(Convenience Translation into English from the Original Previously Issued in Portuguese)

Track & Field CO S.A. and Subsidiaries

Individual and Consolidated
Financial Statements
for the Year Ended
December 31, 2023 and
Independent Auditor’s Report

Deloitte Touche Tohmatsu Auditores Independentes Ltda.

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INDEPENDENT AUDITOR'S REPORT ON THE
INDIVIDUAL AND CONSOLIDATED FINANCIAL STATEMENTS

To the Management and Shareholders of
Track & Field CO S.A.

Opinion

We have audited the accompanying individual and consolidated financial statements of Track & Field CO S.A. ("Company"), identified as Parent and Consolidated, respectively, which comprise the balance sheet as at December 31, 2023, and the related statements of income, of comprehensive income, of changes in equity and of cash flows for the year then ended, and notes to the financial statements, including the material accounting policies.

In our opinion, the individual and consolidated financial statements referred to above present fairly, in all material respects, the individual and consolidated financial position of Track & Field CO S.A. as at December 31, 2023, and its individual and consolidated financial performance and its individual and consolidated cash flows for the year then ended, in accordance with accounting practices adopted in Brazil and 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 requirements in the Code of Ethics for Professional Accountants and the professional standards issued by the Brazilian Federal Accounting Council (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 - KAM are those matters that, in our professional judgment, were of most significance in our audit of the current year. 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.

Revenue recognition

<u>Why it is a KAM</u>

The Company’s and its subsidiaries’ revenues are substantially derived from the sale of sports and leisure products in general, including own stores, franchisees and e-commerce platform. Their operations are conducted through various sales channels and related revenues are comprised of a large volume of transactions involving individually low amounts, which depend on the proper operation of information systems and controls to identify and measure revenues, as well as the monitoring by the Company’s Executive Board with respect to the status of deliveries so as to identify any billed sales to its franchisee and e-commerce platform and not delivered at the end of the year.

The large volume of transactions, the characteristics inherent in the sales recognition process, including the dependence on information systems, require special attention dedicated to the Company’s revenue recognition process. For this reason, we considered it a key audit matter.

<u>How the matter was addressed in our audit</u>

Our audit procedures included: (i) understanding and testing the key processes and internal controls related to sales recognition and measurement; (ii) assessing the IT systems used in the process through the support of technology specialists; (iii) obtaining external confirmations from credit card companies as regards sales transactions conducted during the period at physical stores and using e-commerce; (iv) checking, on a sampling basis, sales made to franchisees; (v) performing revenue cut-off testing procedures through an analysis of supporting documentation that substantiates the delivery of goods; and (vi) assessing revenue disclosures according to the relevant segment and operations.

Based on the evidence obtained from performing our audit procedures described above, we consider that the revenue recognition procedures and related disclosures made are acceptable 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 (DVA) for the year ended December 31, 2023, prepared under the responsibility of the Company's Executive Board, and disclosed as supplemental information for purposes of the IFRS, were subject to audit procedures performed together with the audit of the Company’s financial statements. In forming our opinion, we assess whether these statements are reconciled with the financial statements and the accounting records, as applicable, and whether their form and content are in accordance with the criteria set out in technical pronouncement CPC 09 - Statement of Value Added. In our opinion, these statements of value added were appropriately prepared, in all material respects, in accordance with the criteria set out in such technical 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 independent auditor's report

The Executive Board is responsible for such other information. The other information comprises the Management Report, obtained prior to this report date.

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

In connection with our audit of the individual and consolidated financial statements, our responsibility is to read the other information identified above and, in doing so, consider whether this other information 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 in the other information obtained prior to this report date, 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 the IFRS, issued by the IASB, and for such internal control as the Executive Board 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 and its subsidiaries or to cease 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 individual and consolidated 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:

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

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

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

- Conclude on the appropriateness of the Executive Board’s use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the ability of the Company and its subsidiaries 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 auditor’s report. However, future events or conditions may cause the Company and its subsidiaries to cease to continue as a going concern.

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

- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the Group audit. We remain solely responsible for our audit opinion.

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

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

The accompanying individual and consolidated financial statements have been translated into English for the convenience of readers outside Brazil.

São Paulo, March 7, 2024

Deloitte Touche Tohmatsu

DELOITTE TOUCHE TOHMATSU
Auditores Independentes Ltda.

Randal Ribeiro Sylvestre
Engagement Partner

2024SP029736

Operational Highlights

- ***Sell out* reached R$390.4 million in 4Q23**, which representes a **20.1% growth vs. 4Q22**, and a **same store sales growth of 16.4%**. In 2023, sell out reached R$1.2 billion, +19.4% vs. 2022, with the revamped stores experiencing a 34.9% increase.

- ***E-commerce* growing 25.5% in the captured sell-out view vs. 2022**, reflecting our focus on enhancing the consumer experience in this channel, along with efficiency gains in SEO (organic search) and performance media.

- In 2023, **78.5%** of the sales captured by the e-commerce channel were invoiced through physical stores **(ship from store)**.

- We continue with the roll-out of the second wave of our omnichannel initiative, which **focuses on implementing the infinite shelf, available in 229 stores by the end of 2023, and onboarding new sellers** for our sports goods marketplace (tfmall).

- We inaugurated **17 stores in the quarter**, reaching a **total of 359 stores in 2023, entering 17 new cities during the year**. All these stores were opened in the new format, and we remain focused on refurbishing existing stores. We remodeled **21 stores throughout the year**, both in our own network and among franchises.

- In 2023, **TFSports** hosted 81 Santander Track&Field Run Series, conducted 1,612 Keep Moving online classes, organized 355 T&F Experience events, and held 35 stages of the Track&Field Open Beach Tennis. By the end of the year, the platform recorded **over 588 thousand users (a +52.0% YoY increase) and more than 6,100 registered trainers.**

- **NPS (*Net Promoter Score*) reached 81,7 points in 4Q23**, remaining at a high level and consistently proving that the Company's growth coexists with high customer satisfaction across our various channels."

Financial Highlights

Net revenue totaled **R$221.9 million in 4Q23, +19.8% vs. 4Q22** (R$185.3 million) and **R$683.7 million in 2023, +20.5% vs. 2022** (R$567.4 million).

Gross profit grew 17.4% vs. 4TQ2, reaching R$127.8 million in the fourth quarter, with a **gross margin of 57.6%**. In **2023, gross profit growth was of 20.7% vs. 2022**, totaling R$394.4 million, with a **gross margin of 57.7%.**

Adjusted EBITDA reached R$49.5 million in 4Q23, +14.5% YoY, while **adjusted EBITDA margin was 22.3% in the quarter** vs. 23.3% em 4Q22. **In the year, adjusted EBITDA was R$155.8 million, +23.5% vs. 2022,** with a **adjusted EBITDA margin of 22.8%**.

Adjusted net income totaled R$37.2 million in 4Q23, +4.9% vs. 4Q22, accumulating R$120.8 million in 2023 (+20.8% YoY). **Excluding TFSports, net income for the quarter reached R$44.2 million, +25.8% vs. 4Q22**, totaling R$131.2 million in 2023 (+30.4% vs. 2022).

MESSAGE FROM THE ADMINISTRATION

Throughout the year 2023, the Company demonstrated the solidity of its results, reflecting the success in launching new products and its strategy of innovation and expansion anchored by the consolidation of the new store model, acceleration of digital channels, success of the omnichannel strategy, and strengthening of the well-being ecosystem.

The last quarter benefited significantly from the month of November, with excellent sales performance during the Black Friday period, extending until December due to the Christmas celebration, once again highlighting our positioning as a giftable brand. In this context, we achieved a sell-out of R$390.4 million in 4Q23, an increase of 20.1% compared to 4Q22.

Regarding the financial results for the year, we recorded a sell-out of R$1.2 billion in 2023, a 19.4% increase compared to 2022, allowing us to increase profitability measured in terms of adjusted EBITDA (+23.5% YoY), with a margin of 22.8% in 2023 vs. 22.2% in 2022, and an adjusted net income of R$120.8 million, 20.8% higher than the previous year.

In terms of expansion, we finished the year with 32 inaugurations (17 in 4Q23), totaling 359 stores nationwide. Additionally, 21 stores were revamped to the new concept (7 company operated stores and 14 franchises), and we opened 3 units of TFC Food & Market, ending 2023 with 9 units (6 owned and 3 franchises). In 2024, we will continue to focus on brand expansion, especially through our franchised network, and plan to double the number of revamped stores, considering both owned and franchise locations.

We also highlight the performance of TFSports, which hosted more than 2 thousand events/experiences during the year, including 81 street races from the Santander Track&Field Run Series, 35 stages of the Track&Field Open Beach Tennis, 355 T&F Experience events, and 1,612 Keep Moving online classes. The platform reached over 588 thousand users by the end of the year, with a 52.0% YoY growth. Currently, we have more than 6 thousand trainers connected to the app, offering classes and events to our customer base. In tfmall, we added 3 brand new sellers during 4Q23, currently featuring 9 brands that we believe have high synergy with T&F and its consumers, and we continue to focus on seeking new strategic partners for 2024.

From a product perspective, we received excellent feedback on the expansion of the Kids line, offering products from size 4 and the launch of the Teen Line in December, catering to children and teenagers seeking comfort and style, solidifying Track&Field as a brand that dresses the entire family.

We are pleased to share that we made significant progress in our ESG 2025 Plan, launched in early 2023. In the people pillar, we outlined our Diversity and Inclusion Plan, which will guide our actions. We also restructured our socio-environmental assessment system for the national supply chain, building a socio-environmental risk matrix and creating tools for the approval, assessment, and monitoring of our suppliers. In the product and experience pillar, we finalized our list of socio-environmental attributes, derived from publications and market references, aiming to map opportunities for substituting conventional raw materials with alternatives featuring positive socio-environmental attributes. Lastly, we incorporated the climate risks identified in the study based on the Task Force on Climate-Related Financial Disclosures (TCFD) into our corporate risk matrix. We also offset our greenhouse gas emissions for scopes 1 and 2 for 2022. We completed the diagnosis and development of waste management procedures, seeking continuous internal improvement. Details of these projects will be presented in our Annual Report, scheduled for publication in the second quarter of 2024.

Our priority for this year remains strengthening our well-being ecosystem, with a total focus on our growth plan and process and operational efficiency, along with the acceleration of events and reinforcement of our events and experiences platform, TFSports. We extend our gratitude to our employees, Board of Directors, franchisees, and suppliers for their engagement and partnership, and to our shareholders for their trust in us.

THE ADMINISTRATION

Table | Summary of Indicators

São Paulo, March 7th, 2024 – Track & Field CO S.A. (B3: TFCO4) announces its results for the fourth quarter (4Q) and full year of 2023.

R$ thousand, except otherwise indicated	4Q23	4Q22	Var. 4Q23/ 4Q22	2023	2022	Var. 2023/ 2022
Financial Indicators						
Net Revenue	221,947	185,312	19.8%	683,690	567,426	20.5%
Gross Profit	127,846	108,889	17.4%	394,430	326,770	20.7%
Gross Margin	*57.6%*	*58.8%*	*-1.2 p.p.*	*57.7%*	*57.6%*	*0.1 p.p.*
EBITDA	53,806	48,355	11.3%	173,730	143,761	20.8%
EBITDA Margin	*24.2%*	*26.1%*	*-1.9 p.p.*	*25.4%*	*25.3%*	*0.1 p.p.*
Adjusted[1] EBITDA	49,450	43,204	14.5%	155,802	126,184	23.5%
Adjusted EBITDA Margin	*22.3%*	*23.3%*	*-1.0 p.p.*	*22.8%*	*22.2%*	*0.6 p.p.*
Ex-TFSports Adj. EBITDA	55,630	42,247	31.7%	163,616	124,936	31.0%
Ex-TFSports Adj. EBITDA Margin	*26.0%*	*23.7%*	*2.3 p.p.*	*25.3%*	*23.1%*	*2.2 p.p.*
Net Income	35,328	34,728	1.7%	114,410	96,460	18.6%
Net Margin	*15.9%*	*18.7%*	*-2.8 p.p.*	*16.7%*	*17.0%*	*-0.3 p.p.*
Ajusted[2] Net Income	37,220	35,477	4.9%	120,750	99,954	20.8%
Adjusted Net Margin	*16.8%*	*19.1%*	*-2.3 p.p.*	*17.7%*	*17.6%*	*0.1 p.p.*
Ex-TFSports Adj. Net Income	44,231	35,173	25.8%	131,229	100,664	30.4%
Ex-TFSports Adj. Net Margin	*20.7%*	*19.8%*	*0.9 p.p.*	*20.3%*	*18.6%*	*1.7 p.p.*
Net Cash[3]	54,477	60,489	-9.9%	54,477	60,489	-9.9%
Net Cash Equivalents[4]	151,735	141,558	7.2%	151,735	141,558	7.2%
Operational Indicators						
Number of Stores	359	331	8.5%	359	331	8.5%
Owned Stores	46	44	4.5%	46	44	4.5%
Franchises	313	287	9.1%	313	287	9.1%
Average Ticket (R$)	396.30	384.82	3.0%	389.64	372.82	4.5%
Same Store Sales	*16.4%*	*12.6%*	*n.a.*	*14.4%*	*18.7%*	*n.a.*
Total Sell Out (R$ thousands)[5]	390,361	324,909	20.1%	1,194,088	1,000,157	19.4%
Total Amount Raised by *e-commerce* (R$ thousands)	28,691	22,371	28.3%	90,224	71,901	25.5%

Note: Adjusted amounts refer to non-accounting measurements for purposes of comparability and better market analysis.

[1] Adjusted EBITDA: excluding IFRS-16 effects (effect of exclusion of right-of-use depreciation expense and lease expense related to rentals) and non-recurring expenses.

[2] Adjusted Net Income: excluding IFRS-16 application and non-recurring expenses.

[3] Net cash: Cash and cash equivalents – Financial loans.

[4] Net Cash Equivalents: Cash and Cash Equivalents + Receivables from cards.

[5] Total Sell Out: Representing Track&Field Group's consumer sales, irrespective of sales channel (physical/online or whether own store/franchise).

Sell Out

Sell out **Billed per channel (R$ thousand)**	**4Q23**	**4Q22**	**Var. 4Q23/ 4Q22**	**2023**	**2022**	**Var. 2023/ 2022**
Franchises	239,649	192,070	24.8%	749,485	615,366	21.8%
Company-operated stores	142,862	126,983	12.5%	425,116	361,177	17.7%
E-Commerce	7,850	5,857	34.0%	19,487	23,614	-17.5%
Total Sell Out	**390,361**	**324,909**	**20.1%**	**1,194,088**	**1,000,157**	**19.4%**

Sell out **captured per channel (R$ thousand)**	**4Q23**	**4Q22**	**Var. 4Q23/ 4Q22**	**2023**	**2022**	**Var. 2023/ 2022**
Franchises	228,367	186,573	22.4%	714,268	596,856	19.7%
Company-operated stores	133,303	115,966	15.0%	389,596	331,401	17.6%
E-Commerce	28,691	22,371	28.3%	90,224	71,901	25.5%
Total Sell Out	**390,361**	**324,909**	**20.1%**	**1,194,088**	**1,000,157**	**19.4%**

The sell-out, the result of the sum of gross sales across all Track&Field sales channels (including own stores, franchises, and e-commerce), reached R$390.4 million in 4Q23, representing a total growth of 20.1% compared to the same period in 2022 and 16.4% in the same-store sales concept.

Throughout the quarter, we observed month-to-month growth, with notable peaks in November, driven by Black Friday, and December, due to the search for gifts during the Christmas period, resulting in a sales growth of 21.2% vs. 2022 in the combined two months.

It is worth noting that the quarter's performance was boosted by the reported results from stores revamped to the new concept, both owned and franchised, which grew their sales by 25.0% vs. a same-store sales (SSS) growth of 16.2%.

Our e-commerce showed growth at a pace higher than physical channels (+34.0% in the billed sell-out view and +28.3% in the captured sell-out view vs. 4Q22), gaining share in the Company's business mix, reflecting improvements implemented throughout the previous year - with a focus on enhancing the consumer experience in this channel, as well as efficiency gains in SEO (organic search) and performance media.

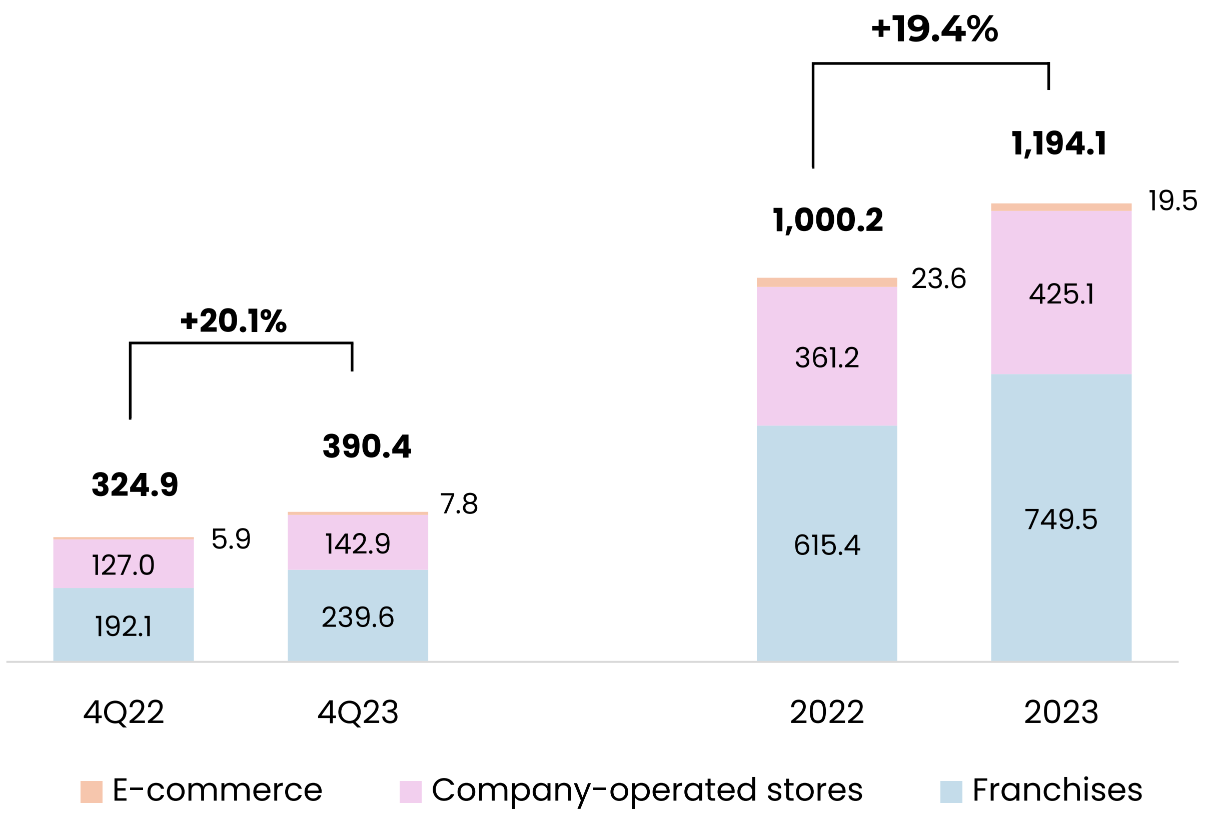
For the year, we achieved a sell-out of R$1.2 billion, growing by 19.4%. This period result was driven by the following factors: (i) consolidation of an addressable market reflecting the growing demand for products and experiences related to an active and healthy lifestyle; (ii) strong sales performance of both winter and summer collections; (iii) events with higher participant numbers, bringing increased customer traffic to stores; and (iv) the brand's evolution as a giftable option on festive occasions such as Mother's Day, Father's Day, and Christmas.

Track & Field

The revamped stores experienced a sales growth of 34.9% in 2023, compared to 14.0% in same-store sales. The growth of these stores was primarily driven by an increase in the number of transactions, stemming from new customers, and an increase in the purchase frequency among existing customer base.

Sell Out Billed

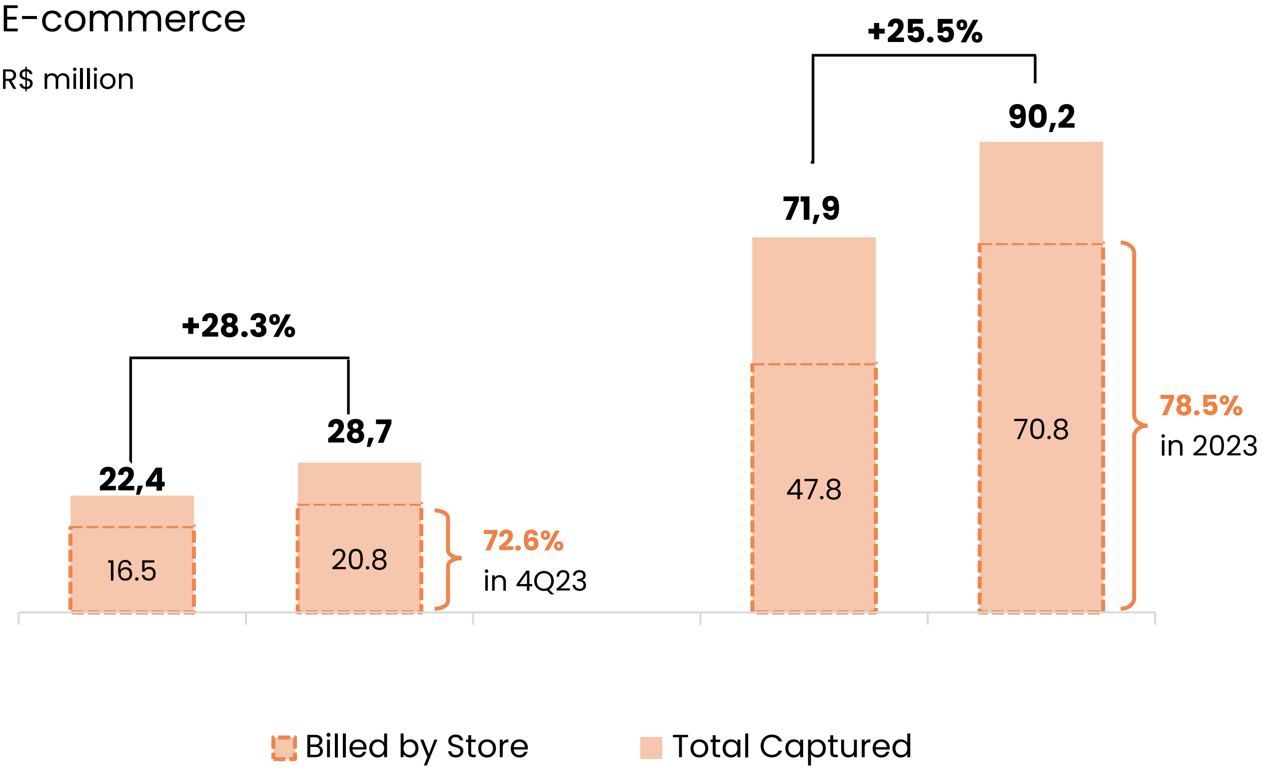
R$ million



We continue to observe positive results from ship-from-store initiatives, where physical stores function as mini-distribution centers, and pick-up-in-store services, allowing customers to retrieve online orders from physical stores, thus extending the omnichannel concept throughout the entire network. Out of the digital revenue, 72.6% was generated through the ship-from-store model in the quarter and 78.5% for the year.

E-commerce

R$ million



Digital Channels and **Omnichannel**

Our omnichannel platform is a strategic differentiator, providing a unique experience to our customers and strengthening our position in the market. We are committed to maintaining this synergy between the physical and digital worlds, thus driving our growth.

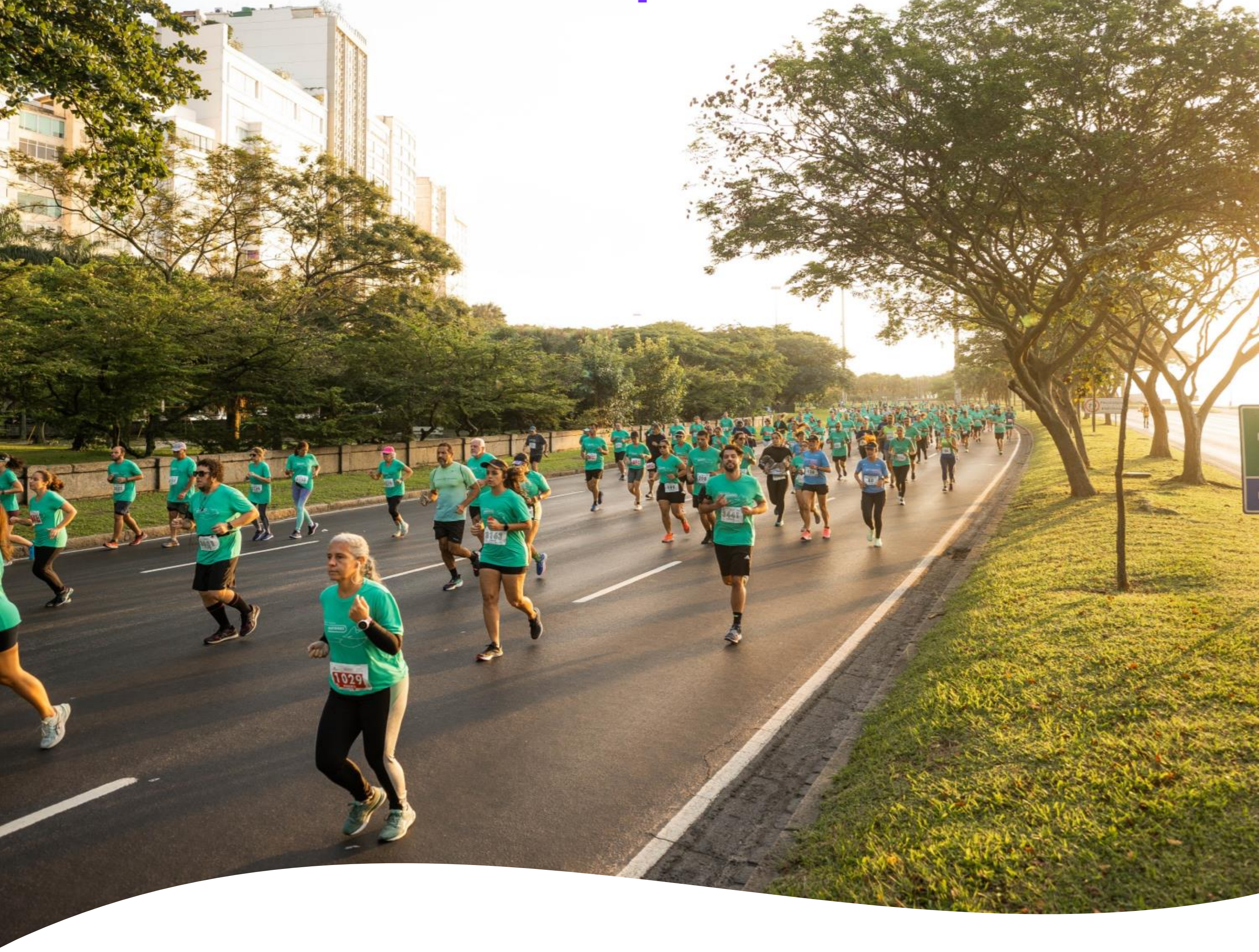
We concluded the year with 359 stores, of which 23 operate as national sellers, conducting deliveries nationwide, and 314 are local sellers, representing approximately 41% and 32%, respectively, of the total sell-out in 4Q23 (with the remaining 27% billed by our distribution center)

Continuing our commitment to innovation, our company has successfully introduced the infinite shelf concept across 229 stores, integrating them with our digital platform. This innovative approach not only broadens our physical presence but also ensures a seamless shopping experience for customers, enhancing convenience. The adoption of the infinite shelf underscores our dedication to maintaining high standards and staying adaptable to the changing demands of the market.

Additionally, another initiative that continues to yield positive results is social selling. This method encompasses sales made through the sending of payment links and delivery to the customer's address, focusing on the efficient conversion of transactions initiated via WhatsApp, characterizing an influenced sale. In the last quarter (4Q23), we recorded a growth of 35.2% in the sell-out of influenced sales compared to the previous year, representing a significant 40% of the total sell-out for the quarter. This success not only highlights innovation in our sales approach but also underscores the growing importance of social selling in our operational strategies.

In complement to the implementation of all these initiatives in our network, we have an optimized logistics operation, enabling the delivery of sold products in a maximum of 2 business days. This super express delivery represented about 71% of all deliveries in 4Q23.

tfsports



TFSports	4Q23	4Q22	Var. 4Q23/4Q22	2023	2022	Var. 2023/2022
Net Revenue (R$ thousand)	8,090	7,252	11.6%	36,066	26,449	36.4%
Users on the App (thousand)*	588.2	386.9	52.0%	588.2	386.9	52.0%
Registration in street races/Experiences (thousand)	68.5	43.7	56.9%	247.2	190.4	29.8%
Number of Trainers (thousand)*	6.1	3.6	70.7%	6.1	3.6	70.7%

Note (*): positions on the closing date of each period.

In the fourth quarter of 2023, the net revenue totaled R$8.1 million, marking an expansion of 11.6% compared to the same period in the previous year. The adjusted EBITDA for the quarter was negative at R$6.0 million, and for the full year of 2023, it stood at a negative R$7.2 million. This negative result was primarily influenced by increased expenses during the quarter, driven by structural reinforcements to accommodate expected growth in upcoming periods, and notably, the acceleration of events towards the year-end with the aim of attracting more users to the platform.

On the operational front, our TFSports app has consistently demonstrated growth in the number of registered users, surpassing 588 thousand in 4Q23 (a +52.0% increase compared to 4Q22). In addition to providing sports events, experiences, and classes through the "Continue em Movimento" program, the app has also facilitated connections with over 6.1 thousand coaches, offering paid or free classes to our customer base.

In the fourth quarter of 2023, the following activities were carried out: 465 Keep Moving online classes of with over 10 thousand participants; 20 street races from the Santander Track&Field Run Series circuit, concluding the year with 81 races and over 159 thousand participants; 6 stages of the Track&Field Open Beach Tennis, totaling 35 stages held nationwide throughout the year; and 167 T&F Experience events, concluding the year with 355 events. These events include in-person classes led by specialized trainers in various disciplines such as Kayaking, Yoga, Cycling, Martial Arts, Tennis, Beach Tennis, Hawaiian Canoeing, Functional Training, Paddle Sports, Kangoo Jump, Indoor Cycling, among others. It's worth noting that more than half of the franchise groups already organize events on our platform.

In tfmall – a curated marketplace in the wellness segment – we added 3 new sellers during 4Q23, bringing the total to 9 sellers that we believe have high synergy with our brand (Apple, Garmin, Head, Hoka, Manduka, New Balance, Polar, Samsung, and Saucony) and we will continue seeking more strategic partners for the year 2024. It's noteworthy that the sell-out of the marketplace recorded a growth of 90.6% in 4Q23. From this total, in addition to online platform sales, only 19% of the physical stores connected to the infinite showcase made sales, indicating significant future potential for the expansion of this segment within TFSports.

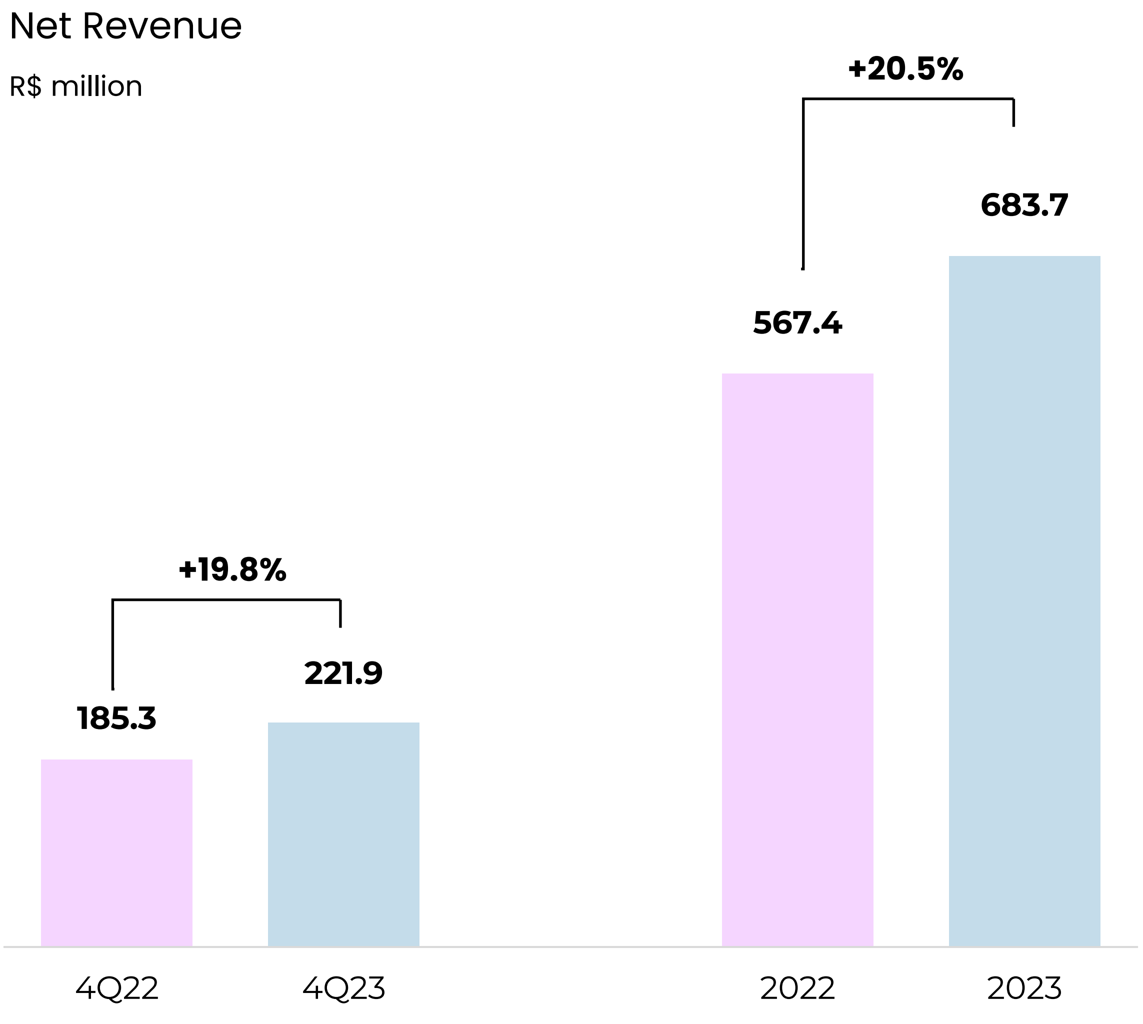
2024 will be a year of acceleration and consolidation for TFSports as one of the largest platforms for organizing experiences related to an active and healthy lifestyle worldwide.

Track&Field

Net Revenue

Net Revenue (R$ thousand)	4Q23	4Q22	Var. 4Q23/4Q22	2023	2022	Var. 2023/2022
Goods for Franchises	60,637	50,539	20.0%	191,067	156,195	22.3%
Royalties	37,437	27,927	34.1%	116,377	91,897	26.6%
Retail (Own Network)	113,587	98,604	15.2%	334,798	287,895	16.3%
TFSports	8,090	7,252	11.6%	36,066	26,449	36.4%
Others	2,196	990	121.7%	5,381	4,990	7.8%
Total Net Revenue	**221,947**	**185,312**	**19.8%**	**683,690**	**567,426**	**20.5%**

The net revenue for this quarter amounted to R$221,9 million (+19.8% compared to 4Q22), with notable emphasis to the royalties' channel (+34.1%), which exhibited growth surpassing the previous year, reaching the level of R$37.4 million vs. R$27.9 million in 4Q22, representing 16.9% of the total net revenue for the period. This performance reflects the increase in merchandise sales to franchisees in previous months, leading to improved sell-out in the franchise channel during 4Q23.



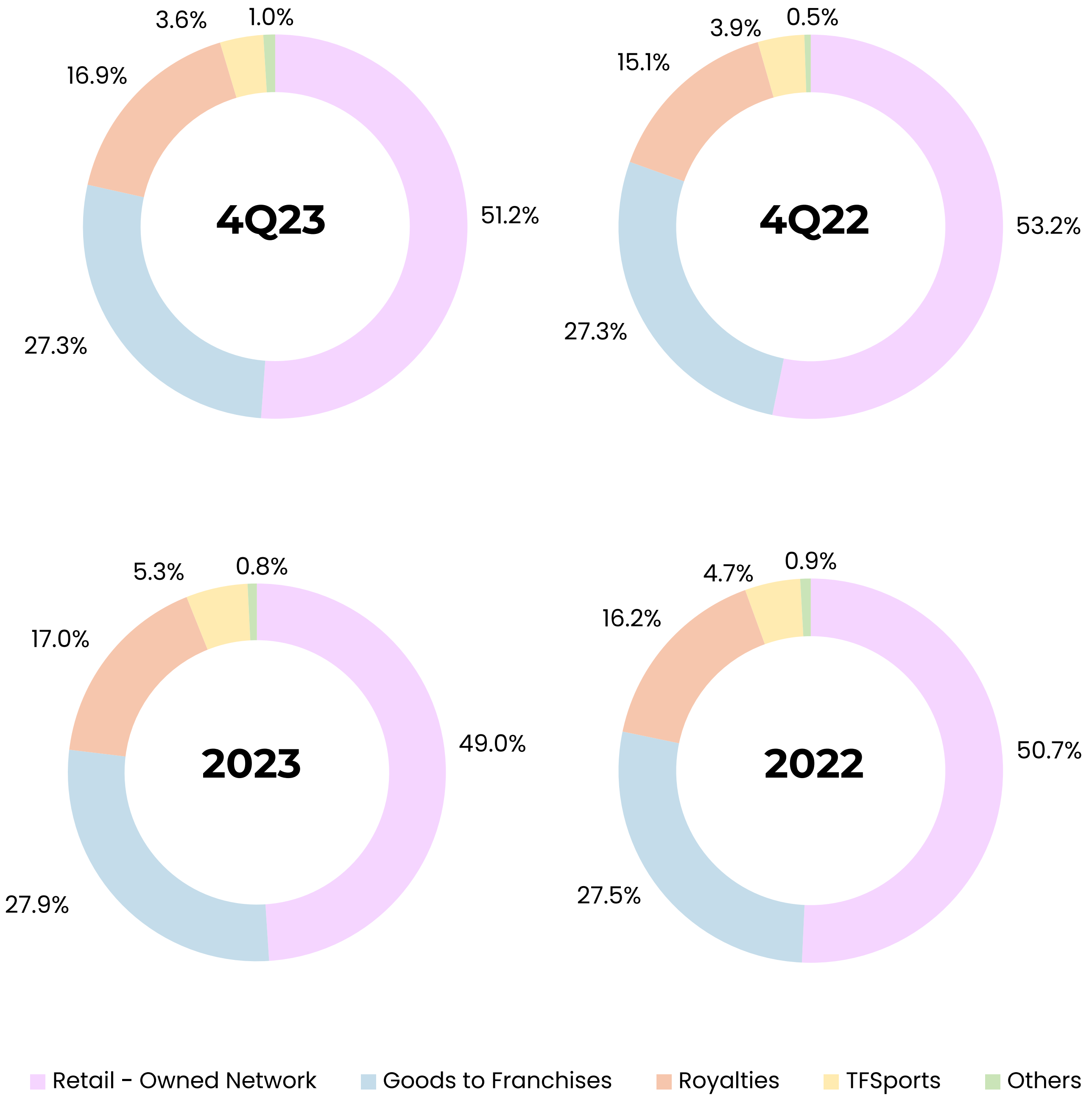
Secondly, we observed a strong performance in the good for franchises channel (+20.0% YoY), representing 27.3% of the total net revenue for the period. This reflects the franchisees' anticipation for an even stronger Black Friday and Christmas than in 2022, coupled with the positive performance of the Summer 2024 collection.

Finally, we highlight the positive performance of the retail-owned network channel, which experienced a growth of 15.2% YoY, reaching R$113.6 million (vs. R$98.6 million in 4Q22), representing 51,2% of the total net revenue. The performance of owned stores reflected the impact of Black Friday and Christmas periods, positively influencing sales across all businesses.

It's worth mentioning the 11.6% growth in TFSports revenue, reflecting the acceleration of events in line with the Company's strategy.

For the year 2023, we recorded a net revenue of R$683.7 million, a growth of 20.5% compared to 2022.

Net Revenue Breakdown (%)



Gross Profit

Gross Profit (R$ mil)	4Q23	4Q22	Var. 4Q23/ 4Q22	2023	2022	Var. 2023/ 2022
Gross Profit	127,846	108,889	17.4%	394,430	326,770	20.7%
Gross Margin	*57.6%*	*58.8%*	*-1.2 p.p.*	*57.7%*	*57.6%*	*0.1 p.p.*

The gross profit for the quarter totaled R$127.8 million, a 17.4% increase compared to 4Q22, with a margin of 57.6%, lower by 1.2 p.p. compared to the same quarter last year (58.8%). Due to the acceleration of events at the end of the year and the mismatch of revenues with sponsorships - in 2022, sponsorships were concentrated in the second half of the year, while in 2023 they occurred in the first half - the TFSports margin negatively impacted the consolidated margin.

For the year, on the other hand, we observed a stable gross margin compared to 2022, with a gain of 0.1 p.p. We recorded a 20.7% YoY growth in gross profit, reaching R$394.4 million.

Adjusted Operating Expenses

Net Revenue	4Q23	4Q22	Var. 4Q23/4Q22	2023	2022	Var. 2023/2022
General Adjusted Net Revenue	**221,947**	**185,312**	**19.8%**	**683,690**	**567,600**	**20.5%**
Operating Expenses (R$ thousand)	**4Q23**	**4Q22**	**Var. 4Q23/4Q22**	**2023**	**2022**	**Var. 2023/2022**
Sales	46,852	39,913	17.4%	134,622	116,834	15.2%
% With Sales over General NR	*21.1%*	*21.5%*	*-0.4 p.p.*	*19.7%*	*20.6%*	*-0.9 p.p.*
General and Administrative	32,380	26,689	21.3%	106,219	87,506	21.4%
% G&A over General NR	*14.6%*	*14.4%*	*0.2 p.p.*	*15.5%*	*15.4%*	*0.1 p.p.*
Operating Expenses	**79,232**	**66,602**	**19.0%**	**240,841**	**204,340**	**17.9%**
%Total Operating Expenses over General NR	*35.7%*	*35.9%*	*-0.2 p.p.*	*35.2%*	*36.0%*	*-0.8 p.p.*
Other Operating Revenues (Expenses)	**-1,064**	**-989**	**7.6%**	**-2,441**	**-3,918**	**-37.7%**
Total Operating Expenses (Revenue) - wo/ depreciation	**78,168**	**65,613**	**19.1%**	**238,400**	**200,422**	**18.9%**
%Total Operating Expenses (Revenue) over General NR	*35.2%*	*35.4%*	*-0.2 p.p.*	*34.9%*	*35.3%*	*-0.4 p.p.*
Depreciation	**2,601**	**1,885**	**38.0%**	**9,248**	**5,841**	**58.3%**
Total Operating Expenses (Revenue) – w/ depreciation	**80,769**	**67,498**	**19.7%**	**247,648**	**206,263**	**20.1%**
%Total Operating Expenses over General NR	*36.4%*	*36.4%*	*0.0 p.p.*	*36.2%*	*36.4%*	*-0.2 p.p.*

Adjusted operating expenses in the fourth quarter represented 35.2% of net sales, compared to 35.4% observed in 4Q22 (-0.2 p.p. YoY). Over the course of the year, we also observed a decrease in the representation of operating expenses (-0.4 p.p. YoY), once again highlighting the Company's ability to reduce its costs as a proportion of net revenue.

Excluding TFSports, which accelerated business structuring initiatives and user acquisition for the platform, the Company reported an even more significant operational leverage, with expenses representing 34.7% of net revenue in the quarter (-1.1 p.p. YoY) and 34.6% for the year (-1.7 p.p. YoY).

Regarding sales expenses, we once again observed a decrease in the proportion to net sales, both when comparing 4Q23 vs. 4Q22 (-0.4 p.p. YoY) and for the year (-0.9 p.p. YoY). The lower sales expense ratio in the period resulted from the increased representation of the franchise channel in the total network, diluting the weight of expenses from owned retail in the company's total revenue.

The slight increase in administrative expenses as a percentage of net sales for the quarter (+0.2 p.p. YoY) and for the year (+0.1 p.p. YoY) is attributed to the reinforcement of some corporate structures made to accommodate the company's growth, with the expectation of diluting these additional expenses in the coming periods.

EBITDA

EBITDA (R$ thousand and %)	4Q23	4Q22	Var. 4Q23/4Q22	2023	2022	Var. 2023/2022
Net Income	35,328	34,728	1.7%	114,410	96,460	18.6%
(+) Income Tax and Social Security	8,648	6,453	34.0%	22,521	23,961	-6.0%
(+) Net Financial Result	3,192	1,630	95.8%	11,784	4,797	145.7%
(+) Depreciation & Amortization	6,638	5,544	19.7%	25,017	18,544	34.9%
EBITDA	**53,806**	**48,355**	**11.3%**	**173,730**	**143,761**	**20.8%**
EBITDA Margin	*24.2%*	*26.1%*	*-1.9 p.p.*	*25.4%*	*25.3%*	*0.1 p.p.*
(+) IFRS-16 Adjustment	-6,416	-6,150	4.3%	-21,879	-18,504	18.2%
(+) Non Recurring Adjustment*	2,059	1,000	106.0%	3,950	926	326.5%
Adjusted EBITDA	**49,450**	**43,204**	**14.5%**	**155,802**	**126,184**	**23.5%**
Adjusted EBITDA Margin	*22.3%*	*23.3%*	*-1.0 p.p.*	*22.8%*	*22.2%*	*0.6 p.p.*
Ex-TFSports Adjusted EBITDA	**55,630**	**42,247**	**31.7%**	**163,616**	**124,936**	**31.0%**
Ex-TFSports Adjusted EBITDA Margin	*26.0%*	*23.7%*	*2.3 p.p.*	*25.3%*	*23.1%*	*2.2 p.p.*

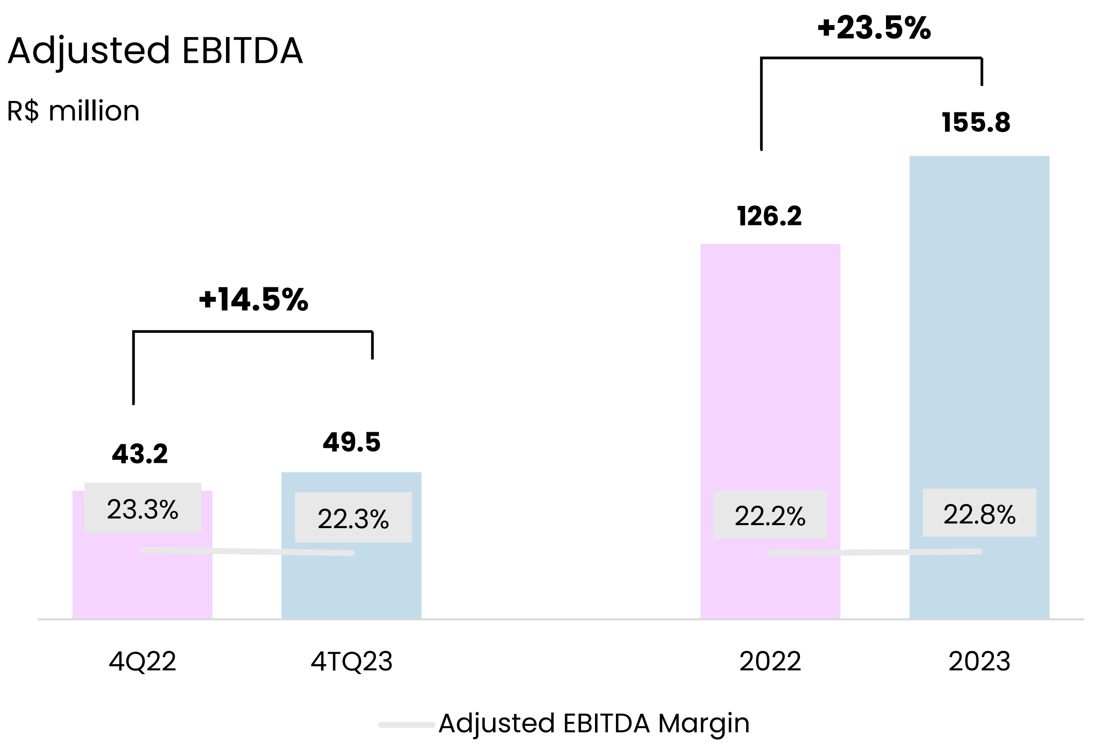
* Non-Recurring Adjustment breakdown is on page 24.

The EBITDA reached R$53.8 million in the quarter, showing a growth of 11.3% compared to 4Q22. The EBITDA margin for the period was 24.2%, which is 1.9 percentage points lower than the 26.1% seen in the same period the previous year.

For the year, the Company reported an EBITDA of R$173.7 million (+20.8% vs. 2022) and an EBITDA margin of 25.4%, remaining stable in the annual comparison.

Excluding the effects of IFRS-16 and non-recurring expenses, the adjusted EBITDA amounted to R$49.5 million in 4Q23, representing a growth of 14.5% vs. the previous year, with a margin of 22.3% (-1.0 p.p. YoY) – due to a lower gross margin in the quarter vs. 4Q22 combined with the maintenance of the level of expenses as a percentage of net sales, which saw a slight increase of 0.2 p.p. in 4Q23. In 2023, the Company recorded an adjusted EBITDA of R$155.8 million (+23.5% YoY) and a margin of 22.8% (+0.6 p.p. year over year).

Excluding TFSports, the adjusted EBITDA reached R$55.6 million in 4Q23, showing a growth of 31.7% vs. the previous year, with a margin of 26.0% (+2.3 p.p. YoY). For the year, the adjusted EBITDA ex-TFSports amounted to R$163.6 million (+31.0% YoY), presenting a margin of 25.3% (+2.2 p.p. vs. 2022).



Financial Result

Financial Result (R$ thousand)	4Q23	4Q22	Var. 4Q23/ 4Q22	2023	2022	Var. 2023/ 2022
Financial Revenue	1,983	2,200	-9.9%	8,966	10,263	-12.6%
Financial Expenses	-5,175	-3,830	35.1%	-20,750	-15,060	37.8%
IFRS interest	*-2,644*	*-2,198*	*20.3%*	*-9,572*	*-7,889*	*21.3%*
Other Financial Expenses	*-2,531*	*-1,632*	*55.1%*	*-11,178*	*-7,171*	*55.9%*
Financial Result	**-3,192**	**-1,630**	**95.8%**	**-11,784**	**-4,797**	**145.6%**
Net Effect of Adjustments	3,162	2,587	22.2%	11,434	8,241	38.7%
Adjusted Financial Result*	**-30**	**957**	**-103.1%**	**-350**	**3,444**	**-110.2%**

* Effects Adjustments: interest on leasing and non-recurring operations.

The Financial Result was negative at R$3.2 million in the fourth quarter, attributed to a lower average cash balance due to the effects of the Company's investment program, mainly focused on store renovations and the development of the TFSports application. These factors continue to offset the positive impacts from financial investments, along with higher financial expenses, especially related to lease interest (IFRS-16 effects). The adjusted financial result was negative at R$30 thousand in 4Q23, excluding the effects of IFRS-16 and non-recurring items.

On an annual basis, the negative financial result of R$11.8 million was a result of higher financial expenses from IFRS-16, offsetting positive results from financial investments. Additionally, the annual adjusted financial result was negative at R$350 thousand, equally due to the net effects of adjustments in other expenses and IFRS.

Once again, the Company ended the year without debt and did not engage in any receivable's prepayments throughout the period.

Net Income

Net Income (R$ thousand and %)	**4Q23**	**4Q22**	**Var. 4Q23/ 4Q22**	**2023**	**2022**	**Var. 2023/ 2022**
Net Income	**35,328**	**34,728**	**1.7%**	**114,410**	**96,460**	**18.6%**
Net Margin	*15.9%*	*18.7%*	*-2.8 p.p.*	*16.7%*	*17.0%*	*-0.3 p.p.*
(+) IFRS-16 Adjustments	802	-355	-325.8%	3,212	1,454	120.9%
*(+) Non-Recurring Adjustments**	1,090	1,105	-1.4%	3,127	2,041	53.2%
Adjusted Net Income	**37,220**	**35,477**	**4.9%**	**120,750**	**99,954**	**20.8%**
Adjusted Net Margin	*16.8%*	*19.1%*	*-2.3 p.p.*	*17.7%*	*17.6%*	*0.1 p.p.*
Ex-TFSports Adjusted Net Income	**44,231**	**35,173**	**25.8%**	**131,229**	**100,664**	**30.4%**
Ex-TFSports Adjusted Net Margin	*20.7%*	*19.8%*	*0.9 p.p.*	*20.3%*	*18.6%*	*1.7 p.p.*

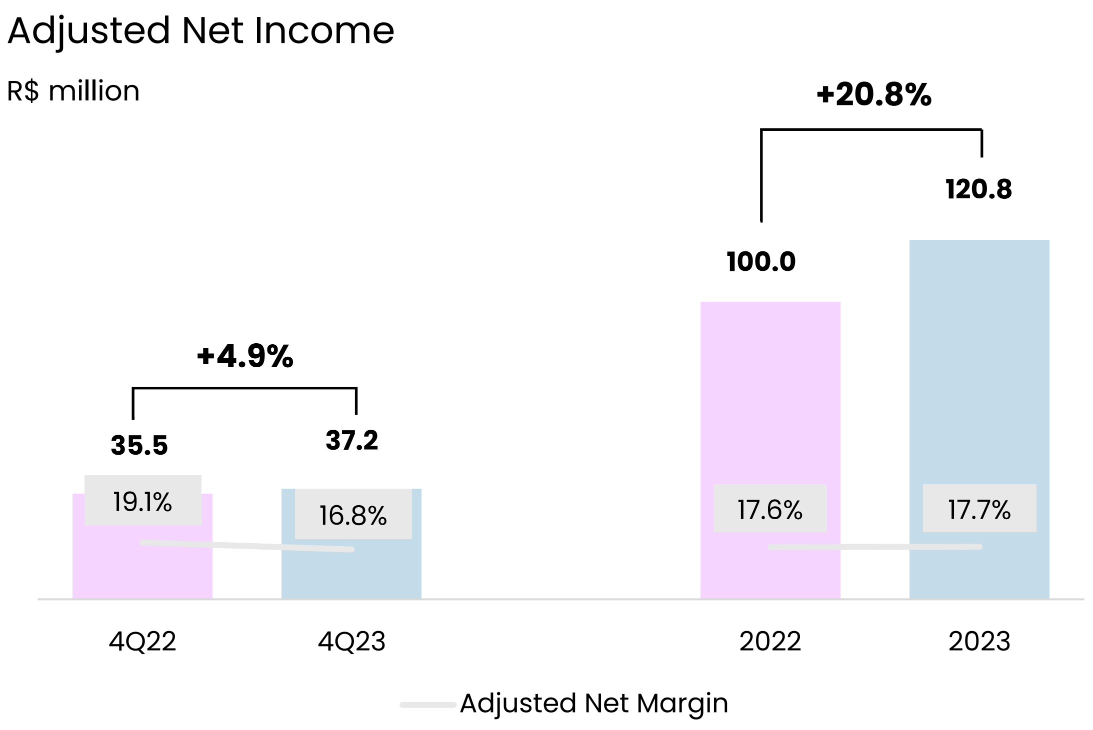
* Non-Recurring Adjustment breakdown is on page 24.

The net profit reached R$35.3 million in 4Q23, a +1.7% increase compared to the R$34.7 million from 4Q22. The net margin, on the other hand, concluded the quarter at 15.9%, 2.8 p.p. lower than the previous year.

The adjusted net profit, excluding the effects of IFRS-16 application and non-recurring expenses, totaled R$37.2 million in the quarter, growing by 4.9% compared to the result of R$35.5 million recorded in the same period of 2022. The adjusted net margin for the quarter was 16.8%, showing a 2.3 p.p. decrease compared to the previous year. This decrease is mainly attributed to two factors: (i) a continuous increase in depreciation due to investments made throughout the year, as well as in the previous quarter, and (ii) a higher representation of income tax on net sales in 4Q23 vs. 4Q22.

In 2023, the adjusted net profit totaled R$120.8 million, growing by 20.8% compared to the R$100.0 million recorded in the twelve months of 2022, with the maintenance of the margin at 17.7%.

The adjusted net profit ex-TFSports reached R$44.2 million in 4Q23, a +25.8% increase compared to the result of R$35.2 million recorded in 4Q22, with a margin gain of 0.9 p.p., reaching 20.7%. In 2023, this number amounted to R$131.2 million, a growth of 30.4% vs. 2022 and a margin of 20.3% (+1.7 p.p. vs. 2022).



Cash Flow

Cash Flow (R$ thousand)	2023	9M23	2022
Net cash generated (applied) from operating activities	78.5	53.3	68.3
Net cash applied in investing activities	-34.4	-25.8	-33.7
Net cash generated (applied) from financing activities	-50.2	-41.7	-40.8
Increase / Decrease in Cash and Cash Equivalents	-6.0	-14.2	-6.3
Initial Cash Balance	60.5	60.5	66.8
Final Cash Balance	**54.5**	**46.3**	**60.5**

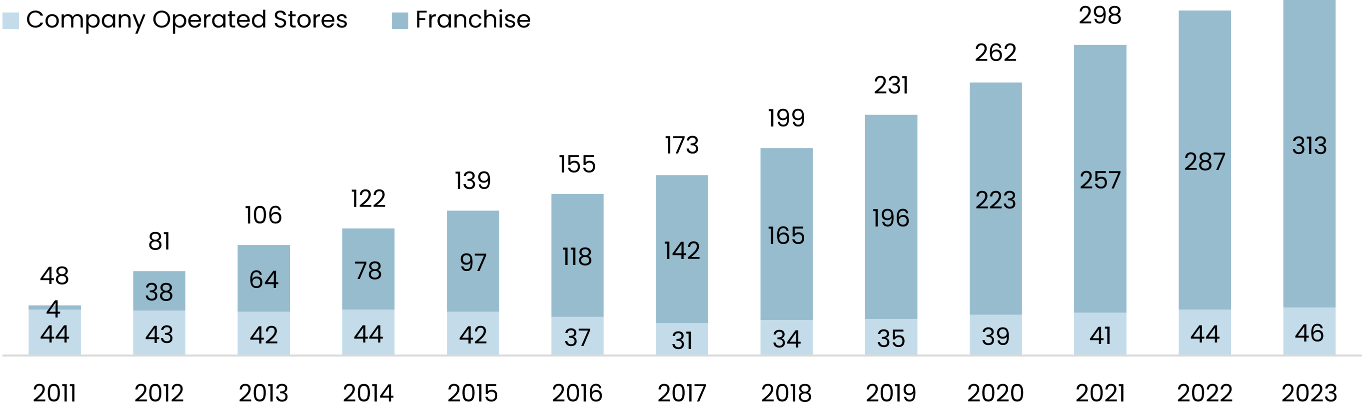
The net cash generation from operating activities was R$78.5 million, a level 15.0% higher than the same period in the previous year, highlighting the sustainable growth of the company despite the investments made throughout the year to expand its operations.

The increase in cash generated from operating activities was absorbed by the rise in the net cash line applied in investment activities (+1.9% YoY), mainly due to the development of the TFSports platform and store renovations, as well as the increase in financing activities (+22.9% YoY) due to higher dividend and interest on equity (JCP) payments during the period.

The company ended the period with a net cash balance of R$54.5 million and cash equivalents (including credit card receivables) totaling R$151.7 million.

EXPANSION

NUMBER OF STORES 2023



Note: E-Commerce considered as 1 Company operated store.

We concluded the period with a total of 359 stores within the network, comprising 36 company-owned stores, 10 outlets, and 313 franchises (17 of which were inaugurated during 4Q23). In 2023, we entered 17 new municipalities, opening 32 stores, including 1 company-owned store and 31 franchises, in addition to transferring 1 franchise to company-owned status.

Of the franchises inaugurated during the year, 27.3% were established by new franchisees, and 72.7% were with existing franchisees in our network.

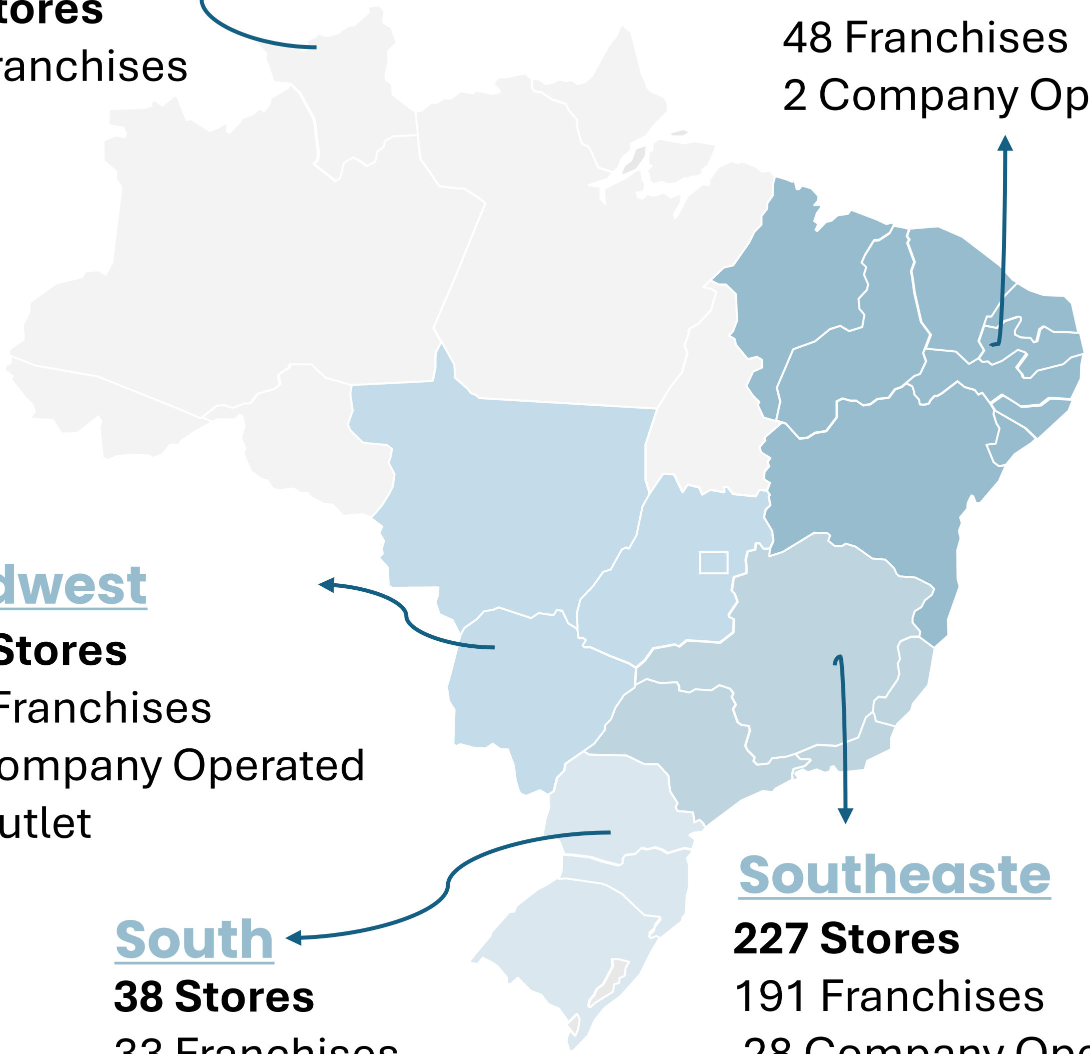
All new stores are being opened with elements of the Experience store, featuring a complete overhaul of equipment, visual communication, and improved product display. Additionally, we carried out 21 renovations during the year, with 14 franchises and 7 company-owned stores, concluding the year with 9 units of TFC Food & Market.

Track & Field

STORE MAP

North
11 Stores
11 Franchises

Northeast
50 Stores
48 Franchises
2 Company Operated



Midwest
33 Stores
30 Franchises
2 Company Operated
1 Outlet

Southeaste
227 Stores
191 Franchises
28 Company Operated
7 Outlets
1 *E-commerce*

South
38 Stores
33 Franchises
3 Company Operated
2 Outlets

ANNEXES

Income Statement for the Period

(Excluding IFRS-16 Effect and Non-Recurring Items)

R$ thousand	4Q23	4Q22	2023	2022
NET REVENUE OF SALES AND SERVICES PROVIDED	221,947	185,312	683,690	567,600
Cost of goods sold and services provided	-94,329	-76,494	-289,489	-240,996
GROSS PROFIT	127,618	108,817	394,202	326,604
Gross Margin	*57.5%*	*58.7%*	*57.7%*	*57.5%*
Operating Expenses	-81,833	-68,486	-250,088	-210,179
Sales	-47,887	-40,759	-138,321	-119,245
General & Administrative	-33,946	-27,728	-111,768	-90,936
% Total Operating Expenses over General NR	*36.9%*	*37.0%*	*36.6%*	*37.0%*
Other Operating Expenses (Revenues)	1,064	989	2,441	3,918
Total Operating Expenses (Revenues)	-80,769	-67,497	-247,647	-206,261
% Total Operating Expenses (Revenues) over General NR	*36.4%*	*36.4%*	*36.2%*	*36.3%*
Adjusted EBITDA	49,450	43,204	155,802	126,184
Adjusted EBITDA Margin	*22.3%*	*23.3%*	*22.8%*	*22.2%*
Depreciation and Amortization	-2,601	-1,884	-9,248	-5,841
PROFIT BEFORE FINANCIAL RESULT	46,849	41,320	146,554	120,343
ADJUSTED FINANCIAL RESULT	-30	957	-350	3,444
Financial Revenues	1,982	2,200	8,966	10,224
Financial Expenses	-2,013	-1,243	-9,316	-6,781
OPERATING PROFIT BEFORE INCOME TAX AND SOCIAL CONTRIBUTION	46,819	42,277	146,204	123,787
INCOME TAX AND SOCIAL CONTRIBUTION	-9,599	-6,801	-25,455	-23,834
ADJUSTED NET INCOME FOR THE PERIOD	**37,220**	**35,477**	**120,750**	**99,954**
Adjusted Net Margin	*16.8%*	*19.1%*	*17.7%*	*17.6%*

Track & Field

Income Statement for the Period

R$ thousand	4Q23	4Q22	2023	2022
NET REVENUE OF SALES AND SERVICES PROVIDED	221,947	185,312	683,690	567,426
Cost of goods sold, and services provided	-94,101	-76,423	-289,260	-240,656
GROSS PROFIT	127,846	108,889	394,430	326,770
Gross Margin	*57.6%*	*58.8%*	*57.7%*	*57.6%*
Operating Expenses	-81,741	-66,983	-247,821	-205,385
Sales	-45,842	-38,715	-133,784	-115,106
General & Administrative	-35,899	-28,268	-114,037	-90,279
% Total Operating Expenses over General NR	*36.8%*	*36.1%*	*36.2%*	*36.2%*
Other Operating Expenses (Revenues)	1,063	905	2,105	3,833
Total Operating Expenses (Revenues)	-80,678	-66,078	-245,716	-201,552
% Total Operating Expenses (Revenues) over General NR	*36.4%*	*35.7%*	*35.9%*	*35.5%*
EBITDA	53,806	48,355	173,730	143,761
EBITDA Margin	*24.2%*	*26.1%*	*25.4%*	*25.3%*
Depreciation and Amortization	-6,638	-5,544	-25,017	-18,544
PROFIT BEFORE FINANCIAL RESULT	47,168	42,811	148,714	125,218
FINANCIAL RESULT	-3,192	-1,630	-11,784	-4,797
Financial Revenues	1,983	2,200	8,966	10,263
Financial Expenses	-5,175	-3,830	-20,750	-15,060
OPERATING PROFIT BEFORE INCOME TAX AND SOCIAL CONTRIBUTION	43,976	41,181	136,930	120,421
INCOME TAX AND SOCIAL CONTRIBUTION	-8,648	-6,453	-22,521	-23,961
NET INCOME FOR THE PERIOD	**35,328**	**34,728**	**114,410**	**96,460**
Net Margin	*15.9%*	*18.7%*	*16.7%*	*17.0%*

Impacts from IFRS-16

The mandatory adoption of IFRS-16, in January 2019, has led to significant changes in the accounting of Brazilian companies, including Track&Field. Therefore, to better understand IFRS-16 effect on our financial statements, we detail below the impact on the main items of the Balance Sheet and Income Statement.

Items included in Balance Sheet by IFRS-16 (R$ thousand)	**Including IFRS 16 Effect (A)**	**Excluding IFRS 16 Effect (A)**	**Difference (A-B)**
Assets - Rights of Use	93,983	-	93,983
Liabilities - Leases Payable	101,927	-	101,927

4Q23 Items affected by IFRS-16 (R$ thousand)	**Including IFRS 16 Effect (A)**	**Excluding IFRS 16 Effect (A)**	**Difference (A-B)**
Operating Expenses (excl, Depreciation and Amortization)	-74,040	-80,456	6,416
Depreciation and Amortization Expenses	-6,638	-2,601	-4,037
Financial Result	-3,192	-548	-2,644
IRPJ/CSLL	-8,648	-8,111	-537
Net Income	**35,328**	**36,130**	**-802**
EBITDA	**53,806**	**47,390**	**6,416**

2023 Items affected by IFRS-16 (R$ thousand)	**Including IFRS 16 Effect (A)**	**Excluding IFRS 16 Effect (B)**	**Difference (A-B)**
Operating Expenses (excl, Depreciation and Amortization)	-220,699	-242,578	21,879
Depreciation and Amortization Expenses	-25,017	-9,248	-15,768
Financial Result	-11,784	-2,212	-9,572
IRPJ/CSLL	-22,521	-22,772	251
Net Income	**114,410**	**117,621**	**-3,211**
EBITDA	**173,730**	**151,851**	**21,879**

Non-Recurring Adjustments

Adjusted EBITDA Reconciliation (R$ thousand)	4Q23	4Q22	2023	2022
EBITDA	**53,806**	**48.355**	**173,730**	**143,761**
IFRS 16	-6,416	-6,150	-21,878	-18,504
CPC 47 Effect – 2021	0	0	0	174
Pre-operational: new DC / TF Joinville	-227	-73	-604	511
Reversal of provision for contingency/terminations of C-Level	73	0	167	-831
Strategic consulting	1,558	718	2,516	718
Import tax restructuring	0	0	377	0
Other non-recurring expenses	0	355	534	355
Reversal of restructured lease - pop-ups	0	0	307	0
Stock Option Plan/Non-cash	654	0	654	0
Adjusted EBITDA	**49,450**	**43,204**	**155,802**	**126,184**

Adjusted Net Income Reconciliation (R$ thousand)	4Q23	4Q22	2023	2022
Net Income	**35,328**	**34,728**	**114,410**	**96,460**
IFRS 16	265	-291	3,463	2,052
CPC 47 Effect – 2021	0	0	0	174
Pre-operational: new DC / TF Joinville	-154	-73	-533	510
Reversal of provision for contingency/terminations of C-Level	0	0	94	-831
IRPJ/CSLL on Adjustments	-950	-348	-2,934	128
Strategic consulting	1,558	718	2,615	718
Import tax restructuring	0	0	535	0
Other non-recurring expenses	519	744	2,139	744
Reversal of restructured lease - pop-ups	0	0	307	0
Stock Option Plan/Non-cash	654	0	654	0
Adjusted Net Income	**37,220**	**35,477**	**120,750**	**99,954**

Cash Flow

R$ thousand	2023	2022
CASH FLOW FROM OPERATING ACTIVITIES		
Net income for the year	114,410	96,460
Adjustments to reconcile net income (loss) for the year with net cash from operating activities:		
Depreciation and Amortization	27,616	19,287
Inflation adjustment on judicial deposits	-1,899	-1,570
Current and deferred income tax and social contribution	22,520	23,961
Constitution (Reversal) of projected inventory loss	1,108	709
Provision (Reversal) for civil, labor and tax risks	-1,506	-1,283
Credit losses on accounts receivables	414	106
Expected credit losses	112	52
Write-off of property, plant, and equipment and intangible assets	236	0
Tax credits from previous periods	0	138
Interest on lease - right of use	9,573	7,890
Inflation adjustment of recoverable taxes	-1,100	-1,032
Inflation adjustment of taxes payable	1,813	1,555
Inflation adjustment of other obligations	207	174
Variation in operating assets and liabilities:		
Accounts receivable	-44,293	-27,605
Inventories	-29,498	-46,537
Recoverable taxes	-1,721	5,611
Judicial deposits	1,864	2,434
Other credits	-2,979	-2,094
Suppliers	-1,774	16,436
Labor and social security obligations	7,265	5,104
Tax obligations	331	-203
Rents payable	106	97
Advance on events	0	-8,243
Other obligations	-3,425	-4,391
Net cash from operating activities	**99,380**	**87,055**
Income tax and social contribution paid	-20,852	-18,792
Net cash generated from operating activities	**78,528**	**68,263**
CASH FLOW FROM INVESTING ACTIVITIES		
Gain (Loss) on sale of property, plant, and equipment	19	0
Acquisition of intangible assets	-34,369	-33,713
Net cash used in investing activities	**-34,350**	**-33,713**
CASH FLOW FROM FINANCING ACTIVITIES		
Dividends paid	-5,392	-9,881
Interest over capital	-20,328	0
Leases - right of use paid	-24,314	-18,696
Acquisition of own shares	-153	-12,256
Net cash used in financing activities	**-50,187**	**-40,833**
EXCHANGE RATE VARIATION ON CASH AND CASH EQUIVALENTS OF SUBSIDIARY ABROAD	-3	0
INCREASE (REDUCTION) IN CASH AND CASH EQUIVALENTS	-6,012	-6,282
Initial balance of cash and cash equivalents	**60,489**	**66,771**
Final balance of cash and cash equivalents	**54,477**	**60,489**

Balance Sheet

R$ thousand	2023	2022
ASSETS		
CURRENT		
Cash and cash equivalents	54,477	60,489
Accounts receivable	196,536	152,769
Inventories	232,856	204,466
Recoverable taxes	10,336	4,938
Prepaid expenses and other credits	6,147	3,883
Advances from Suppliers	2,353	1,248
Total current assets	**502,705**	**427,793**
NON-CURRENT		
Judicial deposits	445	410
Deferred income tax and social contribution	6,400	8,422
Recoverable taxes	5,256	7,833
Property, Plant & Equipment	146,610	124,453
Intangible Assets	20,686	10,948
Total non-current assets	**179,397**	**152,066**
TOTAL ASSETS	**682,102**	**579,859**

R$ thousand	2023	2022
LIABILITIES AND NET EQUITY		
CURRENT		
Suppliers	59,198	60,336
Labor and social security obligations	34,652	27,388
Tax obligations	30,636	30,192
Leases - right of use payable	17,682	15,767
Rents payable	3,497	3,391
Advance from customers	3,081	845
Dividends payable	27,473	23,683
Other obligations	1,505	4,834
Total current liabilities	**177,724**	**166,436**
NON-CURRENT		
Suppliers	294	1,586
Leases - right of use payable	84,245	75,600
Provision for civil, labor and tax risks	6,206	7,909
Total non-current liabilities	**90,745**	**85,095**
SHAREHOLDERS' EQUITY		
Share capital	192,392	192,392
Treasury shares	-12,278	12,277
Capital reserve	-12,526	-12,935
Reserve of tax incentives	8,663	5,845
Profit Reserve	235,516	153,434
Other comprehensive income	1,866	1,869
Total shareholders' equity	**413,633**	**328,328**
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY	**682,102**	**579,859**

Non-Accounting Metrics

EBITDA – EBITDA (Earnings Before Interest, Taxes, Depreciation and Amortization) is the net income for the period, plus income tax and social contribution, depreciation and amortization and deducted from the net financial result. This indicator is a non-accounting measure prepared by the Company in accordance with CVM Instruction No. 527/12. EBITDA is used to present the Company's operating cash flow, but it is not a measure of profitability, as it does not consider certain expenses arising from the business, such as taxes, financial expenses and revenues, depreciation and amortization. This indicator also does not represent cash flows for the reporting periods. EBITDA Margin is calculated by EBITDA (as mentioned above) divided by net revenue from sales of goods and services provided.

Adjusted EBITDA - Adjusted EBITDA is EBITDA excluding the effect of the adoption of IFRS 16 / CPC 06(R2) - which came into effect for the handling of the accounting standard related to Lease Transactions as of 2019, and non-recurring expenses. Additionally, Adjusted EBITDA Margin is calculated by Adjusted EBITDA divided by net Revenue from sales of Goods and services provided.

Adjusted EBITDA and Adjusted EBITDA margin are not measures of results in accordance with accounting practices adopted in Brazil. Other companies may calculate Adjusted EBITDA differently from the Company.

The Company presents adjusted EBITDA as a means of assessing its operating financial performance, as it is a non-accounting measure of results that excludes non-recurring effects from the result. Thus, it purges effects that are not part of the business routine and that were punctual to the result.

Adjusted Gross Profit - Adjusted Net Income is net income excluding the effect of the adoption of IFRS 16 / CPC 06(R2), and non-recurring expenses.

Adjusted Net Income is not a measure of results in accordance with accounting practices adopted in Brazil. Other companies may calculate Adjusted Net Income differently from the Company.

Gross Debt - Gross Debt is the total sum of loans payable (current and non-current liabilities). Gross Debt is not a measure of results in accordance with accounting practices adopted in Brazil. Other companies may calculate Gross differently from the Company.

Net Cash is the sum of short-term and long-term loans included in Current Liabilities and Non-Current Liabilities minus the sum of Cash and cash equivalents included in the Company's Current Assets. This indicator is a non-accounting measure prepared by the Company. Net Cash is not a measure of profitability in accordance with accounting practices adopted in Brazil and does not represent cash flows for the reporting periods.

Total Sell Out – Total Sell Out represents Track&Field Group's consumer sales, irrespective of sales channel (physical/online or whether own store/franchise).

(Convenience Translation into English from the Original Previously Issued in Portuguese)

TRACK & FIELD CO S.A.

BALANCE SHEETS

FOR THE YEARS ENDED DECEMBER 31, 2023 AND 2022

(In thousands of Brazilian reais - R$)

ASSETS	Note	Parent 2023	Parent 2022	Consolidated 2023	Consolidated 2022
CURRENT ASSETS					
Cash and cash equivalents	4	20.071	16.796	54.477	60.489
Trade receivables	5	170.270	135.298	196.536	152.769
Inventories	6	232.023	204.164	232.856	204.466
Recoverable taxes	7	10.208	4.784	10.336	4.938
Advances to suppliers		1.951	512	2.353	1.248
Prepaid expenses and other receivables		5.436	3.388	6.147	3.883
Total current assets		439.959	364.942	502.705	427.793
NONCURRENT ASSETS					
Escrow deposits	14	445	410	445	410
Due from related parties	16	-	23	-	-
Deferred income tax and social contribution	17	6.400	8.391	6.400	8.422
Recoverable taxes	7	2.004	6.684	5.256	7.833
Investments	8	66.871	54.829	-	-
Property and equipment	9	134.948	119.315	146.610	124.453
Intangible assets	9	4.565	776	20.686	10.948
Total noncurrent assets		215.233	190.428	179.397	152.066
TOTAL ASSETS		655.192	555.370	682.102	579.859

LIABILITIES AND EQUITY	Note	Parent 2023	Parent 2022	Consolidated 2023	Consolidated 2022
CURRENT LIABILITIES					
Trade payables	10	54.820	57.952	59.198	60.336
Payroll and related taxes	11	28.069	23.666	34.652	27.388
Taxes payable	12	23.614	19.424	30.636	30.192
Right-of-use leases payable	13	16.869	14.756	17.682	15.767
Rents payable		3.378	3.346	3.497	3.391
Dividends payable	15	27.473	23.683	27.473	23.683
Related parties	16	2.982	2.418	-	-
Advances from customers		340	209	3.081	845
Other payables		273	983	1.505	4.834
Total current liabilities		157.818	146.437	177.724	166.436
NONCURRENT LIABILITIES					
Trade payables	10	294	1.586	294	1.586
Investments - equity deficit	8	-	236	-	-
Right-of-use leases payable	13	80.010	73.989	84.245	75.600
Provision for civil, labor and tax risks	14	3.437	4.794	6.206	7.909
Total noncurrent liabilities		83.741	80.605	90.745	85.095
EQUITY					
Issued capital	15	192.392	192.392	192.392	192.392
(-) Treasury shares	15	(12.278)	(12.277)	(12.278)	(12.277)
Capital reserve	15	(12.526)	(12.935)	(12.526)	(12.935)
Tax incentive reserve	15	8.663	5.845	8.663	5.845
Earnings reserve	15	235.516	153.434	235.516	153.434
Other comprehensive income	15	1.866	1.869	1.866	1.869
Total equity		413.633	328.328	413.633	328.328
TOTAL LIABILITIES AND EQUITY		655.192	555.370	682.102	579.859

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

(Convenience Translation into English from the Original Previously Issued in Portuguese)

TRACK & FIELD CO S.A.
INCOME STATEMENTS
FOR THE YEARS ENDED DECEMBER 31, 2023 AND 2022
(In thousands of Brazilian reais - R$, except earnings per share)

		Parent		Consolidated	
	Note	2023	2022	2023	2022
NET REVENUE FROM SALES AND SERVICES	18	532.378	449.830	683.690	567.426
Cost of sales and services	19	(258.455)	(220.929)	(289.260)	(240.656)
GROSS PROFIT		273.923	228.901	394.430	326.770
OPERATING INCOME (EXPENSES)					
Selling expenses	19	(142.872)	(129.902)	(133.784)	(115.106)
General and administrative expenses	19	(81.371)	(69.521)	(114.037)	(90.279)
Share of profit (loss) of subsidiaries	8	83.017	73.580	-	-
Other operating income (expenses), net	21	2.212	3.738	2.105	3.833
PROFIT BEFORE FINANCE INCOME (COSTS)		134.909	106.796	148.714	125.218
FINANCE INCOME (COSTS)					
Finance income	22	3.494	3.458	8.966	10.263
Finance costs	22	(18.266)	(12.902)	(20.750)	(15.060)
OPERATING PROFIT BEFORE INCOME TAX AND SOCIAL CONTRIBUTION		120.137	97.352	136.930	120.421
INCOME TAX AND SOCIAL CONTRIBUTION					
Current	17	(3.736)	(2.006)	(20.498)	(25.106)
Deferred	17	(1.991)	1.114	(2.022)	1.145
PROFIT FOR THE YEAR		114.410	96.460	114.410	96.460
Basic and diluted earnings per common share (in Brazilian reais - R$)	15	0,0736	0,0616	0,0736	0,0616
Basic and diluted earnings per preferred share (in Brazilian reais - R$)	15	0,7356	0,6164	0,7356	0,6164

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

(Convenience Translation into English from the Original Previously Issued in Portuguese)

TRACK & FIELD CO S.A.
STATEMENTS OF CASH FLOWS
FOR THE YEARS ENDED DECEMBER 31, 2023 AND 2022
(In thousands of Brazilian reais - R$)

	Note	Parent		Consolidated	
		2023	2022	2023	2022
CASH FLOWS FROM OPERATING ACTIVITIES					
Profit for the year		114.410	96.460	114.410	96.460
Adjustments to reconcile profit for the year to net cash provided by operating activities:					
Depreciation and amortization		22.489	16.112	27.616	19.287
Current and deferred income tax and social contribution	17	5.727	892	22.520	23.961
Allowance for (reversal of) projected inventory losses	21	1.108	709	1.108	709
Provision for (reversal of) civil, labor and tax risks	21	(1.355)	(1.002)	(1.506)	(1.283)
Credit losses	21	160	106	414	106
Expected credit losses	5 e 21	112	52	112	52
Share of profit (loss) of subsidiaries	8	(83.017)	(73.580)	-	-
Write-off of property and equipment items and intangible assets		236	-	236	-
Tax credits from prior years	21	-	138	-	138
Interest on right-of-use leases	13	9.059	7.715	9.573	7.890
Inflation adjustments to recoverable taxes		(777)	(1.031)	(1.100)	(1.032)
Inflation adjustments to escrow deposits	14	(79)	(14)	(1.899)	(1.570)
Inflation adjustments to taxes payable		-	-	1.813	1.555
Inflation adjustments to other payables		207	174	207	174
Changes in operating assets and liabilities:					
Trade receivables		(35.244)	(24.677)	(44.293)	(27.605)
Inventories		(28.967)	(46.309)	(29.498)	(46.537)
Recoverable taxes		33	6.734	(1.721)	5.611
Escrow deposits		44	878	1.864	2.434
Other receivables		(3.097)	(1.394)	(2.979)	(2.094)
Trade payables		(3.728)	15.191	(1.774)	16.436
Payroll and related taxes		4.403	6.269	7.265	5.104
Taxes payable		1.801	1.475	331	(203)
Rents payable		32	61	106	97
Due to related parties		564	(1.832)	-	-
Event advances		-	-	-	(8.243)
Other payables		(1.344)	(2.441)	(3.425)	(4.390)
Cash provided by (used in) operating activities		2.777	686	99.380	87.056
Income tax and social contribution paid		(1.347)	(98)	(20.852)	(18.792)
Net cash provided by (used in) operating activities		1.430	588	78.528	68.264
CASH FLOWS FROM INVESTING ACTIVITIES					
Sales of property and equipment		19	-	19	-
Purchases of property and equipment and intangible assets		(20.186)	(25.199)	(34.369)	(33.713)
Capital increase in subsidiary	8	(20.457)	(20.605)	-	-
Dividends received	8	91.193	75.061	-	-
Net cash provided by (used in) investing activities		50.569	29.257	(34.350)	(33.713)
CASH FLOWS FROM FINANCING ACTIVITIES					
Interest on capital paid		(20.328)	-	(20.328)	-
Dividends paid		(5.392)	(9.881)	(5.392)	(9.881)
Intragroup loans	16	23	777	-	-
Payment of right-of-use leases	13	(22.871)	(17.741)	(24.314)	(18.696)
Purchase of own shares	15.a	(153)	(12.256)	(153)	(12.256)
Net cash provided by (used in) financing activities		(48.721)	(39.101)	(50.187)	(40.833)
EXCHANGE RATE CHANGES ON CASH AND CASH EQUIVALENTS OF FOREIGN SUBSIDIARY	8	(3)	-	(3)	-
INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS		3.275	(9.256)	(6.012)	(6.282)
Opening balance of cash and cash equivalents		16.796	26.052	60.489	66.771
Closing balance of cash and cash equivalents		20.071	16.796	54.477	60.489

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

(Convenience Translation into English from the Original Previously Issued in Portuguese)

TRACK & FIELD CO S.A.

STATEMENTS OF COMPREHENSIVE INCOME
FOR THE YEARS ENDED DECEMBER 31, 2023 AND 2022
(In thousands of Brazilian reais - R$)

	Parent		Consolidated	
	2023	2022	2023	2022
PROFIT FOR THE YEAR	114.410	96.460	114.410	96.460
Item that will be reclassified subsequently to profit or loss:				
Loss on translation of financial statements of foreign subsidiary	(3)	-	(3)	-
TOTAL COMPREHENSIVE INCOME FOR THE YEAR	114.407	96.460	114.407	96.460

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

TRACK & FIELD CO S.A.

STATEMENTS OF CHANGES IN EQUITY

FOR THE YEARS ENDED DECEMBER 31, 2023 AND 2022

(In thousands of Brazilian reais - R$)

	Note	Issued capital	Treasury shares	Capital reserve: Gain (loss) on share transactions	Capital reserve: Tax incentive reserves	Earnings reserve: Legal reserve	Earnings reserve: for investment/expansion	Other comprehensive income	Profit for the year	Total
BALANCES AS AT DECEMBER 31, 2021		192.392	(21)	(12.935)	-	5.149	81.353	1.869	-	267.807
Share repurchase		-	(12.256)		-	-	-	-	-	(12.256)
Profit for the year		-	-	-	-	-	-	-	96.460	96.460
Recognition of tax incentive reserve		-	-	-	5.845			-	(5.845)	-
Recognition of reserves		-	-	-	-	4.531	80.691	-	(85.222)	-
Interest on capital		-	-	-	-	-	(18.290)	-	-	(18.290)
Dividends proposed		-	-	-	-	-	-	-	(5.393)	(5.393)
BALANCES AS AT DECEMBER 31, 2022		192.392	(12.277)	(12.935)	5.845	9.680	143.754	1.869	-	328.328
Profit for the year		-	-	-	-	-	-	-	114.410	114.410
Granting of incentive plan	15.b	-	152	-	-	-	-	-	-	152
Share repurchase		-	(153)	-	-	-	-	-	-	(153)
Gain (loss) on disposal of treasury shares		-	-	409	-	-	-	-	-	409
Gain (loss) on translation of financial statements of foreign subsidiary	8	-	-	-	-	-	-	(3)	-	(3)
Recognition of tax incentive reserve	15.g	-	-	-	2.818	-	-	-	(2.818)	-
Recognition of reserves	15.d	-	-	-	-	5.580	76.502	-	(82.082)	-
Interest on capital	15.f	-	-	-	-	-	-	-	(21.932)	(21.932)
Dividends proposed	15.d	-	-	-	-	-	-	-	(7.578)	(7.578)
BALANCES AS AT DECEMBER 31, 2023		192.392	(12.278)	(12.526)	8.663	15.260	220.256	1.866	-	413.633

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

(Convenience Translation into English from the Original Previously Issued in Portuguese)

TRACK & FIELD CO S.A.
STATEMENTS OF VALUE ADDED
FOR THE YEARS ENDED DECEMBER 31, 2023 AND 2022
(In thousands of Brazilian reais - R$, except earnings per share)

		Parent		Consolidated	
	Note	2023	2022	2023	2022
REVENUES					
Sales of goods, products and services	18	691.101	585.757	854.255	716.353
Other income	21	2.458	948	2.454	762
Revenue from construction of own assets		4.918	7.088	6.584	7.588
Credit loss	21	(160)	(106)	(414)	(106)
Expected credit losses	5 and 21	(112)	(52)	(112)	(52)
INPUTS ACQUIRED FROM THIRD PARTIES					
Costs of sales and services		(292.333)	(261.379)	(323.138)	(281.105)
Revenue from construction of own assets		(4.918)	(7.088)	(6.584)	(7.588)
Supplies, power, outside services and other inputs		(84.751)	(79.117)	(78.492)	(66.085)
GROSS VALUE ADDED		316.203	246.051	454.553	369.767
DEPRECIATION AND AMORTIZATION		(7.102)	(3.990)	(11.011)	(6.471)
WEALTH CREATED BY THE COMPANY		309.101	242.061	443.542	363.296
WEALTH RECEIVED IN TRANSFER					
Share of profit of subsidiaries		83.017	73.580	-	-
Finance income	22	3.494	3.458	8.966	10.263
TOTAL WEALTH FOR DISTRIBUTION		395.612	319.099	452.508	373.559
WEALTH DISTRIBUTED					
Personnel:					
Salaries and wages		92.926	77.620	111.371	88.447
Benefits		12.593	9.257	14.060	10.232
Severance Pay Fund (FGTS)		5.719	4.375	6.512	5.047
		111.238	91.252	131.943	103.726
Taxes, fees and contributions:					
Federal		50.854	34.885	76.471	68.948
State		69.915	56.214	70.108	56.330
Municipal		113	52	6.209	4.578
		120.882	91.151	152.788	129.856
Lenders and lessors:					
Interest and banking expenses	22	12.067	7.462	14.067	9.418
Rentals		37.015	32.774	39.300	34.099
		49.082	40.236	53.367	43.517
Shareholders:					
Interest on capital	15.f	21.932	18.290	21.932	18.290
Dividends	15.d	7.578	5.393	7.578	5.393
Retained earnings		84.900	72.777	84.900	72.777
		114.410	96.460	114.410	96.460
TOTAL WEALTH DISTRIBUTED		395.612	319.099	452.508	373.559

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

1. GENERAL INFORMATION

The Company and its subsidiaries

Track & Field CO S.A. (“Company” or “Parent”), headquartered in Brazil, incorporated as a publicly-held company, has its registered office located in the city of São Paulo – SP, established in 1988, which either directly or through its subsidiaries, is primarily engaged in the development and sale of sports and leisure products in general (footwear, clothing, equipment and accessories) derived from the domestic and foreign markets, besides holding interest in other entities, conducting business franchise management and sublicensing activities and promoting and organizing sporting events, and operating in the food for immediate consumption industry. On October 26, 2020, the Company’s shares started to be traded at B3 under ticker symbol TFCO4. The Company has been investing mainly in innovation and technology, in the improvement of its wellness platform, and in its physical and digital expansion and omnichannel initiatives.

The individual and consolidated financial statements the year ended December 31, 2023 include the following companies(“Companies”, “Track & Field Group” or “Group”), which are managed as a single economic entity : (i) Track & Field Co S.A., (ii) Track & Field Franchising Ltda., (iii) TFSports Eventos Esportivos Ltda (current name of Real Time Sports Ltda).; (iv) Retail Solutions Assessoria e Consultoria de Merchandising Ltda., (v) Fratex Licenciamento de Marcas Ltda., (vi) The Track & Field Store INC., (vii) TFC Food & Market Ltda. (current name of Track & Field Café Ltda.).

As at December 31, 2023, the Company had 359 physical stores (331 as at December 31, 2022), i.e., 46 own stores (44 as at December 31, 2022) and 313 franchise stores in operation (287 as at December 31, 2022), three administrative offices located in the district of Itaim Bibi, city of São Paulo, one product development and manufacturing center in the district of Ipiranga, city of São Paulo, one production unit in the city of Joinville, two distribution centers, i.e., one center in the district of Novo Osasco, in the city of Osasco, and one center in Barueri.

2. BASIS OF PREPARATION OF THE INDIVIDUAL AND CONSOLIDATED FINANCIAL STATEMENTS

2.1. Basis of preparation

The individual and consolidated financial statements have been prepared based on the historical cost, unless otherwise stated. Historical cost is generally based on the fair value of the consideration given in exchange for assets. Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market players at the measurement date, regardless of whether that price is directly observable or estimated using another valuation technique. In estimating the fair value of an asset or a liability, Management takes into account the characteristics of the asset or liability if market players would take those characteristics into account when pricing the asset or liability at the measurement date.

(In thousands of Brazilian reais - R$, unless otherwise stated)

2.2. Consolidation of the financial statements

The consolidated financial statements include the financial statements of the Company and its subsidiaries. Control is achieved when the Company:

- Has power over an investee.
- Is exposed, or has rights, to variable returns from its involvement with the investee.
- Has the ability to use its power to affect its returns.

The Company reassesses whether or not it controls an investee if facts and circumstances indicate that there are changes to one or more of the three elements of control listed above.

Consolidation of a subsidiary begins when the Company achieves control over the subsidiary and ceases when the Company loses control over the subsidiary.

In preparing the consolidated financial statements, financial statements for the same reporting period were used, which are consistent with the Company's accounting policies.

When necessary, accounting adjustments are made to the subsidiaries' financial statements to conform their accounting policies to those used by the Company.

All transactions and receivables and payables, as well as investments proportionately to the investor's interest in the equity and profit or loss of subsidiaries, and unrealized earnings, less income tax and social contribution, between the entities included in the consolidated financial statements are fully eliminated.

In the Company's individual financial statements, the investments in subsidiaries are recognized under the equity method.

The consolidated financial statements comprise the information of the Company and its direct subsidiaries, as shown below:

	Equity interest - %	
Subsidiaries	2023	2022
Track & Field Franchising Ltda.	100%	100%
TFSports Eventos Esportivos Ltda.	100%	100%
Retail Solutions Assessoria e Consultoria de Merchandising Ltda.	100%	100%
Fratex Licenciamento de Marcas Ltda.	100%	100%
The Track & Field Store, Inc. (i)	100%	100%
TFC Food & Market Ltda.	100%	100%

(i) Subsidiary The Track & Field Store, Inc. discontinued its activities on January 31, 2018 and recognized only administrative expenses during the subsequent years.

2.3. Statement of compliance

The individual and consolidated financial statements have been prepared in accordance with accounting practices adopted in Brazil, issued by the Accounting Pronouncements Committee

(“CPC”) and approved by the Brazilian Securities and Exchange Commission (“CVM”), and the International Financial Reporting Standards (“IFRSs”), issued by the International Accounting Standards Board (“IASB”).

2.4. Statement of relevance

In preparing the consolidated financial statements, the Group’s Management adopted the guidance set out in OCPC 7 and CVM Resolution 727/14, so as to solely disclose relevant information that could support their users in the decision-making process, without failing to comply with the existing minimum requirements. In addition, Management asserts that all relevant information is being disclosed and corresponds to the information used in managing the business.

2.5. Authorization for issuance of the individual and consolidated financial statements

At the meeting held on March 7, 2024, the Board of Directors authorized the completion and disclosure of these financial statements.

2.6. Functional and presentation currency

Items included in the consolidated financial statements are measured in Brazilian reais (R$), the currency of the economic environment in which the Group operates, which is the Company’s and its subsidiaries’ functional currency, and also the presentation currency, except for the foreign subsidiary The Track & Field Store INC., which uses the US dollar (US$) as functional currency.

2.7. Use of estimates and judgments

The preparation of individual and consolidated financial statements pursuant to the CPC standards requires Management to make judgments, estimates and assumptions that affect the adoption of accounting policies and the reported amounts of assets, liabilities, income and expenses. Actual results could differ from those estimates. Estimates and assumptions are revised on an ongoing basis. Revisions to accounting estimates are recognized in the year in which the estimates are revised and in any future years affected.

The information on uncertainties surrounding assumptions and estimates that have a significant risk of resulting in a material adjustment in the next year is disclosed in the following notes:

- Note 5 TRADE RECEIVABLES - expected credit losses.
- Note 6 INVENTORIES - estimated inventory losses.
- Note 9 PROPERTY AND EQUIPMENT AND INTANGIBLE ASSETS – useful lives and impairment test of assets.
- Note 13 LEASES - definition of the interest rate for calculating the present value of leases.
- Note 14 PROVISION FOR TAX, CIVIL AND LABOR RISKS.
- Note 17 INCOME TAX AND SOCIAL CONTRIBUTION - realization of deferred income tax and social contribution.

3. MATERIAL INFORMATION OF THE ACCOUNTING POLICY

a) General principles and revenue recognition criteria

The Group recognizes revenue from the following main sources:

- Sales of products to end consumers of own stores, e-commerce and franchises.
- Collection of royalties from franchises and/or licensees.
- Sales of registration and sponsorship received for road running races and sporting experiences.

Revenue is measured based on the consideration the Group expects to receive from a contract with the customer, except for amounts charged on behalf of third parties. The Group recognizes revenue when control over products or services is transferred to a customer.

Sale of goods

As for sales of goods to end consumers of own stores, e-commerce and franchises, revenue is recognized when control over goods is transferred, i.e., when the customer acquires goods at the point of sale and/or when goods are received. The transaction price is payable when goods are acquired.

At the point of sale, a refund liability and related revenue adjustments are recognized for returned products and/or when a sale is cancelled.

Returns and cancellations

The revenue amount is recorded net of returns and cancellations.

Royalties from franchisees and licensees

Revenue is recognized based on percentage rates applied to sales made by franchisees, pursuant to the executed agreements.

Events and sponsorships

Revenue is recognized to the extent services are provided and the related risks and rewards are transferred to a customer.

b) Transactions in foreign currency

Foreign currency-denominated transactions are initially recognized at the fair value of the corresponding currencies at the date the transaction qualifies for recognition. Monetary assets and liabilities denominated in foreign currencies are translated into Brazilian reais (R$) at the quoted market rates prevailing at the balance sheet dates. Any differences in the payment or translation of monetary items are recognized in finance income (costs).

c) Financial instruments

Classification and measurement of financial assets and financial liabilities

CPC 48/IFRS 9 retains most of the current requirements set out in CPC 38/IAS 9 concerning the classification and measurement of financial liabilities. However, it eliminates the previous categories determined under CPC 38/IAS 9 for financial assets: held-to-maturity, loans and receivables and available-for-sale.

The classification of financial assets and financial liabilities under CPC 48/IFRS 9 is generally based on the business model within which financial assets are managed and on their contractual cash flow characteristics.

In accordance with CPC 48/IFRS 9, upon initial recognition, financial assets are classified as measured at: amortized cost; fair value through other comprehensive income (“FVTOCI”); or fair value through profit or loss (“FVTPL”).

The following accounting policies are applicable to the subsequent measurement of financial assets:

Financial assets measured at FVTPL	These assets are subsequently measured at fair value. Net gains and losses, including any interest income or dividend income, are recognized in profit or loss.
Financial assets measured at amortized cost	These assets are subsequently measured at amortized cost using the effective interest method. The amortized cost is reduced by impairment losses. Interest income, gains and losses are recognized in profit or loss. Any gains or losses arising on the derecognition are also recognized in profit or loss.
Equity instruments at FVTOCI	These assets are subsequently measured at fair value. Dividends are recognized as gains in profit or loss unless these dividends clearly represent a recovery of part of the investment cost. Other net gains and losses are recognized in OCI and are never reclassified to profit or loss.

Under CPC 48/IFRS 9, a financial asset is measured at amortized cost provided that the following conditions are met and it is not designated as measured at FVTPL:

- It is held within a business model whose objective is to hold assets in order to collect contractual cash flows.
- Its contractual terms give rise, on specified dates, to cash flows that are solely payments of principal and interest on the principal amount outstanding.

A financial asset is measured at FVTOCI provided that the following conditions are met and it is not designated as measured at FVTPL:

- It is held within a business model whose objective is achieved by both collecting contractual cash flows and selling financial assets.
- Its contractual terms give rise, on specified dates, to cash flows that are solely payments of principal and interest on the principal amount outstanding.

d) Statement of value added

The purpose of this statement is to disclose the wealth created by the Companies and its distribution during a certain reporting period, and is presented by the Companies, as required by the Brazilian Corporate Law, as an integral part of their consolidated financial statements.

This statement was prepared based on information obtained from the accounting records used as a basis for the preparation of consolidated financial statements and supplementary records, and pursuant to the provisions of CPC 09 - Statement of Value Added.

e) Cash and cash equivalents

Comprise cash on hand and in banks and short-term investments redeemable in up to 90 days from the investment date or considered as highly liquid or convertible into a known amount of cash, subject to an insignificant risk of change in value, which are recognized at cost plus income earned through the end of the reporting period.

Short-term investments substantially refer to Bank Deposit Certificates ("CDBs") and are carried at cost, plus income earned through the end of the reporting period, which does not exceed their realizable value.

f) Trade receivables and expected credit losses

Trade receivables correspond to proceeds from goods sold and services provided and are recorded at their original amounts, less the allowance for expected credit losses. The customer portfolio maturity position is analyzed and, for customers with past-due balances a specific analysis of each one is carried out, considering the relevant risk of loss, which is considered sufficient by Management to cover probable losses on the collection of receivables.

g) Inventories

Measured at the acquisition or production costs and other costs incurred on bringing the inventories to their present locations and conditions. In the case of finished product and work-in-process inventories, cost includes a proportional share of manufacturing overheads based on normal operating capacity.

Inventories are stated at the weighted average cost, less any estimated losses, when applicable.

h) Property and equipment

<u>Recognition and measurement</u>

Property and equipment items are measured at the historical acquisition or construction cost, less accumulated depreciation and accumulated impairment losses, when applicable.

Cost includes expenditures that are directly attributable to the acquisition of an asset. The cost of assets built by the entities themselves includes costs of materials and direct labor, as well as any other costs attributable to bringing the asset to the location and condition necessary for them to be capable of operating in the manner intended by Management. Software purchased that is an integral part of a piece of equipment’s functionality is capitalized as part of such equipment.

Gains and losses on disposals are determined as the difference between the sale proceeds and the carrying amount and are recognized in “Other operating income (expenses), net” in the income statement.

Subsequent costs

These costs are capitalized only when it is probable that the economic benefits embodied in the component will flow to the entities and its cost can be reliably measured. Recurring maintenance costs are recognized in profit or loss, when incurred.

Depreciation

Property and equipment items are depreciated from the date on which those assets are available for use, or, in the case of internally built assets, from the day construction is completed and the assets are available for use.

Depreciation is calculated to amortize the cost of property and equipment items, less their estimated residual values, on a straight-line basis, over their estimated useful lives. Depreciation is generally recognized in profit or loss. Leased assets are depreciated over the shorter of their estimated useful lives and the lease term, unless it is reasonably certain that the entities will obtain ownership of assets at the end of the lease term.

The estimated useful lives of the significant property and equipment items for the current and comparative reporting periods are broken down as follows:

	Useful life - years
Machinery and equipment	10
Facilities	10
Furniture and fixtures	10
Hardware	5
Leasehold improvements	*
Telephony	5

(*) As per the lease term

The estimated useful lives of property and equipment items are reviewed on an annual basis at the end of the reporting periods. Where applicable, the effects of changes in the remaining useful life are accounted for on a prospective basis.

Impairment

Management annually assesses whether there is evidence that an asset might be impaired, or whenever necessary. If there is any evidence of impairment, the recoverable amount of the asset is estimated, which is the higher of: (i) its fair value less estimated costs to sell; and (ii) its value-in-use. The value-in-use is equivalent to pretax discounted cash flows arising from the continuing use of an asset. When the carrying amount of an asset exceeds its recoverable amount, an impairment loss is recognized.

Intangible assets

Stated at the acquisition cost of sales points, software licenses, trademarks and patents.

The estimated useful lives of intangible assets are reviewed on an annual basis at the end of the reporting periods. Where applicable, the effects of changes in the remaining useful life are accounted for on a prospective basis.

The amortization percentage of the software is 20% per year, and for points of sale a percentage rate is applied based on the contractual term.

i) Right of use and leases

Right of use relating to leased properties are represented by the present value of the fixed or minimum lease payment flow under the lease agreements of the properties where the Company's stores, distribution center, warehouse and offices are located. They are recognized as property and equipment items, in assets, and as right-of-use leases payable in liabilities.

The recognized assets are depreciated over the lease term, subject to automatic renewal for an equal period.

Interest incurred on determining the present value is allocated to lease liabilities, using the discount rates shown in note 13, over the lease term, subject to automatic renewal for an equal period. Rights of use are annually remeasured according to the contractual rates and terms for lease adjustment purposes.

j) Present value adjustment

Short-term monetary assets and liabilities are reviewed and adjusted to present value when the effect is considered material in relation to the consolidated financial statements taken as a whole.

k) Provisions

Recognized when:

- The Company has a legal or constructive obligation as a result of past events, and it is probable that an outflow of funds will be required to settle the obligation and the obligation amount can be reliably estimated.

- The amount recognized as a provision is the best estimate of the consideration required to settle the present obligation at the end of the reporting period, taking into account the risks and uncertainties surrounding the obligation. They are adjusted through the end of the reporting period for the probable amount of loss considering their nature, the experience of similar transactions and based on the legal counsel's opinion.

l) Finance income (costs)

Finance income consists of interest income that is recognized in the income statement under the effective interest method. Finance costs comprise banking expenses that are recognized in the income statement under the effective interest method.

m) Income tax and social contribution

Current and deferred taxes

Current and deferred income tax and social contribution are calculated at the rates of 15% for income tax, plus a 10% surtax on taxable income exceeding R$240, and 9% on taxable income for social contribution, considering the offset of tax loss carryforwards, limited to 30% of taxable income.

For companies taxed under the deemed income regime, income tax and social contribution are calculated at a deemed rate of 32% and subject to the same tax rates applicable under the taxable income regime.

Income tax and social contribution expenses comprise current and deferred taxes, which are recognized in profit or loss.

Current tax is the expected tax payable or receivable on the taxable income or loss for the year, using tax rates enacted or substantially enacted at the end of the reporting period, and any adjustment to taxes payable in relation to prior years.

Deferred tax is recognized on temporary differences and tax loss carryforwards between the carrying amounts of assets and liabilities for accounting purposes and the corresponding tax bases used for tax purposes. Deferred tax is measured at the tax rates expected to be applied on temporary differences and tax loss carryforwards when realized, pursuant to the laws that have been enacted or substantially enacted through the end of each reporting period.

Deferred tax assets and liabilities are offset when there is a legally enforceable right to set off current tax assets against current tax liabilities and when they relate to income taxes imposed by the same tax authority on the same entity subject to taxation.

Deferred income tax and social contribution assets are recognized for all unutilized tax losses, tax credits and deductible temporary differences to the extent that it is probable that future taxable income will be available against which those tax losses, tax credits and deductible temporary differences can be utilized.

Deferred income tax and social contribution assets are reviewed at the end of each reporting period and reduced to the extent that their realization is no longer probable.

n) Earnings per share

Basic earnings per share

Basic earnings per share are calculated by dividing profit attributable to the Company's owners by the weighted average number of outstanding shares (including adjustments by bonus and right issuance).

Diluted earnings per share

Diluted earnings per share are calculated by adjusting profit and the weighted average number of shares taking into account the conversion of all potential shares with dilutive effect. Potential shares are equity instruments or contracts that can result in the issuance of shares, such as convertible bonds and options, including employees' stock options.

Operating segments

The operating segments are addressed consistently with the internal reports provided to the Group's chief decision makers (Executive Board, CEO and Board of Directors), who are in charge of allocating funds and evaluating the performance of each operating segment.

3.1. Recently issued accounting pronouncements and interpretations adopted by the Company

In the current year, the Group applied a series of amendments to the IFRSs issued by the International Accounting Standards Board (IASB) that are mandatorily effective for an accounting period beginning on or after January 1, 2023. Their adoption had no material impact on the disclosures or the amounts reported in these financial statements.

Amendments to IAS 1 - Presentation of Financial Statements and IFRS Practice Statement 2 - Making Materiality Judgments	The group adopted the amendments to IAS 1 for the first time in the current year. The amendments change the requirements in IAS 1 with regard to the disclosure of accounting policies. The amendments replace all instances of the term "significant accounting policies" with "material accounting policy information". Accounting policy information is material if, when considered together with other information included in an entity's financial statements, it can reasonably be expected to influence decisions that the primary users of general purpose financial statements make on the basis of those financial statements.

3.2. Recently issued accounting pronouncements and interpretations not yet applicable

On the authorization date of these financial statements, the Group did not adopt the following new and revised IFRSs, which are already issued but not yet applicable.

Amendments to IFRS 10/CPC 36 (R3) and IAS 28/CPC 18 (R2)	Sale or Contribution of Assets Between an Investor and its Associate or Joint Venture
Amendments to IAS 1 / CPC 26 (R1)	Classification of Liabilities as Current or Non-current
Amendments to IAS 1	Non-current Liabilities with Covenants
Amendments to IAS 7 and IFRS 7	Supplier Finance Arrangements
Amendments to IFRS 16	Lease Liability in a Sale and a Leaseback

(In thousands of Brazilian reais - R$, unless otherwise stated)

4. CASH AND CASH EQUIVALENTS

	Parent		Consolidated	
	2023	2022	2023	2022
Cash	276	374	308	394
Banks - checking account	3,816	1,832	8,877	2,167
Short-term investments (*)	15,979	14,590	45,292	57,928
Total	20,071	16,796	54,477	60,489

(*) Short-term investments are represented by automatic investments in prime banks, in DI fund, yielding up to 100% of the Interbank Deposit Certificate (CDI) rate fluctuation, depending on the investment term, subject to an average accumulated rate of 1.06% p.m.

5. TRADE RECEIVABLES

	Parent		Consolidated	
	2023	2022	2023	2022
Credit card companies	95,447	80,470	97,258	81,069
Trade receivables - franchisees	75,253	55,146	99,708	72,018
Total	170,700	135,616	196,966	153,087
Expected credit loss	(430)	(318)	(430)	(318)
Total	170,270	135,298	196,536	152,769

The aging list of trade receivables is as follows:

	Parent		Consolidated	
	2023	2022	2023	2022
Total current	168,901	134,760	194,667	151,819
Total past-due	1,799	856	2,299	1,268
Total trade receivables	170,700	135,616	196,966	153,087

(In thousands of Brazilian reais - R$, unless otherwise stated)

The Company, in accordance with CPC 48/IFRS 9 - Financial Instruments, has analyzed and determined the possible losses on receivables from credit card transactions based on the chargeback history, concerning online sales, as shown below:

	Parent		Consolidated	
	2023	2022	2023	2022
Balance at the beginning of the year	(318)	(266)	(318)	(266)
Additions	(179)	(132)	(179)	(132)
Reversals	67	80	67	80
Balance at the end of the year	(430)	(318)	(430)	(318)

6. INVENTORIES

Inventories are stated at the weighted average cost, which includes a proportional share of manufacturing overheads based on operating capacity, or at the net realizable value, whichever is lower.

	Parent		Consolidated	
	2023	2022	2023	2022
Finished products	174,998	146,259	175,831	146,561
Production process	16,386	18,663	16,386	18,663
Raw materials	33,134	29,565	33,134	29,565
Imports in transit	10,192	11,256	10,192	11,256
Expected losses	(2,687)	(1,579)	(2,687)	(1,579)
Total	232,023	204,164	232,856	204,466

The variations in expected losses are broken down as follows:

	Parent		Consolidated	
	2023	2022	2023	2022
Balance at the beginning of the year	(1,579)	(870)	(1,579)	(870)
Addition	(1,108)	(709)	(1,108)	(709)

(In thousands of Brazilian reais - R$, unless otherwise stated)

Balance at the end of the year	(2,687)	(1,579)	(2,687)	(1,579)

The projected inventory loss is recognized based on the history of losses on the physical inventory taking of the stores and distribution center, and comprises the volume of slow-moving inventory items derived from the change of collections, which is reduced upon the periodic performance of internal sales bazaars.

7. RECOVERABLE TAXES

	Parent		Consolidated	
	2023	2022	2023	2022
Income tax and social contribution (a)	7,842	6,474	7,968	6,536
State VAT (ICMS) (b)	2,818	2,824	2,818	2,824
Federal VAT (IPI)	66	-	66	-
Service Tax (ISS)	-	-	107	89
Taxes on revenue (PIS and COFINS) (c)	1,486	2,170	4,633	3,322
Total	12,212	11,468	15,592	12,771
Current assets	10,208	4,784	10,336	4,938
Noncurrent assets	2,004	6,684	5,256	7,833

(a) Income tax (IRPJ) and social contribution (CSLL)

The balance of IRPJ and CSLL refers to:

The balance mainly refers to judgment of Matter 962 (Extraordinary Appeal No. 1063.187) by the Federal Supreme Court - STF, according to which “Collecting income tax and social contribution on inflation adjustments at Selic rate of amounts refunded as a result of overpaid taxes is unconstitutional”. Considering that the Company filed such lawsuit on 08/04/21 and the STF decision is effective for lawsuits filed through 09/17/21, the Company is eligible to recover amounts improperly paid in the five years preceding the court decision, including the period the dispute was pending. In light of the final and unappealable court decision, as at December 31, 2023, the economic benefit amount was R$5,208 (R$4,154 as at December 31, 2022). The tax credit utilization was filed on December 27, 2023 with the Brazilian Federal Revenue Office.

(In thousands of Brazilian reais - R$, unless otherwise stated)

Moreover, the Company joined the program introduced by Lei do Bem 11196/2005, which grants tax benefits to companies that support ED&I projects intended for technological innovation, entitling them to tax benefits and a relief of income tax and social contribution, with an effect on profit or loss for the year amounting to R$186.

The variations in IRPJ and CSLL credits are as follows:

	Parent	Consolidated
Balance as at December 31, 2022	6,474	6,536
Additions	1,092	1,471
Inflation adjustments	760	768
Offsets	(484)	(807)
Balance as at December 31, 2023	7,842	7,968

	Parent	Consolidated
Balance as at December 31, 2021	14,335	14,366
Additions	387	476
Inflation adjustments	1,014	956
Offsets	(9,262)	(9,262)
Balance as at December 31, 2022	6,474	6,536

The IRPJ and CSLL credits are expected to be realized as follows:

Year	Parent	Consolidated
1st year	7,842	7,858
Next years	-	110
Total	7,842	7,968

(b) State VAT (ICMS)

The Company records ICMS credits on purchase of property and equipment, which will be used in the 48-month period, in addition to operating credits.

The variations in ICMS credits are as follows:

	Parent and Consolidated
Balance as at December 31, 2022	2,824
CIAP additions	1,592
Operating additions (offsets)	(80)
CIAP offsets	(1,518)
Balance as at December 31, 2023	2,818

The ICMS credits are expected to be realized as follows:

Year	Parent and Consolidated

1st year (next 12 months)	1,739
2nd year	393
3rd year	353
4th year	333
Total	2,818

(c) Taxes on revenue (PIS and COFINS)

The balance of PIS and COFINS refers to:

1) In 2023 the Company recorded PIS and COFINS credits on the purchase of property and equipment, which will be used in the 48-month period, pursuant to the prevailing law.

2) Tax credit taken under the scope of Law 14148/21, approved on 03/17/2022, which launched the Emergency Program for Recovery of the Events Sector (PERSE). The Program reduced to zero the rates for PIS and COFINS, IRPJ and CSLL, which has benefited subsidiary TFSports Eventos Esportivos, a Group company responsible for organizing sports events. PIS and COFINS recorded in profit or loss relating to the period from March to July 2022 total a credit of R$887, classified in noncurrent assets.

The PIS and COFINS credits are expected to be realized as follows:

Year	Parent	Consolidated
1st year	559	565
2nd year	514	514
3rd year	327	327
4th year	86	3,227
Total	1,486	4,633

(In thousands of Brazilian reais - R$, unless otherwise stated)

8. INVESTMENTS IN SUBSIDIARIES

a) Information on investments in subsidiaries:

	2023									
	Equity interests - %	Current assets	Noncurrent assets	Current liabilities	Noncurrent liabilities	Equity	Net revenue	Profit or loss	Investment balance	Share of profit (loss) of subsidiaries
Track & Field Franchising Ltda.	100	33,118	4,715	7,854	3,702	26,277	58,764	42,560	26,277	42,560
TFSports Eventos Esportivos Ltda.	100	4,916	7,202	8,600	3,302	216	36,202	(8,201)	216	(8,201)
Retail Solutions Assessoria e Consultoria de Merchandising Ltda.	100	662	16,091	1,604	-	15,149	1,654	(2,492)	15,149	(2,492)
Fratex Licenciamento de Marcas Ltda.	100	24,640	3,098	6,103	-	21,635	70,346	53,329	21,635	53,329
The Track & Field Store INC.	100	32	-	14	-	18	-	(58)	18	(58)
TFC Food & Market Ltda.	100	1,755	3,169	1,348	-	3,576	3,166	(2,121)	3,576	(2,121)
									66,871	83,017
Assets - Investments									66,871	

	2022									
	Equity interests - %	Current assets	Noncurrent assets	Current liabilities	Noncurrent liabilities	Equity	Net revenue	Profit or loss	Investment balance	Share of profit (loss) of subsidiaries
Track & Field Franchising Ltda.	100	26,408	3,639	14,417	3,212	12,418	46,284	27,554	12,418	27,554
TFSports Eventos Esportivos Ltda.	100	3,065	1,220	3,068	1,452	(235)	26,596	313	(235)	313
Retail Solutions Assessoria e Consultoria de Merchandising Ltda.	100	318	10,122	1,000	59	9,381	1,157	(1,023)	9,381	(1,023)
Fratex Licenciamento de Marcas Ltda.	100	32,872	2,627	4,701	-	30,798	61,268	47,842	30,798	47,842
The Track & Field Store INC.	100	2	-	3	-	(1)	-	(72)	(1)	(72)
TFC Food & Market Ltda.	100	1,068	1,597	433	-	2,232	1,426	(1,034)	2,232	(1,034)
									54,593	73,580
Assets - Investments									54,829	
Liabilities - Investments - equity deficit									(236)	

(In thousands of Brazilian reais - R$, unless otherwise stated)

b) Variations in investments:

	TF Franchising	TF Sports	Retail Solutions	Fratex	The Track & Field Store	TFC	Total
Balances as at December 31, 2021	31,035	(11,740)	3,406	11,846	8	914	35,469
Dividends received	(46,171)	-	-	(28,890)	-	-	(75,061)
Capitalization	-	11,192	6,998	-	63	2,352	20,605
Share of profit (loss) of subsidiaries	27,554	313	(1,023)	47,842	(72)	(1,034)	73,580
Balances as at December 31, 2022	12,418	(235)	9,381	30,798	(1)	2,232	54,593
Currency translation adjustment	-	-	-	-	(3)	-	(3)
Dividends received	(28,701)	-	-	(62,492)	-	-	(91,193)
Capitalization	-	8,652	8,260	-	80	3,465	20,457
Share of profit (loss) of subsidiaries	42,560	(8,201)	(2,492)	53,329	(58)	(2,121)	83,017
Balances as at December 31, 2023	26,277	216	15,149	21,635	18	3,576	66,871

9. PROPERTY AND EQUIPMENT AND INTANGIBLE ASSETS

A) PROPERTY AND EQUIPMENT

		Parent			
		2023			2022
	Average annual depreciation rate - %	Cost of acquisition	Accumulated depreciation	Total	Total
Machinery and equipment	10	16,578	(3,032)	13,546	11,245
Facilities	10	15,265	(4,580)	10,685	8,441
Furniture and fixtures	10	6,261	(2,776)	3,485	2,793
Computers and peripherals	20	6,967	(3,762)	3,205	2,738
Leasehold improvements	(*)	19,579	(7,774)	11,805	9,225
Telephony	20	324	(261)	63	58
Advances for purchase of property and equipment	-	2,849	-	2,849	2,775
Lease – right of use	(**)	135,916	(46,606)	89,310	82,040
Total		203,739	(68,791)	134,948	119,315

		Consolidated			
		2023			2022
	Average annual depreciation rate - %	Cost of acquisition	Accumulated depreciation	Total	Total

Machinery and equipment	10	17,029	(3,104)	13,925	11,402
Facilities	10	15,692	(4,620)	11,072	8,550
Furniture and fixtures	10	7,895	(3,089)	4,806	3,602
Computers and peripherals	20	7,587	(4,077)	3,510	2,909
Leasehold improvements	(*)	24,536	(10,112)	14,424	10,835
Telephony	20	324	(261)	63	58
Advances for purchase of property and equipment	-	4,827	-	4,827	2,775
Lease – right of use	(**)	143,940	(49,957)	93,983	84,322
Total		221,830	(75,220)	146,610	124,453

(*) Refers to the cost of construction works at new sales points and significant renovations in existing sales points, which are depreciated over the lease term.

(**) Refers to the right of use (CPC 06 (R2)/IFRS 16) of stores and distribution centers mainly depreciated according to the lease term, as shown in note 13.

Based on the earnings recorded for 2023 and expected earnings for the next years, the Company's Management concluded that there is no indication of the need to record the impairment of its assets. The variations in property and equipment were as follows:

	Parent		Consolidated	
	2023	2022	2023	2022
Opening balance	119,315	86,209	124,453	90,124
Additions (*)	37,673	49,981	46,115	52,596
Write-offs	(236)	(957)	(236)	(957)
Depreciation	(21,804)	(15,918)	(23,722)	(17,310)
Closing balance	134,948	119,315	146,610	124,453

(*) As at December 31, 2023, the additions comprise the acquisition of property and equipment and right-of-use lease (see note 13) as shown below:

	Parent		Consolidated	
	2023	2022	2023	2022
Property and equipment	15,016	27,224	20,081	28,392
Lease – right of use	22,657	22,757	26,034	24,204
Total addition	37,673	49,981	46,115	52,596

B) INTANGIBLE ASSETS

Parent			
2023			2022
Cost of acquisition	Accumulated amortization	Total	Total

(In thousands of Brazilian reais - R$, unless otherwise stated)

Points of sale	5,963	(4,839)	1,124	590
Software	4,961	(1,520)	3,441	186
Total	10,924	(6,359)	4,565	776

	Consolidated			
	2023			2022
	Cost of acquisition	Accumulated amortization	Total	Total
Points of sale	5,963	(4,839)	1,124	590
Trademarks and patents	72	-	72	72
Software	26,811	(7,321)	19,490	10,286
Total	32,846	(12,160)	20,686	10,948

The variations in intangible assets are broken down as follows:

	Parent		Consolidated	
	2023	2022	2023	2022
Opening balance	776	367	10,948	4,975
Additions (*)	4,474	603	13,632	7,949
Amortization	(685)	(194)	(3,894)	(1,977)
Closing balance	4,565	776	20,686	10,948

(*) The additions of intangible assets refer mainly to the investment in the wellness platform and technological innovations

10. TRADE PAYABLES

	Parent		Consolidated	
	2023	2022	2023	2022
Domestic trade payables				
Suppliers of materials and goods	50,449	54,488	54,389	56,872

(In thousands of Brazilian reais - R$, unless otherwise stated)

Suppliers of consumables	2,069	1,759	2,468	1,759
Suppliers of property and equipment	1,125	436	1,164	436
Total domestic trade payables	53,643	56,683	58,021	59,067
Foreign suppliers				
Suppliers of property and equipment	1,471	2,855	1,471	2,855
Total foreign trade payables	1,471	2,855	1,471	2,855
Total	55,114	59,538	59,492	61,922
Current liabilities	54,820	57,952	59,198	60,336
Noncurrent liabilities	294	1,586	294	1,586

As at December 31, 2023, the average payment period of domestic trade payables is 62 days (71 days as at December 31, 2022). The balance of foreign trade payables will be settled in 15 installments, as shown in note 23 (c).

11. PAYROLL AND RELATED TAXES

	Parent		Consolidated	
	2023	2022	2023	2022
Payroll	5,570	4,935	6,047	5,342
Management fees	303	282	533	501
Profit sharing	4,775	4,082	8,083	5,742
Bonuses	1,759	914	1,868	914
Severance pay fund (FGTS)	950	798	1,057	880
Social security contribution (INSS)	3,382	2,879	3,796	3,188
Withholding income tax (IRRF)	2,500	1,834	2,996	1,835
Accrued vacation pay	8,806	7,909	10,243	8,952
Other	24	33	29	34
Total	28,069	23,666	34,652	27,388

12. TAXES PAYABLE

Parent		Consolidated	
2023	2022	2023	2022

State VAT (ICMS)	15,865	14,522	15,891	14,537
Tax on revenue (PIS)	1,048	852	1,219	1,060
Tax on revenue (COFINS)	4,831	3,836	5,545	4,798
Income tax (IRPJ) and social contribution (CSLL)	1,516	27	6,579	8,929
Other	354	187	1,402	868
Total	23,614	19,424	30,636	30,192

13. RIGHT-OF-USE LEASES PAYABLE

Currently, the Group is a party to 48 lease agreements with third parties, of which 40 are related to stores, 4 to the distribution centers, and 4 to the administrative centers. (As at December 31, 2022, the Group was a party to 47 lease agreements with third parties, of which 41 are related to stores, 2 to the distribution centers, and 4 to the administrative centers).

Most lease agreements of stores establish variable lease expense, contingent on sales, or a minimum amount adjusted for inflation annually based on several inflation indexes, with average lease terms of five years, subject to renewal.

Lease term	Annual rate - %
Up to 5 years	From 10.14% to 16.48%
6 to 10 years	From 10.26% to 18.43%
11 to 16 years	From 11.09% to 19.46%

a) The variations in the balances of right-of-use assets are broken down as follows:

	Parent	Consolidated
Balance as at December 31, 2021	72,361	73,890
Addition of new agreements	5,554	6,760
Remeasurement (*)	17,203	17,444
Write-offs	(957)	(957)
Depreciation	(12,121)	(12,815)
Balance as at December 31, 2022	82,040	84,322
Addition of new agreements	19,634	22,948
Remeasurement (*)	3,023	3,086
Depreciation	(15,387)	(16,373)
Balance as at December 31, 2023	89,310	93,983

(*) Remeasurement of the lease amounts on the annual adjustment date and operating cost.

(In thousands of Brazilian reais - R$, unless otherwise stated)

b) The balances and variations in right-of-use liabilities for the year are broken down as follows:

	Parent	Consolidated
Balance as at December 31, 2021	77,040	78,994
Additions	5,485	6,691
Remeasurement (*)	17,203	17,444
Write-offs	(957)	(957)
Finance charges recognized	7,715	7,889
Principal repayment and interest payment	(17,741)	(18,694)
Balance as at December 31, 2022	88,745	91,367
Additions	18,923	22,215
Remeasurement (*)	3,023	3,086
Finance charges recognized	9,059	9,573
Principal repayment and interest payment	(22,871)	(24,314)
Balance as at December 31, 2023	96,879	101,927
Current liabilities	16,869	17,682
Noncurrent liabilities	80,010	84,245
Total	96,879	101,927

(*) Remeasurement of the lease amounts on the annual adjustment date.

The future commitments arising from effective agreements, considering the fixed amount as at December 31, 2023, are shown below:

	Parent	Consolidated
Up to 1 year	16,869	17,681
2 to 3 years	25,973	26,581
4 to 5 years	22,199	23,019
6 to 7 years	19,800	20,906
Over 7 years	12,038	13,740
Total	96,879	101,927

The variable rentals, determined under short-term leases or leases of low-value assets that were not recognized as rights of use, are recorded in line item “Rentals and common area maintenance fees”, in the total amounts of R$13,624 in the Parent and R$14,479 in the consolidated as at December 31, 2023 (R$12,672 in the Parent and R$13,054 in the consolidated as at December 31, 2022), as stated in note 19.

The variations in profit or loss accounts as at December 31, 2023 corresponding to right-of-use leases are as follows:

(In thousands of Brazilian reais - R$, unless otherwise stated)

	Parent	Consolidated
Asset depreciation expenses	15,387	16,373
Expenses on finance charges recognized	9,059	9,573
Total expenses	24,446	25,946

In full compliance with CPC 06 (R2)/IFRS 16 as regards the measurement and remeasurement of its lease liabilities and right-of-use assets, the Group applied the discounted cash flow technique without considering the projected future inflation rates in the cash flows to be discounted, as prohibited by CPC 06 (R2)/IFRS 16.

Pursuant to the guidance provided by CVM's technical areas in order to provide additional information to investors in the Brazilian market, the comparative balances of lease liabilities, right-of-use assets, finance costs and depreciation expenses for the period/year are presented based on the cash flows including projected inflation rates, as recommended by Circular Letter/CVM/SNC/SEP/02/2019 as at December 31, 2023.

	Parent		Consolidated	
	Balance sheet (without projected inflation rates)	CVM requirement (with projected inflation rates)	Balance sheet (without projected inflation rates)	CVM requirement (with projected inflation rates)
Balance sheet				
Right of use (asset)	89,310	102,506	93,983	124,440
Right-of-use leases (liabilities)	96,879	114,217	101,927	131,126
Profit or loss				
Depreciation	15,387	16,511	16,373	17,210
Interest	9,059	9,411	9,572	9,912
PIS and COFINS credits on rentals	2,355	2,355	2,355	2,355
Deferred income tax and social contribution	(250)	(250)	(250)	(250)

The following table details the differences in asset and liability balances, depreciation amounts and interest amounts, on a year-to-year basis, between the methodology suggested by Circular Letter/CVM/SNC/SEP/02/2019 and the Group's adopted methodology, in full compliance with CPC 06 (R2)/IFRS 16.
This table indicates that, at the end of the lease terms, both methodologies do not affect the Group's equity.

(In thousands of Brazilian reais - R$, unless otherwise stated)

	Right-of-use assets, net		Lease liability	
	CPC 06(02)/IFRS 16	CVM Requirement	CPC 06(02)/IFRS 16	CVM Requirement
2024	76,520	78,191	84,245	85,876
2025	60,900	65,273	70,062	74,447
2026	47,924	53,574	57,665	63,441
2027	36,435	42,149	46,057	52,017
2028	26,067	30,683	34,645	39,528
2029	16,861	19,454	23,578	26,356
2030	9,176	9,419	13,740	13,991
2031	5,695	5,695	8,988	8,988
2032	3,079	3,079	5,069	5,069
2033	1,438	1,438	2,490	2,490
2034	1,230	1,230	2,193	2,193
2035	1,054	1,054	1,992	1,992
2036	878	878	1,763	1,763
2037	703	703	1,502	1,502
2038	527	527	1,205	1,205
2039	352	352	866	866
2040	176	176	480	480

	Finance costs		Depreciation expenses	
	CPC 06(02)/IFRS 16	CVM Requirement	CPC 06(02)/IFRS 16	CVM Requirement
2024	10,259	10,332	17,464	17,688
2025	8,756	9,093	15,620	16,783
2026	7,380	7,910	12,976	14,856
2027	6,081	6,673	11,488	13,922
2028	4,864	5,416	10,368	13,342
2029	3,607	3,987	9,206	12,442
2030	2,447	2,603	7,685	10,587
2031	1,524	1,526	3,481	3,724
2032	961	961	2,616	2,616
2033	489	489	1,640	1,640
2034	302	302	209	209
2035	276	276	176	176
2036	248	248	176	176
2037	216	216	176	176
2038	180	180	176	176
2039	138	138	176	176

(In thousands of Brazilian reais - R$, unless otherwise stated)

2040	91	91	176	176
2041	37	37	176	176

14. PROVISION FOR CIVIL, LABOR AND TAX RISKS AND ESCROW DEPOSITS

The Company shows below the variations and balances of contingencies, net of the escrow deposits

	Parent			Consolidated		
	Labor	Tax	Total	Labor (a)	Tax (b)	Total
Balance as at December 31, 2022	5,177	-	5,177	8,180	18,447	26,627
Additions	181	-	181	451	829	1,280
Inflation adjustments	-	-	-	-	1,346	1,346
Write-offs	(1,536)	-	(1,536)	(1,956)	(112)	(2,068)
Balance as at December 31, 2023	3,822	-	3,822	6,675	20,510	27,185
Escrow deposits linked to lawsuits	(385)	-	(385)	(469)	(20,510)	(20,979)
Balance of net contingencies payable as at December 31, 2023	3,437	-	3,437	6,206	-	6,206

	Parent			Consolidated		
	Labor	Tax	Total	Labor (a)	Tax (b)	Total
Balance as at December 31, 2021	6,179	819	6,998	9,706	16,648	26,354
Additions	20	12	32	172	2,630	2,802
Write-offs	(1,022)	(831)	(1,853)	(1,698)	(831)	(2,529)
Balance as at December 31, 2022	5,177	-	5,177	8,180	18,447	26,627
Escrow deposits linked to lawsuits	(383)	-	(383)	(434)	(18,284)	(18,718)
Balance of net contingencies payable as at December 31, 2022	4,794	-	4,794	7,746	163	7,909

The Company performs an ongoing assessment of the risks involved in civil, labor and tax lawsuits arising from the normal course of its activities. Such assessment is based on available information and risk factors present in each lawsuit, including the opinion of the Group's legal counsel. Supported by this assessment process, Management set up a provision in an amount considered sufficient to cover probable losses on the outcome of the ongoing lawsuits, as follows:

(In thousands of Brazilian reais - R$, unless otherwise stated)

(a) Labor claims

Labor claims deriving from the Group companies' normal course of operations refer to labor lawsuits mostly claiming overtime pay and related charges, salary equalization, vacation pay and pecuniary bonus, remunerated weekly rest, severance pay, 13th salary and overtime bank.

(b) Tax

Subsidiary TF Franchising claimed at court the non-levy of ISS on franchising activities, alleging the unconstitutionality of item 17.08 of the list of services of Supplementary Law 116/03 and of article 17.08 of Municipal Law 13,071/03. Upon decision on the matter handed down by the STF, with recognized general repercussion, in the judgment of the Topic No. 300/STF (RE No. 603.136) and which is unfavorable to taxpayers, the understanding was applied to the case of TF Franchising, also resulting in a final unfavorable outcome.
The amounts of the ISS tax debts, payable from June 2013 to May 2023 (R$20,510 as at December 31, 2023), were deposited in an escrow account linked to the case records of the lawsuit. In view of the return of the case records to the original court, the court authorization for conversion of the amount deposited into municipal income, as payment, is awaited, ending the progress of the lawsuit.

Labor lawsuits assessed as risk of possible loss

As at December 31, 2023, the Company's Management did not consider necessary to recognize a provision for losses on ongoing labor lawsuits in the total amount of R$1,198 (R$647 as at December 31, 2022), for which the likelihood of loss was assessed as possible by its legal counsel.

Escrow deposits

Variations and balances of escrow deposits:

	Parent			Consolidated		
	Labor	Tax	Total	Labor (a)	Tax (b)	Total
Balance as at December 31, 2022	537	256	793	588	18,540	19,128
Additions	19	14	33	95	428	523
Write-off	(75)	-	(75)	(126)	-	(126)
Inflation adjustments	50	29	79	58	1,841	1,899
Balance as at December 31, 2023	531	299	830	615	20,809	21,424
Escrow deposits linked to lawsuits	(385)	-	(385)	(469)	(20,510)	(20,979)
Balance of escrow deposits as at December 31, 2023	146	299	445	146	299	445

	Parent			Consolidated		
	Labor	Tax	Total	Labor	Tax	Total

Balance as at December 31, 2021	790	737	1,527	841	16,298	17,139
Additions	2	-	2	2	1,167	1,169
Write-off	(317)	(433)	(750)	(317)	(433)	(750)
Inflation adjustments	62	(48)	14	62	1,508	1,570
Balance as at December 31, 2022	537	256	793	588	18,540	19,128
Escrow deposits linked to lawsuits	(383)	-	(383)	(434)	(18,284)	(18,718)
Balance of escrow deposits as at December 31, 2022	154	256	410	154	256	410

15. EQUITY

a) Issued capital and share rights

The subscribed and paid-in capital is held as follows:

2023 (In thousands of shares)				
	Common shares	Preferred shares	Total shares	%
Company's owners	877,251	14,119	891,370	93.9%
Treasury shares	-	4,185	4,185	0.4%
Outstanding shares	-	53,689	53,689	5.7%
Total	877,251	71,993	949,244	100%

2022 (In thousands of shares)				
	Common shares	Preferred shares	Total shares	%
Company's owners	877,251	14,107	891,358	93.9%
Treasury shares	-	4,223	4,223	0.4%
Outstanding shares	-	53,663	53,663	5.7%
Total	877,251	71,993	949,244	100%

Preferred shares are entitled to receive dividends 10 times higher than common shares. Accordingly, the amount of profit allocated to the payment of dividends will be divided between common and preferred shares – excluding treasury shares – considering the right to dividend 10 times higher of preferred shares. Therefore, according to the shareholding structure as at December 31, 2023, common shares will receive 56.41% and preferred shares 43.59% of the dividends to be declared:

	In thousands of shares		
	Common shares	Preferred shares	Total
Number of shares	877,251	71,993	949,244
Number of treasury shares	-	(4,185)	(4,185)
Number of outstanding shares	877,251	67,808	945,059
Weighted average number of treasury preferred shares	-	(4,194)	(4,194)
Calculation basis of the percentage rate of dividends	877,251	677,986	1,555,237
% to be applied on the dividends	56.41%	43.59%	100.00%

(*) Excluding treasury shares.

Share repurchase program

The Company's Board of Directors approved on June 30, 2022 the Share Repurchase program to maximize the generation of value for the Company's shareholders through the purchase of preferred shares issued by the Company, for holding in treasury, bonus, disposal or cancelation, without decreasing the Company's capital. The program provides for the purchase of up to 2,750,000 preferred shares at market price and will remain effective for 18 months, up to December 30, 2023.

As at March 31, 2023, the Company repurchased 14,368 preferred shares for R$153, equivalent to the withholding income tax (IRRF) amount on the first vesting under the Restricted Stock Option Plan with Minimum Performance Goal (see note 16c), pursuant to CPC 10 – Share-based Payment. In 2022, the Company repurchased 1,210,200 preferred shares for R$12,256.

b) Treasury preferred shares

	Number in thousands of shares	Amount (R$)
Balance as at December 31, 2021	3,013	21
Acquisition of shares	1,210	12,256
Balance as at December 31, 2022	4,223	12,277
Granting under the incentive plan – 1st vesting	(52)	(152)
Share repurchase	14	153
Balance as at December 31, 2023	4,185	12,278

As at December 31, 2023, the Company had 4,treasury shares (as at December 31, 2022) at the carrying amount of R$12,. The market value of these shares as at December 31, 2023 was as at December 31, 2022).

Upon the granting of shares, the Company earned gains on the transaction, classified in equity in "Capital reserve" (gain (loss) on transactions involving shares), as shown in the following table:

(In thousands of Brazilian reais - R$, unless otherwise stated)

Date	Number of shares	Cost (R$)	Fair value (R$)	Gains on transactions (R$)
03/31/2023	52,224	152	560	409

c) Other comprehensive income

As at December 31, 2023, the balance of R$1,866 (R$1,869 as at December 31, 2022) refers to the exchange gain arising from the conversion of the investment held abroad in subsidiary The Track & Field Store INC.

d) Allocation of profit for the year

The allocation of profit for the year will be made in accordance with the Company's Bylaws and the Brazilian Corporate Law, which determine the following allocations:

- 5% to the legal reserve.
- Distribution of mandatory minimum dividends, at a percentage rate to be defined at the General Meeting, but in accordance with the rules set forth in the prevailing law (minimum of 25% of profit for the year, after recognition of the legal reserve and tax incentive reserve and establishment of provision for risks).
- Pursuant to the Company's Bylaws, the remaining percentage rate of the profit will be allocated to the "Earnings reserve for investment/expansion", which is intended to strengthen the capital for the performance of its activities and expansion, pursuant to the capital budget approved and proposed by the Company's Management, to be decided at the General Shareholders' Meeting.

The calculation of the dividends proposed by Management for 2023 is as follows:

Profit for the year	114,410
Tax incentive reserve	(2,818)
Profit for the year net of tax incentive	111,592
(-) Allocation to legal reserve - 5%	(5,580)
Adjusted profit	106,012
(-) Gross interest on capital credited/paid in the year	(21,932)
Undistributed profit	84,080
Adjusted profit available for distribution	84,080
Adjusted profit allocation proposed by Management:	
Additional dividends proposed (*)	7,578
Earnings retention for investments/expansion and modernization (**)	76.502
Total	84,080

(*) For calculation of the additional dividends proposed, the tax incentive amount of R$1,544 was excluded, which corresponds to prior years, pursuant to item 'g' in this note; accordingly, such recognition does not have any impact on the distribution of dividends for the year.

(In thousands of Brazilian reais - R$, unless otherwise stated)

(**) The amount of R$76,502 refers to the reserve for investments in expansion and modernization, such as investment in the wellness platform, in technological innovations, in the production chain and distribution center.

The proposal for approval of profit for 2023, shown above, will be submitted to the approval of the Annual Shareholders' Meeting, to be held in 2024.

Calculation of mandatory minimum dividends

Profit for the year	114,410
Tax incentive reserve	(2,818)
Profit for the year net of tax incentive	111,592
Tax base – legal reserve	111,592
Legal reserve (5%)	(5,580)
Tax base – dividends	106,012
Mandatory minimum dividends (25%)	26,503
Interest on capital, net (*)	19,292
Minimum additional dividends for proposal	7,211
	26,503

(*) Upon calculation of mandatory minimum dividends, for purposes of breakdown of the residual value of mandatory dividends, the amount of interest on capital, net of IRRF, is considered.

The proposed dividends stated in the Company's financial statements are subject to the approval of the general shareholders' meeting.

Variations in dividends/interest on capital are as follows:

	Parent and Consolidated
Balance as at December 31, 2021	9,881
Mandatory dividends	5,393
Dividends paid	(9,881)
Interest on capital payable	18,290
Balance as at December 31, 2022	23,683
Mandatory dividends	7,578
Interest on capital payable	21,932
Interest on capital paid, net	(16,129)
(-) IRRF paid on interest on capital	(4,199)
Dividends paid	(5,392)

(In thousands of Brazilian reais - R$, unless otherwise stated)

Balance as at December 31, 2023	27,473

e) Earnings reserve

As set forth in article 199 of Law 6.404/76 (Brazilian Corporate Law), the balance of earnings reserves must not exceed capital.

Considering Management's proposal for allocation of the adjusted profit (item d), the balance of the earnings reserve for investments and working capital at the end of 2023 is R$220,256 and of the legal reserve is R$15,260, totaling R$235,516 as earnings reserves.

Due to the balance greater than the capital and, as set forth in the same article 199 of the Brazilian Corporate Law, Management's proposal to the Annual General Meeting for 2024 – which is legally responsible for deciding on the allocation of profit for 2023 – will include a capital increase using the balance of earnings reserve for investments and working capital in the amount of R$143,754, without issuance of new shares. The capital increase reflects the investments already made by the Company.

f) Interest on capital

Approval date	Total approved amount	Amount per preferred share (R$)	Amount per common share (R$)	Shareholding position date	Payment date
03/28/2023	5,585	0.0359133254	0.00359133254	03/31/2023	04/30/2024
06/22/2023	5,481	0.0352378622	0.00352378622	06/27/2023	04/30/2024
09/20/2023	5,845	0.0375807838	0.00375807838	09/25/2023	04/30/2024
12/21/2023	5,021	0.0322832081	0.00322832080	12/27/2023	04/30/2024
	21,932				
(-) Withholding income tax (IRRF)	(2,640)				
Total amount payable, net of IRRF	19,292				

According to the table above, the Board of Directors, at the meetings held, approved the statements and payments to shareholders of interest on capital at the amounts indicated in each approval. Payments will be made on April 30, 2024 proportionally to the interest held by each shareholder, subject to Withholding Income Tax, except for shareholders who are provenly tax-immune or tax-exempt. Shareholders will be entitled to shares in the Company on the dates indicated in 'shareholding position date' and, as from the day following the shareholding position date (including), shares will be traded ex-interest on capital on stock exchange. The gross amounts per share of the interest on capital are set out at each approval, respectively.

g) Tax incentive

The Company is entitled to the State VAT (ICMS) tax incentives on operations involving textile products (article 41 of Appendix III of RICMS/SP - CAT Ordinance 35/17), which are classified as investment grants, pursuant to Supplementary Law 160/2017 that provides for an agreement allowing the States and Federal District to resolve on the transfer of tax credits, either recognized or otherwise, arising from tax or tax financial exemptions, incentives and benefits granted in noncompliance with section “g”, item XII, paragraph 2, article 155 of the Federal Constitution and the refund of said tax or tax financial exemptions, incentives and benefits, and amends Law 12973 of May 13, 2014.

As at December 31, 2023, the Company recognizes a balance of R$8,663 (R$5,845 as at December 31, 2022) corresponding to tax incentive reserve, including prior-year amounts (R$1,544), but only utilized in the current year, pursuant to the applicable law.

h) Basic and diluted earnings per share

The table below shows the profit attributable to shareholders and the weighted average number of outstanding shares used to calculate basic and diluted earnings.
The Group does not enter into any transactions affecting the dilution of earnings.

	%	2023	%	2022
Numerator				
Profit for the year	100%	114,410	100%	96,460
Profit for the year – common shares	56.41%	64,534	56.05%	54,070
Profit for the year – preferred shares	43.59%	49,876	43.95%	42,390
Denominator (in thousands of shares)				
Weighted average number of common shares		877,251		877,251
Weighted average number of treasury common shares		-		-
Weighted average number of outstanding common shares		877,251		877,251
Weighted average number of common shares, considering the potential increase		877,251		877,251
Basic earnings per common share		0.0736		0.0616
Diluted earnings per common share		0.0736		0.0616
Basic and diluted earnings per common share (in Brazilian reais - R$)		0.0736		0.0616
Denominator (in thousands of shares)				
Weighted average number of preferred shares		71,993		71,993
Weighted average number of treasury preferred shares		(4,194)		(3,219)
Weighted average number of outstanding preferred shares		67,799		68,774

(In thousands of Brazilian reais - R$, unless otherwise stated)

Weighted average number of common shares, considering the potential increase	67,799	68,774
Basic earnings per preferred share	0.7356	0.6164
Diluted earnings per preferred share	0.7356	0.6164
Basic and diluted earnings per preferred share (in Brazilian reais - R$)	0.7356	0.6164

16. RELATED PARTIES

a) Management compensation

The compensation of Management, Board of Directors and Executive Board totaled as at December 31, 2023 (as at December 31, 2022), which is considered a short-term benefit.

b) Management retention bonuses

The Company's Management Retention Bonus Program approved at the Board of Directors' meeting held on June 24, 2021 is a long-term incentive aimed at retaining management members and aligning their interests to those of the Company and its shareholders. Executive Board members selected by the Board of Directors will be eligible according to their performance. The participants will be entitled to receive cash bonuses directly associated with the price of Company's shares, to be settled within 12, 24 and 36 months from the granting date, provided that those participants continue exercising their duties as executive officers at the time of settlement.

Variations are broken down as follows:

Balance as at December 31, 2021	142
Provision	179
Payments	(165)
Balance as at December 31, 2022	156
Provision	261
Payments	(194)
Balance as at December 31, 2023	223

c) Company's Restricted Stock Option Plan with Minimum Performance Goal

The Program was approved at the General Meeting and determines the general conditions for the long-term incentive through the granting of Restricted Shares issued by the Company to eligible officers and employees of the Company and its subsidiaries.

The Plans are approved by the Board of Directors pursuant to the bylaws, in conformity with the general guidelines, but include changes in the group of eligible executives, goals, amounts and realization dates.

In the event of termination of the participant due to dismissal, with or without cause, resignation or removal from position, retirement, permanent disability or death, the rights conferred according to the Plans can be extinguished or modified, as set out below.

If, at any time, during the validity of the Plans, the Participant:

a) In case of dismissal, the Participant will be entitled to exercise the *Vested* Restricted Shares, within 30 days, counted from the dismissal date. All Restricted Shares not yet exercisable ("Unvested Restricted Shares") will be automatically extinguished, by operation of law, regardless of prior notice or indemnity;

b) In case of dismissal without cause, the Board of Directors shall solely and exclusively decide whether all Restricted Shares that have been granted to Participant, either Vested or Unvested Restricted Shares, will be automatically extinguished;

c) In case of dismissal with cause, all Restricted Shares that have been granted, either Vested or Unvested Restricted Shares, will be automatically extinguished, by operation of law, regardless of prior notice or indemnity;

d) In case of retirement or permanent disability of the Participant, all Vested Restricted Shares can be exercised within 30 days, counted from the retirement or permanent disability date, and all Unvested Restricted Shares can be exercised within their terms and normal Vesting rules, subject to the condition that the Participant does not work in a competitor and any additional conditions established by the Board of Directors; and

e) In case of the Participant's death, all Unvested Restricted Shares will become exercisable in advance. The Vested or Unvested Restricted Shares will be extended to the heirs and successors, upon legal succession or will, and can be exercised fully or partially by the heirs, successors or spouses of the Participant, for a 12-month period, counted from the death date.

Notwithstanding the situations above, the Board of Directors can establish differentiated terms and conditions for each Agreement, without the need of applying any rule of isonomy or analogy between the Participants, even if in similar or identical situations.

c.1) Restricted Stock Option Plan with Minimum Performance Goal for 2021

The Board of Directors approved on March 22, 2022 the restricted stock option plan with minimum performance goal for 2021, for the eligible executives, as well as the grant of 159,479 restricted shares, effective beginning April 1, 2022.

Participants will be entitled to receive preferred shares or their equivalent in cash in three annual installments, provided that they remain at the Company up to the vesting date, as follows:

(In thousands of Brazilian reais - R$, unless otherwise stated)

		Realized	Unrealized – settlement term		
Date	Total number of shares	March-23	March-23	March-24	March-25
03/22/2022	159,479	-	53,160	53,160	53,159
12/31/2022	159,479	-	53,160	53,160	53,159
12/31/2023	156,660	52,224	-	52,224	52,212

The fair value measurement of the shares is as follows:

Date	Total number of shares	Share amount (in Brazilian reais – R$)	Plan amount (in Brazilian reais – R$)
03/22/2022	159,479	10.11	1,612,333
12/31/2022	159,479	10.50	1,674,530
12/31/2023	156,660	15.03	2,354,600

In view of a participant's dismissal, the number of shares decreased by 2,819.

As at March 31, 2023, pursuant to the incentive plan terms and conditions, 52,224 preferred shares were granted to eligible participants, in the amount of R$560.

The variations are as follows:

	R$	Shares
Balance as at December 31, 2021	-	-
Provision	758	53,160
Balance as at December 31, 2022	758	53,160
Participant withdrawal	(13)	(936)
Granting – 1st vesting	(560)	(52,224)
Addition	600	52,224
Balance as at December 31, 2023	785	52,224

c.2) Restricted Stock Option Plan with Minimum Performance Goal for 2022

The Board of Directors approved on March 28, 2023 the grant of 188,414 shares referring to the restricted stock option plan with minimum performance goal for 2022, for the eligible participants.

Participants will be entitled to receive preferred shares or their equivalent in cash in three annual installments, provided that they remain at the Company up to the vesting date, as follows:

		Unrealized – settlement term		
Date	Total number of shares	March-24	March-25	March-26

(In thousands of Brazilian reais - R$, unless otherwise stated)

03/28/2023	188,414	62,805	62,805	62,804
12/31/2023	171,435	57,145	57,145	57,145

The fair value measurement of the shares is as follows:

Date	Total number of shares	Share amount (in Brazilian reais – R$)	Plan amount (in Brazilian reais – R$)
03/28/2023	188,414	10.03	1,889,794
12/31/2023	171,435	15.03	2,576,668

The variations are as follows:

	R$	Shares
Balance as at December 31, 2022	-	-
Provision	860	57,145
Balance as at December 31, 2023	860	57,145

c.3) Restricted Stock Option Plan with Overcoming Goals

The Restricted Stock Option Plan with Overcoming Goals, approved on March 28, 2023, provides for the granting of restricted shares to eligible participants according to their performance observed in FY2023, FY2024, FY2025 and FY2026. The first grant will be conducted in 2024 upon achievement of the goals, as well as in the subsequent years; the vesting of each grant will occur in the year following the granting year, as long as the executive officers remain at the Company. A total number of 648,344 restricted shares are expected to be granted under this plan.

d) Related-party balances

	Parent	
	2023	2022
Assets		
Rentals receivable	-	23
Total	-	23
Liabilities		
Related parties (i)	2,982	2,418
Total	2,982	2,418

(i) Amount payable to related parties refers to the trademark use.

(In thousands of Brazilian reais - R$, unless otherwise stated)

Variations and breakdown of intragroup loans

Subsidiaries	2022	Additions	(-) Receipts	2023
Retail Solutions	23	128	(151)	-
Track & Field Franchising	-	1,310	(1,310)	-
Total do ativo	23	1,438	(1,461)	-

Subsidiaries	2021	Additions	(-) Receipts	2022
Fratex Licenciamento de Marcas	113	-	(113)	-
TFSports Evento	70	282	(329)	23
TFC Food & Market	-	11	(11)	-
Track & Field Franchising	617	2,064	(2,681)	-
Total do ativo	800	2,357	(3,134)	23

17. INCOME TAX AND SOCIAL CONTRIBUTION

a) Reconciliation of income tax and social contribution expenses

	Parent		Consolidated	
	2023	2022	2023	2022
Profit before income tax and social contribution	120,137	97,352	136,930	120,421
Income tax and social contribution at statutory rates – 34%	(40,847)	(33,100)	(46,556)	(40,943)
Adjustment to reflect the effective rate:				
Share of profit (loss) of subsidiaries	28,226	25,017	-	-
Interest on capital	7,457	6,219	7,457	6,219
Tax benefit (Supplementary Law 160/2017)*	433	1,987	433	1,987
Adjustment based on deemed income of subsidiaries	-	-	16,794	7,642
Other permanent additions/deductions	(996)	(1,015)	(648)	1,134
Income tax and social contribution expenses	(5,727)	(892)	(22,520)	(23,961)
Current	(3,736)	(2,006)	(20,498)	(25,106)
Deferred	(1,991)	1,114	(2,022)	1,145
Total	(5,727)	(892)	(22,520)	(23,961)

(In thousands of Brazilian reais - R$, unless otherwise stated)

Effective rate	5%	1%	16%	20%

(*) The Company is entitled to the ICMS tax incentives granted on operations involving textile products, which are classified as investment grants, as disclosed in note 15 (g).

b) Deferred income tax and social contribution

Deferred taxes on temporary differences are as follows:

	Parent		Consolidated	
	2023	2022	2023	2022
Provision for labor and tax risks	1,300	1,760	1,300	1,791
Allowance for inventory losses	914	536	914	536
Allowance for expected credit losses	146	108	146	108
Leases - IFRS 16/CPC 06 (R2)	1,963	1,713	1,963	1,713
Tax loss	2,077	4,274	2,077	4,274
Total	6,400	8,391	6,400	8,422

Expected realization of deferred income tax and social contribution assets as at December 31, 2023:

Year	Parent and Consolidated
1st year (next 12 months)	2,484
2nd year	1,502
3rd year	1,534
4th year	448
5th year	432
Total	6,400

Variations in deferred income tax and social contribution:

	Parent			
	2022	Addition	Write-off	2023
Provision for labor and tax risks	1,760	62	(522)	1,300
Allowance for inventory losses	536	378	-	914
Allowance for expected credit losses	108	93	(55)	146

(In thousands of Brazilian reais - R$, unless otherwise stated)

Leases - IFRS 16/CPC 06 (R2)	1,713	250	-	1,963
Tax loss	4,274	-	(2,197)	2,077
Total	8,391	783	(2,774)	6,400

	Consolidated			
	2022	Addition	Write-off	2023
Provision for labor and tax risks	1,791	62	(553)	1,300
Allowance for inventory losses	536	378	-	914
Allowance for expected credit losses	108	93	(55)	146
Leases - IFRS 16/CPC 06 (R2)	1,713	250	-	1,963
Tax loss	4,274	-	(2,197)	2,077
Total	8,422	783	(2,805)	6,400

	Parent			
	2021	Addition	Write-off	2022
Provision for labor and tax risks	2,379	-	(619)	1,760
Allowance for inventory losses	296	240	-	536
Allowance for expected credit losses	90	34	(16)	108
Leases - IFRS 16/CPC 06 (R2)	1,345	368	-	1,713
Tax loss	3,167	2,007	(900)	4,274
Total	7,277	2,649	(1,535)	8,391

	Consolidated			
	2021	Addition	Write-off	2022
Provision for labor and tax risks	2,379	31	(619)	1,791
Allowance for inventory losses	296	240	-	536
Allowance for expected credit losses	90	34	(16)	108
Leases - IFRS 16/CPC 06 (R2)	1,345	368	-	1,713
Tax loss	3,167	2,007	(900)	4,274

(In thousands of Brazilian reais - R$, unless otherwise stated)

Total	7,277	2,680	(1,535)	8,422

18. NET REVENUE FROM SALES AND SERVICES

This consolidated position comprises revenue from sales to end consumers (own stores and e-commerce), sales of goods to franchisees, royalties on sales made by franchisees, revenue from events and taxes levied thereon.

The table below shows the consolidated gross revenue per sales channel:

	Parent		Consolidated	
	2023	2022	2023	2022
Gross revenue:				
Retail – Own Chain	516,612	439,854	520,269	441.537
Goods for franchises	237,538	197,253	237,538	197.253
Other	7,324	5,941	7,324	5.941
Total gross revenue from sales	761.474	643,048	765,131	644,731
Royalties (i)	5,055	2,451	127,319	103.454
Events	-	-	37,235	27.914
Total gross revenue from services	5.055	2,451	164,554	131,368
Gross revenue deductions:				
ICMS (iv)	(104,736)	(90,328)	(104,929)	(90.443)
COFINS (ii)	(44,265)	(37,425)	(48,829)	(44.293)
PIS (ii)	(9,609)	(8,122)	(10,598)	(9.613)
Service Tax (ISS)	(113)	(52)	(6,209)	(4.578)
Sales returns (iii)	(75,428)	(59,742)	(75,430)	(59.746)
Total deductions from gross revenue	(234.151)	(195,669)	(245,995)	(208,673)
Net revenue from sales and services	532.378	449,830	683,690	567,426

i. Refers to royalties, processing services, digital marketing services and use of Omnichannel operations branding charged from franchisees.
ii. In consolidated, this balance refers to the benefit under the PERSE Law, in the amount of R$for PIS and COFINS, in the period up to December 31, 2023 .
iii. Refers mainly to the changes of goods.
iv. The ICMS amounts are stated net of the tax incentive of same nature mentioned in note 15g, in the amount of R$1,274.

19. EXPENSES BY NATURE

The Company’s income statement is presented based on a classification of expenses according to their function. The information on the nature of these expenses recognized in the income statement is as follows:

(In thousands of Brazilian reais - R$, unless otherwise stated)

	Parent		Consolidated	
	2023	2022	2023	2022
Acquisition cost of inputs, raw materials and goods for resale	(258,455)	(220,929)	(289,260)	(240.656)
Personnel	(106,249)	(89,862)	(130,351)	(105.005)
Marketing/selling expenses	(13,298)	(17,158)	(17,054)	(17.407)
Depreciation and amortization (i)	(19,890)	(15,369)	(25,017)	(18.544)
Freight	(6,488)	(6,009)	(6,515)	(6.009)
Professional services	(17,492)	(15,901)	(22,067)	(18.562)
Rentals and common area maintenance fees	(13,624)	(12,672)	(14,479)	(13.054)
Commission on credit cards	(9,174)	(7,090)	(9,787)	(7.090)
Expected credit loss	(112)	(52)	(112)	(52)
Electric power, water and telephone	(1,936)	(1,680)	(2,136)	(1.853)
Taxes and fees	(212)	(340)	(252)	(794)
Royalties	(17,030)	(17,247)	-	-
Other	(18,738)	(16,043)	(20,051)	(17.015)
Total	(482.698)	(420,352)	(537,081)	(446,041)
Classified as:				
Cost of sales and services	(258,455)	(220,929)	(289,260)	(240.656)
Selling expenses	(142,872)	(129,902)	(133,784)	(115.106)
General and administrative expenses	(81,371)	(69,521)	(114,037)	(90.279)
Total	(482.698)	(420,352)	(537,081)	(446,041)

(I) Breakdown of depreciation and amortization:

	Parent		Consolidated	
	2023	2022	2023	2022
Depreciation and amortization	(19,890)	(15,369)	(25,017)	(18,544)
Depreciation absorbed in inventory	(2,599)	(743)	(2,599)	(743)
Total depreciation and amortization	(22,489)	(16,112)	(27,616)	(19,287)

20. SEGMENT REPORTING

The Company’s activities are conducted in one single operating segment, i.e., the retail industry, which comprises the development and sale of clothing, accessories and sporting experiences aimed at reinforcing the brand positioning and boosting the flow of customers to the stores.
The Company is organized as a single business unit for operating, commercial, managerial and administrative purposes, and its performance is evaluated on such basis. Such view is based on the

(In thousands of Brazilian reais - R$, unless otherwise stated)

following factors:

- Its structure does not include any divisions for managing the different lines of products, markets or sales channels.
- The development areas operate for all of their product lines and sales channels.
- The Company's strategic decisions are focused on analyses raising market opportunities, rather than only addressing the performance by product or channel.

The breakdown of revenue per sales channel is shown in note 18.

21. OTHER OPERATING INCOME (EXPENSES), NET

	Parent		Consolidated	
	2023	2022	2023	2022
Provision for (reversal of) INSS credits	-	(138)	-	(138)
Tax credits arising from ICMS tax incentive (*)	-	2,796	-	2,796
Reversal of (provision for) civil, labor and tax risks	1,355	1,002	1,506	1,283
Reversal of (allowance for) inventory losses	(1,108)	(709)	(1,108)	(709)
Unrealized credit losses	(160)	(106)	(414)	(106)
Loss on tax credits	(116)	(55)	(116)	(55)
Sale of property and equipment items	(217)	-	(217)	-
Revenue from sales rebates	1,100	742	1,201	762
Other income	1,358	206	1,253	-
Total	2,212	3,738	2,105	3,833

(*) The Company is entitled to the ICMS tax incentives granted on operations involving textile products, which are classified as investment grants, as disclosed in note 15 (g).

22. FINANCE INCOME (COSTS)

a) Finance income

	Parent		Consolidated	
	2023	2022	2023	2022
Income from short-term investments	967	873	4,264	6,030

(In thousands of Brazilian reais - R$, unless otherwise stated)

Discounts obtained	1,219	1,124	1,222	1,163
Interest receivable	80	415	108	432
Inflation adjustment gains	856	1,045	2,999	2,602
Other	372	1	373	36
Total	3,494	3,458	8,966	10,263

b) Finance costs

	Parent		Consolidated	
	2023	2022	2023	2022
Interest on right-of-use leases	(9,059)	(7,715)	(9,573)	(7,889)
Interest payable	(124)	(29)	(141)	(48)
Discounts granted	(7,732)	(4,125)	(7,732)	(4,172)
Banking fees	(419)	(316)	(550)	(652)
Fines	(528)	(52)	(536)	(73)
Inflation adjustment losses	(207)	(174)	(2,020)	(1,729)
Other	(197)	(491)	(198)	(497)
Total	(18,266)	(12,902)	(20,750)	(15,060)

23. FINANCIAL INSTRUMENTS

a) Categories of financial instruments

		Parent		Consolidated	
	Note	2023	2022	2023	2022
Financial assets					
Amortized cost:					
Cash and cash equivalents	4	20,071	16,796	54,477	60,489
Trade receivables	5	170,270	135,298	196,536	152,769
Related parties	16	-	23	-	-
Total financial assets		190,341	152,117	251,013	213,258
Financial liabilities					
Amortized cost:					
Trade payables	10	55,114	59,538	59,492	61,922
Related parties	16	2,982	2,418	-	-
Rents payable		3,378	3,346	3,497	3,391
Dividends payable	15	27,473	23,683	27,473	23,683
Total financial liabilities		88,947	88,985	90,462	88,996

b) Financial risks

The Company's activities are subject to credit and liquidity risks. However, Management monitors the continuous forecasts of liquidity requirements to ensure the Group has sufficient cash to meet its operating needs.

c) Exchange rate risk management

Foreign suppliers

(In thousands of Brazilian reais - R$, unless otherwise stated)

The Company imports goods, raw materials and inputs, which are used in the development and sale processes and recorded as foreign suppliers. These purchases are substantially denominated in U.S. dollars and have low exposure to exchange rate changes, since 90% of payments are made in advance and 10% is settled within 10 days from the date goods are delivered to the distribution center.

Additionally, the Company purchased property and equipment in foreign currency:

- In September 2022, with payment in 36 installments, with a residual balance payable in 15 installments as at December 31, 2023.

	Parent and Consolidated	
	2023	2022
Foreign suppliers	1,471	2,855
Foreign exchange exposure, net	1,471	2,855

d) Sensitivity analysis

The Group presents sensitivity analysis considering the table below.

			Market projection		
Transactions	Risk	Balance in 2023	Scenario I Probable	Scenario II Positive	Scenario III Negative
Cash and cash equivalents	CDI variation – 100.13% of the CDI	54,477	6,940	7,634	6,246
Foreign suppliers	Us dollar variation - R$4.84	1,471	-	(147)	147

For presentation of the sensitivity analysis of financial instruments, it was considered as probable scenario, in Management's opinion, on the maturity dates of each one of the transactions for the liability and the asset the expected realization of interest for one year based on the balance as at December 31, 2023.

The probable scenario (I) does not have an impact on the fair value of the financial instruments. For the positive (II) and negative (III) scenarios, for exclusive purpose of the sensitivity analysis, Management considers an increase of 10% and a decrease of 10% in the risk variables, up to one year of the financial instruments.

Foreign exchange risk

The Company's foreign exchange risk exceptionally arises from the import of property and equipment, as shown above.

(In thousands of Brazilian reais - R$, unless otherwise stated)

As for foreign currency-denominated transactions referring to its operating cycle, the Company does not adopt any hedging mechanisms against possible exchange rate changes, considering: (a) the low import volume, in which a higher appreciation in the U.S. dollar would entail a drop in the margins of these goods, and (b) the immateriality of amounts payable to foreign suppliers, since 90% of imported goods are paid prior to their shipment and the remaining 10% portion is paid within 10 days from the receipt of goods.

Interest rate risk

The Group has no borrowings and long-term investments as at December 31, 2023. For purposes of automatic investment, the effect is shown in the table above.

e) Credit risk management

Online sales are made at the Company's website and Omnichannel channels, where 79.9% refers to credit card transactions, and 20.1% to instant payment (PIX) or cash sales.

The Company's sales are concentrated on 313 franchisees accounting for 44.8% of sales as at December 31, 2023 (287 franchisees accounting for 43.7% as at December 31, 2022). Sales to franchisees are supported by agreements, purchase orders and other legal instruments deemed necessary and, therefore, transactions are protected to an extent that it may even result in the merger of a franchisee's operations.

The Company adopts formal criteria for accepting and hiring franchisees, which requires strict assessments of their financial conditions, business management ability and brand service potential, with a view to avoiding any default losses that might hamper the business.

f) Liquidity risk management

Effectively managing liquidity risks implies maintaining funds available through committed credit facilities and the ability to settle market positions. Management monitors the continuous forecasts of the Companies' liquidity requirements to ensure they have sufficient cash to meet their operating needs.

The table below shows in detail the maturity of financial liabilities contracted:

			Parent					
	Account balance	Contractual cash flow	Up to 1 year	Up to 2 years	Up to 3 years	Up to 4 years	Up to 5 years	Over 5 years
Trade payables	55,114	55,114	54,820	294	-	-	-	-
Rents payable	3,378	3,378	3,378	-	-	-	-	-
Related parties	2,982	2,982	2,982	-	-	-	-	-
Dividends payable	27,473	27,473	27,473	-	-	-	-	-
Leases payable	96,879	139,084	24,662	22,040	18,877	16,788	15,377	41,340

			Consolidated					
	Account balance	Contractual cash flow	Up to 1 year	Up to 2 years	Up to 3 years	Up to 4 years	Up to 5 years	Over 5 years
Trade payables	59,492	59,492	59,198	294	-	-	-	-
Rents payable	3,497	3,497	3,497	-	-	-	-	-
Dividends payable	27,473	27,473	27,473	-	-	-	-	-

(In thousands of Brazilian reais - R$, unless otherwise stated)

Leases payable	101,927	147,897	26,052	22,940	19,777	17,688	16,277	45,163

g) Fair value of financial instruments

When applicable, the Group adopts technical pronouncement CPC 48/IFRS 9 - Financial Instruments: Disclosures for financial instruments measured in the balance sheet at fair value, which requires the disclosure of fair value measurements based on the following hierarchy level:

- Level 1 inputs: are quoted prices (unadjusted) in active markets for identical assets or liabilities that the Group can access at the measurement date.
- Level 2 inputs: are inputs other than quoted prices included in Level 1 that are observable for the asset or liability, either directly or indirectly.
- Level 3 inputs: are unobservable inputs for the asset or liability.

The Company does not have any financial instruments measured at fair value.

24. INSURANCE COVERAGE

The Company adopts an insurance policy that considers mainly the risk concentration and its materiality, taking into consideration the nature of its activities and the advice from insurance consultants. As at December 31, 2023, insurance coverage is as follows:

Items	Type of coverage	Maturity	Insured amount - R$
Buildings, furniture, machinery, fixtures and inventories of raw materials and finished goods	Property damage and loss of profits	Jul/24	65,000
		Mar/24	123,942

25. NON-CASH TRANSACTIONS

Non-cash transactions are shown in the table below:

Classification in the financial statements	Line item	Note	Nature of transaction	2023	2022
Assets	Property and equipment	13	Addition of lease agreements	22,948	6,760
Liabilities	Right-of-use leases payable			22,948	6,760
Assets	Property and equipment	13	Remeasurement of new lease agreements	3,086	17,444
Liabilities	Right-of-use leases payable			3,086	17,444
Assets	Property and equipment	13	Write-off of lease agreements	-	957
Liabilities	Right-of-use leases payable			-	957

Assets	Property and equipment	-	Addition to property and equipment payable	2,635	3,291
Liabilities	Trade payables			2,635	3,291
Liabilities	Payroll and related taxes	11		560	-
Equity	(-) Treasury shares	15	Stock granting – incentive plan	152	-
Equity	Gains on transactions involving shares			408	-