Grendene®

Publicly Held Company

CNPJ (National Registry of Legal Entities Number)
89.850.341/0001-60

NIRE (Company Registration Identification Number)
23300021118-CE

Management Report
2023

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MANAGEMENT REPORT 2023

In accordance with the law and the company's bylaws, the Management of Grendene S.A. presents the Management Report and the Individual and Consolidated Financial Statements of the Company. The documents were prepared in accordance with the accounting practices adopted in Brazil and the regulations of the Brazilian Securities Commission (CVM), while adhering to the accounting principles outlined in the corporate law (Law 6404/76) and the international financial reporting standards (IFRS) issued by the International Accounting Standards Board (IASB). The company has adopted all regulations, revisions to regulations, and interpretations issued by the IASB that are effective for the financial statements as of December 31, 2023.

Message from the Management

With great satisfaction, we present our performance in 2023, a year marked by significant challenges but also by numerous achievements. Our journey throughout the year reinforced our commitment to excellence and innovation, even in a complex global economic environment.

In 2023, geopolitical concerns and interest rate fluctuations led to the context's instability and uncertainty. Despite these challenges, we have maintained our growth trajectory by responding to market developments with agility and efficiency. Resilience and flexibility were key to overcoming obstacles and taking advantage of emerging opportunities.

In this scenario, overall gross sales reached R$3.0 billion, with 139.7 million pairs sold, a 3.5% and 5.8% decline, respectively. Despite a decrease in gross sales, we have seen an increase in gross profit and margins. This outcome demonstrates our effective cost management and the efficacy of our operational optimization efforts. We stay committed to continuously improving our processes in order to achieve efficiency and sustainability.

In the domestic market, several factors continued to exert pressure on household consumption, such as high interest rates, elevated level of indebtedness, restrictive conditions for obtaining credit and a labor market with a shortage of opportunities. In this difficult environment, our company concentrated its efforts on increasing its presence and understanding the demands of our clients.

Internal sales figures demonstrate our brand's commitment and resilience. Regardless of this challenging circumstance, we increased gross sales by 3.2%, reaching R$2,454.9 million. However, we noticed a 1.2% decrease in the number of pairs sold compared to 2022, totaling 113.1 million pairs. This demonstrates the strength of our brands and the continuous trust of our customers, who remain loyal even in challenging times.

In the foreign market, we face significant challenges due to the global economy's slowdown, high interest rates, inflation, elevated levels of retailers' inventories, and fierce competition, especially with China's return to the market. These variables had a negative influence on our exports, resulting in gross revenue of R$555.5 million and 26.6 million pairs exported, which represented a decrease of 25.0% and 21.3%, respectively, when compared to 2022.

Investments in innovation, marketing and technology have remained one of the central pillars of our strategy. We have finished the construction of a new plant in Crato/CE, which will expand our production capacity for EVA products. We remained focused on improving our brands' initiatives and developing successful distribution channels, with one of the most prominent measures being the employment of singer Shakira as Ipanema's worldwide ambassador. Furthermore, our emphasis on research and development enabled us to create new products and solutions in response to our consumers' changing demands and evolving preferences. Our operations have also been digitally transformed, which has increased our efficiency and market response.

Recurring Ebit reached R$383.3 million, 34.5% higher than in the same period in 2022. This increase is due to the reduction in the acquisition prices of raw materials in COGS.

The net financial revenue reached R$317.0 million, a decrease of 5.7% compared to 2022. This decline reflects the extraordinary distribution of dividends amounting to R$1.1 billion in May 2023, which significantly reduced the balance of investments.

Recurring net income increased by 7.8% to R$661.2 million in 2023, driven mostly by improved COGS results.

Operating cash generation in 2023 was R$736.7 million, and the proposed dividends represent a 47.6% payout (dividends and interest on equity divided by profit after legal reserves) with a dividend yield of 4.2%.

As part of our decarbonization goal, we diversify our energy matrix by including renewable sources into our manufacturing process, which not only benefits the environment but also ensures a reduction in operational costs.

We announced the signing of agreements for self-generation of energy by equivalence. The signed agreements provide for the acquisition of an equity stake in a partner company in exchange for the provision of subsidized electricity equivalent to 10 MW/medium over a 20-year term beginning January 1, 2024.

Sustainability has remained a key element in all our operations. We have implemented several initiatives to reduce our environmental footprint and promote sustainable practices throughout the value chain. We are committed to being an agent of positive change, contributing to a more sustainable future.

For the fourth year in a row, we published the Sustainability Report (2022), adhering to major international sustainability reporting and management guidelines such as Integrated Reporting (Capitals), Global Reporting Initiative (GRI), and UN Sustainable Development Goals (SDGs). For the second consecutive year, we have been included in the B3 Corporate Sustainability Index (ISE) portfolio.

Our teams have been the driving force behind our success. Our employees' dedication, creativity, and commitment are invaluable. We congratulate each and every one of our employees for their ongoing efforts and critical contribution in attaining our goals. We continue to prioritize talent training and development because we feel that our employees are our most valuable asset.

We also thank our shareholders, customers and partners for their support and trust. This relationship allows us to achieve our aims and expand sustainable.

Looking into the future, we are optimistic. Regardless of the problems that may arise, we are well-positioned to maintain our development and success trajectory. Our long-term strategy is focused on innovation, sustainability, and global expansion. We are committed to maintaining quality and excellence in everything we do, and we strive to surpass our stakeholders' expectations.

Outstanding advancements and lessons learned from the year 2023 were crucial to strengthening our strategy. We are confident that the strong foundations we have built this year will provide a solid foundation for long-term growth and appreciation. Our mission is to create inexpensive and sustainable fashion while valuing connections. We will work together to align our company objectives with investor and stakeholder expectations.

Cordially,

The Management

Grendene®

Management Report 2023

Economic and Financial Performance

Main consolidated indicators (in IFRS)

R$ million	2019	2020	2021	2022	2023	Change 2023/2022	CAGR[1] 2023/2019
Gross Sales Revenue	2,513.3	2,334.8	2,847.2	3,119.9	3,010.4	(3.5%)	4.6%
Domestic market	1,979.5	1,903.6	2,160.9	2,379.5	2,454.9	3.2%	5.5%
Exports	533.8	431.2	686.3	740.4	555.5	(25.0%)	1.0%
Exports (US$)	135.3	83.6	127.2	143.4	111.2	(22.4%)	-
Net revenue	2,071.0	1,896.8	2,342.5	2,512.7	2,433.6	(3.1%)	4.1%
Cost of goods sold	(1,126.5)	(1,022.3)	(1,312.4)	(1,504.9)	(1,349.9)	(10.3%)	4.6%
Gross profit	944.5	874.5	1,030.1	1,007.8	1,083.7	7.5%	3.5%
Operational Expenses	(375.2)	(573.3)	(636.5)	(768.6)	(808.8)	5.2%	21.2%
Recurring Operational Expenses	(609.0)	(502.3)	(614.5)	(709.8)	(700.4)	(1.3%)	3.6%
EBIT	569.4	301.2	393.5	239.1	274.9	15.0%	-
Recurring EBIT	335.6	372.2	415.6	284.9	383.3	34.5%	-
EBITDA	646.6	389.2	484.5	332.9	370.7	11.4%	-
Recurring EBITDA	412.8	460.2	506.6	378.6	479.0	26.5%	-
Net financial revenue	374.4	137.4	159.2	336.2	317.0	(5.7%)	-
Recurring net financial revenue	178.1	137.4	159.2	336.2	317.0	(5.7%)	15.5%
Net profit	819.2	405.2	601.0	568.0	557.7	(1.8%)	-
Recurring net profit	478.8	468.6	541.8	613.1	661.2	7.8%	8.4%
Capex (fixed and intangible)	52.4	73.2	121.6	173.1	122.9	(29.0%)	23.7%
Shareholders' equity	4,006.7	4,230.2	4,094.3	4,364.1	3,659.4	(16.1%)	-

R$ per pair	2019	2020	2021	2022	2023	Change 2023/2022	CAGR[1] 2023/2019
Gross revenue	16.66	16.06	18.48	21.05	21.56	2.4%	6.7%
Domestic market	16.50	15.94	17.84	20.80	21.72	4.4%	7.1%
Exports	17.30	16.60	20.87	21.89	20.86	(4.7%)	4.8%
Exports (US$)	4.39	3.22	3.87	4.24	4.18	(1.4%)	-
Cost of goods sold	(7.47)	(7.03)	(8.52)	(10.15)	(9.67)	(4.7%)	6.7%

R$	2019	2020	2021	2022	2023	Change 2023/2022	CAGR[1] 2023/2019
Earnings Per Share	0.9084	0.4494	0.6663	0.6298	0.6182	(1.8%)	-
Diluted Earnings Per Share (EPS)	0.9070	0.4491	0.6662	0.6294	0.6183	(1.8%)	-
Dividend Per Share	0.5947	0.2434	0.4381	1.4595	0.3137	(78.5%)	-

Millions of pairs	2019	2020	2021	2022	2023	Change 2023/2022	CAGR[1] 2023/2019
Volume	150.9	145.4	154.0	148.2	139.7	(5.8%)	-
Domestic market	120.0	119.4	121.1	114.4	113.1	(1.2%)	-
Exports	30.9	26.0	32.9	33.8	26.6	(21.3%)	-

Margin (%)	2019	2020	2021	2022	2023	Change 2023/2022	Change[2] 2023/2019
Gross	45.6%	46.1%	44.0%	40.1%	44.5%	4.4 pp	(1.1 pp)
EBIT	27.5%	15.9%	16.8%	9.5%	11.3%	1.8 pp	(16.2 pp)
Recurring EBIT	16.2%	19.6%	17.7%	11.3%	15.7%	4.4 pp	(0.5 pp)
EBITDA	31.2%	20.5%	20.7%	13.2%	15.2%	2.0 pp	(16.0 pp)
Recurring EBITDA	19.9%	24.3%	21.6%	15.1%	19.7%	4.6 pp	(0.2 pp)
Net	39.6%	21.4%	25.7%	22.6%	22.9%	0.3 pp	(16.7 pp)
Recurring net	23.1%	24.7%	23.1%	24.4%	27.2%	2.8 pp	4.1 pp

R$	2019	2020	2021	2022	2023	Change 2023/2022	CAGR[1] 2023/2019
US$ at end of period	4.0307	5.1967	5.5805	5.2177	4.8413	(7.2%)	4.7%
Average US$	3.9451	5.1558	5.3950	5.1648	4.9950	(3.3%)	6.1%

Liquidity	2019	2020	2021	2022	2023	Change 2023/2022	CAGR[1] 2023/2019
General liquidity	7.7	9.3	8.1	8.5	7.6	(10.6%)	-
Current liquidity	6.5	9.1	8.0	7.3	7.0	(4.1%)	1.9%
Dry liquidity	5.8	8.2	6.7	6.3	6.1	(3.2%)	1.3%

Notes:

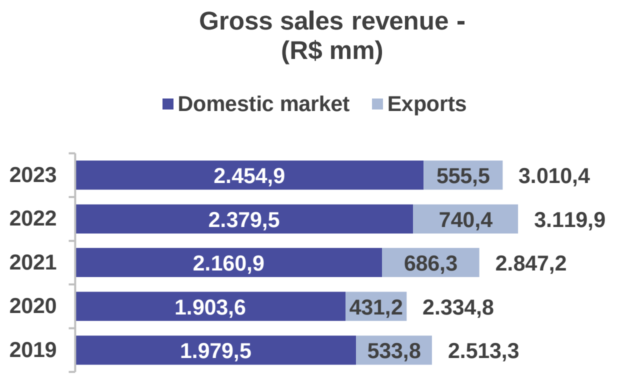
1) CAGR: Compound Annual Growth Rate

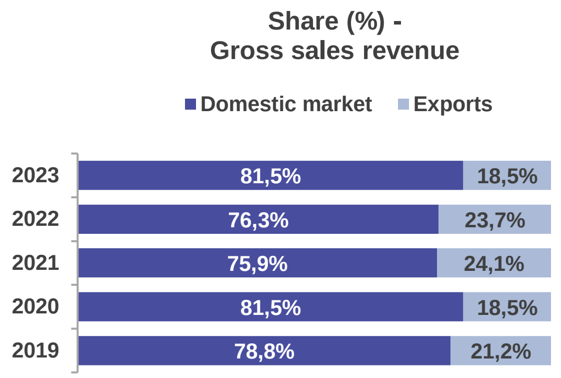
2) pp (percentage points).

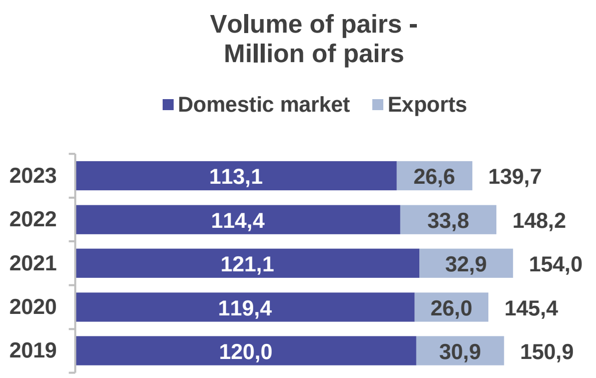
Gross Sales Revenue

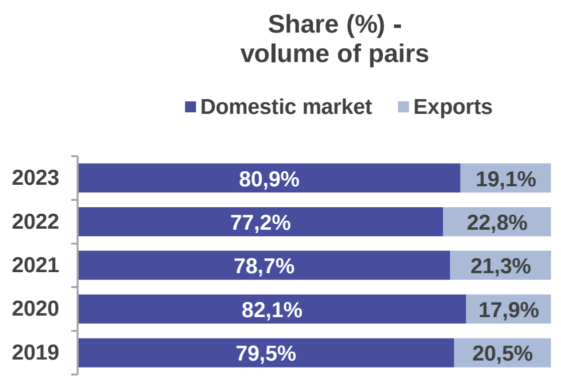
In 2023, reported gross revenue amounted to R$3.0 billion, which was 3.5% lower than in 2022. We sold 139.7 million pairs during the year, a 5.8% decline compared to 2022. However, improvements in domestic market performance, a higher-value-added mix, along with price adjustments granted, resulted in a gross revenue per pair that was 2.4% higher than in 2022.

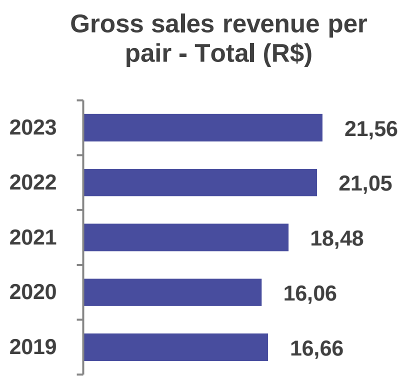
The charts below show the progression of these figures:

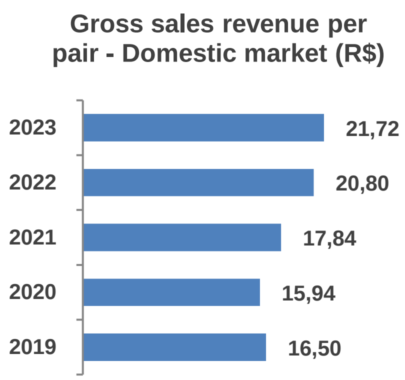


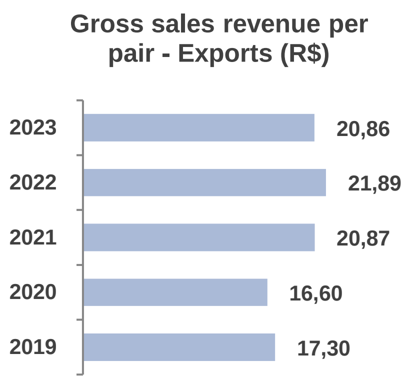






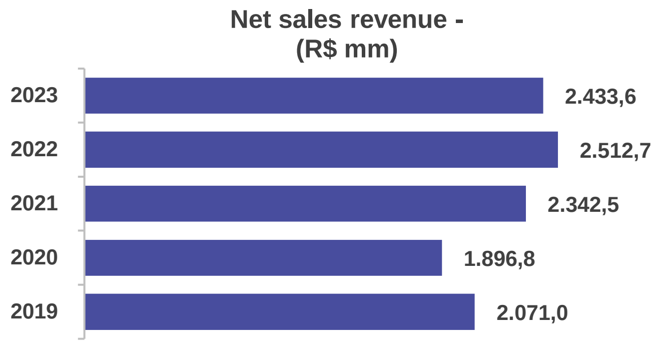


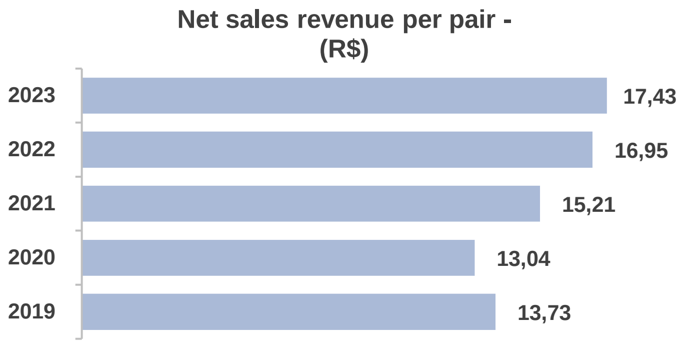




According to data from the SECEX/ABICALÇADOS (Brazilian Foreign Trade Department/Brazilian Footwear Association of Industries), Brazilian footwear exports in 2023 increased by 6.9% in average price per pair exported in dollars, but decreased by 10.8% in dollar revenue and 16.6% in volume of pairs sold compared to 2022. Grendene, on the other hand, saw a 21.3% fall in the number of pairs sold, a 22.4% decrease in revenue, and a 1.4% decrease in the average price per pair exported in dollars. The volume of Brazilian footwear exported by Grendene experienced a slight decrease from 23.8% in 2022 to 22.5% in 2023.

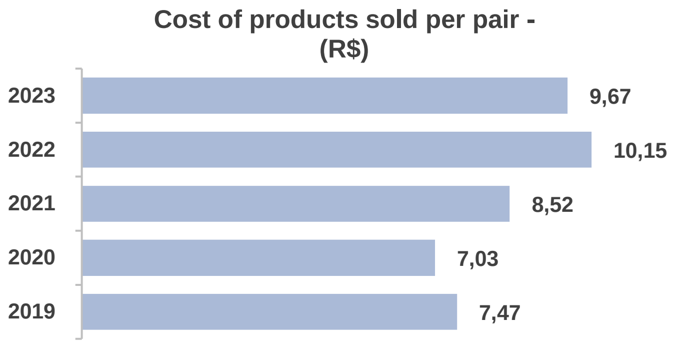
Net Sales Revenue





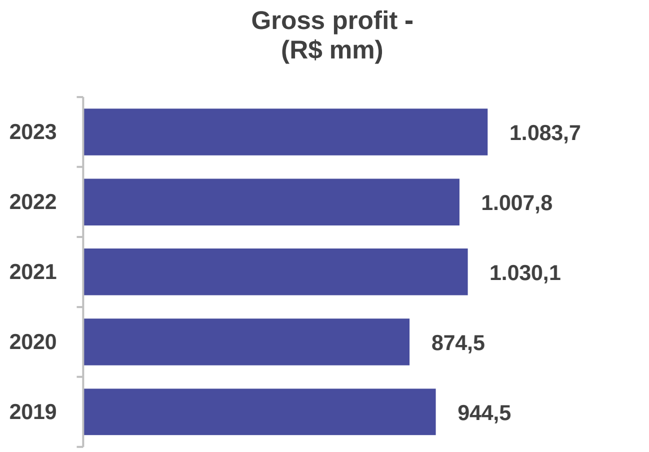
Average cost of goods sold (COGS)

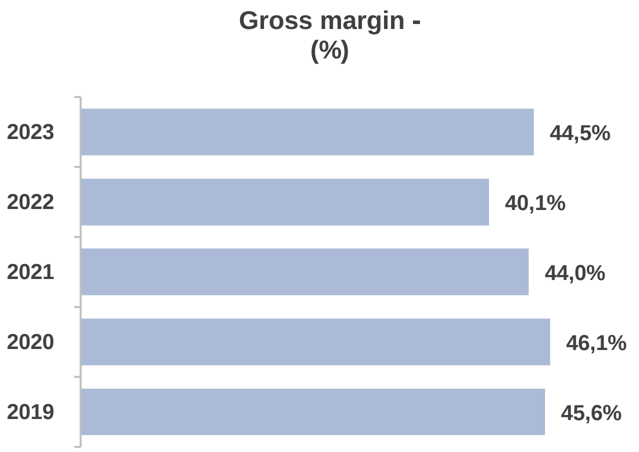
In 2023, the unit cost of goods sold (COGS) was 4.7% lower. The decrease in the price of our raw materials, especially PVC resin, contributed to this reduction.



Gross profit

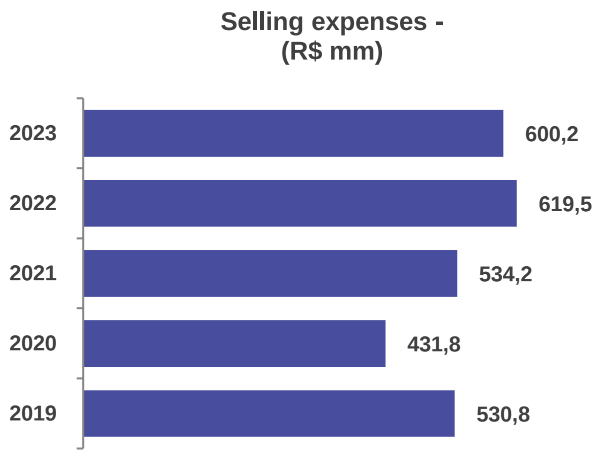
The gross margin increased from 40.1% to 44.5% in 2023 (+4.4 pp), reflecting a decrease in raw material costs and better operating efficiency.

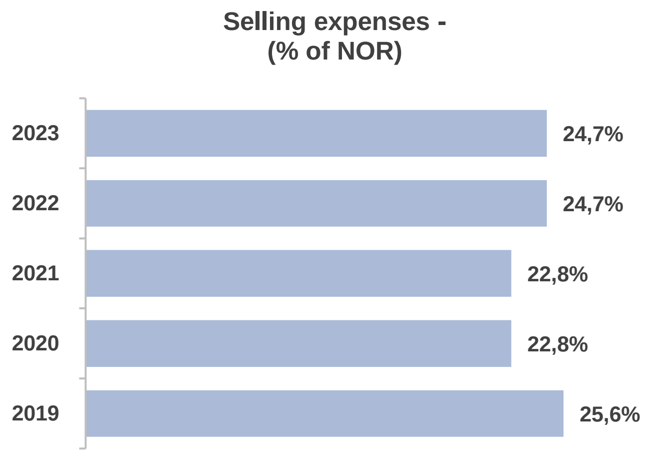




Selling expenses

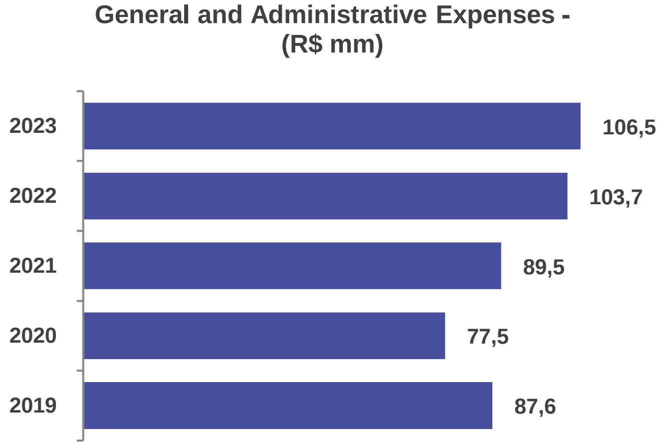
The Company's commercial expenses are predominantly variable in the form of freight, licensing, commissions, advertising, and marketing. Commercial expenses have returned to historical levels, representing 24.7% of the net revenue in 2023 (-3.1% vs. 2022). Expenses related to freight, commissions, and strategic investments in technology and innovation were the ones that showed the greatest variations in the fiscal year.

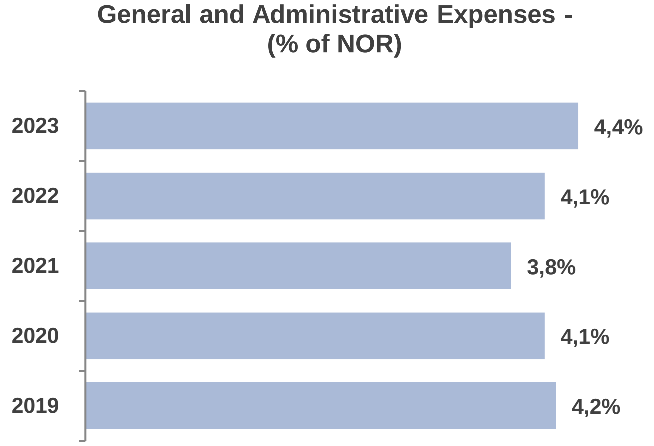




General and Administrative Expenses (G&A Exp.)

In 2023, general and administrative expenses increased by 2.7%, which was less than the period's accumulated inflation rate, and remained at approximately 4% of net revenue.





EBIT

We understand that, due to our significant cash position generating significant financial revenues, the operational profit of our activity is best characterized by EBIT.

EBIT / EBITDA Reconciliation, in R$ thousands	2019	2020	2021	2022	2023	Change 2023/2022	CAGR[1] 2023/2019
Net profit for the year	**819,217**	**405,206**	**601,005**	**568,027**	**557,671**	**(1.8%)**	**-**
Taxes on profit	124,552	33,406	(48,276)	7,290	34,298	370.5%	-
Net financial revenue	(374,408)	(137,413)	(159,207)	(336,197)	(317,041)	(5.7%)	-
EBIT	**569,361**	**301,199**	**393,522**	**239,120**	**274,928**	**15.0%**	**-**
Depreciation	77,222	88,049	91,020	93,746	95,796	2.2%	5.5%
EBITDA	**646,583**	**389,248**	**484,542**	**332,866**	**370,724**	**11.4%**	**-**
Non-recurring effect	(233,809)	70,955	22,068	45,758	108,323	136.7%	-
Recurring EBIT	**335,552**	**372,154**	**415,590**	**284,878**	**383,251**	**34.5%**	**3.4%**
Recurring EBITDA	**412,774**	**460,203**	**506,610**	**378,624**	**479,047**	**26.5%**	**3.8%**
EBIT margin	**27.5%**	**15.9%**	**16.8%**	**9.5%**	**11.3%**	**1.8 pp**	**(16.2 pp)**
Recurring EBIT margin	**16.2%**	**19.6%**	**17.7%**	**11.3%**	**15.7%**	**4.4 pp**	**(0.5 pp)**
EBITDA margin (%)	**31.2%**	**20.5%**	**20.7%**	**13.2%**	**15.2%**	**2.0 pp**	**(16.0 pp)**
Recurring EBITDA margin	**19.9%**	**24.3%**	**21.6%**	**15.1%**	**19.7%**	**4.6 pp**	**(0.2 pp)**

Non-recurring items:

2019	In 2019, we had non-recurring items related to: estimated losses from doubtful debtors of R$11.3 million, termination of representatives of R$14 million, present value adjustment of R$5.1 million related to the Proapi export incentive credit, other non-recurring items of R$0.3 million, and non-recurring revenue from the exclusion of ICMS (State tax on Circulation of Goods and Services) from the PIS/COFINS calculation base of R$264.0 million.
2020	In 2020 we had non-recurring items referring to: R$48.0 million in expenses related to COVID-19, R$11.0 million in estimated losses from doubtful debtors, R$4.0 million in advisory expenses, and R$8.0 million in other non-recurring expenses.
2021	In 2021, we had non-recurring items referring to: PIS/COFINS credits on ICMS inputs R$10.0 million, procedural credits R$ 0.9 million, estimated losses with doubtful debtors R$ 13.9 million, expenses related to COVID-19 R$ 14.0 million, INCRA lawsuit R$ 2.1 million, write-off of fixed assets of Grendene UK R$2.1 million and other non-recurring expenses R$ 0.9 million.
2022	In 2022 we had non-recurring items referring to: Non-recurring revenues R$ 14.8 million; procedural credits R$ 3.2 million; expenses related to COVID-19 R$ 3.8 million; result FM retail stores R$ 15.8 million; result GGB equity equivalence R$ 30.5 million; write-off of FM inventories R$ 6.3 million; write-off of Grendene USA fixed assets R$ 1.2 million; franchise management R$ 5.3 million and civil indemnities R$ 0.9 million.
2023	In 2023, we had non-recurring items referring to: procedural credits R$8.2 million; foreign exchange impact on write-off investment by foreign subsidiaries R$7.5 million; legal advisory expenses R$2.5 million; discontinued investments abroad R$18.4 million; recycling of inventories by subsidiaries abroad R$1.0 million; franchise management R$13.2 million; compensation to representatives R$1.3 million; lawsuits R$5.6 million; estimated losses with doubtful debtors R$17.2 million; and GGB equity equivalence R$64.8 million.

EBITDA

Our business has low capital intensity, with depreciation around 4.0% of net revenue, and the company regularly invests a value close to depreciation to keep its production capacity up to date. Additionally, Grendene also maintains positive net cash and has no financial charges that must be paid using resources derived from the operation. As a consequence, we are of the opinion that EBIT analysis provides a more logical indication of the operational management of the Company.

Net financial revenue

In 2023, we recorded a 5.7% drop in the financial result, which reached R$317.0 million, compared to the previous year. This significant reduction can be attributed to the extraordinary distribution of dividends in the amount of R$1.1 billion in May 2023, which had a considerable impact on the balance of investments.

Financial Result (R$ thousands)	2019	2020	2021	2022	2023	Change 2023/2022	CAGR[1] 2023/2019
Income from financial investments	144,839	83,806	103,463	157,270	137,154	(12.8%)	-
Gain on equity financial instruments	-	76,418	5,338	89,158	(6,050)	-	-
Net gain (loss) on FX variations	5,169	(52,864)	157	12,795	13,864	8.4%	28.0%
Other financial results (SCPs, COE, and debentures)	-	8,020	30,250	(1,933)	47,735	-	-
Other financial transactions	181,930	(5,883)	(1,056)	15,810	8,152	(48.4%)	-
Gains on adjustments to present value	42,470	27,916	21,055	63,097	116,186	84.1%	28.6%
Net financial revenue	**374,408**	**137,413**	**159,207**	**336,197**	**317,041**	**(5.7%)**	**-**

Conciliation of financial results (R$ thousands)	2019	2020	2021	2022	2023	Change 2023/2022	CAGR[1] 2023/2019
Net financial revenue	**374,408**	**137,413**	**159,207**	**336,197**	**317,041**	**(5.7%)**	**-**
Non-recurring effect	(196,336)	-	-	-	-	-	-
Recurring net profit	**178,072**	**137,413**	**159,207**	**336,197**	**317,041**	**(5.7%)**	**-**

The breakdown of the Financial Results can be found in the explanatory notes of the financial statements.

Net profit for the year

In 2023, we observed an increase in recurring net income, which reached R$661.2 million, representing a growth of 7.8% compared to the previous year. This positive performance is mainly due to the optimization of our production cost (COGS).

Net profit (R$ thousands)	2019	2020	2021	2022	2023	Change 2023/2022	CAGR[1] 2023/2019
Net profit for the year	**819,217**	**405,206**	**601,005**	**568,027**	**557,671**	**(1.8%)**	**-**
Non-recurring effect	(340,428)	63,392	(59,244)	45,057	103,499	129.7%	-
Recurring net profit for the year	**478,789**	**468,598**	**541,761**	**613,084**	**661,170**	**7.8%**	**8.4%**
Net margin	**39.6%**	**21.4%**	**25.7%**	**22.6%**	**22.9%**	**0.3 pp**	**(16.7 pp)**
Recurring net margin	**23.1%**	**24.7%**	**23.1%**	**24.4%**	**27.2%**	**2.8 pp**	**4.1 pp**

Cash Generation

In 2023, the cash generated from operating activities, totaling R$736.7 million, combined with the net value of R$647.7 million from financial investments, and the net result of R$2.0 million from the purchase and sale of treasury shares for the exercise of options granted by the company, was allocated as follows: investments in subsidiaries and affiliates in the amount of R$51.5 million, acquisition of fixed assets and intangible assets in the amount of R$122.9 million, loans and financing in the net amount of R$14.3 million and payment of dividends and interest on own capital in the amount of R$1,251.4 million, resulted in a reduction of R$53.7 million in the amount held in cash and equivalents.

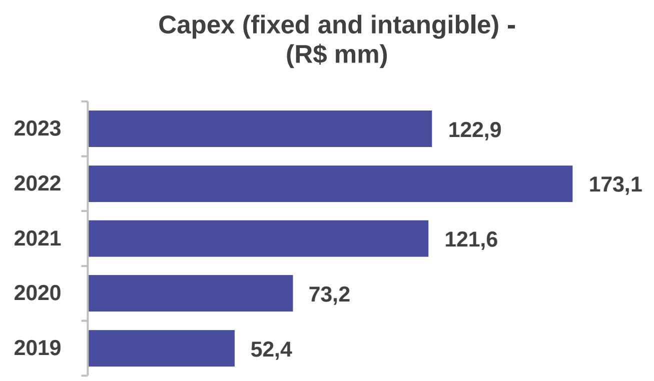
Net cash and equivalents

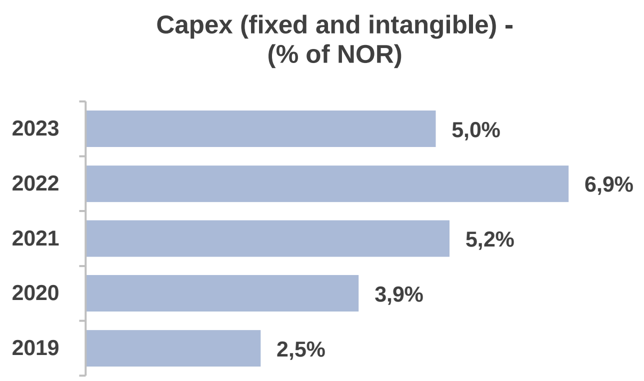
The distribution of availabilities (cash and equivalents and short- and long-term financial investments), loans and financing (short- and long-term) and net cash can be seen as follows:

R$ million	2019	2020	2021	2022	2023
Cash and cash equivalents plus cash investments (ST and LT)	2,128.5	2,000.9	1,588.0	1,796.6	1,252.3
Loans and financings (ST and LT)	(95.2)	(9.8)	(124.3)	(106.6)	(92.4)
Net cash	2,033.3	1,991.1	1,463.7	1,690.0	1,159.9

Capex (fixed and intangible)

Maintenance of industrial structures and facilities, replacement of fixed assets, procurement of new equipment to upgrade the industrial park, and different projects to improve the company's performance were the primary investments in 2023.





Equity Structure and Capital Market

Equity Structure

The share capital of Grendene S.A. as of December 31, 2023, was as follows: 7.2% (or 24.2% of free float) was held by Brazilian institutional investors; 14.2% (or 47.8% of free float) was held by foreign investors; 8.3% (or 28.0% of free float) was held by small investors, including individuals and treasury shares; and controlling shareholders and administrators held the remaining 70.3% of the share capital.

Distribution of % share in share capital	2022	2023
Controlling shareholders and administrators	70.3%	70.3%
Foreign investors	13.1%	14.2%
Institutional investors	8.7%	7.2%
Individuals	7.7%	8.2%
Other	0.2%	0.1%
Total	**100.0%**	**100.0%**

Distribution of % share in share capital	2022	2023
Foreign investors	44.3%	47.8%
Institutional investors	29.4%	24.2%
Individuals	25.9%	27.5%
Public and private companies	0.3%	0.4%
Financial institutions	0.1%	0.1%
Total	**100.0%**	**100.0%**

Grendene has been added to the 19th portfolio of the ISE (Corporate Sustainability Index) B3, which was announced on December 1, 2023, and will be effective from January 2, 2024, to December 30, 2024. The index measures the average performance of asset prices for companies chosen for their commitment to sustainability.

Currently, the Company participates in the composition of the IBRA (Broad Brazil Index), ICON (Consumption Index), IDIV (Dividend Index), IGCT (Corporate Governance Trade Index), IGCX (Differentiated Corporate Governance Index), IGNM (New Market Corporate Governance Index), INDX (Differentiated Corporate Governance Stock Index), ISEE (Corporate Sustainability Index), ITAG (Tag Along Stock Index), SMLL (Small Cap Index) indices of B3 SA Brazil Stock Exchange and Over-the-Counter Market.

Capital Markets

In 2023, 459.2 million ordinary shares were traded (1.71 times the free float), with 1.1 million trades, representing a financial volume of R$3.2 billion. The daily averages were 1,851.5 thousand common shares (0.69% of the free float), financial volume of R$13.0 million and 4,605 trades.

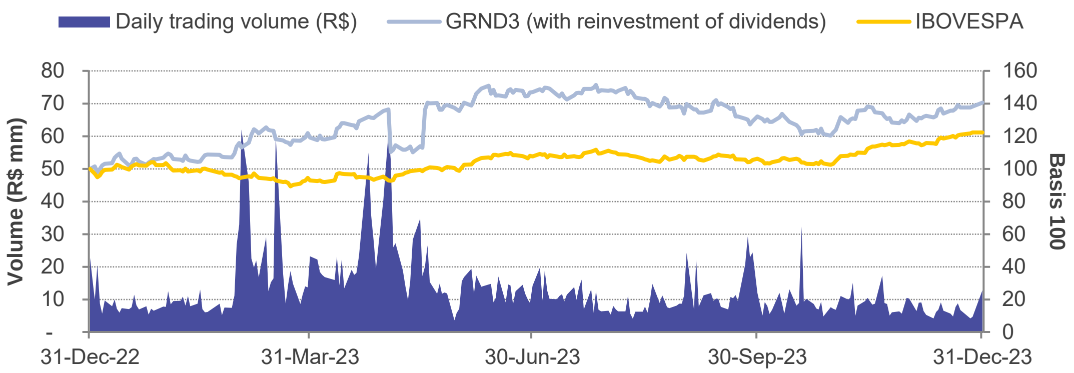
Grendene (GRND3) shares returned 40.6% between January and December 2023, including dividend reinvestment, with a price that fluctuated between R$5.85 on January 3, 2023, to R$8.30 on May 2, 2023. In the same period IBOVESPA valued 22.3%. It is worth noting that the dividend yield, as determined by the weighted average share price in 2023, was 4.2% per annum (compared to 17.9% per annum in 2022).

The number of trades, number of shares traded, financial volume and daily averages are shown in the table below:

Year	No. of trading sessions	No. of trades	Number of shares	Volume R$	Price R$		Average number of shares		Daily trading volume R$	
					Weighted average	Close	Trades	Daily	Trades	Daily
2022	250	1,163,624	390,965,200	3,123,880,041	7.99	6.03	336	1,563,861	2,685	12,495,520
2023	248	1,141,933	459,180,400	3,223,122,419	7.02	7.07	402	1,851,534	2,822	12,996,461

This chart shows the performance of Grendene ON shares compared to the BOVESPA index (Base: December 31, 2022 = 100), and daily trading volume.

Daily trading volume and GRND3 vs. IBOVESPA



Remuneration to Shareholders

Dividend Policy

At the meeting of the Board of Directors on March 2, 2023, a new Company Dividend Policy was defined, establishing that a mandatory 25% dividend will be distributed in accordance with the Brazilian Corporation Law after the legal and statutory reserves have been established and may be paid as interest on equity (IOE), as required by law. Thus, the Board of Directors "ad referendum" of the Shareholders' General Meeting will be responsible for paying additional dividends (extraordinary dividends) over the minimum required by law. As is customary for the Company, the amount to be distributed each year will be proposed by the Management ("ad referendum" of the Shareholders' General Meeting) after an evaluation that will take into account, among other things, the Company's level of capitalization, financial leverage, and liquidity, its cash generation capacity, its investment plan, the prospects for the use of capital due to the anticipated growth of the Company's business, and/or the need for resources for use in current buyback programs.

In addition, we will continue to provide dividends quarterly.

Allocation of net income for the fiscal year

The Company proposes the allocation of the result for the fiscal year 2023 as follows:

a) The minimal mandatory dividend is R$70,745,655.74, which is equivalent to 25% of the dividend calculation base as illustrated below:

b) R$212,236,967.20 of additional dividend to the minimum mandatory dividend, totaling the amount of R$282,982,622.94 relative to fiscal year 2023, and

c) Furthermore, it was proposed the distribution of prescribed dividends of R$4,791.44.

The sum of these amounts totals R$282,987,414.38, which, less the quarterly prepayments made in the gross amount of R$137,171,550.08, results in a balance of R$145,815,864.30, which the company will pay "ad referendum" of the Annual General Meeting that approves the accounts for the 2023 fiscal year on May 15, 2024, as follows:

a) R$95,000,000.00 as Interest on Equity (IOE) (gross), which is imputed to the dividend (net amount R$ 80,750,000.00).

b) R$50,815,864.30 as dividend.

Shareholders holding common shares (GRND3) registered in the Company's records on May 2, 2024 (the cut-off date) will be entitled to receive the dividends. Thus, Grendene's shares (GRND3) will start trading ex-dividend as of May 3, 2024, on the B3.

Basis for dividend distribution 2023

Grendene S.A. (Holding company)	R$
Net profit for the year	557,670,992.91
(–) Tax Incentives reserve	(274,688,369.97)
Basis for calculation of the Legal reserve	**282,982,622.94**
(–) Legal reserve*	0.00
Amount of the dividend for the fiscal year 2023 / Calculation basis of the minimum mandatory dividend	**282,982,622.94**
(+) Dividends prescribed	4,791.44
Amount of the dividend proposed by the management	**282,987,414.38**
(-) Early distribution of dividends	(137,171,550.08)
Balance available for distribution for the year 2023	**145,815,864.30**

** In the fiscal year 2022, the Company reached the maximum limit of constitution of the Legal Reserve.*

Balance to be distributed as:	R$
Dividend	50,815,864.30
Interest on Equity (IOE)	95,000,000.00
(-) Income tax withheld at source (15%)	(14,250,000.00)
(=) Interest on Equity Net of Taxes	80,750,000.00

Demonstration of the mandatory minimum dividend	R$
Calculation base of the minimum mandatory dividend	**282,982,622.94**
Mandatory minimum dividend (25%)	70,745,655.74
Dividend proposed in excess of the mandatory minimum	212,241,758.64
Total	**282,987,414.38**

In the following table we consider the payment of IOE (gross) and accumulated dividends.

R$ million	2019	2020	2021	2022	2023
Mandatory minimum dividend (25%)	134.1	54.9	94.2	79.1	70.8
Additional dividend	402.4	164.6	301.0	1,237.5	212.2
Total	**536.5**	**219.5**	**395.2**	**1,316.6**	**283.0**

R$	2019	2020	2021	2022	2023
Dividend + Net IOE per share (R$)	0.5764	0.2251	0.4260	1.4264	0.2946
Payout (%)	65.7%	51.6%	63.0%	233.4%	47.6%
Dividend yield (%)	6.7%	2.7%	4.5%	17.9%	4.2%

Payout: Dividend + IOE net divided by net income after the constitution of legal reserves.

Dividend yield: Dividend per share + IOE net per share in the fiscal year divided by the weighted average price of the share in the annualized period.

Dividends and IOE distributed / proposed.

Dividend	Approval Date	Ex-date	Payment start date	Gross value R$	Gross value per share R$	Net value R$	Net value per share R$
Dividend [1]	May 11, 2023	May 23, 2023	June 07, 2023	68,121,469.32	0.075509523	68,121,469.32	0.075509523
Dividend [1]	Aug. 10, 2023	Aug. 22, 2023	Sep. 06, 2023	17,136,560.23	0.018995091	17,136,560.23	0.018995091
Dividend [1]	Nov. 09, 2023	Nov. 22, 2023	Dec. 06, 2023	31,913,520.53	0.035374673	31,913,520.53	0.035374673
IOE [1]	Nov. 09, 2023	Nov. 22, 2023	Dec. 06, 2023	20,000,000.00	0.022169082	17,000,000.00	0.018843720
Dividend [1 and 2]	Feb. 29, 2024	May 03, 2024	May 15, 2024	50,815,864.30	0.056327054	50,815,864.30	0.056327054
IOE[1 and 2]	Feb. 29, 2024	May 03, 2024	May 15, 2024	95,000,000.00	0.105303141	80,750,000.00	0.089507669
Total				**282,987,414.38**	**0.313678564**	**265,737,414.38**	**0.294557730**

[1] Dividends and interest on equity were approved "ad referendum" of the Ordinary General Meeting that appraised the balance sheet and financial statements for the 2023 fiscal year.

[2] Value per share is subject to change depending on the balance of treasury shares on the cut-off date (May 2, 2024). The dividend and Interest on Equity (IOE) values per share were established on the base date of December 31, 2023, when the Company had a total of 2,671 shares in treasury.

Sustainability

At Grendene, we design affordable and sustainable footwear in a creative way, always prioritizing relationships. We are guided by a Sustainable Development Policy. This document is structured in three pillars: (i) appreciating and respecting people; (ii) operating in an environmentally responsible manner; and (iii) offering products with a lesser environmental impact. These pillars aim to establish the guidelines of the company's sustainability journey.

Furthermore, our strategy is consistent and directly contributes to eight of the United Nations' 17 Sustainable Development Goals (SDGs).

Circular Approach

Grendene adopts a circular strategy that is consistent with three essential principles: waste disposal, product circularity, and natural regeneration. Our strategy incorporates innovative solutions that maximize the use of raw materials, minimizing waste and waste production. In addition, we promote the reintegration of materials into the production cycle through reverse logistics.

We have over 400 reverse logistics collection points located strategically throughout Brazil, including Melissa Clubs, Melissa Gallery, Rider Spaces Copan Store (SP), and our factories. This broad collection network reinforces our commitment to sustainability and environmental responsibility.

All Grendene shoes are vegan, and they are produced with about 30% pre-consumption recycled content, which re-purposes waste that would otherwise be discarded. We ensure that our products are non-toxic and free of substances that may be harmful or cause allergies. PVC, the main raw material of our products, is 100% recyclable, reinforcing our commitment to circularity.

In addition, 98% of our paper packaging is certified by the Forest Stewardship Council (FSC), ensuring that the paper is sourced from responsibly managed forests, thus promoting environmental conservation.

Energy efficiency

We remain committed to the challenge of reducing energy consumption in footwear manufacture. However, in 2023, we recorded a 10% increase in consumption compared to 2022. This result is due in part to the increased complexity of producing and installing new equipment, which added to the structural stress.

To overcome this obstacle and achieve a 3% decrease by 2024, we intend to conduct assessments of current structures with the goal of adopting automation projects. Our primary focus is on the optimization of systems that provide energy on demand to the manufacturing process, such as the modernization of utility blocks and exhaust systems, while also maintaining strict monitoring, control, and management of industrial indicators.

In 2023, we developed manufacturing energy efficiency projects and actions. This comprised process adequacy and redesign, equipment adaptation (such as compressor management, reprogramming of cooling temperature, and machinery replacement), and operational management, including compressed air audit routines.

Electrical power consumption	2019	2020	2021	2022	2023	Change 2023/2022
Absolute energy consumption (kWh)	100,756,580	92,127,784	104,133,661	99,453,193	101,157,507	1.7%
Power consumption indicator (kWh/pair)	0.670	0.646	0.653	0.673	0.742	10.3%

In addition, we have expanded our capacity to self-generate photovoltaic solar energy, with installations in Farroupilha and Crato. As a result, we prevented 664.52 tons of CO2e emissions in 2023.

Waste Management

In 2023, we observed a 29% increase in waste generated by produced pairs. The main contribution to this increase was the injection process of EVA, thermosetting material, which presents more complex recycling alternatives.

Grams/pair	2019	2020	2021	2022	2023	Change 2023/2022
Waste generation indicator (g/pair)	9.27	9.56	10.48	9.84	12.69	29.0%

Throughout the same year, we remained committed to sending 0% hazardous waste to landfills, concentrating on waste reduction, reuse, recycling, and energy recovery.

Furthermore, our primary raw material, PVC, is both long-lasting and completely recyclable. We have our own recycling system, which incorporates all PVC waste generated before use into new products, resulting in footwear with a smaller environmental impact. On average, 30% of our shoes' content is recycled.

Water consumption

Our industrial operations are located in Brazil's semi-arid region, highlighting our actions and dedication to responsible water use and decreasing our environmental imprint.

a) We reuse over 134 million gallons of treated effluent. All treatment is done internally at the effluent treatment plants, and the reused water is used to flush toilets and water the company's green spaces and gardens.

b) In 2023, we were able to reduce total consumption by 5%; however, the liter per pair generated indicator increased by 3.9%. In 2024, we will continue to work to lower our water footprint, including programs that employ technology and analysis to remove leaks and reuse more water.

Liters/pair	2019	2020	2021	2022	2023	Change 2023/2022
Drinking water consumption indicator (l/par)	1.67	1.74	1.50	1.53	1.59	3.9%

Highlights of the year

We have evolved in our sustainable journey; here are the important highlights and recognitions:

- **Sustainability Report 2022:** For the fourth consecutive year, we present the Sustainability Report, which includes our sustainability results for 2022. The report was prepared on the basis of the main international guidelines for reporting and managing sustainability, including integrated reporting (natural, human, intellectual, manufactured, social, and financial capital), the Global Reporting Initiative (GRI), the Sustainability Accounting Standards Board (SASB), and the UN Sustainable Development Goals.
- **CDP (Carbon Disclosure Project**): We publish climate data in CDP reports on a yearly basis. We responded to the Water Security, Forests, and Climate Change surveys last year, as well as the Value Chain Engagement module.
- **DFBW Awards:** Rider received the Design for a Better World award in the Product, Service, and Packaging Design category in November for its Rider NX R4 + Firm Point project. This idea arose from the brand's engagement with a humanitarian project that promotes the rehabilitation of individuals from the Guarulhos (SP) jail system.
- **Marc Jacobs collaboration:** Marc Jacobs, a renowned designer from the Moët Hennessy Louis Vuitton (LVMH) group, collaborated with Melissa on a unique initiative. This partnership gave rise to a line of footwear that combines comfort and modernity, characterized by the use of soles made with bio-based EVA. This eco-friendly, sugarcane-derived material bears the certification of the United States Department of Agriculture (USDA), reinforcing its commitment to sustainable practices.

- **Rider R4**: In October, we introduced the new Rider R4 line, which features models inspired by the seas and oceans, as well as a style that interacts with water through shapes, colors, and prints. The Rider R4 symbolizes our commitment to the 4RS: Reduce, Reuse, Recycle and Recreate the Future.
- **Fashion Transparency Index Brazil (ITMB)**: Grendene's brands, Ipanema, and Melissa, are rated annually by the Fashion Transparency Index Brazil. In the most recent cycle, their level of service to the index climbed by three percentage points, hitting 55%, up from the previous year. The index analyzes the transparency of major brands and fashion retailers in the country regarding policies, practices and impacts on human rights and the environment, both in their own operations and in their supply chains.
- **Corporate Sustainability Index (ISE B3):** For the second year in a row, we are part of the B3 Corporate Sustainability Index portfolio.

Audits and certifications for sustainable development in operations

The Brazilian Association of Textile Retail (ABVTEX) audits our production units on a regular basis, attesting to good procedures across our production chain. In the 2023 audit, we received the **ABVTEX Gold seal**, the highest grade.

This year, we were also audited by Sedex Members Ethical Trade Audit (SMETA), one of the most well-recognized audits of ethics and social responsibility in the world and had impressive results.

All Grendene shoes **ARE REGISTERED BY THE VEGAN SOCIETY** with the VEGAN seal. The label is recognized worldwide and awarded by The Vegan Society (based in the UK). The seal proves that Grendene shoes do not contain any components of animal origin and are free of animal testing.

Grendene's use of renewable electricity in its operations is evidenced by the **I-REC (Renewable Energy Certificate)** accreditation. When using the purchase choice strategy, tracking the origin of energy is accountable for a 100% reduction in scope 2 emissions.

All of our products with EVA bio-based compound and bio-based PVC contain USDA-certified content. An approximate 30% reduction in CO2eq emissions per pair of products is achieved by incorporating 28% renewable carbon into the formulation, as opposed to the conventional carbon derived from nonrenewable sources.

Brazilian GHG Protocol Program: For the second consecutive year we obtained the Gold Seal for the publication of the corporate inventory of greenhouse gases in the Public Emissions Registry. A third party audits the document, and this ensures transparency in the management of emissions by the company.

The expenses (investments and expenses) in sustainability were:

R$ million	2019	2020	2021	2022	2023	Change 2023/2022
Investments and expenses in sustainability	3.8	3.6	4.8	2.5	8.5	240.0%

Furthermore, throughout the last year, we increased our factories' self-generation of photovoltaic solar energy. In Farroupilha, 208 additional modules were installed in the Melissa department building, totaling 92.56 kWp. In Crato, the new facility received 4,032 modules with a total capacity of 2 MWp. These two projects were the main responsible for increasing the investments in sustainability.

Our investment in renewable energy is both economically profitable and environmentally sustainable, as it directly contributes to the reduction of our Scope 2 emissions.

For more information visit: https://www.grendene.com.br/sustentabilidade

People Management

Consistent with strategic objectives, Grendene acknowledges individuals as the primary foundation and essence of the organization. We encourage and reward protagonism in all areas to ensure mutual advancement and respect between the organization and its employees, as they are accountable for achieving our purpose through their skills and talents.

Learning to evolve and teach so that we can all learn together helps us enhance the strategic value of learning and empowers employees' skills with the goal of assuring the maintenance of professional and personal skills. This task is shared by the Human Resources Board, Grendene University, and all managers who are constantly ready to demonstrate leadership.

Our Human Resources Board seeks to consolidate the strategic direction of strategic drivers through integrated and competitive people management measures. In line with our principles, we prioritize learning, both personally and as a team, through education and training initiatives.

In the following table, we present social and corporate data:

Social and corporate data	2019	2020	2021	2022	2023
Employees (average/year)	18,809	18,340	17,692	17,192	16,374
Training (hour/employee)	76	68	12	55	69
Meals (year)	4,363,688	2,896,659	3,407,656	3,066,775	3,429,417
Employees with special needs (year)	948	847	793	751	764
Dental care (care/year)	14,685	3,521	6,922	8,297	5,783
Absenteeism	1.71%	3.47%	3.61%	3.41%	2.59%
Turnover (month)	1.29%	1.75%	1.98%	2.01%	2.35%
Basic food baskets distributed (units/year) *	220,066	210,374	206,727	197,901	185,790

(*) Grendene's basic food basket distribution policy aims to enhancing the food security of the employees and has been adopted since 1990. Over time, the nutritional value of the food basket has been maintained, offering different options of items. This benefit is available to all Grendene employees and interns beginning with their first month of employment.

Grendene University (UG)

Grendene has been investing in and refining its corporate education process since 2005, with a focus on employee and business needs. We are committed to optimizing employees' potential through an integrated training and development system that is consistent with the company's principles.

In 2017, we established Grendene University, which includes schools and educational solutions that serve as important centers of knowledge, as well as technical and behavioral learning.

In 2023, we highlight the deployment to all leaders and their teams of Grendene's strategic drivers, bringing clarity about what our drivers are and what they represent: Purpose, values, and strategic pillars.

We maintained the Institutional Solutions programs that contribute to the business's transversal development, such as Diversity and Inclusion, Digital Transformation, and Education for Sustainability.

We believe in developing our potentials and supporting each individual's protagonism throughout their careers through the Potentials Program and Asynchronous Actions on the UG Platform.

This is how we drive organizational efficiency and creativity by utilizing active learning approaches, collective systems, and topics related to business and people needs. More than that, we encourage the learning acquired at Grendene to be taken home and shared with family and community.

Additional Information

Independent Auditors (CVM Resolution No.162/2022)

Grendene S.A. notifies that, in adherence to CVM Resolution No. 162 dated July 13, 2022, it has engaged the independent audit services of PricewaterhouseCoopers Auditores Independentes Ltda (PWC). PWC was assigned to conduct a comprehensive examination of the organization's financial statements and conduct a special review of its quarterly information for the fiscal year ending December 31, 2023. The audit incurred expenses amounting to R$519.4 thousand. PWC provided other advisory services of R$37.4 thousand in 2023, accounting for 6.7% of independent auditors' total remuneration in 2023.

When engaging with the independent auditor for services unrelated to the external audit, the Company observes the following guidelines to ensure the auditor's independence: (a) the auditor must not audit their own work; (b) the auditor must not exercise managerial functions for their clients; and (c) the auditor must not promote the interests of their clients.

Justification by Independent Auditors (PWC)

The provision of other professional services unrelated to external audit, as indicated above, has no bearing on the independence or objectivity of external audit examinations conducted for Grendene S.A. and its subsidiaries. The policy of collaborating with Grendene on non-external audit services is founded on principles that protect the Independent Auditor's independence, all of which were followed in the provision of these services.

Statements of the Board of Directors

We declare, as Statutory Directors of Grendene S.A., in accordance with CVM Resolution No. 80 of March 29, 2022, 27, subsection III: Financial Statements, section V of the article, that we review, consider, and agree with the opinions contained in the opinion of independent auditors.

In accordance with CVM Resolution No. 80 of March 29, 2022, subsection III: Financial Statements, section VI of the article, we, as Statutory Directors of Grendene S.A., review, discuss, and agree with the information presented in the Financial Statements of the Company and Controlled Companies (consolidated) for the fiscal years ended December 31, 2022 and 2023.

Appendix I

OPINION OF THE AUDIT COMITTEE

The Audit Committee of Grendene is an internal, permanent, and non-statutory body, directly linked to the Board of Directors, subject to applicable legislation and regulations. Among its responsibilities, it advises the Board of Directors (BD) in evaluating the quality of financial statements, monitors compliance with legal and regulatory requirements, verifies the independence and effectiveness of work performed by internal and external auditors, as well as the effectiveness of internal operational risk systems. Within its scope of duties and responsibilities, it recommends corrections and enhancements to practices and procedures whenever deemed necessary.

The Committee reviewed Grendene's Internal Audit, Compliance, Risk Management, and Internal Controls preparations, as well as the Financial Statements for the 2023 base date. All matters discussed in Committee meetings were presented and submitted for evaluation to the Grendene Board of Directors at their respective quarterly ordinary meetings.

Risk Management, Internal Controls, and Compliance

The Audit Committee noted that Grendene's Management has been developing standards, policies, and processes, with the support of the Governance, Risk, and Compliance (GRC) area. These actions aim to strengthen the quality of internal controls, the governance system, the risk management culture, and the integrity (Compliance) culture of the Company. Throughout the year, the Committee held quarterly meetings: encouraging and monitoring integrity and ethics training and communications; analyzing data from the Ethics Channel and actions taken by the Company; evaluating, and forwarding for approval by the Board of Directors, the Gifts, Presents, and Hospitality Policy; monitoring risk management actions and the development of the Internal Controls Matrix conducted by the GRC area with the various business areas of Grendene.

External Auditors

The Audit Committee maintains regular contact with the External Auditors in order to discuss the outcomes of their work in support of its opinion.

The Committee finds the information presented by the External Auditors to be satisfactory, and no issues that could compromise their independence have been detected.

Internal Audit

In 2023, the Committee quarterly monitored the activities carried out by Internal Audit, according to the annual plan approved at the end of 2022. Thus, it verified that the execution occurred as planned, in addition to monitoring the evolution of action plans for identified audit points.

Financial Statements

The Audit Committee reviewed the Financial Statements and Explanatory Notes prepared by Management and reviewed by External Audit for the year ended 2023, noting that all relevant information is recorded and in accordance with applicable regulations.

Conclusion

The Audit Committee of Grendene S.A., taking into account its responsibilities and the inherent limitations arising from the scope of its action, the decisions and responsibilities of the other Governance bodies, the External Audit, and the Administrators, has determined that the Financial Statements present Grendene S.A.'s equity and financial position as of December 31, 2023, in all material respects.

Farroupilha, February 27, 2024.

João Carlos Sfreddo	Bruno Alexandre Licarião Rocha	Herculano Aníbal Alves
Committee Coordinator	Committee Member	Committee Member

Appendix II

Parent company and Consolidated Financial Statements

December 31, 2023

Grendene®

Financial statements

December 31, 2023 and 2022

INDEX

Independent auditor's report

To the Board of Directors and Stockholders
Grendene S.A.

Opinion

We have audited the accompanying parent company financial statements of Grendene S.A. (the "Company"), which comprise the balance sheet as at December 31, 2023 and the statements of income, comprehensive income, changes in equity and cash flows for the year then ended, as well as the accompanying consolidated financial statements of Grendene S.A. and its subsidiaries ("Consolidated"), which comprise the consolidated balance sheet as at December 31, 2023 and the consolidated statements of income, comprehensive income, changes in equity and cash flows for the year then ended, and notes to the financial statements, including material accounting policies and other explanatory information.

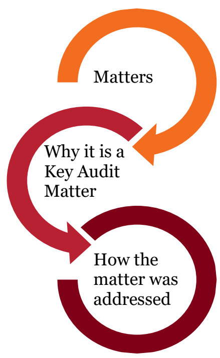
In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Grendene S.A. and of Grendene S.A. and its subsidiaries as at December 31, 2023, and the financial performance and the cash flows for the year then ended, as well as the consolidated financial performance and the cash flows for the year then ended, in accordance with accounting practices adopted in Brazil and with the International Financial Reporting Standards (IFRS) as issued by the International Accounting Standards Board (IASB)) (currently described as "IFRS Accounting Standards" by the IFRS Foundation).

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 Parent Company and Consolidated Financial Statements section of our report. We are independent of the Company and its subsidiaries in accordance with the ethical requirements established in the Code of Professional Ethics and Professional Standards issued by the Brazilian Federal Accounting Council, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Key Audit Matters

Key Audit Matters are those matters that, in our professional judgment, were of most significance in our audit of the financial statements of the current period. This matter was addressed in the context of our audit of the parent company and consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on this matter.



Why it is a Key Audit Matter	How the matter was addressed in the audit
Recognition of sales revenue in the correct period (Note 23)	
The Company's and its subsidiaries' sales revenues consist in a large volume of transactions with small individual amounts and with deliveries in different regions of the country. Management monitors the delivery of products to customers to identify invoiced and undelivered sales at the end of the year, in order to recognize revenue in its correct period. Due to the large volume of invoiced items, as well as the fact that management judgment is involved in recognizing the revenue in the correct period, we considered this area as the focus of our audit.	Our main audit procedures considered, among others, the understanding of the controls considered relevant in the revenue recognition process, including the general controls of the information technology environment. We make an independent estimate identify invoiced and undelivered sales based on the actual delivery date and compare it with the amounts determined by the company, identifying and reporting adjustments considered immaterial by the Company's management. We selected, on a sample basis, certain sales transactions at the end of the year for inspection of the evidence of delivery of the product to the customer, with the objective of observing that only sales delivered were recorded by the Company. We also selected, on a sample basis, sales transactions that occurred after the year-end, to observe whether revenue was recognized on the correct period. Finally, we analyze the volume and nature of sales returns after the balance sheet date. We considered that the criteria adopted by management for recognizing revenue in the correct period are reasonable and consistent with the disclosures made in the financial statements.

Other matters

Statements of Value Added

The parent company and consolidated Statements of Value Added for the year ended December 31, 2023, prepared under the responsibility of the Company's management and presented as supplementary information for IFRS Accounting Standards purposes, were submitted to audit procedures performed in conjunction with the audit of the Company's financial statements. For the purposes of forming our opinion, we evaluated whether these statements are reconciled with the financial statements and accounting records, as applicable, and if their form and content are in accordance with the criteria defined in Technical Pronouncement CPC 09 - "Statement of Value Added". In our opinion, these Statements of Value Added have been properly prepared in all material respects, in accordance with the criteria established in the Technical Pronouncement, and are consistent with the parent company and consolidated financial statements taken as a whole.

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

The Company's management is responsible for the other information that comprises the Management Report.

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

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

Responsibilities of management and those charged with governance for the parent company and consolidated financial statements

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

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

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

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

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

- Identify and assess the risks of material misstatement of the parent company 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 management.

- Conclude on the appropriateness of management'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, as a whole, 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 parent company 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, as a whole, to cease to continue as a going concern.

- Evaluate the overall presentation, structure and content of the parent company and consolidated financial statements, including the disclosures, and whether these 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 parent company and 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, actions taken to eliminate threats to our independence or safeguards applied.

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.

Porto Alegre, February 29, 2024

PricewaterhouseCoopers
Auditores Independentes Ltda.
CRC 2SP000160/O-5

Rafael Biedermann Mariante
Contador CRC 1SP243373/O-0

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Balance sheets

December 31, 2023 and 2022
(All amounts in thousands of reais)

	Note	Parent company 2023	Parent company 2022	Consolidated 2023	Consolidated 2022
ASSETS					
Current assets					
Cash and cash equivalents	5	**56,968**	87,621	**73,735**	127,409
Financial investments and other financial assets	6	**809,995**	1,053,487	**809,995**	1,053,487
Trade receivables	7	**1,124,406**	1,118,469	**1,124,261**	1,131,904
Inventories	8	**357,634**	408,093	**358,942**	412,612
Tax credits	9	**233,046**	170,934	**237,318**	175,337
Income tax and social contribution recoverable		**25,424**	16,079	**25,596**	16,229
Securities receivable	17	**10,942**	11,662	**10,970**	11,714
Costs and prepaid expenses		**10,845**	8,878	**12,580**	10,429
Other receivables		**48,212**	29,101	**48,455**	29,238
Total current assets		**2,677,472**	2,904,324	**2,701,852**	2,968,359
Non-current assets					
Long-term receivables:					
Financial investments and other financial assets	6	**368,566**	615,744	**368,566**	615,744
Trade receivables	7	**7,341**	-	**7,341**	-
Judicial deposits		**668**	1,051	**713**	1,154
Tax credits	9	**26,262**	231,384	**26,371**	231,384
Income tax and social contribution recoverable		**-**	-	**-**	138
Deferred income tax and social contribution	18	**44,194**	45,985	**44,151**	45,779
Securities to receive	17	**14,521**	26,395	**14,521**	26,395
Other receivables		**5,331**	1,381	**3,782**	7,109
		466,883	921,940	**465,445**	927,703
Investments	10	**338,044**	408,255	**317,450**	336,717
Property, plant and equipment	11	**503,099**	478,780	**526,056**	528,734
Intangible assets	12	**62,138**	56,578	**64,558**	60,407
Total non-current assets		**1,370,164**	1,865,553	**1,373,509**	1,853,561
Total assets		**4,047,636**	4,769,877	**4,075,361**	4,821,920

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

Grendene®

Balance sheets

December 31, 2023 and 2022
(All amounts in thousands of reais)

	Note	Parent company 2023	Parent company 2022	Consolidated 2023	Consolidated 2022
LIABILITIES					
Current liabilities					
Borrowings	13	**82,413**	98,815	**82,413**	98,815
Leasing contracts	14	**-**	-	**11,789**	14,005
Trade payables		**48,836**	72,318	**49,085**	74,704
Contractual obligations		**10,748**	8,490	**12,215**	11,264
Commissions payable		**53,966**	55,900	**54,285**	56,085
Taxes and contributions		**41,576**	36,672	**41,627**	36,764
Income tax and social contribution payable		**2,739**	2,574	**2,746**	2,583
Salaries and social security charges payable		**92,789**	78,685	**93,791**	79,321
Provision for labor risks, tax and civil	15	**2,120**	1,680	**2,129**	1,688
Advances from clients		**18,181**	24,968	**18,305**	26,357
Other payables		**16,415**	6,395	**16,415**	6,395
Total current liabilities		**369,783**	386,497	**384,800**	407,981
Non-current liabilities					
Borrowings	13	**10,017**	7,824	**10,017**	7,824
Leasing contracts	14	**-**	-	**12,208**	29,902
Trade payables		**274**	5,536	**274**	5,536
Provision for labor risks, tax and civil	15	**4,038**	1,757	**4,538**	1,957
Other debits		**4,081**	4,131	**4,081**	4,588
Total non-current liabilities		**18,410**	19,248	**31,118**	49,807
Equity	16				
Share capital		**1,231,302**	1,231,302	**1,231,302**	1,231,302
Capital reserves		**2,677**	2,940	**2,677**	2,940
Revenue reserves		**(20)**	(3,458)	**(20)**	(3,458)
Treasury shares		**2,424,790**	3,115,812	**2,424,790**	3,115,812
Other comprehensive income		**694**	17,536	**694**	17,536
Total equity		**3,659,443**	4,364,132	**3,659,443**	4,364,132
Total liabilities and equity		**4,047,636**	4,769,877	**4,075,361**	4,821,920

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

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Statements of income

December 31, 2023 and 2022
(All amounts in thousands of reais, except earnings per share)

	Note	Parent company 2023	Parent company 2022	Consolidated 2023	Consolidated 2022
Net sales revenue	23	**2,427,221**	2,450,497	**2,433,607**	2,512,656
Cost of goods sold	25	**(1,346,203)**	(1,484,851)	**(1,349,924)**	(1,504,894)
Gross profit		**1,081,018**	965,646	**1,083,683**	1,007,762
Selling expenses	25	**(554,189)**	(531,794)	**(600,218)**	(619,503)
General and administrative expenses	25	**(103,194)**	(97,735)	**(106,510)**	(103,748)
Other operating income		**24,340**	26,491	**25,561**	27,652
Other operating expenses	26	**(48,375)**	(38,620)	**(64,617)**	(45,257)
Equity in the results of subsidiaries	10	**(125,461)**	(84,975)	**(62,971)**	(27,786)
Operating profit before finance result and taxes		**274,139**	239,013	**274,928**	239,120
Finance result	27	**317,621**	337,352	**317,041**	336,197
Finance income		**399,303**	458,804	**401,328**	460,861
Finance costs		**(81,682)**	(121,452)	**(84,287)**	(124,664)
Profit before taxation		**591,760**	576,365	**591,969**	575,317
Income tax and social contribution	18	**(34,089)**	(8,338)	**(34,298)**	(7,290)
Current		**(32,298)**	(25,048)	**(32,670)**	(25,339)
Deferred		**(1,791)**	16,710	**(1,628)**	18,049
Profit for the year		**557,671**	568,027	**557,671**	568,027
Total comprehensive income attributed to:					
Controlling interests		**557,671**	568,027	**557,671**	568,027
Basic earnings per share	16.g	**0.6182**	0.6298	**0.6182**	0.6298
Diluted earnings per share	16.g	**0.6183**	0.6294	**0.6183**	0.6294

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

Statements of comprehensive income
December 31, 2023 and 2022
(All amounts in thousands of reais)

	Parent company		Consolidated	
	2023	2022	2023	2022
Profit for the year	**557,671**	568,027	**557,671**	568,027
Items potentially reclassified to the Statement of income in the future:				
Exchange differences on subsidiaries abroad	**(9,285)**	(18,857)	**(9,285)**	(18,857)
Realization of foreign exchange losses on investments	**(7,557)**	1,211	**(7,557)**	1,211
Comprehensive income for the year, net of taxes	**540,829**	550,381	**540,829**	550,381
Total comprehensive income attributed to:				
Controlling interests	**540,829**	550,381	**540,829**	550,381

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

Statements of changes in equity
December 31, 2023 and 2022
(All amounts in thousands of reais)

			Capital reserves			Income reserves				Comprehensive income		
	Note	Share capital	Options granted	Gains from sale of treasury shares	Treasury shares	Legal reserve	Reserve for the acquisition of shares	Tax incentives	Additional proposed dividends	Retained earnings	Other comprehensive income	Total
On December 31, 2021		1,231,302	809	-	(1,832)	225.048	9,500	2,532,048	62,273	-	35,182	4,094,330
Total comprehensive income		-	-	-	-	-	-	-	-	*568,027*	*(17,646)*	*550,381*
Profit for the year		-	-	-	-	-	-	-	-	568,027	-	568,027
Exchange differences on subsidiaries abroad	10	-	-	-	-	-	-	-	-	-	(18,857)	(18,857)
Realization of foreign exchange losses on investments	10	-	-	-	-	-	-	-	-	-	1,211	1,211
Change of the stock option or purchase subscription plan:												
Purchase of treasury shares	16.c	-	-	-	(3,429)	-	-	-	-	-	-	(3,429)
Stock options exercised in the exercise	16.c	-	-	(1,803)	1,803	-	-	-	-	-	-	-
Sale of treasury shares through exercise of purchase options	22	-	-	1,058	-	-	-	-	-	-	-	1,058
Result on sale of shares related to the stock option or subscription plan	22.b	-	(843)	745	-	-	98	-	-	-	-	-
Expenses with stock option or subscription plan	22.b	-	2,974	-	-	-	-	-	-	-	-	2,974
Proposed appropriations:												
Constitution of reserves	16.d	-	-	-	-	16,665	-	234,722	-	(251,387)	-	-
Dividends distributed	16.f	-	-	-	-	-	-	-	(223)	-	-	(223)
Interest on Equity distributed	16.f	-	-	-	-	-	-	-	(62,050)	(89,000)	-	(151,050)
Interest on Equity distributed imputed to dividends	16.f	-	-	-	-	-	-	-	93,500	(110,000)	-	(16,500)
Interim dividends	16.f	-	-	-	-	-	-	-	-	(113,409)	-	(113,409)
Additional dividend proposed – Allocation of ICMS tax incentive	16.f	-	-	-	-	4,547	-	(1,004,547)	1,000,000	-	-	-
Additional proposed dividends	16.f	-	-	-	-	-	-	-	4,231	(4,231)	-	-
On December 31, 2022		1,231,302	2,940	-	(3,458)	246,260	9,598	1,762,223	1,097,731	-	17,536	4,364,132
Total comprehensive income		-	-	-	-	-	-	-	-	***557,671***	***(16,842)***	***540,829***
Profit for the year		-	-	-	-	-	-	-	-	**557,671**	-	**557,671**
Exchange differences on subsidiaries abroad	9.b	-	-	-	-	-	-	-	-	-	**(9,285)**	**(9,285)**
Realization of foreign exchange losses on investments		-	-	-	-	-	-	-	-	-	**(7,557)**	**(7,557)**
Change of the stock option or purchase subscription plan:												
Stock options exercised in the exercise	16.c	-	-	**(3,438)**	**3,438**	-	-	-	-	-	-	-
Sale of treasury shares through exercise of purchase options	22	-	-	**2,027**	-	-	-	-	-	-	-	**2,027**
Result on sale of shares related to the stock option or subscription plan	22.b	-	**(1,865)**	**1,411**	-	-	**454**	-	-	-	-	-
Expenses with stock option or subscription plan	22.b	-	**1,602**	-	-	-	-	-	-	-	-	**1,602**
Proposed appropriations:												
Constitution of reserves	16.d	-	-	-	-	-	-	**274,689**	-	**(274,689)**	-	-
Dividends distributed	16.f	-	-	-	-	-	-	-	**(4,231)**	-	-	**(4,231)**
Interest on Equity distributed	16.f	-	-	-	-	-	-	-	**(93,500)**	-	-	**(93,500)**
Additional dividend proposed – Allocation of ICMS tax incentive	16.f	-	-	-	-	-	-	-	**(1,000,000)**	-	-	**(1,000,000)**
Additional proposed dividends	16.f	-	-	-	-	-	-	-	-	**(117,167)**	-	**(117,167)**
Interim dividends	16.f	-	-	-	-	-	-	-	**50,816**	**(50,815)**	-	**1**
Interest on Equity distributed imputed to dividends	16.f	-	-	-	-	-	-	-	**80,750**	**(115,000)**	-	**(34,250)**
On December 31, 2023		**1,231,302**	**2,677**	-	**(20)**	**246,260**	**10,052**	**2,036,912**	**131,566**	-	**694**	**3,659,443**

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

Grendene®

Statements of cash flows – Indirect method

December 31, 2023 and 2022

(All amounts in thousands of reais)

		Parent company		Consolidated	
		2023	2022	2023	2022
Net cash provided by operating activities		**757,487**	571,454	**736,725**	536,078
Cash flows from operating activities		**602,481**	513,501	**562,272**	461,033
Profit for the year		**557,671**	568,027	**557,671**	568,027
Equity in the results of subsidiaries	10	**125,461**	84,975	**62,971**	27,786
Realization of foreign exchange losses on investments		**(7,557)**	1,211	**(7,557)**	-
Gain on sale or write-off of investment		**-**	13,983	**-**	-
Depreciation and amortization	11 and 12	**80,825**	73,491	**95,796**	93,746
Residual value after write-down the property, plant and equipment and intangible	11 and 12	**11,697**	6,785	**18,272**	13,599
Deferred income tax and social contribution	18.b	**1,791**	(16,710)	**1,628**	(18,049)
Stock option or subscription plan	22.b	**1,602**	2,974	**1,602**	2,974
Reducing accounts receivable from clients	7	**1,847**	33,523	**2,020**	33,472
Estimated losses for obsolete inventories	8	**(1,866)**	2,525	**(2,197)**	471
Provision for labor, tax and civil risks	15	**2,721**	(369)	**3,022**	(170)
Interest expenses on loans, financings and leasing contracts		**675**	623	**2,319**	1,680
Interest income on financial investments	6	**(175,118)**	(238,939)	**(175,118)**	(238,939)
Fair value of equity financial investments	6	**18,121**	(7,353)	**18,121**	(7,353)
Foreign exchange variations, net		**(15,389)**	(11,245)	**(16,278)**	(16,211)
Changes in assets and liabilities:		**154,841**	59,866	**174,290**	76,954
Trade receivables	7	**(15,125)**	(108,475)	**(1,718)**	(134,847)
Inventories	8	**52,325**	39,331	**55,867**	84,559
Tax credits	9	**143,010**	81,798	**143,032**	81,949
Other receivables		**(21,396)**	(5,700)	**(14,211)**	(978)
Trade payables		**(28,744)**	18,386	**(30,881)**	14,166
Salaries and social security charges payable		**14,104**	15,670	**14,470**	14,316
Taxes and contributions		**7,154**	9,899	**7,113**	9,920
Advances from clients		**(6,787)**	1,206	**(8,052)**	1,728
Other payables		**10,300**	7,751	**8,670**	6,141
Income tax and social contribution paid		**165**	(1,913)	**163**	(1,909)
Net cash provided by (used in) investing activities		**460,731**	(204,159)	**473,240**	(128,386)
Subscriptions of capital	10	**(122,225)**	(184,631)	**(88,681)**	(108,513)
Capital Reductions	10	**57,690**	10,328	**37,130**	10,328
Purchases of property, plant and equipment and intangible	11 and 12	**(122,401)**	(172,789)	**(122,876)**	(173,134)
Financial investments	6	**(1,299,691)**	(3,808,864)	**(1,299,691)**	(3,808,864)
Redemption of financial investments	6	**1,856,857**	3,722,945	**1,856,857**	3,722,945
Interest received of financial investments	6	**90,501**	228,852	**90,501**	228,852
Net cash used in financing activities		**(1,248,871)**	(285,027)	**(1,263,639)**	(302,429)
New borrowings		**421,786**	412,232	**421,786**	412,232
Payments of loans, financings and leasing contracts		**(420,855)**	(418,161)	**(433,744)**	(434,096)
Interest paid on loans, financings and leasing contracts		**(426)**	(1,095)	**(2,305)**	(2,562)
Dividends paid	16.f	**(1,121,403)**	(113,632)	**(1,121,403)**	(113,632)
Interest on Equity paid	16.f	**(130,000)**	(162,000)	**(130,000)**	(162,000)
Purchase of treasury shares	16.c	**-**	(3,429)	**-**	(3,429)
Sale of treasury shares through exercise of purchase options	22	**2,027**	1,058	**2.027**	1,058
Increase (decrease) in cash and cash equivalents		**(30,653)**	82,268	**(53,674)**	105,263
At the beginning of the year	5	**87,621**	5,353	**127,409**	22,146
At the end of the year	5	**56,968**	87,621	**73,735**	127,409

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

Statements of value added

December 31, 2023 and 2022
(All amounts in thousands of reais)

	Parent company				Consolidated			
	2023		2022		2023		2022	
Revenue	**2,748,010**		2,795,567		**2,747,968**		2,858,084	
Sales of goods	**2,758,263**		2,782,054		**2,764,819**		2,844,833	
Other income /expenses	**8,917**		(1,206)		**2,490**		(1,515)	
Provision for impairment of trade receivables	**(19,170)**		14,719		**(19,341)**		14,766	
Inputs acquired from third parties	**(1,405,722)**		(1,589,359)		**(1,434,671)**		(1,671,484)	
Raw materials used	**(764,358)**		(938,521)		**(763,288)**		(893,197)	
Other production costs	**(5,973)**		(4,318)		**(10,764)**		(69,685)	
Materials, electricity, outsourced services and other	**(637,257)**		(643,995)		**(662,786)**		(707,948)	
Impairment and recovery of assets	**1,866**		(2,525)		**2,167**		(654)	
Gross value added	**1,342,288**		1,206,208		**1,313,297**		1,186,600	
Retentions	**(78,578)**		(71,431)		**(93,548)**		(91,444)	
Depreciation and amortization	**(78,578)**		(71,431)		**(93,548)**		(91,444)	
Net value added	**1,263,710**		1,134,777		**1,219,749**		1,095,156	
Value added received through transfer	**284,049**		387,534		**348,648**		446,850	
Equity in the results of subsidiaries	**(125,461)**		(84,975)		**(62,971)**		(27,786)	
Finance income	**409,376**		472,383		**411,485**		474,510	
Rentals	**134**		126		**134**		126	
Value added to distribute	**1,547,759**		1,522,311		**1,568,397**		1,542,006	
Distribution of value added	**1,547,759**	**100%**	1,522,311	100%	**1,568,397**	**100%**	1,542,006	100%
Personnel	**629,814**	**40.70%**	618,875	40.65%	**637,224**	**40.62%**	632,838	41.04%
Direct compensation	**518,869**		507,712		**526,270**		521,531	
Benefits	**61,139**		57,989		**61,149**		58,133	
Government Severance Indemnity Fund for Employees (FGTS)	**49,806**		53,174		**49,805**		53,174	
Taxes and contributions	**274,942**	**17.76%**	211,317	13.88%	**276,959**	**17.66%**	213,354	13.84%
Federal	**232,588**		173,559		**233,120**		173,386	
State	**40,862**		36,248		**41,055**		36,801	
Municipal	**1,492**		1,510		**2,784**		3,167	
Third-party capital remuneration	**85,332**	**5.51%**	124,092	8.15%	**96,543**	**6.16%**	127,787	8.29%
Interest, discounts and financial charges	**81,682**		121,452		**84,287**		124,664	
Rentals	**3,650**		2,640		**12,256**		3,123	
Remuneration of own capital	**557,671**	**36.03%**	568,027	37.32%	**557,671**	**35.56%**	568,027	36.83%
Dividends	**167,982**		293,587		**167,982**		293,587	
Interest on Equity (counted as part of total dividends)	**115,000**		199,000		**115,000**		199,000	
Profits for the year	**274,689**		75,440		**274,689**		75,440	

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

1. General information

1.1. The Company

Grendene S.A. ('The Company') is a listed corporation with head office at Av. Pimentel Gomes 214, Sobral, in the state of Ceará, Brazil. It began operations in 1971. It is currently controlled by the stockholder Alexandre Grendene Bartelle, and its shares are listed in the Novo Mercado segment of the São Paulo stock exchange (B3 S.A. – Brasil, Bolsa, Balcão), under the ticker GRND3.

The Company and its subsidiaries ('the Group') have the following principal activities: development, production, distribution and sale of plastic footwear for all the socio-economic classes, in the women's, men's and children's market segments.

It has five industrial plants, in three states of Brazil: Ceará, Bahia and Rio Grande do Sul. It also has its own stores, franchises and web commerce channels, operating under the brands Melissa, Grendha, Zaxy, Rider, Cartago, Ipanema and Grendene Kids. Grendene S.A. also owns the brands Pega Forte, Nuar, Lello, Lump and Stably.

As of February 14, 2023, for strategic and commercial reasons, the management of the franchises of Clube Melissa and Mini Melissa stores are now controlled by the Company.

1.2. Tax reform

Constitutional Amendment 132 ('EC132'), which establishes a reform of the taxes on consumption ('the consumption tax reform') was promulgated on December 20, 2023. Several aspects, including the rates of new taxes, are still pending regulation by complementary legislation, expected to be submitted to Congress within 6 months.

The main structure is a 'dual Value Added Tax' (or 'dual VAT') model, with two components: (1) a federal tax, *CBS* – the Contribution on Goods and Services (*Contribuição sobre Bens e Serviços*); and (2) a tax collected at sub-national level, *IBS* – the Tax on Goods and Services (*Imposto sobre Bens e Serviços*). In aggregate, these will replace the current PIS, Cofins, ICMS and ISS taxes.

The reform adds a federal Selective Tax (IS – *Imposto Seletivo*), to be applied, also by complementary legislation, on production, extraction, commercialization or import of goods and services deemed to be harmful to health or to the environment.

There will be a transition period from 2024 to 2032, in which the two tax systems – old and new – will coexist. The effects of the reform in terms of calculation of the new taxes, as from the start of the transition period, will only be fully known when the process of regulation by complementary legislation has been completed. Consequently, the tax reform has no effect on the financial statements for the year ended December 31, 2023.

2. Basis of preparation and presentation of the financial statements

The individual and consolidated financial statements of the Company has been prepared in accordance with accounting policies adopted in Brazil and rules of the Brazilian Securities Commission (*Comissão de Valores Mobiliários* – CVM), obeying the accounting rules stated in the Brazilian Corporation Law legislation (Law 6.406 of 1976) and also International Financial Reporting Standards (IFRS) issued by the International Accounting Standards Board (IASB).

(All amounts in thousands of reais)

2. Basis of preparation and presentation of the financial statements--Continued

The financial statements are presented in Reais, which is the Company's functional currency, considering the historic cost as the basis of value, except in the case of certain financial instruments, and a stock purchase option and subscription plan, which are measured at fair value, when applicable.

The main accounting policies applied in the preparation of these financial statements are presented in the respective explanatory notes and consistently disclosed in the business years.

In addition, the individual and consolidated Statements of Added Value (*Demonstração do Valor Adicionado*, or DVA), required by Brazilian corporate law, in accordance with Technical Pronouncement CPC 09, is presented as an integral part of the financial statements, whereas under IFRS they have the status of supplementary information.

All the relevant information in the financial statements, and only them, is evidenced and correspond to those used by the Company in its management.

Issuance of the Company's financial statements for the period ended December 31, 2023, was authorized by the Board of Directors on February 29, 2024.

Rules, and interpretations of rules, not yet in force

On the date of issue of these financial statements, the Group had not adopted the following new and/or revised international financial reporting standards, which had been issued but were not yet in force:

Revisions	Nature of change	Comes into force
IAS 1 /CPC 26 (R1) – Presentation of financial statements	***(i)* Classification of liabilities as current or non-current:** Specifies the requirements for classification of a liability as current or non-current. Subsequently, in October 2022 a new alteration was issued, to explain that for liabilities that contain contractual restrictive covenants requiring indices to be met only after the reporting date, their classification as current or non-current is not affected. Only covenants with which the entity is required to comply by the reporting date affect the classification of the liability, even if the measurement takes place only after that date.***(ii)* Disclosure of accounting policies:** Alterations to help entities to make more useful disclosures of accounting policies, by replacing the requirement for publication of significant accounting policies with a requirement for publication of material accounting policies and adding guides to how entities should apply the concept of materiality to taking decisions on publication of accounting policies.	1/01/2024
IAS 8 /CPC 23 – Definition of accounting estimates	These alterations clarify the distinction between changes in accounting estimates and changes in accounting policies and correction of errors. They further clarify how entities should use techniques of measurement and inputs for making accounting estimates.	1/01/2024
IAS 12 / CPC 32 – *Taxation of profit*	This requires that entities recognize the deferred tax on any transactions which, in the initial recognition, give rise to equal amounts of taxable and deductible temporary differences.	1/01/2024
IAS 7 / CPC 3 and IFRS 7 / CPC 40	These require that the entity disclose such information about its supplier financing agreements as will enable users of the financial statements to evaluate the effects of those agreements on liabilities and cash flows, and the entity's exposure to liquidity risk.	1/01/2024
IFRS 16 /CPC 6	This requires a seller-lessee (in a sale-and-leaseback structure) to determine 'leasing payments' or 'revised leasing payments' in such a way that the lessee does not recognize a gain or loss related to the right of use held by the seller-lessee after the start date.	1/01/2024
IFRS S1	Requires entities to provide material information on all risks and opportunities related to sustainability.	1/01/2026
IFRS S2	Requires entities to provide material information on all risks and opportunities related to climate change.	1/01/2026
IFRS 18	Will replace IAS 1 – *Presentation of Financial Statements*. The new Standard aims to encourage companies to report financial performance with greater consistency and transparency. The first, initial impact will be on the Profit and Loss Account.	1/01/2027
IFRS 19	Applicable to subsidiaries that do not have public accountability. Regulates disclosure – aims to reduce disclosure requirements for subsidiaries. This simplification will allow subsidiaries to prepare financial statements in IFRS locally in the future, using the information that is reported to the parent company.	1/01/2027

The Company's management does not expect adoption of the standards listed above to have any significant impact on its individual or consolidated financial statements.

(All amounts in thousands of reais)

3. The consolidated of the financial statements

The consolidated financial information includes information of Grendene S.A. and its subsidiaries (direct and indirect), as demonstrated in Note 10.

The subsidiaries are consolidated from the date on which control is obtained up to the date on which control ceases to exist, using accounting practices that are consistent with those adopted by the Company.

The business years of the financial statements of the subsidiaries included in the consolidation are coincident with those of the parent company, and the accounting policies having been applied uniformly in the consolidated companies and are consistent with international accounting rules and with accounting practice adopted in Brazil.

4. Judgments, estimated and accounting assumptions

Preparation of the individual and consolidated financial statements makes use of certain estimates and assumptions, and also exercise of judgment by management in applying the accounting policies for the accounting of certain assets, liabilities, revenues and expenses.

Actual results may diverge from these estimates when they materialize. For this reason the process is continuously reviewed, with timely recognition of results, including effects on results in any future periods.

In this table, management presents the nature of the principal events that could result in effects on the amounts recognized in the financial statements:

Nature	Notes
The fair value of the measurement of the investments in other financial assets	Note 6
Estimated losses for doubtful receivables, estimated discounts for punctuality and the rates and periods applied in determining adjustments to present value	Note 7
Estimated losses for obsolete inventory	Note 8
Provisions for employment-law, tax, civil and environmental risk and contingent assets	Note 15
Deferred income tax and Social Contribution tax	Note 18
Sensitivity analyses of financial instruments	Note 20
The fair value of measuring the stock option or subscription plan	Note 22

5. Cash and cash equivalents

Cash and equivalents include amounts in physical cash, bank deposits not attracting interest, and cash investments with immediate liquidity, able to be redeemed within three months or less from the date of acquisition, and with insignificant risk of change in value.

The composition of cash and cash equivalents is as follows:

Type	Index	Average rate of return (y.y.)	Parent company		Consolidated	
			2023	2022	2023	2022
Current assets						
Cash						
Cash and banks	–	–	**4,469**	3,900	**7,493**	31,388
Cash equivalents						
Debentures with repurchase guarantees	CDI	11.28% and 11.33%	**52,499**	83,721	**66,242**	96,021
			56,968	87,621	**73,735**	127,409

(All amounts in thousands of reais)

6. Financial investments and other financial assets

Financial investments are reported at acquisition value, updated to the reporting date these amounts are close to fair value and do not exceed market or realization value. Note 19 gives the classification of these securities.

Note 20 gives the exposure of the Company and its subsidiaries to interest rate risks, and a sensitivity analysis of their effects on financial assets and liabilities.

The Company's cash investments comprise the following components:

Parent company / Consolidated				
Type	Index	Average rate of return (y.y.)	2023	2022
Current assets			**809,995**	1,053,487
Financial investments			**797,095**	960,404
Bank certificates of deposit (CDBs)	CDI	12.32% and 14.21%	**452,570**	885,688
Assignment of receivables	CDI	18.48%	**-**	4,009
Investment funds	CDI	18.91% and 20.47%	**30,639**	30,759
Treasury Bills	CDI	18.91%	**3,691**	-
Treasury Bills	IPCA	10.11%	**310,195**	-
Treasury notes (NTNs)	IPCA	14.05%	**-**	39,948
Other financial assets			**12,900**	90,083
Variable income – Shares [(i)]	–	–	**-**	77,477
Silent partner companies – SCPs [(iii)]	–	–	**12,900**	15,606
Non-current assets			**368,566**	615,744
Financial investments			**155,248**	407,910
Treasury Bills	CDI	21.74%	**-**	3,124
Treasury Bills	IPCA	14.68%	**-**	278,520
Treasury notes (NTNs)	IPCA	7.54% and 11.30%	**37,497**	25,259
Brazilian Structured Notes (Structured Transaction Certificates – (COE)	Pre-fixed	15.00%	**117,751**	101,007
Other financial assets			**213,318**	207,834
SCP Seleto [(ii)]	CDI	17.47% and 19.33%	**2,089**	6,237
SCP Baronesa de Itu [(ii)]	INCC	13.12% and 10.18%	**45,836**	38,372
SCP São Sebastião [(ii)]	INCC	12.09% and 9.17%	**29,858**	26,269
Silent partner companies – SCPs [(iii)]	–	–	**135,535**	136,956

(i) Variable income - Shares: financial assets at fair value through profit or loss include equity interests in listed entities. The fair value of these shares is determined based on the prices available in an active market.

(ii) Represents financial instruments, recorded at acquisition cost and updated to the reporting date, in accordance with the contractual clauses, relating to the following:SCP Seleto (59.81%), SCP Baronesa de Itu (100%) and SCP São Sebastião (48%). The corporate objects of these companies are: Acquisition of real estate properties, construction, structuring, development, incorporation, commercial activity in the sale of autonomous units, execution, conclusion and delivery of Real Estate works.

(iii) This refers to ownership interests in Silent Partnership Companies (SCP), the corporate objects of which are: acquisition of real estate properties; and structuring, development, incorporation, operation and sale of real estate projects, through funds and efforts for conclusion of works. This financial instrument is registered at fair value through profit or loss, determined on the basis of discounted cash flow, in accordance with the expected curve of sales, using as an assumption the value of the units most recently sold, using as an assumption the average value of the most recent units sold, brought to present value at discount rates from 8% to 10.5% y.y., in real terms, which reflect the expected risk/return and IRR.

(All amounts in thousands of reais)

6. Financial investments and other financial assets--Continued

The movement in the positions of cash investment is shown below:

	Parent company / Consolidated						
	Balances at 2022	Financial investments	Redemption	Fair value	Interest income	Interest received	Balances at 2023
Financial investments	1,267,307	1,284,102	(1,772,212)	-	131,668	(76,273)	834,592
Financial investments – COE	101,007	-	-	16,855	14,117	(14,228)	117,751
Financial investments – SCPs	70,878	7,140	(10,427)	-	10,192	-	77,783
Variable income – Shares	77,477	-	(55,983)(i)	(27,046)	5,552(i)	-	-
Silent partner companies – SCPs	152,562	8,449	(18,235)(ii)	(7,930)	13,589(iii)	-	148,435
	1,669,231	**1,299,691**	**(1,856,857)**	**(18,121)**	**175,118**	**(90,501)**	**1,178,561**

(i) Refers to sale of shares, and receipt of dividends and Interest on Equity, relating to equity holdings in listed companies.
(ii) Refers to redemption of the principal amount of the capital initially invested in silent partner companies ('SCPs').
(iii) Refers to the amount of the dividends received arising from distribution of the earnings of the SCPs.

7. Trade receivables

They include receivables from sales of merchandise, plus foreign exchange variation when applicable, less estimated losses on doubtful receivables, estimated discounts for punctuality, and adjustments to present value.

The estimated credit losses are analyzed and constituted based on the amount billed to the customer, based on the track record of default and individual analysis of clients, and excluding those that have court or out-of-court agreements, or guarantees. Management considers the amounts to be sufficient to cover any losses.

Estimated discounts for punctuality are recorded at the estimated amount of discount to be given, on trade bills becoming due at maturity, with counterpart in deductions from sales.

Transactions in accounts receivable from clients have been adjusted to present value, taking into account the cash flows of the transaction and the implicit interest rate of the related assets.

This table shows Accounts receivable from clients in detail:

	Parent company		Consolidated	
	2023	2022	2023	2022
Domestic market	**1,031,883**	975,617	**1,031,883**	975,617
Foreign market	**145,367**	191,992	**145,793**	212,300
Foreign market - Related parties	**49,423**	43,939	**49,051**	37,092
	1,226,673	1,211,548	**1,226,727**	1,225,009
Estimated losses on doubtful receivables	**(21,541)**	(2,371)	**(21,740)**	(2,397)
Punctuality discounts estimated	**(44,088)**	(64,313)	**(44,088)**	(64,313)
Adjustment to Present Value (AVP)	**(29,297)**	(26,395)	**(29,297)**	(26,395)
	1,131,747	1,118,469	**1,131,602**	1,131,904
Current assets	**1,124,406**	-	**1,124,261**	-
Non-current assets	**7,341**	-	**7,341**	-

On December 31, 2023 the average period for receipt of sales in the domestic market was 118 days (112 days on December 31, 2022), and for foreign market was 79 days (95 days on December 31, 2022).

(All amounts in thousands of reais)

7. Trade receivables--Continued

The amounts of accounts receivable from clients are not subject to any lien or charge, nor guarantee given, nor any restrictions.

The classification by maturity of accounts receivable from customers, analyzed together with the estimated losses for doubtful accounts, are shown below:

	Parent company			
	2023		2022	
	Balance	Provision	Balance	Provision
Not yet due	**1,177,421**	**-**	1,188,064	-
Overdue for up to 30 days	**13,090**	**-**	7,726	-
Overdue from 31 to 60 days	**4,435**	**(5)**	1,412	-
Overdue from 61 to 90 days	**521**	**(20)**	1,180	(1)
Past due for more than 91 days	**31,206**	**(21,516)**	13,146	(2,370)
	1,226,673	**(21,541)**	1,211,548	(2,371)

	Consolidated			
	2023		2022	
	Balance	Provision	Balance	Provision
Not yet due	**1,177,288**	**-**	1,188,789	-
Overdue for up to 30 days	**13,090**	**-**	15,405	-
Overdue from 31 to 60 days	**4,435**	**(5)**	1,422	-
Overdue from 61 to 90 days	**521**	**(20)**	1,232	(1)
Past due for more than 91 days	**31,393**	**(21,715)**	18,161	(2,396)
	1,226,727	**(21,740)**	1,225,009	(2,397)

The changes in estimated losses on doubtful receivables and estimated discounts for punctuality are as follows:

	Estimated losses on doubtful receivables		Punctuality discounts estimated	
	Parent company	Consolidated	Parent company	Consolidated
Balances at 12/31/2021	(17,090)	(17,167)	(36,368)	(36,368)
Additions	(4,624)	(4,717)	(164,430)	(164,430)
Realizations	17,024	17,031	113,749	113,749
Reversals	2,027	2,160	22,736	22,736
Exchange variation	292	296	-	-
Balances at 12/31/2022	(2,371)	(2,397)	(64,313)	(64,313)
Additions	**(29,413)**	**(29,946)**	**(130,869)**	**(130,869)**
Realizations	**2,799**	**3,146**	**126,817**	**126,817**
Reversals	**7,444**	**7,459**	**24,277**	**24,277**
Exchange variation	**-**	**(2)**	**-**	**-**
Balances at 12/31/2023	**(21,541)**	**(21,740)**	**(44,088)**	**(44,088)**

(All amounts in thousands of reais)

8. Inventories

Valued at the average of acquisition or production cost, not exceeding their net realizable value. The net realizable value is calculated as the difference between the sale price in the Company's normal operation, less costs incurred to achieve the sale.

Estimated losses, for low-turnover or obsolete stock, are constituted on the basis of application of the average non-recoverable percentage on the balance of this inventory. The percentage takes into account the history (36-months moving window), of loss on resale of inventory, in which the Company recovers part of this cost.

Management of obsolete products is oriented by the principle of action to avoid surplus material becoming waste, and creative reuse of materials left over from past collections, using them in the manufacture of special products, ensuring sustainability of the business and generation of value.

The Company's Management considers that estimated losses have been constituted in an amount sufficient for the low-turnover or obsolete inventory.

The following is the composition of Inventories:

	Parent company		Consolidated	
	2023	**2022**	**2023**	**2022**
Footwear	**77,133**	104,004	**78,555**	108,794
Inputs and components	**45,192**	43,512	**45,192**	43,512
Raw materials	**105,831**	128,242	**105,831**	128,242
Packaging materials	**22,095**	24,824	**22,095**	24,824
Intermediate and other materials	**51,116**	47,588	**51,116**	47,588
Goods for resale	**1,418**	1,539	**1,464**	1,759
Molds and tooling	**28,610**	30,573	**28,610**	30,573
Advances to suppliers	**4,977**	6,947	**4,977**	6,947
Imports in transit	**14,725**	11,406	**14,725**	11,406
Inventories held by third parties	**16,737**	21,524	**16,737**	21,524
Estimated losses for obsolete inventories	**(10,200)**	(12,066)	**(10,360)**	(12,557)
	357,634	408,093	**358,942**	412,612

The changes in the estimated losses for obsolete inventories were as follows:

	Parent company	Consolidated
Balances at 12/31/2021	(9,541)	(12,086)
Additions	(20,239)	(23,318)
Realizations	4,954	7,582
Reversals	12,760	15,082
Exchange variation	-	183
Balances at 12/31/2022	(12,066)	(12,557)
Additions	**(18,117)**	**(18,342)**
Realizations	**3,741**	**3,756**
Reversals	**16,242**	**16,753**
Exchange variation	**-**	**30**
Balances at 12/31/2023	**(10,200)**	**(10,360)**

There are no liens, pledges and/or restrictions to the full utilization of the inventories.

(All amounts in thousands of reais)

9. Tax credits

Tax credits are classified in Current or Non-current assets, according to expected dates of applicability and the related limits of compensation established in the legal rules from time to time in effect, updated by the Selic rate, when relevant. The Company periodically monitors its credits, with the intention of guaranteeing that they are in fact offset, and recoverable.

	Parent company		Consolidated	
	2023	2022	2023	2022
Income tax withheld at source	**15,120**	24,849	**16,879**	26,658
ICMS tax recoverable	**4,371**	8,461	**5,510**	9,601
Income tax and Social Contribution tax – credit for Selic interest (i)	**94,549**	86,048	**94,549**	86,048
PIS and COFINS taxes recoverable (ii)	**144,594**	282,959	**144,594**	282,959
Reintegra	**515**	-	**515**	-
Other expenses	**159**	1	**1,642**	1,455
	259,308	402,318	**263,689**	406,721
Current assets	**233,046**	170,934	**237,318**	175,337
Non-current assets	**26,262**	231,384	**26,371**	231,384

(i) This refers to credits of corporate income tax ('IRPJ'), and the Social Contribution on Net Profit ('CSLL'), in relation to interest received at the Selic rate, on amounts receivable due to double charging of taxation as recognized under IFRIC 23/IPC22, supported by the Federal Supreme Court Decision in Extraordinary Appeal (RE) nº 1063187. Final judgment not subject to any further appeal in the case brought by the Company was given on July 25, 2023, and the application for qualification was granted on October 11, 2023.

(ii) On December 31, 2023 the amount of R$130,297 (R$282,354 in 2022) refers to the tax legal action to exclude amounts of ICMS tax from the basis of calculation of the PIS and COFINS taxes, with final judgment on February 13, 2019, and with an authorization request granted on September 19, 2019. In the 2020 business year the company began the process of use of the credit, through a declaration of offsetting.

10. Investments

The Company has investments in directly and indirectly-controlled, affiliated companies and joint ventures, which are valued by the equity method. The other investments are recorded at acquisition cost and adjusted to market cost when applicable.

In the acquisition of the investment, any differences between the cost of the investment and the investor's share of the fair value net assets and liabilities of the investee should be accounted for as goodwill or discount.

The Company's investments are as follows:

	Parent company		Consolidated	
	2023	2022	2023	2022
Holdings in subsidiaries	**20,874**	72,889	**-**	-
Equity interest in affiliated company	**223,055**	236,973	**223,055**	236,973
Joint venture	**88,331**	99,332	**88,331**	99,332
Shareholding interests in other companies	**5,652**	-	**5,652**	-
Unrealized profits in subsidiaries	**(280)**	(1,351)	**-**	-
Other investments	**412**	412	**412**	412
	338,044	408,255	**317,450**	336,717

(All amounts in thousands of reais)

10. Investments--Continued

a) Stockholding interests in the investments

	Principal characteristics	Country of head office	Stake	Percentage interest	
				2023	2022
Consolidated					
MHL Calçados Ltda.	Manufacture and sale of footwear.	Brazil	Direct	**99.998%**	99.998%
Grendene USA, Inc.	Commercial representative, selling and distributing our products in the US market. This is the parent company of Grendene New York L.L.C., which has head office in United States and operates in the same market segment.	USA	Direct	**100.00%**	100.00%
Grendene UK Limited. (*)	Commercial representative, selling and distributing our products. Parent company of Grendene Italy S.R.L., a company with head office in Italy which operates in the same market segment.	United Kingdom	Direct	**-**	100.00%
Grendene New York, L.L.C. (through Grendene USA, Inc.)	Commercial representative, selling and distributing our products in the US market.	USA	Indirect	**100.00%**	100.00%
Grendene Italy, S.R.L. (through Grendene UK Limited) (*)	Commercial representative, selling and distributing our products.	Italy	Indirect	**-**	100.00%
Grendene Italy, S.R.L. (*)	Commercial representative, selling and distributing our products.	Italy	Direct	**100.00%**	-
Unconsolidated					
YOUPE Participações S.A.	Management of own assets, and participation, directly or through subsidiaries, in the share capital of other companies, in Brazil or the rest of the world, including the conclusion in silent partner companies.	Brazil	Affiliated Company	**18.952%**	18.952%
HIPE Participações S.A.	Management of own assets and the participation, directly or through subsidiaries, as a holder of share units or stock, in the share capital of other companies, in Brazil or abroad, and/or in investment funds, as a quotaholder, including the conclusion in silent partner companies.	Brazil	Affiliated Company	**49.92%**	49.92%
NM GAP II Participações S.A.	Management of own assets and the participation, directly or through subsidiaries, as a holder of share units or stock, in the share capital of other companies, in Brazil or abroad, and/or in investment funds, as a quotaholder, including the conclusion in silent partner companies.	Brazil	Affiliated Company	**42.77%**	36.47%
NM IBIRA Participações S.A.	Management of own assets and the participation, directly or through subsidiaries, as a holder of share units or stock, in the share capital of other companies, in Brazil or abroad, and/or in investment funds, as a quotaholder, including the conclusion in silent partner companies.	Brazil	Affiliated Company	**59.48%**	59.48%
Grendene Global Brands Limited	Distribution and sale of Grendene products in the international market, initially to the USA, Canada, China and Hong Kong. 3G Radar and Grendene S.A. share joint control of the operation.	United Kingdom	Joint Venture	**49.90%**	49.90%
GAP II Participações Ltda	Holding, directly or through subsidiaries, of stock or unit shares in the share capital of other companies, in Brazil or the rest of the world, and/or in investment funds, as a unit holder, including formation of silent partner companies.	Brazil	Other Companies	15.1%	–

(*) The meeting of the Executive Board on July 6, 2023 approved dissolution and liquidation of the subsidiary Grendene UK Limited (recorded in the 166th Minutes).
With the extinction of Grendene UK Limited, Grendene Italy S.R.L., as from September 2023, is now directly controlled by Grendene S.A.

(All amounts in thousands of reais)

10. Investments--Continued

b) Changes

The changes in investments are as follows:

	Balances at 2022	Investments						Equity in the results of subsidiaries	Exchange differences on subsidiaries abroad	Balances at 2023
		Capital reduction	Capital increase	Write-down / transfer of investment	Write-down / transfer of unrealized earnings	Loss on investment	Dividends			
Subsidiaries	71,538	(20,560)	33,544	-	-	-	-	(62,490)	(1,438)	20,594
MHL Calçados Ltda.	13,651	-	-	-	-	-	-	1,053	-	14,704
Grendene USA, Inc. [i][ii]	49,281	(20,560)	31,923	-	-	-	-	(56,518)	(1,334)	2,792
Grendene UK Limited. [i][ii]	8,606	-	1,621	(4,658)	889	-	-	(6,347)	(111)	-
Grendene Italy, S.R.I. [*]	-	-	-	4,658	(889)	-	-	(678)	7	3,098
Affiliated Company	236,973	(34,036)	21,400	-	-	(957)	(2,137)	1,812	-	223,055
YOUPE Participações S.A.	14,714	(3,853)	-	-	-	-	(2,137)	2,238	-	10,962
HIPE Participações S.A.	126,140	-	8,567	-	-	-	-	(8)	-	134,699
NM GAP II Participações S.A.	44,307	(30,183)	8,791	-	-	(957)	-	(415)	-	21,543
NM IBIRAI Participações S.A.	51,812	-	4,042	-	-	-	-	(3)	-	55,851
Joint venture	99,332	-	61,629	-	-	-	-	(64,783)	(7,847)	88,331
Grendene Global Brands Limited [i]	99,332	-	61,629	-	-	-	-	(64,783)	(7,847)	88,331
Shareholding interests in other companies	-	-	5,652	-	-	-	-	-	-	5,652
NM GAP Participações Ltda.	-	-	5,652	-	-	-	-	-	-	5,652
Other investments	412	-	-	-	-	-	-	-	-	412
Others	412	-	-	-	-	-	-	-	-	412
	408,255	(54,596)	122,225	-	-	(957)	(2,137)	(125,461)	(9,285)	338,044

	Balances in 2021	Investments				Equity in the results of subsidiaries	Exchange differences on subsidiaries abroad	Balances in 2022
		Capital reduction	Capital increase	Write-off of investments	write-off of Exchange rate diferences			
Subsidiaries	74,441	-	76,118	(13,983)	(1,211)	(57,189)	(6,638)	71,538
MHL Calçados Ltda.	12,817	-	-	-	-	834	-	13,651
Grendene USA, Inc. [i][ii]	53,719	-	36,932	-	-	(36,218)	(5,152)	49,281
Grendene UK Limited [i][ii]	7,905	-	11,791	-	-	(9,604)	(1,486)	8,606
Grendene Shanghai Trading Co. Ltd.	-	-	27,395	(13,983)	(1,211)	(12,201)	-	-
Affiliated Company	136,056	(10,328)	108,513	-	-	2,732	-	236,973
YOUPE Participações S.A.	13,892	(3,035)	1,382	-	-	2,475	-	14,714
HIPE Participações S.A.	71,949	-	54,202	-	-	(11)	-	126,140
NM GAP II Participações S.A.	50,215	(7,293)	985	-	-	400	-	44,307
NM IBIRAI Participações S.A.	-	-	51,944	-	-	(132)	-	51,812
Joint venture	140,858	-	-	-	-	(30,518)	(11,008)	99,332
Grendene Global Brands Limited [i]	140,858	-	-	-	-	(30,518)	(11,008)	99,332
Other investments	412	-	-	-	-	-	-	412
Others	412	-	-	-	-	-	-	412
	351,767	(10,328)	184,631	(13,983)	(1,211)	(84,975)	(17,646)	408,255

[*] On December 1, 2022 the 161st meeting of the Company's Executive Board approved the sale of Grendene Shanghai Trading Co., Ltd. to Grendene Global Brands, for US$2,654, in accordance with the value of Stockholders' equity on November 30, 2022, in compliance with Clause 3.2 of the Master Financing and Distribution Agreement ('MFDA') signed on October 7, 2021 and approved by the Board of Directors on that date.

[i] Review by other independent auditors.
[ii] Amount consolidated in the subsidiary Grendene USA Inc, and indirect subsidiary Grendene New York L.L.C.; and amount consolidated in the subsidiary Grendene UK Limited and indirect subsidiary Grendene Italy, S.R.L.

(All amounts in thousands of reais)

10. Investments--Continued

c) Summarized financial information of direct and indirect subsidiaries (consolidated), affiliated company and joint venture

	2023							
	Investments		Balance sheet			P&L		
	Percentage of interest	Interest in equity	Assets	Liabilities	Equity	Revenue	Costs and expenses	Net income
Subsidiaries								
MHL Calçados Ltda.	99.998%	14,704	15,227	523	14,704	1,740	(687)	1,053
Grendene USA, Inc. (i) (ii)	100.00%	2,792	28,868	26,076	2,792	5,215	(62,195)	(56,980)
Grendene UK Limited (i) (ii)	100.00%	-	-	-	-	4,311	(10,658)	(6,347)
Grendene Italy, S.R.I. (*)	100.00%	3,377	6,458	3,081	3,377	624	(1,911)	(1,287)
Affiliated company								
YOUPE Participações S.A.	18.952%	10,962	62,382	4,538	57,844	11,837	(28)	11,809
HIPE Participações S.A.	49.92%	134,699	269,822	-	269,822	16	(33)	(17)
NM GAP II Participações S.A.	42.77%	21,543	105,586	55,222	50,364	14	(985)	(971)
NM IBIRA Participações S.A.	59.48%	55,852	87,719	569	87,150	9	(13)	(4)
Joint venture								
Grendene Global Brands Limited (i)	49.9%	88,331	283,295	106,279	177,016	148,982	(278,808)	(129,826)
Shareholding interests in other companies								
NM GAP Participações Ltda.	15.1%	5,652	44,279	2,318	41,961	6,891	(2,327)	4,564

The closing date of the reporting period for the summary information of the Balance Sheet and Income Statement of the affiliates, joint venture and the shareholding interests in other companies is November 30, 2023.

(*) The meeting of the Executive Board on July 6, 2023 approved dissolution and liquidation of the subsidiary Grendene UK Limited (recorded in the 166th Minutes).
With the extinction of Grendene UK Limited, Grendene Italy S.R.L., as from September 2023, is now directly controlled by Grendene S.A.

	2022							
	Investments		Balance sheet			P&L		
	Percentage of interest	Interest in equity	Assets	Liabilities	Equity	Revenue	Costs and expenses	Net income
Subsidiaries								
MHL Calçados Ltda.	99.998%	13,651	13,874	223	13,651	1,445	(611)	834
Grendene USA, Inc. (i) (ii)	100.00%	49,743	106,974	57,231	49,743	105,267	(149,360)	(44,093)
Grendene UK Limited (i) (ii)	100.00%	9,495	11,078	1,583	9,495	9,432	(19,941)	(10,509)
Grendene Shanghai Trading Co. Ltd.	100.00%	-	-	-	-	6,081	(18,282)	(12,201)
Affiliated company								
YOUPE Participações S.A.	18.952%	14,714	82,721	5,077	77,644	13,112	(50)	13,062
HIPE Participações S.A.	49.9%	126,140	251,657	-	251,657	84	(107)	(23)
NM GAP II Participações S.A.	36.47%	44,307	125,813	4,313	121,500	1,324	(226)	1,098
NM IBIRA Participações S.A.	59.48%	51,812	87,155	1	87,154	57	(279)	(222)
Joint venture								
Grendene Global Brands Limited. (i)	49.9%	99,332	237,883	38,822	199,061	42,667	(103,826)	(61,159)

The closing date of the reporting period for the summary information of the Balance Sheet and Income Statement of the affiliates and the joint venture is November 30, 2022.

(i) Review by other independent auditors.
(ii) Amount consolidated in the subsidiary Grendene USA Inc, and indirect subsidiary Grendene New York L.L.C.; and amount consolidated in the subsidiary Grendene UK Limited and indirect subsidiary Grendene Italy, S.R.L.

Transactions and balances in foreign currency: The monetary assets and liabilities of transactions in foreign currency are converted to the entity's functional currency, using the exchange rate of the reporting date, and profit and loss account items are converted at the average monthly rates for the periods. Non-monetary assets are converted from their functional currency to Reais at the FX rate of the accounting transaction. The functional currencies used in the conversion of the financial statements of these subsidiaries outside Brazil are: US dollars, pounds sterling and Euros.

(All amounts in thousands of reais)

11. Property, plant and equipment

PP&E is recorded as cost of acquisition or construction, less depreciation, net of credits of PIS, COFINS and ICMS taxes, and reduced to recovery value if appropriate, if any. Assets are depreciated by the straight-line method based on their estimated useful life. Residual values and the useful life of assets are reviewed and adjusted, if appropriate, at the end of each business year.

An item of fixed assets is written off when it is sold, or when no future economic benefit is expected from its use or sale. The gain or loss resulting from writing off of an asset is included in the Profit and loss account.

When significant parts of PP&E need to be replaced, their cost is recognized at the book value of the asset as a replacement, if the criteria for recognition had been met. All other expenses on repairs and maintenance are recognized in the profit and loss account, when they take place, and the book value of items or parts replaced is written off.

The composition of the PP&E is represented in the tables below:

Parent Company									
	Land, buildings, facilities and leasehold improvements	Machinery, equipment and tools	Furniture and fittings	Data processing equipment	PPE in progress (i)	Production of goods in progress (ii)	Environmental Installations (iii)	Other	Total
Assets in use fully depreciated									
At 12/31/2022	103,284	136,009	11,561	29,921	-	-	749	2,786	284,310
At 12/31/2023	**110,511**	**172,176**	**14,133**	**35,449**	**-**	**-**	**5,493**	**5,388**	**343,150**
Cost of PPE									
Balances at 12/31/2021	386,412	469,716	36,600	57,168	21,756	26,909	12,042	6,268	1,016,871
Purchases	3,342	39,097	3,034	10,725	49,505	22,113	21	384	128,221
Anticipations/Imports in progress	-	13,674	2	11	3,133	691	-	19	17,530
Disposals	(15)	(7,839)	(24)	(1,744)	(1,300)	(3,759)	-	(5)	(14,686)
Transfers	17,727	35,378	2,264	37	(25,964)	(29,890)	-	448	-
Balances at 12/31/2022	407,466	550,026	41,876	66,197	47,130	16,064	12,063	7,114	1,147,936
Purchases	**2,418**	**5,263**	**2,429**	**3,544**	**64,404**	**20,802**	**-**	**198**	**99,058**
Anticipations/Imports in progress	**-**	**4,873**	**96**	**-**	**1,918**	**34**	**-**	**19**	**6,940**
Disposals	**(25)**	**(17,515)**	**(1,775)**	**(1,739)**	**(1,162)**	**(2,127)**	**-**	**-**	**(24,343)**
Transfers	**17,264**	**29,373**	**1,930**	**146**	**(38,692)**	**(23,376)**	**13,359**	**(4)**	**-**
Balances at 12/31/2023	**427,123**	**572,020**	**44,556**	**68,148**	**73,598**	**11,397**	**25,422**	**7,327**	**1,229,591**
Accumulated depreciation									
Balances at 12/31/2021	(239,340)	(296,362)	(23,686)	(39,501)	-	-	(8,529)	(5,178)	(612,596)
Depreciation	(18,015)	(36,509)	(2,857)	(6,202)	-	-	(1,146)	(487)	(65,216)
Disposals	-	6,995	6	1,650	-	-	-	5	8,656
Transfers	(2)	-	2	-	-	-	-	-	-
Balances at 12/31/2022	(257,357)	(325,876)	(26,535)	(44,053)	-	-	(9,675)	(5,660)	(669,156)
Depreciation	**(19,641)**	**(40,621)**	**(3,024)**	**(6,075)**	**-**	**-**	**(1,081)**	**(329)**	**(70,771)**
Disposals	**13**	**10,157**	**1,613**	**1,652**	**-**	**-**	**-**	**-**	**13,435**
Transfers	**5,478**	**9**	**(10)**	**-**	**-**	**-**	**(5,478)**	**1**	**-**
Balances at 12/31/2023	**(271,507)**	**(356,331)**	**(27,956)**	**(48,476)**	**-**	**-**	**(16,234)**	**(5,988)**	**(726,492)**
Net book value									
At 12/31/2022	150,109	224,150	15,341	22,144	47,130	16,064	2,388	1,454	478,780
At 12/31/2023	**155,616**	**215,689**	**16,600**	**19,672**	**73,598**	**11,397**	**9,188**	**1,339**	**503,099**

(All amounts in thousands of reais)

11. Property, plant and equipment--Continued

	Consolidated									
	Land, buildings, facilities and leasehold improvements	Machinery, equipment and tools	Furniture and fittings	Data processing equipment	PPE in progress (i)	Production of goods in progress (ii)	Environmental Installations (iii)	Right of use (iv)	Other	Total
Assets in use fully depreciated										
At 12/31/2022	95,183	127,250	11,742	28,406	-	-	749	-	2,834	266,164
At 12/31/2023	**110,511**	**172,176**	**14,133**	**35,501**	**-**	**-**	**5,493**	**-**	**5,388**	**343,202**
Cost of PPE										
Balances at 12/31/2021	408,374	469,716	41,879	62,038	21,756	26,909	12,042	122,411	6,363	1,171,488
Purchases	3,383	39,097	3,067	10,888	49,505	22,113	21	-	384	128,458
Anticipations/Imports in progress	-	13,674	2	11	3,133	691	-	-	19	17,530
Disposals	(5,054)	(7,839)	(3,366)	(3,037)	(1,300)	(3,759)	-	(20,135)	(97)	(44,587)
Transfers	17,727	35,378	2,264	37	(25,964)	(29,890)	-	-	448	-
Foreign exchange variation	(1,720)	-	(414)	(386)	-	-	-	(8,862)	(3)	(11,385)
Balances at 12/31/2022	422,710	550,026	43,432	69,551	47,130	16,064	12,063	93,414	7,114	1,261,504
Purchases	**2,418**	**5,263**	**2,429**	**3,594**	**64,404**	**20,802**	**-**	**-**	**198**	**99,108**
Anticipations/Imports in progress	**-**	**4,873**	**96**	**-**	**1,918**	**34**	**-**	**-**	**19**	**6,940**
Disposals	**(14,422)**	**(17,515)**	**(3,239)**	**(4,867)**	**(1,162)**	**(2,127)**	**-**	**(7,089)**	**-**	**(50,421)**
Transfers	**17,264**	**29,373**	**1,930**	**146**	**(38,692)**	**(23,376)**	**13,359**		**(4)**	**-**
Foreign exchange variation	**(847)**	**-**	**(92)**	**(182)**	**-**	**-**	**-**	**(6,833)**	**-**	**(7,954)**
Balances at 12/31/2023	**427,123**	**572,020**	**44,556**	**68,242**	**73,598**	**11,397**	**25,422**	**79,492**	**7,327**	**1,309,177**
Accumulated depreciation										
Balances at 12/31/2021	(246,586)	(296,362)	(26,858)	(43,024)	-	-	(8,529)	(45,625)	(5,273)	(672,257)
Depreciation	(20,863)	(36,509)	(3,154)	(6,626)	-	-	(1,146)	(16,247)	(487)	(85,032)
Disposals	586	6,995	2,258	2,505	-	-	-	8,140	97	20,581
Transfers	(2)	-	2	-	-	-	-	-	-	-
Foreign exchange variation	470	-	235	271	-	-	-	2,959	3	3,938
Balances at 12/31/2022	(266,395)	(325,876)	(27,517)	(46,874)	-	-	(9,675)	(50,773)	(5,660)	(732,770)
Depreciation	**(20,963)**	**(40,621)**	**(3,112)**	**(6,185)**	**-**	**-**	**(1,081)**	**(13,047)**	**(329)**	**(85,338)**
Disposals	**9,865**	**10,157**	**2,622**	**4,360**	**-**	**-**	**-**	**3,177**	**-**	**30,181**
Transfers	**5,478**	**9**	**(10)**	**-**	**-**	**-**	**(5,478)**	**-**	**1**	**-**
Foreign exchange variation	**508**	**-**	**61**	**153**	**-**	**-**	-	**4,084**	**-**	**4,806**
Balances at 12/31/2023	**(271,507)**	**(356,331)**	**(27,956)**	**(48,546)**	**-**	**-**	**(16,234)**	**(56,559)**	**(5,988)**	**(783,121)**
Net book value										
At 12/31/2022	156,315	224,150	15,915	22,677	47,130	16,064	2,388	42,641	1,454	528,734
At 12/31/2023	**155,616**	**215,689**	**16,600**	**19,696**	**73,598**	**11,397**	**9,188**	**22,933**	**1,339**	**526,056**

(i) Refers to: Industrial Buildings R$37,704 (R$19,543 in 2022; Facilities R$29,667 (R$19,063 in 2022); Spare parts and replacement kits R$6,227 (R$9,524 in 2022).
(ii) The main characteristics in the group relate to goods manufactured or developed internally, especially Machinery & equipment, Tools, Facilities and Furniture and utensils.
(iii) Mainly facilities for action related to renewable energy and treatment of effluents.
(iv) Refers to leasing of commercial space as described in Note 14.

Estimated useful life

The useful lives of assets that are depreciated by the straight-line method are as follows:

Asset	Estimated useful life
Buildings	25 years
Facilities	10 years
Improvements in rented buildings	According to the period of the leasing contract
Machinery and equipment	10 years
Tools	5 years
Data processing equipment	5 years
Fixed assets in progress	According to classification, when activated
Production of goods in progress	According to classification, when activated
Environmental facilities	10 years
Right to use	According to the period of the leasing contract
Other	5 and 10 years

(All amounts in thousands of reais)

12. Intangible assets

Intangible assets have a defined useful life and are recognized at acquisition cost, net of accumulated amortization and impairment if any.

	Parent Company						
	Software	Trademarks and patents	Goodwill	Technology	Development of software	Others	Total
Cost of intangible assets							
Balances at 12/31/2021	77,830	25,514	800	11,927	13,073	543	129,687
Purchases	508	12,102	190	-	14,180	58	27,038
Disposals	(72)	(464)	-	-	(593)	(58)	(1,187)
Transfers	5,735	(6)	-	-	(5,729)	-	-
Balances at 12/31/2022	84,001	37,146	990	11,927	20,931	543	155,538
Purchases	**705**	**1,104**	**-**	**-**	**14,594**	**-**	**16,403**
Disposals	**(14,391)**	**(6,085)**	**-**	**-**	**(259)**	**-**	**(20,735)**
Transfers	**13,470**	**-**	**-**	**-**	**(13,470)**	**-**	**-**
Balances at 12/31/2023	**83,785**	**32,165**	**990**	**11,927**	**21,796**	**543**	**151,206**
Accumulated amortization							
Balances at 12/31/2021	(62,031)	(18,086)	(800)	(10,200)	-	-	(91,117)
Amortization	(5,116)	(2,504)	(22)	(633)	-	-	(8,275)
Disposals	1	431	-	-	-	-	432
Balances at 12/31/2022	(67,146)	(20,159)	(822)	(10,833)	-	-	(98,960)
Amortization	**(6,991)**	**(2,540)**	**(38)**	**(485)**	**-**	**-**	**(10,054)**
Disposals	**14,018**	**5,928**	**-**	**-**	**-**	**-**	**19,946**
Balances at 12/31/2023	**(60,119)**	**(16,771)**	**(860)**	**(11,318)**	**-**	**-**	**(89,068)**
Net book value							
At 12/31/2022	16,855	16,987	168	1,094	20,931	543	56,578
At 12/31/2023	**23,666**	**15,394**	**130**	**609**	**21,796**	**543**	**62,138**

	Consolidated						
	Software	Trademarks and patents	Goodwill	Technology	Development of software	Others	Total
Cost of intangible assets							
Balances at 12/31/2021	80,016	29,141	800	11,927	13,073	1,652	136,609
Purchases	616	12,102	190	-	14,180	58	27,146
Disposals	(72)	(464)	-	-	(593)	(1,088)	(2,217)
Transfers	5,735	(6)	-	-	(5,729)	-	-
Foreign exchange variation	(142)	(235)	-	-	-	(79)	(456)
Balances at 12/31/2022	86,153	40,538	990	11,927	20,931	543	161,082
Purchases	**1,130**	**1,104**	**-**	**-**	**14,594**	**-**	**16,828**
Disposals	**(16,864)**	**(6,812)**	**-**	**-**	**(259)**	**-**	**(23,935)**
Transfers	**13,470**	**-**	**-**	**-**	**(13,470)**	**-**	**-**
Foreign exchange variation	**(104)**	**(245)**	**-**	**-**	**-**	**-**	**(349)**
Balances at 12/31/2023	**83,785**	**34,585**	**990**	**11,927**	**21,796**	**543**	**153,626**
Accumulated amortization							
Balances at 12/31/2021	(63,519)	(18,086)	(800)	(10,200)	-	(83)	(92,688)
Amortization	(5,437)	(2,504)	(22)	(633)	-	(118)	(8,714)
Disposals	1	431	-	-	-	197	629
Foreign exchange variation	94	-	-	-	-	4	98
Balances at 12/31/2022	(68,861)	(20,159)	(822)	(10,833)	-	-	(100,675)
Amortization	**(7,395)**	**(2,540)**	**(38)**	**(485)**	**-**	**-**	**(10,458)**
Disposals	**16,063**	**5,928**	**-**	**-**	**-**	**-**	**21,991**
Foreign exchange variation	**74**	**-**	**-**	**-**	**-**	**-**	**74**
Balances at 12/31/2023	**(60,119)**	**(16,771)**	**(860)**	**(11,318)**	**-**	**-**	**(89,068)**
Net book value							
At 12/31/2022	17,292	20,379	168	1,094	20,931	543	60,407
At 12/31/2023	**23,666**	**17,814**	**130**	**609**	**21,796**	**543**	**64,558**

On December 31, 2023 and 2022, the Company does not have internally generated intangible assets.

(All amounts in thousands of reais)

12. Intangible assets--Continued

Estimated useful life

The useful lives of assets that are amortized by the straight-line method are as follows:

Asset	Estimated useful life
Software	5 years
Brands and patents	10 years
Goodwill on premises	5 years and/or according to contracts
Technology	5 years
Software in development	According to classification, when activated

Impairment

Fixed assets, intangible assets and other assets which present indications that their recorded costs are higher than their recovery value should be reviewed in detail to determine the need for posting of any impairment.

The Company carries out an annual analysis of impairment. In the December 31, 2023 and 2022 business year no assets were identified that presented a need to calculate impairment.

13. Borrowings

Borrowings are posted at contracted value, plus agreed charges including interest and monetary or FX updating incurred. After initial recognition they are measured at amortized cost using the effective rates method.

a) Borrowings

Obligations under loans and financings are as follows:

	Parent company / Consolidated							
			2023			2022		
	Index	Interest rate (y.y.)	Current liabilities	Non-current liabilities	Total	Current liabilities	Non-current liabilities	Total
In local currency								
Incentive-bearing financings	Long-term Interest Rate (TJLP)	6.55% and 7.20%	**1,775**	**10,017**	**11,792**	1,888	7,824	9,712
In foreign currency								
Post-shipping financing of exports (ACEs)	US Dollar +	6.51% and 5.98%	**80,638**	**-**	**80,638**	96,927	-	926,927
			82,413	**10,017**	**92,430**	98,815	7,824	106,639

a.1) Incentive-bearing financings (ICMS tax and exports)

The financings classified here relate to the non-incentive-bearing portions of the government subsidies (Note 17) granted through the Industrial Development Fund (FDI) of the state of Ceará, through the financing agent established by that Fund as intermediary, arising from ICMS tax owed (the Provin and Proade programs) and products exported (the Proapi program) which must be settled within 36 and 60 months after being granted.

(All amounts in thousands of reais)

13. Borrowings--Continued

a) Borrowings--Continued

a.1) Incentive-bearing financings (ICMS tax and exports)--Continued

The benefit of the reduction in the amounts owed is recognized at the moment of obtaining the financings, on the basis that this is the most appropriate reflection of the accrual method approach, since the costs of the taxes referring to the incentive-bearing transactions are being registered simultaneously with the benefits.

Long-term installments have the following composition by year of maturity:

Maturities	2025	2026	2027	2028	Total
Proapi	477	1,271	658	1,398	**3,804**
Provin	1,066	919	-	-	**1,985**
Proade	437	729	1,405	1,657	**4,228**
Total	**1,980**	**2,919**	**2,063**	**3,055**	**10,017**

a.2) Post-shipping financing of exports (ACEs)

These advances comprise funds raised in Brazilian currency by the exporter subsequent to shipment of merchandise to a foreign destination, with maturity dates up to July 2024. Operations are guaranteed through the transfer of rights over installment sales to the bank.

14. Leasing contracts

The Group assesses, on the start date of the contract, whether that contract is or contains leasing, that is to say, whether the contract transmits the right to control the use of an identified asset for a given period.

The Group applies a single approach of recognition and measurement to all leasing arrangements, except contracts for leasing whose periods end in 12 months and leasing arrangements in which the assets are of low value.

The Group has rental contracts for stores, signed with third parties, which are being classified as commercial leasing, and which provide an option for renewal or rescission. These options are negotiated by Management to obtain flexibility in management of the portfolio of leased assets, and so as to be aligned with the Group's business needs.

The discount rates that express the time of realization of the rights of use have been obtained based on the principal inflation indices of the market and an estimated rate for interest on lending, in the event that the Company were to opt to obtain the object of the leasing for similar periods and in similar scenarios.

(All amounts in thousands of reais)

14. Leasing contracts--Continued

The table below shows the rates practiced, the maturity and the period of the current contract:

Real estate rental contract	End date	Maturity	Average rates (y.y.)
Grendene New York, L.L.C. – Store	11/30/2025	10 years	4.00%

The changes in liabilities corresponding to the leases are as follows:

	Consolidated
Balance at 12/31/2021	78,380
Disposals	(11,995)
Interest appropriated and paid	(410)
Payments	(15,935)
Foreign exchange variation	(6,133)
Balance at 12/31/2022	43,907
Disposals [(i)]	**(3,912)**
Interest appropriated and paid	**(235)**
Payments	**(12,889)**
Foreign exchange variation	**(2,874)**
Balance at 12/31/2023	**23,997**
Current	**11,789**
Non-current	**12,208**

[(i)] This refer to exclusion of the contract of the *Century City* Clube Melissa stores.

The future commitments arising from these contracts are presented net of adjustments at present value, as follows:

Maturities	2025	Total
Leasing contracts	**12,208**	**12,208**

On December 31, 2023 the Company recognized as short-term rental expenses the amount of R$3,650 (R$2,640 on December 31, 2022), and in the consolidated the amount of R$12,256 (R$3,123 on December 31, 2022).

15. Provisions, contingent liabilities and contingent asset

The Company and its subsidiaries are parties in administrative and court actions of an employment-law, tax, civil and environmental nature, arising from the normal course of business.

The Company periodically revises its list of contingencies, upon assessment by its legal department and external legal advisors and classifies the changes of loss into three categories: *(i)* Probable; *(ii)* Possible; and *(iii)* Remote.

(All amounts in thousands of reais)

15. Provisions, contingent liabilities and contingent asset--Continued

a) Provisions – Probable loss risk

The estimated losses have been provisioned in an amount sufficient to cover any adverse judgments.

The changes in provisions for employment-law, tax and civil risks are as follows:

	Parent company				Consolidated			
	Labor	Tax	Civil	Total	Labor	Tax	Civil	Total
Balances at 12/31/2021	1,617	1,278	911	3,806	1,626	1,278	911	3,815
Additions	1,118	864	100	2,082	1,418	864	100	2,382
Realizations	(1,521)	(143)	(810)	(2,474)	(1,621)	(143)	(810)	(2,574)
Reversals	(24)	-	-	(24)	(25)	-	-	(25)
Monetary updating	-	43	4	47	-	43	4	47
Balances at 12/31/2022	1,190	2,042	205	3,437	1,398	2,042	205	3,645
Current liabilities	*611*	*864*	*205*	*1,680*	*619*	*864*	*205*	*1,688*
Non-current liabilities	*579*	*1,178*	*-*	*1,757*	*779*	*1,178*	*-*	*1,957*
Balances at 12/31/2022	1,190	2,042	205	3,437	1,398	2,042	205	3,645
Additions	**4,086**	**3,781**	**286**	**8,153**	**4,387**	**3,781**	**286**	**8,454**
Realizations	**(1,511)**	**(3,781)**	**-**	**(5,292)**	**(1,511)**	**(3,781)**	**-**	**(5,292)**
Reversals	**(198)**	**-**	**(10)**	**(208)**	**(198)**	**-**	**(10)**	**(208)**
Monetary updating	**-**	**68**	**-**	**68**	**-**	**68**	**-**	**68**
Balances at 12/31/2023	**3,567**	**2,110**	**481**	**6,158**	**4,076**	**2,110**	**481**	**6,667**
Current liabilities	***1,139***	***865***	***116***	***2,120***	***1,148***	***865***	***116***	***2,129***
Non-current liabilities	***2,428***	***1,245***	***365***	***4,038***	***2,928***	***1,245***	***365***	***4,538***

Employment-law cases: These refer claims from former employees for alleged non-compliance with employment-law rules, relating to severance pay, additional payment for unhealthy conditions, and amounts alleged to be due for subsidiary liability.

Tax issues: Refers: *(i)* PIS and COFINS ('Import PIS/COFINS') taxes on services received outside Brazil (R$1,245); and *(ii)* Legal fees in state tax execution (R$ 865).

Civil cases: Refers: *(i)* a various action for indemnity (R$124); *(ii)* Losers' fees (R$91); and *(iii)* indemnity in an action relating to intellectual property (R$266).

b) Contingent liabilities – Possible loss risk

The Company has labor, tax, civil and environmental contingencies involving risks classified by management as possible losses, based on the evaluation of the legal advisors, for which no provision was recognized. The analysis and the estimates are as follows:

	Parent company		Consolidated	
	2023	2022	2023	2022
Labor	**2,376**	1,101	**2,486**	1,211
Tax	**43,451**	11,743	**43,451**	11,743
Civil	**38,753**	36,752	**38,753**	36,752
Environmental	**340**	316	**340**	316
	84,920	49,912	**85,030**	50,022

Employment-law cases: These refer complaints by former employees, for alleged non-compliance with employment-law rules indemnity amounts and additional payments for alleged unhealthy conditions.

(All amounts in thousands of reais)

14. Provisions, contingent liabilities and contingent assets--Continued

b) Contingent liabilities – Possible loss risk--Continued

Tax issues: These comprise litigation on the following subjects: *(i)* the Social Security Contribution on the collective life insurance made available to the employees (R$598); *(ii)* execution related to the gloss of compensation of presumed credit of IPI, determined as compensation related to the Social Security Financing Contribution (PIS) and Social Integration Program (COFINS) (R$7,879); *(iii)* execution related to the COFINS compensation gloss (R$1,612); *(iv)* exclusion of offsetting of credits recognized under the *Reintegra* program with debits of COFINS tax (R$1,562); (*v)* execution against the State of Rio Grande do Sul in relation to incorrect appropriation of a credit of ICMS tax (the value added tax charged by states) (R$10,732); *(vi)* a tax claim by the State of Ceará for alleged undue use of its Industrial Development Fund (*Fundo de Desenvolvimento Industrial – FDI*) (R$ 5,400); and *(vii)* Collection of CIDE tax – Shipments (R$ 15,668).

Civil cases: Refers to: *(i)* action for indemnity by former commercial representatives (R$18,476); *(ii)* action for indemnity by a former client alleging the existence of a distribution contract (R$6,000); *(iii)* actions to annul a tax claim for supposed non-compliance with consumer rules (R$12,662); *(iv)* various other actions for indemnity (R$1,506); and *(v)* legal action relating to intellectual property in a product (R$110).

Environmental: These are for amounts arising under inspection notices for supposed non-compliance with conditions of environmental licenses.

c) Contingent assets

The Group is a party in disputes in the courts and in administrative proceedings on reimbursement of federal taxes. The Company's legal advisors have assessed the chance of success in these proceedings as 'probable'. The cases are:

Type	Description	Estimate
Tax	Inclusion of sales made to the Manaus Free Trade Zone into the basis for calculation of benefits under the Reintegra export support system.	R$6,654
Tax	Disputing demandability of the social security contribution on the proportional payroll for the '13th-salary' end-of-year bonus paid in December 2011.	R$7,617

16. Equity

a) Capital

On December 31, 2023 and 2022 the share capital, fully paid-up, comprised 902,160,000 nominal book-entry common shares without par value. The shares are all of the same class as regards their holders' rights, and all have equal right to vote, subject to the conditions of law.

(All amounts in thousands of reais)

16. Equity--Continued

a) Capital--Continued

This table shows the Company's ownership structure:

	Ownership structure			
	2023		2022	
	Common Shares	%	Common Shares	%
Alexandre Grendene Bartelle	**371,651,807**	**41.20%**	371,651,807	41.20%
Pedro Grendene Bartelle	**125,312,376**	**13.89%**	125,312,376	13.89%
Giovana Bartelle Veloso	**37,132,797**	**4.12%**	37,132,797	4.12%
Pedro Bartelle	**34,557,397**	**3.83%**	34,557,397	3.83%
André de Camargo Bartelle	**29,201,277**	**3.24%**	29,201,277	3.24%
Gabriella de Camargo Bartelle	**28,912,677**	**3.20%**	28,912,677	3.20%
3G Radar Gestora de Recursos Ltda	**72,443,300**	**8.03%**	72,443,300	8.03%
Executive Board and Boar of Directors' Members	**2,560,389**	**0.28%**	2,623,587	0.29%
Treasury shares	**2,671**	**0.00%**	467,650	0.05%
Outstanding shares	**200,385,309**	**22.21%**	199,857,132	22.15%
	902,160,000	**100.00%**	902,160,000	100.00%

b) Capital Reserve

This corresponds to the amount of stock options granted by the Company to its managers as described in Note 22.

c) Treasury shares

On March 2, 2023, the 102nd meeting of the Board of Directors approved creation of a new share buyback program to acquire the Company's shares (all are nominal common shares, without par value), to be held in treasury and/or later sold or canceled, for compliance with exercise of future stock options granted to its executives under the stock options plan (Note 22), limited to 5,000,000 shares, to expire on July 31, 2024.

The table below shows the changes of shares held in treasury:

	Parent company		
	Common shares	R$	Medium cost
Balances at 12/31/2021	(205,522)	(1,832)	8.92
Acquisition of shares	(464,424)	(3,429)	7.38
Share options exercised	202,296	1,803	8.92
Balances at 12/31/2022	(467,650)	(3,458)	7.39
Share options exercised	464,979	3,438	7.39
Balances at 12/31/2023	**(2,671)**	**(20)**	**7.39**

(All amounts in thousands of reais)

16. **Equity**--Continued

d) Income reserves

d.1) *Legal reserve*

This comprises 5% of the net profit for the period after deduction from it of amounts received under tax incentive schemes and held in reserve accounts, subject to the total of this reserve being limited to 20% of the paid-up share capital. This amount – 20% of the share capital – was R$ 246,260 on December 31, 2023 and on December 31, 2022. In the 2022 business year, the Company's Legal Reserve reached its allowed limit under the legislation.

d.2) *Reserve for acquisition of shares*

This comprises the balance of R$10,052 on December 31, 2023 (R$9,598 on December 31, 2022), used for repurchase or acquisition of shares in the Company, to comply with share-based compensation commitments offered to participants in the Company's stock options plan.

The reserve is limited to a total value equal to 20% of the share capital; it may be made up of up to 100% of the net profit remaining after the deductions required by law and by the by-laws.

d.3) *Tax incentives*

On December 16, 2022 the Company obtained a final judgment against which there is no appeal in the form of the decision by the Regional Federal Appeal Court of the 5th Region, granting it an order of *mandamus* giving it the right not to include amounts corresponding to the tax benefit of ICMS, conceded by the State of Ceará, in the basis for calculation of corporate income tax and the Social Contribution on Net Profit – thus removing the effect of the restrictions imposed by the federal legislation, which had made the non-taxation of such amounts conditional upon their being maintained in a profit reserves account or an account for absorption of losses or for increase in share capital. As a result of this decision, these amounts can be imputed as part of dividends without restrictions, or risks of being taxed by corporate income tax or the Social Contribution on Net Profit.

Thus, the remaining balance is constituted by the portion of the profit arising from government subsidies for investments (Note 17) arising from federal tax incentives and state tax incentives, both of which are not included in the dividend calculation basis.

The changes are as follows:

	Parent company / Consolidated			
	Exports incentive (Proapi)	ICMS incentive (Provin and Proade)	Income Tax	Total
Balances at 12/31/2021	235,437	1,406,070	890,541	2,532,048
Incentives generated by the operation	-	175,947	58,775	234,722
Separate allocation of tax incentive amounts (*)	-	(1,004,547)	-	(1,004,547)
Balances at 12/31/2022	235,437	577,470	949,316	1,762,223
Incentives generated by the operation	**-**	**199,177**	**75,512**	**274,689**
Balances at 12/31/2023	**235,437**	**776,647**	**1,024,828**	**2,036,912**

(*) Management has proposed distribution of additional dividends arising from a tax incentive (ICMS) for the years 2016 to 2022, as described in Note 16, letter (f).

(All amounts in thousands of reais)

16. Equity--Continued

e) Other comprehensive income

This corresponds to the accumulated effect of FX conversion from the functional currency to the original currency of the financial statements of the subsidiaries outside Brazil, calculated on the stockholding investments held outside Brazil, valued by the equity method. This accumulated effect will be reverted to the profit for the business year as a gain or loss, when the investment is sold or written off.

f) Dividends and interest on equity

The Bylaws and the Corporate Law both require distribution of a minimum mandatory dividend of 25% of the net profit for the period, after constitution of the Reserves required by law.

Earlier distribution of dividends may be made quarterly or half-yearly, with the status of 'Interim Dividends', and/or 'Proposed Additional Dividends'.

When decided by the Board of Directors, payments of Interest on Equity are deemed to be part of the total of dividends. They are calculated on the basis of the Long-Term Interest Rate (*Taxa de Juros de Longo Prazo* – TJLP) in effect in the period. Amounts of Interest on Equity are posted in Stockholders' equity. Their tax effect is posted in the Profit and loss account.

Dividends not claimed by stockholders within 3 (three) years from the date of their declaration revert to the Company.

Dividends on December 31, 2023 and 2022 were calculated as follows:

	Parent company	
	2023	2022
Profit for the year	**557,671**	568,027
Legal reserve	**-**	(16,665)
Tax incentive reserve	**(274,689)**	(234,722)
Minimum mandatory dividends calculation basis	**282,982**	316,640
Minimum mandatory dividend – 25%	**70,746**	79,160
Dividend proposed in addition to the minimum mandatory amount	**212,236**	237,480
Total of dividends proposed by management	**282,982**	316,640
Proposed allocation:		
Prepaid corporate action payments:		
Interim dividends	**117,167**	113,409
Interest on equity imputed as part of dividends (R$17,000, net of tax withheld at source)	**20,000**	89,000
Corporate action payments proposed:		
Additional dividend proposed	**50,815**	4,231
Interest on equity imputed as part of dividends (R$80,750, net of tax withheld at source)	**95,000**	110,000
	282,982	316,640
Additional dividend proposed – Allocation of tax incentive amounts (ICMS tax).	**-**	1,000,000
Prescribed dividends	**6**	-
	282,988	1,316,640

16. Equity--Continued

f) Dividends and interest on equity--Continued

f.1) *Dividends and Interest on Equity for the 2022 business year*

i) Interim dividends

The Board of Directors approved distribution of dividends and interim payment of Interest on Equity, in the amount of R$202,409 (representing R$0.02245 per share), which were paid to stockholders as follows:

a) 1Q22: on May 25, 2022, dividends in the amount of R$83,696 (representing R$0.0928 per share), as follows: *(i)* R$46,696 in interim dividends; and *(ii)* R$37,000 (R$31,450 net of tax) in interest on equity;
b) 2Q22: on August 12, 2022, dividends in the amount of R$25,645 (representing R$0.0284 per share), as follows: *(i)* R$7,645 in interim dividends; and *(ii)* R$18,000 (R$15,300 net of tax) in interest on equity; and
c) 3Q22: on November 23,2022, dividends in the amount of R$93,068 (representing R$0.1032 per share), as follows: *(i)* R$59,068 of interim dividends; and *(ii)* R$34,000 (R$28,900 net of tax) in Interest on Equity.

ii) Additional dividend proposed

The 102nd meeting of the Board of Directors, held on March 2, 2023, approved payment of additional dividends proposed by Management on December 31, 2022. The amounts were paid to stockholders as from May 2, 2023, as follows: *(i)* R$4,231 as additional dividends; *(ii)* R$110,000 (R$ 93,500, net of income tax withheld at source) as Interest on Equity; and *(iii)* R$1,004,547 (R$1,000,000 after deduction of the Legal reserve), from the tax benefit related to ICMS tax.

f.2) Distributions of dividends made and proposed in 2023

i) Interim dividends

The Board of Directors approved distribution of dividends and interim payment of Interest on Equity, in the amount of R$137,172 (representing R$0.0152 per share), which were paid to stockholders as follows:

a) 1Q23: on June 7, 2023, dividends in the amount of R$68,122 (representing R$0.0755 per share), as follows: *(i)* R$68,120 in interim dividends; and *(ii)* R$2 in prescribed dividends;
b) 2Q23: on September 6, 2023, dividends in the amount of R$17,137 (representing R$0.0189 per share), as follows: *(i)* R$17,134 in interim dividends; and *(ii)* R$3 in prescribed dividends; and
c) 3Q23: on December 6, 2023, dividends in the amount of R$51,913 (representing R$0.0575 per share), as follows: *(i)* R$31,913 of interim dividends; and *(ii)* R$20,000 (R$17,000 net of tax) in Interest on Equity.

16. Equity--Continued

f) Dividends and interest on equity--Continued

f.2) Distributions of dividends made and proposed in 2023

ii) Additional dividend proposed

Management submitted for decision by the Annual General Meeting (AGM) the proposal for distribution of additional dividends in the amount of R$50,815 (R$0.0563 per share) and R$95,000 in Interest on Equity (R$80,750, net of income tax withheld at source), on the net profit for the 2023 business year. Additionally, the amount of R$1 of prescribed dividends.

These amounts are presented in Stockholders' equity for approval by the Annual General Meeting.

g) Earnings per share

Reconciliation of net income to the amounts used to calculate basic and diluted earnings per share (all amounts in thousands of Reais, except earnings per share), are as follows:

	Parent company / Consolidated	
	2023	2022
Numerator		
Profit for the year (a)	**557,671**	588,027
Denominator		
Weighted average number of common shares	**902,160,000**	902,160,000
Weighted average number of common treasury shares	**(98,477)**	(284,007)
Weighted average number of outstanding common shares (b)	**902,061,523**	901,875,993
Potential increase in common shares due to the stock option or subscription plan	**(67,939)**	596,630
Weighted average of the number of common shares, considering potential increment (c)	**901,993,584**	902,472,623
Basic earnings per common share (a/b)	**0.6182**	0.6298
Diluted earnings per common share (a/c)	**0.6183**	0.6294

17. Government grants for investments

The government subsidies received by the Company have the nature of a subsidy for investment and are as follows: *(i)* tax incentives applying to ICMS tax, relating to its operational activities located in the states of Ceará; and *(ii)* reduction of 75% in income tax on profits of undertakings physically located in the state of Ceará Calculated on the basis of operating profit.

Government subsidies are recognized when there is reasonable certainty that the conditions established in the agreements governing them have been complied with.

(All amounts in thousands of reais)

17. Government grants for investments--Continued

a) State tax incentives

Proade - Program to attract strategic enterprises, as from October 1, 2021, replacing the previous industrial development incentive program (the *Provin* program). It grants deferment equivalent to 88% of the amount of ICMS tax in fact paid on their physical production, for Grendene's units at Sobral, Fortaleza and Crato. Of the amount of each installment of the benefit, the equivalent of 1% will be paid one time only, on the last day of the month in question, after 60 months (for Sobral), and 36 months (for Fortaleza and Crato), with the amount updated from the initial date to the due date (12/31/2032) by application of the TJLP long-term interest rate.

Proapi - The incentive program for port and industrial activities of the State of Ceará, which was in effect up to March 31, 2017, for the Company's unit at Sobral, in the State of Ceará.

Resolution 131 of the Industrial Development Council (CEDIN) of Ceará State, published on 11/14/2019, enabled the State to pay the balance of the credits of the Proapi incentive amounts receivable in 60 successive, equal monthly installments.

As a result, the balance posted by the Company as amounts receivable – which was R$26,256 – when brought to present value is reduced to R$22,949 at December 31, 2023 (R$38,509 at December 31, 2022, which when brought to present value was R$34,071).

The balances of the incentive amounts are reported in the Profit and loss account of the Holding company and in the Consolidated accounts, under Net sales revenue, as shown in Note 23. These amounts were allocated to the Tax incentives reserve, in Profit reserves, in Stockholders' equity.

Further, on December 16, 2022 the Company obtained a final judgment against which there is no appeal in the form of the decision by the Regional Federal Appeal Court of the 5th Region, relating to the ICMS tax benefit granted by the State of Ceará, granting the Company an order of mandamus giving it the right not to apply the restrictions that had been imposed by the federal legislation, which had made non-taxation of such amounts conditional upon their being maintained in a profit reserves account and used only for absorption of losses or increase in the Company's share capital. As a result of this decision, these amounts can be imputed as part of dividends without restrictions, or risks of being taxed by corporate income tax or the Social Contribution on Net Profit (CSLL), until 12/31/2023.

b) Federal fiscal tax incentive

The Company is beneficiary of the following tax incentive: reduction of 75% in income tax on the profits of undertakings located in the industrial units headquartered in the area of activity of SUDENE, as shown in the table below:

Units benefited by the incentive	Project	Percentage reduction	Expiration date
Fortaleza – CE	Modernization	75%	Dec/2030
Sobral – CE	Modernization	75%	Dec/2031
Crato – CE	Modernization	75%	Dec/2026

The balances of this incentive are posted in the Company's Profit and loss account, under Current income tax, as shown in Note 18. In counterpart, these amounts were posted in the Tax incentives reserve account, in Profit reserves, in Stockholders' equity.

(All amounts in thousands of reais)

18. Income tax and social contribution tax

a) Current income tax and social contribution tax

The provisions for current income tax and Social Contribution tax are calculated individually, by the Company and its subsidiaries, based on the tax laws in effect on the reporting date, in the countries where they generate tax revenue.

Current taxes are presented net and reported in assets when the balances paid in advance exceed the total payable on the reporting date, or in liabilities when there is an amount payable.

Current income tax and social contribution tax amounts recorded in the expense for the year, net of tax incentives, are as follows:

	Parent company		Consolidated	
	2023	2022	2023	2022
Income tax	**(2,459)**	(1,768)	**(2,727)**	(1,976)
Amount due	**(77,971)**	(60,543)	**(78,239)**	(60,751)
Tax incentives	**75,512**	58,775	**75,512**	58,775
Social contribution	**(29,839)**	(23,280)	**(29,943)**	(23,363)
Amount due	**(29,839)**	(23,280)	**(29,943)**	(23,363)
	(32,298)	(25,048)	**(32,670)**	(25,339)

b) Deferred income tax and social contribution tax

Deferred taxes are recognized only if there is a possibility of future generation of taxable profit in an amount significant to enable those temporal differences to be used.

Deferred income tax and Social Contribution tax are calculated by applying the rates expected to be in force on the reporting date at which the temporary differences are expected to be realized or demanded.

Deferred tax assets and liabilities are offset when there is a legal right to offset current tax assets with current tax liabilities, and if they are related with the taxed imposed by the same tax authority.

Deferred income tax and social contribution tax are comprised as follows:

	Parent company		Consolidated	
	2023	/2022	2023	2022
Estimated losses on doubtful receivables	**3,285**	414	**3,285**	414
Punctuality discounts estimated	**6,723**	9,807	**6,723**	9,807
Adjustment to Present Value	**4,972**	4,702	**4,972**	4,702
Fair value of Structured Transaction Certificates (Certificados de Operações Estruturadas – COEs)	**(5,699)**	(235)	**(5,699)**	(235)
Fair value of equity financial instruments	**-**	(8,768)	**-**	(8,768)
Estimated losses for obsolete inventory	**1,555**	1,840	**1,555**	1,840
Provision for labor risks, tax and civil	**939**	524	**939**	524
Interest on equity (counted as part of total dividends	**32,300**	37,400	**32,300**	37,400
Other	**119**	301	**76**	95
	44,194	45,985	**44,151**	45,779

(All amounts in thousands of reais)

18. Income tax and social contribution tax--Continued

c) Estimate for realization of deferred income tax and Social Contribution tax

The figures for realization of deferred income tax and Social Contribution tax are supported by technical feasibility studies, which show an estimate of the realization of the deferred assets.

The company estimates realization of the tax credits in the various business years as follows:

	Party company		Consolidated	
	2023	2022	2023	2022
2023	**-**	44,159	**-**	43,953
2024	**42,608**	1,467	**42,565**	1,467
2025	**908**	349	**908**	349
2026	**466**	10	**466**	10
2027	**63**	-	**63**	-
2028	**38**	-	**38**	-
2029 to 2074	**111**	-	**111**	-
	44,194	45,985	**44,151**	45,779

d) Reconciliation of tax expense to statutory rates

The amounts of income tax and Social Contribution tax, calculated at nominal rates, reported in the Profit and loss account, are reconciled as follows:

	Parent company		Consolidated	
	2023	2022	2023	2022
Pretax income	**591,760**	576,365	**591,969**	575,317
Income tax and social contribution tax (at nominal rates of 25% and 9% respectively)	**(201,198)**	**(195,964)**	**(201,269)**	(195,604)
Adjustments to show effective rate				
Equity in the results of subsidiaries	**(43,021)**	(31,876)	**(21,410)**	(9,447)
Non-deductible costs and expenses	**7,303**	9,809	**7,323**	9,809
Adjustments to fair value	**(2,696)**	2,204	**(2,696)**	2,204
Stock options plan	**(545)**	(1,011)	**(545)**	(1,011)
Special System for Refund of Tax Amounts to Exporting Companies (Reintegra)	**187**	225	**187**	225
State tax incentives	**67,720**	59,822	**67,720**	59,822
Technological innovation incentive	**10,447**	11,992	**10,447**	11,992
Corporate tax incentive deductions – Income tax	**4,889**	4,100	**4,889**	4,100
Interest on equity counted as part of total dividends	**39,100**	67,600	**39,100**	67,660
Other financial instruments – Dividends	**5,626**	11,739	**5,626**	11,739
Realization of foreign exchange losses on investments	**2,569**	(412)	**2,569**	(412)
Other additions and exclusions	**18**	(5,401)	**(21,751)**	(27,138)
Amount before deduction of corporate tax incentives	**(109,601)**	(67,113)	**(109,810)**	(66,065)
Tax incentive reductions of corporate income tax (Calculated on operational profit)	**75,512**	58,775	**75,512**	58,775
Total taxes posted in profit and loss account	**(34,089)**	(8,338)	**(34,298)**	(7,290)
Current taxes	**(32,298)**	(25,048)	**(32,670)**	(25,339)
Deferred taxes	**(1,791)**	16,710	**(1,628)**	18,049
Effective rate	**-5.8%**	-1.4%	**-5.8%**	-1.3%

19. Financial instruments

Financial instruments are recognized when the Company becomes a party to the contractual provisions of the instrument. These are measured at amortized cost or at fair value and classified in one of the following three categories: *(i)* Financial instruments at amortized cost; *(ii)* Financial instruments measured at fair value through Comprehensive income; and *(iii)* Financial instruments measured at fair value through Profit or loss.

Their subsequent measurement takes place at each recording date in accordance with the rules established for each type of classification of financial assets and liabilities.

The Company and its subsidiaries have classified their financial assets and liabilities at amortized cost or at fair value through profit or loss, in accordance with the characteristics of the contract and the purpose for which they were acquired or issued:

a. *Financial assets at amortized cost:* These are measured in a business model the objective of which is to receive contractual cash flows where the contractual terms give rise to cash flows which are, exclusively, payment of the principal and/or interest on it.
b. *Financial assets measured at fair value through profit or loss*: Any financial assets that are not classified in the aforementioned category stated above are measured and recognized at fair value through Profit or loss. Financial assets that are held for training and managed on the basis of fair value are also included in this category.
c. *Financial liabilities*: The entity should classify all financial liabilities as measured at amortized cost, except in the case of: (a) financial liabilities measured at fair value through Profit or loss; (b) financial liabilities that arise when the transfer of the financial asset does not qualify for derecognition, or when the continuing involvement approach is applicable; (c) a financial guarantee contract; (d) undertakings to grant loans with interest rates below market; or (e) a contingent consideration recognized by an acquiring party in a business combination to which CPC 15 should be applied.

Derivative financial instruments and hedging activities

The Company operates with derivative financial statements for the purpose of hedging but does not use the practice of hedge accounting to account for its derivative transactions, which are not made for speculative purposes.

Derivatives are recorded initially at fair value on the date of contracting, and subsequently revalued, also at fair value, with any gains or losses being recognized in financial revenue/expenses.

The Company has transactions with financial instruments, the risks of which are managed through financial position strategies and exposure limit systems. All transactions are fully recognized in the accounting records.

(All amounts in thousands of reais)

19. Financial instruments--Continued

The table below gives the classification of the principal financial assets and liabilities of the Company and its subsidiary:

	Parent company		Consolidated	
	2023	2022	2023	2022
Financial assets at amortized cost (*)				
Cash and cash equivalents	**56,968**	87,621	**73,735**	127,409
Financial investments	**912,375**	1,338,185	**912,375**	1,338,185
Trade receivables	**1,131,747**	1,118,469	**1,131,602**	1,131,904
Financial assets measured at fair value through profit of loss				
Financial investments (iii)	**266,186**	253,569	**266,186**	253,569
Financial investments (i)	**-**	77,477	**-**	77,477
Financial liabilities at amortized cost (*)				
Borrowings	**92,430**	106,639	**92,430**	106,639
Leasing contracts	**-**	-	**23,997**	43,907
Trade payables	**49,110**	77,854	**49,359**	80,240
Commissions payable	**53,966**	55,900	**54,285**	56,085
Financial liabilities measured at fair value through profit of loss				
Derivatives (ii) (*)	**496**	624	**496**	624

(*) The accounting balances at December 31, 2023 and 2022 reflect the fair values of the financial instruments.
(i) Level 1: Items valued by prices quoted in an active market (without any adjustments) for similar assets of liabilities.
(ii) Level 2: Items on which there is observable information for assets and liabilities, but which do not have prices quoted on an active market.
(iii) Level 3: Items for which there are no observable data for assets and liabilities that reflect assumptions for pricing.

Foreign exchange rate hedging transactions

The strategy when contracting these transactions is to hedge the sales revenue and financial assets of the Company and its subsidiaries that are subject to foreign exchange exposure. These instruments are used for the specific purpose of hedging, and the portfolio includes sale of U.S. dollar futures through financial instruments used for this purpose such as: Commodities and Securities Exchange – B3 and advances on future exports (ACE).

In transactions involving B3 sales, the impact on the cash flow of the Company and its subsidiaries is assessed through the calculation of daily adjustments to the U.S. dollar exchange rate until the settlement of the contracts.

To reduce the net effects of exposure of its business, the Company's management determines the managers may negotiate future contracts for sale of US$, exclusively at B3 up to the maximum limit defined by the sum of the following items: *(i)* bank balances in foreign currency held outside Brazil; *(ii)* financial investments held outside Brazil; *(iii)* balances of accounts receivable (denominated in US$) of exchange transactions to be contracted; *(iv)* up to 25% of the forecasts of annual exports equivalent to approximately 90 days of forecast exports (normally corresponding to orders in the order book and negotiations for sales in progress), less: *(a)* balances of suppliers held in foreign currency; *(b)* imports in progress; and *(c)* ACCs (Advances against exchange contract).

The risks are monitored daily and administered through internal controls aimed to demonstrate the limits of exposure and adapt them to the Company's risk management policy.

Foreign exchange hedging transactions are usually made with the B3, are carried out through specialized brokers, with specific guarantees. The guarantee amounted to R$37,497 on December 31, 2023 (R$65,207 in 2022), comprises the Company's investments in government securities, observing the limits and exposures to foreign exchange risk, as defined in the policy for management of counterparty risk.

(All amounts in thousands of reais)

19. Financial instruments--Continued

Foreign exchange rate hedging transactions--Continued

The table below shows the positions at December 31, 2023 and 2022, with the notional and fair value.

	Notional value – US$		Notional value – R$		Amount receivable (payable)	
	2023	2022	2023	2022	2023	2022
Futures contracts						
Sell commitment	**21,000**	14,250	**102,250**	75,867	**(496)**	(624)

It should be noted that these transactions are linked to sales and financial assets in foreign currency, which are also subject to foreign exchange rate changes, offsetting any gains or losses. The balance payable on December 31, 2023, in the amount of R$496 (R$ 624 in 2022), is classified in other accounts payable.

20. Risk management

Risks are managed through governance policies that establish the techniques for continuous monitoring and measurement of the exposure, aligned with strategies for business growth and for social and environmental responsibility.

a) *Operational risks management*

The organizational structure of the Company's risk management processes uses as a parameter the Three Lines of Defense of the IIA *(the Institute of Internal Auditors),* and in terms of methodology is based on the Enterprise Risk Management (ERM) framework of COSO *(the Committee of Sponsoring Organizations of the Treadway Commission)*, in relation to the flow of identification, evaluation, treatment and monitoring of the risks to which the Company and its subsidiaries are exposed.

In this context the Company operates in relation to strategic, operational, compliance, financial, market, information, technological and socio-environmental risks in accordance with policy approved by the Board of Directors of Grendene.

In relation to treatment of risks:

(i) The process of corporate risk management permeates all the business processes, and, hence, all of Grendene's workers – from employees to directors – are responsible for management of the Company's risks, from the decisions on strategies and projects through to performance of day-to-day functions;
(ii) The Governance, Risks and Compliance Department (GRC) coordinates Grendene's process of corporate risk management, and in terms of methodology advises and supports the business areas in identification, classification, evaluation and treatment of the risks inherent to their processes;
(iii) The Internal Audit's role is to independently, impartially and timely examine the effectiveness and quality of Grendene's corporate risk management process, recording weaknesses and making recommendations for improvements and adjustments to the process.

Finally, the company has constituted an Audit Committee, which supervises the activities, effectiveness, development and structure of the corporate risk management of Grendene S.A. and suggests improvements to the Board of Directors.

20. Risk management--Continued

a) *Operational risks management--Continued*

The purpose of all this structure is to guarantee, with the due sponsorship and monitoring from senior management (i.e. including the Executive Board and the Board of Directors), an efficient and effective management of corporate risks in the Company.

b) *Management of social and environmental risks*

The Company is exposed to socio-environmental risks due to the possibility of environmental damage, inappropriate use of natural resources, non-compliance with the requirements and regulations in force, obsolescence of stock, impacts of extreme climate, and failure in responses to climate change.

Actions are taken to reduce risks by mapping of processes, monitoring of rules and legislation related to subjects, and recording of occurrences in internal systems for analysis and management. The mechanisms of management and monitoring of these risks are in accordance with the Sustainability Policy, which is guided by three central principles: *(i)* appreciation and respect for persons*;* *(ii)* eco-efficient operations; and *(iii)* products of lower impact.

c) *Financial risks management*

c.1) *Credit risks*

The Group is exposed to credit risk in its operational activities arising from accounts receivable from clients and counterparties in financial investments, including deposits with banks and financial institutions, foreign exchange transactions and other financial instruments.

The following are the risk management practices: *(i)* *Accounts receivable from clients*: Management aims to minimize any problems arising from default by its clients, through analysis of credit in the client portfolio, establishment of sales limits and sales well spread out between multiple clients. No single client represented more than 5% of the total of the Company's accounts receivable on December 31, 2023 and 2022; and *(ii)* *Financial instruments, cash and cash equivalents, and other financial assets*: The Company's financial resources are allocated in a diversified manner in financial assets that may be securities issued by financial institutions that are considered by the market to be first-tier (the country's 10 largest banks by assets), or public securities or private securities such as, for example, debentures, real estate receivable certificates, real estate financing transactions, credits receivable, or others, that seek remuneration tied to a basket of indicators, such as: the CDI rate, and securities with fixed rates or indexed to inflation indices.

Investment opportunities of greater risk (those made in private securities) are evaluated by the investment committee created for this purpose, which, under the Company's policy, may allocate up to R$850 million for this type of investment.

(All amounts in thousands of reais)

20. Risk management--Continued

c) *Financial risks management*--Continued

c.2) *Liquidity risk*

The Company monitors the policy on cash generated by its activities, to avoid mismatch between accounts receivable and accounts payable, thus ensuring liquidity for compliance with its obligations. The principal source of funds used by the company is the volume of proceeds from the sale of its products. One characteristic of the strong cash flow generation is low default. The Company, additionally, holds balances in cash investments that may be redeemed at any moment, and has solid financial and equity conditions, for complying with its short and medium-term obligations.

This table shows the requirements for contractual payments arising from the Company's financial liabilities:

	Parent company / Consolidated					
	2023			2022		
	Up to 1 year	From 1 to 5 years	Total	Up to 1 year	From 1 to 5 years	Total
Incentive-bearing financings	**1,775**	**10,017**	**11,792**	1,888	7,824	9,712
Post-shipment financing of exports (ACEs)	**80,638**	**-**	**80,638**	96,927	-	96,927
Projection including future interest						
Incentive-bearing financings	**1,835**	**12,000**	**13,835**	1,952	9,343	11,295
Post-shipment financing of exports (ACEs)	**83,226**	**-**	**83,226**	99,902	-	99,902

c.3) *Market risks*

These market risks principally involve the possibility of variation in interest rates, foreign exchange rates and prices of commodities and stock prices.

i) *Interest rate risk*

This risk arises from the possibility that the Company may incur losses due to fluctuations in interest rates that lead to an increase in its finance costs related to borrowings, or a decrease in its earnings on financial investments. The Company continuously monitors the volatility of market interest rates.

The Company's policy is to keep its funds invested in instruments indexed to the CDI rate, at fixed rates or rates adjusted by inflation – since this ensures reduction of the impacts arising from variations in market interest rates.

We present the exposure on December 31, 2023, with the results of sensitivity analyses for scenarios of variations in the related rates and indicators, based on the probable scenario – with a decrease in the case of cash investments, and an increase in the case of financings, as follows:

		Sensitivity Scenarios					
Risk factor	% y.y.	Balances at 2023	Remote - 50%	Possible - 25%	Probable	Possible + 25%	Remote + 50%
Fixed income cash investments							
CDI rate	**11.8747%**	**488,989**	**23,055**	**35,506**	**47,910**	**61,619**	**74,068**
IPCA rate	**4.6835%**	**347,692**	**5,580**	**6,334**	**7,086**	**7,781**	**8,526**
INCC rate	**3.4923%**	**75,694**	**8,439**	**9,402**	**10,364**	**11,327**	**12,289**
Incentive-bearing financings							
TJLP rate	**6.5500%**	**11,792**	**(331)**	**(496)**	**(740)**	**(925)**	**(1,109)**

(All amounts in thousands of reais)

20. Risk management--Continued

c) *Financial risks management*--Continued

c.3) *Market risks*--Continued

ii) Exchange rate risk

The Company's risk in this case arises from transactions in accounts receivable originating from exports, or from financial or other investments outside Brazil – which form a natural hedge against exchange rate variations. Management values its assets and liabilities that are subject to foreign exchange risk, and if necessary, contracts additional derivative financial instruments.

On December 31, 2023, the Company had coverage for exposures to changes in the exchange rate for conversion to Reais at maturity of its export contracts in the amount of US$16,658 (US$18,579 at December 31, 2022)

The Company has projected the effect of the transactions designed for Exchange rate protection in three scenarios, considering the transactions would be settled, on the basic of the position becoming due on January 31, 2024, as follows:

				Sensitivity scenarios				
Risk factor	Short position in US$	FX rate	Balances at 2023	Remote - 50%	Possible - 25%	Probable	Possible + 25%	Remote + 50%
Contracted derivative - Hedge								
Dollar rise	**21,000**	**4.8690**	**102,250**	**51,125**	**25,562**	**(496)**	**(25,562)**	**(51,125)**

This table shows the net assets and liabilities in foreign currency:

				Sensitivity scenarios				
Risk factor	Cash position in US$	FX rate	Balances at 2023	Remote - 50%	Possible - 25%	Probable	Possible + 25%	Remote + 50%
FX exposure								
Current account	**11**	**4.8407**	**53**	**(26)**	**(13)**	**-**	**13**	**26**
Accounts receivable from clients	**39,835**	**4.8900**	**194,790**	**(97,395)**	**(48,697)**	**-**	**48,697**	**97,395**
Advances from clients	**(2,575)**	**4.9913**	**(12,853)**	**6,426**	**3,213**	**-**	**(3,213)**	**(6,426)**
Accounts payable	**(1,833)**	**4.8413**	**(8,873)**	**4,436**	**2,218**	**-**	**(2,218)**	**(4,436)**
Post-shipping financing of exports (ACEs)	**(16,658)**	**4.8407**	**(80,638)**	**40,319**	**20,160**	**-**	**(20,160)**	**(40,319)**
Derivatives contracted – Hedge	**(21,000)**	**4.8690**	**(102,250)**	**51,125**	**25,562**	**(496)**	**(25,562)**	**(51,125)**
Net exposure	**(2,220)**		**(9,771)**	**4,885**	**2,443**	**(496)**	**(2,443)**	**(4,885)**

ii) Commodity price risk

This risk refers to the possibility of fluctuations in the price of raw materials and other inputs used in the production process, As the Company uses commodities as raw materials, its cost of sales can be affected by fluctuations in the international prices of these materials. In order to minimize this risk, the Company maintains ongoing monitoring of price fluctuations in the domestic and foreign markets and, if necessary, maintains strategic inventories to support its commercial activities.

(All amounts in thousands of reais)

20. Risk management--Continued

c) *Financial risks management*--Continued

iii) Risk related to the rate of return from the Silent Partner Companies

The Company's risk relates to the return expected on each transaction, taking into account not only the specific risks, but also the macroeconomic expectations of the market – which include factors ranging from the outlook of the construction sector to the scenario for the basic interest rate.

The Company has made projections of the effect of the operations of the silent partner companies, based on the average rate of return expected to December 31, 2023, as shown below:

			Sensitivity scenarios			
Risk factor	Average rate of return	Balances at 12/31/2023	Remote - 50%	Possible - 25%	Possible + 25%	Remote + 50%
Other financial assets - SCPs						
Values of real estate properties	**9.3755%**	**148,435**	**1,309**	**640**	**(613)**	**(1,201)**

d) Capital management

Management has the objective of ensuring continuity of the Company's business, protecting its capital from economic changes and conditions, so as to support reduction of costs of capital and maximize return to stockholders. To maintain or adjust the capital structure, the Company may, among other possible actions, make adjustments to its dividend payment policy, or contract loans, or issue securities in the financial markets.

There were no impacts on the objectives or processes of capital management arising from the distribution of additional dividends referred to in Note 16, letter (f).

The Company's policy of a low level of leverage is monitored through the financial leverage index, as shown below.

	Parent company		Consolidated	
	2023	2022	2023	2022
Current and non-current borrowings	**92,430**	106,639	**92,430**	106,639
Leasing contracts	**-**	-	**23,997**	43,907
(-) Cash and cash equivalents	**(56,968)**	(87,621)	**(73,735)**	(127,409)
Net debt	**35,462**	19,018	**42,692**	23,137
Equity	**3,659,443**	4,364,132	**3,659,443**	4,364,132
Gearing ratio	**1.0%**	0.4%	**1.2%**	0.5%

(All amounts in thousands of reais)

21. Related parties

The Company has a *Related Party Transactions Policy*, approved by the Board of Directors, which aims to establish rules and procedures to ensure that decisions involving related parties and situations with potential conflict of interests are taken with full independence and absolute transparency in accordance with the interests of Grendene S.A. and its stockholders.

Any legal transactions between related parties are carried out on an arms-length basis and in accordance with market criteria, obeying the same principles and procedures that orient transactions made with non-related parties.

The Company's related parties are: subsidiaries, affiliates, joint ventures, other companies with shareholder participation and key management professionals of the Company.

a) Amounts of balances and transactions with subsidiaries

			Parent company		Consolidated	
	Nature of transaction	Relationship	2023	2022	2023	2022
Assets			**468,772**	516,793	**468,199**	438,408
Other Financial Assets			**56,630**	63,375	**56,630**	63,375
SCP Gouda Even II	Investment	Other transactions	**15,000**	15,000	**15,000**	15,000
SCP Jesuíno Maciel	Investment	Other transactions	**5,531**	6,434	**5,531**	6,434
SCP Mairinque	Investment	Other transactions	**24,538**	25,697	**24,538**	25,697
SCP Neto de Araújo	Investment	Other transactions	**-**	3,236	**-**	3,236
SCP Pensilvânia	Investment	Other transactions	**-**	327	**-**	327
SCP Saioá	Investment	Other transactions	**6,410**	7,354	**6,410**	7,354
SCP Venâncio	Investment	Other transactions	**5,151**	5,327	**5,151**	5,327
Accounts receivable			**49,423**	44,043	**49,051**	37,196
Grendene USA, Inc	Sales of footwear	Direct subsidiaries	**-**	6,566	**-**	-
Grendene Italy SRL.[ii]	Sales of footwear	Direct subsidiaries	**372**	281	**-**	-
Grendene Global Brands Limited [i]	Sales of footwear	Joint Ventures	**47,091**	36,250	**47,091**	36,250
Vulcabras BA Calçados e Artigos Esportivos S.A.	Sales of inputs	Other transactions	**-**	104	**-**	104
Calzados Azaleia Peru S.A.	Sales of footwear	Other transactions	**1,960**	842	**1,960**	842
Inventories			**67**	134	**67**	134
Vulcabras - CE, Calçados e Artigos Esportivos S.A.	Purchase of footwear	Other transactions	**67**	134	**67**	134
Other credits			**25,014**	1,394	**23,407**	1,394
Grendene Italy SRL.[ii]	Other credits	Direct subsidiaries	**1,607**	-	**-**	-
YOUPE Participações S.A..	Other credits	Affiliated company	**140**	-	**140**	-
NM GAP II Participações S.A.	Other credits	Affiliated company	**23,267**	1,394	**23,267**	1,394
Investments			**337,632**	407,843	**317,038**	336,305
MHL Calçados Ltda.	Investment	Direct subsidiaries	**14,704**	13,651	**-**	-
Grendene USA, Inc	Investment	Direct subsidiaries	**2,792**	49,281	**-**	-
Grendene UK Limited. [ii]	Investment	Direct subsidiaries	**-**	8,606	**-**	-
Grendene Italy S.R.L.[ii]	Investment	Direct subsidiaries	**3,098**	-	**-**	-
YOUPE Participações S.A.	Investment	Affiliated company	**10,962**	14,714	**10,962**	14,714
HIPE Participações S.A.	Investment	Affiliated company	**134,699**	126,140	**134,699**	126,140
NM GAP II Participações S.A.	Investment	Affiliated company	**21,543**	44,307	**21,543**	44,307
NM IBIRA Participações S.A.	Investment	Affiliated company	**55,851**	51,812	**55,851**	51,812
Grendene Global Brands Limited.	Investment	Joint Venture	**88,331**	99,332	**88,331**	99,332
NM GAP Participações Ltda	Investment	Other transactions	**5,652**	-	**5,652**	-
Property, plant and equipment	PPE in progress		**6**	4	**6**	4
Unicasa Industria de Móveis S.A.		Other transactions	**6**	4	**6**	4
Liabilities			**15,707**	4,832	**15,707**	4,648
Trade payables			**5**	210	**5**	210
Vulcabras - CE, Calçados e Artigos Esportivos S.A.	Purchase of footwear and inputs	Other transactions	**5**	210	**5**	210
Contractual obligations			**1,346**	773	**1,346**	773
Vulcabras - CE, Calçados e Artigos Esportivos S.A.	Licensing ((Use of the brands: "Azaleia" and "Melissa")	Other transactions	**1,346**	773	**1,346**	773
Commissions payable			**406**	184	**406**	-
Grendene USA, Inc	Commission services	Direct subsidiaries	**-**	184	**-**	-
Grendene Global Brands Limited.	Commission services	Joint venture	**406**	-	**406**	-
Other Accounts Payable			**13,950**	3,665	**13,950**	3,665
YOUPE Participações S.A.	Advances received	Affiliated company	**-**	2,627	**-**	2,627
NM GAP II Participações S.A.	Advances received	Affiliated company	**12,622**	1,038	**12,622**	1,038
NM IBIRA Participações S.A.	Advances received	Affiliated company	**1,328**	-	**1,328**	-

(All amounts in thousands of reais)

21. Related parties--Continued

a) Amounts of balances and transactions with subsidiaries--Continued

				Parent company		Consolidated	
	Nature of transaction	Relationship	Maturity	2023	2022	2023	2022
P&L				**(54,417)**	(10,030)	**6,939**	3,905
Net sales and services revenue				**70,584**	68,484	**69,514**	23,160
Grendene USA, Inc.	Sales of footwear	Direct subsidiaries	189 days	**244**	26,780	-	-
Grendene UK Limited. [ii]	Sales of footwear	Direct subsidiaries	231 days	-	1	-	-
Grendene Italy S.R.L. [ii]	Sales of footwear	Direct subsidiaries	178 days	**826**	961	-	-
Grendene Shanghai [i]	Sales of footwear	Direct subsidiaries	224 days	-	17,582	-	-
Grendene Global Brands Limited	Sales of footwear	Joint venture	178 days	**64,397**	19,314	**64,397**	19,314
Grendene Global Brands Limited	Punctuality discounts	Joint venture	-	**(1,035)**	-	**(1,035)**	-
Vulcabras BA Calçados e Artigos Esportivos S.A.	Sales of inputs	Other transactions	28 days	-	67	-	67
Vulcabras - CE, Calçados e Artigos Esportivos S.A.	Sales of inputs	Other transactions	29 days	**48**	3	**48**	3
Vulcabras – CE, Calçados e Artigos Esportivos S.A.	Revenue from services (Use of the Brand)	Other transactions	49 days	**33**	133	**33**	133
Calzados Azaleia Peru S.A.	Sales of footwear	Other transactions	95 days	**6,071**	3,643	**6,071**	3,643
Selling expenses				**(3,863)**	(3,783)	**(3,819)**	(2,336)
Grendene USA, Inc.	Commission services	Direct subsidiaries	79 days	**(44)**	(1,447)	-	-
Grendene Global Brands Limited	Commission services	Joint venture	75 days	**(779)**	-	**(779)**	-
Vulcabras – CE, Calçados e Artigos Esportivos SA.	Licensing ((Use of the brands: "Azaleia" and "Melissa")	Other transactions	90 days	**(3,040)**	(2,336)	**(3,040)**	(2,336)
General and administrative expenses				**(24)**	-	**(24)**	-
Vulcabras - CE, Calçados e Artigos Esportivos S.A.	Employment-law indemnity claim against Grendene Argentina S.A. (subsidiary that has been extinguished).	Other transactions	4 days	**(24)**	-	**(24)**	-
Equity in the results of investees				**(125,461)**	(84,975)	**(62,971)**	(27,786)
MHL Calçados Ltda.	Equity	Direct subsidiaries		**1,053**	833	-	-
Grendene USA, Inc.	Equity	Direct subsidiaries		**(56,518)**	(36,218)	-	-
Grendene UK Limited. [ii]	Equity	Direct subsidiaries		**(6,347)**	(9,603)	-	-
Grendene Italy S.R.L. [ii]	Equity	Direct subsidiaries		**(678)**	-	-	-
Grendene Shanghai [i]	Equity	Direct subsidiaries		-	(12,201)	-	-
YOUPE Participações S.A.	Equity	Affiliated company		**2,238**	2,475	**2,238**	2,475
HIPE Participações S.A.	Equity	Affiliated company		**(8)**	(12)	**(8)**	(11)
NM GAP II Participações S.A.	Equity	Affiliated company		**(415)**	401	**(415)**	400
NM IBIRA Participações S.A.	Equity	Affiliated company		**(3)**	(132)	**(3)**	(132)
Grendene Global Brands Limited	Equity	Joint venture		**(64,783)**	(30,518)	**(64,783)**	(30,518)
Other operating income				**2,444**	-	**2,444**	-
NM GAP Participações Ltda.	Capital gain	Other transactions		**2,444**	-	**2,444**	-
Other Operating Expenses				**(957)**	-	**(957)**	-
NM GAP II Participações S.A.	Loss of capital	Affiliated company		**(957)**	-	**(957)**	-
Financial result				**2,860**	10,244	**2,752**	10,867
Grendene USA, Inc.	Exchange rate variation, net	Direct subsidiaries		**110**	(784)	-	-
Grendene UK Limited	Exchange rate variation, net	Direct subsidiaries		**(3)**	(127)	-	-
Grendene Shanghai [i]	Exchange rate variation, net	Direct subsidiaries		-	748	-	-
Grendene Italy S.R.L. [ii]	Exchange rate variation, net	Direct subsidiaries		**(1)**	(460)	-	-
Grendene Italy S.R.L. [ii]	Other financial income	Direct subsidiaries		**2**	-	-	-
Grendene Global Brands Limited	Exchange rate variation, net	Joint venture		**(1,176)**	(81)	**(1,176)**	(81)
Vulcabras - CE, Calçados e Artigos Esportivos S.A.	Other financial income - Discounts obtained	Other transactions		**2**	-	**2**	-
Calzados Azaleia Peru S.A.	Exchange rate variation, net	Other transactions		**(81)**	(85)	**(81)**	(85)
SCP Jesuíno Maciel	Return and AVJ	Other transactions		**1,341**	1,240	**1,341**	1,240
SCP Mairinque	Return and AVJ	Other transactions		**2,634**	6,766	**2,634**	6,766
SCP Neto de Araújo	Return and AVJ	Other transactions		**(309)**	661	**(309)**	661
SCP Pensilvânia	Return and AVJ	Other transactions		**(20)**	411	**(20)**	411
SCP Saioá	Return and AVJ	Other transactions		**(202)**	1,260	**(202)**	1,260
SCP Venâncio	Return and AVJ	Other transactions		**563**	695	**563**	695

[i] On December 1, 2022, Grendene Global Brands Limited acquired Grendene Shanghai. Hence the amounts in this line correspond the sum of both companies.
[ii] With the extinction of Grendene UK Limited, Grendene Italy S.R.L., as from September 2023, is directly controlled by Grendene S.A. – as reported in Note 10.

(All amounts in thousands of reais)

21. Related parties--Continued

b) Remuneration of key personnel

The global compensation of management – the Executive Board (Statutory Directors) and the Board of Directors – for the 2023 business year was approved by the Ordinary (Annual) General Meeting of Stockholders of April 17, 2023, in the amount of up to R$8,500.

This table gives the total remuneration of the key personnel of management:

	Parent company					
	2023			2022		
	Fees	**Remuneration**	**Variable (*)**	**Fess**	Remuneration	**Variable (*)**
Board of Directors	**1,787**	**181**	**-**	1,676	117	-
Audit Board	**-**	**-**	**-**	157	-	-
Executive Board	**5,652**	**-**	**524**	1,179	-	956
	7,439	**181**	**524**	6,916	117	956

(*) Refers to expenses in the business year on premiums in the stock options/subscription plan, as described in Note 22.

c) Other related parties

The Company uses travel agency and consultancy services provided by companies that are the property of a related party, as follows:

	Parent company	
	2023	2022
Dall'Onder Viagens & Turismo Ltda.	**359**	286
Mailson da Nóbrega Consultoria S/S Ltda.	**72**	72
Ochman Advogados Associados	**321**	95
	752	453

The amounts spent on these services total approximately 0.04% of the Company's general expenses. On December 31, 2023 and 2022, respectively, there was a balance of R$6 payable to Maílson da Nóbrega Consultoria S/S Ltda.

21. Related parties--Continued

c) Other related parties--Continued

On December 31, 2023 and 2022, there were transactions with indirect related parties, stockholders and members of the Company's key management personnel, as follows:

Related parties	Party's relationship with the Company	Nature of transaction
Even Construtora e Incorporadora S.A.	Holder of an investment of 48.04% in Nova Milano Investimentos, a management entity controlled by Alexandre Grendene Bartelle.	Provider of sureties for the obligations of the following real estate operations: *(i)* SCP Pensilvânia, *(ii)* SCP Neto de Araujo, *(iii)* SCP Jesuíno Maciel, *(iv)* SCP Saioá, *(v)* SCP Venâncio, *(vi)* SCP Mairinque, and *(vii)* SCP Gouda Even II.
Casa de Pedra Securitizadora de Créditos S.A.	Manager and administrator of receipt and allocation of the receivables, under Fiduciary Assignment (chattel mortgage), of SCP Parque Raposo, pursuant to agreement signed by the parties.	Fiduciary Assignment (chattel mortgage) of receivables of SCP Parque Raposo.
Veneza Negócios e Participação S.A.	Company belonging to the stockholders Alexandre Grendene Bartelle and Pedro Grendene Bartelle	Stockholder in the real estate investments of the affiliated companies: *(i)* YOUPE Participações S.A., *(ii)* NM GAP II Participações S.A, and other companies: *(i)* NM GAP Participações Ltda.
Nova Milano Investimentos Ltda.	Company belonging to the stockholder Alexandre Grendene Bartelle and managed by the Deputy CEO, Gelson Luis Rostirolla.	Stockholder in the real estate investments of the affiliated companies: *(i)* YOUPE Participações S.A., *(ii)* HIPE Participações S.A., *(iii)* NM GAP II Participações S.A. and *(iv)* NM IBIRA Participações S.A.
3 G Radar Gestora de Recursos Ltda.	Partner in the joint venture Grendene Global Brands Limited.	Investment in the joint venture Grendene Global Brands Limited.
André de Camargo Bartelle	Stockholder	Investor in the following real estate undertakings: *(i)* SCP Neto de Araujo, *(ii)* YOUPE Participações S.A., *(iii)* HIPE Participações S.A., and *(iv)* NM GAP II Participações S.A.
Gabriela de Camargo Bartelle	Stockholder	Investor in the following real estate undertakings: *(i)* YOUPE Participações S.A., *(ii)* HIPE Participações S.A. and *(iii)* NM IBIRA Participações S.A.
Rudimar Dall'Onder	CEO	Investor in the following real estate undertakings: *(i)* YOUPE Participações S.A., *(ii)* HIPE Participações S.A., *(iii)* NM GAP II Participações S.A. and *(iv)* NM IBIRA Participações S.A.
Vulcabras - BA Calçados e Artigos Esportivos S.A.	Affiliated company, since Vulcabras CE is the parent company of Vulcabras - BA Calçados e Artigos Esportivos S.A., and Vulcabras CE is controlled by Vulcabras S.A. and the controlling stockholder of Vulcabras S.A.: hence the indirect controlling stockholder of its subsidiaries is part of Grendene's controlling stockholder block. Thus, Grendene and Vulcabras and their subsidiaries are affiliated companies. Vulcabras - CE Calçados e Artigos Esportivos S.A. is a direct subsidiary of Vulcabras S.A. and Vulcabras - BA Calçados e Artigos Esportivos S.A. is an indirect subsidiary of Vulcabras S.A.	Sales of input materials.
Vulcabras - CE Calçados e Artigos Esportivos S.A.	Vulcabras - CE Calçados e Artigos Esportivos S.A. and the Company have the relationship of affiliated companies, since Vulcabras CE é a subsidiary of Vulcabras S.A. and of the controlling stockholder of Vulcabras S.A.: hence the indirect controlling stockholder of its subsidiaries is part of Grendene's controlling stockholder block. Thus, Grendene and Vulcabras and their subsidiaries are affiliated companies. Vulcabras - CE Calçados e Artigos Esportivos S.A. is a direct subsidiary of Vulcabras S.A.; and Vulcabras - BA Calçados e Artigos Esportivos S.A. is an indirect subsidiary of Vulcabras S.A.	Sales of input materials, purchase of shoes and input materials, purchase of materials, licensing and indemnities.
Calzados Azaleia Peru S.A.	Affiliated company, since Vulcabras CE is the parent company of Calzados Azaleia Peru S.A., and Vulcabras CE is a subsidiary of Vulcabras S.A. and the controlling stockholder of Vulcabras S.A.: hence the indirect controlling stockholder of its subsidiaries is part of Grendene's controlling stockholder block. Thus, Grendene and Vulcabras and their subsidiary companies have the relationship of affiliated companies. Vulcabras - CE Calçados e Artigos Esportivos S.A. is a direct subsidiary of Vulcabras S.A.; and Calzados Azaleia Peru S.A. is an indirect subsidiary of Vulcabras S.A.	Sales of footwear.
Unicasa Industria de Móveis S.A.	An affiliated company, since the controlling stockholder of Unicasa is part of the controlling stockholder block of Grendene.	Purchase of materials.

There are no other transactions between the Company and its related parties, other than dividends and Interest on Equity paid.

(All amounts in thousands of reais)

22. Stock option or subscription plan

The stock options or subscription plan approved the stockholders or the Company in Extraordinary General Meeting of April 14, 2008, grants stock options, on the terms described in the plan, to directors and managers, other than the controlling stockholders.

The share options may be exercised in up to six years from the date of grant, with a vesting period of three years, under which 33% is released as from expiry of the first year, 66% on completion of the second year and 100% on completion of the third year.

In the first quarter of 2023 options were exercised on 464,979 shares at an average price of R$4.36, resulting in a total amount of R$2,027.

The difference between the average exercise price of the options and the average cost of the shares acquired for compliance with the exercise of stock options resulted in recognition of R$454. This was posted in Stockholders' equity, since settlement of the stock option plans takes place with equity instruments.

a) Bases for recognition of expenses on share-based remuneration

Shares are valued at fair value on the date of the grant, and expenses recognized in the Profit and loss account as Personnel expenses, over the period in which the right to the exercise of the option is acquired, with counterpart in Stockholders' equity.

The fair value of the options granted was estimated using the Black & Scholes options pricing model. The economic parameters used were: *(i)* expected dividends, obtained on the basis of the average of dividend payments per share, in relation to the market value of the shares in the last 12 months; *(ii)* volatility, based on the historic average variation of the share price in the 18 months prior to the date of the grant; and *(iii)* the risk-free interest rate, assumed to be the projected average of the Selic rate, published by the Central Bank. This table gives this information in detail:

	12th Plan	15th Plan
Grant date	2/14/2019	2/24/2022
Total purchase options granted	695,892	1,402,950
Exercise price	4.68	4.50
Estimated volatility	17.11%	25.95%
Expected dividends	4%	5%
Weighted average risk-free interest rate	6.50%	12.25%
Maximum maturity	6 years	6 years
Average maturity	2.5 years	2.5 years
Fair value on the date of the concession	4.12	3.79

The Company has no commitment to re-purchase such shares as are acquired by the beneficiaries.

(All amounts in thousands of reais)

22. Stock option or subscription plan--Continued

a) Bases for recognition of expenses on share-based remuneration--Continued

This table shows the changes arising from the transactions of purchase or subscription of shares:

	12th Plan	15th Plan	Final Balance
Total at 12/31/2021	205,522	-	205,522
Granted	-	1,402,950	1,402,950
Exercised	(202,296)	-	(202,296)
Canceled	(3,226)	(8,013)	(11,239)
Total at 12/31/2022	-	1,394,937	1,394,937
Exercised	**-**	**(464,979)**	**(464,979)**
Canceled	**-**	**(53,478)**	**(53,478)**
Total at 12/31/2023	**-**	**876,480**	**876,480**
Options exercisable in 2024	**-**	**438,240**	**438,240**
Options exercisable in 2025	**-**	**438,240**	**438,240**
	-	**876,480**	**876,480**
Result of options granted, recognized on 12/31/2022	(832)	(11)	(843)
Result of options granted, recognized on 12/31/2023	**-**	**(1,865)**	**(1,865)**
Expense on personnel at 12/31/2022	(23)	(2,951)	(2,974)
Expense on personnel at 12/31/2023	**-**	**(1,602)**	**(1,602)**

23. Net sales and services revenue

Revenue is measured based on the fair value of the consideration received for the commercialization of products.

Operational revenue is recognized when: *(i)* there is certainty that it will be realized; *(ii)* the control of the products is transferred to the client and the Company and its subsidiaries longer have control or responsibility over the merchandise sold; *(iii)* the amount of the revenue can be reliably measured; and *(iv)* it is probable that the economic/financial benefits will flow to the Group.

Revenue is presented net of taxes, returns, reductions in price and discounts, and also with elimination of sales between companies of the Group in the consolidated statements.

Net sales and services revenue is comprised as follows:

	Parent company		Consolidated	
	2023	2022	2023	2022
Gross sales and services revenue	**3,002,977**	3,047,711	**3,010,376**	3,119,947
Domestic market	***2,558,034***	*2,451,466*	***2,558,034***	*2,451,466*
Adjustment to Present Value	***(103,130)***	*(71,941)*	***(103,130)***	*(71,941)*
Foreign market	***562,351***	*678,614*	***569,750***	*750,850*
Adjustment to Present Value	***(14,826)***	*(11,089)*	***(14,826)***	*(11,089)*
Special System for Refund of Tax Amounts to Exporting Companies (Reintegra)	***548***	*661*	***548***	*661*
Sales returns	**(116,440)**	(104,105)	**(116,767)**	(106,744)
Discounts for punctuality	**(130,268)**	(162,890)	**(130,794)**	(169,796)
Taxes on sales and services	**(492,444)**	(471,815)	**(492,604)**	(472,347)
ICMS tax incentives (Proade)	**199,177**	175,947	**199,177**	175,947
INSS	**(35,781)**	(34,351)	**(35,781)**	(34,351)
	2,427,221	2,450,497	**2,433,607**	2,512,656

(All amounts in thousands of reais)

24. Segment reporting

The group operates in development, production, distribution and sale of plastic footwear in the domestic and export market, controlled and managed as a single segment (Footwear). Although these products are destined to serve various publics and social classes, the results of this business activity are monitored and assessed by the Management in an integrated form for taking of decisions.

a) Distribution by geographical area

This table shows gross revenue in the domestic and external markets:

	Parent company		Consolidated	
	2023	2022	2023	2022
Domestic market (Brazil)	**2,454,904**	2,379,525	**2,454,904**	2,379,525
Export market	**548,073**	668,186	**555,472**	740,422
North America	***73,675***	*93,776*	***77,247***	*169,703*
Asia and Oceania	***110,521***	*116,868*	***110,548***	*105,235*
Europe	***123,843***	*149,100*	***127,643***	*157,042*
Central and South America – Latam	***203,296***	*262,500*	***203,296***	*262,568*
Middle East and Africa – MEA	***36,738***	*45,874*	***36,738***	*45,874*
	3,002,977	3,047,711	**3,010,376**	3,119,947

No customer individually represented more than 5% of sales in the domestic or foreign market.

b) Non-current assets

Of the total non-current assets of the Company, approximately 7% are investments made outside Brazil by its subsidiaries (direct and indirect) and by the joint venture. The summary financial information of these companies is presented in Note 10.

(All amounts in thousands of reais)

25. Costs and expenses by nature

The Company presents the Profit and loss account itemized by function. The classification of operational costs and expenses by type is as follows:

	Parent company		Consolidated	
	2023	2022	2023	2022
Cost of goods sold	**(1,346,203)**	(1,484,851)	**(1,349,924)**	(1,504,894)
Raw materials	**(596,407)**	(734,257)	**(597,682)**	(742,204)
Personnel expenses	**(491,412)**	(494,410)	**(493,034)**	(502,315)
Depreciation and amortization	**(67,734)**	(61,729)	**(67,734)**	(61,729)
Outsourced services	**(28,930)**	(26,726)	**(28,930)**	(26,726)
Travel and accommodation	**(3,826)**	(3,450)	**(3,826)**	(3,450)
Energy, water and environmental costs	**(34,191)**	(39,568)	**(34,191)**	(39,568)
Other costs	**(123,703)**	(124,711)	**(124,527)**	(128,902)
Selling expenses	**(554,189)**	(531,794)	**(600,218)**	(619,503)
Commissions	**(103,594)**	(120,905)	**(103,680)**	(130,600)
Freight	**(146,796)**	(156,092)	**(147,706)**	(159,729)
Copyrights	**(38,776)**	(36,167)	**(38,776)**	(36,167)
Advertising and publicity	**(96,879)**	(88,737)	**(111,929)**	(108,927)
Shoe samples	**(18,534)**	(14,206)	**(18,534)**	(14,272)
Congresses	**(10,642)**	(4,318)	**(10,642)**	(4,318)
Personnel expenses	**(71,400)**	(56,239)	**(77,563)**	(69,283)
Depreciation and amortization	**(6,711)**	(5,275)	**(21,673)**	(25,278)
Outsourced services	**(15,492)**	(14,762)	**(16,926)**	(27,290)
Travel and accommodation	**(8,771)**	(5,913)	**(8,878)**	(6,065)
Energy, water and environmental expenses	**(385)**	(370)	**(685)**	(932)
Rentals	**(3,539)**	(2,496)	**(3,539)**	(2,837)
Other expenses	**(32,670)**	(26,314)	**(39,687)**	(33,805)
General and administrative expenses	**(103,194)**	(97,735)	**(106,510)**	(103,748)
Personnel expenses	**(74,920)**	(70,156)	**(76,097)**	(71,541)
Depreciation and amortization	**(4,129)**	(4,423)	**(4,138)**	(4,434)
Outsourced services	**(11,270)**	(10,672)	**(12,954)**	(14,742)
Travel and accommodation	**(756)**	(566)	**(756)**	(574)
Energy, water and environmental expenses	**(924)**	(1,092)	**(924)**	(1,112)
Tax expenses	**(7,953)**	(7,713)	**(7,992)**	(7,770)
Other expenses	**(3,242)**	(3,113)	**(3,649)**	(3,575)

26. Other operational expenses

In 2023, the main variations in other operating expenses were: *(i)* R$13,229 on internalization of the management of the *Melissa* and *Mini Melissa* Clubs*;* *(ii)* R$17,158 for estimated losses on doubtful receivables; *and (iii*) R$8,606 arising from termination of a rental contract.

(All amounts in thousands of reais)

27. Finance result

	Parent company		Consolidated	
	2023	2022	2023	2022
Financial income	**399,303**	458,804	**401,328**	460,861
Gains on foreign exchange hedge – B3	**24,611**	23,258	**24,611**	23,258
Foreign exchange gains	**50,769**	96,612	**50,913**	97,223
Income from financial investments (i)	**135,454**	155,785	**137,154**	157,270
Result of variable income financial instruments (ii)	**(6,050)**	89,158	**(6,050)**	89,158
Profit/loss on other financial assets - SCPs (iii)	**18,204**	28,222	**18,204**	28,222
Results of Structured Transaction Certificates (COEs) (iv)	**29,532**	2,915	**29,531**	2,915
Result of debentures (v)	**-**	(33,070)	**-**	(33,070)
Adjustment to Present Value (iv)	**116,186**	63,097	**116,186**	63,097
Interest income (Vii)	**35,611**	39,519	**35,684**	39,551
Interest received from customers	**2,972**	2,505	**2,972**	2,505
PIS and COFINS tax on financial revenues	**(8,237)**	(9,967)	**(8,320)**	(10,038)
Other financial income	**251**	770	**443**	770
Financial expenses	**(81,682)**	(121,452)	**(84,287)**	(124,664)
Losses on foreign exchange hedge – B3	**(9,649)**	(5,422)	**(9,649)**	(5,422)
Foreign exchange losses	**(51,606)**	(101,147)	**(52,011)**	(102,264)
Bank expenses	**(7,287)**	(2,602)	**(7,407)**	(2,835)
Financing expenses (i)	**(9,106)**	(8,779)	**(9,106)**	(8,779)
Other finance expenses	**(4,034)**	(3,502)	**(6,114)**	(5,364)
	317,621	337,352	**317,041**	336,197

(i) This refers to interest revenue and expenses on cash investments and financings, recognized at the effective interest rate on the amount of the principal still payable.
(ii) This includes the results of: *(i)* yields on investments; *(ii)* gains or losses on sales of shares; *(iii)* dividends and Interest on Equity; *(iv)* adjustment to fair value; and *(v)* taxation;
(iii) This includes the results of: *(i)* yields on investments; *(ii)* dividends and Interest on Equity; *(iii)* adjustments to fair value; and *(iv)* taxation;
(iv) This includes the results of: *(i)* yields on investments; *(ii)* adjustments to fair value; and (*iii*) taxation;
(v) This includes the results of: *(i)* yields on investments; *(ii)* net income from sales; and (*iii*) taxation;
(vi) Includes adjustment to present value of Accounts Receivable from clients; and
(vii) Refers mainly comprises monetary updating (by the Selic rate) of the balances arising from legal actions: *(i)* exclusion of ICMS tax amounts from calculation of PIS and COFINS taxes; and *(ii)* credits of corporate income tax and the Social Contribution tax on net profit (CSLL) on interest allocated at the Selic rate on tax credits resulting from tax legal actions, as described in Note 9.

28. Additional information to the Cash Flow Statements

The main transactions that do not affect cash and cash equivalents are shown below:

	Parent company		Consolidated	
	2023	2022	2023	2022
Exchange variation in investments	**9,285**	17,646	**7,847**	11,008
Right of use – Write-off	**-**	-	**(3,912)**	(11,995)
Lease Liabilities – Write-off	**-**	-	**3,912**	11,995
Dividends and interest on equity, net of income tax withheld at source	**131,566**	1,097,731	**131,566**	1,097.731

(All amounts in thousands of reais)

29. Insurance

For protection against operational risks, the Company's Management contracts insurance cover in sufficient amounts to cover possible losses, taking into account the nature of its activities and the risk involved, in accordance with the orientation of its insurance consultants. The principal coverages contracted have the follow Maximum Limits of Indemnity, under their respective policies:

Type	Coverage	Coverage amount
Balance sheet	Fixed assets and inventories are insured against fire, gales, flooding, electrical damage and damage in movement of merchandise and stationary equipment and furniture.	R$531,525
Loss of profits	Coverage of fixed expenses arising from payroll.	R$39,120
Civil liability	Industrial operations, employer, products and damages for pain and suffering.	R$4,150
Third-party liability Licensing	Industrial operations, employer, products, and damages for pain and suffering.	US$6,278
Aviation	Fuselage, third party liability, medical expenses, rescue/emergency, substitute aircraft and personal damages.	US$3,520
Vehicles	Fuselage, third party liability for property and corporate damage and pain and suffering.	100% of FIPE valuation plus R$150 MD R$200 third party property damages and R$1,000 third party personal injury
Transportation	Export and import.	US$2,500 per shipment
Financial guarantees	Legal actions rental contracts	R$42,723

30. Subsequent Events

<u>Várzea SPE:</u> On February 8, 2024 a share purchase agreement was signed with Várzea Solar Participações S.A., in which Geradora Solar Várzea II S.A. ("Várzea SPE") was a consenting party, for the amount of R$ 50,500, posted in Other financial assets, with inflation adjustment by the IPCA inflation index.

Grendene will pay the purchase price as follows: *(i)* R$ 7,000 on signature of the agreement; *(ii)* R$ 28,000 thirty days after signature; *(iii)* R$ 12,000 upon authorization by Aneel for commercial operation of the Project; and *(iv)* R$ 3,500 through assignment of dividends until the end of the agreement.

Simultaneously, the Company signed an agreement with Várzea SPE for supply of incentive-bearing energy, under which Várzea SPE undertakes to provide the Company with incentive-bearing electricity at 10 MWaverage, until December 31, 2043.

<u>Law 14789/23:</u> Law 14789/23 was published on December 29, 2023, with the following main effects: *(i)* PIS and Cofins taxes, Corporate income tax (IRPJ) and Social Contribution tax (CSLL) will now be payable on the amounts of tax-incentive reductions in ICMS tax; *(ii)* the basis of calculation of Interest on Equity is changed; *(iii)* there will be a tax credit, in corporate income tax, on amounts of subsidy for investment, equal to 25% (twenty five per cent) of the amount of the subsidies received, calculated on depreciation and amortization expenses, specifically in relation to establishment or expansion of a business operation, provided they have been included in the basis of calculation of IRPJ and CSLL.

Since this is a recent event about which substantial questions remain to be defined, the Company's management is monitoring and evaluating the possible impacts on its financial statements.

30. Subsequent Events--Continued

PRIMAVERA EMPREENDIMENTO IMOBILIÁRIO LTDA – SCP Primavera & G: In compliance with the directives set by the Investment Committee, the Company carry out a transaction on February 29, 2024, up to the amount of R$36,000, which aims to development and commercialization of a real estate venture. The investment will be made in accordance with the terms established in the contract.

Members of Boards, executive Board and Controller's department

Board of Directors

Alexandre Grendene Bartelle
CEO

Pedro Grendene Bartelle
Deputy CCEO

Mailson Ferreira da Nóbrega
Oswaldo de Assis Filho
Renato Ochman
Walter Janssen Neto
Bruno Alexandre Licarião Rocha
Board member

Executive Board

Rudimar Dall'Onder
Chief executive officer, finance and administration

Gelson Luis Rostirolla
Deputy chief executive officer

Alceu Demartini de Albuquerque
Chief officer for investor relations

Controller's department

Luiz Carlos Schneider
Controller division manager

Gisele Carina Pistore Pereira
Accountant – CRC 087193/O-5 "S" CE