/2023	**12/31/2022**
Gross operating revenue		
Sale and resale of products		
Domestic market	3,094,911	2,694,893
Foreign market	168,111	232,110
Services rendered	4,718	4,868
	3,267,740	**2,931,871**
Deductions		
Sales and service taxes	(652,139)	(561,724)
Tax incentives – ICMS (Note 30)	305,990	241,425
Returns and rebates	(103,912)	(74,636)
	(450,061)	**(394,935)**
Net operating revenue	**2,817,679**	**2,536,936**

22 Cost of sales and resales

	Consolidated	
	12/31/2023	**12/31/2022**
Cost of sales		
Raw materials	(626,740)	(647,216)
Labor	(315,187)	(322,771)
Overhead	(254,980)	(256,921)
Resales	(444,738)	(372,590)
Total cost of sales and resales	**(1,641,645)**	**(1,599,498)**

(In thousands of reais)

23 Selling expenses

	Consolidated	
	12/31/2023	**12/31/2022**
Commissions	(114,255)	(87,282)
Freight	(109,192)	(89,707)
Advertising	(126,995)	(95,690)
Advertising - Personnel expenses	(5,898)	(4,720)
Advertising – Other expenses	(4,137)	(2,693)
Royalties	(52,865)	(40,470)
Personnel expenses	(55,390)	(50,688)
Other expenses	(17,583)	(13,445)
	(486,315)	**(384,695)**
Impairment loss	297	(14,539)
Total selling expenses	**(486,018)**	**(399,234)**

24 Administrative expenses

	Consolidated		Individual	
	12/31/2023	**12/31/2022**	**12/31/2023**	**12/31/2022**
Personnel expenses	(70,048)	(59,326)	(2,497)	(763)
Third-party services	(27,846)	(40,683)	(2,421)	(2,361)
Rent	(4,652)	(3,639)	(4)	-
Travel and lodging	(1,258)	(1,042)	-	(1)
Security	(1,670)	(1,539)	(220)	(226)
Litigation and taxes	(1,836)	(2,140)	(488)	(474)
IT and telecommunications	(18,758)	(14,044)	(82)	(83)
Electricity, water and sewage	(989)	(958)	(30)	(48)
Maintenance, cleaning and environment	(3,799)	(3,456)	(4)	(18)
Depreciation and amortization	(16,823)	(16,149)	-	-
Other	(7,573)	(7,192)	(1,585)	(1,424)
Total administrative expenses	**(155,252)**	**(150,168)**	**(7,331)**	**(5,398)**

(In thousands of reais)

25 Other operating income, net

	Consolidated		Individual	
	12/31/2023	**12/31/2022**	**12/31/2023**	**12/31/2022**
Other operating income				
Lease income	7,405	5,706	7,222	5,686
Income from sale of energy	175	-	-	-
Sale of scrap	1,890	1,559	-	-
Income from disposal of PPE	2,635	2,565	-	-
Previously unused PIS/COFINS credit - exclusion of ICMS	-	53,352	-	-
Unduly paid taxes – SELIC (Note 8)	-	8,792	-	-
Other	6,740	6,354	2,473	-
Total other operating income	**18,845**	**78,328**	**9,695**	**5,686**
Other operating expenses				
Provisions for contingencies	(5,048)	(3,432)	(47)	(563)
Expense with disposal of PPE	(5,321)	(3,754)	-	-
Other	(8,584)	(20,909)	(5)	(73)
Total other operating expenses	**(18,953)**	**(28,095)**	**(52)**	**(636)**
Other operating income (expenses), net	**(108)**	**50,233**	**9,643**	**5,050**

(In thousands of reais)

26 Finance income and costs

	Consolidated		Individual	
	12/31/2023	**12/31/2022**	**12/31/2023**	**12/31/2022**
Finance income				
Capital structure				
Investment yield	42,552	20,977	1,834	3,252
Other	-	18	-	-
Subtotal	**42,552**	**20,995**	**1,834**	**3,252**
Operating				
Interest	6,436	5,012	263	9,992
Discounts received	1,397	1,671	-	-
Restatement of previously unused tax credit (Note 8)	11,062	72,799	-	-
Other	4,551	5,226	4,544	5,000
Subtotal	**23,446**	**84,708**	**4,807**	**14,992**
Exchange differences	20,206	20,213	-	-
Total finance income	**86,204**	**125,916**	**6,641**	**18,244**
Finance costs				
Capital structure				
Interest	(52,977)	(43,722)	(5,965)	(21,805)
Tax on Financial Transactions (IOF)	(467)	(443)	(17)	(6)
Other	(3,421)	(4,040)	(29)	-
Subtotal	**(56,865)**	**(48,205)**	**(6,011)**	**(21,811)**
Operating				
Bank fees	(2,839)	(4,639)	(4)	(3)
Fee/commission on sales - cards	(244)	(202)	-	-
Discounts granted	(1,459)	(2,164)	-	-
Other tariffs	(6,405)	(5,117)	-	(7)
Subtotal	**(10,947)**	**(12,122)**	**(4)**	**(10)**
Exchange differences	(23,167)	(24,291)	-	-
Total finance costs	**(90,979)**	**(84,618)**	**(6,015)**	**(21,821)**
Finance income (costs)	**(4,775)**	**41,298**	**626**	**(3,577)**

27 Earnings per share

Basic earnings per share are calculated by dividing net income for the year attributed to common shareholders by the weighted average number of common shares outstanding in the same year.

Diluted earnings per share are calculated by dividing income attributed to the Company's common shareholders by the weighted average number of common shares that would be issued in the conversion of all potential dilutive shares into their respective shares.

As of December 31, 2023, the Company had outstanding potential shares that could affect the dilution of earnings per share pursuant to CPC 41/IAS 33 in the total amount of 4,070,000 (four million and seventy thousand) potential shares. Of the total amount, 785,000 (seven hundred and eighty-five thousand) potential shares refer to the third grant of shares of the Stock Option plan that was approved on August 10, 2020; 885,000 (eight hundred and fifty-five thousand) potential shares to the fourth grant of shares of the Stock Option plan that was approved on May 11, 2021; 895,000 (eight hundred and ninety-five thousand) potential shares to the fifth grant of shares of the Stock Option plan that was approved on May 3, 2022; and 1,535,000 (one million, five hundred and thirty-five thousand) potential shares to the sixth grant of shares of the Stock Option plan that was approved on May 2, 2023.

As of December 31, 2022, the Company had outstanding potential shares that could affect the dilution of earnings per share pursuant to CPC 41/IAS 33 in the total amount of 3,220,000 (three million, two hundred and twenty thousand) potential shares. Of the total amount, 685,000 (six hundred and eighty-five thousand) potential shares refer to the second grant of shares of the Stock Option plan that was approved on May 5, 2019; 785,000 (seven hundred and eighty-five thousand) potential shares to the third grant of shares of the Stock Option plan that was approved on August 10, 2020; 855,000 (eight hundred and fifty-five thousand) potential shares to the fourth grant of shares of the Stock Option plan that was approved on May 11 of 2021; and 895,000 (eight hundred and ninety-five thousand) potential shares to the fifth grant of shares of the Stock Option plan that was approved on May 3, 2022.

The table below presents the calculation of basic and diluted earnings per share:

	Consolidated	
	Number of common shares	
	12/31/2023	12/31/2022
Profit attributable to shareholders	494,892	469,900
Basic weighted average number of shares outstanding in the year	245,237,428	245,710,968
Diluted weighted average number of shares outstanding in the year	246,820,783	246,595,701
Earnings per basic share (in thousands) - R$	2.0180	1.9124
Earnings per diluted share (in thousands) - R$	2.0051	1.9056

28 Financial instruments and risk management

The key financial assets and liabilities of the Company and its subsidiaries refer to cash and cash equivalents, trade accounts receivable, trade accounts payable, intercompany loans, leasing liabilities, and financing and loans.

Financial risk structure and management

The Company and its subsidiaries manage financial risks by monitoring financial positions of assets and liabilities and controlling exposure limits.

The Company and its subsidiaries are exposed to the following risks arising from financial instruments:

- Credit risk
- Market risk
- Interest rate risk
- Liquidity risk

These instruments are managed by means of operational strategies and internal controls with a view to ensuring liquidity, profitability and security. Control policy consists of permanent monitoring of contracted rates versus market rates in effect.

The risk management policies were established to identify and analyze exposure in order to establish appropriate risk limits and controls, monitoring risks and compliance with the limits. Systems and risk policies are reviewed from time to time to reflect changes in market conditions and activities of the Company and its subsidiaries.

Assessments of financial instruments and risk management are reported below:

(i) Credit risk

Credit risk is the risk of the Company and its subsidiaries incurring financial losses if a counterparty fails to comply with its contractual obligations. This risk arises substantially from trade accounts receivable. The carrying amounts of financial assets and contractual assets represent the maximum credit exposure.

The Company and its subsidiaries are exposed to credit risk due to the possibility of not receiving amounts arising from trade accounts receivable or credits from financial institutions.

(In thousands of reais)

The following risk management practices are adopted by the Company and its subsidiaries:

(i) Selection of top-tier financial institutions in the market (largest banks based on equity in the country), state-owned banks, or government development agencies, resulting in low credit risk with financial institutions, and diversification of financial instruments for investment of the company's resources, which are restated by reference to indicators such as the CDI, fixed rates or inflation-adjusted rates;

(ii) Analysis of credits granted to customers and establishment of sales limits; There are no customers that individually represent more than 11% of total trade accounts receivable as of December 31, 2023 (12% as of December 31, 2022); and

(iii) The Company's exposure to credit risk is influenced mainly by the individual characteristics of each customer. However, management also considers the factors that may influence the credit risk of its customer base, including the risk of nonpayment of the industry and the country in which the customer operates.

The Company uses a provision matrix to calculate the expected credit loss on receivables from individual customers:

December 31, 2023	**Policy applied**	**Gross book balance**	**Allowance for estimated losses**
Stores	0.00%	89,480	-
Falling due	0.04%	733,871	(294)
1-30 days past due	0.50%	5,526	(28)
31-60 days past due	10.00%	1,785	(179)
61-90 days past due	25.00%	683	(171)
More than 90 days past due	100.00%	24,145	(24,145)
Customers under in-court reorganization (with financial restructuring)	20.00%	-	-
Customers under in-court reorganization (with financial restructuring)	40.00%	6,454	(2,582)
Customers under in-court reorganization (without financial restructuring)	100.00%	14,376	(14,376)
		876,320	**(41,775)**

December 31, 2022	**Policy applied**	**Gross book balance**	**Allowance for estimated losses**
Stores	0.00%	59,400	-
Falling due	0.04%	688,459	(275)
1-30 days past due	0.50%	13,977	(70)
31-60 days past due	10.00%	682	(68)
61-90 days past due	25.00%	368	(92)
More than 90 days past due	100.00%	23,716	(23,716)
Customers under in-court reorganization (with financial restructuring)	20.00%	8,845	(1,769)
Customers under in-court reorganization (with financial restructuring)	40.00%	8,589	(3,436)
Customers under in-court reorganization (without financial restructuring)	100.00%	13,820	(13,820)
		817,856	**(43,246)**

The criteria used to calculate the loss matrix are disclosed in Note 6c.

(In thousands of reais)

Loss rates are based on actual credit loss experienced in the previous accounting year. These rates have been multiplied by scaling factors to reflect differences between economic conditions during the period in which the historical information was collected, current conditions, and the Company's view of economic conditions over the expected life of the receivables.

(ii) Market risk

Market risk is the risk that changes in market prices - such as exchange rates, interest rates and share prices - will affect the Company's earnings or the value of its financial instruments. The objective of market risk management is to assess and control exposure to market risks, within acceptable parameters, while optimizing return. The Company and its subsidiaries use derivatives to manage market risk.

Currency risk

Considering the price risk in exports, which correspond to 2.95% of revenue of its subsidiaries as of December 31, 2023 (5.36% as of December 31, 2022), any exchange rate volatility effectively represents a price risk that could jeopardize the results planned by management.

Sensitivity analysis

P&L of the Company and its subsidiaries is subject to minor variations due to the effects of the exchange rate volatility on assets and liabilities linked to foreign currencies, mainly the US dollar, which, in the year ended December 31, 2023, corresponded to a negative variation of 7.21% compared to the last quote as of December 31, 2022.

As a strategy for preventing and reducing the effects of exchange rate fluctuations, management seeks to maintain a natural hedge with linked assets, which are also subject to exchange rate differences. Management does not contract financial instruments to eliminate its exposure to currency risks, which are shown below:

	Consolidated	
US dollar (thousands of US$)	**12/31/2023**	**12/31/2022**
Assets in foreign currency (a)	22,109	28,347
Liabilities in foreign currency (b)	(4,674)	(8,464)
Surplus calculated (a-b)	**17,435**	**19,883**

Given the exposure to the risk of price fluctuation, the Company and its subsidiaries present below three scenarios of the variation of the dollar and the respective future results, as follows:

(In thousands of reais)

1. **Probable scenario adopted by the Company and its subsidiaries:** Dollar quoted at R$4.8413 as of December 31, 2023;

2. **Possible scenario:** As determined by the CVM resolution, the scenario is built considering a 25% decrease in the dollar exchange rate, falling to R$3.6310; and

3. **Remote scenario:** Still according to the CVM resolution, in this scenario the dollar exchange rate used in the probable scenario is reduced by 50%, falling to R$2.4207.

Exchange sensitivity analysis table - effect as of December 31, 2023

Transaction	Risk	Probable scenario	Possible scenario	Remote scenario
		Exchange rate of	Exchange rate of	Exchange rate of
	US$17,435 thousand	4.8413	3.6310	2.4207
Finance income (costs)	Fall in US$	-	(21,102)	(42,203)

(iii) Interest rate risk

Sensitivity analysis
P&L of the Company and its subsidiaries is subject to minor variations due to the effects of the volatility of the DI-CETIP, TJLP and IPCA rates financial investments and part of loans and financing linked to these rates.

	Consolidated		Consolidated	
	Carrying amount 12/31/2023	**Fair value 12/31/2023**	**Carrying amount 12/31/2022**	**Fair value 12/31/2022**
Assets pegged to CDI	349,080	349,080	191,862	191,862
Liabilities pegged to TJLP	4,189	3,834	3,145	2,803
Liabilities pegged to IPCA	142,262	139,494	102,818	97,906
Liabilities pegged to CDI	193,776	196,025	256,920	259,121

Given the exposure to the risk of fluctuations in the indices of financial investments and loans, the Company presents below the rate variation scenarios and respective future results, as follows:

(i) Probable scenario adopted by the Company and its subsidiaries: DI-CETIP of 11.65% p.a. and TJLP of 6.55% p.a. and IPCA of 4.62% p.a.;

(ii) Possible scenario, considering a 25% rate increase or decrease;

(iii) Remote scenario, considering a 50% rate increase or decrease.

(In thousands of reais)

The rate variation as of December 31, 2023 is shown below:

Transaction	**Risk**	**Probable scenario**	**Probable Possible - 25%**	**Probable remote - 50%**
Loans pegged to TJLP	Increase in TJLP	TJLP at 6.55% R$ -	TJLP at 8.19% R$ 69	TJLP at 9.83% R$ 137
Loans pegged to IPCA	Increase in IPCA	IPCA at 4.62% R$ -	IPCA at 5.78% R$ 1,650	IPCA at 6.93% R$ 3,286
Loans pegged to CDI	Increase in CDI	CDI at 11.65% R$ -	CDI at 14.56% R$ 5,639	CDI at 17.48% R$ 11,297
Investments pegged to CDI	Decrease in CDI	CDI at 11.65% R$ -	CDI at 8.74% R$(10,158)	CDI at 5.83% R$(20,316)

(iv) Liquidity risk

This refers to the risk of the Company facing difficulties in meeting obligations associated with its financial liabilities that are settled with cash payments or other financial assets. The Company's objective in managing liquidity is to ensure, to the extent possible, that it will always have sufficient liquidity to meet its obligations upon maturity, under both normal and stress conditions, without incurring unacceptable losses or risking damage to the Company's reputation.

The Company and its subsidiaries monitor the liquidity risk of funds through cash monitoring policies to avoid mismatch of receivables and payables.

The Company and its subsidiaries also maintain balances in short-term investments with daily liquidity, redeemable at any time, to cover any mismatches between the maturity date of contractual obligations and cash generation.

The payment schedule for noncurrent installments of loans and financing is presented below:

	12/31/2023	
Maturity	**Fair**	**%**
2025	188,903	82%
2026	17,303	8%
2027	6,245	3%
2028	5,814	3%
2029	5,383	2%
2030	4,495	2%
2031	663	-
Total	**228,806**	**100%**

(In thousands of reais)

Breakdown of balances
The estimated realizable values of the financial assets of the Company and its subsidiaries were determined using available market information and appropriate valuation methodologies. However, considerable judgment was required in interpreting market data to reach the most adequate estimated realizable value. Consequently, the estimates below do not necessarily indicate the amounts that could be realized in a current exchange market. The use of different market methodologies could have a material impact on estimated realization values.

These instruments are managed by means of operational strategies with a view to ensuring liquidity, profitability and security. The control policy consists of permanent monitoring of contracted rates versus market rates in effect. The Company and its subsidiaries are not engaged in investments for speculative purposes, in derivatives, or any other risk assets.

The accounting balances and fair values of financial instruments included in the statements of financial position as of December 31, 2023 and 2022 are shown below.

		Consolidated			
		12/31/2023		**12/31/2022**	
Description	**Classification**	**Book balance**	**Fair value**	**Book balance**	**Fair value**
Cash and cash equivalents	Financial assets at amortized cost	361,020	361,020	197,197	197,197
Financial investments					
CDB/Investment fund	Financial assets measured at fair value through profit or loss	12,980	12,980	8,528	8,528
Equity investment funds	Financial assets measured at fair value through other comprehensive income	469	469	418	418
Accounts receivable	Financial assets at amortized cost	834,545	834,545	774,610	774,610
Other accounts receivable	Financial assets at amortized cost	41,267	41,267	28,008	28,008
Loans and financing:					
Local currency	Amortized cost	436,226	491,226	413,252	462,556
Foreign currency	Amortized cost	1,524	1,551	3,796	3,835
Trade accounts payable	Amortized cost	83,779	83,779	104,925	104,925
Intercompany loans	Amortized cost	-	-	18,448	18,448

(In thousands of reais)

		Individual			
		12/31/2023		12/31/2022	
Description	**Classification**	**Book balance**	**Fair value**	**Book balance**	**Fair value**
Cash and cash equivalents	Financial assets at amortized cost	1,023	1,023	35,161	35,161
Financial investments					
CDB/Investment fund	Financial assets measured at fair value through profit or loss	5	5	5	5
Other accounts receivable	Financial assets at amortized cost	5,154	5,154	7,114	7,114
Trade accounts payable	Amortized cost	2,631	2,631	368	368
Intercompany loans	Amortized cost	-	-	109,889	109,889

(v) Fair value hierarchy

	Consolidated				Individual			
	12/31/2023		12/31/2022		12/31/2023		12/31/2022	
Description	**Level 1**	**Level 2**	**Level 1**	**Level 2**	**Level 1**	**Level 2**	**Level 1**	**Level 2**
Financial investments								
Floating CDB	-	-	-	2,257	-	3	-	4
Investment funds	-	12,980	-	6,271	-	2	-	1
Equity investment funds	469	-	418	-	-	-	-	-

- **Level 1 -** quoted prices (unadjusted) in active markets for identical assets or liabilities;
- **Level 2** – different inputs for prices negotiated in active markets included in Level 1 that are observable for the asset or liability, either directly (based on prices) or indirectly (deriving from prices); and
- **Level 3 -** inputs for the asset or liability that are not based on market observable variables (non-observable inputs).

(vi) Criteria, assumptions and limitations used in the fair value calculation

Financial investments

For financial investments, the fair value against P&L was determined based on the market prices of these securities, which are stable considering the rates and terms of the investments. The investments are remunerated based on a percentage of DI - CETIP and are restated as of December 31, 2023 (see Note 5).

(In thousands of reais)

Accounts receivable
Trade accounts receivable are recognized at the invoiced amount, including related direct taxes for which the Company and its subsidiaries are responsible. Allowance for doubtful accounts was set up at an amount considered sufficient by management to cover any losses on realization of receivables.

Loans and financing
Loans and financing calculated as of December 31, 2023 are measured at amortized cost using the effective interest rate method, and are recorded at their contractual amounts. There are interest rates applicable to these instruments identical to the contracts that are signed, considering the purpose of the financing, terms and guarantees that are offered. The valuation model considers the present value of the expected payment, discounted using a risk-adjusted discount rate.

Trade accounts payable
Trade accounts payable arise directly from the commercial transactions carried out by the Company and its subsidiaries, are recorded at their original values and are subject to foreign exchange and monetary restatements, when applicable, up to the statement of financial position date.

Limitations
The fair value of the instruments was estimated at the statement of financial position date based on “significant market information”. Changes in assumptions may significantly affect the estimates presented.

(vii) Capital management

The objective of capital management is to ensure maintenance of a strong credit *rating* with institutions and a structured capital relationship in order to support business and maximize shareholder value.

The Company and its subsidiaries include loans and financing, less cash, cash equivalents and short-term investments in its net debt structure.

	Consolidated	
	12/31/2023	**12/31/2022**
Loans and financing	(437,750)	(417,048)
Lease liabilities	(15,295)	(20,568)
Cash and cash equivalents	361,020	197,197
Financial investments	13,449	8,946
Net debt	**(78,576)**	**(231,473)**
Equity	1,995,296	1,711,834

(In thousands of reais)

29 Insurance coverage

The Company and its subsidiaries take out insurance coverage for assets subject to risks at amounts deemed sufficient by management to cover claims, if any, considering the nature of their activity.

Insured amounts as of December 31, 2023 are summarized below:

Corporate insurance		
Insured item	**Insured risk**	**Insurance amount - R$**
Property	Fire, windstorm, Electrical Damage, Machinery Breakdown, Theft, Flooding, Electronic Equipment.	195,000
Loss of profits	Fixed expenses (indemnifiable loss - 3 months)	60,000
D&O	General civil liability (D&O)	30,000
General civil liability	General civil liability	10,000
Light and heavy vehicles	Property damage, bodily injury and pain and suffering to third parties	27,750
International transportation - Import	Limit per shipment - Goods/Raw material	7,262
Total corporate insurance		**330,012**

30 Government grants and assistance

a. Federal incentives

- **IRPJ REDUCTION -** Consists of the right to a 75% reduction in Income Tax and Surtax, calculated based on the operating profit pursuant to article 1 of Provisional Executive Order No. 2199-14 of August 24, 2001, in accordance with the established criteria and with the tax incentive regulations. Projects currently undergoing complete modernization in the areas covered by the Northeast Development Agency (SUDENE) are considered under onerous conditions. Projects installed in the states of Ceará and Bahia are beneficiaries of the 75% income tax reduction incentive.

b. State incentives

(i) Ceará

For footwear

- **PROADE -** An incentive program for the Ceará State Industrial Development Fund (FDI), which consists of deferring 99% of the calculated ICMS levied on own production of footwear exclusively. For each benefit installment, 1% will be paid only once, the base date being the last day of the month and, after 36 months, the amount will be duly restated, from the date of disbursement to the maturity date, by reference to the TJLP.

For clothing

- **PROVIN -** An incentive program for the Ceará State Industrial Development Fund (FDI), which consists of deferring 75% of the calculated ICMS levied on own production of clothing exclusively. For each benefit installment, 25% will be paid only once, the base date being the last day of the month and, after 36 months, the amount will be duly restated, from the date of disbursement to the maturity date, by reference to the TJLP.

Additional incentives
Additionally, the PROADE incentives for footwear and clothing include the deferral of ICMS on imports of raw materials, machinery, equipment, parts and pieces with no equivalent in the state of Ceará, as well as rate differences on capital expenditures.

- **PCDM -** An incentive program for business centers for the distribution of goods (PCDM), which consists of a 75% reduction in the ICMS debit balance calculated monthly on interstate shipping of goods. The ICMS withheld from third parties by the company is not included in this incentive, due to the tax substitution regime.

Additional incentives
Additionally, the PCDM incentive grants the deferral of ICMS levied on the import of goods from abroad for subsequent shipping, and import from abroad and from other states of PPE items.

(ii) Bahia

- **PROBAHIA -** The objective of this Bahia State development program is the diversification and fostering of transformation of the state's industrial processes. The benefit includes deferral of ICMS on the total debits calculated on the shipping of goods, where a matching credit of 99% is calculated on the amount due. Payment consists of 1% of the outstanding balance payable in the month following the ICMS calculation.

Additional incentives
Additionally, the PROBAHIA grants the deferral of ICMS on imports of raw materials, machinery, equipment, parts and pieces, as well as the rate difference on capital expenditures.

(In thousands of reais)

(iii) Minas Gerais

- **Special Regime –** For operation of Vulcabras Distr. Art. Spec. Ltda. (Extrema-MG branch), the automated special taxation regime e-PTA-RE N. 45.000024131-24 will be adopted, which establishes the Special Regime incentive with a simplified statement of purposes providing for deferrals, matching credit and TTS/CORREDOR DE IMPORTAÇÃO, consisting in the deferral of the payment of ICMS on imports specifically for sales purposes; in the partial deferral, resulting in recording of 4% for imported products and 12% for domestic products of the ICMS due on domestic sales to beneficiaries of the special regime; in the matching credit so that the effective rate is 3% in intrastate and interstate operations with domestic products and in the matching credit of 2.5% in interstate operations with imported products or 4% in intrastate operations with imported products, for an indefinite period.
- **Special Regime -** For operation of Vulcabras SP (Extrema-MG branch), the automated special taxation regime e-PTA-RE N. 45.000024132-05 will be adopted, which establishes the Special Regime incentive TTS/E-COMMERCE NÃO VINCULADO, consisting in the adoption of procedures to assign responsibility for withholding and payment of ICMS due under the tax substitution regime, granting of deferral of ICMS on imports and adoption of simplified tax bookkeeping and calculation system in operations contracted within the scope of electronic trade or telemarketing intended to the final consumer, with ICMS matching credit on intrastate operations of 12% for domestic products and of 4% for imported products, and effective rate of 1.3% in intrastate sales, for an indefinite period.

c. Additional incentives

TTS/ATACADISTAS and TTS/E-COMMERCE also provide for deferral of payment of ICMS on receipt of goods specifically intended for sale, as a result of direct import from abroad, for subsequent operations carried out by Vulcabras.

	Statement of government grants		
Subsidiary	**State incentive**	**%**	**Maturity**
Vulcabras CE, Calç. e Art. Esp. S.A.	Proade Calçados	99%	Aug/2031
Vulcabras CE, Calç. e Art. Esp. S.A.	Provin Confecções	75%	Jun/2022(*)
Vulcabras BA, Calç. e Art. Esp. S.A.	Probahia	99%	Jul/2027
Vulcabras Distr. Art. Esp. Ltda.	PCDM	75%	Dec/2027
Vulcabras Distr. Art. Esp. Ltda.	TTS/ATACADISTAS	Variable	Indefinite
Vulcabras SP, Comércio de Art. Esp. Ltda.	TTS/E-COMMERCE	Variable	Indefinite

(*) Vulcabras CE applied for a 10-year benefit extension with the state of Ceará.

(In thousands of reais)

	Statement of government grants		
Subsidiary	**Federal incentive**	**%**	**Maturity**
Vulcabras CE, Calç. e Art. Esp. S.A.	IRPJ reduction	75%	Dec/2032(*)
Vulcabras BA Calç. e Art. Esp. S.A.	IRPJ reduction	75%	Dec/2032(**)

(*) On October 10, 2023, Vulcabras CE received the approval of the interlocutory decision on the request for renewal of the right to reduce IRPJ for another 10 years.
(*) On December 08, 2023, Vulcabras BA received the approval of the interlocutory decision on the request for renewal of the right to reduce IRPJ for another 10 years.

d. Consolidated

Considering that such incentives were accounted for directly in the subsidiaries' P&L, they were recognized in the Company's P&L through the equity method, the effects of which are shown below:

ICMS			**Equity pickup**	
Tax incentive recognized in subsidiaries' P&L	**Incentive amount in consolidated**	**% Equity interest**	**12/31/2023**	**12/31/2022**
Vulcabras CE, Calçados e Artigos Esportivos S.A.	160,546	99.99%	160,530	126,378
Vulcabras Distr. Art. Esp. Ltda.	19,544	100.00%	19,544	18,676
Vulcabras BA, Calçados e Artigos Esportivos S.A.	99,755	100.00%	99,755	84,361
Vulcabras SP, Comércio de Art. Esp. Ltda.	25,896	100.00%	25,896	11,833
	305,741		**305,725**	**241,248**

Brazilian Special Regime for Reinstatement of Taxes for Exporters (REINTEGRA)			**Equity pickup**	
Tax incentive recorded in P&L of subsidiaries	**Incentive amount in consolidated**	**% Equity interest**	**12/31/2023**	**12/31/2022**
Vulcabras CE, Calçados e Artigos Esportivos S.A.	68	99.99%	68	89
Vulcabras BA, Calçados e Artigos Esportivos S.A.	43	100.00%	43	73
	111		**111**	**162**

Corporate Income Tax (IRPJ)			**Equity pickup**	
Tax incentive recorded in P&L of subsidiaries	**Incentive amount in consolidated**	**% Equity interest**	**12/31/2023**	**12/31/2022**
Vulcabras CE, Calçados e Artigos Esportivos S.A.	28,964	99.99%	28,961	27,229
Vulcabras BA, Calçados e Artigos Esportivos S.A.	11,455	100.00%	11,455	3,744
	40,419		40,416	30,973

(In thousands of reais)

31 Information by product and geographical area

Information on net sales in the foreign and domestic market, by geographical region, was prepared based on the country of origin of the income, that is, based on sales made by the subsidiaries in Brazil and through foreign subsidiaries.

The Group operates in the segment of production and sale of synthetic footwear for the domestic and foreign markets.

Although footwear is designed to serve different consumers and social classes, it is not controlled and managed by management as an independent segment, and the Company's results are tracked, monitored and evaluated in an integrated manner.

Consolidated sales in the domestic and foreign markets and noncurrent assets are as follows:

	12/31/2023	**12/31/2022**
Net sales revenue		
Sports shoes	2,372,590	2,098,542
Other footwear and other	194,551	202,013
Clothing	250,538	236,381
	2,817,679	**2,536,936**
Domestic market	2,651,323	2,308,963
Foreign market	166,356	227,973
	2,817,679	**2,536,936**

Noncurrent assets from each geographical region are as follows:

	Consolidated	
	12/31/2023	**12/31/2022**
Noncurrent assets in the domestic and foreign markets from		
Brazil	797,546	908,166
Other countries	16,980	19,483
Total	**814,526**	**927,649**

32 Events after the reporting period

Approval and distribution of interim dividends

At the Board of Directors’ meeting held on January 22, 2024, the declaration of interim dividends was approved, calculated pursuant to the legislation in force, based on the balance of the statutory income reserve maintained by the Company for the purpose of making new investments, as determined in the annual statement of financial position for the year ended December 31, 2022, referred to as “Statutory Reserve”, in the gross amount of R$1.50 (one real and fifty cents) per common registered no-par-value share of the Company, which corresponds to the total gross amount of R$367,725 (three hundred and sixty-seven million, seven hundred and twenty-five thousand reais).

a) The gross amount of R$1.00 (one real) per common registered no-par-value share of the Company, which corresponds to the total gross amount of R$245,150 (two hundred and forty-five million and one hundred and fifty thousand reais) were paid out on February 8, 2024; and

b) The gross amount of R$0.50 (fifty cents) per common registered no-par-value share of the Company, which corresponds to the total gross amount of R$122,575 (one hundred and twenty-two million, five hundred and seventy-five thousand reais) will be paid out on April 17, 2024; and

The Company’s shareholders were entitled to receive interim dividends at the end of the trading session on the base date January 25, 2024.

The total gross amount of interim dividends will be imputed and will be deducted from the amount of mandatory dividends for the year ending December 31, 2024 and will not be subject to any monetary adjustment. The total gross amount of interim dividends may be adjusted as a result of the Company’s share buyback program.

Public offering

At the Board of Directors' meeting held on January 28, 2024, the Offering of shares was approved, pursuant to article 6, paragraph 1, of the Articles of Incorporation, which will have the following characteristics and conditions:

a) The Offer will consist of a public distribution, comprising, initially, the primary distribution of 13,550 (thirteen million, five hundred and fifty thousand) new shares, in an unorganized over-the-counter market, under the coordination of BTG Pactual Investment Banking Ltda. ("Lead Coordinator") and Banco Itaú BBA S.A. ("Itaú BBA"), Banco Santander (Brasil) S.A. ("Santander") and XP Investimentos Corretora de Câmbio, Títulos e Valores Mobiliários S.A. ("XP Investimentos" and, together with the Lead Coordinator, Itaú BBA and Santander, "Offer Coordinators"), under the terms of the "Agreement for the Coordination, Placement and Firm Guarantee of Settlement of Public Offering for the Distribution of Common Shares Issued by Vulcabras S.A." ("Placement Agreement") to be entered into between the Company and the Offer Coordinators, pursuant to Law No. 6385 of December 7, 1976, in accordance with the procedures of CVM Resolution 160, the "ANBIMA Code of Regulation and Best Practices for the Structuring, Coordination and Distribution of Public Offerings of Marketable Securities and Public Offerings for the Acquisition of Marketable Securities" currently in force, and other applicable legal provisions, subject to the provisions of the *Novo Mercado* Regulation of B3 S.A. - Brasil, Bolsa, Balcão ("B3");

b) At the same time, within the scope of the Offer, efforts will be made to privately place the Shares abroad by BTG Pactual US Capital LLC, Itaú BBA USA Securities, Inc., Santander US Capital Markets LLC and XP Securities LLC (together, "International Placement Agents");

c) Pursuant to article 50, sole paragraph, of CVM Resolution 160, until the date of conclusion of the Bookbuilding Procedure (as defined below), the number of Shares initially offered may, at the Company's discretion, in agreement with the Offer Coordinators, be increased by up to 100% (one hundred percent), that is, by up to 13,550,000 (thirteen million, five hundred and fifty thousand) Shares ("Additional Shares"), under the same conditions and price as the Shares initially offered, which will be used to meet any excess demand that may be found;

d) The Offer's target audience in Brazil will consist exclusively of Shareholders and professional investors, as defined in article 11 of CVM Resolution No. 30 of May 11, 2021, as amended, residents and domiciled or headquartered in Brazil and who, additionally, attest in writing to their status as professional investors through their own term ("Local Institutional Investors"), as well as Foreign Investors (as defined in the material news release of the Offer, being 3 Local Institutional Investors together with Foreign Investors, the "Professional Investors");

e) The price per Share ("Price per Share") will be fixed upon completion of the procedure for collecting investment intentions, which will be carried out with Local Institutional Investors, in Brazil, by the Offer Coordinators, under the terms of the Placement Agreement, abroad, with Foreign Investors, by the International Placement Agents, under the terms of the "Placement Agent Agreement" ("Bookbuilding Process"), and will be approved by the Company's Board of Directors. The Price per Share will be calculated using the following parameters: (i) the price of common shares issued by the Company on B3 on the date of determination of the Price per Share; and (ii) the result of the Bookbuilding Process, based on indications of interest based on the quality and quantity of demand (by volume and price) per Share, collected from Professional Investors;

f) The negotiation or assignment, in whole or in part, of the Right of First Refusal to any third parties, including the Shareholders themselves, will not be allowed;

g) Partial distribution will not be allowed within the scope of the Offer;

h) The Company intends to use all the net proceeds obtained through the Offer to pay dividends declared by the Company and to strengthen its cash position for new business; and

i) The other Offer's characteristics will be disclosed to the market in due course by the Company, pursuant to the applicable legislation.

Board of Directors

Pedro Grendene Bartelle
Chairman

André de Camargo Bartelle
1st Vice Chairman

Pedro Bartelle
2nd Vice Chairman

Paulo Sérgio da Silva
Independent Board Member

Rafael Ferraz Dias de Moraes
Independent Board Member

Executive Board

Pedro Bartelle
CEO

Wagner Dantas da Silva
Administrative and Financial Officer

Rafael Carqueijo Gouveia
Superintendent Director

Rodrigo Miceli Piazer
Supply Chain Officer

Evandro Saluar Kollet
Corporate Officer for Product Development and Technology

Márcio Kremer Callage
Marketing Officer

Investor Relations Officer

Wagner Dantas da Silva

Accountant in charge

Manoel Damião da Silveira Neto
Accountant CRC 1RJ052266/O-2 “S”-SP