SPRINGS GLOBAL PARTICIPAÇÕES S.A. (under judicial recovery)

CNPJ/MF – 07.718.269/0001-57

NIRE 3130002243-9

Publicly Traded Company

Dear Shareholders,

The management of Springs Global Participações S.A. submits for your consideration the Company's Management´s Discussion and Analysis and Financial Statements for the year of 2023. Such information, prepared in accordance with the International Financial Reporting Standards (IFRS), as well as the accounting practices adopted in Brazil and standards established by "CVM", the Brazilian Securities Exchange Commission, is accompanied by its Independent Auditors' report.

Judicial Recovery

On May 8, 2024, Springs Global and its subsidiaries informed the market that they had received, at the end of the previous week, a notification sent by Odernes Fundo de Investimento em Participações Multiestratégia ("ODERNES") addressed to subsidiary Coteminas S.A. - under judicial recovery (Coteminas) and other entities in the Group, claiming early maturity of the debt represented by the debentures issued by the indirect subsidiary Ammo Varejo S.A. - under judicial recovery (AMMO) on May 30, 2022. As a presumed consequence of the early maturity, ODERNES intends to enforce the shares issued by the indirect subsidiary AMMO, owned by the subsidiary Coteminas, and subsequently transfer all of these shares to Jericoacoara Participações S.A. for a nominal amount.

The subsidiary Coteminas, in turn, counter-notified ODERNES, stating that the early maturity of the debt represented by the debentures had not occurred, much less the possibility of enforcing the shares of the indirect subsidiary AMMO or transferring such shares to any other company.

Furthermore, as previously reported, since the end of the pandemic, the Companies have experienced negative impacts on their business due to a combination of adverse factors that have resulted in financial difficulties.

In this context, with the aim of ensuring the preservation of the business activities and assets of the Company and its subsidiaries, which would be subject to irreparable harm, the Companies obtained a preliminary injunction for judicial recovery for themselves and other companies in the group.

On July 26, 2024, after a preliminary verification procedure, the processing of the Judicial Recovery was granted in an order dated July 25, 2024.

The table below shows the composition of the Company's liabilities included in the judicial recovery request, assessed as of the request date:

Credit Class (law 11,101/2005)	R$ million
Labor	106.1
Secured Debt	379.1
Unsecured Debt	344.7
Micro and Small Business	8.5
Not subject	597.7
Tax	410.5

	1,846.7
	=======

On September 26, 2024, the Company and other entities in the Group officially included the Judicial Recovery Plan ("JRP") in the judicial recovery process records, in accordance with art. 53 of Law No. 11,101/2005. The key measures included in the JRP are: (i) companies' liabilities restructuring, (ii) selling assets and establishing segregated production units, (iii) distributing a portion of net profits from the sales of assets and segregated production units to creditors; (iv) possibility of raising new funds by the companies to implement the operational recovery; and (v) preserving essential investments to maintain the companies' activities, in addition to (vi) creating a real estate investment fund (REIF) for the purpose of paying part of the creditors with the REIF shares.

The Company has been advancing negotiations with its creditors and providing documents related to its JRP with the goal of potentially holding a general meeting of creditors (“GMC”) in 2025. However, as of the approval date of the financial statements, the final terms of the JRP, as well as any agreements to support the plan, between the Company and its primary financial creditors, remain under negotiation.

Company overview

Springs Global Participações S.A. (Springs Global is a company in the Home & Decoration market, leader in bedding, tabletop and bath products, with traditional and leading brands in the segments in which it operates, strategically positioned to target customers of different socioeconomic profiles.

Our brands have a high rate of awareness among consumers and specialists, being a quality reference in the sector. In Brazil, Springs Global´s main brands are Santista, Artex, MMartan, and Casa Moysés. In Argentina, the Company has the brands Palette, Arco-Íris, and Fantasia, which are market leaders.

Springs Global operates vertically integrated plants, from spinning through weaving, preparation, dyeing, printing, finishing and cutting and sewing, with eight plants located in Brazil, and one in Argentina. All plants have a high degree of automation and flexibility.

Springs Global’s products sold in the wholesale market are classified as: (a) Bedding, Tabletop and Bath (“CAMEBA”), and (b) intermediate products. The CAMEBA line includes bed sheets and pillow cases, sheet sets, tablecloths, towels, rugs and bath accessories. Intermediate products are yarns and fabrics, in their natural state or dyed and printed, sold to small and medium-sized clothing, knitting and weaving companies.

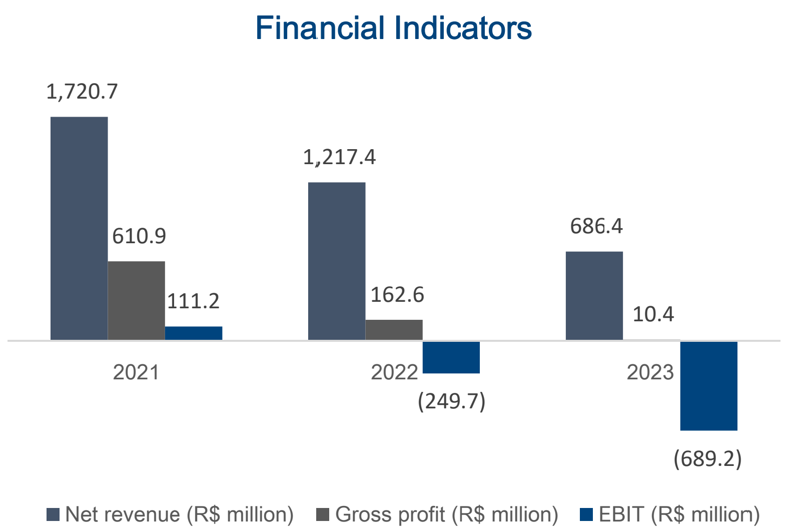
The Company distributes its products through the wholesale channel, in all its markets, and in its monobrand retail stores, in Brazil. The Company also markets third party products, through partnerships, at its online stores.

Financial Performance[1]

Net revenue reached R$ 686.4 million in 2023, 43.6% lower than 2022, with gross margin of 1.5%.

There was a reduction in operations in 2023, with scheduled stoppages at the manufacturing units, resulting in idle costs equal to R$ 221.4 million.

Gross profit totaled R$ 10.4 million in 2023, with a reduction of R$ 152.3 million, or 93.6%, year-over-year (yoy). Cash generation, excluding extraordinary items, as measured by adjusted EBITDA, reached R$ 325.8 million negative, with adjusted EBITDA margin of -47.5%. The net loss totaled R$ 1.1 billion.



[1] The financial and operational information presented in this release, except when otherwise indicated, is in accordance with accounting policies adopted in Brazil, which are in accordance with international accounting standards (International Financial Reporting Standards – IFRS).

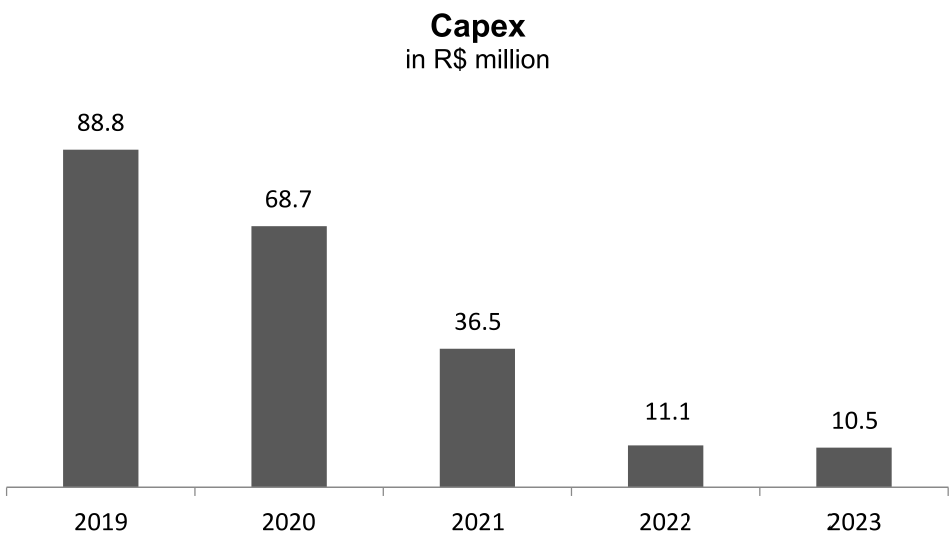
EBITDA Reconciliation

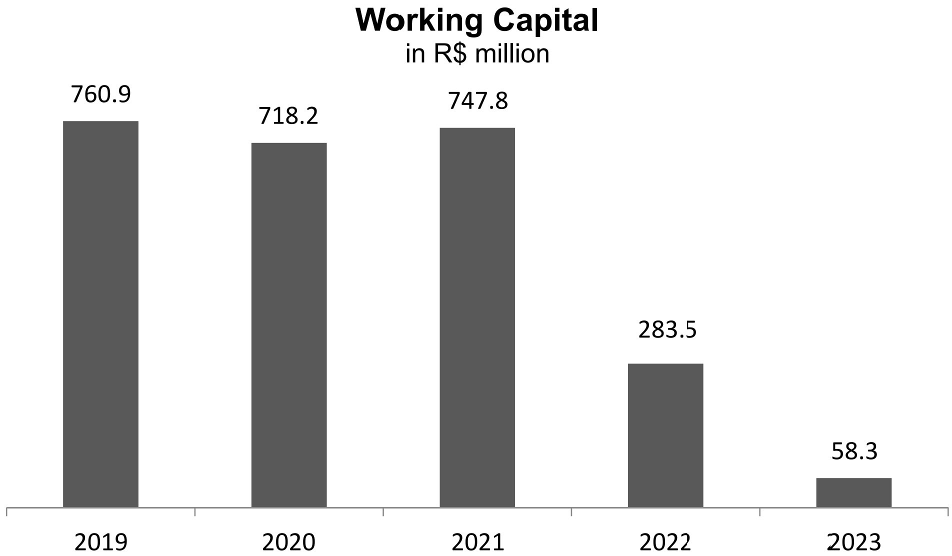
in R$ million	2023 (C)	2022 (D)
Income (loss)	(1065.9)	(630.8)
(+) Income and social contribution taxes	12.5	24.1
(+) Financial results	364.2	357.0
(+) Depreciation and amortization	92.8	98.2
EBITDA	**(596.5)**	**(151.5)**
(-) Result from asset sale	7.7	(2.4)
(+) Provision for expected loss on doubtful accounts	16.4	28.8
(+) Provision for loss on inventory	(12.8)	23.8
(+) Provision for gains (losses) on assets	156.9	7.0
(+) Provision for reestructuring	105.3	-
(-)Change in fair value of investment properties	(2.9)	(65.3)
Adjusted EBITDA	**(325.8)**	**(159.5)**

Capex and working capital

Capital expenditures (Capex) totaled R$ 10.5 million in 2023, versus R$ 11.1 million in 2022.

The working capital needs amounted to R$ 58.8 million at the end of 2023, 79.3% lower yoy.





Debt and debt indicators

Springs Global's adjusted net debt, excluding balance of debentures convertible into shares of the subsidiary AMMO Varejo S.A. ("AMMO"), was R$ 815.6 million as of December 31, 2023, versus R$ 590.0 million as of December 31, 2022. In 2023, debt amortization was R$ 195.1 million, and we obtained new loans or renewals totaling R$ 169.0 million.

Due to the non-compliance with certain financial covenants, renegotiations were carried out in 2024 to maintain the original maturities of certain loans, whose long-term installments, amounting to R$ 308.8 million, were reclassified to current liabilities on the balance sheet as of December 31, 2023.

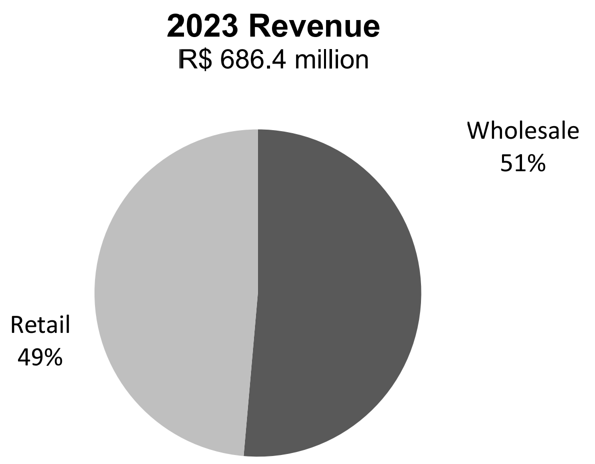
Due to the non-compliance with certain financial ratios, the long-term installments of the debentures of the subsidiary Coteminas , in the amount of R$122.5 million, were reclassified to current liabilities in the balance sheet as of December 31,2023.

As of December 31, 2023, due to the non-compliance with certain obligations, the long-term installments of the debentures of the indirect subsidiary AMMO, in the amount of R$ 232.1 million, were reclassified to current liabilities in the balance sheet. Except for the non-compliance with certain non-pecuniary obligation, AMMO is in compliance with its contractual obligations.

casa moysés mmartan ARTEX SANTISTA Persono

Performance of the business units

Beginning in 2020, Springs Global presents its results segregated in the following business units: (a) Wholesale, and (b) Retail.

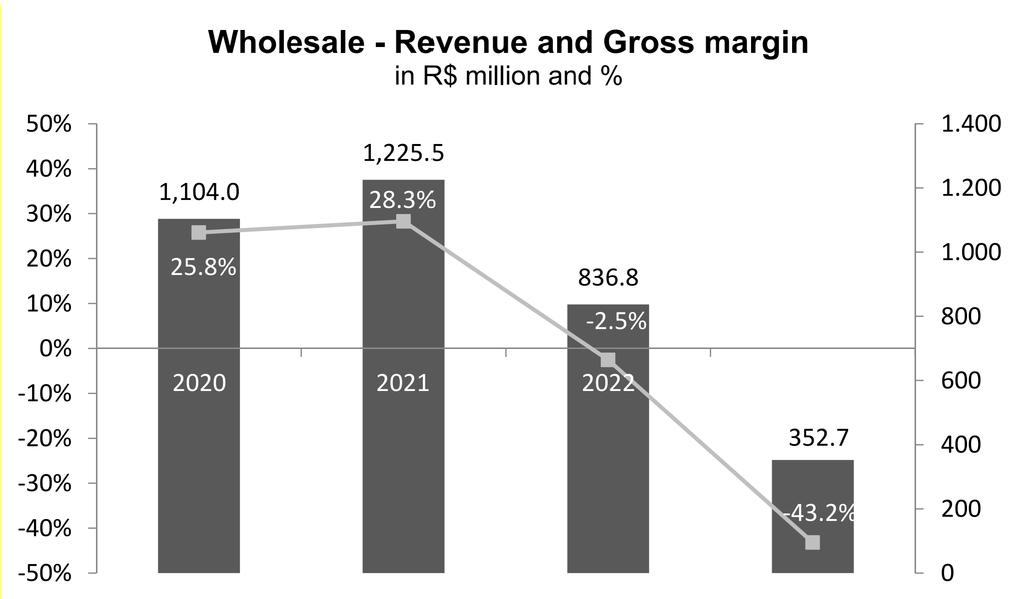


Wholesale

Net revenue for the Wholesale business unit totaled R$ 352.7 million in 2023, 57.9% lower than 2022.

There was a reduction in operations in 2022 and 2023, with scheduled stoppages at the manufacturing units, resulting in idle costs equal to R$ 175.1 million in 2022 and R$ 221.4 million in 2023.

Gross loss reached R$ 152.3 million, with a yoy decrease of R$ 131.0 million. Gross margin was equal to -43.5%, versus 2.5% in 2022.



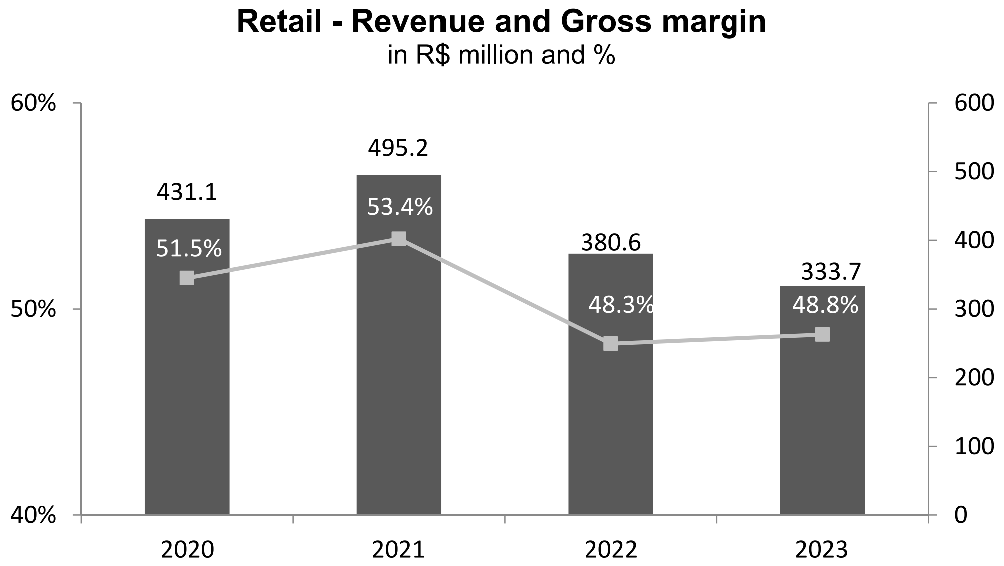
Retail

Net revenue reached R$ 333.7 million in 2023, with a yoy decrease of 12.3%.

The sell-out revenue from the Retail business unit amounted to R$ 635.3 million in 2023, 10.5% lower yoy.

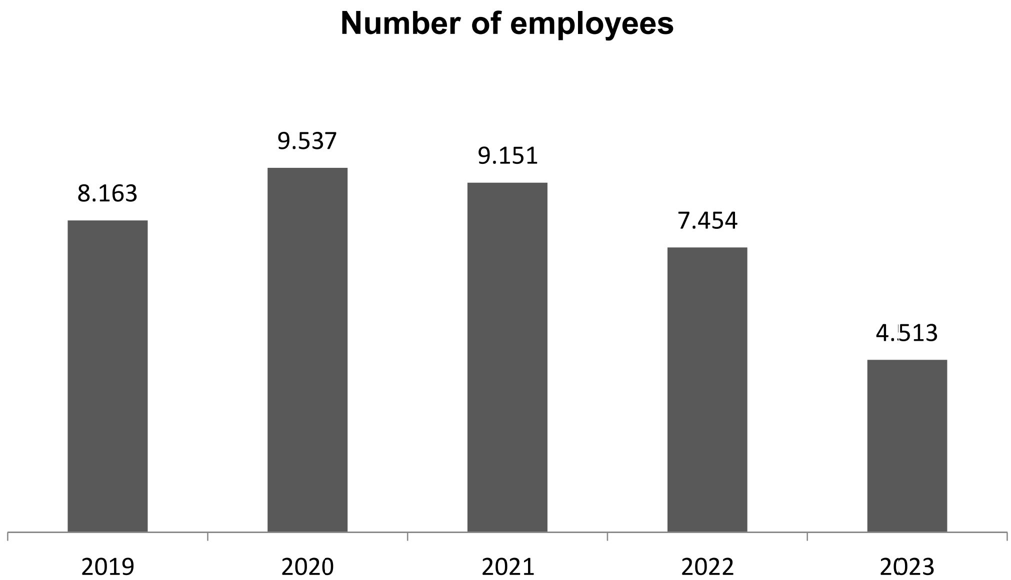
At the end of 2022, we had 255 stores, of which 76 were owned and 179 franchises, versus 245 at the end of 2022. In 2023, we expanded the MMartan chain by eight stores, and the Artex chain by two stores.

Gross profit totaled R$ 162.7 million, with a gross margin of 48.8%



Human Resources

At the end of 2023, we had 4,513 direct employees, of which 3,991 were in Brazil and 522 abroad, compared to 7,454 at the end of 2022. The yoy variation is related to the reduction in production at our industrial units.



Shareholder structure

At the beginning and end of 2023, Springs Global's voting and total capital stock was represented by 50,000,000 common shares. The free float was 46.8%.

In an Extraordinary General Meeting of the Company's shareholders, held on May 29, 2024, the consolidation of all shares issued by the Company was approved at a ratio of 5 shares for 1 share of the same kind without modifying the value of its Capital.

Relationship with independent auditors

In 2023, the Company did not engage its independent auditors for services other than those related to the audit work.

Acknowledgements

We would like to express our appreciation to our customers, our employees, our suppliers, our shareholders, financial institutions, government officials, trade and social organizations, and everyone that has contributed directly or indirectly to the achievement of our strategic and social goals.

Management

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

Springs Global Participações S.A.

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

BDO RCS Auditores Independentes

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

To the
Shareholders, Board Members and Management of
Springs Global Participações S.A. - under Judicial Reorganization
Montes Claros - MG

Disclaimer of opinion on the individual and consolidated financial statements

We were engaged to audit the individual and consolidated financial statements of Springs Global Participações S.A. - under Judicial Reorganization ("Company"), identified as parent company and consolidated, respectively, which comprise the individual and consolidated statements of financial position as at December 31, 2023, and the respective individual and consolidated statements of operations, comprehensive income (loss), changes in equity and cash flows for the year then ended, as well as the corresponding notes to the financial statements, including material accounting policies and other explanatory information.

We do not issue an opinion on the accompanying individual and consolidated financial statements of Springs Global Participações S.A. – under Judicial Reorganization, given that, due to the relevance of the matters described in the following section of this report "Basis for disclaimer of opinion on the individual and consolidated financial statements", we were unable to obtain proper and sufficient audit evidence to support our audit opinion on these individual and consolidated financial statements.

Basis for disclaimer of opinion on the individual and consolidated financial statements

Judicial Reorganization Plan, impairment, settlement of liabilities and going-concern

As mentioned in Note 1 to the individual and consolidated financial statements, on May 06, 2024, the Company filed a request for Judicial Reorganization that was granted on July 25, 2024, by the 2nd Business Court of the District of Belo Horizonte ("Judge"), as per Law No. 11.101/2005. Until the issue of this report, the Company's Management filed the Judicial Reorganization Plan ("JRP") with the Judge on September 26, 2024, and waits for the Judge's approval to be analyzed by the General Creditors' Meeting.

In a material uncertainty scenario as to going concern arising from the forementioned matter that may significantly affect the Company's and its controlled companies' investing capacity in future operations of each one of those companies, involving the Company's and its controlled companies' indebtedness position, the generality of the effects of the Judicial Reorganization in the preparation of the individual and consolidated financial statements for the year ended December 31, 2023, the multiple uncertainties scenario arising from these matters, and considering the Company is assessing the possible impacts, if any, of the JRP, we were unable to conclude, neither through alternative audit procedures, on the realization of assets and settlement of liabilities, effects on the impairment of property, plant and equipment (PPE) and intangible assets, realization of related-party balances, liabilities with controlled company, eventual adjustments in liabilities related to loans, trade accounts payable, debentures and other liabilities on the individual and consolidated financial statements of the Company, when the JRP effects are eventually recognized.

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Considering the uncertainties mentioned above, we were unable to conclude on whether the use of the going-concern assumption by the Company and its controlled companies is appropriate, on what would be the effects on the balances (individual and consolidated) of assets (financial and non-financial), liabilities and on the elements of the individual and consolidated statements of operations, comprehensive income (loss), changes in equity, cash flows and value added (supplementary information) if the individual and consolidated financial statements were not prepared on a going concern basis.

Non-reclassification of short-term tax installments

As mentioned in Note 18.d, the direct controlled company Coteminas S.A. - under Judicial Reorganization and the indirect controlled company AMMO Varejo S.A. - under Judicial Reorganization had their installments terminated by the tax authorities, which resulted in a reclassification to the current liabilities in the amount of R$ 278,180 thousand in the consolidated financial statements. The Company's Management, together with its legal advisors, is planning a new Tax Refinancing. Consequently, the balance of the account Taxes due and installments in current liabilities is understated by R$ 278,180 thousand in consolidated and noncurrent liabilities is overstated by the same amount.

Additionally, we did not have access to proper and sufficient audit documentation for the following items:

No receipt of the totality of external confirmation letters

We did not receive the totality of external confirmation letters from the controlled companies' financial institutions: Coteminas S.A. - under Judicial Reorganization, AMMO Varejo S.A. - under Judicial Reorganization and Lat Capital Ltda. and the external confirmation letters from legal advisors of the controlled company Coteminas S.A. - under Judicial Reorganization. Therefore, we were unable to conclude on the balances of the accounts:

- Cash and cash equivalents in the amount of R$ 38,160 thousand in consolidated;
- Marketable securities in the amounts R$ 13,290 thousand in consolidated current assets and R$ 8,632 thousand in consolidated noncurrent assets;
- Escrow deposits in the amount of R$ 12,822 thousand in consolidated;
- Loans and financing in the amounts of R$ 680,547 thousand in consolidated current liabilities and R$ 53,967 thousand in consolidated noncurrent liabilities;
- Debentures in the amount of R$ 373,220 in consolidated; and
- Miscellaneous accruals (for risks and legal claims) in the amount of R$ 78,416 thousand in consolidated.

Payroll and social charges

We did not receive the reconciliations and the totality of supporting documentation to validate payroll and social charges of the direct controlled company Coteminas S.A. - under Judicial Reorganization and of the indirect controlled company AMMO Varejo S.A. - under Judicial Reorganization and, therefore, we were unable to conclude on the amount of R$ 122,274 thousand in consolidated. Accordingly, we were not able, under the circumstances, to evaluate the reasonableness of the balances recorded in the statement of financial position for the year ended December 31, 2023.

Inventories, Cost of goods sold and Cost of idleness

We did not receive the totality of the supporting documentation to validate Inventories, Cost of goods sold and Cost of idleness of the direct controlled company Coteminas S.A. - under Judicial Reorganization and, therefore, we were unable to conclude on the Inventories amount of R$ 217,522 thousand, Cost of goods sold of R$ 454,645 thousand and Cost of idleness of R$ 221,446 thousand in consolidated. Accordingly, we were unable, under the circumstances, to evaluate the reasonableness of the balance recorded in the financial statements for the year ended December 31, 2023.

Investment and liabilities with controlled companies - Direct and Indirect

Springs Global US – Inc.

Neither we nor other independent auditors audited the financial statements of the direct controlled company Springs Global US - Inc., located in the United States of America. Accordingly, we were unable, under the circumstances, to evaluate the reasonableness of the balances recorded in the financial statements of this investment in the amount of R$ 202,729 thousand and the negative equity income (loss) of R$ 142,389 thousand as mentioned in Note 8.a.

Coteminas S.A. – under Judicial Reorganization

The individual and consolidated financial statements for the year ended December 31, 2023, of the direct controlled company Coteminas S.A. - under Judicial Reorganization were audited by us and our audit report thereon, dated the same date, includes a Disclaimer of Opinion regarding the matters described above.

AMMO Varejo S.A. – under Judicial Reorganization

The individual and consolidated financial statements for the year ended December 31, 2023, of the indirect controlled company AMMO Varejo S.A. - under Judicial Reorganization were audited by us and our audit report thereon, dated the same date, includes a Disclaimer of Opinion regarding the matters described above.

Other matters

Individual and consolidated statements of value added – supplementary information

We were also engaged to examine, along with the audit of the Company's individual and consolidated financial statements, the individual and consolidated Statements of Value Added for the year ended December 31, 2023, prepared by the Company's Management and presented as supplementary information for IFRS purposes. However, due to the relevance of the matters described in the "Basis for disclaimer of opinion on the individual and consolidated financial statements" section of this report, we were also unable to obtain proper and sufficient evidence to support our audit opinion on these individual and consolidated statements in relation to the individual and consolidated financial statements, taken as a whole.

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

Management is responsible for the preparation and fair presentation of the individual and consolidated financial statements in accordance with Brazilian accounting practices and IFRS issued by International Accounting Standards Board (IASB), and for such internal control as Management determines is necessary to enable the preparation of individual and consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the individual and consolidated financial statements, Management is responsible for assessing the Company's and its controlled companies' ability 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 controlled companies or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Company's and its controlled companies' individual and consolidated financial reporting process.

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

Our responsibility is to conduct an audit of the individual and consolidated financial statements of the Company and its controlled companies in accordance with Brazilian and international standards on auditing and to issue an audit report on such statements. However, due to the matters described in the "Basis for disclaimer of opinion on the individual and consolidated financial statements" section of this report, we were unable to obtain proper and sufficient audit evidence to support our audit opinion on these individual and consolidated financial statements.

We are independent of the Company and its controlled companies in accordance with the relevant ethical principles established in the Code of Ethics for Professional Accountants and in the professional standards issued by the Brazilian Federal Council of Accounting (CFC), and we have fulfilled our other ethical responsibilities in accordance with these standards.

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

São Paulo, January 24, 2025.

BDO RCS Auditores Independentes SS Ltda.
CRC 2 MG 009485/F-O

Paulo Sérgio Tufani
Accountant CRC 1 SP 124504/O-9 - S - MG

SPRINGS GLOBAL PARTICIPAÇÕES S.A. – under Judicial Recovery

BALANCE SHEETS AS OF DECEMBER 31,2023 AND 2022

(In thousands of Brazilian Reais)

ASSETS

		Company		Consolidated	
	Note	2023	2022	2023	2022
CURRENT:					
Cash and cash equivalents	3	1	42	38,160	225,444
Marketable securities	4	-	-	13,290	23,531
Accounts receivable	5	-	-	125,276	163,267
Financial leases receivable	11	-	-	15,687	16,661
Inventories	6.a	-	-	217,522	358,149
Advances to suppliers	6.b	-	-	9,465	35,010
Recoverable taxes	18.c	57	22	45,828	39,892
Other receivables		960	986	17,031	19,706
Total current assets		1,018	1,050	482,259	881,660
NONCURRENT:					
Long-term assets:					
Marketable securities	4	-	1,925	8,632	10,395
Receivable – clients	7	-	-	3,466	16,135
Related parties	22	-	-	211,199	178,329
Financial leases receivable	11	-	-	69,985	83,580
Recoverable taxes	18.c	-	-	17,059	17,916
Deferred taxes	18.b	1,905	1,905	1,905	18,214
Property, plant and equipment held for sale	10.b	-	-	27,070	23,910
Escrow deposits	19	-	-	12,822	13,216
Others		-	-	24,945	50,638
		1,905	3,830	377,083	412,333
Investments in subsidiaries	8.a	202,729	429,622	-	-
Investments in affiliates	8.b	-	-	13,847	
Other investments	8.b	-	-	7,114	124,217
Investment properties	9	-	-	495,878	527,127
Property, plant and equipment	10.a	-	-	517,444	522,411
Right-of-use assets	11	-	-	110,765	144,396
Intangible assets	12	-	-	32,535	82,973
Total noncurrent assets		204,634	433,452	1,554,666	1,813,457
Total assets		205,652	434,502	2,036,925	2,695,117

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

SPRINGS GLOBAL PARTICIPAÇÕES S.A. – under Judicial Recovery

BALANCE SHEETS AS OF DECEMBER 31,2023 AND 2022

(In thousands of Brazilian Reais)

LIABILITIES AND EQUITY

		Company		Consolidated	
	Note	2023	2022	2023	2022
LIABILITIES					
CURRENT:					
Loans and financing	13	5,188	10,405	680,547	640,395
Debentures	14	-	-	373,220	17,763
Suppliers	15	321	3	293,448	272,960
Payroll and related charges		1,167	183	122,274	96,785
Taxes		324	94	23,754	20,955
Government concessions	16	-	-	242,201	56,253
Leases payable	17	-	-	49,098	59,782
Taxes due - installments	18.d	-	-	103,316	94,795
Other payables		-	-	52,159	73,768
Total current liabilities		7,000	10,685	1,940,017	1,333,456
NONCURRENT:					
Loans and financing	13	4,373	9,143	53,967	56,540
Debentures	14	-	-	-	320,757
Leases payable	17	-	-	167,515	209,418
Related parties	22	47,195	36,003	-	-
Government concessions	16	-	-	19,337	38,264
Miscellaneous accruals	19	-	-	78,416	20,801
Employee benefit plans	20	-	-	106,459	114,581
Deferred taxes	18.b	-	-	101,548	106,684
Taxes due - installments	18.d	-	-	278,180	93,458
Obligations with subsidiaries	8.a	871,603	-	-	-
Other obligations		-	-	16,005	22,487
Total noncurrent liabilities		923,171	45,146	821,427	982,990
EQUITY:	21				
Capital		1,860,265	1,860,265	1,860,265	1,860,265
Capital reserves		79,381	79,381	79,381	79,381
Assets and liabilities valuation adjustments		128,969	137,263	128,969	137,263
Cumulative translation adjustments		(188,218)	(151,828)	(188,218)	(151,828)
Accumulated deficit		(2,604,916)	(1,546,410)	(2,604,916)	(1,546,410)
Total equity		(724,519)	378,671	(724,519)	378,671
Total liabilities and equity		205,652	434,502	2,036,925	2,695,117

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

SPRINGS GLOBAL PARTICIPAÇÕES S.A. – under Judicial Recovery

STATEMENTS OF OPERATIONS

FOR THE YEARS ENDED DECEMBER 31, 2023 AND 2022

(In thousands of Brazilian Reais)

	Note	Company 2023	Company 2022	Consolidated 2023	Consolidated 2022
NET REVENUES	25	-	-	686,442	1,217,445
Cost of goods sold	26	-	-	(454,645)	(879,747)
Idle cost and others	26	-	-	(221,446)	(175,097)
GROSS PROFIT		-	-	10,351	162,601
OPERATING INCOME (EXPENSES):					
Selling expenses	26	-	-	(247,458)	(315,998)
General and administrative expenses	26	(751)	(870)	(126,822)	(132,513)
Management fees	22 and 26	(1,326)	(1,248)	(16,210)	(18,162)
Equity in subsidiaries	8.a	(1,061,228)	(624,527)	5	-
Others, net:					
Change in fair value of investment properties	9	-	-	2,948	65,296
Restructuring charges	28	-	-	(38,673)	-
Write-off of judicialized receivables, net	13 and 18.d	-	-	(62,649)	-
Write-off of subsidiary’s goodwill	8.a and 12	-	-	(27,303)	-
Provision for impairment of permanent assets	10.a and 12	-	-	(49,270)	(7,043)
Provision for impairment of other investments	8.b	-	-	(107,646)	-
Others, net		-	-	(26,510)	(3,881)
LOSS FROM OPERATIONS		(1,063,305)	(626,645)	(689,237)	(249,700)
Financial expenses – interests and charges		(1,755)	(3,714)	(309,246)	(280,547)
Financial expenses – interest on leases	17	-	-	(9,257)	(11,339)
Financial expenses – taxes, discounts and others		(914)	(632)	(107,226)	(124,126)
Financial income		52	206	80,863	78,135
Exchange rate variations, net		-	-	(19,360)	(19,151)
LOSS FROM OPERATIONS BEFORE TAXES		(1,065,922)	(630,785)	(1,053,463)	(606,728)
Income and social contribution taxes:					
Current	18.a	-	-	(385)	(1,342)
Deferred	18.a	-	-	(12,074)	(22,715)
NET LOSS FOR THE YEAR		(1,065,922)	(630,785)	(1,065,922)	(630,785)
BASIC AND DILUTED LOSS PER SHARE — R$	27	(21,3184)	(12,6157)		

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

SPRINGS GLOBAL PARTICIPAÇÕES S.A. – under Judicial Recovery

STATEMENTS OF COMPREHENSIVE INCOME (LOSS)

FOR THE YEARS ENDED DECEMBER 31, 2023 AND 2022

(In thousands of Brazilian Reais)

	Company and consolidated	
	2023	2022
NET LOSS FOR THE YEAR	(1,065,922)	(630,785)
Other comprehensive income (loss):		
-Items that will impact the statements of operations:		
Exchange rate variations on foreign investments	(36,390)	7,986
-Items that will not impact the statements of operations:		
Actuarial gain (loss) on pension plans	(878)	11,029
COMPREHENSIVE LOSS FOR THE YEAR	(1,103,190)	(611,770)
ATTRIBUTABLE TO:		
Owners of the Company	(1,103,190)	(611,770)

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

SPRINGS GLOBAL PARTICIPAÇÕES S.A. – under Judicial Recovery

STATEMENTS OF CHANGES IN EQUITY

FOR THE YEARS ENDED DECEMBER 31, 2022

(In thousands of Brazilian Reais)

	Note	Capital	Capital reserve	Assets and liabilities valuation adjustments	Cumulative translation adjustments	Accumulated deficit	Total equity
BALANCES AS OF DECEMBER 31, 2021		1,860,265	79,381	126,234	(159,814)	(915,625)	990,441
Comprehensive income (loss):							
Net loss for the year		-	-	-	-	(630,785)	(630,785)
Exchange rate variations on foreign investments	2.1.b	-	-	-	(26,301)	-	(26,301)
Actuarial gain on pension plans		-	-	11,029	-	-	11,029
Impact of subsidiaries-							
Exchange rate variations on foreign investments, net	2.1.b	-	-	-	34,287	-	34,287
Total comprehensive income (loss)		-	-	11,029	7,986	(630,785)	(611,770)
BALANCES AS OF DECEMBER 31, 2022		1,860,265	79,381	137,263	(151,828)	(1,546,410)	378,671

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

SPRINGS GLOBAL PARTICIPAÇÕES S.A. – under Judicial Recovery

STATEMENTS OF CHANGES IN EQUITY

FOR THE YEARS ENDED DECEMBER 31, 2023

(In thousands of Brazilian Reais)

	Note	Capital	Capital reserve	Assets and liabilities valuation adjustments	Cumulative translation adjustments	Accumulated deficit	Total equity
BALANCES AS OF DECEMBER 31, 2022		1,860,265	79,381	137,263	(151,828)	(1,546,410)	378,671
Disposal of investment property				(7,416)	-	7,416	-
Comprehensive loss:							
Net loss for the year		-	-	-	-	(1,065,922)	(1,065,922)
Exchange rate variations on foreign investments	2.1.b	-	-	-	(26,815)	-	(26,815)
Actuarial loss on pension plans		-	-	(878)	-	-	(878)
Impact of subsidiaries-							
Exchange rate variations on foreign investments, net	2.1.b	-	-	-	(9,575)	-	(9,575)
Total comprehensive loss		-	-	(878)	(36,390)	(1,065,922)	(1,103,190)
BALANCES AS OF DECEMBER 31, 2023		1,860,265	79,381	128,969	(188,218)	(2,604,916)	(724,519)

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

SPRINGS GLOBAL PARTICIPAÇÕES S.A. – under Judicial Recovery

STATEMENTS OF CASH FLOWS

FOR THE YEARS ENDED DECEMBER 31, 2023 AND 2022

(In thousands of Brazilian Reais)

	Company		Consolidated	
	2023	2022	2023	2022
Cash flows from operating activities				
Net loss for the year	(1,065,922)	(630,785)	(1,065,922)	(630,785)
Adjustments to reconcile net loss to net cash provided by (used in) operating activities:				
Depreciation and amortization	-	-	92,766	98,206
Equity in subsidiaries	1,061,228	624,527	(5)	-
Change in fair value of investment properties	-	-	(2,948)	(65,296)
Allowance for expected losses on doubtful accounts	-	-	16,449	28,811
Income and social contribution taxes	-	-	12,459	24,057
Provision for impairment of permanent assets	-	-	49,270	7,043
Provision for impairment of other investments	-	-	107,646	-
Provision (reversal) for losses on inventories	-	-	(12,788)	23,845
Loss (gain) on disposal of property, plant and equipment	-	-	5,194	(2,397)
Write-off of judicialized receivables, net	-	-	62,649	-
Write-off of subsidiary's goodwill	-	-	27,303	-
Restructuring charges	-	-	38,673	-
Provision for tax, civil, and labor liabilities	-	-	66,626	-
Tax recovery	-	-	(33,347)	-
Monetary variations	-	-	3,103	7,314
Exchange rate variations	-	-	19,360	19,151
Bank interests and charges, net	2,597	4,130	324,197	316,908
Financial expenses – interest on leases	-	-	9,257	11,339
	(2,097)	(2,128)	(280,058)	(161,804)
Changes in assets and liabilities				
Marketable securities	1,925	(188)	1,914	(7,089)
Accounts receivable	-	-	1,062	215,028
Inventories	-	-	112,511	115,707
Advances to suppliers	-	-	3,583	3,198
Recoverable taxes	(35)	(22)	(5,079)	47,887
Suppliers	318	(7)	21,087	17,429
Taxes due - installments	-	-	88,503	56,834
Others	1,268	306	70,599	1,348
Net cash provided by (used in) operating activities before interest and income taxes	1,379	(2,039)	14,122	288,538
Interest paid on loans	(1,843)	(2,246)	(57,319)	(134,151)
Commissions and fees paid on loans	(911)	(623)	(27,534)	(40,708)
Taxes paid	-	-	(151)	(1,221)
Net cash provided by (used in) operating activities after interest and income taxes	(1,375)	(4,908)	(70,882)	112,458

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

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

SPRINGS GLOBAL PARTICIPAÇÕES S.A. – under Judicial Recovery

STATEMENTS OF CASH FLOWS

FOR THE YEARS ENDED DECEMBER 31, 2023 AND 2022

(In thousands of Brazilian Reais)

	Company		Consolidated	
	2023	2022	2023	2022
Cash flows from investing activities				
Investment properties	-	-	(191)	(2,365)
Property, plant and equipment	-	-	(10,533)	(11,126)
Intangibles	-	-	(1,110)	(1,025)
Assets held for sale	-	-	-	(8,644)
Proceeds from sale of fixed assets	-	-	7,144	1,025
Loans between related parties	11,124	15,021	(65,918)	(32,312)
Net cash provided by (used in) investing activities	11,124	15,021	(70,608)	(54,447)
Cash flows from financing activities				
Proceeds from new loans and debentures, net	-	-	174,430	391,923
Repayment of loans and debentures	(9,790)	(10,188)	(195,072)	(406,331)
Repayment of leases, net	-	-	(35,022)	(37,184)
Net cash used in financing activities	(9,790)	(10,188)	(55,664)	(51,592)
Effect of exchange rate variations on cash and cash equivalents of foreign subsidiaries	-	-	9,870	19,260
Increase (decrease) in cash and cash equivalents	(41)	(75)	(187,284)	25,679
Cash and cash equivalents:				
At the beginning of the year	42	117	225,444	199,765
At the end of the year	1	42	38,160	225,444
Increase (decrease) in cash and cash equivalents	(41)	(75)	(187,284)	25,679

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

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

SPRINGS GLOBAL PARTICIPAÇÕES S.A. – under Judicial Recovery

STATEMENTS OF VALUE ADDED

FOR THE YEARS ENDED DECEMBER 31, 2023 AND 2022

(In thousands of Brazilian Reais)

	Company		Consolidated	
	2023	2022	2023	2022
REVENUES				
Sales of products, goods and services	-	-	791,495	1,460,160
Allowance for expected losses on doubtful accounts	-	-	(16,449)	(28,811)
Gain (loss) on disposal of property, plant and equipment and intangibles	-	-	(5,194)	2,397
Tax recovery	-	-	33,347	-
	-	-	803,199	1,433,746
MATERIALS ACQUIRED FROM THIRD PARTIES				
Cost of goods and services sold	-	-	(246,644)	(676,159)
Materials, energy, third party services, and others	(1,939)	(1,890)	(499,329)	(496,108)
Provision for impairment of permanent assets	-	-	(49,270)	(7,043)
Provision for impairment of other investments	-	-	(107,646)	-
Reversal (provision) for losses on inventories	-	-	12,788	(23,845)
Change in fair value of investment properties	-	-	2,948	65,296
Restructuring charges	-	-	(38,673)	-
Write-off of judicialized receivables, net	-	-	(62,649)	-
Write-off of subsidiary's goodwill	-	-	(27,303)	-
	(1,939)	(1,890)	(1,015,778)	(1,137,859)
GROSS VALUE ADDED	(1,939)	(1,890)	(212,579)	295,887
RETENTIONS				
Depreciation and amortization	-	-	(92,766)	(98,206)
NET VALUE ADDED PRODUCED BY THE COMPANY	(1,939)	(1,890)	(305,345)	197,681
VALUE ADDED RECEIVED BY TRANSFER				
Equity in subsidiaries	(1,061,228)	(624,527)	5	-
Financial income	52	206	80,863	78,135
Exchange rate variation	-	-	294	(1,005)
Royalties	-	-	19,075	18,304
	(1,061,176)	(624,321)	100,237	95,434
TOTAL VALUE ADDED FOR DISTRIBUTION (TO RETAIN)	(1,063,115)	(626,211)	(205,108)	293,115
DISTRIBUTION OF VALUE ADDED				
Salary, wages and compensation	269	-	333,890	335,789
Taxes, duties and contributions	783	860	144,155	203,671
Payments to third parties	1,755	3,714	382,769	384,440
Net loss for the period	(1,065,922)	(630,785)	(1,065,922)	(630,785)
VALUE ADDED DISTRIBUTED (RETAINED)	(1,063,115)	(626,211)	(205,108)	293,115

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

SPRINGS GLOBAL PARTICIPAÇÕES S.A. – under Judicial Recovery

NOTES TO THE FINANCIAL STATEMENTS

AS OF DECEMBER 31, 2023

(Amounts in thousands of Brazilian Reais)

1. OPERATIONS

Springs Global Participações S.A. - under judicial recovery (the "Company"), headquartered at Avenida Lincoln Alves dos Santos, number 955, in Montes Claros – MG, Brazil, was incorporated on November 24, 2005. On January 24, 2006 received as capital contribution 100% of the shares of Coteminas S.A. - under judicial recovery ("CSA") and Springs Global US, Inc. ("SGUS"), privately-held companies headquartered in Brazil and in the United States, respectively, whose shareholders were Companhia de Tecidos Norte de Minas – Coteminas - under judicial recovery ("CTNM"), the Company's parent company, and the former shareholders of Springs Industries, Inc. ("SI"), respectively.

On April 30, 2009, the Company started its bed, tabletop and bath retail operations, under the brands MMartan and Casa Moyses and later, in October 2011, with the brand Artex. The retail operation of these brands is run by AMMO Varejo S.A. - under judicial recovery ("AMMO"), which became an indirect subsidiary of the Company. In 2022, AMMO obtained resources to make its growth plan viable, through a private issue of debentures convertible into shares. The resources obtained through this financing are being allocated to the development of and investment in AMMO's activities and strengthen its working capital. This financing aims to make AMMO's growth plan viable, through (i) expansion of the product portfolio in the homewellness segment, (ii) growth of distribution channels and geographic expansion, and (iii) offering of products and services for the sleep.

The Company has leading brands in their markets, such as MMartan, Casas Moysés, Artex, Santista, Paládio, Calfat, Garcia, Arco Íris, Magicolor, among others. The Company's products have a privileged market standing on the shelves of the largest and most demanding retail channels of the world.

The Company and its subsidiary CSA have presented in their consolidated financial statements financial expenses that have been aggravated by the significant in interest rates since the fourth quarter of 2021. The Company and its subsidiary CSA have been honoring their financial commitments to banks and financial institutions, however, they had a sharp reduction in their working capital, which impacted their operating activities and halted the industrial activities in the second half of 2023.

In July 2023, in the context of restructuring its business plan, the subsidiary CSA entered into an agreement with the labor unions in Montes Claros, Blumenau, and João Pessoa to reduce the workforce by 1,709 employees and its payment terms. Between October 2023 and April 2024, as part of the union agreements, the subsidiary CSA included the termination of another 2,710 employees.

The Company and its subsidiaries, prior to filing for judicial recovery, made efforts to renegotiate their financial liabilities and to liquidate some properties, receivables, and investments, with the proceeds exclusively allocated to settling liabilities and maintaining operational costs.

On April 2, 2024, the Company announced a material fact indicating the consolidation of the manufacturing facilities of the subsidiary CSA, with the deactivation of two industrial plants and, consequently, making these plants available for sale or lease.

Judicial Recovery

On May 8, 2024, the Company and its subsidiaries informed the market that they had received, at the end of the previous week, a notification sent by *Odernes Fundo de Investimento em Participações Multiestratégia* ("ODERNES") addressed to subsidiary CSA and other entities in the Group, claiming early maturity of the debt represented by the debentures issued by the indirect subsidiary AMMO on May 30, 2022. As a presumed consequence of the early maturity, ODERNES intends to enforce the shares issued by the indirect subsidiary AMMO, owned by the subsidiary CSA, and subsequently transfer all of these shares to Jericoacoara Participações S.A. for a nominal amount.

The subsidiary CSA, in turn, counter-notified ODERNES, stating that the early maturity of the debt represented by the debentures had not occurred, much less the possibility of executing the shares of the indirect subsidiary AMMO or transferring such shares to any other company.

Additionally, as has been widely reported, since the end of the pandemic, the Companies have experienced negative impacts on their business due to a combination of adverse factors that have resulted in financial difficulties.

In this context, with the aim of ensuring the preservation of the business activities and assets of the Company and its subsidiaries, which would be subject to irreparable harm, the Companies obtained a preliminary injunction for Judicial Recovery for themselves and other companies in the group.

On July 26, 2024, after a preliminary verification procedure, the processing of the judicial recovery was granted in an order dated July 25, 2024.

The table below shows the composition of the Company's liabilities included in the Judicial Recovery request, assessed as of the request date:

Credit Class (law 11,101/2005)	Company	Consolidated
Labor	1,015	106,112
Secured Debt	-	379,063
Unsecured Debt	9,961	344,735
Micro and Small Businesses	-	8,477
Not Subject	-	597,740
Tax	1,140	410,539
	------------	------------
	12,116	1,846,666
	=======	=======

On September 26, 2024, the Company and other entities in the Group officially included the Judicial Recovery Plan ("JRP") in the judicial recovery process records, in accordance with art. 53 of Law No. 11,101/2005. The key measures included in the JRP are: (i) companies' liabilities restructuring, (ii) selling assets and establishing segregated production units, (iii) distributing a portion of net profits from the sales of assets and segregated production units to creditors; (iv) possibility of raising new funds by the companies to implement the operational recovery; and (v) preserving essential investments to maintain the companies' activities, in addition to (vi) creating a real estate investment fund (REIF) for the purpose of paying part of the creditors with the REIF shares.

The Company has been advancing negotiations with its creditors and providing documents related to its JRP with the goal of potentially holding a general meeting of creditors (“GMC”) in 2025. However, as of the approval date of the financial statements, the final terms of the JRP, as well as any agreements to support the plan, between the Company and its primary financial creditors, remain under negotiation.

2. PRESENTATION OF FINANCIAL STATEMENTS

The financial statements were approved by the Company’s Board of Directors on January 24th, 2025.

The Company presents its individual (“Company”) and consolidated (“Consolidated”) financial statements, prepared, simultaneously, in accordance with International Financial Reporting Standards (“IFRS”) issued by the International Accounting Standards Board ("IASB"), and accounting practices adopted in Brazil, which include the standards in the Brazilian Corporate Law and the pronouncements, orientations and interpretations issued by Brazilian Committee of Accounting Pronouncements (“CPC”), approved by the CVM (Brazilian Securities and Exchanges Commission) and the CFC (Federal Accounting Council).

The Company adopted all standards, review of standards and interpretations issued by the IASB and the CPC which were effective on December 31, 2023. All relevant information relating to the financial statements is included herein and corresponds to those used by Company’s management in its administration.

2.1 – Translation of balances in foreign currency

a) Functional and presentation currency

The financial statements of each subsidiary included in the consolidation of the Company and used as a basis for valuation of investments under the equity method are prepared using the functional currency of each entity. The functional currency of an entity is the currency of the primary economic environment in which it operates. To determine the functional currency of each of its subsidiaries, Management considered which currency significantly influences the selling price of their products and services, and the currency in which most of the production cost inputs are paid or incurred. The consolidated financial statements are presented in Reais (R$), which is the functional and presentation currency of the Company.

b) Conversion of balances

The results and financial position of all subsidiaries included in the consolidation that have functional currencies different from the presentation currency are translated to the presentation currency as follows:

i) assets and liabilities are translated at the exchange rate prevailing on the date of the consolidated financial statements;

ii) income and expenses are translated at the monthly exchange rate; and

iii) all differences resulting from the translation are recognized in equity under the caption "Cumulative translation adjustments" and are presented as other comprehensive income in the statement of comprehensive income.

2.2 – Accounting policies

The significant accounting policies used in the preparation of the financial statements are as follows:

(a) Results of operations--Results of operations are calculated in accordance with the accrual basis of accounting. Revenue is not recognized if there is significant uncertainty regarding its realization. Interest income and expense are recognized using the effective interest rate as financial income and expenses in the statements of operations. The extraordinary gains and losses and the transactions and provisions involving property, plant and equipment are recorded in the statements of operations as "Others, net ".

(b) Financial instruments--The Company classifies financial assets and liabilities in the following categories: at fair value through profit or loss ("FVTPL"), at fair value through other comprehensive income ("FVOCI") and at amortized cost.

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

The Company recognizes financial assets and liabilities when and only when it becomes part of the contractual provisions of the instruments. The Company derecognizes a financial asset when the contractual rights to the asset's cash flows benefits expire, or when the Company transfers the rights to the receipt of contractual cash flows on a financial asset in a transaction in which substantially all the risks and benefits of ownership of the financial asset are transferred. Any participation that is created or retained by the Company in such transferred financial assets is recognized as a separate asset or liability. The Company derecognizes a financial liability when its contractual obligation is withdrawn, canceled or expired.

The financial assets and liabilities are offset and the net amount presented in the balance sheet when, and only when, the Company currently has a legally enforceable right to offset the amounts and intends to liquidate them on a net basis or to realize the asset and settle the liability simultaneously.

ii) Non-derivative financial assets - measurement

A financial asset is measured at amortized cost if it meets both of the following conditions:

- the asset is kept within a business model with the purpose of collecting contractual cash flows; and

- the contractual terms of the financial asset give rise, on specific dates, to the cash flows that are only payments of principal and interest on the outstanding principal amount.

A debt instrument is measured at fair value through other comprehensive income only if it satisfies both of the following conditions:

- the asset is kept within a business model which the purpose is achieved by collecting contractual cash flows and selling financial assets; and

- the contractual terms of the financial asset give rise, on specific dates, to the cash flows that are only payments of principal and interest on the outstanding principal amount.

All other financial assets are classified as measured at fair value through profit or loss.

In addition, at initial recognition, the Company may irrevocably designate a financial asset or liability as measured at fair value through profit or loss in order to eliminate or significantly reduce a possible accounting mismatch resulting from the result of the respective asset or liability.

iii) Non-derivative financial liabilities - measurement

Financial instruments classified as liabilities, after their initial recognition at fair value, are measured based on the amortized cost method based on the effective interest rate. Interest, monetary restatement and exchange variation are recognized in income, as financial income or expenses, when incurred.

iv) Derivatives measured at fair value through profit or loss

Contracted derivative instruments are not designated for hedge accounting. Changes in the fair value of any of these derivative instruments are recognized immediately in the statement of operations.

(c) Impairment of financial instruments--Financial assets not classified as financial assets at fair value through profit or loss, are valued at each balance sheet date to determine whether there is objective evidence of impairment loss. Objective evidence that financial assets had a loss of value includes:

- default or delays by the debtor;
- restructuring of a value due to the Company under conditions that would not be accepted under normal conditions;
- indications that the debtor or issuer will go into bankruptcy or judicial recovery;
- negative changes in the payment situation of debtors or issuers;
- the disappearance of an active market for the instrument due to financial difficulties; or
- observable data indicating that there was a decline in the measurement of the expected cash flows of a group of financial assets.

The Company considers evidence of impairment of assets measured at amortized cost both individually and collectively. All individually significant assets are evaluated for impairment. Those that have not individually suffered a loss of value are then evaluated collectively for any loss of value that may have occurred, but has not yet been identified, which includes the expected credit losses. Assets that are not individually significant are evaluated collectively as to the loss of value based on the grouping of assets with similar risk characteristics.

In evaluating the impairment loss on a collective basis, the Company uses historical trends of the recovery period and the amounts of loss incurred, adjusted to reflect management's judgment as to whether current economic and credit conditions are such that losses are likely to be higher or lower than those suggested by historical trends.

An impairment loss is calculated as the difference between the book value and the present value of the estimated future cash flows discounted at the original effective interest rate of the asset. Losses are recognized in the statement of operations and reflected in the impairment provision account. When the Company considers that there are no reasonable expectations of recovery, the amounts are written off. When a subsequent event indicates a reduction of the impairment loss, the reduction of the impairment provision is reversed through the statement of operations.

An impairment loss relating to an investment accounted for under the equity method is measured by comparing the recoverable value of the investment with its carrying amount. An impairment loss is recognized in profit or loss and reversed if there was a favorable change in the estimates used to determine recoverable value.

(d) Cash and cash equivalents--Includes cash, deposits, cash in transit and short-term investments with immediate liquidity and original maturities of 90 days or less (or without fixed maturity), which are subject to an insignificant risk of change in its value. Cash and cash equivalents are classified as non-derivative financial assets, measured at amortized cost, and interest earned is recognized in the statements of operations of the year.

(e) Marketable securities--Represented by amounts of immediate liquidity with maturities of more than 90 days and are subject to an insignificant risk of change in their value. The marketable securities relating to investment funds in equity instruments are classified as non-derivative financial assets, and are measured fair value through the statement of operations. All other marketable securities are classified as non-derivative financial assets measured at amortized cost and interest earned is recognized in the statements of operations of the year.

(f) Accounts receivable and allowance for expected losses on doubtful debt accounts--Accounts receivable from customers are initially recognized at transaction value and subsequently measured at amortized cost using the effective interest rate method less the estimated loss with doubtful accounts.

The Company adopted the measurement of the estimated loss with doubtful accounts based on the entire life of the instruments, using the simplified approach, taking into account the history of movements and historical losses. As a general rule, accounts overdue at more than 180 days represent a relevant indicator of expected loss, and are evaluated individually.

(g) Inventories--Valued at average acquisition or production cost, which is lower than net realizable value and are stated net of provision for losses on discontinued and/or obsolete items. The net realizable value is the estimated selling price in the ordinary course of business less the estimated costs of completion of manufacturing and directly related selling expenses.

(h) Property, plant and equipment held for sale--Includes out-of-use machinery and equipment measured at fair value less selling expenses, when this amount is lower than net book value.

(i) Investments--Investments in subsidiaries and affiliated companies are accounted for using the equity method based on the balance sheet of the respective subsidiaries and affiliated companies as of the same date as the Company’s balance sheet. The value of the equity of foreign subsidiaries and affiliated companies are converted into Reais based on the current rate of its functional currency and the foreign exchange rate variation is recorded in "Cumulative translation adjustments" in equity and presented as other comprehensive income.

(j) Business combinations--The cost of the acquired entity is allocated to the acquired assets and liabilities, based on their estimated fair value at the acquisition date. Any difference between the entity’s cost and the fair value of the acquired assets and liabilities is recognized as goodwill.

(k) Research and development expenses--Are recognized as expenses when incurred, except when they meet the criteria for capitalization.

(l) Investment properties--Are held for income or capital appreciation. Investment properties are initially recorded at cost and include transaction costs. After initial recognition, investment properties are measured at fair value against comprehensive income (loss) net of taxes, and thereafter, are measured annually at fair value and the variations arising from this valuation and taxes are recognized in the statements of operations.

(m) Property, plant and equipment--Recorded at acquisition or construction cost. Depreciation is calculated using the straight-line method based on the estimated useful lives of the assets. Expenses incurred that increase the value and extend the estimated useful lives of the assets are capitalized; maintenance and repairs are recorded as expenses when incurred.

The estimated useful life of property, plant and equipment is as follows:

	Useful life
Buildings	40 years
Installations	15 years
Machinery and equipment	15 years
Hydroelectric Plant - Porto Estrela	35 years
Furniture, fixtures and others	5 to 10 years

The residual value and useful life of the assets are assessed by Management at least at the end of each year.

(n) Right-of-use assets--The measurement of the right-of-use asset corresponds to the beginning balance of the lease liability plus the initial direct costs incurred, adjusted to present value. Amortization is calculated using the straight-line method according to the remaining term of the contracts.

(o) Intangible assets--Represented by trademarks acquired, store locations, intellectual property (software development) and goodwill on companies acquired. Intangible assets with finite useful lives are amortized using the straight-line method, over their estimated useful lives. Intangible assets with indefinite useful lives are tested for impairment annually, or as deemed necessary, in order to determine the recoverability of their net book values.

(p) Impairment of non-financial assets--Assets included in property, plant and equipment, intangible assets, inventories and other current and noncurrent assets are tested for impairment annually, or when circumstances indicate that the net book value may not be recoverable. When impairment is required, it is recognized in the statements of operations. Previous years impairment losses on these assets may be reversed whenever there is an assessment or reliable evidence that the value of the asset has recovered (except for goodwill from investments). The reversal is recognized in the statement of operations to the extent it does not exceed the previously recognized impairment losses.

(q) Income and social contribution taxes--The provision for income and social contribution taxes is calculated at the rate of approximately 34% on taxable income and is recognized net of the portion related to the income tax exemption. The accrual balance is net of prepayments made during the year, if applicable. For foreign subsidiaries, the tax rate ranges from 24% to 35%, according to the tax legislation of each country.

(r) Deferred income and social contribution taxes--Deferred income and social contribution taxes are recognized on net operating losses and temporary differences arising from provisions stated in the accounting records, which, according to the tax rules, will only be considered deductible or taxable when realized. A deferred tax asset is recognized only when there is an expectation of future taxable income.

(s) Leases payable--The measurement of lease liabilities correspond to total future rent payments. These payment flows are adjusted to present value, considering the incremental borrowing rate, and when applicable, are adjusted by changes and updates provided for in the contracts. The offset entry is accounted for as a right-of-use asset and amortized over the period of the lease under the straight-line method. Financial charges are recognized as financial expense and are appropriated according to the remaining term of the contracts. The incremental borrowing rate corresponds to the interest rate that the Company would have to pay to borrow over a similar term, and with a similar security, the funds necessary to obtain an asset of a similar value to the right-of-use asset in a similar economic environment.

(t) Miscellaneous accruals--Recorded at an amount considered sufficient by Management to cover probable losses. The escrow deposits related to the accruals are presented in noncurrent assets.

(u) Employee benefit plans--Pension plans and postretirement benefit costs are recognized on an accrual basis, based on actuarial calculations. Actuarial gains and losses are recognized in “Assets and liabilities valuation adjustment” when incurred.

(v) Basic and diluted earnings (loss) per share--Basic earnings (loss) per share is calculated by dividing the income or loss for the year attributable to the Company’s shareholders by the weighted average number of outstanding shares. Diluted earnings (loss) per share is calculated by adjusting the weighted average number of outstanding shares assuming conversion of potential shares to be issued. The Company did not identify any potential issuance of new shares and, therefore, a potential dilution in earnings (loss) per share.

(w) Monetary and exchange rate variations--Assets and liabilities subject to monetary or exchange rate variations are restated on the balance sheet dates, in accordance with the Brazilian Central Bank (BACEN) published rates or other contractual indices. Exchange gains and losses and monetary variations are recognized in the statements of operations for the year, except for the exchange gains and losses on investments in foreign subsidiary, which are recognized in “Cumulative translation adjustments” in equity.

(x) Revenue recognition--Revenue is measured at value of the consideration received or receivable, less any estimates of returns, cash discounts and/or trade discounts given to the buyer and other similar deductions. Revenue from operations is recognized when control is transferred, which is at the time of delivery to the customer.

(y) Statements of Value Added ("DVA")--The purpose of these statements is to highlight the wealth created by the Company and its distribution over a given year. They are presented by the Company as required by the Brazilian Corporate Law, as part of its individual financial statements and as supplemental information for the consolidated financial statements, since it is not a statement provided nor required by IFRS standards. The DVAs have been prepared based on information obtained from accounting records that are the basis for the preparation of the financial statements.

2.3 – Accounting estimates

The preparation of financial statements makes use of estimates in order to record certain assets, liabilities and other transactions. To make these estimates, Management used the best information available at the time of preparation of the financial statements, as well as the experience of past and/or current events, also considering estimates regarding future events. Therefore, the financial statements mainly include estimates related to the recovery value of financial assets (notes 2.2.c, No. 5 and No. 7), determination of useful lives of property, plant and equipment (notes 2.2.m and No. 10), estimated recoverable value of non-financial assets (notes 2.2.p, No. 6, No. 10, No. 11 and No. 12), fair value of investment properties (notes 2.2.l and No. 9), provisions necessary for tax, civil and labor liabilities (notes 2.2.t and No. 19), determination of provisions for income tax (notes 2.2.q and No. 18), determination of fair value of financial instruments (assets and liabilities) (notes 2.2.b and No. 23) and other similar instruments, estimates related to the selection of interest rate (note 23.d.5), expected return on assets and the choice of mortality table and expected wage increases applied to the actuarial calculations (notes 2.2.u and No. 20). Actual results of transactions and information could differ from the estimates.

2.4 – Consolidation criteria

The consolidated financial statements include the accounts of the Company and its subsidiaries CSA and SGUS, of which it owns directly and indirectly 100% of the capital.

The subsidiary CSA, parent company of Coteminas Argentina S.A., da AMMO VAREJO S.A. – under Judicial Recovery, LAT Capital Ltd., C7S Tecnologia Ltda. and Compañia Textil Guaraní S.R.L., with ownership interest of 100%, directly and indirectly, was included in consolidation based on its consolidated financial statements.

The subsidiary SGUS, parent company of: (i) Warbird Corporation (Delaware, US); (ii) Springs Home Textiles Reynosa, S.A. de C.V. (Mexico); and (iii) Casa Springs S.A. de C.V. (Mexico), all wholly-owned, was included in consolidation based on its consolidated financial statements.

The consolidation of the balance sheets and statement of operations accounts corresponds to the sum of assets, liabilities, revenues and expenses, according to their nature, after eliminating investments in subsidiaries, unrealized profits or losses and intercompany balances.

The effects of the exchange rate variations on foreign investments and equity valuation adjustments are disclosed in a separate caption in the statement of changes in equity, “Cumulative translation adjustments” and “Assets and liabilities valuation adjustments” respectively, and are recognized in the statement of operations upon the sale of the investments that gave rise to them. The accounting practices of the foreign subsidiaries were adjusted to comply with the Company’s accounting practices.

The financial statements of foreign subsidiaries have been translated into Brazilian Reais based on the US Dollar exchange rate as of December 31, 2023 and 2022 for balance sheet accounts and the average monthly exchange rate for statement of operations accounts, as follows:

	2023	2022	Variance
Exchange rate as of:			
December 31	4.8413	5.2177	- 7.2%
Average exchange rate:			
December 31 (12 months)	4.9841	5.1386	- 3.0%

2.5 – New IFRS, revisions to IFRS and interpretations of IFRIC (IASB International Financial Reporting Standards Interpretation Committee).

a) Some new IASB accounting pronouncements and IFRIC interpretations have been published and/or revised and are mandatory for adoption as of January 31, 2024. However, early adoption of these standards, interpretations and changes to standards was permitted.

Standard	Main requirements	Effective date
Amendment IAS 1 – Classification of liabilities as current and non-current and Revision of Technical Pronouncement No. 26 – Presentation of financial statements.	The changes aim to promote consistency in the application of the requirements by helping companies determine whether, in the statement of financial position, debt and other liabilities with an uncertain settlement date should be classified as current (due or potentially due within a year).	Applicable to fiscal years or periods beginning on or after January 1, 2024.

3. CASH AND CASH EQUIVALENTS

	Company		Consolidated	
	2023	2022	2023	2022
Repurchase transactions (*)	1	28	2,512	135,361
Foreign deposits	-	-	27,191	61,980
Checking accounts deposits	-	14	4,817	28,103
Judicial freezes	-	-	3,640	-
	1	42	38,160	225,444

(*) Income from financial investments ranges from 100% to 110% of the rates earned on Interbank Deposit Certificates - CDI.

4. MARKETABLE SECURITIES

	Consolidated	
	2023	2022
Investment fund – foreign	12,791	23,004
Restricted cash (1)	499	2,452
Reserve fund (2)	8,632	8,470
	---------	---------
	21,922	33,926
Current	(13,290)	(23,531)
	---------	---------
Noncurrent	8,632	10,395
	=====	=====
	12,791	23,004

(1) On December 31, 2023, the Company did not have restricted cash in financial institutions (R$1,925 on December 31, 2022), and the subsidiary SGUS had restricted cash of R$499, equivalent to US$102 thousand (R$527 equivalent to US$101 thousand, as of December 31, 2022) related to a compensating balance arrangement.

(2) Amounts related to the 5th series of the debentures of the subsidiary CSA, equivalent to 3 future installments. See note 14.

5. ACCOUNTS RECEIVABLE

	Consolidated	
	2023	2022
Domestic customers	120,617	144,351
Foreign customers	38,710	43,542
Credit card companies	2,595	10,453
	-----------	-----------
	161,922	198,346
Allowance for expected losses on bad debts	(36,646)	(35,079)
	-----------	-----------
	125,276	163,267
	======	======

Accounts receivable from customers consist of receivables with an average collection period of approximately 71 days (44 days as of December 31, 2022). Past due amounts are presented below, and the allowance for expected losses on doubtful debts accounts is considered by Management sufficient to cover expected losses from these receivables.

The aging list of the consolidated accounts receivable is as follows:

	2023	2022
Current	84,783	144,747
Past due up to 30 days	6,725	5,086
Past due from 31 to 60 days	7,267	2,301
Past due from 61 to 90 days	9,233	1,619
Past due from 91 to 180 days	11,271	3,882
Past due greater than 180 days	42,643	40,711
	-------------	-------------
	161,922	198,346
	=======	=======

Changes in the consolidated allowance for doubtful accounts are as follows:

	2023	2022
Balance at the beginning of the year	(35,079)	(29,156)
Additions	(1,752)	(17,422)
Disposals	1	11,038
Exchange rate variation	184	461
Balance at the end of the year	(36,646)	(35,079)

Considering the information subsequent to December 31, 2023, up to the approval date of the financial statements, no additional losses were identified.

6. INVENTORIES AND ADVANCES TO SUPPLIERS

a. Inventories

	Consolidated	
	2023	2022
Raw materials and supplies	44,624	74,839
Work in process	59,505	77,551
Finished products	76,923	168,903
Repair parts	36,470	36,856
	217,522	358,149

Inventories are presented net of the provision for losses. Operating subsidiaries assess the realization of inventories annually or whenever there are indications of probable losses.

The inventory groups of raw materials and supplies and work in process have a low risk of loss, since the conversion into finished products can be managed. The finished products inventory group is evaluated based on its profitability, especially inventories considered to be discontinued and obsolete.

As of December 31, 2023, no additional potential losses were identified in realizing these inventories, which were not provisioned. Idle costs, when incurred, are recognized directly in the statement of operations for the year and are not considered in the production cost of the finished goods produced.

Changes in the consolidated provision are as follows:

	2022	(Additions) Disposals	Exchange rate variations	2023
Raw materials and supplies	(1,719)	44	1,024	(651)
Finished products	(23,764)	12,786	37	(10,941)
Repair parts	(472)	(42)	-	(514)
	(25,955)	12,788	1,061	(12,106)

	2021	(Additions) Disposals	Exchange rate variations	2022
Raw materials and supplies	(2,555)	(180)	1,016	(1,719)
Finished products	(13)	(23,757)	6	(23,764)
Repair parts	(564)	92	-	(472)
	(3,132)	(23,845)	1,022	(25,955)

b. Advances to suppliers

Year	Consolidated 2023	2022
2024	9,465	35,010
	=======	=======

7. RECEIVABLE – CLIENTS

	Consolidated 2023	2022
Clients in judicial reorganization (a)	-	12,424
Clients in court recovery plan (b)	1,289	1,332
Installment plan agreed with clients (c)	8,494	5,083
Financing on stores transfer (d)	384	768
Sale of real estate (e)	557	3,855
Others	3,172	1,690
	------------	------------
	13,896	25,152
Current (*)	(10,430)	(9,017)
	------------	------------
Noncurrent	3,466	16,135
	=======	=======

(*) Included in “Other Receivables” in current assets.

(a) Narciso Enxovais do Brasil Ltda. filed for Judicial Recovery (RJ) in the second quarter of 2022, which was processed. Narciso recognized all the credits with the Company. On June 30, 2023, a provision for loss was made in the amount of R$12,424. On September 28, 2023, the request for Judicial Recovery was approved at the general creditors' meeting, with minimum conditions for credit recovery. In December 2023, the request for Judicial Recovery was ratified.

(b) Increasing semi-annual payments with interest from 2% to 8% per year with final maturity in December 2027. On December 31, 2023, the balance presented is net of the provision for loss in the amount of R$2,127 (R$2,127 in 2022).

(c) Payment up to 70 fixed installments, with monthly interest from 0.50% to 2.00% per month. As of December 31, 2023, the receivables are net of the provision for loss in the amount of R$2,685 (R$412 as of December 31, 2022).

(d) Financing on store transfers to franchisees, with payment in equal monthly installments, and adjusted based on the IGP-M (general market price index).

(e) Payment up to 3 monthly installments with interest from 0.5% per month, and adjusted based on the IPCA (general consumer price index).

Considering the information subsequent to December 31, 2023, up to the approval date of the financial statements, no additional losses were identified.

8. INVESTMENTS IN SUBSIDIARIES AND AFFILIATED COMPANY

a) Direct investments:

Subsidiaries	Equity	Ownership interest %	Net loss for the year	Total investment 2023	Total investment 2022	Equity in subsidiaries (Company) 2023	Equity in subsidiaries (Company) 2022
SGUS	202,729	100,0	(142,389)	202,729	372,811	(142,389)	(13,746)
CSA (1)	(871,603)	100,0	(918,839)	-	56,811	(918,839)	(610,781)
				202,729	429,622	(1,061,228)	(624,527)

(1) On December 31, 2023, the net equity of the subsidiary CSA had a debit balance of R$871,603. This liability was presented under “Obligations with subsidiaries”, in non-current liability.

b) Indirect investments:

SGUS’ investments

The subsidiary SGUS held of 14.27% of the New Keeco Holdings, LLC (“Keeco”), when Keeco combined its operations with the operations sold by SGUS in March of 2019. Keeco Holdings, is a company with a portfolio of leading products and brands in the curtain, utility bedding, and decorative bedding markets, as well as a diversified portfolio of customers, including the leading traditional and digital retail companies in the North American market. In the fourth quarter of 2020, the subsidiary SGUS (together with the other shareholders of Keeco) made this investment available for sale, and therefore reclassified the investment to the line “Assets held for sale”.

On September 19, 2022, the shareholders of Keeco and its subsidiaries, together with the shareholders of Hollander Parent Corporation ("Hollander") and its subsidiaries, and SGUS, among others, signed an asset contribution agreement, forming a new combined company called Keeco, Inc., which will operate in the same market segment as both companies.

After the contribution of assets, SGUS received for its participation in Keeco, 15,167 common stocks of Keeco, Inc., representing 6.33% of this class of shares, plus an option to purchase 10,220 shares of that same class, at the price of US$0.01 per share maturing in 5 years from the date of issuance or if a change of control of Keeco Inc. occurs.

Considering the exercise of options, and the conversion of preferred stock issued by Keeco Inc. into common stock, SGUS will have a 5.13% participation in the capital, with no other class of shares. Considering the possibilities of issuing 67,506 new bonus shares to eligible Keeco Inc. managers, SGUS' participation could reach a minimum (fully-dilluted) of 4.51%.

Keeco, Inc. starts operations with consolidated revenues equivalent to US$1.2 billion and its 5-year projections estimate gross sales of US$1.6 billion.

Considering the annual projections, cash generation and multiples applicable to this industry category, SGUS external consultants, using the lowest percentage of SGUS participation, 4.51%, estimate the recovery of this investment in up to 5 years in amounts that can vary between US$31.5 million and US$43.3 million.

SGUS, from that date, reclassified this investment, previously under "assets held for sale", to other investments, which will be valued at book cost and adjusted by the recovery value if there are indications of non-recoverability of this investment.

In 2023 and 2024, two capital increase events occurred at Keeco that impacted SGUS's ownership interest in Keeco. In these two events, SGUS had the option to purchase additional shares of Keeco to avoid dilution (“preemptive rights”). SGUS decided not to buy these additional shares and saw its stake reduced from 4.51% to 0.8% of Keeco's common shares. In March 2024, SGUS received a revised forecast from Keeco for the year 2024 and noted a reduction in the adjusted EBITDA projection compared to previous years’ projections. With this reduction, and with the aforementioned dilution, Company's management determined that it was necessary to recognize, as of June 30, 2023, an impairment loss in the amount of R$107.6 million (US$22.3 million) for this investment, and consequently, a write-off of the deferred tax asset in the amount of R$14.9 million (US$3.0 million).

On December 31, 2023, the amount of R$7,114, equivalent to US$1,469, was recorded under “Other investments” in noncurrent assets (R$124,217, equivalent to US$23,807, on December 31, 2022). Considering the information subsequent to December 31, 2023, up to the approval of the financial statements, no significant unrecognized losses were identified.

CSA’s investments

	Equity	Ownership interest %	Net income (loss) for the year	Total investment 2023	Total investment 2022	Equity in subsidiaries 2023	Equity in subsidiaries 2022
Subsidiaries -							
Coteminas Argentina S.A.	40,921	100,00	(25,532)	40,921	99,721	(25,532)	(6,926)
LAT Capital Ltd.	14,437	100,00	(3,815)	14,437	19,731	(3,815)	6,443
AMMO VAREJO S.A. – under Judicial Recovery (1) (2)	13,724	100,00	(156,426)	-	35,946	(156,426)	(86,631)
Compañía Textil Guaraní S.R.L. (3)	1,126	100,00	(252)	1,126	1,426	(252)	(3,480)
				----------	----------	----------	----------
				56,484	156,824	(186,025)	(90,594)
				======	======	======	======

(1) On December 31, 2022, the balance included goodwill on the acquisition of the investment, in the amount of R$27,303. For disclosure purposes in CSA’s consolidated financial statements (AMMO’s parent company), this was classified in the caption “Intangible assets” of the consolidated balance sheets. As of June 30, 2023, due to the recurring losses of that indirect subsidiary, the goodwill was written off to the statement of operations (reported under the item “Others, net – write-off of subsidiary’s goodwill”).

(2) On June 10, 2022, CSA made a capital contribution to its subsidiary AMMO in the amount of R$196,815, subscribed and paid through the transfer of the brands "ARTEX", "AMMO" and "PERSONO" in the amount of R$170,922, calculated in the appraisal report of the brands prepared by specialized consultants, Deloitte Touche Tohmatsu Consultores Ltda., and intercompany balances in the amount of R$25,893. On December 31, 2023 and 2022, for the purpose of presenting investments in CSA Company's statements, the unrealized profit from the fair value of the brands in the amount of R$161,507 was eliminated as well as this intangible asset in the consolidated statements. See note 12. On December 31, 2023, the adjusted equity of the subsidiary AMMO had a debit balance of R$147,783. This liability was presented under “Obligations with subsidiaries”, in non-current assets in the CSA´s parent company.

(3) In 2023, CSA subscribed and paid-in capital in the subsidiary in the amount of R$42.

AMMO investments

	Equity	Ownership interest %	Net income (loss) for the year	Total investment 2023	Total investment 2022	Equity in subsidiaries 2023	Equity in subsidiaries 2022
Investments in subsidiaries:							
C7S Tecnologia Ltda,	17,648	100,00	528	17,648	17,120	528	(4,367)
				======	======	======	======
Investments in affiliated companies:							
A11I Tecnologia S,A, (a)	11,568	48,00	10	13,847	-	5	-
				======	======	======	======

(a) On October 16, 2023, AMMO made a capital contribution to the affiliated company A11I Tecnologia S.A. with property, plant and equipments valued at R$334 (see Note 10) and intellectual property valued at R$6,905 (see Note 12). The affiliated company's operation purpose includes: (i) activities related to the analysis, development, production, licensing, and assignment of custom software; (ii) technical support in information technology, including installation, configuration, and maintenance of software and internet access through providers; (iii) advisory and consulting in information technology; and (iv) participation in other companies as a partner or shareholder, both domestically and internationally.

	A11I Tecnologia S,A, 2023
Current assets	4,350
Noncurrent assets	7,225
Total assets	11,575
Current liabilities	7
Noncurrent liabilities	-
Total liabilities	7
Equity – Company (*)	11,568
Net revenues (12 meses)	-
Income (loss) for the year– Company	10

(*)The equity of the affiliated company is reduced by the unpaid capital to be contributed by the other shareholders, totaling R$17,280, which will be fully paid in within 36 months after the first contribution. AMMO has fully paid its subscribed capital with assets.

c) Changes in investments in subsidiaries:

	2022	Equity	Exchange rate variations on foreign investments (1)	Assets and liabilities valuation adjustments	Obligations with subsidiaries	2023
SGUS	372,811	(142,389)	(26,815)	(878)	-	202,729
CSA	56,811	(918,839)	(9,575)	-	871,603	-
	429,622	(1,061,228)	(36,390)	(878)	871,603	202,729

	2021	Equity	Exchange rate variations on foreign investments (1)	Assets and liabilities valuation adjustments	2022
SGUS	401,829	(13,746)	(26,301)	11,029	372,811
CSA	633,305	(610,781)	34,287	-	56,811
	1,035,134	(624,527)	7,986	11,029	429,622

(1) Exchange rate variations effect on net investments. See note 23.d.3.1.

d) Changes in investments in affiliated companies (indirect):

	2022	Capital contribution	Gain in participation	Equity in affiliated companies	2023
Affiliated companies					
A11I Tecnologia S.A.	-	7,239	6,603	5	13,847

9. INVESTMENT PROPERTIES

The consolidated balances of investment properties are as follows:

	Investment properties São Gonçalo		Investment properties			
	Business complex (1)	Residential complex (2)	Acreúna (3)	Montes Claros (4)	Vinhedo (5)	Total
Balances as of December 31, 2021	324,990	46,950	30,380	57,570	-	459,890
					-	
Additions	637	1,698	-	30	-	2,365
Disposals	(63)	(361)	-	-	-	(424)
Change in fair value (a)	54,961	848	-	9,487	-	65,296
	----------	------------	----------	----------	----------	------------
Balances as of December 31, 2022	380,525	49,135	30,380	67,087	-	527,127
Additions	128	63	-	-	63,800	63,991
Disposals	-	-	-	(3,432)	-	(3,432)
Change in fair value (a)	2,140	148	-	71	589	2,948
Transfers	(23)	36	(13)	-	-	-
Transfers to held-for-sale	-	-	(30,367)	-	-	(30,367)
Properties for subsidiary use (b)	-	-	-	-	(64,389)	(64,389)
	----------	------------	----------	----------	----------	------------
Balances as of December 31, 2023	382,770	49,382	-	63,726	-	495,878
	======	======	======	======	======	======

(a) Amounts recognized in the statement of operations for the respective years.

(b) Amounts reclassified to the consolidated balance sheet. See note 10.

Assessments made by specialists in real estate appraisals to determine the fair value of all properties, and the positive difference between the residual cost of the property and the fair value calculated, net of tax effects, was recorded under "Other comprehensive income", in the category of items that will not affect the statements of operations in the case of an initial evaluation at fair value, and in the statements of operations when the fair value variation is determined from the second measurement.

<u>(1) Business complex:</u> It is a commercial complex of 319.7 thousand m², known as Centro Comercial Seridó, where 122.2 thousand m² have already been developed and leased. In 2023, rental income was R$11,950 (R$11,731 in 2022).

With the designation of this property for rental activity and with specific returns different from the subsidiary CSA's textile operations, its residual value, previously recorded as property, plant and equipment at cost, was transferred to the investment properties, during their respective vacancy years.

The calculated values were as follows:

	2023	2022
Residual cost of the property	112,186	112,081
Surplus/added value (a)	270,584	268,444
	----------	----------
Fair value (b)	382,770	380,525
	=======	=======

(a) Calculated deferred tax liability of R$91,998 (R$91,271 on December 31, 2022). See note 18.b.1.

(b) Fair value based on the valuation report from Mercato Assessoria e Avaliações Ltda., Independent appraisers, in accordance with the valuation standard of assets NBR 14,653 issued by ABNT - Brazilian Association of Technical Standards for the respective years. For the measurement of fair value, the "market approach" (classification level 2) was applied, the main information being used were the comparable prices per m² of similar properties in the region and area of the real estate.

(2) Residential complex: In 2018, the subsidiary CSA made available a new area in the municipality of São Gonçalo do Amarante - RN containing 520 thousand m² to start a housing development. The calculated values were as follows:

	2023	2022
Residual cost of the property	1,529	1,430
Surplus/added value (a)	47,853	47,705
	----------	----------
Fair value (b)	49,382	49,135
	=======	=======

(a) Deferred tax liability of R$16,269 (R$16,220 on December 31, 2022). See note 18.b.1.

(b) Fair value based on the valuation report from Mercato Assessoria e Avaliações Ltda., Independent appraisers, in accordance with the valuation standard of assets NBR 14,653 issued by ABNT - Brazilian Association of Technical Standards for the respective years. For the measurement of fair value, the "market approach" (classification level 2) was applied, the main information being used were the comparable prices per m² of similar properties in the region and area of real estate.

(3) Investment property Acreúna: In 2021, the subsidiary CSA vacated and allocated this property for future appreciation or rental income. Its residual value, previously recorded as property, plant and equipment at cost, was transferred to investment properties and valued at fair value.

On December 31, 2023, the subsidiary CSA made the property available for sale. For further details, see Note 10.b.2 – Property Held for Sale.

The calculated values were as follows:

	2023	2022
Residual cost of the property	-	19,144
Surplus/added value (a)	-	11,236
	----------	----------
Fair value (b)	-	30,380
	=======	=======

(a) Deferred tax liability of R$3,820 on December 31, 2022.

(b) Fair value based on the valuation report from Mercato Assessoria e Avaliações Ltda., Independent appraisers, in accordance with the valuation standard of assets NBR 14,653 issued by ABNT - Brazilian Association of Technical Standards for the year 2022. For the measurement of fair value, the "market approach" (classification level 2) was applied, the main information being used were the comparable prices per m² of similar properties in the region and area of real estate.

(4) Investment property Montes Claros: These properties are classified as properties for investment by the subsidiary CSA and are composed as follows:

	2023	2022
Land and installations (old MECA) (44,402 m²)	36,340	36,644
Land of the ESURB behind CODEVASF (2,580 m²)	5,130	5,230
Land of the ESURB Santa Rita II neighborhood (2,580 m²)	1,084	4,413
Land new municipality region (72,491 m²)	21,172	20,800
	----------	----------
Total	63,726	67,087
	======	======

	2023	2022
Residual cost of the properties	36,458	39,890
Surplus/added value (a)	27,268	27,197
	----------	----------
Fair value (b)	63,726	67,087
	======	======

(a) Calculated deferred tax liability of R$9,271 (R$9,245 on December 31, 2022). See note 18.b.1.

(b) Fair value based on the valuation report from Mercato Assessoria e Avaliações Ltda., Independent appraisers, in accordance with the valuation standard of assets NBR 14,653 issued by ABNT - Brazilian Association of Technical Standards for the respective years. For the measurement of fair value, the "market approach" (classification level 2) was applied, the main information being used were the comparable prices per m² of similar properties in the region and area of the real estate.

<u>(5) Investment property Vinhedo:</u> In 2018, the parent company CTNM acquired a property in the city of Vinhedo - SP, with 51 thousand square meters, where the distribution center and the administrative office of its indirect subsidiary AMMO are located. In October 2023, the parent company CTNM sold the property to the subsidiary CSA at the fair value recorded on that date, through credits between related parties.

	2023
Residual cost of the property	63,800
Surplus/added value (a)	589

Fair value (b)	64,389
	=======

(a) Calculated deferred tax liability of R$200 on December 31, 2023. See note 18.b.1.

(b) Fair value based on the appraisal report prepared by Mercatto Assessoria e Avaliações Ltda., independent appraisers, in accordance with the valuation standard of assets NBR 14,653 issued by ABNT – Brazilian Association of Technical Standards, for the year 2023. The “market approach” (level 2 classification) was applied to measure the fair value, with the main information used being comparable prices per m² of similar properties in the region and area of the real estate.

10. PROPERTY, PLANT AND EQUIPMENT AND PROPERTY, PLANT AND EQUIPMENT HELD FOR SALE

a. Property, plant and equipment

		2023			2022
	Rate (*) %	Cost	Accumulated depreciation	Net book value	Net book value
Land and improvements	9.6	46,512	(19,344)	27,168	30,974
Buildings	2.5	336,232	(181,684)	154,548	170,026
Installations	6.9	222,277	(176,755)	45,522	51,027
Machinery and equipment	7.8	1,156,774	(972,059)	184,715	222,755
Hydroelectric Plant - Porto Estrela (**)	5.2	39,954	(25,195)	14,759	16,193
Furniture, fixtures and others	7.6	119,104	(108,511)	10,593	13,610
Construction in progress	-	15,750	-	15,750	17,826
		1,936,603	(1,483,548)	453,055	522,411
Property used by the subsidiary (***)		64,389	-	64,389	-
		2,000,992	(1,483,548)	517,444	522,411

(*) Weighted average annual depreciation rate.
(**) See note 16.
(***) See note 9.5

The changes in consolidated property, plant and equipment are as follows:

	Land and improvements	Buildings	Installations	Machinery and equipment	Hydroelectric plant - Porto Estrela (1)	Furniture, fixtures and others	Construction in progress (2)	Total
Balance as of December 31, 2021	30,892	177,783	55,543	246,931	17,624	15,856	33,992	578,621
Additions	3,685	-	107	3,544	-	1,546	2,244	11,126
Net disposals	-	-	(40)	(118)	-	(130)	(176)	(464)
Transfers								
-PP&E	(1,307)	(192)	3,123	13,476	4	2,999	(18,103)	-
-Assets in lending	-	-	(11)	-	-	11	-	-
-Assets held for sale	-	-	-	(102)	-	1	-	(101)
Exchange rate variations	583	806	126	47	-	(151)	(131)	1,280
Depreciation in the year	(2,302)	(8,371)	(8,139)	(41,023)	(1,435)	(6,332)	-	(67,602)
Impairment adjustment	(577)	-	318	-	-	(190)	-	(449)
Balance as of December 31, 2022	30,974	170,026	51,027	222,755	16,193	13,610	17,826	522,411
Additions	6,948	-	6	860	-	1,765	954	10,533
Net disposals	(714)	-	(74)	(9)	-	(20)	-	(817)
Reversal of provision for impairment of written-off assets	685	-	109	-	-	-	-	794
Disposal for capital contribution in affiliated companies (3)	-	-	-	-	-	(334)	-	(334)
Impairment adjustment	(3,286)	-	8	53	-	(401)	-	(3,626)
Transfers								
- PP&E	(167)	(213)	1,520	33	-	1,187	(2,360)	-
-Assets held for sale	-	(1,661)	(363)	-	-	-	-	(2,024)
Exchange rate variations	(4,425)	(5,390)	(168)	(649)	-	30	(670)	(11,272)
Depreciation in the year	(2,847)	(8,214)	(6,543)	(38,328)	(1,434)	(5,244)	-	(62,610)
Balance as of December 31, 2023	27,168	154,548	45,522	184,715	14,759	10,593	15,750	453,055
Total provision for loss	(4,068)	-	(14)	-	-	(3,992)	-	(8,074)

(1) See note 16.
(2) Construction in progress primarily corresponds to modernization of machinery and equipment.
(3) See note 8.b

The Company annually, or when circumstances indicate that the net book value may not be recoverable, assesses the recoverability of property, plant and equipment. On December 31, 2023, the consolidated fixed assets are reduced by a provision for loss in the amount of R$8,074 (R$5,242 as of December 31, 2022). The provision for losses is considered by Management sufficient to cover expected losses on these assets.

b. Property, plant and equipment held for sale

The Company's subsidiaries identify the assets that were removed from operations and considered held for sale. These assets include machinery and equipment removed as a result of the modernization of the Brazilian subsidiary manufacturing facilities and machinery and equipment from the American subsidiary manufacturing facilities that were shut down. Additionally, the equipment available for sale from the readjustment of productive capacities was also included in this category. These assets were measured at the lower of the net book value or market value, resulting in the recognition of probable impairment losses (reduction of recoverable value).

Changes in property, plant and equipment held for sale are as follows:

	2022	Exchange rate variations	Transfers: PP&E (1)	Transfers: Investment properties (2)	Additions (2)	Disposals	2023
Cost	461,614	(31,562)	5,306	30,367	-	(8,800)	456,925
Depreciation	(389,135)	27,108	(3,282)	-	-	-	(365,309)
Provision for loss	(48,569)	3,137	-	-	(19,114)	-	(64,546)
	23,910	(1,317)	2,024	30,367	(19,114)	(8,800)	27,070

	2021	Additions	Exchange rate variations	Transfer from PP&E	2022
Cost	482,352	8,644	(29,543)	161	461,614
Depreciation	(415,205)	-	26,130	(60)	(389,135)
Provision for loss	(51,606)	12	3,025	-	(48,569)
	15,541	8,656	(388)	101	23,910

(1) On December 31, 2023, the subsidiary CSA transferred these properties to available for sale. In 2024, the subsidiary CSA delivered the properties as payment to settle a loan with Banco Sofisa in the amount of R$27,871. For further details, see Note 28 – Subsequent Events.

(2) On December 31, 2023, the subsidiary CSA transferred the Acreúna property to available for sale and recognized a provision for impairment in the amount of R$19,114. In 2024, the subsidiary CSA delivered the property as payment to settle a loan with Banco Luso Brasileiro in the amount of R$11,253. For further details, see Note 28 – Subsequent Events."

11. RIGHT-OF–USE ASSETS AND FINANCIAL LEASES RECEIVABLE

The composition of assets contracted as leases are as follows:

		Consolidated			
		2023			2022
	Rate (2) %	Cost	Accumulated amortization	Net book value	Net book value
Properties (CSA and AMMO – own use)	20.9	13,667	(13,611)	56	1,820
Properties (SGUS – own use)	8.3	42,975	(17,906)	25,069	30,878
Properties – stores (AMMO – own use)	21.6	83,144	(43,163)	39,981	49,442
Vehicles	70.3	1,223	(1,223)	-	773
Investment properties (1)	-	45,659	-	45,659	61,483
Total right-of-use assets		186,668	(75,903)	110,765	144,396
Financial leases receivable (1)		85,672	-	85,672	100,241
		272,340	(75,903)	196,437	244,637

(1) Properties leased and partially subleased by subsidiary SGUS.

(2) The annual average amortization rate corresponds to the average term of the lease contracts of the respective right-of-use assets.

Changes in the right-of-use assets of the leases are as follows:

	Properties	Properties – plants	Properties – SGUS	Properties – stores	Vehicles	Investment properties	Financial leases receivable	Total
Balance as of December 31, 2021	4,796	8,781	37,153	62,343	220	70,416	114,667	298,376
Exchange rate variations	-	(568)	(2,474)	-	-	(4,642)	(7,556)	(15,240)
Additions (1)	-	-	-	13,801	1,199	-	-	15,000
Disposals (2)	-	(7,721)	-	(8,578)	-	-	-	(16,299)
Amortization in the period	(2,976)	(492)	(3,801)	(18,124)	(646)	-	-	(26,039)
Interest	-	-	-	-	-	6,711	10,248	16,959
Sublease cash receipts	-	-	-	-	-	(11,002)	(17,118)	(28,120)
Balance as of December 31, 2022	1,820	-	30,878	49,442	773	61,483	100,241	244,637
Exchange rate variations	-	-	(2,122)	-	-	(4,304)	(7,018)	(13,444)
Additions (1)	-	-	-	27,716	23	-	-	27,739
Disposals (2)	-	-	-	(18,801)	-	(6,875)	-	(25,676)
Amortization in the period	(1,764)	-	(3,687)	(18,376)	(796)	-	-	(24,623)
Interest	-	-	-	-	-	6,052	9,240	15,292
Sublease cash receipts	-	-	-	-	-	(10,697)	(16,791)	(27,488)
Balance as of December 31, 2023	56	-	25,069	39,981	-	45,659	85,672	196,437

(1) Includes new lease agreements, renewal of existing agreements and update of lease amounts.

(2) Early termination of lease contract.

The amounts receivable arising from the subleasing of the properties at their contracted amounts are as follows:

	Lease receivable	
Year	2023	2022
2023	-	17,579
2024	16,551	17,838
2025	16,738	18,039
2026 then after	86,758	93,504
	120,047	146,960
Present value adjustment	(34,375)	(46,719)
	85,672	100,241
Current	(15,687)	(16,661)
Noncurrent	69,985	83,580

The amounts recognized as finance leases have an expectation of compliance with long-term contracts with sub-tenants and also, for some properties, an expectation of occupancy after a vacancy period, which are updated and evaluated annually. As of December 31, 2023, the subsidiary SGUS had no defaults with the current sub-lease agreements.

12. INTANGIBLE ASSETS

	Consolidated	
	2023	2022
Goodwill on the acquisition of AMMO (1)	-	27,303
Trademarks – owned (2)	16,267	16,267
Trademarks – use license (3)	6,057	10,848
Intellectual property (4)	725	9,784
Store locations (real estate intangible) (5)	9,486	18,771
Total	32,535	82,973

Changes in consolidated intangible assets for the year were as follows:

	Goodwill on the acquisition of AMMO (1)	Trademarks – owned (2)	Trademarks – use license (3)	Intellectual property (4)	Store locations (real estate intangible) (5)	Total
Balance as of December 31, 2021	27,303	16,267	11,482	13,996	25,077	94,125
Additions	-	-	-	725	300	1,025
Amortization	-	-	(1,236)	(4,937)	-	(6,173)
Exchange rate variations	-	-	602	-	-	602
Impairment adjustment	-	-	-	-	(6,606)	(6,606)
Balance as of December 31, 2022	27,303	16,267	10,848	9,784	18,771	82,973
Additions	-	-	-	-	1,110	1,110
Disposals	-	-	-	-	(4,758)	(4,758)
Impairment write-off	-	-	-	-	4,016	4,016
Write-off of acquisition goodwill	(27,303)	-	-	-	-	(27,303)
Disposal for capital contribution in affiliated companies(4)	-	-	-	(6,905)	-	(6,905)
Impairment adjustment	-	-	-	-	(5,761)	(5,761)
Amortization	-	-	(1,237)	(2,154)	(3,892)	(7,283)
Exchange rate variations	-	-	(3,554)	-	-	(3,554)
Balance as of September 30, 2023	-	16,267	6,057	725	9,486	32,535

(1) Goodwill on the acquisition of AMMO: Goodwill originated from investment in AMMO.

The Company evaluates the recoverability of this goodwill annually, using accepted market practices, such as discounted cash flow for the business unit that has goodwill. Recoverability of goodwill is evaluated based on analysis and identification of facts and circumstances that could require the tests to be performed at an earlier date. If a fact or circumstance indicates that the recoverability of goodwill is affected, then the test is anticipated.

The projection period for the December 2023 cash flows was five years. The assumptions used to determine the fair value through the discounted cash flow method include: cash flow projections based on management estimates for future cash flows, discount rates and growth rates for determining the perpetuity. Additionally, the perpetuity has been calculated considering the stabilization of operating margins, working capital and investments levels.

The annual discount rate used was 13.3% per year and the perpetuity growth rate considered was 3% per year. The discount rates used were determined taking into consideration market information available on the test date. As of June 30, 2023, due to the current situation of the indirect subsidiary, the goodwill was written off to the income statement (reported under the item “Others, net – write-off of subsidiary’s goodwill”).

(2) Trademarks – owned: Trademarks owned are recorded at the acquisition cost, have indefinite useful lives, and therefore are not amortized.

(3) Trademarks – use license: Represents the license to use the trademark "Santista" in Argentina and it is amortized over the term of the contract in 15 years.

(4) Intellectual property: Refers to software developed to integrate retail sales channels (physical stores and E-commerce), and it is amortized over 5 years. In October 2023, the indirect subsidiary AMMO Varejo S.A. made an investment in the affiliated company A11I Tecnologia S.A. through the contribution of intangible assets amounting to R$6,905. For further details, see Note 8.b.

(5) Store locations (real estate intangible): The amounts related to the store locations (real estate intangible) are recorded at the acquisition cost of the respective store, net of impairment of R$14,925 (R$13,180 as of December 31, 2022), based on its market value determined by an independent broker with valuation expertise, and the cash flows of the respective stores. Beginning in 2023, the indirect subsidiary AMMO, based on current events and circumstances of the retail market, began to adopt the useful life approach defined for the realization of these assets, based on the average term of its lease agreements and cash generation of its stores. Therefore, it began to amortize the asset over 5 years based on net provision value on December 31, 2022, and consequently without amortization effects in the previous year.

Items (2) to (5) above are tested annually for recoverability. The Company did not identify signs of deterioration or non-recovery of the balances held in these items.

13. LOANS AND FINANCING

	Currency	Annual interest rate - %	Maturity	Consolidated 2023	Consolidated 2022
Local currency:					
Banco do Brasil S.A. (a) (1)	R$	120.0 of CDI	2030	441,088	375,214
Banco BBM S.A.- CCB	R$	7.0 + CDI	2025	6,373	6,690
Banco ABC do Brasil S.A. - CCE	R$	4.9 + CDI	2025	7,997	14,216
Banco Bradesco S.A. (b) (1) (2)	R$	6.1 and 6.3 + CDI	2027	44,601	41,161
BNDES (Finame)	R$	3.0 to 9.5	2023	-	6
Banco Daycoval S.A.	R$	7.1 and 9.8 + CDI	2026	23,096	36,241
Banco Santander S.A. (c) (1) (2)	R$	5.6 + CDI	2024	2,741	8,248
Banco Safra S.A. - CCB	R$	6.8 and 10.7 + CDI	2024	5,510	37,157
Banco Fibra S.A. - CCE	R$	168.0 of CDI	2024	19,629	14,973
Banco Sofisa S.A.	R$	6.8 and 8.3 + CDI	2028	31,080	20,750
Caixa Econômica Federal - CCB (3)	R$	180.0 of CDI	2023	-	5,597
Banco Pine S.A.	R$	9.1 + CDI	2024	158	566
Banco Industrial do Brasil S.A.	R$	5.2 + CDI	2024	26,752	1,031
Banco ABC do Brasil S.A. – CCB	R$	3.9 to 6.3 + CDI	2025	9,527	11,925
Banco BTG Pactual S.A.	R$	13.9	2023	-	2,277
Financiadora de Estudos e Projetos - FINEP (3)	R$	4.4	2025	9,561	13,951
Banco Daycoval S.A.	R$	14.9	2026	1,326	1,797
Banco Luso Brasileiro S.A.	R$	8.9 + CDI	2027	10,388	-
SFT Fundo de Investimento em direitos creditórios	R$	14.7 + CDI	2025	4,968	-
Others	R$	-	2026	13,106	29,842
				657,901	621,642
Foreign currency:					
Banco Patagônia	$ARG	38.7	2024	2,447	100
Banco Luso Brasileiro S.A.	US$	13.3 and 13.5	2023	-	8,031
Banco do Brasil S.A.	US$	5.0 and 8.5	2024	74,166	67,162
				76,613	75,293
Total				734,514	696,935
Current				(371,774)	(625,260)
Noncurrent				362,740	71,675

(1) In 2023, the Company and its subsidiary CSA did not meet certain financial indices related to these loans, however, due to renegotiations in 2024, the original maturities of these loans were maintained. As required by CPC 26 (R1) – Presentation of Financial Statements, we present the respective loans in current liabilities on the balance sheet.

The reclassified amounts are as follows:

	Consolidated Original maturity	Consolidated Reclassification	Consolidated Balance sheet presentation
Current	371,774	308,773	680,547
Noncurrent	362,740	(308,773)	53,967
Loan total	734,514	-	734,514

(2) Loans held by the subsidiary CSA with early maturity clauses, the long-term portions of which, in the amount of R$15,135, were reclassified to current liabilities on the balance sheet as of December 31, 2022.

The reclassified amounts are as follows:

	Consolidated		
	Original maturity	Reclassification	Balance sheet presentation
Current	625,260	15,135	640,395
Noncurrent	71,675	(15,135)	56,540
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Loan total	696,935	-	696,935
	=======	=======	=======

(3) Loans held in part by the Company in the amount of R$9,561 (R$19,548 on December 31, 2022).

(a) Loans of the subsidiary CSA, with early maturity covenants, in which the Company, as guarantor, agreed to comply with the following financial ratios: Net Debt to EBITDA ratio, no greater than 3.5 in its annual consolidated financial statements.

(b) Loans of the subsidiary CSA, with early maturity covenants, in which the Company, as guarantor, has committed to comply with the following financial ratios in its annual consolidated financial statements: ratio between Net Financial Debt and EBITDA, no greater than 2.5.

(c) Loan of subsidiary CSA, with early maturity covenants, in which the Company, as guarantor, has committed to comply with the following financial ratios in its annual consolidated financial statements: (i) Net Debt to EBITDA ratio, no greater than 3.0; (ii) Net Debt to Shareholders' Equity ratio, no greater than 0.7; and (iii) EBITDA to net financial expenses ratio, no less than 2.0.

The terms used to describe the financial ratios described in items (a) to (d) above have their definition determined in the contract and may differ from the accounting items.

Loans are collateralized by: (i) registered security interest in real estate, machinery and equipment; (ii) guarantee from the controlling shareholder; and (iii) receivables.

Maturities (originals) are as follows:

	2024	2025	2026	2027	2028 to 2030	Total
Local currency:						
Banco do Brasil S,A, (*)	158,835	62,721	52,114	52,326	115,092	441,088
Banco BBM S,A, – CCB	5,998	375	-	-	-	6,373
Banco ABC do Brasil S,A, - CCE	4,006	3,991	-	-	-	7,997
Banco Bradesco S,A, (*)	18,081	10,608	10,608	5,304	-	44,601
Banco Daycoval S,A,	8,950	8,293	5,853	-	-	23,096
Banco Santander S,A,	2,741	-	-	-	-	2,741
Banco Safra S,A, - CCB	5,510	-	-	-	-	5,510
Banco Fibra S,A, - CCE	19,629	-	-	-	-	19,629
Banco Sofisa S,A,	14,895	5,111	5,111	5,111	852	31,080
Banco Pine S,A,	158	-	-	-	-	158
Banco Industrial do Brasil S,A,	26,752	-	-	-	-	26,752
Banco ABC do Brasil S,A, - CCB	4,772	4,755	-	-	-	9,527
Financiadora de Estudos e Projetos - FINEP	5,188	4,373	-	-	-	9,561
Banco Daycoval S,A,	493	476	357	-	-	1,326
Banco Luso Brasileiro S,A,	4,240	2,732	2,733	683	-	10,388
SFT Fundo de Investimento em direitos creditórios	3,037	1,931	-	-	-	4,968
Outros	11,876	1,136	94	-	-	13,106
	295,161	106,502	76,870	63,424	115,944	657,901
Foreign currency:						
Banco Patagônia	2,447	-	-	-	-	2,447
Banco do Brasil S.A.	74,166	-	-	-	-	74,166
	76,613	-	-	-	-	76,613
Total	371,774	106,502	76,870	63,424	115,944	734,514

(*) Contracts with early maturity clauses, the long-term portions of which were reclassified to current liabilities on the balance sheet.

See note 28.b for details on events subsequent to December 31, 2023.

Changes in consolidated loans and debentures were as follows:

	2023			2022
	Loans	Debentures	Total	Total
Beginning balance	696,935	338,520	1,035,455	1,005,913
Debt proceeds or renewal	169,035	-	169,035	402,636
Accrued interest (1)	124,085	63,121	187,206	180,001
Paid principal	(179,072)	(16,000)	(195,072)	(406,331)
Paid interest	(41,611)	(15,708)	(57,319)	(134,151)
Exchange rate variations	(7,550)	-	(7,550)	(1,900)
Prepaid charges, net	2,108	3,287	5,395	(10,713)
Tax credits write-off	(29,416)	-	(29,416)	-
Ending balance	734,514	373,220	1,107,734	1,035,455

(4) In February 2023, the subsidiary CSA entered into a contract to sell the judicialized receivables (*precatórios*) to Banco Safra for the amount of R$23,187. Considering the option to repurchase the receivables, the subsidiary CSA treated the transaction as a loan and kept both balances recorded on the balance sheet. Due to the current situation of the subsidiary CSA, there are no expectations for the repurchase of the receivables; therefore, the balances were written off in December 2023. The effect on the statement of operations was a loss in the amount of R$61,264, recognized under the item “Others, net.” See the write-off of the asset in note 18.d.

14. DEBENTURES

(a) On July 26, 2021, the subsidiary CSA issued 160,000 debentures not convertible into shares (5th series of the debentures), which, on August 4, 2021, was fully subscribed by Virgo Companhia de Securitização ("Virgo"). The terms of the debentures are as follows:

5th Series Debentures Terms

Quantity of issued Debentures	160,000
Debentures unit price (amount in Brazilian Reais)	R$1,000
Amortization	120 equal installments
Initial maturity	08/18/2021
Final maturity	07/17/2031
Return	IPCA + 9.25% per annum
Interest amortization	monthly
Guarantees	(1)
Covenants	(2)

The Debentures were subject to public distribution with restricted placement efforts, pursuant to CVM Instruction 476, being coordinated by Banco Votorantim.

On August 4, 2021, a public distribution with restricted efforts of Certificates of Real Estate Receivables - CRI in the Brazilian market was signed with Virgo, pursuant to CVM Instruction No. 414 and CVM Instruction No. 476 and other relevant legal and regulatory provisions, backed by the debentures issued by CSA, which were fully subscribed.

The proceeds were available to CSA on the date of the CRI subscription. The expenses of issuing the Debenture and the CRI, in the amount of approximately R$5,887, equivalent to 3.67% of the total issuance amount, will be amortized as issuing transaction cost, together with the debenture charges, prorated to the outstanding debt balance.

Part of the proceeds were mandatorily allocated for full payment of the 4th debenture issuance with Banco Itaú BBA S.A.

(1) Secured Guarantee: Property of CSA, see items 1 and 2 of the note 9 of the financial statements, whose fair value must remain higher than 1.8 times the outstanding balance of the Debentures in the first year, and in the following years, higher than 2 times the debenture balance. In addition, the lease contracts of the property are part of the guarantee, and the fiduciary agent may, in case of default, retain the rent receivables until the default is resolved.

Fidejussory guarantee: Surety given by the Company and by Josué Christiano Gomes da Silva.

(2) Covenants:

The Company as guarantor, has agreed to comply with the following financial ratios in its semi-annual consolidated financial statements: (i) Net Debt to EBITDA ratio, no greater than 3.0 in 2021, 2.5 in 2022 and 2.25 starting in 2023; (ii) Net Debt to Shareholders' Equity ratio, no greater than 0.80. Upon conclusion of the sale of SGUS' investment, Net Debt to Shareholders' Equity ratio no greater than 0.65 times in 2022 and 2023 and 0.60 starting in 2024; and (iii) Current Assets to Current Liabilities ratio (excluding the impacts from SGUS) at a minimum of 1.2.

The subsidiary CSA, given the non-compliance with certain financial ratios related to these debentures on December 31, 2023, presented the long-term installments as current liabilities in the balance sheet. The reclassified values were as follows:

	Original maturity	Reclassification	Balance sheet presentation
Current	18,612	122,538	141,150
Noncurrent	122,538	(122,538)	-
Debentures total	141,150	-	141,150

(b) On May 30, 2022, the indirect subsidiary AMMO approved the issuance of up to 300,000,000 debentures convertible into shares, in accordance with Article 57 of the Brazilian Corporate Law (1st issue of debentures), of which, on June 20, 2022, 180,000,000 debentures were subscribed by the Odernes Fundo de Investimento em Participações Multiestratégia ("Odernes"). The 120,000,000 debentures issued and not subscribed, could have been subscribed until June 1, 2023. As the subscription did not occurred, they were canceled.

The terms of the debentures are as follows:

	1st Series Debentures Terms
Quantity of issued Debentures	300,000,000
Quantity of subscribed	180,000,000
Debentures unit price (amount in Brazilian Reais)	R$1.00
Amortization	Single installment on maturity date
Maturity date	06/20/2027
Return	20% per annum (quarterly capitalization)
Return amortization	Single installment on maturity date

The debentures were issued by private placement without the intermediation of institutions that are part of the securities distribution system and/or the realization of any sales effort before the general public, which could characterize a public distribution of securities.

Conversion into shares:

The debentures, including all other amounts due under this Issuance, may be converted into shares to be issued by the indirect subsidiary AMMO, at the maturity of the debentures or in the event of a liquidity event (public offering of shares), as follows: (i) 25% of the balance of the debentures on a mandatory basis and, (ii) 75% of the balance of the debentures at the sole discretion of the debenture holders.

Allocation of resources: The resources will be used to strengthen working capital and support the retail expansion plan.

Guarantees:

Real Guarantee: Fiduciary disposal of shares issued by the indirect subsidiary AMMO.

	2023	2022
Amount received:		
Subscribed value	180,000	180,000
Structuring Commission	(4,950)	(4,950)
Advisory expenses (reimbursement)	(2,647)	(2,647)
Total received	172,403	172,403
Issuance expenses:		
Commission for full structuring	8,250	8,250
Expenses with advisors	6,851	6,851
	15,101	15,101
Amortization of issuance expenses	(4,614)	(1,593)
Total expenses to be amortized	10,487	13,508

The funds were received by the indirect subsidiary AMMO on the date of subscription. The expenses of issuing the debentures, in the amount of R$15,101, will be amortized monthly as cost of the operation until the maturity of the debentures.

On December 31, 2023, due to an unfulfilled obligation (Covenant), the indirect subsidiary AMMO presented the long-term installments as current liabilities in the balance sheet. Except for the non-compliance with certain non-pecuniary obligation, the indirect subsidiary AMMO is in compliance with its contractual obligations.

See note 28.c for details on the subsequent events after December 31, 2023.

Balances of the debentures on December 31, 2023 and 2022 were as follows:

	Debentures		Consolidated	
	5th series (a)	1st series (b)	2023	2022
Original amount	121,333	180,000	301,333	317,333
Prepaid interest	(2,014)	(10,487)	(12,501)	(15,789)
Accrued interest	21,831	62,557	84,388	36,976
Debentures total	141,150	232,070	373,220	338,520
Current	(141,150)	(232,070)	(373,220)	(17,763)
Noncurrent	-	-	-	320,757

15. SUPPLIERS

	Consolidated	
	2023	2022
Domestic market	256,921	239,421
Foreign market	36,527	33,539
	293,448	272,960

Accounts payable to suppliers consist of amounts with an average maturity term of approximately 158 days (98 days as of December 31, 2022).

16. GOVERNMENT CONCESSIONS

The subsidiary CSA has equity interest in a consortium for an electric power generation concession with the companies CEMIG Geração e Transmissão S.A. and Vale (formerly known as Companhia Vale do Rio Doce), in equal percentages of 33.33%. No legally independent entity was established for the management of this consortium. Accounting records, equivalent to its interest, are maintained under CSA's control.

As consideration for the concession granted, CSA, together with the other consortium members, will pay installments over the concession period to the Federal Government, as presented below:

Beginning of concession period: July 10, 1997
Concession period: 35 years
Total concession amount: R$333,310
Monetary adjustment: IGP-M (general market price index)

Total annual installments of the concession:

	Years 5 to 15 2002 to 2012	Years 16 to 25 2013 to 2022	Years 26 to 35 2023 to 2032
Historical amounts:			
Minimum installment	120	120	120
Additional installment	-	12,510	20,449
Annual installment	120	12,630	20,569
Total installments	1,320	126,300	205,690
Monetarily adjusted installments	10,456	1,000,425	1,629,255

The subsidiary CSA recognizes expenses incurred on an accrual basis, as a contra entry to noncurrent liabilities, on a straight-line basis, based on its share in the total concession amount, 33.33%, at present value, considering a basic interest rate when contracting the concession, updated by the IGP-M.

The changes in the concession balances are as follows:

	Consolidated 2023	2022
Opening balance	94,517	95,584
Appropriation of the grant installment	6,250	6,421
Disposals (a)	(59,000)	(40,477)
Interest (7.5% p.a.)	30,950	30,641
Monetary variation (IGP-M)	928	2,348
Balance to be due under the contract	73,645	94,517
Overdue installments (b)	187,893	-
Total	261,538	94,517
Current	(242,201)	(56,253)
Noncurrent	19,337	38,264

(a) The disposals represent the installments due monthly as provided for in the concession contract.

(b) In May 2023, the subsidiary CSA filed a lawsuit requesting the reestablishment of the economic balance of the concession contract, by replacing the monetary correction index defined in referred contract, so that the values of the UBP's are corrected by in accordance with the IPCA, and, determining, the amount paid in excess due to the application of such index during the period from 2013 to 2023.

As of December 31, 2023, the net book value of the property, plant and equipment related to the current concession is R$14,759 (R$16,193 as of December 31, 2022) (see note 10), considering CSA's equity interest in the investments for the construction of the Porto Estrela Hydroelectric Plant, located on the Santo Antônio River, 270 km from Belo Horizonte, with installed capacity of 112 MW. The plant began generation activities at the end of 2001.

17. LEASES PAYABLE

The breakdown of leases payable is as follows:

	Maturity	Consolidated 2023	2022
Properties	2024	67	2,167
SGUS (*)	2030	173,973	212,808
Properties – stores	2028	42,573	53,436
Vehicles	2023	-	789
		216,613	269,200
Current		(49,098)	(59,782)
Noncurrent		167,515	209,418

(*) Liability corresponding to right-of-use assets classified as: (i) Real Estate - SGUS; (ii) Investment properties; and (iii) Leases receivable. See note 11.

The Company's management opted for the simplified retrospective transition approach. This approach does not impact retained earnings (shareholders' equity) on the initial adoption date, since the amount of the right-of-use asset is equal to the lease payable amount adjusted to present value and enables the use of practical expedients. The Company's management considered as leasing component for stores only the fixed minimum rent value for purposes of assessing the liabilities. The measurement of the lease liability corresponds to the total of future payments of fixed rents, considering the terms of the contracts. These payment flows are adjusted to present value, considering the incremental borrowing rate. Financial charges are recognized as financial expenses. The incremental borrowing rate corresponds to the interest rate that the Company would have to pay to borrow over a similar term, and with a similar security, the funds necessary to obtain an asset of a similar value to the right-of-use asset in a similar economic environment (varies between 9% and 10% per year).

The maturities of leases payable are as follows:

	2024	2025	2026	2027 to 2030	Total
Properties	70	-	-	-	70
SGUS	33,997	34,271	34,548	141,016	243,832
Properties – stores	18,226	13,838	9,785	10,138	51,987
Gross total	52,293	48,109	44,333	151,154	295,889
Adjust to present value	(3,195)	(6,915)	(9,773)	(59,393)	(79,276)
Total payable	49,098	41,194	34,560	91,761	216,613

Changes in the consolidated leases payable were as follows:

	2023					2022
	Properties	SGUS	Properties – stores	Vehicles	Total	Total
Balance at the beginning of the year	2,167	212,808	53,436	789	269,200	325,736
Additions (1)	-	-	27,716	23	27,739	15,001
Disposals (2)	-	(7,526)	(20,326)	-	(27,852)	(18,356)
Charges	73	20,052	4,761	38	24,924	28,811
Payments	(2,173)	(36,473)	(23,014)	(850)	(62,510)	(65,304)
Exchange variation	-	(14,888)	-	-	(14,888)	(16,688)
Balance at the end of the year	67	173,973	42,573	-	216,613	269,200

(1) Includes new lease agreements, renewal of existing agreements and update of lease amounts.

(2) Early termination of lease contract.

The effects on results of the years ended December 31, 2023 and 2022 are as follows:

	2023					2022
	Properties	SGUS	Properties – stores	Vehicles	Consolidated	Consolidated
Lease payments in the year	2.173	36.473	23.014	850	62.510	65.304
PIS and COFINS recovered	-	-	(2.129)	-	(2.129)	(2.120)
Amortization of right-of-use assets	(1.764)	(3.687)	(18.376)	(796)	(24.623)	(26.039)
PIS and COFINS on amortization	-	-	1.754	-	1.754	1.606
Interest net	(73)	(4.760)	(4.761)	(38)	(9.632)	(11.852)
PIS and COFINS on interest	-	-	375	-	375	513
Disposals, net	-	651	1.525	-	2.176	2.057
Sublease cash receipts	-	(27.488)	-	-	(27.488)	(28.120)
Total effects with the application of IFRS 16	336	1.189	1.402	16	2.943	1.349

18. INCOME TAX AND OTHER TAXES

a. Income taxes reconciliation (income and social contribution taxes)

	2023				
	SGPSA (Parent Co.)	CSA consolidated	SGUS	Others (1)	Consolidated
Income (loss) from operations before taxes	(1,065,922)	(921,321)	(126,828)	1,060,608	(1,053,463)
Equity in subsidiaries	1,061,228	(5)	-	(1,061,228)	(5)
Investment support	-	(4,004)	-	-	(4,004)
Permanent differences from foreign subsidiaries	-	-	(37)	-	(37)
Other	-	481	-	-	481
Income tax basis	(4,694)	(924,849)	(126,865)	(620)	(1,057,028)
34% income tax rate	1,596	314,449	43,134	211	359,390
Unrecognized tax credits	(1,596)	(311,636)	(58,075)	(211)	(371,518)
Others	-	(331)	-	-	(331)
Total income taxes	-	2,482	(14,941)	-	(12,459)
Income taxes – current	-	(336)	(49)	-	(385)
Income taxes – deferred	-	2,818	(14,892)	-	(12,074)

	2022				
	SGPSA (Parent Co.)	CSA Consolidated	SGUS	Others (1)	Consolidated
Income (loss) from operations before taxes	(630,785)	(586,775)	(13,865)	624,697	(606,728)
Equity in subsidiaries	624,527	-	-	(624,527)	-
Investment support	-	(17,167)	-	-	(17,167)
Permanent differences from foreign subsidiaries	-	-	(1,172)	-	(1,172)
Other	-	628	-	-	628
Income tax basis	(6,258)	(603,314)	(15,037)	170	(624,439)
34% income tax rate	2,128	205,127	5,112	(58)	212,309
Unrecognized tax credits	(2,128)	(227,846)	(5,163)	58	(235,079)
Others	-	(1,287)	-	-	(1,287)
Total income taxes	-	(24,006)	(51)	-	(24,057)
Income taxes – current	-	(1,291)	(51)	-	(1,342)
Income taxes – deferred	-	(22,715)	-	-	(22,715)

(1) Includes effect of exchange rate variations of foreign subsidiaries and eliminations for consolidations.

b. Deferred income and social contribution taxes

As a holding Company, the Company's operations consist of equity in subsidiaries and income from investment activities. Foreign subsidiaries' income is taxed as an addition to the taxable income and they receive tax credits for taxes paid in their respective countries, which is up to 25% of its income tax base. If there are tax losses, tax credits are not considered in Brazil, but they are offset with future income generated by the foreign subsidiary. Therefore, as a holding Company, tax credit recognition is allowed in specific situations.

Deferred income and social contribution taxes recorded in the consolidated financial statements arise from subsidiaries' temporarily nondeductible provisions, transferred tax credit, and subsidiaries' net operating losses.

Deferred income and social contribution taxes are composed as follows:

	2022	Recognized in the statement of operations	Exchange rate variations	Other	2023
Assets:					
Temporary differences (CSA – Argentina) (1) (a)	185	-	-	(185)	-
Temporary differences (CSA – Brazil) (1) (p)	16,783	-	-	-	16,783
Net operating losses (SGUS – USA) (2) (a)	16,124	(14,961)	(1,163)	-	-
Net operating losses (SGPSA – Brazil) (a)	1,905	-	-	-	1,905
	-----------	----------	----------	----------	-----------
	34,997	(14,961)	(1,163)	(185)	18,688
Deferred tax liabilities:					
Investment properties (CSA – Brazil) (1) (p)	(120,556)	2,818	-	-	(117,738)
Hyperinflationary adjustment (CSA – Argentina) (1) (p)	(2,911)	-	-	2,318	(593)
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Total deferred taxes, net	(88,470)	(12,143)	(1,163)	2,133	(99,643)
	======	======	======	======	======
Noncurrent assets (sum of a)	18,214	(14,961)	(1,163)	(185)	1,905
Noncurrent liabilities (sum of p)	(106,684)	2,818	-	2,318	(101,548)
	======	======	======	======	======

On December 31, 2023, the Company had net operating losses of R$140,916 (R$136,222 as of December 31, 2022) and social contribution tax losses of R$140,917 (R$136,222 as of December 31, 2021), whose tax assets were not recognized in the financial statements.

(1) Deferred taxes of subsidiary CSA:

Deferred tax assets:

The subsidiary CSA, based on its business plan and future projections, maintained deferred tax assets derived, from accumulated tax losses. Future projections consider the Company's operating results for the next 10 years adjusted to present value and a reduction of interest rates during that period and the resulting cost of debt, among other actions.

Based on these actions and the assumptions used in the preparation of the business plan, the management of that subsidiary has expectations to generate future taxable income that will allow the realization of the deferred tax credits shown as follows:

	Consolidated		
Year	Temporary differences	Operating losses	CSA consolidated
2024	3,766	-	3,766
2027 and thereafter	13,017	-	13,017
	-----------	-----------	-----------
	16,783	-	16,783
	======	======	======

Temporary differences are fully deductible from taxable income, while tax losses are limited to 30% of taxable income. Both have no deadline for expiration.

As of December 31, 2023, the subsidiary CSA had net operating losses of R$2,278,711 (R$1,681,347 as of December 31, 2022) and social contribution tax losses of R$2,278,137 (R$1,687,728 as of December 31, 2022), whose tax assets were not recognized in the financial statements. As of December 31, 2023, the indirect subsidiary AMMO had net operating losses of R$559,965 (R$467,095 on December 31, 2022) and social contribution tax losses of R$615,940 (R$467,124 on December 31, 2022) whose tax assets were not recognized in the financial statements.

Deferred tax liabilities – investment properties:

Income and social contribution taxes resulting from added value in investment properties. See note 9.

	Investment properties São Gonçalo		Investment property Montes Claro (9.4)	Investment properties Vinhedo (9.5)	Total
	Business complex (9.1)	Residential complex (9.2)			
Fair value	382,770	49,382	63,726	64,389	560,267
Total residual cost	(112,186)	(1,529)	(36,458)	(63,800)	(213,973)
	----------	----------	----------	----------	----------
Surplus/added value	270,584	47,853	27,268	589	346,294
	----------	----------	----------	----------	----------
Income and social contribution taxes liability on surplus/added value (34%)	91,998	16,269	9,271	200	117,738
	======	======	======	======	======

(2) Deferred taxes of subsidiary SGUS:

As of December 31, 2022, subsidiary SGUS had a balance of deferred tax assets of R$16,124, which, based on its business plan and future projections, primarily supported by net operating losses.

Based on the review of future operating results' forecasts, on June 30, 2023, the balance was written off (see note 8.b). The effect on the income statement was a loss in the amount of R$14.9 million (US$3.0 million).

Temporary differences are fully deductible from taxable income and have no deadline for utilization. The net operating tax losses are also fully deductible, but the federal losses will expire between 2023 and 2034 and the state losses will expire between 2023 and 2034.

Additionally, on December 31, 2023, subsidiary SGUS had R$1,319,772 in tax losses (R$1,326,905 at December 31, 2022) whose tax assets were not recognized in the financial statements.

c. Recoverable taxes

	Consolidated	
	2023	2022
ICMS (state VAT)	15,909	14,225
Income and social contribution taxes prepayments	18,051	18,174
Recoverable PIS and COFINS (*)	20,036	14,964
IVA – Gross proceeds (Argentina)	1,263	2,520
IPTU credit	7,219	7,331
Other recoverable taxes	409	594
	-----------	-----------
	62,887	57,808
Current	(45,828)	(39,892)
	-----------	-----------
Noncurrent	17,059	17,916
	=======	=======

(*) The consolidated balance includes credits from purchases and amounts related to credits resulting from the elimination of ICMS from the PIS and COFINS calculation basis, and are being offset against Federal tax liabilities.

d. Taxes due - installments

Taxes due - installments are adjusted based on SELIC rate and are as follows:

	Consolidated	
	2023	2022
State Installments	103.323	62.695
Federal Installments	269.424	199.248
Others Installments	8.749	12.265
(-) Recoverable tax credits (*)	-	(85.955)
	------------	------------
	381.496	188.253
Current	(103.316)	(94.795)
	------------	------------
Noncurrent	278.180	93.458
	=======	=======

(*) Rights related to the credits generated by the elimination of ICMS from the PIS and COFINS calculation basis. Due to the current financial situation of the subsidiary CSA, there are no expectations for the repurchase of the receivables; therefore, the balances were written off on June 30, 2023. The effect on the income statement was a loss in the amount of R$62,649, recorded under the item "Others, net – write-off of judicialized receivables." See note 13.4 for details on the write-off of the liability related to the sale of these credits rights.

The maturities of the taxes-installments are as follows:

	2024	2025	2026	2027 to 2030	Total
State Installments	34,273	21,413	18,508	29,129	103,323
Federal Installments	63,679	54,291	51,544	99,910	269,424
Others Installments	5,364	2,076	1,309	-	8,749
	------------	------------	------------	------------	------------
Total payable	103,316	77,780	71,361	129,039	381,496
	======	======	======	======	======

The subsidiary CSA has current installments and requests for installments of taxes and contributions in arrears. The accounting classification considers the legal possibility of obtaining installments in accordance with applicable legislation and the respective number of installments, including fines and interest incurred.

19. MISCELLANEOUS ACCRUALS

The Company and its subsidiaries are challenging in court the legality of certain taxes and civil and labor claims. The accrual was recognized based on the risk assessment made by Management and its legal counsel for all lawsuits in which losses are considered probable.

The Company and its subsidiaries have tax, civil and labor claims, whose losses were estimated as possible in the amount of R$42,347, R$46,844 and R$2,710, respectively, (R$41,153, R$41,567 and R$1,779 respectively, on December 31, 2022). The main tax claims relate to infraction notices referring to: (i) disallowance of COFINS credits (R$7,877); (ii) imports of raw materials under the Drawback program (R$7,559); (iii) reversal of ICMS credit on electricity (R$6,978); (iv) ex-tariff IPI exemption (R$3,160); (v) Deferred ICMS on imports (R$1,612); (vi) ICMS ancillary obligations (R$705); (vii) Unrecognized invoices (R$1,448); and (viii) Financial Compensation for the Use of Water Resources - COFURH (R$1,301). The main labor lawsuits are related to labor claims of former employees and third parties. The main civil claims correspond to a writ of mandamus filed against the Electric Energy Trading Chamber (CCEE), in the amount of R$38,701, seeking to eliminate possible financial burdens arising from judicial decisions that determine the sharing of losses among power generators. The main labor claims correspond to labor claims by former employees and third parties.

The claims for which losses are considered probable are summarized as follows:

	Consolidated	
	2023	2022
Tax litigation	41.877	4.524
Labor	31.078	11.064
Civil and others	5.461	5.213
	----------	----------
Total	78.416	20.801
	======	======
Escrow deposits	12.822	13.216
	=====	=====

Tax – The subsidiaries CSA and AMMO are plaintiffs in a lawsuit that aims to challenge the collection of the ICMS rate differential (DIFAL) due to the unconstitutionality of the collection through an Agreement, without a complementary law that enacts it, as well as for the non-compliance with the principle of annual and precedence of Law number190/2022 by the States. Includes provision for PIS COFINS supplementary credit.

Labor – The subsidiary CSA is the defendant in lawsuits from former employees and third parties.

Civil – The subsidiary CSA is a plaintiff in a lawsuit against the Federal Government disputing the legality of the collection of “COFURH – Compensação Financeira pela Utilização de Recursos Hídricos”.

Changes in the consolidated accrual are as follows:

	Tax litigation	Labor	Civil and others	Total
Balance as of December 31, 2021	113	9,076	4,587	13,776
Additions	4,455	3,478	1,960	9,893
Disposals	(44)	(1,199)	(517)	(1,760)
Exchange variation	-	(291)	(817)	(1,108)
	----------	---------	---------	----------
Balance as of December 31, 2022	4,524	11,064	5,213	20,801
Additions	37,502	27,772	1,352	66,626
Disposals	(149)	(7,139)	(137)	(7,425)
Exchange variation	-	(619)	(967)	(1,586)
	----------	---------	---------	----------
Balance as of December 31, 2023	41,877	31,078	5,461	78,416
	======	======	======	======

20. EMPLOYEE BENEFIT PLANS

Substantially all of the employees of the subsidiary SGUS are covered by defined-contribution plans. Some executives of SGUS are covered by defined-benefit plans. Subsidiary SGUS may make contributions to the defined-contribution plan at its discretion, and these contributions are considered by means of a percentage of each participant’s eligible compensation. In addition, should eligible participants contribute a percentage of their compensation to some defined-contribution plans, SGUS may, at its discretion, make a contribution in the proportion of the amounts contributed by the participants.

Subsidiary SGUS sponsors a defined-benefit pension plan for some of its employees, whose expected pension costs are accrued based on actuarial studies. Contributions of retired employees and subsidiary SGUS are adjusted periodically. Subsidiary SGUS’ contributions to the defined-benefit plans are made pursuant to the “US Employee Retirement Income Security Act”, and benefits are generally based on years of service and salary (compensation) levels.

The defined-benefit plans' assets are invested in diversified equity securities and fixed-income funds (including US government debt). Subsidiary SGUS also provides retirement benefits to eligible executives under nonqualified supplemental executive retirement plans.

The table below includes summarized information on the pension as of December 31, 2023 and 2022:

	2023	2022
Changes in benefit obligation:		
Benefit obligation at beginning of year	174,186	216,888
Service cost	1,027	1,624
Interest cost	7,785	6,132
Actuarial (gain) loss	4,072	(26,520)
Benefit payments	(6,624)	(9,404)
Exchange rate variation	(12,744)	(14,534)
Benefit obligation at end of year	167,702	174,186
Changes in plan assets:		
Fair value of plan assets at beginning of year	50,440	74,651
Return on assets	5,866	(12,528)
Employer contributions	105	2,867
Benefit payments	(6,624)	(9,404)
Exchange rate variation	(3,618)	(5,146)
Fair value of plan assets at end of year	46,169	50,440
Present value of unfunded obligations	121,533	123,746
Actuarial assumptions to determine the benefit obligations at year end:		
Discount rate (per annum)	4,85% a 5,00%	5,00% a 5,05%
Assumptions used to determine net expense for the years ended:		
Discount rate and expected rate of return on assets (per annum)	2,65% a 5,05%	2,65% a 2,85%
Components of net periodic benefit cost:		
Service cost	1,027	1,624
Interest cost, net	4,739	2,992
Net periodic benefit cost	5,766	4,616

SGUS' investment strategy is to invest in a diversified portfolio that will maximize returns, considering an acceptable risk level. Pension plan assets are invested in mutual funds which have a target allocation of 40% in equity securities and 60% in fixed income funds. The expected returns on plan assets were developed in conjunction with external advisors and take into account long-term expectations for future returns based on SGUS' current investment strategy.

	2023	2022
Investments in plan assets:		
Equity securities	19,680	20,352
Fixed income	25,554	29,139
Cash and cash equivalents	935	949
Plan assets fair value at the end of year	46,169	50,440

The subsidiary SGUS expects to contribute R$20,532 to the defined-benefit plans in 2024. Expected benefit payments for the next 10 years are:

	Defined-benefit pension plans
2024	21,694
2025	21,177
2026	20,594
2027	13,013
2028	12,434
2029 – 2033	52,058

The balances of employee benefit plans and deferred compensation are as follows:

	2023	2022
Pension plan obligations	121,533	123,746
Other employee benefit obligations	1,883	1,639
Total employee benefit plans	123,416	125,385
Current (a)	(16,957)	(10,804)
Noncurrent	106,459	114,581

(a) Presented on caption “Payroll and related charges”.

21. EQUITY

a. Capital

The subscribed and paid-in capital is represented by 50,000,000 common shares with voting rights. There was no change in the number of shares subscribed and paid for the period between January 1, 2022 and December 31, 2023.

See note28.b for details on the events subsequent to December 31, 2023.

b. Dividends and realizable earnings reserve

Shareholders are entitled to dividends equivalent to 1/3 of annual net income, adjusted as per Company’s bylaws and the Brazilian Corporate Law.

c. Retained earnings reserve

The retained earnings reserve is determined in compliance with article 196 of law 6,404/76 and it is intended to be used on future investments.

d. Cumulative translation adjustments

Represents the exchange variations on investments, net of foreign related parties’ balances, in foreign direct and indirect subsidiaries.

e. Assets and liabilities valuation adjustments

Represents the unrealized gains and losses on: (i) subsidiaries’ initial added value of investment properties at fair value; and (ii) actuarial gains and losses on defined benefit plans of subsidiaries.

22. RELATED-PARTY BALANCES AND TRANSACTIONS

	Receivable		Payable	
	2023	2022	2023	2022
Company:				
Coteminas S.A. – under Judicial Recovery	-	-	47,195	36,003
	----------	----------	----------	----------
	-	-	47,195	36,003
	======	======	======	======
Consolidated:				
Companhia de Tecidos Norte de Minas – Coteminas – under Judicial Recovery	195,406	152,093	-	-
Coteminas International Ltd.	15,777	5,717	-	-
Argentina branch	10	24	-	-
Santanense Argentina	6	28	-	-
Companhia Tecidos Santanense – under Judicial Recovery	-	20,467	-	-
	----------	----------	----------	----------
	211,199	178,329	-	-
	======	======	======	======

	Finance charges Income (expenses)	
	2023	2022
Company:		
Coteminas S.A. – under Judicial Recovery	-	(1,301)
Companhia de Tecidos Norte de Minas – Coteminas – under Judicial Recovery	(32)	(2)
Companhia Tecidos Santanense – under Judicial Recovery	(37)	-
	----------	----------
	(69)	(1,303)
	======	======
Consolidated:		
Companhia de Tecidos Norte de Minas – Coteminas – under Judicial Recovery	36,750	26,176
Companhia Tecidos Santanense – under Judicial Recovery	4,044	1,934
Coteminas International Ltd.	(12)	(40)
Encorpar Empreendimentos Imobiliários Ltda.	(26)	(19)
Econorte - Empr. Constr. Norte de Minas Ltda.	(13)	(5)
Wembley S.A.	-	100
Seda S.A.	352	(14)
Parigi Imobiliária S.A.	(64)	-
	----------	----------
	41,031	28,132
	======	======

The balances refer to loans contracted with the Company under fair conditions in accordance with market practices. The charges are calculated according to the average cost of the lending company's loans.

The Board of Directors meeting held on December 29, 2015 also approved payment of 2% p.a. commission (two percent annually), limited to the cumulative amount of R$47,750, on sureties/guarantees provided by the controlling shareholder on loans and financing contracted by the Company and its subsidiaries. As of December 31, 2023, there is no balanced recorded in the caption “Other receivables” in current assets (R$2,935 as of December 31, 2022), related to guarantees on existing contracts and credit facilities. In 2023, the amount of R$2,935 was recorded as interest expenses under the caption “Financial expenses – bank charges and others” (R$2,936 in the same period of 2022).

In 2023, the subsidiary CSA supplied intermediate products to a related party, Companhia Tecidos Santanense – under judicial recovery (“CTS”), in the amount of R$11,979 (R$106,409 in 2022). The receivable balance related to these transactions is presented in note 5.

The Companhia de Tecidos Norte de Minas – Coteminas – under judicial recovery (“CTNM”) and the indirect subsidiary AMMO have a rental agreement for the property where its distribution center and office are located. In 2023, the amount of R$4,775 (R$5,453 in 2022) was recognized as rent expenses. In October 2023, CTNM sold the above mentioned property to the subsidiary CSA (see note 9.5). In 2023, after the sale transaction, the rental income recognized between CSA and AMMO was R$955.

On December 31, 2023, the indirect subsidiary LAT Capital Ltd. had R$10,975 (R$22,749 as of December 31, 2022) in investments in foreign funds and deposit accounts, received from Coteminas International Ltd., a company under common control.

All of the above transactions, buying and selling products and loan transactions, are conducted at market prices and rates.

The amounts paid to key Management personnel are disclosed in the statements of operations, under caption “Management fees” and include existing long-term and post-employment benefits, where applicable.

The management fees balances are described below:

	Company		Consolidated	
	2023	2022	2023	2022
Advisers	1,326	1,248	2,652	2,000
Statutory officers	-	-	2,869	6,291
Other directors	-	-	10,689	9,871
	1,326	1,248	16,210	18,162

23. FINANCIAL INSTRUMENTS

a) General--The Company and its subsidiaries can conduct transactions derivatives and non-derivatives financial instruments, whose risks are managed through strategic financial positions and controls to limit exposure to such risks. All transactions are fully recognized in the financial statements and their balances are described in the table below.

	Company		Consolidated	
	2023	2022	2023	2022
FINANCIAL ASSETS				
Amortized cost:				
Cash and cash equivalents	1	42	38,160	225,444
Marketable securities (c)	-	-	13,290	23,531
Accounts receivable	-	-	125,276	163,267
Other receivables	960	986	17,031	19,706
Marketable securities (nc)	-	1,925	8,632	10,395
Receivable – clients	-	-	3,466	16,135
Related parties	-	-	211,199	178,329
Escrow deposits	-	-	12,822	13,216
Others	-	-	24,945	50,638
FINANCIAL LIABILITIES				
Amortized cost:				
Loans and financing (c)	5,188	10,405	680,547	640,395
Debentures (c)	-	-	373,220	17,763
Suppliers	321	3	293,448	272,960
Government concessions (c)	-	-	242,201	56,253
Other accounts payable	-	-	52,159	73,768
Loans and financing (nc)	4,373	9,143	53,967	56,540
Debentures (nc)	-	-	-	320,757
Related parties	47,195	36,003	-	-
Government concessions (nc)	-	-	19,337	38,264
Other obligations	-	-	16,005	22,487

(c) current
(nc) noncurrent

The main risk factors to which the Company and its subsidiaries are exposed reflect strategic-operational and economic-financial matters. The strategic-operational risks (such as demand trend, competition, technological innovation, significant changes in the industry structure, among others) are inherent to the Company's operating activities and are addressed by its Management.

The economic-financial risks mainly reflect customers' delinquency, macro-economic trends, such as currency exchange and interest rates, as well as the nature of the derivative instruments used by the Company, its subsidiaries, and its counter-parties. These risks are managed through internal control policies, specific strategies and establishment of approval authorities.

b) Fair value--The fair values of loans and financing and debentures are similar to their amortized cost recorded in the financial statements because they are indexed to floating interest rates (CDI and IPCA), which accompany market rates. Considering the maturities of other financial instruments, the Company estimates that their fair values approximate book values.

c) Classification of financial instruments--Except for derivatives, and certain marketable securities, when applicable, which are classified and measured at fair value through profit or loss, all financial assets and liabilities listed above are classified and measured as "Amortized Cost". The derivative financial instruments are measured at fair value through profit or loss and the portion related to the cash flow hedge, which effectiveness can be measured, has its gains and losses recognized directly in shareholders' equity as valuation adjustments and presented in the statement of comprehensive income.

d) Risk management and derivative and non-derivative financial instruments:

d.1 – Objectives and risk management strategies--The Company believes that risk management is important in driving its strategy of profitable growth. The Company is exposed to market risks, mainly related to changes in exchange rates, commodity prices (cotton) and volatility of interest rates. The goal of managing these risks is to eliminate possible unexpected variations in the results of the group's companies, arising from these variations.

The purpose of derivative transactions is always related to the elimination of market risks, identified in our policies and guidelines and, also, to the management of the volatility of financial flows. The measurement of efficiency and evaluation of results occurs throughout the life of the contracts. The monitoring of the impact of these transactions is analyzed quarterly by the Cash and Debt Management Committee where the mark-to-market of these transactions is discussed and validated. All derivative financial instruments are recorded at fair value in the Company's financial statements. As of December 31, 2023 and 2022 there were no outstanding derivative financial instruments.

d.2 – Derivatives use policy--According to internal policies, the Company's financial results should be related to cash provided by its business and not by gains in the financial market. Therefore, it considers the use of derivatives as a tool to protect eventual exposures related to risks arising from such exposures, and not for speculative purposes. The derivative transactions goal is to reduce Company's market risks exposures.

d.3 – Exchange rate risk--This risk arises from the possibility that the Company and its subsidiaries may incur losses due to exchange rate fluctuations that would reduce the nominal billed amounts or increase funds raised in the market.

d.3.1) Exchange rate risk on foreign investments:

The Company has foreign investments that increase its foreign currency exchange exposure, as follows:

	2023				
	R$	$ARG	US$	$PYG	Exchange rate variation on foreign investments R$
Foreign investments:					
Coteminas Argentina	40,921	6,833,409	-	-	(33,268)
LAT Capital	14,437	-	2,982	-	(1,479)
Têxtil Guarani	1,126	-	-	1,694,040	(90)
SGUS	325,832	-	67,303	-	(26,815)
	382,316	6,833,409	70,285	1,694,040	(61,652)
Related parties:					
LAT Capital	(71,172)	-	(14,701)	-	8,293
SGUS	(218,951)	-	(45,226)	-	16,969
	(290,123)	-	(59,927)	-	25,262
Total of foreign investments net	92,193	6,833,409	10,358	1,694,040	(36,390)

d.3.2) Exchange rate risks on financial instruments of the Company and its subsidiaries:

The financial instruments exposure of the Company and its Brazilian subsidiaries is as follows:

Financial instruments	2023	2022
Accounts receivable	15,983	16,572
Suppliers	(7,254)	(7,061)
Loan and financing	(65,823)	(75,194)
Related parties	(703)	(755)
Total exposure in Brazilian Reais	(57,797)	(66,438)
Total exposure in equivalent thousands of US Dollars	(11,938)	(12,733)

The sensitivity analysis of financial instruments, considering the US Dollar denominated cash flows, as of December 31, 2023, is shown below:

			Scenarios		
Maturity	Risk	Exposure value in thousands of US$	Probable	II	III
2024	US Dollar appreciation	(11,938)	(870)	(15,537)	(30,203)
		(11,938)	(870)	(15,537)	(30,203)

Amounts in parenthesis (negative numbers) stated in the scenarios above refer to exchange rate variance losses. The positive amounts relate to exchange rate variations gains. The “Probable” scenario represents the result of the probable exchange rate variation, considering the cash flow of the assets and liabilities presented above, applying future dollar exchange rates and comparing to the dollar exchange rate at the end of the current year. Scenarios II and III reflect 25% and 50% variation of future dollar exchange rates, respectively. The future dollar exchange rates were obtained from B3 S.A. – Brasil, Bolsa, Balcão.

d.4 – Commodities price risk (cotton)--This risk arises from the possibility of the Company and its subsidiaries may incur losses due to fluctuations in the price of cotton, its main raw material. In 2022 the Company recognized a gain of R$10,226.

d.5 – Interest rates risk--Cash and cash equivalents and marketable securities yield, approximately, the equivalent to CDI (Certificate of Interbank Deposit) rates. Interest-bearing liabilities (except as described in d.5.1 and d.5.2 below), which reflect rates equivalent to LIBOR, or fixed interest rates, are disclosed in notes 13 and 22. Considering the cash flows of these liabilities and the contracted interest rates, Management determined that the exposure to market changes on the contracted interest rates is not significant. Therefore, the sensitivity analysis is deemed unnecessary.

d.5.1 – Variable interest rate risks on derivative financial instruments:

Interest rates swap contracts--Are presented and measured at fair value and are based on the cash flow of the loans denominated in foreign currency. Gains or losses are recorded under the “Financial expenses – interest” caption in the statements of operations. There were no interest rate derivatives in the years ended December 31, 2023 and 2022.

d.5.2 – Variable interest rate risk on non-derivatives financial instruments:

The main amounts related to the Company and its subsidiaries’ non-derivatives financial instruments subject to variable interest rate by Interbank Deposit Certificates - CDI and General Consumer Price Index – IPCA exposure are as follows:

	2023				2022
Description	Principal amount R$ thousands	Accrued interest	Prepaid interest	Payable	Payable
Loan Agreement -- Interest: 150.0% of CDI Counterpart: Banco Brasil S.A. – NCE Maturity: November/2023	-	-	-	-	163,456
Loan Agreement -- Interest: 150.0% of CDI Counterpart: Banco Brasil S.A. – NCE Maturity: November/2023	-	-	-	-	162,335
Loan Agreement -- Interest: 130.0% of CDI Counterpart: Banco Brasil S.A. – NCE Maturity: April/2023	-	-	-	-	49,423
Loan Agreement -- Interest: 120.0% of CDI Counterpart: Banco Brasil S.A. Maturity: January/2024	70,000	7,943	-	77,943	-
Loan Agreement -- Interest: 120.0% of CDI Counterpart: Banco Brasil S.A. Maturity: March/2030	103,031	11,689	-	114,720	-
Loan Agreement -- Interest: 120.0% of CDI Counterpart: Banco Brasil S.A. Maturity: March/2029	75,600	8,577	-	84,177	-
Loan Agreement -- Interest: 120.0% of CDI Counterpart: Banco Brasil S.A. Maturity: March/2030	95,857	10,875	-	106,732	-
Loan Agreement -- Interest: 120.0% of CDI Counterpart: Banco Brasil S.A. Maturity: March/2030	51,656	5,860	-	57,516	-
(Refer to Note 13)				441,088	375,214
Loan Agreement -- Interest: CDI + 7.0% Counterpart: Banco BBM S.A. – CCB Maturity: January/2025	6,088	285	-	6,373	6,690
(Refer to Note 13)				6,373	6,690
Loan Agreement -- Interest: CDI + 4.9% Counterpart: Banco ABC Brasil S.A. – CCE Maturity: December/2025	2,887	6	-	2,893	5,351
Loan Agreement -- Interest: CDI + 4.9%					

	2023				2022
Description	Principal amount R$ thousands	Accrued interest	Prepaid interest	Payable	Payable
Counterpart: Banco ABC Brasil S.A. – CCE Maturity: December/2025	1,749	3	-	1,752	2,955
Loan Agreement -- Interest: CDI + 4.9% Counterpart: Banco ABC Brasil S.A. – CCE Maturity: December/2025	1,673	3	-	1,676	2,955
Loan Agreement -- Interest: CDI + 4.9% Counterpart: Banco ABC Brasil S.A. – CCE Maturity: December/2025	1,673	3	-	1,676	2,955
(Refer to Note 13)				7,997	14,216
Loan Agreement -- Interest: CDI + 6.1% Counterpart: Banco Bradesco S.A. Maturity: April/2024	4,936	254	-	5,190	7,643
Loan Agreement -- Interest: CDI + 6.3% Counterpart: Banco Bradesco S.A. Maturity: June/2027	26,384	1,498	-	27,882	30,463
Loan Agreement -- Interest: CDI + 6.0% Counterpart: Banco Bradesco S.A. Maturity: April/2023	-	-	-	-	3,055
Loan Agreement -- Interest: CDI + 6.3% Counterpart: Banco Bradesco S.A. Maturity: June/2027	10,744	785	-	11,529	-
(Refer to Note 13)				44,601	41,161
Loan Agreement -- Interest: CDI + 9.8% Counterpart: Banco Daycoval S.A. Maturity: October/2026	3,073	22	-	3,095	4,916
Loan Agreement -- Interest: CDI + 9.8% Counterpart: Banco Daycoval S.A. Maturity: October/2026	3,339	60	-	3,399	5,342
Loan Agreement -- Interest: CDI + 7.1% Counterpart: Banco Daycoval S.A. Maturity: October/2025	2,817	20	-	2,837	4,482
Loan Agreement -- Interest: CDI + 9.8% Counterpart: Banco Daycoval S.A. Maturity: October/2026	4,135	86	-	4,221	6,538
Loan Agreement -- Interest: CDI + 9.8% Counterpart: Banco Daycoval S.A. Maturity: October/2026	5,310	108	-	5,418	8,496
Loan Agreement -- Interest: CDI + 9.8% Counterpart: Banco Daycoval S.A. Maturity: October/2026	4,042	84	-	4,126	6,467
(Refer to Note 13)				23,096	36,241
Loan Agreement -- Interest: CDI + 5.6% Counterpart: Banco Santander S.A. Maturity: May/2024	2,667	74	-	2,741	8,248
(Refer to Note 13)				2,741	8,248
Loan Agreement -- Interest: CDI + 10.7% Counterpart: Banco Safra S.A. – CCB Maturity: January/2024	1,046	330	-	1,376	14,216
Loan Agreement -- Interest: CDI + 7.4% Counterpart: Banco Safra S.A. – CCB Maturity: February/2023	-	-	-	-	2,497

	2023				2022
Description	Principal amount R$ thousands	Accrued interest	Prepaid interest	Payable	Payable
Loan Agreement -- Interest: CDI + 6.8% Counterpart: Banco Safra S.A. – CCB Maturity: October/2024	3,810	324	-	4,134	5,262
Loan Agreement -- Interest: CDI + 7.4% Counterpart: Banco Safra S.A. – CCB Maturity: March/2023	-	-	-	-	5,063
Loan Agreement -- Interest: CDI + 7.4% Counterpart: Banco Safra S.A. – CCB Maturity: February/2023	-	-	-	-	5,043
Loan Agreement -- Interest: CDI + 7.4% Counterpart: Banco Safra S.A. – CCB Maturity: March/2023	-	-	-	-	5,076
(Refer to Note 13)				5,510	37,157
Loan Agreement -- Interest: CDI + 6.0% Counterpart: Banco Fibra S.A. Maturity: October/2023	-	-	-	-	14,973
Loan Agreement -- Interest: 168.0 of CDI Counterpart: Banco Fibra S.A. Maturity: November/2024	19,599	30	-	19,629	-
(Refer to Note 13)				19,629	14,973
Loan Agreement -- Interest: CDI + 8.1% Counterpart: Banco Sofisa S.A. Maturity: January/2023	-	-	-	-	10,167
Loan Agreement -- Interest: CDI + 6.8% Counterpart: Banco Sofisa S.A. Maturity: November/2024	3,560	275	-	3,835	6,492
Loan Agreement -- Interest: CDI + 7.4% Counterpart: Banco Sofisa S.A. Maturity: May/2025 (*)	-	-	-	-	4,091
Loan Agreement -- Interest: CDI + 8.3% Counterpart: Banco Sofisa S.A. Maturity: February/2028	18,800	3,520	-	22,320	-
Loan Agreement -- Interest: CDI + 8.3% Counterpart: Banco Sofisa S.A. Maturity: February/2028	4,200	725	-	4,925	-
(Refer to Note 13)				31,080	20,750
Loan Agreement -- Interest: 180.0% of CDI Counterpart: Caixa Econômica Federal – CCB Maturity: April/2023	-	-	-	-	5,597
(Refer to Note 13)				-	5,597
Loan Agreement -- Interest: CDI + 9.1% Counterpart: Banco Pine S.A. Maturity: January/2024	149	9	-	158	566
(Refer to Note 13)				158	566
Loan Agreement -- Interest: CDI + 18.0% Counterpart: Banco Industrial do Brasil S.A. Maturity: December/2023	-	-	-	-	1,031
Loan Agreement -- Interest: CDI + 5.2% Counterpart: Banco Industrial do Brasil S.A. Maturity: June/2024	26,600	152	-	26,752	-
(Refer to Note 13)				26,752	1,031

Description	2023 Principal amount R$ thousands	2023 Accrued interest	2023 Prepaid interest	2023 Payable	2022 Payable
Loan Agreement -- Interest: CDI + 3.9% Counterpart: Banco ABC do Brasil S.A. – CCE Maturity: December/2025	5,047	9	-	5,056	6,448
Loan Agreement -- Interest: CDI + 6.0% Counterpart: Banco ABC do Brasil S.A. – CCE Maturity: December/2025	2,450	5	-	2,455	-
Loan Agreement -- Interest: CDI + 6.3% Counterpart: Banco ABC do Brasil S.A. Maturity: December/2025	2,012	4	-	2,016	4,467
Loan Agreement -- Interest: CDI + 6.3% Counterpart: Banco ABC do Brasil S.A. Maturity: April/2023	-	-	-	-	505
Loan Agreement -- Interest: CDI + 6.3% Counterpart: Banco ABC do Brasil S.A. Maturity: April/2023	-	-	-	-	505
(Refer to Note 13)				9,527	11,925
Loan Agreement -- Interest: CDI + 8.9% Counterpart: Banco Luso Brasileiro S.A. Maturity: March/2027	9,792	596	-	10,388	-
(Refer to Note 13)				10,388	-
Loan Agreement -- Interest: CDI + 14.7% Counterpart: SFT Fundo de Investimento em direitos creditórios. Maturity: September/2025	4,804	164	-	4,968	-
(Refer to Note 13)				4,968	-
Debentures 5th series -- Interest: IPCA + 9.25% Counterpart: Several debenture holders Maturity: July/2031	121,333	21,831	(2,014)	141,150	152,475
(Refer to Note 14)				141,150	152,475
	700,863	76,209	(2,014)	775,058	726,244

(*) Contracts terminated in advance due to renegotiations.

The sensitivity analysis of the non-derivative financial instruments above, considering the scheduled payments of principal and interest as of December 31, 2023, is as follows:

Maturity	Risk	Principal average balance	Scenarios Probable	II	III
2024	Rate increase	675,546	73,739	80,471	93,368
2025	Rate increase	422,645	58,528	58,443	67,836
2026	Rate increase	311,037	42,303	44,432	51,712
2027	Rate increase	224,929	29,835	32,652	38,105
2028	Rate increase	150,072	19,931	22,170	25,829
2029	Rate increase	81,107	10,711	11,745	13,551
2030	Rate increase	28,439	2,663	2,719	2,946
2031	Rate increase	5,333	398	396	421

Amounts shown in the scenarios above represent projected interest expense, in their respective years and scenarios, considering the average loan balances on each year. The “Probable” scenario represents the result of the interest variations, considering future CDI and IPCA rates and the principal and interest maturity dates. Scenarios II and III reflect 25% and 50% increase in the future CDI and IPCA rates, respectively. The future

CDI rates were obtained at B3 S.A. – Brasil, Bolsa, Balcão and the future IPCA rates were obtained from the Brazilian Central Bank – Focus report.

d.6 – Credit risk--The Company is subject to credit risk on its cash and cash equivalents and marketable securities. This risk is mitigated by the policy of entering into transactions only with major financial institutions.

The credit risk on accounts receivable is reduced due to the selectivity of customers and credit policy. The Company has a credit management system based on the combination of information originated by several departments of the Company, primarily sales, finance, accounting, legal and external sources that enable the credit and collection departments to establish credit limits for its customers that are approved by a credit committee.

d.7 – Liquidity risk management-- The Company's financial liabilities, according to their cash flows, based on their approximate maturity date, and using nominal contractual interest rates, are summarized as follows:

		Estimated settlement			
Contractual obligations	Total	Less than 1 year	From 1 to 3 years	From 3 to 5 years	More than 5 years
Loans and financing	911,238	440,069	260,862	142,172	68,135
Debentures	946,967	53,509	62,542	60,979	769,937
Suppliers	297,100	293,449	3,651	-	-
Lease payable, net	295,889	52,293	92,442	151,154	-
	2,451,194	839,320	419,497	354,305	838,072

d.8 – Capital management risk--The Company manages its capital structure to ensure the continuity of its operational activities and, at the same time, to maximize the returns to its shareholders. The Company's strategy remained unchanged in the period covered by these financial statements.

The Company's net debt is as follows:

	Consolidated	
	2023	2022
Loans and financing	734,514	696,935
Debentures	373,220	338,520
Cash and cash equivalents	(38,160)	(225,444)
Marketable securities	(21,922)	(33,926)
Total net debt	1,047,652	776,085
Total equity	(724,519)	378,671
Total net debt and equity	323,133	1,154,756

24. SEGMENT INFORMATION

Operating segments are defined as components of an enterprise for which separate financial statements are available and evaluated regularly by the decision maker, with the purpose of determining the allocation of resources to an individual segment and evaluate its performance. Decisions on strategic planning, finance, purchasing, investment and application of resources, as well as evaluation of investment and key executives' performance of the Company are made on a consolidated basis. The Company and its subsidiaries have concluded that they have two operating segments: "Wholesale" and "Retail".

The Company owns several factories that supply each other so that, together, they form an integrated industry in spinning, weaving, finishing and manufacturing of home textile products. The Company does not have separate operating segments in its sales categories and the reports used for strategic and operational decision making are always consolidated. There are no specific operational units for each category of goods sold. Therefore, these operations are denominated "Wholesale" because its products are not sold to the final consumer.

The indirect subsidiaries AMMO and C7S have a set of separate information and investment decisions, pricing, store expansion multichannel sales, and others that are individually made, and are denominated “Retail” as its products are sold directly to the final consumer.

The sales made by the subsidiary CSA to the indirect subsidiary AMMO are excluded in the table below, in the Wholesale segment, so that only sales made to third parties and that coincide with the management of each business segment, Wholesale and Retail, are demonstrated. The performance evaluation of each segment does not include the sales made between the companies.

The financial statements, segregated by the segments previously explained, are presented below (in millions of Reais):

	2023			
	Wholesale	Retail	(*) Others unallocated	Total
Net revenues	352.7	333.7	-	686.4
Cost of goods sold	(283.6)	(171.0)	-	(454.6)
Idle costs and others	(221.4)	-	-	(221.4)
Gross profit	(152.3)	162.7	-	10.4
Selling, general and administrative expenses	(142.7)	(232.3)	(15.5)	(390.5)
Change in fair value of investment properties	2.9	-	-	2.9
Restructuring charges	(38.7)	-	-	(38.7)
Write-off of judicialized receivables, net	(62.6)	-	-	(62.6)
Provision for impairment of permanent assets	(49.3)	-	-	(49.3)
Write-off of subsidiary’s goodwill	(27.3)	-	-	(27.3)
Provision for impairment of other investments	-	-	(107.6)	(107.6)
Other	(21.6)	(1.6)	(3.3)	(26.5)
Results of operations	(491.6)	(71.2)	(126.4)	(689.2)
Financial results (without exchange rate variations)	-	(85.3)	(259.6)	(344.9)
Exchange rate variations	-	0.3	(19.7)	(19.4)
Loss before taxes	(491.6)	(156.2)	(405.7)	(1.053.5)
Depreciation and amortization	60.0	28.8	4.0	92.8

	2022			
	Wholesale	Retail	(*) Others unallocated	Total
Net revenues	836.8	380.6	-	1.217.4
Cost of goods sold	(683.0)	(196.7)	-	(879.7)
Idle costs and others	(175.1)	-	-	(175.1)
Gross profit	(21.3)	183.9	-	162.6
Selling, general and administrative expenses	(230.3)	(218.5)	(17.9)	(466.7)
Change in fair value of investment properties	65.3	-	-	65.3
Other	(7.7)	(5.5)	2.3	(10.9)
Results of operations	(194.0)	(40.1)	(15.6)	(249.7)
Financial results (without exchange rate variations)	-	(45.6)	(292.2)	(337.8)
Exchange rate variations	-	(0.2)	(19.0)	(19.2)
Loss before taxes	(194.0)	(85.9)	(326.8)	(606.7)
Depreciation and amortization	65.3	28.2	4.7	98.2

(*) Includes Company expenses and the results from the operations of subsidiary SGUS.

The Company, through the analysis of sales performance, classifies its products under the categories of sales (or product lines) such as: bedding, tabletop and bath, intermediate products, and retail.

Revenue information by category or product lines is as follows:

	Consolidated	
	2023	2022
Net revenues (in millions of Reais):		
Bedding, tabletop and bath	339.4	660.5
Intermediate products	13.3	176.3
Retail	333.7	380.6
	686.4	1.217.4
Volume (in thousands of tons):		
Bedding, tabletop and bath	5.5	13.3
Intermediate products	1.5	10.9
	7.0	24.2

The Company has over 10,000 active clients in the wholesale segment as of December 31, 2023.

25. NET REVENUES

The reconciliation between gross revenues and net revenues presented in the statements of operations is as follows:

	Consolidated	
	2023	2022
OPERATING REVENUES:		
Gross revenues	873,077	1,662,356
Revenue deductions	(186,635)	(444,911)
NET REVENUES	686,442	1,217,445

26. EXPENSES BY NATURE

The Company presents its consolidated statements of operations by function. The expenses by nature and their classification by function are presented as follows:

By nature:

	Consolidated	
	2023	2022
Cost of raw materials, goods and services acquired from third parties	(473,867)	(947,556)
Employees benefits	(333,889)	(335,789)
INSS	(43,238)	(43,057)
Depreciation and amortization	(92,766)	(98,206)
Finished goods and work in process inventory variations	(122,821)	(96,909)
Total by nature	(1,066,581)	(1,521,517)

By function:

	Consolidated	
	2023	2022
Cost of goods sold	(454,645)	(879,747)
Idle costs and others	(221,446)	(175,097)
Selling expenses	(247,458)	(315,998)
General and administrative expenses	(126,822)	(132,513)
Management fees	(16,210)	(18,162)
Total by function	(1,066,581)	(1,521,517)

27. BASIC AND DILUTED LOSS PER SHARE

Basic loss per share was calculated as follows:

	2023	2022
NET LOSS FOR THE YEAR	(1,065,922)	(630,785)
Weighted-average outstanding common shares	50,000,000	50,000,000
BASIC AND DILUTED LOSS PER SHARE (R$)	(21.3184)	(12.6157)

The Company does not have shares with dilutive potential. Therefore, the basic loss per share equals the diluted loss per share.

28. SUBSEQUENT EVENTS

a) Restructuring

In July 2023, in the context of restructuring its business plan, the subsidiary CSA signed an agreement with the workers' unions in Montes Claros, Blumenau and João Pessoa, to reduce the number of employees and their payment terms. With the aforementioned agreement, a reduction of 1,709 employees will occur within 90 days, and the subsidiary CSA will have 4,272 employees in Brazil. The estimated initial costs with fines and agreed benefits total approximately R$42,929, and would be paid in up to 12 installments. In 2023, the costs of these terminations amounted to R$38,673. For cases of indirect termination, labor provisions were supplemented. See note 19.

Between October 2023 and April 2024, within the scope of the workers’ union agreements, subsidiary CSA included the termination of another 2,710 employees in its restructuring plan. Total dismissal costs, including fines and agreed benefits, amount to approximately R$104.0 million, of which R$81.7 million were included in the Judicial Recovery process.

Considering the increase in labor lawsuits from December 2023 to August 2024, subsidiary CSA supplemented the accrual balance for labor claims by approximately R$52.2 million, which is not reflected in these financial statements.

On April 2, 2024, the Company disclosed a material fact regarding the consolidation of the manufacturing facilities of the subsidiary CSA, involving the deactivation of two industrial plants and, consequently, making these plants available for sale or lease. The accounting impacts of these measures will only be reflected in the March 2024 interim financial statetments, classified as “Investment Properties.”

The fair value of these manufacturing units, determined in an appraisal report by Mercatto, excluding machines and equipment that will be made available for sale, is R$510.1 million, with an increase in equity of R$274.8 million, net of the income tax provision.

In 2024, in the context of operational restructuring and working capital adjustment, management of the indirect subsidiary AMMO decided to close 33 owned stores, currently ongoing. With this decision, the amounts related to improvements in leased properties and other fixed assets, as well as commercial points, became non-recoverable, and, therefore, an impairment loss was accrued in the amount of R$4,243 and R$5,761, respectively, already recognized in these financial statements (see notes 10 and 12).

b) Loan and financing restructuring

Banco do Brasil – In March 2024, the subsidiary CSA restructured NCE loans (Export Credit Notes) in the amount of R$449,849, considering an annual interest rate of 100% CDI, maturing in December 2033. Monthly interest amortization starts in 2026, and principal amortization begins in 2029. In April 2024, the subsidiary CSA restructured ACC loan debts in the amount of R$49,815, considering an annual interest rate of 6.52% and maturing in January 2025. The loans are secured by: (i) properties, machines and equipment, registered as first-degree liens; (ii) guarantees from the Company and its Parent Company; and (iii) accounts receivable.

Banco Safra – In March 2024, the subsidiary CSA entered into an settlement agreement, restructuring debts in the amount of R$3,610, considering an annual rate of 6.2% + CDI, maturing by February 2029. The principal amortization starts in April 2025. The loan is secured by a guarantee.

Banco Luso Brasileiro – In March 2024, the subsidiary CSA delivered the property in Acreúna as payment for the settlement of a loan with the bank in the amount of R$11,253, with an option to repurchase the property and a right of first refusal. With this transaction, the loans with the bank were fully settled. This operation resulted in a loss of R$19,114, which is reflected in these financial statements. See note 10.b.2.

Banco Sofisa – In March 2024, the subsidiary CSA delivered properties as payment for partial settlement of loans with the bank in the amount of R$27,871. This operation resulted in a gain of R$25,848, which is not reflected in these financial statements. In November 2024, the subsidiary CSA renegotiated loan debts totaling R$4,062, with maturity to be settled by November 2029 and principal amortization starting in December 2025. The loan is secured by a guarantee and a pledge of properties.

Banco Bradesco – In March 2024, the Parent company CTNM entered into a settlement agreement with the Municipality of Blumenau and Banco Bradesco through the expropriation of property, receiving R$21,978, as follows:

a) Labor Court of Blumenau in the total amount of R$11,257, received in 20 equal monthly installments updated by the positive variation of the SELIC rate (the basic interest rate of the economy) to offset labor claims of the subsidiary CSA in the Municipality.

b) Banco Bradesco in the total amount of R$1,965, received in 4 equal monthly installments updated by the positive variation of the SELIC rate, which will offset overdue installments of the Company's loan with FINEP (guaranteed by Banco Bradesco).

c) Subsidiary CSA in the total amount of R$8,756, received in 16 equal monthly installments updated by the positive variation of the SELIC rate. The amounts receivable by the subsidiary CSA will be allocated to a reserve fund for the settlement of SGPSA's loan with FINEP.

Banco Daycoval – In April 2024, the subsidiary CSA restructured NCE loans (Export Credit Notes) in the amount of R$21,084, considering an annual interest rate of 9.25% + CDI, maturing in October 2026. In April 2024, the subsidiary CSA restructured a CCB loan (Bank Credit Instrument) in the amount of R$2,689, considering an annual interest rate of 19.14% + CDI, maturing in October 2025. In September 2024, the subsidiary CSA renegotiated loan debts totaling R$26,074, with an annual interest rate of 1.5% + CDI and maturity set for April 2026.The loans are secured by: (i) guarantees from the Parent Company; and (ii) fiduciary assignment of real estate.

Banco Industrial do Brasil –On May 6, 2024, the subsidiary CSA, together with Companhia Tecidos Santanense and the parent company CTNM, delivered properties in payment in kind to settle their loans with the bank, in the total amount of R$64,340 (R$21,631 in loans from the subsidiary CSA), through a loan with the companies that own the properties (parent company CTNM, Encorpar Empreendimentos Imobiliários and Seda S.A.).

Banco Fibra – In June 2024, the subsidiary CSA restructured loan debts in the amount of R$21,599, considering an annual interest rate of 3% + CDI for 24 months and thereafter an annual interest rate of 6.75%

+ CDI, maturing in June 2029. The annual principal amortization starts in 2025. The loans are secured by: (i) guarantees from the Company and its Parent Company CTNM; (ii) fiduciary assignment of accounts receivable, credit rights, and rural product promissory notes; (iii) fiduciary assignment of real estate.

The restructurings presented above are not reflected in these financial statements as of December 31, 2023.

c) Debentures - AMMO

In December 2023, for non-compliance with certain non-monetary contractual clauses, the debenture holder Ordenes sent correspondence to its indirect subsidiary AMMO and the subsidiary CSA, notifying both that a breach of contractual clauses had been verified, and that it could request the early maturity of the debentures, but did not do so.

In February 2024, addendums to the guarantee contracts and the deed of the debentures issued by the indirect subsidiary AMMO were signed, providing additional guarantees, and in exchange for these additional guarantees, an additional period of one year was granted for the debenture holder, indirect subsidiary AMMO Varejo and subsidiary CSA to find a solution for the settlement of the debentures.

On May 8, 2024, the Company and the indirect subsidiary AMMO disclosed a material fact about the notification sent by the debenture holder Ordenes, claiming early maturity and the consequent execution of guarantees demanding the consolidation of ownership of the shares issued by the indirect subsidiary AMMO.

The subsidiary CSA, in turn, counter-notified the debenture holder, stating that the early maturity of the debt represented by the Debentures had not occurred, much lessthe possibility of executing the shares of AMMO or transferring such shares to any other company.

In this context, to ensure the preservation of business activities and assets of the Companies and their subsidiaries, which would be subject to irreparable harm, the subsidiary CSA, together with other companies in the group, requested Judicial Recovery on May 6, 2024, and obtained a preliminary grant of their requests.

On July 17, 2024, an agreement was signed between the debenture holder and the subsidiary AMMO, and other companies in the group to extend the maturity of the debentures and resolve disputes between the parties. In this agreement, in addition to new guarantees, including MMartan trademark, quarterly payments starting from December 2025 of fixed installments of R$3,750 until December 2029 were agreed upon, and payment of the outstanding balance by December 2029. Provided that certain agreed-upon conditions are met, there will be no interest on the principal, and if the payment of US$34,541 is made by December 2029, the remaining balance of the debt will be extinguished as a performance bonus, and the debentures will be subsequently canceled.

d) Other Subsequent Events

Stock Consolidation – In an Extraordinary General Meeting of the Company’s shareholders, held on May 29, 2024, the consolidation of all shares issued by the Company was approved at a ratio of 5 shares for 1 share of the same kind without modifying the value of its Capital.

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