Individual and Consolidated Financial Statements under BR GAAP and IFRS 2023

Individual and consolidated Financial Statements in BR GAAP and IFR

C&A Modas S.A.

December 31, 2023 and 2022
and the Report of the Independent Auditor

C&A Modas S.A.

Individual and consolidated Financial Statements

December 31, 2023 and 2022

Content

Independent auditor´s report on the individual and consolidated financial statements

Opinion

We have audited the individual and consolidated financial statements of C&A Modas S.A. (“Company”), identified as Parent Company and Consolidated, respectively, which comprise the statement of financial position as at December 31, 2023 and the statements of operations, comprehensive income (loss), changes in equity and cash flows for the year then ended, and notes to the financial statements, including material accounting policy information. and other instructive information.

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

Basis for opinion

We conducted our audit in accordance with Brazilian and International Standards on Auditing. Our responsibilities under those standards are further described in the ‘Auditor’s responsibilities for the audit of the individual and consolidated financial statements’ section of our report. We are independent of the Company and its subsidiaries and in accordance with the relevant ethical principles set forth in the Code of Professional Ethics for Accountants, the professional standards issued by the Brazilian National Association of State Boards of Accountancy (“CFC”) and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Key audit matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the financial statements of the current period. These matters were addressed in the context of our audit of the individual and consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters. For each matter below, our description of how our audit addressed the matter, including any commentary on the findings or outcome of our procedures, is provided in that context.

We have fulfilled the responsibilities described in the “Auditor’s responsibilities for the audit of the individual and consolidated financial statements” section of our report, including in relation to these matters. Accordingly, our audit included the performance of procedures designed to respond to our assessment of the risks of material misstatement of the financial statements. The results of our audit procedures, including the procedures performed to address the matters below, provide the basis for our audit opinion on the accompanying financial statements.

Recoverability of deferred income and social contribution tax assets

As disclosed in Note 14, the Company has recorded deferred income and social contribution tax assets in the amount of R$705,479 thousand as at December 31, 2023, computed on temporary differences and income and social contribution tax losses carryforward. The Company evaluated the recoverability of deferred income and social contribution tax assets based on projections of future taxable profits.

We consider this to be a key audit matter since this evaluation involves a high degree of professional judgment by Management based on assumptions and criteria used in determining the projections of taxable profits, which are affected by future market expectation and economic conditions.

How our audit conducted this matter

Our procedures included, among others, the engagement of subject matter experts in valuation and taxes to assist us in assessing the assumptions and methodology used by the Company, in particular those related to the projections of future taxable profits. Projections of future taxable profits were prepared based on the Company's business plan, which was approved by the Management's bodies. We also evaluated the appropriateness of the disclosures related to this matter in Note 14.

Based on the result of the audit procedures performed on the recoverability of deferred income and social contribution tax assets, which is consistent with Management's assessment, we consider that the criteria and assumptions adopted by Management, as well as the related disclosures in Note 14 are acceptable in the context of the financial statements taken as a whole.

Realization of extemporaneous tax credits

As disclosed in Note 12, on December 31, 2023, the Company has extemporaneous tax credits related to PIS and COFINS in the amount of R$664,919 thousand and ICMS in the amount of R$ 81,794 thousand, arising from legal claims that have already become final ruling and causes that await the final ruling, but whose probability of favorable outcome to the Company is considered by the legal advisors as being virtually certain. The Company evaluated the recoverability of these balances based on projections of its prospective financial information.

We consider it as a main audit subject since such assessment involves a high degree of professional judgment by management in determining assumptions and criteria used in these projections of prospective financial information, which are affected by future market expectation and economic conditions.

How our audit conducted this matter

Our procedures included, among others, the involvement of professionals specialized in financial projections and taxes to assist us in evaluating the assumptions and methodology used by the Company, in particular those related to future scenario projections. The projections of prospective financial information were prepared based on the Company's business plan, which was approved by the management. We also evaluate the adequacy of disclosures related to this subject in Note 12.

We identified a significant deficiency in the Company's internal controls regarding the recognition in the year ended December 31, 2023 of extemporaneous credits, recognized in the incorrect jurisdiction. We communicate this to management and the Audit and Financial Risk Committee.

Based on the results of the audit procedures carried out on the recoverability of extemporaneous credit balances, which is consistent with the management's assessment, we consider that the criteria and assumptions adopted by management, as well as the respective disclosures in Note 12, are acceptable, in the context of the financial statements taken together.

Tax contingencies

The Company is party to administrative and judicial proceedings arising from various tax disputes, whose provision as at December 31, 2023 was R$253,499 thousand (R$149,748 thousand net of judicial deposits with corresponding liabilities), as disclosed in Note 25. The assessment of the probability of loss and the measurement of the provision to cover the probable losses require judgment by the Company's management, which relies on the opinions of its internal and external legal advisors. Changes in the assumptions used by the Company, which are the basis for exercising this judgment, or on external factors, including the positioning of the tax authorities and courts, may significantly impact the individual and consolidated financial statements of the Company.

Additionally, as of December 31, 2023, the Company is party to tax discussions totaling R$379,235 thousand, as disclosed in Note 25.4, which are not recorded in the financial statements due to Management assessment, supported by its external and internal legal advisors, that the likelihood of loss on these discussions is possible, but not probable.

We consider this to be a key audit matter due to the magnitude of the amounts involved and the fact that the assessment of likelihood of loss and the measurement of these contingencies involve a high degree of professional judgment by the Company's Management together with its external and internal legal advisors.

How our audit conducted this matter

Our audit procedures included, among others, the evaluation of the accounting policies adopted by the Company for the classification of administrative and judicial proceedings between probable, possible or remote likelihood of loss, including the assumptions used to measure the amounts to be recorded as a provision for tax proceedings. We analyzed the provisions recorded and the proceedings disclosed in relation to contingencies classified as possible loss, taking into consideration the assessments prepared by the Company's external and internal legal advisors. We obtained evidence on the risks of losses considered by the Company in the main claims, including the existing documentation and legal opinions, as well as obtained external confirmations of the Company's external legal advisors containing their opinions regarding the current stage and the likelihood of loss in these administrative and judicial proceedings. Additionally, we evaluated the adequacy of the disclosures of Note 25 to the individual and consolidated statements as at December 31, 2023.

Based on the result of audit procedures performed as to tax contingencies, which is consistent with Management's assessment, we understand that the criteria and assumptions used in the measurement of provisions, as well as the respective disclosures in Note 25 are acceptable in the context of the financial statements taken as a whole.

Information Technology Environment

The Company has a high volume of daily transactions, carried out through the operations that occurred in its stores, Distribution Centers and internal processes. Due to the Company's high dependence on systems and technology structure, we consider the information technology environment, for the processing and generation of financial and accounting information that directly impacts the financial statements, as a key audit matter.

How our audit conducted this matter
Our audit procedures included, among others: (i) evaluation of the design and operational effectiveness of the information technology general controls ("ITGCs") implemented by the Company for the systems we consider relevant for the generation of information that directly impacts the financial statements; (ii) evaluation of audit procedures to assess the effectiveness of controls over logical access, change management, information technology operations management, report processing, and other aspects of technology; (iii) involvement of information technology professionals to assist us in the execution of these procedures; (iv) evaluation of the process of generating and extracting reports that support the accounting balances; and (v) execution of adherence tests on the information produced by the Company's systems and applications. With regard to the audit of logical accesses: (i) we analyze the process of authorization and granting of new users, timely revocation of access to transferred or terminated employees, and periodic review of users; and (ii) we evaluate password policies, security settings, and access to technology resources. With regard to the change management process: (i) we assess whether the changes to the systems were duly authorized and approved by the Company's executive board; and (ii) we analyze the operations management process, focusing on policies for safeguarding information and the timeliness in handling incidents.

We identified deficiencies of logical access related to segregation of duties and of change controls, of infrastructure management, of access granting, of access revocation, of access change, and of access review. Deficiencies identified have altered our assessment of the nature, timing, and extent of our planned substantive procedures to obtain sufficient and adequate audit evidence of the individual and consolidated financial statements as of December 31, 2023. Taking this into account, the results of the audit procedures carried out provided us with appropriate and sufficient audit evidence in the context of the individual and consolidated financial statements.

Other matters

Statements of value added

The individual and consolidated statements of value added for the year ended December 31, 2023, prepared under the responsibility of the Company’s Management and presented as supplementary information for IFRS purposes were submitted to audit procedures conducted together with the audit of the Company's financial statements. To form our opinion, we evaluated if these statements are reconciled to the financial statements and accounting records, as applicable, and if their form and content comply with the criteria defined by Accounting Rule NBC TG 09 - Statement of Value Added. In our opinion, these statements of value added were prepared fairly, in all material respects, in accordance with the criteria defined in the above-mentioned accounting rule and are consistent in relation to the overall individual and consolidated financial statements.

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

Management is responsible for such other information, including the Management Report.

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

In connection with the audit of the individual and consolidated financial statements, our responsibility is to read the Management Report and, in doing so, consider whether the report is significantly inconsistent with the financial statements or with our knowledge obtained in the audit, or otherwise seems to contain material misstatements. If, based on our work, we conclude that there are material misstatements in the Management Report, we are required to communicate this matter. We have nothing to report in this regard.

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 the accounting practices adopted in Brazil and with the International Financial Reporting Standards (IFRS) issued by the International Accounting Standards Board (IASB), and for such internal control as management determines is necessary to enable the preparation of financial statements that are free of material misstatement, whether due to fraud or error.

In preparing the individual and consolidated financial statements, Management is responsible for assessing the Company’s ability to continue as a going-concern, disclosing, as applicable, matters related to going concern and using the going-concern basis of accounting unless management either intends to liquidate the Company and its subsidiaries or to cease operations, or has no realistic alternative but to do so.

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

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

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

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

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

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

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

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

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

- We obtained sufficient appropriate audit evidence relating to the financial information of the group's entities or business activities to express an opinion on the individual and consolidated financial statements. We are responsible for the direction, supervision and performance of the group's audit and, consequently, for the audit opinion.

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

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

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

ERNST & YOUNG
Auditores Independentes S.S. LTDA.
CRC-2SP034519/O

Flávio Serpejante Peppe
Accountant CRC-1SP172167/O

C&A Modas S.A.

Statements of Financial Position
On December 31, 2023 and 2022
(in thousand Reals)

	Note	Parent Company		Consolidated	
	Note	2023	2022	2023	2022
Assets					
Current					
Cash and cash equivalents	6	**1,130,245**	1,627,977	**1,155,588**	1,674,091
Bonds and securities	7	**-**	8,735	**191,587**	8,735
Trade receivables	8	**1,054,599**	1,065,961	**1,778,421**	1,278,206
Derivatives	32.4	**721**	1,371	**721**	1,371
Related parties	9	**323**	4,335	**92**	95
Inventory	11	**875,238**	852,224	**875,155**	852,033
Taxes recoverable	12	**379,126**	898,651	**388,451**	899,433
Other Assets	13	**51,785**	39,200	**51,827**	39,259
Total current assets		**3,492,037**	4,498,454	**4,441,842**	4,753,223
Non-current assets					
Long-term assets					
Bonds and securities - FIDC	7	**791,352**	-	**-**	-
Taxes recoverable	12	**1,197,839**	937,371	**1,197,839**	937,371
Deferred taxes	14	**535,488**	423,049	**535,959**	423,049
Judicial deposits	25.3	**47,641**	61,290	**47,668**	61,290
Related parties	9	**19**	76	**19**	76
Other Assets	13	**3,219**	2,528	**3,219**	2,528
Total long-term assets		**2,575,558**	1,424,314	**1,784,704**	1,424,314
Investments	15	**118,249**	48,655	**-**	-
Property and Equipment	16	**763,401**	865,545	**763,401**	865,545
Right-of-use assets - leases	19	**1,462,945**	1,565,447	**1,462,945**	1,565,447
Intangible assets	17	**964,493**	1,020,702	**964,764**	1,021,065
Total non-current assets		**5,884,646**	4,924,663	**4,975,814**	4,876,371
Total assets		**9,376,683**	9,423,117	**9,417,656**	9,629,594

C&A Modas S.A.

Statements of Financial Position
On December 31, 2023 and 2022
(in thousand Reals)

	Note	Parent Company		Consolidated	
	Note	2023	2022	2023	2022
Net liabilities and equity					
Current					
Leases	19	**501,642**	513,238	**501,642**	513,238
Suppliers	20	**1,172,988**	1,466,548	**1,189,225**	1,478,387
Obligations - Forfait	21	**364,709**	386,266	**364,709**	386,266
Loans and debentures	22	**511,427**	582,558	**511,427**	746,015
Derivatives	32.4	**1,392**	1,756	**1,392**	1,756
Labor liabilities	23	**230,098**	198,732	**231,364**	198,732
Related parties	9	**79,760**	48,567	**71,661**	43,592
Taxes payable	24	**277,772**	245,954	**287,249**	248,041
Other liabilities		**20,571**	29,733	**41,462**	63,704
Total current liabilities		**3,160,359**	3,473,352	**3,200,131**	3,679,731
Non-current assets					
Leases	19	**1,209,781**	1,275,974	**1,209,781**	1,275,974
Suppliers	20	**551,248**	12,570	**551,248**	12,570
Loans and debentures	22	**1,176,427**	1,404,817	**1,176,427**	1,404,817
Labor liabilities	23	**18,740**	7,370	**18,740**	7,370
Provisions for tax, civil, and labor risks	25	**183,791**	182,750	**184,989**	182,847
Taxes payable	24	**12,410**	15,863	**12,410**	15,863
Other liabilities		**51,211**	50,226	**51,211**	50,226
Total non-current liabilities		**3,203,608**	2,949,570	**3,204,806**	2,949,667
Total liabilities		**6,363,967**	6,422,922	**6,404,937**	6,629,398
Shareholder's Equity					
Capital stock	26	**1,847,177**	1,847,177	**1,847,177**	1,847,177
Shares in Treasury		**(8,498)**	(6,778)	**(8,498)**	(6,778)
Capital reserve		**49,879**	37,641	**49,879**	37,641
Profit reserve		**1,124,744**	1,122,409	**1,124,744**	1,122,409
Other comprehensive income		**(586)**	(254)	**(586)**	(254)
Total controlling shareholders		**3,012,716**	3,000,195	**3,012,716**	3,000,195
Total non-controlling shareholders		**-**	-	**3**	1
Total shareholder's equity		**3,012,716**	3,000,195	**3,012,719**	3,000,196
Total liabilities and shareholder's equity		**9,376,683**	9,423,117	**9,417,656**	9,629,594

The explanatory notes are an unseverable component of the financial statements.

C&A Modas S.A.

Statements of earnings
Periods ending December 31, 2023 and 2022
(In thousand Reals - R$, except earnings per share)

	Note	Parent Company 2023	2022	Consolidated 2023	2022
Net Revenue	28	**6,481,200**	6,081,265	**6,719,317**	6,183,550
Sales of goods and services		**6,376,470**	5,926,749	**6,362,725**	5,926,177
Financial Products and Services		**104,730**	154,516	**356,592**	257,373
Cost of goods sold and services rendered	29	**(3,196,478)**	(3,076,995)	**(3,197,049)**	(3,077,441)
Sales of goods and services		**(3,196,073)**	(3,076,408)	**(3,195,966)**	(3,075,909)
Financial Products and Services		**(405)**	(587)	**(1,083)**	(1,532)
Gross profit		**3,284,722**	3,004,270	**3,522,268**	3,106,109
Operating revenue (expenses):					
General and administrative	29	**(783,776)**	(676,045)	**(786,065)**	(682,646)
Sales	29	**(2,106,144)**	(2,178,333)	**(2,183,983)**	(2,260,266)
Net credit losses	8.5	**-**	-	**(223,878)**	(64,271)
Share of profit of subsidiaries	15	**(5,590)**	(52,667)	**-**	-
Other net operating income (expenses)	29	**66,362**	170,287	**66,106**	169,254
Profit before financial results		**455,574**	267,512	**394,448**	268,180
Exchange variation		**1,980**	324	**1,980**	324
Finance expenses		**(678,660)**	(599,947)	**(636,476)**	(601,339)
Finance income		**184,087**	288,304	**198,745**	289,559
FIDC C&A Pay		**(4,648)**	-	**-**	-
Bonds and securities		**-**	-	**7,068**	-
Finance results	30	**(497,241)**	(311,319)	**(428,683)**	(311,456)
Loss before income taxes		**(41,667)**	(43,807)	**(34,235)**	(43,276)
Income taxes	14	**44,002**	44,638	**36,572**	44,105
Net income for the period		**2,335**	831	**2,337**	829
Attributable to the shareholders:					
Non-controlling				**2**	(2)
Controlling				**2,335**	831
				2,337	829
Basic profit per share in R$	35			**0.0076**	0.0027
Diluted basic profit per share in R$	35			**0.0076**	0.0027

The explanatory notes are an unseverable component of the financial statements.

C&A Modas S.A.

Statement of comprehensive income (loss)
Periods ending December 31, 2023 and 2022
(in thousand Reals - R$)

	Parent Company		Consolidated	
	2023	**2022**	**2023**	**2022**
Net income for the period	**2,335**	831	**2,337**	829
Other comprehensive results:				
Gains (losses) from derivatives	**(286)**	(9)	**(286)**	(9)
Other comprehensive results	**(143)**	-	**(143)**	-
Tax effects	**97**	3	**97**	3
Total comprehensive results to be reclassified to results for the period in subsequent periods, net of taxes	**(332)**	(6)	**(332)**	(6)
Total comprehensive results	**2,003**	825	**2,005**	823
Attributable to the shareholders:				
Non-controlling	**-**		**2**	(2)
Controlling	**-**		**2.003**	825
			2,005	823

The explanatory notes are an unseverable component of the financial statements.

C&A Modas S.A.

Statements of changes in equity
Periods ending December 31, 2023 and 2022
(in thousand Reals - R$)

	Note	Capital stock	Shares in Treasury	Capital reserve		Profit reserve				Other comprehensive income	Retained earnings (Accumulated Losses)	Total controlling interests	Non-controlling interests	Total shareholder's equity
				Capital reserve	Shares granted	Legal reserve	Reserves for unrealized gains	Reserve for tax incentives	Reserve for investments	Equity valuation adjustments				
Balance on December 31, 2021		1,847,177	(1,362)	10,516	17,345	65,050	75,720	11,552	969,256	(248)	-	2,995,006	3	2,995,009
Equity instruments granted - share-based compensation	10	-	-	-	9,780	-	-	-	-	-	-	9,780	-	9,780
Share buy-back		-	(5,416)	-	-	-	-	-	-	-	-	(5,416)	-	(5,416)
Destination of earnings:														
Net income for the period		-	-	-	-	-	-	-	-	-	831	831	(2)	829
Legal reserve		-	-	-	-	42	-	-	-	-	(42)	-	-	-
Reserve for tax incentives	24.8	-	-	-	-	-	-	789	-	-	(789)	-	-	-
Other comprehensive income		-	-	-	-	-	-	-	-	(6)	-	(6)	-	(6)
Balance on December 31, 2022		1,847,177	(6,778)	10,516	27,125	65,092	75,720	12,341	969,256	(254)	-	3,000,195	1	3,000,196
Equity instruments granted - share-based compensation	10	**-**	**-**	**-**	**12,238**	**-**	**-**	**-**	**-**	**-**	**-**	**12,238**	**-**	**12,238**
Share buy-back		**-**	**(1,720)**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**(1,720)**	**-**	**(1,720)**
Destination of earnings:		**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**
Net income for the period		**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**2,335**	**2,335**	**2**	**2,337**
Legal reserve		**-**	**-**	**-**	**-**	**116**	**-**	**-**	**-**	**-**	**(116)**	**-**	**-**	**-**
Reserve for tax incentives	24.8	**-**	**-**	**-**	**-**	**-**	**-**	**2,219**	**-**	**-**	**(2,219)**	**-**	**-**	**-**
Other comprehensive income		**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**(332)**	**-**	**(332)**	**-**	**(332)**
Balance on December 31, 2023		**1,847,177**	**(8,498)**	**10,516**	**39,363**	**65,208**	**75,720**	**14,560**	**969,256**	**(586)**	**-**	**3,012,716**	**3**	**3,012,719**

The explanatory notes are an unseverable component of the financial statements.

C&A Modas S.A.

Statements of cash flow
Periods ending December 31, 2023 and 2022
(in thousand Reals - R$)

	Note	Parent Company 2023	Parent Company 2022	Consolidated 2023	Consolidated 2022
Operating activities					
Income (loss) before income tax		**(41,667)**	(43,807)	**(34,235)**	(43,276)
Adjustments to reconcile income before income taxes to net cash flows:					
Allowance (reversal) for expected credit losses	8.5	**2,155**	4,582	**233,482**	68,527
Adjustment to present value of accounts receivables and suppliers		**(3,815)**	(480)	**(3,815)**	(480)
Expenses with stock-based compensation	10	**12,238**	9,780	**12,238**	9,780
Provisions for inventory losses	11.3	**78,027**	63,139	**78,027**	63,139
Gains/Recognition of tax claims, including monetary correction	12.2.1.4	**(67,821)**	(225,271)	**(67,821)**	(225,271)
Share of profit of subsidiaries	15.2	**5,590**	52,667	**-**	-
Depreciation and amortization	16.3 and 17.3	**367,559**	294,967	**367,653**	295,060
Impairment (Reversal) of provisions for property and equipment, intangibles, and right-of-use assets	18.2	**(3,816)**	(6,141)	**(3,816)**	(6,141)
Losses from the sale or disposal of property and equipment and intangible assets		**9,411**	8,594	**9,411**	8,594
Right-of-use amortization	19.4	**373,419**	381,532	**373,419**	381,532
Lease liabilities		**(2,582)**	(6,577)	**(2,582)**	(6,577)
Interest on leases	19.4	**173,079**	165,719	**173,079**	165,719
Interest on loans	22.4	**255,421**	272,449	**255,421**	272,449
Amortization of the transaction costs on loans	22.4	**4,389**	2,777	**5,188**	4,247
Provisions (reversal) for tax, civil and labor risks		**27,100**	42,047	**28,201**	42,144
Update of judicial deposits		**(9,590)**	(10,972)	**(9,590)**	(10,972)
Yield from investments in bonds and securities		**(322)**	(959)	**1,286**	(959)
Variations in assets and liabilities:					
Trade receivables		**17,021**	68,349	**(725,883)**	(206,909)
Related parties		**35,263**	(14,572)	**28,129**	(14,959)
Inventory		**(105,932)**	(66,094)	**(106,040)**	(65,903)
Taxes recoverable		**326,878**	77,830	**318,335**	77,400
Other credits		**(13,276)**	(5,804)	**(13,259)**	(5,852)
Bonds and securities		**(782,295)**	-	**(184,138)**	-
Judicial deposits		**15,579**	785	**15,551**	785
Suppliers		**265,630**	134,722	**270,028**	145,501
Obligations – forfait		**(21,557)**	-	**(21,557)**	-
Labor liabilities		**42,736**	44,957	**44,002**	44,957
Other liabilities		**(8,359)**	10,739	**(21,578)**	44,377
Provisions for tax, civil and labor risks		**(18,399)**	(17,989)	**(18,399)**	(17,989)
Taxes payable		**(13,918)**	89,032	**(12,965)**	91,221
Income Tax and Social Contribution paid		**(26,055)**	(18,822)	**(27,521)**	(19,770)
Cash flow originating (invested in) operating activities		**892,092**	1,307,179	**960,251**	1,090,374
Investment activities					
Purchase of property and equipment		**(74,161)**	(193,203)	**(74,161)**	(193,203)
Purchase of intangible assets		**(161,803)**	(278,765)	**(161,805)**	(278,765)
Investments in subsidiaries		**(135,828)**	(70,000)	**-**	-
Reduction of capital in subsidiary		**60,500**	-	**-**	-
Receivables from the sale of property and equipment		**1,543**	380	**1,543**	380
Cash flow used in investment activities		**(309,749)**	(541,588)	**(234,423)**	(471,588)
Financing activities					
New loans and debentures issued		**250,000**	850,000	**381,372**	1,291,249
Loan/debenture transaction costs		**(4,183)**	(6,104)	**(4,983)**	(7,574)
Repayment of loans (principal)		**(452,500)**	(295,000)	**(745,429)**	(590,042)
Interest paid on loans		**(352,648)**	(195,503)	**(354,547)**	(194,323)
Repayments and interest paid on leases		**(519,024)**	(488,840)	**(519,024)**	(488,840)
Share buy-back		**(1,720)**	(5,416)	**(1,720)**	(5,416)
Net cash flows originating from (used by) financing activities		**(1,080,075)**	(140,863)	**(1,244,331)**	5,054
Net increase (decrease) in cash and cash equivalents		**(497,732)**	624,728	**(518,503)**	623,840
Cash and cash equivalents at the start of the period		**1,627,977**	1,003,249	**1,674,091**	1,050,251
Cash and cash equivalents at the end of the period		**1,130,245**	1,627,977	**1,155,588**	1,674,091

The explanatory notes are an unseverable component of the financial statements.

C&A Modas S.A.

Statements of value added
Periods ending December 31, 2023 and 2022
(in thousand Reals - R$)

	Parent Company		Consolidated	
	2023	2022	2023	2022
Revenue				
Sales of goods and services	**8,513,173**	7,918,641	**8,759,522**	8,034,803
Other operating revenue	**69,012**	202,980	**63,210**	202,980
Provision for/reversal of expected credit losses	**1,478**	31	**(222,399)**	(64,240)
	8,583,663	8,121,652	**8,600,333**	8,173,543
Inputs acquired from third parties				
Cost of goods and services sold	**(3,087,933)**	(3,003,603)	**(3,087,825)**	(3,003,105)
Materials, energy, third party services, and others	**(936,568)**	(1,017,627)	**(990,650)**	(1,053,989)
Impairment of assets	**(91,108)**	(49,593)	**(91,108)**	(49,593)
	(4,115,609)	(4,070,823)	**(4,169,583)**	(4,106,687)
Gross Value Added	**4,468,054**	4,050,829	**4,430,750**	4,066,856
Depreciation and amortization	**(367,559)**	(294,967)	**(367,653)**	(295,060)
Depreciation of right-of-use	**(373,419)**	(381,531)	**(373,419)**	(381,531)
Withholdings	**(740,978)**	(676,498)	**(741,072)**	(676,591)
Net value added generated	**3,727,076**	3,374,331	**3,689,678**	3,390,265
Value added received through transfer				
Share of profit of subsidiaries	**(5,590)**	(52,667)	**-**	-
Finance income	**202,514**	327,142	**232,247**	328,464
	196,924	274,475	**232,247**	328,464
Total value added for distribution	**3,924,000**	3,648,806	**3,921,925**	3,718,729
Distribution of value added				
Personnel and payroll charges	**901,293**	883,831	**924,225**	937,891
Direct compensation	**657,645**	655,465	**680,168**	700,699
Benefits	**147,664**	152,471	**148,041**	152,471
F.G.T.S.	**55,496**	55,855	**55,811**	55,855
Other	**40,488**	20,040	**40,205**	28,866
Taxes and Contributions	**2,133,020**	1,935,891	**2,150,410**	1,950,370
Federal	**681,127**	646,994	**702,526**	658,880
State	**1,386,849**	1,231,856	**1,381,046**	1,232,202
Municipal	**65,044**	57,041	**66,838**	59,288
Debt remuneration	**887,352**	828,253	**844,953**	829,641
Rentals	**207,370**	211,212	**207,370**	211,212
Finance expenses	**679,982**	617,041	**637,583**	618,429
Compensation on equity	**2,335**	831	**2,337**	827
Withheld profit	**2,335**	831	**2,335**	829
Share of withheld profits of non-controlling shareholders	**-**	-	**2**	(2)
Distribution of value added	**3,924,000**	3,648,806	**3,921,925**	3,718,729

The explanatory notes are an unseverable component of the financial statements.

1. Operating Context

C&A Modas S.A. (hereafter the "Company" or "Controlling Entity") has its main offices located at Alameda Araguaia, 1.222 - Barueri - São Paulo - Brazil. The Company is a traded company, currently 33.54% of its shares are traded on the B3 Brazilian stock exchange (São Paulo – Brazil) under the ticker “CEAB3”. The ultimate parent company is COFRA Holding AG headquartered in Switzerland.

The primary activities of the C&A Modas and its subsidiaries (jointly the “Group” or “Consolidated”) are:

<u>Marketing & Sales:</u>
. Sale of goods in B&M stores and online. The Company portfolio includes apparel, footwear, accessories, cell phones, watches, costume jewelry, and cosmetics, among others.

<u>Financial Services:</u>
. Intermediation of credit granted to finance purchases.
. Issuing (private label) credit cards and granting personal loans.
. Intermediation in brokering and promoting the distribution of insurance, capitalization bonds, and related products offered by insurers and other third-parties offering such products.
. Proprietary payment institution activities, which involves processing financial transactions and related services.

The Group sells its merchandise in 334 stores (332 stores On December 31, 2022), supplied by 6 logistics operations and 3 distribution centers in the states of São Paulo, Rio de Janeiro, and Santa Catarina. The Group also sells its goods through e-commerce services.

The non-financial data included in these financial statements, such as number of stores and distribution centers, among others, were not audited or reviewed by our Independent auditors.

2. Basis of Preparation

The company's individual and consolidated financial statements for the periods ending 31 December 2023 and 2022 were prepared according to the accounting practices adopted in Brazil, which comprise the accounting pronouncements, instructions, and interpretations issued by the CPC [h de Pronunciamentos Contábeis or Accounting Pronouncements Committee], approved by the Brazilian Federal Accounting Board [Conselho Federal de Contabilidade CFC], and by the Brazilian Securities and Exchange Committee CVM (Comissão de Valores Mobiliários], all of which comply with International Financial Reporting Standards (IFRS) issued by the International Accounting Standards Board - IASB.

All relevant and appropriate information for individual and consolidated financial statements, and only this information is disclosed, and correspond to that used by Management in managing Company activities, as per Technical Instruction OCPC07.
On February 28, 2024, the Board of Directors authorized the issuing of the individual and consolidated financial statements for the period ending December 31, 2023.

2.1. Basis of measurement and presumption of continuity

The individual and consolidated financial statements were prepared based on a historical cost basis, except for certain financial instruments measured at fair value, and based on the premise of going concerns.

Management has assessed the Company's ability, and that of its subsidiaries, to continue normal operations, and is convinced they have the resources to remain as a going concern. Furthermore, Management is unaware of any material uncertainty that might create significant questions on its ability to remain a going concern. Thus, these financial statements were prepared based on a presumption of continuity.

2.2. Functional and disclosure currency

The financial statements are submitted in thousand Reals (R$), the functional and disclosure currency of the Company and its affiliates. Transactions in foreign currency are initially recorded at the exchange rate of the functional currency in effect on the date of the transaction. Foreign-currency denominated monetary assets and liabilities are converted using the functional currency exchange rate in effect on the date of the Statements of Financial Position. All differences are recorded in the Statement of Operations.

2.3. Statement of Value Added (SVA)

The presentation of the Statement of Added Value (SAV), individual and consolidated, is required by Brazilian Accounting Standard NBC TG 09 - Statement of Added Value - applicable to publicly-held companies. IFRS does not require the presentation of this statement. Consequently, by IFRS, this statement is presented as supplementary information, without prejudice to the set of interim financial information. The purpose of the SVA is to demonstrate the wealth created by the Group during the period and demonstrate how it was distributed to the various players.

2.4. Changes in the Charts and Notes to the Financial Statements

When preparing the interim individual and consolidated financial statements for the period ended December 31, 2023, the Group realized it needed to reclassify certain amounts and, in order to comply with the principle of comparability introduced by CPC 00 (R2) Conceptual Framework for Financial Reporting, these are reflected in the balances for December 31, 2023, and December 31, 2022, as shown below. These reclassifications do not change the total amounts nor any of the previously disclosed results, they also do not impact the financial statements:

2.4.1 - Breakdown of the balance of Suppliers and Drawee Risk obligations

After the financial statements for the period ending December 31, 2022 had been issued, to improve the presentation of its drawee risk transactions, Management reviewed the format used to present them and now includes it in a rubric them in a separate note under “Obligations - Forfait”, and no longer under “Suppliers”.

(in thousand Reals unless otherwise stated)

	Parent Company			Consolidated		
Note 20 - Suppliers	**As previously reported on 12/31/2022**	**Reclassification**	**Balance on 12/31/2022**	**As previously reported on 12/31/2022**	**Reclassification**	**Balance on 12/31/2022**
Supplier Breakdown						
Merchandise suppliers	706,318	-	706,318	706,318	-	706,318
Bradescard Supplier	469,328	-	469,328	469,328	-	469,328
Materials, asset, and service suppliers	324,069	-	324,069	335,908	-	335,908
Obligations - Forfait	386,266	(386,266)	-	386,266	(386,266)	-
Present value adjustment	(20,597)	-	(20,597)	(20,597)	-	(20,597)
	1,865,384	(386,266)	1,479,118	1,877,223	(386,266)	1,490,957
Current liabilities	1,852,814	(386,266)	1,466,548	1,864,653	(386,266)	1,478,387
Non-current liabilities	12,570	-	12,570	12,570	-	12,570
Note 21 – Obligations - Forfait						
Obligations - Forfait	-	386,266	386,266	-	386,266	386,266
Current liabilities	-	386,266	386,266	-	386,266	386,266

3. Basis for Consolidation

The fiscal periods of the subsidiaries coincide with those of the Parent Company, and accounting practices were uniformly applied to the subsidiaries. When necessary, adjustments are made in the subsidiary financial statements to align their accounting policies with those of the Company. Consolidation eliminates any assets, liabilities, earnings, revenue, expenses, and cash flows for the same group that have to do with transactions between members of the same economic group.

A change in equity in the subsidiary without loss of control is booked as an equity transaction.

In the individual financial statements Company investments in its affiliates are recorded using the equity method.

Consolidated financial statements include the operations of the Company and its direct - Orion Instituição de Pagamento S.A., Moda Lab LTDA and C&A Pay Holding Financeira Ltda. -, and indirect -C&A Pay Sociedade de Crédito Direto S.A - subsidiaries. The Group also consolidates the financial statements of FIDC C&A Pay, given that C&A Modas owns all of the subordinate quotas and is exposed to most of the fund’s risks and benefits. Consolidation of FIDC C&A Pay data eliminates all assets, liabilities, gains, and losses of the transactions between the Group and FIDC C&A Pay.

	Shareholding	
Direct Subsidiaries	**2023**	**2022**
Orion Instituição de Pagamento S.A.	99.99%	99.99%
Moda Lab LTDA	99.00%	99.00%
C&A Pay Holding Financeira Ltda	99.99%	99.99%
Indirect Subsidiary		
C&A Pay Sociedade de Crédito Direto S.A.	99.99%	99.99%
Investment Fund		
C&A Pay Fundo de Investimento em Direitos Creditórios	100.00%	-

3.1. Orion Instituição de Pagamento S.A.

Orion Instituição de Pagamento S.A.'s stated purpose of business is the development of payment arrangements, payment services as an issuer of electronic currency, an issuer of post-paid payment instruments, accrediting, and payment transaction initiator, among other activities inherent to a payment institution.

3.2. Moda Lab LTDA

Moda Lab Ltda. was created on May 5, 2022. Its main purpose of business is apparel, all toll manufactured by third parties with C&A supplying the inputs and the patterns, dies, or models. Moda Lab Ltda. sells exclusively to its parent company.

3.3. C&A Pay Holding Financeira Ltda

C&A Pay Holding Financeira Ltda. was created on December 27, 2022. It's stated purpose of business is to own equity in financial institutions and other institutions authorized to operate by the Brazilian Central Bank (BACEN). It is directly controlled by C&A Pay Sociedade de Crédito, which received BACEN authorization to operate on December 30, 2022, and is allowed to offer credit to its end consumers, thus it is subject to this regulatory agency.

3.4. C&A Pay Sociedade de Crédito Direto S.A.

C&A Pay Sociedade de Crédito Direto S.A. received authorization from Bacen to offer credit to end consumers on December 30, 2022. Thus, it is subject to Bacen regulations. This Company started operating on May 2, 2023

3.5. C&A Pay Fundo de Investimento em Direitos Creditórios não padronizados [Non-Standard Credit Rights Investment Fund]

FIDC (C&A Pay Fundo de Investimento em Direitos Creditórios Não Padronizados), of which C&A is the sole quota holder, started operations on May 2, 2023. The FIDC initially purchased C&A Pay's legacy portfolio, which had been in the hands of Orion Instituição de Pagamento. In May 2023, credit management and concession were transferred to the C&A Pay SCD, which now originates the assets and assigns them to the FIDC.

4. Accounting policies

The main accounting policies used to prepare these Individual and Consolidated Interim Financial Statements are submitted in the following notes.

4.1. Pronouncements issued, but not yet effective

New and amended standards and interpretations issued but not yet in effect as of the date of issue of Group's financial statements are described below. The Group plans to adopt these new and amended standards and interpretations as applicable, on the date they become effective.

a) Amendments to IFRS 16: Sale and Leaseback Lase Liabilities

In September 2022 the IASB amended IFRS 16 (equivalent to CPC 06 - Lases) to specify the requirements that a seller-lessor uses to measure the lase liability resulting from a sale and leaseback transaction to ensure that the seller-lessor does not recognize any gain or loss related to the right-of-use kept.

These amendments are in effect for annual financial statements as of January 1 2024, and shall be applied retroactively to sale and leaseback transactions entered into the initial date of application of IFRS 16 (CPC 06). Early application is allowed and must be disclosed.

The new standard is not expected to impact the Group's Consolidated Financial Statements.

b) Amendments to IAS 1: Classification of liabilities as current or non-current

In January 2020 and October 2022 the IASB amended paragraphs 69 through 76 of IAS 1, which corresponds to CPC 26 (R1) - Presentation of Financial Statements) to specify the requirements for classifying liabilities as current or non-current. These amendments clarify:

• What constitutes the right to defer settlement.
• That the right to defer must exist at the end of the financial reporting period.
• That this classification is not affected by the likelihood that an entity will exercise is right to defer;
• The terms of a liability would not impact its classification only if that derivative is embedded into a convertible liability is itself an equity instrument.

A further disclosure requirement was introduced, whenever a liability resulting from a loan agreement is classified as non-current, and the entity's right to defer settlement depends on complying with future covenants within twelve months.

These amendments are in effect for the annual financial reporting periods starting as of January 1, 2024 and must be applied retrospectively.

The Group analyzed the amendments to the standard and concluded they do not impact current practices. Existing loan agreements do not require renegotiation.

c) Amendments to IAS 7 and IFRS Practice Statement 7

In May 2023, the IASB amended IAS 7 (the standard that is equivalent to CPC 03 (R2) cash flow) and IFRS 7 (equivalent to CPC 40 (R1) - Financial instruments: evidence) to explain the characteristics of supplier financial agreements and require additional disclosures regarding

such agreements. The disclosure requirements in the amendment are intended to help those using the financial statements to understand the impact of supplier loan agreements on liabilities, cash flow, and liquidity risk exposure of an entity.
These amendments are in effect for the annual financial reporting periods starting as of January 1, 2024. Early adoption is allowed if disclosed.

These amendments will impact the Group's disclosure, but not the measurement or recognition of items in its financial statements.

4.2. New statements or statements reviewed and applied for the first time in 2023

Management has analyzed the accounting standards, instructions, and pronouncements that became effective for the first time in the period starting January 1, 2023 and concluded that they do not have a significant impact on the interim financial statements. The Group decided against early adoption of other standards, interpretations, or amendments issued but not yet applicable.

a) IFRS 17 - Insurance Agreements

IFRS 17 (equivalent to CPC 50 - Insurance Contracts) is a new accounting standard that impacts insurance contracts. It covers recognition, measurement, presentation, and disclosure. As soon as it became effective, IFRS 17 (CPC 50) replaced IFRS 4 - Insurance Contracts (CPC 11).

IFRS 17 (CPC 50) applies to all sorts of insurance contracts (such as life, property & casualty, direct insurance and reinsurance), regardless of the type of issuing entity, as well as certain guarantees and financial instruments with discretionary participation features, some scop restrictions apply. The overall objective of IFRS 17 (CPC 50) is to provide a broad accounting model for insurance contracts that is more useful and consistent for insurers, covering all relevant accounting aspects. IFRS 17 (CPC 50) is based on a general model, and complemented with:

• Specific adaptations for contracts with direct participation features (variable rate approach).
• A simplified approach (premium allocation approach), primarily for short-term agreements.

The new standard had no impact on the Group's consolidated financial statements

b) Definition of Accounting Estimates - Amendments to IAS 8

The amendments to IAS 8 (equivalent to CPC 23 - accounting policies, changes in accounting estimates, and error correction) explain the differences between changes in accounting estimates, changes in accounting policies, and error correction. They also explain how entities use the measuring techniques, and inputs to develop accounting estimates.

These changes did not impact the Group's consolidated financial statements.

c) <u>Disclosure of Accounting Policies - Amendments to IAS 1 and IFRS Practice Statement 2</u>

Amendments to IAS 1 (equivalent to CPC 26 (R1) - Presentation of Financial Statements) and IFRS Practice Statement 2 provide guidance and examples to help entities make materiality judgments regarding the disclosure of financial policies. The goal of the amendments is to help entities disclose accounting policies that are more useful, replacing the requirement for disclosing “significant” accounting policies with a requirement to disclose their “material” accounting policies, and adding guidelines as to how entities shall apply the concept of materiality to make decisions regarding the disclosure of accounting policies.

These amendments will impact the Group’s disclosure, but not the measurement or recognition of items in its financial statements.

d) Deferred taxes related to Assets and Liabilities originating in a Simple Transaction

- Amendments to IAS 12

The amendments to IAS 12 - Income Tax (equivalent to CPC 32 - Income tax) narrow the scope of the initial recognition exception, so that it no longer applies to transactions that give rise to equal taxable and deductible temporary differences, such as leases and deactivation liabilities.

These changes did not impact the Group’s consolidated financial statements.

e) International Tax Reform - IAS 12 Amendment Pillar Two Model Rules

The amendments to IAS 12 (equivalent to CPC 32 - Income Taxes) were introduced in response to the OECD (Organization for Economic Cooperation and Development) Pillar Two rules regarding BEPS (Domestic tax base erosion and profit shifting), and include:

- A temporary exception to the requirements regarding deferred taxes resulting from the jurisdictional implementation of Pillar Two model rules; and
- Disclosure requirements for affected entities to help users of the financial statements better understand an entity’s exposure to Pillar Two income taxes arising from that legislation, particularly before its effective date.

A mandatory temporary exception, effective immediately, which must be disclosed Other disclosure requirements apply to annual reporting periods beginning on or after January 1, 2023, but not to any interim periods ending on or before December 31, 2023.

These changes did not impact the Group’s consolidated financial statements, as the Group is not subject to Pillar Two model rules as it does not have affiliates domiciled in European Union member states, nor in any other jurisdiction that has announced or already implemented Pillar Two rules.

5. Significant accounting judgments, estimates, and premises

The accounting estimates involved in preparing the financial statements are based on objective and subjective factors, which in turn are based on the judgment of Management to determine the appropriate amount to be recognized in the financial statements. The settlement of transactions involving these estimates may result in amounts significantly different from those recorded in the financial statements driven by the probabilistic approach inherent to the estimating process. Significant items subject to these estimates and premises include:

a) Determination of the lifetime of property and equipment and intangible assets;
b) Impairment analysis of property and equipment, as well as intangible assets;
c) Allowance for expected credit losses;
d) Provisions for inventory losses;
e) Realization of deferred income tax and social contribution;
f) Rates and timeliness applied when determining adjustment to present value of assets and liabilities;
g) Provisions for tax, civil, and labor risks;
h) Determination of the fair value of derivative financial instruments;
i) Provisions for restoring stores to their original condition;
j) Profit sharing;
k) Stock-based compensation; and
l) Determination of incremental interest rates and contract deadlines to be used to book lease liability cash flows.

The measurement of the provision for mass civil and labor lawsuits is obtained through the application of the historical percentage of expenses incurred and the loss percentage, considering the risk classification indicated by the legal advisors of the Group.

(in thousand Reals unless otherwise stated)

6. Cash and cash equivalents

6.1. Accounting policy

Cash equivalents are held to meet the short-term cash commitments and not for investment or other purposes. The Group considers as cash equivalents financial investments of immediate liquidity that may be redeemed at any time with the issuer of the security for a known cash amount and subject to insignificant risk that the value will change. Thus, investments are normally considered as cash equivalents when they mature over a short period such as three months or less from the date of the transaction.

Following initial recognition, cash equivalents are measured at amortized cost plus yield up to the date of the financial statement, or at fair value plus yield for those available for sale.

6.2. Composition of cash and cash equivalents

	Compensation	Parent Company		Consolidated	
		2023	2022	2023	2022
Cash		**5,040**	4,426	**5,040**	4,426
Banks		**65,943**	53,930	**72,713**	56,621
Cash and cash equivalents					
Interest yielding account	**2% to 10% of the CDI**	**51,758**	49,283	**52,697**	49,283
Bank Certificates of Deposit	**98% to 103.9% of the CDI**	**1,007,504**	1,520,338	**1,025,138**	1,563,761
		1,130,245	1,627,977	**1,155,588**	1,674,091

7. Bonds and securities

7.1. Accounting policy

Financial investments considered cash-equivalents are those with no buy-back guarantee by the issuer in the primary market. They are liquid only in the secondary market and are measured according to the Group's intent to use.

(in thousand Reals unless otherwise stated)

7.2. Breakdown of bonds and securities

	Index	Rate	Parent Company		Consolidated	
			2023	2022	2023	2022
LTF (Brazilian Treasury Notes) (a)	**SELIC**	**100%**	**-**	8,735	**145,068**	8,735
FIDC C&A Pay		**100%**	**791,352**	-	**-**	-
Fixed Yield Investment Fund		**98.46%**	**-**	-	**46,519**	-
			791,352	8,735	**191,587**	8,735
Current assets			**-**	8,735	**191,587**	8,735
Non-current assets			**791,352**	-	**-**	-

(a) The C&A Group has R$ 83,983 in LTFs (Brazilian Treasury Notes), government bonds indexed to the variation in the SELIC (Special Custody and Settlement System). These are a guarantee in the process to increase SCD C&A Pay's capital.

7.3. FIDC C&A Pay

FIDC C&A Pay operations started on May 2, 2023. It was established as a non-standardized credit rights investment fund closed condominium. Quotas are only redeemed at the end of each series, or if the Fund is liquidated. It is governed by its own Bylaws and by CVM Instructions 356/2001 and 444/2006, as well as other applicable laws and regulations. On December 31, 2023, all quotas issued by the fund were owned by C&A.

On December 31, 2023 the ownership of FIDC C&A Pay broke down as follows:

Single Series	% Fund SE	Number	Value of each quota	Value
12/31/2023	100%	978,706	0.8452	827,251

On December 31, 2023 the ownership of FIDC C&A Pay broke down as follows:

	12/31/2023
Assets	
Cash and cash equivalents	4,817
Financial investments	54,102
Trade receivables	805,156
Other credits	50
Total assets	**864,125**
Net liabilities and equity	
Accounts payable	36,874
Shareholder's Equity	827,251
Total liabilities and shareholder's equity	**864,125**

(in thousand Reals unless otherwise stated)

Reconciliation of FIDC Shareholder's equity x FIDC consolidated Shareholder's equity

	12/31/2023
FIDC Shareholder's Equity	**827,251**
IFRS Adjustments:	**(35,105)**
Expected credit losses	(21,097)
Present value adjustment	(14,008)
Recognition of credits	(794)
FIDC Shareholder's Equity - Consolidated	**791,352**

The FIDC result is booked according to ICVM 489 of January 14, 2011, which applies to direct credit risk investment funds. Credit revenue and losses are calculated using IFRS/CPC rules and the Group's accounting policies for the purposes of consolidated financial statements.

(in thousand Reals unless otherwise stated)

8. Trade receivables

8.1. Accounting policy

Trade receivables are receivables from the sale of goods paid for using third-party cards and the Company's proprietary digital card through C&A Pay. It also includes amounts to be received from commercial partnerships. These are entered at the realization amount net of expected losses and present value adjustments.

Installment sales are brought to their present value on the date of the transactions using rates associated with the customer's credit profile. The average rate used on December 31, 2023 was 0.93% monthly (1.12% in 2022). Realization is booked as sales revenue. Provisions for expected credit losses have been made in amounts Management considers sufficient to cover expected credit losses.

8.2. Breakdown of trade receivables

	Parent Company		Consolidated	
	2023	**2022**	**2023**	**2022**
Card operators	**958,344**	733,956	**958,344**	733,956
C&A Pay Card - related parties	**60,511**	308,796	**-**	-
C&A Pay Card - third parties	**-**	-	**963,020**	562,632
Present value adjustment	**(13,935)**	(21,749)	**(27,944)**	(21,749)
Expected credit losses	**(2,955)**	(4,841)	**(187,334)**	(69,279)
Customer accounts receivable	**1,001,965**	1,016,162	**1,706,086**	1,205,560
Trade receivables	**64,730**	61,895	**84,431**	84,742
Expected credit losses	**(12,096)**	(12,096)	**(12,096)**	(12,096)
Trade receivables	**52,634**	49,799	**72,335**	72,646
Total trade receivables	**1,054,599**	1,065,961	**1,778,421**	1,278,206

8.3. Receivables pre-payment

In December 2023 the Company advanced R$ 705,127 (R$ 259,112 in 2022) to the acquirers regarding its credit card receivables. This had a transaction cost R$ 4,110 over the course of 2023 (R$1,532 in 2022), equivalent to a monthly rate of 1% to 1.2% (1.19% monthly in 2022), entered as financial expenses - receivables pre-payment (see note 30).

During fiscal year 2023, a C&A Modas advanced receivables with its C&A pay SCD subsidiary in the amount of R$ 1,491,030, at a cost of R$ 43,358. This transaction used a rate of 0.96% to 1.80%. It was recognized as a financial expense by C&A Modas, and as financial income by C&A pay SCD. These transactions were eliminated in the Group consolidation (see note 30).

(in thousand Reals unless otherwise stated)

8.4. C&A pay credit portfolio by past due range

	FIDC C&A Pay	
	2023	**2022**
Coming due:		
Up to 30 days	**236,208**	127,055
31 – 60 days	**158,185**	85,049
61 – 90 days	**117,484**	58,792
91 - 180 days	**158,440**	107,183
Over 180 days	**56,237**	66,426
	726,554	444,505
Past due:		
Up to 30 days	**18,514**	10,381
31 – 60 days	**15,665**	10,293
61 – 90 days	**21,336**	15,454
Longer than 90 days	**180,951**	81,999
	236,466	118,127
Total	**963,020**	562,632

8.5. Changes in provisions for expected credit losses

	Parent Company		Consolidated	
	2023	**2022**	**2023**	**2022**
Balance on December 31	**(16,937)**	(16,968)	**(81,375)**	(17,461)
(Provision)/Reversal	**(2,155)**	(4,582)	**(233,482)**	(68,853)
Loss	**4,041**	4,613	**115,427**	4,939
Balance on December 31	**(15,051)**	(16,937)	**(199,430)**	(81,375)
Provisions for losses, C&A pay	**-**	-	**(184,379)**	(64,438)
Provisions for other losses	**(15,051)**	(16,937)	**(15,051)**	(16,937)

For trade receivables, the C&A Group uses IFRS-9/CPC-48 methodology, and a simplified approach to calculate expected credit losses. This does not require monitoring changes in credit risk, but instead recognizes a provision for expected losses based on expected credit losses over the lifetime at each reporting date. Credit transactions include on-balance sheet balances (active portfolio), and off-balance sheet balances (limits granted but not used). These transactions are entered as a loss when there is no longer any expectation that past due amounts will be recovered, in which case the associated provisions for expected losses are reversed.

The three stages below are used as components of the calculation of expected credit portfolio losses.

Stage 1	Stage 2	Stage 3
Paid up and up to 30 days past due	31 - 90 days past due	Over 90 days past due

(in thousand Reals unless otherwise stated)

	FIDC C&A Pay		
	2023		
	Portfolio	Provisions	% Coverage
Stage 1	721,415	18,582	2.58%
Stage 2	47,684	5,321	11.16%
Stage 3	193,922	160,329	82.68%
On balance portfolio	**963,020**	**184,232**	19.13%
Off-balance portfolio (Balance of limits granted but not used)	748,247	147	0.02%
Grand Total	**1,711,267**	**184,379**	10.77%
Coverage over credit portfolio			19.15%

9. Related parties

Related party transactions entered into to support the Group's operations in the form of consulting services or importation of goods are performed at specific prices agreed by the parties. During the fiscal periods ending on December 31, 2023 and 2022 there was no need to recognize provisions for expected credit losses in related party accounts receivable.

The relationship between the Group and related parties is the following:

Direct Parent Company	**Associate, with no significant influence**
COFRA Investments Incas SARL	C&A Services C&A Sourcing COFRA Latin America Instituto C&A
Indirect Final Parent Company	
COFRA AG	
Direct subsidiary	
Orion Instituição de Pagamento S.A. Moda Lab LTDA C&A Pay Holding Financeira Ltda	**Associate under direct influence** Cyamprev Soc. Previd. Privada
Investment Fund Shareholders	**Indirect Subsidiary**
C&A Pay Fundo de Investimento em Direitos Creditórios	C&A Pay Sociedade de Crédito Direto S.A.

(in thousand Reals unless otherwise stated)

On December 31, 2023 and 2022, the outstanding balances in related party transactions were the following:

9.1. On-balance-sheet transactions

Assets		**Parent Company**		**Consolidated**	
	Nature of the balance	**2023**	**2022**	**2023**	**2022**
Trade receivables					
Instituto C&A de Desenvolvimento Social	**Shared expenses**	**27**	28	**27**	28
COFRA Latin America	**Shared expenses**	**8**	10	**8**	10
Orion Inst. Pagamento	**Shared expenses**	**6**	4,240	**-**	-
C&A Pay Sociedade de Crédito Direto	**Card transactions**	**187**	-	**-**	
Holding Company		**38**			
		266	4,278	**35**	38
Prepaid expenses					
C&A Services	**Licenses**	**76**	133	**76**	133
Total related party assets		**342**	4,411	**111**	171
Related party assets - current		**323**	4,335	**92**	95
Related party assets - non current		**19**	76	**19**	76

Liabilities		**Parent Company**		**Consolidated**	
	Nature of the balance	**2023**	**2022**	**2023**	**2022**
Accounts payable					
C&A Sourcing	**Revenue from Merchandise Sales**	**69,638**	41,713	**69,638**	41,713
Cyamprev Soc. Previd. Privada	**Pension fund contributions**	**1,974**	1,879	**2,021**	1,879
Instituto C&A de Desenvolvimento Social		**2**	-	**2**	-
Orion Inst. Pagamento	**Expense reimbursement**	**-**	4,975		-
FIDC C&A Pay	**Amounts to pass along for invoice receiving**	**4,355**	-		-
C&A Pay Sociedade de Crédito Direto	**Expense reimbursement**	**3,791**	-		-
		79,760	48,567	**71,661**	43,592
Related party liabilities - current		**79,760**	48,567	**71,661**	43,592

(in thousand Reals unless otherwise stated)

9.2. Transactions in the statement of earnings for the period

	Parent Company		Consolidated	
	2023	2022	2023	2022
Reimbursement for shared expenses				
Cyamprev Soc. Prev. Privada	**203**	1,003	**203**	1,003
COFRA Latin America	**79**	79	**79**	79
Orion Inst. Pagamento	**80**	33,082	**-**	-
	362	34,164	**282**	1,082
Financial Service expenses				
Orion Inst. Pagamento	**(143)**	(3,478)	**-**	-
C&A Pay Sociedade de Crédito Direto	**(7,538)**	-	**-**	-
	(7,681)	(3,478)	**-**	-
Receivables pre-payment				
C&A Pay Sociedade de Crédito Direto	**(43,358)**	-	**-**	-
Merchandise purchased				
C&A Sourcing	**(336,756)**	(338,562)	**(336,756)**	(338,562)
Moda Lab	**-**	(2,799)	**-**	-
	(336,756)	(341,361)	**(336,756)**	(338,562)
Services purchased				
C&A Services	**(1,786)**	(1,706)	**(1,786)**	(1,706)
COFRA Latin America	**(231)**	(216)	**(231)**	(216)
	(2,017)	(1,922)	**(2,017)**	(1,922)
Pension fund contributions				
Cyamprev Soc. Prev. Privada	**(6,099)**	(7,851)	**(6,099)**	(7,851)

9.3. Compensation of members of the Board of Directors and Executive Board

Expenses (paid and payable) associated with Officer compensation in the periods ending December 31, 2023 and 2022 were as follows:

	Parent Company and Consolidated	
	2023	2022
Fixed Compensation	**14,026**	12,579
Variable Compensation	**4,292**	3,170
Contributions to post-employment plans	**93**	264
Long-Term Incentives	**4,967**	4,280
Cessation of office	**2,163**	-
Total excluding charges	**25,541**	20,293
Estimated charges	**10,358**	3,561
Total including charges	**35,899**	23,854

Global annual compensation of the Board of Directors and Board of Executive Officers for 2023, in the amount of up to R$ 35.457 (R$ 31.645 in 2022) was approved at the Ordinary and Extraordinary Shareholder's Meeting of March 28, 2023.

10. Stock-based compensation plan

The Group currently has a Stock Option Plan approved at the Ordinary Shareholder's Meeting held on October 2, 2019, which resulted in programs approved by the Board of Directors and grants to eligible individuals. So far, stock has been granted under programs approved in 2019, 2021, 2022, and 2023 ("2019 grant", "2021 grant", "2022 grant", and "2023 grant").

<u>2019 Grants</u>

The first stock-based compensation program was approved at a meeting of the Board of Directors held on October 21, 2019, as per the terms of the Company's Purchase Option Plan. As a result of granting options to purchase stock, 1,148,148 options were given to senior managers in three different batches.

A number of the existing conditions for granting stock options were amended by the Board of Directors at a meeting held on February 18, 2020.

On December 22, 2021 the Board of Directors met and approved a new amendment to the conditions for granting 1,062,037 of the 1,148,148 shares granted. These options now follow the same rules as the "2021 Grants", and for this reason are disclosed together with them. Below are the rules for granting the remaining 86,111 shares currently part of the "2019 Grant".

Ownership of the option to convert stock will be transferred to the participants in identical batches of 33.33% on each anniversary of the plan over a period of three years from the Granting Date.

This transfer will take place regardless of whether the participant remains as a Group employee or officer. It is subject to verification of the following: the average price per share on the Brazilian stock exchange (B3 S.A. – Brasil, Bolsa, Balco) in the 22 (twenty two) trading sessions that immediately precede the date of exercising the Vested Options must be equal to or larger than the price per share paid by investors in the Initial Public Offering (IPO), corrected according to the IPCA/IBGE less the value per share distributed as dividends distributed and interest on equity, and adjusted to reflect any share bonuses, splits or grouping between the Granting Date and the date of exercise of the Vested Options.

The price of the global exercise payable by the executives for the vested options on each anniversary is R$ 1.00. Vested options are restricted for three years after each transfer date.

The weighted average contractual term for the stock options remaining on December 31, 2023 was 1.81 years. The weighted average fair value of the options granted during the period is R$ 9.05 in the original program, and R$ 1.91 incremental fair value for the options replaced according to the calculation method established in CPC 10. The exercise price shall be adjusted whenever dividends are paid or stock is grouped or breakdown.

2021 Grants

The Performance Share Units program was approved at a meeting of the Board of Directors on February 24, 2021. The meeting approved granting 1,412,194 options to senior managers in a single batch. The meeting of the Board of Directors on December 21, 2021 also approved uniform rules for the 1,062,037 shares of the 2019 grant, bringing them in line with the rules for the 2021 grants.

The value of the stock will be paid in a single installment (100% of the batch) at the end of the three-year restriction period.

The price of the global exercise payable by the executives for the vested options on each anniversary is R$ 1.00. After the transfer date there will be no more restrictions on the vested options.

The contractual term for the stock options remaining on December 31, 2023 was 0.15 years. The fair value of the options granted during 2023 was R$ 12.45.

2022 Grants

The Performance Share Units program was approved at a meeting of the Board of Directors on May 3, 2022. The meeting approved granting 3,619,618 options to senior managers in a single batch.

The value of the stock will be paid in a single installment (100% of the batch) at the end of the three-year restriction period.

The price of the global exercise payable by the executives for the vested options on each anniversary is R$ 1.00. After the transfer date there will be no more restrictions on the vested options.

The contractual term for the stock options remaining on December 31, 2023 was 1.23 years. The fair value of the options granted in 2023 was R$ 2.66.

The exercise price shall be adjusted whenever dividends are paid or stock is grouped or breakdown.

2023 Grants

The Performance Share Units program was approved at a meeting of the Board of Directors on May 10, 2023. The meeting approved granting 4,712,639 options to senior managers in a single batch.

The value of the stock will be paid in a single installment (100% of the batch) at the end of the three-year restriction period.

(in thousand Reals unless otherwise stated)

The price of the global exercise payable by the executives for the vested options on each anniversary is R$ 1.00. After the transfer date there will be no more restrictions on the vested options.

The contractual term for the stock options remaining on December 31, 2023 was 2.36 years. The fair value of the options granted in 2023 was R$ 5.29.

The exercise price shall be adjusted whenever dividends are paid or stock is grouped or breakdown.

Changes:

Program	2019 grants; 2nd replacement	2019 grants transferred to 2021 grants	2021 Grants	2022 Grants	2023 Grants	Total
Balance on 12/31/2021	86,111	1,062,037	1,463,569	-	-	2,611,717
Granted	-	-	68,836	3,619,618	-	3,688,454
Cancelled	-	-	(177,730)	(199,829)	-	(377,559)
Balance on 12/31/2022	**86,111**	**1,062,037**	**1,354,675**	**3,419,789**	**-**	**5,922,612**
Granted	**-**	**-**	**-**	**-**	**4,712,639**	**4,712,639**
Cancelled	**(28,709)**	**-**	**(160,787)**	**(542,946)**	**(142,959)**	**(875,401)**
Balance on 12/31/2023	**57,402**	**1,062,037**	**1,193,888**	**2,876,843**	**4,569,680**	**9,759,850**

Premises:

	2019 Grants (substitution add-ons)			2019 Grants (December 2021 substitution)	2021 Grants	2022 Grants
	Batch 1	**Batch 2**	**Batch 3**	**Single batch**	**Single batch**	**Single batch**
Pricing model	Monte Carlo	Monte Carlo	Monte Carlo	Monte Carlo	Monte Carlo	Monte Carlo
Dividend yield	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%
Risk-free rate	5.63%	5.95%	6.20%	10.92%	6.395%	12.785%
Share price considered	16.89	16.89	16.89	6.59	11.63	2.51
Expected lifetime of the options	10/21/2023	10/21/2024	10/21/2025	02/24/2024	02/24/2024	03/23/2025
Fair value on the date measured	4.46	3.11	1.37	4.39	12.45	2.66
Expected annual volatility	36.64%	37.79%	37.10%	58.69%	53.92%	57.58%

(in thousand Reals unless otherwise stated)

	2023 Grants
	Single batch
Pricing model	Monte Carlo
Dividend yield	0.00%
Risk-free rate	12.97%
Share price considered	4.98
Expected lifetime of the options	05/10/2026
Fair value on the date measured	5.36
Expected annual volatility	66.50%

Recognition of expenses

Expenses with stock-based compensation payable in company securities are recorded as personnel, administrative, and sales expenses with the capital reserve account - shares granted - as the counterpart. The following expenses were recorded in 2023 and 2022:

Expenses recognized

In the period:	**2019 Grants**	**2021 Grants**	**2022 Grants**	**2023 Grants**	**Total**
2022	1,055	7,091	1,634	-	**9,780**
2023	-	5,910	2,493	3,835	**12,238**

Expenses to be recognized

Year	**2021 Grants**	**2022 Grants**	**2023 Grants**	**Total**
2024	1,094	2,782	7,053	**10,929**
2025	-	623	7,034	**7,657**
2026	-	-	2,506	**2,506**
	1,094	**3,405**	**16,593**	**21,092**

11. Inventory

11.1. Accounting policy

Inventory is measured as the lowest between the average purchasing cost and net realizable value. It includes the cost to ship inventory to distribution centers, costs incurred in preparing merchandise for shipment between distribution centers and stores, and non-recoverable taxes. The present value adjustment of forward merchandise purchases is deducted from these costs, and booked according to inventory turnover in the cost of goods sold line. The cost of imported goods includes gains and losses from cash flow hedging. The net realizable value is the estimated sales price in the normal course of business less any additional costs estimated to be necessary to complete the sale.

(in thousand Reals unless otherwise stated)

Provisions for inventory losses are estimated based on the Group's historical losses, calculated based on physical inventories completed at least annually.

Expenses with shipping goods between distribution centers and stores are recorded directly as sales expenses in the period, at the time in which they are incurred.

11.2. Inventory breakdown

	Parent Company		Consolidated	
	2023	**2022**	**2023**	**2022**
Goods for resale	**881,760**	871,063	**881,677**	870,872
Merchandise sold and in transit for delivery to customers	**1,195**	681	**1,195**	681
Advances to raw material suppliers	**387**	811	**387**	811
Present value adjustment	**(22,179)**	(17,289)	**(22,179)**	(17,289)
Provisions for losses	**(41,768)**	(37,258)	**(41,768)**	(37,258)
	819,395	818,008	**819,312**	817,817
Imports in transit	**55,843**	34,216	**55,843**	34,216
	875,238	852,224	**875,155**	852,033

11.3. Changes in provisions for losses

Changes in the period:

	2023	2022
Balance on December 31	**37,258**	45,961
Provisions	**78,027**	63,139
Reversal due to utilization	**(73,517)**	(71,842)
Balance on December 31	**41,768**	37,258

Throughout the year, the Group performs periodic physical counts of goods it classifies as high risk of loss; a full physical count is performed for all items once a year. As physical counts are performed, adjustments are recorded as actual losses, consuming provisions for inventory losses. These provisions, together with losses booked, are reflected in the statement of financial earnings as "cost of goods sold".

(in thousand Reals unless otherwise stated)

12. Taxes recoverable

12.1. Accounting policy

Taxes recoverable include:
. taxes resulting from normal Group operations and that may be offset and/or recovered,
. according to CPC 25 - Provisions, Contingent Liabilities and Contingent assets, taxes derived from legal claims where it is almost certain that an economic benefit will result and that can be measured with reasonable certainty.

12.2. Breakdown of taxes recoverable

	Parent Company		Consolidated	
	2023	**2022**	**2023**	**2022**
Previously unused PIS / COFINS credit (12.2.1)	**664,919**	1,363,664	**664,919**	1,363,664
PIS/COFINS	**654,855**	164,489	**654,864**	164,498
ICMS	**182,440**	182,883	**182,444**	182,887
IT/CSLL	**33,052**	39,060	**40,503**	39,456
IRRF (withholding taxes)	**31,349**	28,365	**33,205**	28,735
IPI (excise tax)	**366**	328	**366**	328
Other (a)	**9,984**	57.233	**9,989**	57,236
	1,576,965	1,836,022	**1,586,290**	1,836,804
Current assets	**379,126**	898,651	**388,451**	899,433
Non-current assets	**1,197,839**	937,371	**1,197,839**	937,371

(a) During the year 2023, the Company offset social security credits in the amount of R$ 61,980 with taxes it had to pay.

<u>12.2.1 Previously unused PIS / COFINS credit</u>

12.2.1.1. <u>ICMS on the basis for calculating PIS and COFINS</u>

The Company is involved in two lawsuits on this theme, both of these received final rulings in favor of the company, one on 02/28/2019, and the other on 02/23/2022. On December 31, 2023 the updated balance of this unused credit was R$ 532,397 (R$1,073,148 on December 31, 2022).

Management expects that these will be realized before they lapse, given the tax debits generated from normal Company operations.

12.2.1.2 <u>Credit for the Manaus Free Trade Zone (FTZ) Lawsuit</u>

On November 30, 2020 the final unappealable ruling was issued, recognizing the Company's right to consider sales in the MFTZ as being equivalent to exports, and thus not subject to PIS and COFINS on revenue generated in the Manaus Free Trade Zone, and the right to enjoy the benefits of REINTEGRA. On December 31, 2023 the updated credits amounted to R$ 158,925 (R$ 148,583 on December 31, 2022).

(in thousand Reals unless otherwise stated)

12.2.1.3 Credit Related to the Lei do Bem Lawsuit

On March 18, 2023 a final unappealable ruling favoring the Group was issued by the Federal Supreme Court (STF), co-validating the right that had already been recognized by the Superior Court of Justice (STJ) on October 17, 2022, recognizing the Company's right to the zero PIS and COFINS on the sale of smartphones made in Brazil prior to December 31, 2018, as per Law 11.196/2005 (known as the "Law for Good" or "Lei do Bem"). The updated amount on December 31, 2023 was R$ 153,597 (R$ 141,933 on December 31, 2022)

12.2.1.4 Provisional measure 1202 and realization of previously unused PIS and COFINS

Provisional Masure 1202 was published on December 29, 2023, limiting the compensation of tax credits. This measure was confirmed by a final, unappealable court ruling.

Management has analyzed this standard and does not expect it to impact its 2024 cash flow, as it has outstanding PIS and COFINS credits generated from its operations, which will be used monthly in its calculations.

Due to uncertainties surrounding new decisions, Management believes that any estimate of using the remaining balance would be premature.

12.2.1.5 Changes in previously unused PIS and COFNS credits in the periods ended December 31, 2023 and 2022:

	2023	**2022**
Balance on December 31	**1,363,664**	1,521,074
Offset by	**(766,566)**	(382,681)
Recognition of the principal	**-**	99,487
Recognition of interest and updates on overdue credits	**67,821**	125,784
Balance on December 31	**664,919**	1,363,664

(in thousand Reals unless otherwise stated)

12.2.2 ICMS Credits

12.2.2.1. Credit from the lawsuit regarding ICMS on the supply of electricity

In December 2021 the Federal Supreme Court (STF) published its understanding with general repercussion (Extraordinary Appeal 714.139/SC) that the general rate should apply, and not the higher rate, as the effective rate for ICMS on electricity and telecommunication services. Thus, although the final unappealable ruling for the claims filed between 2015 and 2016 has yet to be issued, the Company booked its best estimate as it believe the economic benefits are almost a certainty. The updated balance on December 31, 2023 was R$ 81,794 (R$75,382 on December 31, 2022).

12.2.2.2. Credit regarding the DIFAL claim - sales to end consumers not subject to ICMS

On 03.30.2022 the STF passed the final ruling with general repercussion on the leading case (RE 1287019) involving Theme 1093, stating that collecting the difference in ICMS rates (DIFAL) on interstate transactions involving end-consumers not subject to the tax was unconstitutional. This ruling will remain in force until a supplemental law is issued on this theme. Given this scenario, the Company recognized the updated amount of R$ 16,198 (R$14,317 on December 31, 2022).

Final positive rulings were passed in all 5 lawsuits in the states of Santa Catarina, Rio Grande do Sul, Paraná, Minas Gerais, and Rio de Janeiro. It is currently following the procedures to realize these amounts.

13. Other assets

	Parent Company		Consolidated	
	2023	**2022**	**2023**	**2022**
Prepaid expenses	**48,779**	36,367	**48,780**	36,426
Write-off of leases liability (properties to be returned)	**4,016**	-	**4,016**	-
I.P.T.U. (property tax)	**-**	670	**-**	670
Employee loans and advances	**1,634**	1,928	**1,675**	1,928
Other	**575**	2,763	**575**	2,763
	55,004	41,728	**55,046**	41,787
Current assets	**51,785**	39,200	**51,827**	39,259
Non-current assets	**3,219**	2,528	**3,219**	2,528

14. Income Tax and Social Contribution

14.1. Accounting policy

Tax assets and liabilities from the previous and earlier periods are measured at the expected recoverable or that payable to the tax authorities.

Provisions for income tax and social contribution are calculated using the rate of 15% plus 10% on any taxable income exceeding R$ 240 for income tax, and 9% of taxable income for Social Contribution on Net Profits [Contribuição Social sobre o Lucro Líquido (CSLL)]. This includes compensation for tax losses and negative basis for social contribution, limited to 30% of the taxable income calculated in each period; these do not expire.

Income tax and social contribution on items recognized directly as shareholder's equity are also booked as shareholder's equity. From time to time, management analyzes the fiscal position of the situations where tax regulations require interpretation, making provisions as appropriate.

Prepayment or amounts susceptible to offsetting are stated in current and non-current assets, depending on the expectation of realization.

Deferred taxes are generated when there are temporary differences between the fiscal bases of assets and liabilities and their book value, on the data of the balance sheet. Deferred tax credits are recognized to the extent that it is likely that there will be taxable income available to enable using existing tax losses and negative bases against which temporary differences may be used.

Significant Management judgment is required to determine the value of deferred tax assets to be recognized based on the reasonable timing and taxable future profits, together with future tax planning strategies. The recoverability of deferred taxes is analyzed at the end of each period, and written off to the extent that it is no longer likely that taxable profits will be available to enable their use.

(in thousand Reals unless otherwise stated)

14.2. Breakdown and changes in deferred taxes

Exercise

		Parent Company		
		Increase/(Reduction)		
	Balance on 12/31/2022	in earnings	in shareholder's equity	Balance on 12/31/2023
Tax losses carryforward	412,633	**(30,221)**	**-**	**382,412**
Temporary differences:				
Provisions for tax, civil, and labor risks	94,806	**2,958**	**-**	**97,764**
Provisions for losses in inventories and trade receivables	20,160	**1,200**	**-**	**21,360**
Provisions for loss of property and equipment and right-of-use assets	6,411	**(1,298)**	**-**	**5,113**
Provisions for profit sharing	22,401	**(363)**	**-**	**22,038**
Leases CPC 06 (R2)/IFRS16	80,613	**7,014**	**-**	**87,627**
Expected credit losses for FIDC	-	**7,173**	**-**	**7,173**
Adjustment to present value for FIDC	-	**4,763**	**-**	**4,763**
Other	73,086	**4,046**	**97**	**77,229**
Deferred tax assets	710,110	**(4,728)**	**97**	**705,479**
Previously unused credits	(276,650)	**119,047**	**-**	**(157,603)**
Present value adjustment	(10,411)	**(1,977)**	**-**	**(12,388)**
Deferred tax liabilities	(287,061)	**117,070**	**-**	**(169,991)**
Balance net of deferred tax assets	423,049	**112,342**	**97**	**535,488**

		Consolidated		
		Increase/(Reduction)		
	Balance on 12/31/2022	in earnings	in shareholder's equity	Balance on 12/31/2023
Tax losses carryforward	412,633	**(31,066)**	**-**	**381,567**
Temporary differences:				
Provisions for tax, civil, and labor risks	94,806	**3,365**		**98,171**
Provisions for losses in inventories and trade receivables	20,160	**2,109**	**-**	**22,269**
Provisions for loss of property and equipment and right-of-use assets	6,411	**(1,298)**	**-**	**5,113**
Provisions for profit sharing	22,401	**(363)**	**-**	**22,038**
Leases CPC 06 (R2)/IFRS16	80,613	**7,014**	**-**	**87,627**
Expected credit losses for FIDC	-	**7,173**	**-**	**7,173**
Adjustment to present value for FIDC	-	**4,763**	**-**	**4,763**
Other	73,086	**4,046**	**97**	**77,229**
Deferred tax assets	710,110	**(4,257)**	**97**	**705,950**
Previously unused credits	(276,650)	**119,047**	**-**	**(157,603)**
Present value adjustment	(10,411)	**(1,977)**	**-**	**(12,388)**
Deferred tax liabilities	(287,061)	**117,070**	**-**	**(169,991)**
Balance net of deferred tax assets	423,049	**112,813**	**97**	**535,959**

(in thousand Reals unless otherwise stated)

	Parent Company			
		Increase/(Reduction)		
	Balance on 12/31/2021	in earnings	in shareholder's equity	Balance on 12/31/2022
Tax losses carryforward	364,017	48,616	-	412,633
Temporary differences:				
Provisions for tax, civil, and labor risks	86,626	8,180	-	94,806
Provisions for losses in inventories and trade receivables	21,534	(1,374)	-	20,160
Provisions for loss of property and equipment and right-of-use assets	8,498	(2,087)	-	6,411
Provisions for profit sharing	19,176	3,225	-	22,401
Leases CPC 06 (R2)/IFRS16	62,451	18,162	-	80,613
Other	70,062	3,021	3	73,086
Deferred tax assets	632,364	77,743	3	710,110
Previously unused credits	(252,091)	(24,559)	-	(276,650)
Present value adjustment	(1,908)	(8,503)	-	(10,411)
Deferred tax liabilities	(253,999)	(33,062)	-	(287,061)
Balance of deferred tax assets (liabilities)	378,365	44,681	3	423,049

	Consolidated			
		Increase/(Reduction)		
	Balance on 12/31/2021	in earnings	in shareholder's equity	Balance on 12/31/2022
Tax losses carryforward	364,017	48,616	-	412,633
Temporary differences:				
Provisions for tax, civil, and labor risks	86,626	8,180	-	94,806
Provisions for losses in inventories and trade receivables	21,972	(1,812)	-	20,160
Provisions for loss of property and equipment and right-of-use assets	8,498	(2,087)	-	6,411
Provisions for profit sharing	19,176	3,225	-	22,401
Leases CPC 06 (R2)/IFRS16	62,451	18,162	-	80,613
Other	70,062	3,021	3	73,086
Deferred tax assets	632,802	77,305	3	710,110
Previously unused credits	(252,091)	(24,559)	-	(276,650)
Present value adjustment	(1,908)	(8,503)	-	(10,411)
Deferred tax liabilities	(253,999)	(33,062)	-	(287,061)
Balance of deferred tax assets (liabilities)	378,803	44,243	3	423,049

(in thousand Reals unless otherwise stated)

14.3. Expected realization of deferred tax assets on December 31, 2023

Each quarter the Group reviews its earnings projects, and estimates that it will realize deferred tax assets in the following periods:

Year	Parent Company	Consolidated
2024	95,707	95,974
2025	58,773	58,977
2026	113,951	113,951
2027	127,464	127,464
2028 to 2030	269,341	269,341
2031 to 2033	38,946	38,946
After 2033	1,297	1,297
	705,479	**705,950**

14.4. Reconciliation of effective rate

	Parent Company		Consolidated	
	2023	**2022**	**2023**	**2022**
Pre-tax losses	**(41,667)**	(43,807)	**(34,235)**	(43,276)
Income tax and social contribution expenses at statutory rates - 34%	**14,167**	14,894	**11,640**	14,714
Adjustments to reflect the effective rate				
Share of profit of subsidiaries	**(1,937)**	(17,842)	**-**	-
Unrealized profits from inventories				
Non-deductible donations	**(2,838)**	(2,610)	**(2,838)**	(2,610)
PAT (worker meal program) and the culture incentive law	**2,071**		**2,071**	
Adjustments in transfer pricing	**(1,164)**	(1,456)	**(1,164)**	(1,456)
Corporate gifts and non-deductible fines	**(642)**	(718)	**(642)**	(718)
Investment Subsidies	**4,723**	4,629	**4,723**	4,629
IT and SC from previous periods	**(101)**	2,272	**(101)**	1,738
Undue Taxes	**29,699**	45,469	**29,727**	45,469
Operating Losses	**-**	-	**(661)**	(1,026)
Deferred taxes on temporary differences not constituted (*)	**-**	-	**(6,255)**	(16,635)
Taxes calculated on that portion exempt from the additional 10%	**24**	-	**72**	-
Income Tax and Social Contribution on profits	**44,002**	44,638	**36,572**	44,105
Current	**(68,340)**	(43)	**(76,241)**	(138)
Deferred	**112,342**	44,681	**112,813**	44,243
	44,002	44,638	**36,572**	44,105
Effective rate	**106%**	102%	**107%**	102%

(*) Deferred taxes for subsidiary Orion are not constituted as its activities will be transferred to C&A Pay Sociedade de Crédito Direto in 2023, therefore there is no expectation of using these tax losses in the short term.

15. Investments

15.1. Accounting policies

Company investments in its affiliates is booked in the individual financial statements using the equity method.

After using the equity method, the Company determines if additional impairment of its investments in affiliates must be booked. At each statement of earnings closing date, the company determines if there is objective evidence that its investment in affiliates has suffered losses driven by impairment. If so, the Company calculates the amount of impairment as the difference between the recoverable amount in its affiliates and their book value, entering the loss in its statement of earnings.

15.2. Business Combinations

15.2.1. Accounting policy

Business combinations are booked using the acquisition approach. The cost of an acquisition is measured as the sum of the counterpart transferred, which is valued based on fair value on the date of acquisition, and the value of any non-controlling shareholding in the acquired business. For each combination of businesses, the acquirer shall measure the participation of non-controlling equity holders in the acquiree at fair value, or based on their share of the net assets of acquiree. Costs directly attributable to the acquisition are booked as expenses when incurred.

The Group determines that it acquired a business when the set of acquired activities and assets includes at least one input (ingress of funds), and a substantive process that together, significantly contribute to the ability to generate output (egress of funds). An acquired process is considered material if it is essential to the ability to develop or convert the acquired input into output, and the input acquired includes an organized workforce with the skills, knowledge, and experience to perform the process, or because it is essential for the ability to continue to produce output, and is considered unique or scarce, or cannot be replaced without significant cost, effort, or delay in the ability to continue producing the output.

In acquiring a business, the Group analyzes the financial assets and liabilities it will be acquiring to rank them and allocate them according to the contractual terms, the economic circumstances, and the relevant conditions on the date of acquisition, which includes acquirer segregation of derivatives existing in the host contracts of the acquiree.

Any contingent consideration to be transferred by the acquirer shall be recognized at fair value on the date of acquisition. Subsequent changes in the fair value of the contingent consideration considered an asset or liability shall be recognized in the statement of earnings as per CPC 48.

(in thousand Reals unless otherwise stated)

15.3 Information on investments in the subsidiary

Direct Subsidiaries	Shareholding	Assets	Liabilities	Net Collection	Gross Revenue.	Profit/(Loss)	Book value of the investment	Share of profit of subsidiaries
	2023							
Orion	99.99%	13,240	(3,774)	9,466	81,329	(18,831)	9,465	(18,833)
C&A Pay Holding	99.99%	211,276	(102,448)	108,970	10,040	13,189	108,827	13,188*
Moda Lab	99.00%	40	-	40	-	(53)	(43)	(53)
Total							118,249	(5,698)

* The difference between Moda Lab losses and the equity approach refers to unrealized profit from inventories

Indirect Subsidiary	Shareholding	Assets	Liabilities	Net Collection	Gross Revenue.	Profit/(Loss)	Book value of the investment	Share of profit of subsidiaries
	2023							
C&A pay SCD	100%	183,749	(83,443)	100,306	10,040	12,983	100,306	12,983

Direct Subsidiaries	Shareholding	Assets	Liabilities	Net Collection	Gross Revenue.	Losses	Book value of the investment	Share of profit of subsidiaries
	2022							
Orion	99.99%	563,045	(514,247)	48,798	119,640	(52,477)	48,798	(52,474)
Moda Lab	99.00%	49	-	49	2,801	(2)	(143)	(193) *
Total							48,655	(52,667)

* The difference between Moda Lab losses and the equity approach refers to unrealized profit from inventories

15.4 Changes in investment

	Orion	C&A Pay Holding	Moda Lab	Total
Balance of investments on December 31, 2021	31,272	-	-	31,272
Share of profit of subsidiaries	(52,474)	-	(2)	(52,476)
Advances for future capital increases	70,000	-	-	70,000
Capital increases	-	-	50	50
Unrealized profits from inventories	-	-	(191)	(191)
Balance of investments On December 31, 2022	48,798	-	(143)	48,655
Share of profit of subsidiaries	**(18,833)**	**13,188**	**(53)**	**(5,698)**
Other comprehensive results	**-**	**(144)**	**-**	**(144)**
Capital increases	**40,000**	**95,783**	**45**	**135,828**
Capital reduction	**(60,500)**	**-**	**-**	**(60,500)**
Unrealized profits from inventories	**-**	**-**	**108**	**108**
Balance of investments on December 31, 2023	**9,465**	**108,827**	**(43)**	**118,249**

(in thousand Reals unless otherwise stated)

16. Property and Equipment

16.1. Accounting policy

Booked at the purchase, formation, or construction cost of the assets less recoverable taxes. To this is added consideration of the provision for store restoration if not included in the right-of-use, less depreciation and provisions for losses of a non-financial asset (impairment). Depreciation of assets is calculated using the straight-line approach and takes into consideration the estimated lifetime of the asset.

At the start of each fiscal period, the estimated useful life, the cost to restore and the methods of depreciation are reviewed, and if revised, the impact of any changes on estimates is booked prospectively.

Analysis of lifetime bears in mind the expected use of the assets, scheduled store revamps, and any evidence that an asset might have a lifetime other than the one originally booked. This assessment is documented in the form of a report prepared by Group experts.

A Property & Equipment item is written off when sold or when no future economic benefit is expected from its use or sale. Any gain or loss resulted from writing off the asset (calculated as the difference between the net sale value and the book value of the asset) are included in the statement of earnings for the period in which the asset was written off.

16.2. Breakdown of property and equipment (Parent Company and Consolidated)

Property and Equipment	Cost	Accumulated Depreciation	Provision for impairment	December 31, 2023
Machinery and equipment	201,405	(119,650)	(1,272)	80,483
Furniture and fixtures	562,526	(363,248)	(1,606)	197,672
IT Equipment IT Equipment	274,692	(214,179)	(276)	60,237
Vehicles	470	(470)	-	-
Leasehold improvements	1,455,525	(1,025,050)	(11,884)	418,591
Land	126	-	-	126
Construction in progress	4,728	-	-	4,728
Estimated cost of returning stores	2,970	(1,406)	-	1,564
	2,502,442	**(1,724,003)**	**(15,038)**	**763,401**

Property and Equipment	Cost	Accumulated Depreciation	Provision for impairment	December 31, 2022
Machinery and equipment	234,113	(139,508)	(1,303)	93,302
Furniture and fixtures	555,481	(325,043)	(1,931)	228,507
IT Equipment IT Equipment	284,440	(196,765)	(387)	87,288
Vehicles	534	(533)	-	1
Leasehold improvements	1,381,956	(927,774)	(14,365)	439,817
Land	126	-	-	126
Construction in progress	14,787	-	-	14,787
Estimated cost of returning stores	2,880	(1,163)	-	1,717
	2,474,317	(1,590,786)	(17,986)	865,545

The Group has no property or equipment pledged as guarantee.

(in thousand Reals unless otherwise stated)

16.3. Changes in property and equipment (Parent Company and Consolidated)

	Average annual depreciation rate	Balance on December 31, 2022	Additions (iii)	Depreciation	Write-offs	Transfers	Transfer to intangibles	Reversals (provisions) impairment	Balance on December 31, 2023
Machinery and equipment	6.5%	**93,302**	-	(12,411)	(98)	(341)	-	31	80,483
Furniture and fixtures	10.8%	**228,507**	8,659	(40,562)	(3,086)	3,830	-	324	197,672
IT Equipment	20.3%	**87,288**	6,872	(32,906)	(1,124)	637	(640)	110	60,237
Vehicles	20.0%	**1**	-	(1)	-	-	-	-	-
Leasehold improvements (i)	9.4%	**439,817**	100	(78,100)	(3,041)	57,333	-	2,482	418,591
Land	-	**126**	-	-	-	-	-	-	126
Construction in progress	-	**14,787**	51,400	-	-	(61,459)	-	-	4,728
Estimated cost of returning stores (ii)	-	**1,717**	90	(243)	-	-	-	-	1,564
Total		**865,545**	**67,121**	**(164,223)**	**(7,349)**	**-**	**(640)**	**2,947**	**763,401**

	Average annual depreciation rate	Balance on December 31, 2021	Additions (iii)	Depreciation	Write-offs	Transfers	Transfer to intangibles	Reversals (provisions) impairment	Balance on December 31, 2022
i Machinery and equipment	7.7%	98,864	255	(9,685)	(2,838)	3,236	-	3,470	93,302
Furniture and fixtures	14.5%	229,769	21,500	(33,007)	(1,087)	11,145	-	187	228,507
IT Equipment	20.2%	89,808	23,227	(30,816)	(460)	5,271	-	258	87,288
Vehicles	20.0%	14	-	(13)	-	-	-	-	1
Leasehold improvements (i)	10.5%	397,914	5	(63,433)	(2,775)	107,282	-	824	439,817
Land	-	126	-	-	-	-	-	-	126
Construction in progress	-	18,291	123,430	-	-	(126,934)	-	-	14,787
Estimated cost of returning stores	-	1,483	450	(216)	-	-	-	-	1,717
Total		836,269	168,867	(137,170)	(7,160)	-	-	4,739	865,545

(i) Leasehold improvements include miscellaneous assets such as civil works, lighting, fire-fighting, generators, etc. The depreciation rate is defined based on the lifetime of these assets or the lease term, whichever is shortest.

(ii) The Group has 29 lease agreements with fully variable payments. These are linked to provisions for dismantling and returning stores.

(iii) In the period ended December 31, 2023 the Group purchased R$ 67,121 in property and equipment, R$ 13,324 of which are entered as supplier accounts payable (R$ 19,364 in 2022); R$ 19,364 were paid out in 2023 for purchases made prior to December 31, 2022 (In 2022, R$ 43,700 were disbursed related to previous year).

(in thousand Reals unless otherwise stated)

16.4. Lifetime Review

In 2022 the Group retained specialized advisors to review the lifetime of its assets, as per CPC 27 Property and Equipment. This review reflected the Group's current investment and revamp strategy. The methodology used for the study consisted of surveys and technical and document analyses showing certain lifetimes, bearing in mind the type and nature of each asset, its use in Group operations, and the conditions under which the asset is operated and maintained.

Below we show the new lifetimes for the classes of assets that changed in 2022:

Average Lifetime (years)			
Accounting Classes	**2023**	**2022**	**2021**
Machinery and equipment	15	15	13
Furniture and fixtures	9	9	7
Leasehold improvements	11	11	9

17. Intangible assets

17.1. Accounting policy

Intangible assets with a finite lifetime (software and trade funds) are booked at cost less accumulated amortization and impairment. Amortization is booked linearly based on the estimated lifetime of the asset. The estimated lifetime and amortization approach are reviewed at the end of each period, and the impact of any changes on the estimates is booked prospectively. Amortization is calculated using the linear approach, bearing in mind the estimated lifetime of the assets.

For intangible assets with undefined lifetimes recoverability tests are performed annually.

(in thousand Reals unless otherwise stated)

17.2. Breakdown of intangibles:

Parent Company	2023				2022			
	Cost	Accumulated amortization	Provision for impairment	Accounting Balance	Cost	Accumulated amortization	Provision for impairment	Accounting Balance
IT systems	**1,289,459**	**(778,548)**	**-**	**510,911**	1,136,302	(578,031)	(119)	558,152
Goodwill	**71,107**	**(51,028)**	**-**	**20,079**	72,211	(50,977)	(750)	20,484
Right to explore financial services	**415,000**	**-**	**-**	**415,000**	415,000	-	-	415,000
Intangibles in process	**18,503**	**-**	**-**	**18,503**	27,066	-	-	27,066
Total	**1,794,069**	**(829,576)**	**-**	**964,493**	1,650,579	(629,008)	(869)	1,020,702

Consolidated	2023				2022			
	Cost	Accumulated amortization	Provision for impairment	Accounting Balance	Cost	Accumulated amortization	Provision for impairment	Accounting Balance
IT systems	**1,289,921**	**(778,741)**	**-**	**511,180**	1,136,765	(578,131)	(119)	558,515
Goodwill	**71,107**	**(51,028)**	**-**	**20,079**	72,211	(50,977)	(750)	20,484
Right to explore financial services	**415,000**	**-**	**-**	**415,000**	415,000	-	-	415,000
Intangibles in process	**18,505**	**-**	**-**	**18,505**	27,066	-	-	27,066
Total	**1,794,533**	**(829,769)**	**-**	**964,764**	1,651,042	(629,108)	(869)	1,021,065

17.3. Changes in intangibles:

	Parent Company								
	Average annual amortization rate (%)	Balance on December 31, 2022	Additions (i)	Amortization	Write-offs	Transfers	Property and equipment transfers	Reversals (provisions) Impairment	Balance on December 31, 2023
IT systems	18.5%	558,152	**-**	**(200,371)**	**(855)**	**153,226**	**640**	**119**	**510,911**
Goodwill	10.0%	20,484	**-**	**(2,965)**	**(1,750)**	**3,560**	**-**	**750**	**20,079**
Right to explore financial services	-	415,000	**-**	**-**	**-**	**-**	**-**	**-**	**415,000**
Intangibles in process	-	27,066	**148,223**	**-**	**-**	**(156,786)**	**-**	**-**	**18,503**
Total		1,020,702	**148,223**	**(203,336)**	**(2,605)**	**-**	**640**	**869**	**964,493**

	Average annual amortization rate (%)	Balance on December 31, 2021	Additions	Amortization	Write-offs	Transfers	Property and equipment transfers	Reversals (provisions) Impairment	Balance on December 31, 2022
IT systems	18.5%	364,375	-	(155,061)	(126)	348,920	-	44	558,152
Goodwill	10.0%	19,633	-	(2,736)	(1,688)	5,264	-	11	20,484
Right to explore financial services	-	415,000	-	-	-	-	-	-	415,000
Intangibles in process	-	176,231	205,019	-	-	(354,184)	-	-	27,066
Total		975,239	205,019	(157,797)	(1,814)	-	-	55	1,020,702

(in thousand Reals unless otherwise stated)

	Consolidated								
	Average annual amortization rate (%)	**Balance on December 31, 2022**	**Additions (i)**	**Amortization**	**Write-offs**	**Transfers**	**Property and equipment transfers**	**Reversals (provisions) impairment**	**Balance on December 31, 2023**
IT systems		**558,515**	**-**	**(200,465)**	**(855)**	**153,226**	**640**	**119**	**511,180**
Goodwill		**20,484**	**-**	**(2,965)**	**(1,750)**	**3,560**	**-**	**750**	**20,079**
Right to explore financial services	**-**	**415,000**	**-**	**-**	**-**	**-**	**-**	**-**	**415,000**
Intangibles in process	**-**	**27,066**	**148,225**	**-**	**-**	**(156,786)**	**-**	**-**	**18,505**
Total		**1,021,065**	**148,225**	**(203,430)**	**(2,605)**	**-**	**640**	**869**	**964,764**

	Average annual amortization rate (%)	Balance on December 31, 2021	Additions	Amortization	Write-offs	Transfers	Property and equipment transfers	Reversals (provisions) Impairment	Balance on December 31, 2022
IT systems	18.5%	364,831	-	(155,154)	(126)	348,920	-	44	558,515
Goodwill	10.0%	19,633	-	(2,736)	(1,688)	5,264	-	11	20,484
Right to explore financial services		415,000	-	-	-	-	-	-	415,000
Intangibles in process	-	176,231	205,019	-	-	(354,184)	-	-	27,066
Total		975,695	205,019	(157,890)	(1,814)	-	-	55	1,021,065

(i) In 2023 the company added R$ 148,225 to the intangibles line, of which R$ 16,775 were booked as supplier accounts receivable, and R$ 30,355 were spent in 2023 for purchases made prior to December 31, 2022.

18. Impairment

18.1. Accounting policy

At the end of each fiscal period, Management reviews the net book value of its assets to assess events or changes in economic or operating circumstances, or in technology, which could indicate deterioration or impairment of value. If such evidence is found, and if the net book value exceeds the recoverable value, provisions are made for impairment, adjusting the net book value to the recoverable value. The recoverable value of an asset or cash generating unit is defined as being the value in use and the net sales value, whichever is largest. Each store is considered a cash generating unit. The Company considers it to be an indication of impairment if, at the end of the period, a given store's contribution is less than 5% of net sales, and/or stores with impairment in the previous year. Stores must be three years or older, which is the age at which the Company considers a store to be mature.

The Company bases its assessment of impairment on detailed financial budgets and provisions, prepared separately by Management for each cash generating unit to which assets are allocated. An average rate of long-term growth is calculated and applied to future cash flows.

In the estimate of the value of the asset in use, estimated future cash flows are discounted at present value, using an after-tax discount rate that reflects the weighted average cost of capital for the industry in which the cash generating unit operates. The fair value of sales expenses is determined based on recent market transactions between willing and knowing parties involving similar assets. In the absence of such transactions, an appropriate assessment methodology is used.

(in thousand Reals unless otherwise stated)

Losses driven by asset devaluation are recognized in a manner consistent with the function of the asset subject to loss.

A loss driven by impairment of a previously recognized asset is reversed only if there have been changes in the estimates used to determine the impairment of the asset since the most recent recognized loss driven by impairment. Reversal is limited so that the book value of the asset does not exceed the book asset that would have been determined (net of depreciation and amortization) had no loss for devaluation been recognized for the asset in previous years. This reversal is booked in earnings.

The Company also records provisions for store closing impairment when approved by Management. The provision is made in the estimated amount of the assets to be written off, and reversed when the actual write-off is taken.

18.2. Premises:

The company used after-tax cash flow projections based on financial budgets approved by Management, and consistent with the results presented in the past. The following premises were used to develop the discounted cash flows:

(i) Revenue: projected to the end of the store's lease term
(ii) Costs and expenses: projected in the same period as revenue, corrected for an estimated annual inflation of 3.98% for 2024, and 3.55% for subsequent periods, as per Central Bank estimates;
(iii) Discount rate: determined bearing in mind the risk-free rate, the business risk, third-party cost of capital and the Company's capital structure. The discount rate used was 13.48% annually. When calculating the discount rate the Company considers lease liabilities as part of financing activities.

On the base date of December 31, 2023 and 2022, the Company had provisions for asset impairments as follows:

Nature	Impairment test		Store revamps and closures		Total	
	2023	2022	2023	2022	2023	2022
Property and Equipment	**(15,038)**	(15,974)	-	(2,012)	**(15,038)**	(17,986)
Intangible assets	**-**	(119)	-	(750)	**-**	(869)
Total	**(15,038)**	(16,093)	**-**	(2,762)	**(15,038)**	(18,855)

19. Leases

19.1. Accounting policy

The Group recognizes right-of-use assets and lease liabilities on the starting date of the lease. A right-of-use asset is initially measured at cost and subsequently at cost less any accumulated depreciation and impairment and adjusted for certain re-measurements of the lease liability. Depreciation is calculated using the straight-line-approach over the remaining term of the agreements. The Group used the amounts of fixed or in-substance fixed lease payments, which are the minimum payments agreed in contracts with variable payments based on revenue achieved, gross of PIS and COFINS effects, as a cost component. Right-of-use assets are added for pre-payment of leases and provisions for store revamps, less lessor incentives received. Specifically, variable payments are recognized monthly as operating expenses.

A lease liability is initially measured at the present value of residual lease payments, discounted using the incremental interest rate on the lease, which is defined as the equivalent real interest rate (including inflation) the Group would incur if it were to contract a loan for a similar term and similar guarantees.

The Group has applied judgment to determine the lease term of some agreements, considering the provisions of Law 8,245 ("Tenant Law"), which grants the lessee the right to contractual renewals when certain conditions are met, as well as past practices regarding the Group's success in renewing its leases. An assessment of whether the Group is reasonably certain of exercising these options has an impact on the lease term, which significantly affects the amount of recognized lease liabilities and right-of-use assets Based on past revamps, where negotiated terms and values differed substantially from past agreements, the Group considers revamps as a new agreement and excludes the time to revamp from the contractual term.

Effects of adopting the Guidelines of regulator instruction CVM/SNC/SEP 01/2020

Following the guidelines in the Memo above, and the explanation of some of the controversial points regarding adopting the new standard, the Group reviewed its premises for calculating right-of-use assets and lease liabilities, and now considers the cash flows of future payments without deducting potential PIS and Cofins credits, discounting them using a nominal incremental interest rate. This approach is in line with CPC06 (R2)/IFRS16. The impact of this change was prospectively considered by remeasuring the changes in lease balances.

19.2 Benefits related to Covid-19 granted by Lessors in Lease Agreements

Based on a Review of Technical Pronouncement 16/2020, which clarifies Technical Pronouncement CPC 06 (R2)/IFRS16 regarding Covid-19-related benefits granted to the lessors in Lease Agreements, the Group analyzed its leases together with its partner Lessors and concluded that the lease negotiations resulting from COVID-19 do not constitute a contractual amendment and thus have no impact on re-measurement of the leases. The net tax discount obtained from negotiations between January and March 2022 was R$ 6,440, recorded under results for the period, occupancy costs. The period affected by this pronouncement ended on June 30, 2022, thus there were no amounts to be recorded in 2023.

(in thousand Reals unless otherwise stated)

19.3 Incremental interest rate

The Group estimated the incremental borrowing rate, based on the Brazil risk-free interest rates for similar periods to its lease agreements, adjusted to the Group's credit situation (credit spread). Spreads were obtained from the spreads observed for debt securities issued by comparable Brazilian companies (debentures). Rates are updated for each new lease agreement.

Incremental rates based on lease terms practiced in the 2023 and 2022 periods:

	2023		**2022**	
Contractual terms	**Actual rate (% per year)**	**Nominal rate (% per year)**	**Actual rate (% per year)**	**Nominal rate (% per year)**
0 to 3 years	**6,1**	**12.3**	8.0 – 10.6	14.9 – 16.4
3 to 5 years	**6.5 – 8.0**	**12.1 – 14.5**	7.3	13.4
5 to 6 years	**3.5 – 5.9**	**7.9 – 12.3**	4.0 – 8.1	9.1 – 14.7
6 to 10 (or more) years	**3.2 – 7.7**	**6.8 – 14.8**	3.2 - 7.7	6.8 - 14.3

(in thousand Reals unless otherwise stated)

19.4 Changes in the balance of lease right-of-use assets and liabilities (Parent Company e Consolidated)

	Right-of-use assets			
	Real Estate	**Equipment**	**Total**	**Lease liabilities**
Balance on December 31, 2022	**1,541,306**	**24,141**	**1,565,447**	**(1,789,212)**
Amortization (i)	**(368,422)**	**(4,997)**	**(373,419)**	**-**
Financial charges	**-**	**-**	**-**	**(173,079)**
Payments made	**-**	**-**	**-**	**519,024**
Provisions for dismantling costs	**180**	**-**	**180**	**-**
New/renewed/closed Agreements (ii)	**131,821**	**3,403**	**135,224**	**(132,643)**
Re-measurements (iii)	**135,170**	**343**	**135,513**	**(135,513)**
Balance on December 31, 2023	**1,440,055**	**22,890**	**1,462,945**	**(1,711,423)**
Current liabilities				**(501,642)**
Non-current liabilities				**(1,209,781)**

(i) The amounts in this table include the PIS/COFINS credits on lease payments in the amount of R$ 46,207 and on interest, in the amount of R$ 12,960, booked directly in earnings to reduce amortization and interest expenses.
(ii) This refers to 9 new agreements and 17 renewed agreements and 3 closed.
(iii) Refers to the annual re-measurement inflation adjustments on minimal lease payments as per the respective agreements and lease renewals;

	Right-of-use assets			
	Real Estate	**Equipment**	**Total**	**Lease liabilities**
Balance on December 31, 2021	1,635,512	4,778	1,640,290	(1,814,148)
Amortization	(378,210)	(3,322)	(381,532)	-
Financial charges	-	-	-	(165,719)
Payments made	-	-	-	488,840
Provisions for dismantling costs	990	-	990	-
Prepayments	(410)	-	(410)	-
Impairment	1,347	-	1,347	-
New/renewed/closed Agreements (ii)	72,622	22,277	94,899	(88,322)
Re-measurements	209,455	408	209,863	(209,863)
Balance on December 31, 2022	1,541,306	24,141	1,565,447	(1,789,212)
Current liabilities				(513,238)
Non-current liabilities				(1,275,974)

a) <u>Comparison of lease projections in the different scenarios</u>

In compliance with CVM guidelines and in order to provide the market with a comprehensive view of the different effects of applying models, with and without inflation, on the flow of minimum lease payments using a given discount rate (3.2% to 14.8%), below is a comparative list of the right-of-use lease liabilities, financial expenses and amortization expenses for the current and coming years in the following scenarios:

Scenario	Incremental rate	Future payments flow
1	Nominal	Including projections for inflation
2	Nominal	No projection for inflation (book value)

The Group adopted scenario 2 for the period ended December 31, 2023, as required by CPC06(R2) / IFRS16, below are the comparative balances of lase liabilities.

(in thousand Reals unless otherwise stated)

	2023	2022
Lease liabilities		
Scenario 1	1,814,047	2,033,448
Scenario 2 (book value)	**1,711,423**	**1,789,212**
Financial Charges		
Scenario 1	178,564	87,981
Scenario 2 (book value)	**173,079**	**165,719**
Depreciation Expenses		
Scenario 1	356,700	435,603
Scenario 2 (book value)	**373,419**	**381,532**
Total Expenses		
Scenario 1	535,264	523,584
Scenario 2 (book value)	**546,498**	**547,251**

b) Minimum future payments and potential PIS and COFINS rights (Parent Company and Consolidated)

Minimum future lease payments, according to the terms of the lease agreements, plus the fair value of the minimum lease payments are as follows:

	2023		2022	
Coming due in	**Payments**	**Potential PIS/COFINS Rights**	**Payments**	**Potential PIS/COFINS Rights**
Less than 1 year	**500,406**	**(44,693)**	513,238	(44,118)
One to five years	**1,308,062**	**(116,387)**	1,391,273	(125,785)
Over five years	**497,441**	**(43,441)**	475,322	(41,983)
Total minimum payments	**2,305,909**	**(204,521)**	2,379,833	(211,886)
Minimum payments discounted to present value	**(594,486)**	**52,731**	(590,621)	52,979
Present value of the minimum payments	**1,711,423**	**(151,790)**	1,789,212	(158,907)
Current Liabilities	**501,642**		513,238	
Non-current Liabilities	**1,209,781**		1,275,974	

Potential PIS/COFINS rights refer to the amount the Group will have a right to recover if the expected future lease payments happen.

During the period ended December 31, 2022, the expense associated with the 20 variable lease agreements was R$ 5,858 (19 agreements or R$ 5,336 on December 31, 2022). Expenses associated with short-term leases and low-value assets totaled R$ 16,418 (R$ 20,631 in the period ended December 31, 2022) and refer to leasing printers and forklifts. Because of limited relevance, future commitments with minimum lease payments of low-value assets and short-term contracts are not presented, nor is any sensitivity analysis of variable expenses with leases and the factors that impact this variation.

The Group does not offer property as collateral in any transaction.

(in thousand Reals unless otherwise stated)

c) Impairment

Right-of-use assets are also subject to the impairment test. This approach is the same as used for property and equipment (Note 18).

20. Suppliers

20.1 Accounting policy

Trade receivables are Group obligations resulting from the purchase of goods, services, occupancy charges, property and equipment, and intangibles. Term purchases are adjusted to present value on the date of the transactions, and reversals have financial earnings as counterpart driven by the fruition of the term.

20.2 Breakdown of the balance

	Parent Company		Consolidated	
	2023	**2022**	**2023**	**2022**
Merchandise suppliers	**829,269**	706,318	**829,270**	706,318
Bradescard Supplier	**539,898**	469,328	**539,898**	469,328
Materials, asset, and service suppliers	**376,558**	324,069	**392,794**	335,908
Present value adjustment	**(21,489)**	(20,597)	**(21,489)**	(20,597)
	1,724,236	1,479,118	**1,740,473**	1,490,957
Current liabilities	**1,172,988**	1,466,548	**1,189,225**	1,478,387
Non-current liabilities	**551,248**	12,570	**551,248**	12,570

Bradescard Supplier
The Group purchased Balcão Bradesco for R$ 415 million, recorded under long-term suppliers. This amount is updated monthly, and monetary correction is booked against financial expenses in the sub-group “supplier interest” (note 30). On December 31, 2023 the corrected amount was R$ 540 million.

The terms of the original agreement have been renegotiated. The changes made include, among others, postponement of the settlement from January 2023 to July 2025. This new agreement also has similar covenants to those mentioned in item 23.5 Restrictive covenants for loans and debentures.

Present value adjustment
The Group uses interest rates close to those used by the industry to discount the balance of trade receivables to present value. The monthly interest rates used for the calculation of present value of outstanding payables on December 31, 2023 and 2022 were 0.93% and 1.12%

(in thousand Reals unless otherwise stated)

respectively. The matching entry to the present value adjustment is made on inventories, and the interest is recognized on a pro rata die basis in financial expenses.

21. Obligations - Forfait

21.1. Accounting policy

The Group offers advanced receivables at a discount over the face value to suppliers who sign a term agreeing with the terms and conditions. This transaction may take place directly with the Group or through agreements with financial institutions.

Under these agreements, the financial institution advances a given amount to the supplier and, when this amount comes due, it is paid back by the Group. The decision to subscribe to this type of transaction is solely the supplier's. The agreement does not change the commercial conditions, terms and prices previously agreed between the Group and its supplier. For this reason, the balances payable were booked as operational liabilities.

21.2. Breakdown of the balance

	Parent Company and Consolidated	
	2023	**2022**
Obligations - Forfait	**364,709**	386,266
Current liabilities	**364,709**	386,266

This transaction yielded R$ 12,911 for the Group for the period ended December 31, 2023 (R$ 9,255 in 2022). In 2023 the discount ranged from 1.23% to 1.89% a month (compared to 1.08% and 2.04% in 2022).

In the year ended December 31, 2023 the Group advanced R$ 43,361 to suppliers, which generated an income of R$ 329, recognized as financial income, net of funding costs (in the same period of 2022 R$ 84 was advanced, for an income of R$ 1).

(in thousand Reals unless otherwise stated)

22. Loans and debentures

22.1. Accounting policy

Loans and debentures are initially recognized at fair value and subsequently measured at amortized cost, as established in the agreement. All other loan costs are recorded as expenses in the period in which they are incurred. Loan costs include interest and other costs incurred by the Group regarding those loans.

The Group also considers third-party loan transactions as financing activities.

22.2. Breakdown of loans and debentures

			Parent Company		Consolidated	
Description	**Annual rates**	**Maturity**	**2023**	**2022**	**2023**	**2022**
Promissory notes	100% CDI+ 1.09%	2023	**-**	506,881	**-**	506,881
CCB (i)	100% CDI+ 2.79%	2024	**63,746**	106,694	**63,746**	106,694
Debentures - single series, issue 1 (ii)	100% CDI+ 2.15%	2024 to 2025	**507,519**	508,661	**507,519**	508,661
Book-entry Commercial Notes - single series, issue 1 (iv)	100% CDI + 2.45%	2026 a 2027	**259,947**	260,951	**259,947**	260,951
Debentures - 1st series, issue 2 (iv)	100% CDI + 2.10%	2025	**251,749**	252,368	**251,749**	252,368
Debentures - 2nd series, issue 2 (iv)	100% CDI + 2.40%	2025 to 2028	**358,685**	359,571	**358,685**	359,571
Book-entry Commercial Notes - single series, issue 2 (v)	100% CDI+ 2.10%	2024	**51,193**	-	**51,193**	-
Book-entry Commercial Notes - single series, issue 3 (vi)	100% CDI+ 2.70%	2024 to 2025	**202,560**	-	**202,560**	-
Guaranteed Accounts (vii)	100% CDI+2.10%	2023		-		163,457
(-) Transaction costs to appropriate			**(7,545)**	(7,751)	**(7,545)**	(7,751)
Total			**1,687,854**	1,987,375	**1,687,854**	2,150,832
Current liabilities			**511,427**	582,558	**511,427**	746,015
Non-current liabilities			**1,176,427**	1,404,817	**1,176,427**	1,404,817

i. On September 30, 2020 the Group issued two CCBs:

- The first, in the amount of R$ 230,000 paying the equivalent of 100% of the accumulated variation in the average daily DI rate, plus an annual surcharge of 2.95% and half-yearly interest payments in 6 installments, and amortization of the principal on the maturity date in 2023. On December 14, 2022 the Company pre-paid a CCB in the amount of R$ 230,000, originally coming due on June 30, 2023.
- The second, in the amount of R$ 120,000 paying the equivalent to 100% of the accumulated variation in the average daily DI rate, plus an annual surcharge of 2.90% and half-yearly interest payments in 6 installments of R$ 20,000, the first due in January 2022 and the last in July 2024 The Company renegotiated the agreement. The maturity of the installment originally coming due in January 2022 was postponed to July 2024, and compensation changed to the equivalent of 100% of the accumulated variation in the average daily DI rate, plus an annual surcharge of 2.79%.

The costs associated with the first and second CCBs, including taxes, commissions and other costs totaled R$ 3,647 and are being recorded as deductions from liabilities and added to results monthly during the debt term. R$ 232 (R$ 463 in 2022) were appropriated in the period ended December 31, 2023.

ii. On May 20, 2021 the Company issued its first series of simple, non-secured, non-convertible debentures for public distribution with limited effort (CVM n. 476), in the amount of R$ 500,000 with a yield of 100% of the DI, plus an annual surcharge of 2.15% effective for 4 (four) years and amortized annually in 2 (two) installments as of year 3 from the date of issue of the debentures. The first installment, equivalent to 50% of the nominal unit amount due on May 20, 2024 and the last on the maturity date of May 20, 2025. The costs associated with the first issue of debentures, including taxes, commissions and other costs totaled R$ 3,619 and are being recorded as deductions from liabilities and added to results monthly during the debt term. R$ 905 (R$ 905 in 2022) were appropriated in the period ended December 31, 2023.

iii. On March 18, 2022 the Company issued its first Commercial Notes (“Commercial Notes” and “Issue”) for public distribution with limited effort as per law 14,195 of August 26, 2021, as amended (“Law 14,195”) and CVM Instruction n. 476, in the amount of R$ 250,000 with a yield of 100% of the DI, plus an annual surcharge of 2.45% for settlement on March 18, 2027. The net funds captured by the Issue will be used to reinforce the Company’s cash position and extend the average term of the Issuer’s debt. The costs associated with the first issue of promissory notes, including taxes, commissions and other costs totaled R$ 1,528 and are being recorded as deductions from liabilities and added to results monthly during the debt term. R$ 306 (R$ 229 in 2022) were appropriated in the period ended December 31, 2023.

iv. On April 8 2022 the Company issued its second series of simple, non-secured, non-convertible debentures for public distribution with limited effort in two series, in the amount of R$ 600,000 (six hundred million), R$ 247,500 (two hundred and forty-seven, five hundred thousand Reals) refer to debentures int he first series, and R$ 352,500 (three hundred and fifty-two million, six hundred thousand Reals) refer to the second series. The first series will have a yield of 100% of the DI, plus an annual surcharge of 2.10%, while the second will have a yield of 100% of the DI, plus an annual surcharge of 2.40%. The first series debentures will mature in 42 (forty-two) months from the date of issue, or November 13, 2025 (“maturity date of the first series debentures), while the second series debentures shall mature in 72 (seventy-two) months from the date of issue, or May 13, 2028 (“maturity date of the second series debentures). The costs incurred, including fees, commissions, and other costs totaled R$ 4,521 and are entered as deductions to liabilities and appropriated in earnings monthly during the debt period. R$ 963 (R$ 641 in 2022) were appropriated in the period ended December 31, 2023.

v. On April 25, 2023 the Group issued its second Commercial Notes for public distribution with automatic registration according to the Securities Law, law 14,195, and CVM Instruction n.

(in thousand Reals unless otherwise stated)

160, in the amount of R$ 50,000 with a yield of 100% of the CDI, plus an annual surcharge of 2.10% for settlement on April 25, 2024. The net funds captured through this Issue shall be used to reinforce the Group's cash position and extend the Issuer's average payment term. The costs associated with the first issue of promissory notes, including taxes, commissions and other costs totaled R$ 536 and are being recorded as deductions from liabilities and added to results monthly during the debt term. R$ 402 were appropriated in the period ended December 31, 2023.

vi. On May 22, 2023 the Group issued its third Book-entry Commercial Notes in a single series, for public distribution and automatic registration ("Issue Term", "Commercial Notes", and "Issue") respectively, as per article 45 and subsequent articles of law 14,195 of August 26, 2021 ("Law 14,195") and CVM Instruction n. 160 of July 13, 2022 as amended ("CVM Resolution 160"), in the amount of R$ 200,000 with a yield of 100% of the CDI, plus an annual surcharge of 2.70% for settlement on May 25, 2025. The net funds captured through this Issue shall be used to reinforce the issuer's working capital. The costs associated with the first issue of promissory notes, including taxes, commissions and other costs totaled R$ 3,331 and are being recorded as deductions from liabilities and added to results monthly during the debt term. R$ 1,110 were appropriated in the period ended December 31, 2023.

Since December 1, 2021 the Group had captured funds through its subsidiary Orion Instituição de Pagamentos, for use to settle the funding of with-interest installment portfolios, past-due accounts, withdrawals, and refinancing of the new C&A Pay card operations. On May 2, 2023, the Group settled its secured account agreements in the amount of R$ 201,500.

These funds were captured to reinforce working capital and no guarantee was put up by the Group.

22.3. Payment Forecast

The following is a forecast of the payment of long-term loans On December 31, 2023:

Maturity	Parent Company and Consolidated
2024	**511,427**
2025	**663,508**
2026	**212,359**
2027	**212,588**
2028	**87,972**
	1,687,854

(in thousand Reals unless otherwise stated)

22.4. Changes in loans

	Parent Company		Consolidated	
	2023	2022	2023	2022
Balance on December 31	**1,987,375**	**1,358,756**	**2,150,832**	**1,374,826**
New loans/debentures	**250,000**	850,000	**381,372**	1,291,249
Interest	**255,421**	272,449	**255,421**	272,449
Interest passed along and to pass along (*)	**-**	-	**(1,899)**	1,180
Funding cost	**(4,183)**	(6,104)	**(4,983)**	(7,574)
Cost amortization	**4,389**	2,777	**5,188**	4,247
Payment of the principal	**(452,500)**	(295,000)	**(745,429)**	(590,042)
Interest payment	**(352,648)**	(195,503)	**(352,648)**	(195,503)
Balance on December 31	**1,687,854**	**1,987,375**	**1,687,854**	**2,150,832**

(*) Refers to the mandate clause settled on 05/02/2023.

22.5. Restrictive covenants

Based on the clauses of current agreements, the Group must fulfill the following financial covenants, measured once a year on December 31:

- Maintain a Net Debt (comprised of loans and debentures plus or minus the balance of derivatives less cash and cash equivalents) over Adjusted EBITDA (comprised of EBITDA plus revenue discounting suppliers less non-operating results, define as the sale of assets, contingency provisions/reversals, impairment, and restructuring clauses) ratio at less than or equal to 3.0x, to be calculated each year based on the consolidated financial statements. For this calculation, Adjusted EBITDA for the past 12 (twelve) months is used, and the effects brought on by adopting CPC06/IFRS16 are ignored.

From time to time, the Group monitors financial indicators that may impact the covenants. The covenants are the normal ones for transactions of this nature and, to date, have in no way limited the Group's ability to conduct its business. On December 31, 2023 the Company complied with all covenants clauses.

23. Labor liabilities

	Parent Company		Consolidated	
	2023	2022	2023	2022
Wages payable	**35,039**	32,934	**35,227**	32,934
13th salary, vacation pay, and profit sharing	**160,647**	143,350	**161,352**	143,350
Social Charges (i)	**53,152**	29,818	**53,525**	29,818
	248,838	206,102	**250,104**	206,102
Current liabilities	**230,098**	198,732	**231,364**	198,732
Non-current liabilities	**18,740**	7,370	**18,740**	7,370

(in thousand Reals unless otherwise stated)

(i) R$ 20,718 refers to the charges levied on long-term incentives (Stock-based compensation plan note 10) in December 2023 (R$ 2,418 in December 2022).

24. Taxes payable

	Parent Company		Consolidated	
	2023	2022	2023	2022
ICMS	**154,009**	151,788	**154,009**	151,788
PIS/COFINS	**61,600**	100,039	**62,323**	101,170
ISS	**1,040**	4,991	**2,591**	5,482
IT/CSLL	**68,339**	-	**76,247**	-
Other	**5,194**	4,999	**4,489**	5,464
	290,182	261,817	**299,659**	263,904
Current liabilities	**277,772**	245,954	**287,249**	248,041
Non-current liabilities	**12,410**	15,863	**12,410**	15,863

25. Provisions for tax, civil, and labor risks, as well as judicial deposits

25.1. Accounting policy

The Group is a party in numerous legal and administrative proceedings of a tax, civil, and labor nature. Provisions are recognized for all contingencies related to proceedings for which it is probable that an outflow of resources will be required to settle the contingency and a reasonable estimate can be made. Assessment of the likelihood of loss includes an assessment of the available evidence, the hierarchy of the laws, the available case law, and recent court decisions and their relevance in the legal system, as well as the assessment made by independent advisors. Provisions are reviewed and adjusted so as to consider changes in circumstances, such as applicable statute of limitations, the completion of tax audits or additional exposures identified based on new matters or court rulings.

If the provisions include the corresponding judicial deposit, and if the Group intends to settle the liability and realize the asset simultaneously, the values offset each other for the purposes of financial statements.

25.2. Balance and changes in provisions for tax, civil, and labor risks

On the advice of its legal advisors, Management creates provisions to cover likely and reasonably estimable losses where disbursement of financial resources by the Group is likely.

(in thousand Reals unless otherwise stated)

	Parent Company				
	12/31/2022	Addition (reversal)	Payments	Update	12/31/2023
Tax	**245,782**	**(7,932)**	**(632)**	**16,281**	**253,499**
Labor 23.2 (iv)	**29,371**	**11,548**	**(12,845)**	**3,081**	**31,155**
Civil	**3,688**	**3,907**	**(4,922)**	**215**	**2,888**
Provisions for tax, civil, and labor risks	**278,841**	**7,523**	**(18,399)**	**19,577**	**287,542**
Judicial deposits with a corresponding liability	**(96,091)**	**-**	**-**	**(7,660)**	**(103,751)**
Net provisions for judicial deposits	**182,750**	**7,523**	**(18,399)**	**11,917**	**183,791**

	Consolidated				
	12/31/2022	Addition (reversal)	Payments	Update	12/31/2023
Tax	**245,782**	**(7,932)**	**(632)**	**16,281**	**253,499**
Labor 23.2 (iv)	**29,371**	**11,548**	**(12,845)**	**3,081**	**31,155**
Civil	**3,785**	**5,008**	**(4,922)**	**215**	**4,086**
Provisions for tax, civil, and labor risks	**278,938**	**8,624**	**(18,399)**	**19,577**	**288,740**
Judicial deposits with a corresponding liability	**(96,091)**	**-**	**-**	**(7,660)**	**(103,751)**
Net provisions for judicial deposits	**182,847**	**8,624**	**(18,399)**	**11,917**	**184,989**

	Parent Company				
	12/31/2021	Addition (reversal)	Payments	Update	12/31/2022
Tax	220,978	9,128	-	15,676	245,782
Labor 23.1 (iv)	30,095	5,955	(10,544)	3,865	29,371
Civil	3,710	7,017	(7,445)	406	3,688
Provisions for tax, civil, and labor risks	254,783	22,100	(17,989)	19,947	278,841
Judicial deposits with a corresponding liability	(85,257)	(2,361)	-	(8,473)	(96,091)
Net provisions for judicial deposits	169,526	19,739	(17,989)	11,474	182,750

	Consolidated				
	12/31/2021	Addition (reversal)	Payments	Update	12/31/2022
Tax	220,978	9,128	-	15,676	245,782
Labor (iv)	30,095	5,955	(10,544)	3,865	29,371
Civil	3,710	7,114	(7,445)	406	3,785
Provisions for tax, civil, and labor risks	254,783	22,197	(17,989)	19,947	278,938
Judicial deposits with a corresponding liability	(85,257)	(2,361)	-	(8,473)	(96,091)
Net provisions for judicial deposits	169,526	19,836	(17,989)	11,474	182,847

Tax provisions refer substantially to discussions regarding the following taxes:

(i) PIS/COFINS Disallowed PIS and COFINS credit rights for (i) inputs used in the purpose of business, and (ii) COFINS credits on Imports;

(in thousand Reals unless otherwise stated)

(ii) ICMS Disallowed ICMS credit rights for (i) charges linked to electric power transactions, and (ii) credit associated with suppliers considered disreputable;

(iii) Other Taxes: discussions regarding the exclusion of ICMS and ISS from the basis for calculating CPRB - Social Security Contribution on Gross Revenue.

(iv) Civil and labor

Provisions for labor claims are obtained by applying the historical percent losses to the total value of the claim (which is the maximum exposure to which the Group is subject) for each claim, as informed by the Group's legal advisors. This measurement is reviewed every six months, most recently in September 2023. Measurement of the provisions for civil cases uses the overall average success and payment rates, with individual assessments made where the amounts are significant.

Judicial deposits with a corresponding liability

The Company has judicial deposits with the corresponding liabilities for issues related to (i) COFINS Imports and (ii) exclusion of ICMS and ISS from the basis for calculating CPRB; (iii) Social Contribution on the 10% additional FGTS.

25.3. Judicial deposits

The Group is contesting the payment of certain taxes, contributions and labor obligations, and has made judicial deposits to ensure that court discussions proceed, either because said deposits are required by the courts, or because of a strategic decision by Management to protect its cash position. Thus the updated amount of the company's judicial deposits is:

	Parent Company		Consolidated	
	2023	2022	2023	2022
Tax	**20,522**	32,893	**20,522**	32,893
Labor and Civil	**27,119**	28,397	**27,146**	28,397
Total	**47,641**	61,290	**47,668**	61,290

There is no provision for the judicial deposits mentioned above, pursuant to the judgment of Management supported by its legal advisors.

25.4. Non-provisioned contingencies

On December 31, 2023 the Group had an updated amount of R$ 379,235 (R$ 362,640 on December 31, 2022) associated with judicial and/or administrative claims where it is considered possible that the Company will lose, and for this reason accounting provisions are not made, as per the relevant accounting standards.

(in thousand Reals unless otherwise stated)

Below is a summary of the main claims, with the amount of the principal plus interest and fines that our legal advisors believe we may lose:

	Parent Company and Consolidated	
	2023	**2022**
PIS and COFINS - rate of zero on the sale of electronics	**-**	191,472
Disallowed PIS/COFINS credits (b)	**146,647**	26,373
PIS/COFINS (taxes on revenue - Non-homologated offsets (c)	**51,314**	41,259
Import Taxes on Royalties (d)	**30,685**	18,794
INSS - Non-homologated and other offsets (e)	**66,796**	38,297
ICMS - Non-homologated and other offsets (f)	**47,850**	29,681
Other demands (g)	**35,943**	16,764
	379,235	362,640

(a) Discussion regarding the tax benefits arising from Law 11,196/05 regarding the sale of electronic devices.
(b) PIS/COFINS - Disalloweance of credits related to expenses used as inputs.
(c) PIS/COFINS - Administrative proceedings discussing the non-homologation of requests for compensation.
(d) PIS/COFINS - Imports - Discussion on not including royalties paid for licensed brands;
(e) INSS - Administrative proceedings discussing the non-homologation of requests for offsetting social security credits.
(f) ICMS - Non-homologated and other offsets
(g) IRPJ - Administrative proceedings discussing the non-homologation of requests for compensation.

The Group informs that it reviews its provisions for civil and labor claims from time to time, and these are created for claims where there it is considered likely the Company will lose, bearing in mind how past claims have evolved, and the actual amounts settled.

Driven by to external factors not under the Group's control, it is not feasible to determine when the associated cash disbursements, if any, will be made in the event the Company loses any such claims.

26. Shareholder's Equity

26.1. Accounting policy

Capital stock is represented by common shares. Incremental costs attributable directly to issuing shares are entered as a deduction of shareholder's equity as capital transactions, net of tax effects.

26.2. Capital stock

(in thousand Reals unless otherwise stated)

On December 31, 2023, the share capital of R$ 1,847,177 was split into 308,245,068 fully paid-in common shares (308,245,068 on December 31, 2022), with a free float of 103,375,546 common shares (104,150,035 common shares on December 31, 2022).

On December 31, 2023 and 2022 the ownership of Company shares broke down as follows:

	2023		2022	
	Number of shares	**%**	**Number of shares**	**%**
COFRA Investment SARL	100,363,049	32.56%	100,363,049	32.56%
Incas SARL	100,939,166	32.75%	100,939,166	32.75%
COFRA Latin America	17,121	0.01%	17,121	0.02%
Officers	899,686	0.29%	805,797	0.26%
Treasury	2,650,500	0.86%	1,969,900	0.64%
Free Float	103,375,546	33.54%	104,150,035	33.79%
Total	308,245,068	100%	308,245,068	100%

According to the Bylaws, the Company is authorized to increase capital by as many as 135,000,000 new common shares, up to a limit of 443,245,068 common shares, regardless of any statutory reform, as per article 168 of Law 6,404 of 15 December 1976, as amended ("Brazilian Corporate Law").

The increase in share capital within the authorized limits shall be completed by issuing shares, convertible debentures or subscription warrants, as decided by the Board of Directors, which is responsible for setting the issuing terms, including price and form of payment. If payment takes the form of assets, the General Meeting shall be responsible for increasing the share capital, with input from the Fiscal Board, if any.

26.3. Shares in Treasury

On November 12, 2021 the market was informed that an 18-month share buy-back program was approved by the Board of Directors. This share buy-back program ran from the date of notice to May 11, 2023. The end of the program was communicated at the BoD meeting held on May 11, 2023

	Number	**Average cost per share**	**Book value**	**Market value**
Balance on December 31, 2021	214,500	6.35	1,362	1,319
Share buy-back	1,755,400	3.09	5,416	5,416
Balance on December 31, 2022	**1,969,900**	**3.44**	**6,778**	**4,511**
Share buy-back	680,600	2.53	1,720	1,720
Balance on December 31, 2023	**2,650,500**	**3.21**	**8,498**	**20,753**

26.4. Capital reserve – shares granted

This refers to the reserve for options granted according to the stock-based compensation plan. See Note 10 for further details.

26.5. Legal reserve

The Company Bylaws stipulate that 5% of net profit will be taken as legal reserves, to the limit of 20% of the capital stock. The amount allocated to legal reserve on December 31, 2023, is R$ 65,208 (R$ 65,092 on December 31, 2022.

26.6. Reserve for unrealized profits

On December 31, 2021 the company set aside R$ 75,720 as a reserve for unrealized gains. Realization of this profit is conditional upon using the PIS/Cofins credits from the 2nd claim, which are still pending, and for this reason remain in this reserve (R$ 75,720 on December 31, 2022).

26.7. Reserve for investments

The purpose of this reserve is to reinforce the Group's working capital and activities. The balance of this reserve, plus the balance of other profit reserves with the exception of contingency reserves, reserves for tax incentives and reserves for future profits may not exceed 100% (one hundred percent) of the share capital. Once this threshold is reached, and pursuant to article 199 of Law 11,638/07, the General Meeting shall determine how to distribute any surplus and shall use it to pay in or increase the capital stock or distribute dividends. The balance of the investment reserve on December 31, 2023, is R$ 959,256.

26.8. Reserve for tax incentives

The Group has ICMS tax incentives as presumed credit driven by to its operations in the state of Santa Catarina. Thus, it recognizes the impact as credit on the statement of earnings in those periods in which it recognizes the related costs. Setting aside this incentive for tax incentive reserves is subject to profit in the period after deducting required reserves. The destination of earnings for tax incentives is done annually in the month of December. On December 31, 2023 this reserve for tax incentives amounted to R$ 14,560 (R$ 12,341 on December 31, 2022). The Group set aside the amount of R$2,219 in 2023 (R$789 on December 31, 2022).

26.9. Equity valuation adjustments

This refers to the effective portion of financial instruments designated as cash flow hedge, as per Note 32.

27. Dividends and interest on shareholder's equity payable

27.1. Accounting policy

As stipulated in the Bylaws, each period the shareholders have the right to receive the minimum mandatory 25% of net profits for the period, less legal reserves and plus the reversal of previous reserves, as dividends, and is booked as liabilities on the date of the statement of earnings. Any amounts in excess of the mandatory minimum are booked as proposed additional dividends in the statement of changes in shareholder's equity and entered as dividends payable only on the date on which such additional dividends are approved by the Company shareholder's equity at a General Meeting.

27.2. Distribution de Interest on Shareholder's Equity and dividends

The Company's profits in the period ended December 31, 2023 was set aside as legal reserve and reserve for tax incentives, as mentioned in Note 26.

28. Net revenue

28.1. Accounting policy

Revenue is measured based on the fair value of the counterpart received net of taxes, sales taxes, discounts, and deductions. To be recognized, the transaction must meet the criteria for recognition of transactions described in CPC47/IFRS15, The criteria below must also be fulfilled before revenue is recognized:

a) <u>Sale of goods</u>

Revenue from the sale of goods is recognized when the Group fulfills its obligations to perform, i.e. when control over the merchandise is transferred to the buying customer.

Returned goods happen substantially in our e-commerce transactions. At this time they are not sufficiently significant to be recorded as estimates on the date of the balance sheet. Physical returns to stores are immediately exchanged for other and/or similar goods of the same value.

The Group recognizes a revenue when, based on past behavior, it expects customers will not exercise their contractual rights regarding non-reimbursable prepayments. This happens in the case of unused gift cards and exchange vouchers.

b) Services provided

Revenue from services is recognized when the services are actually provided, i.e. when the Group has fulfilled its obligation to perform.

Revenue from services includes commissions served for the sale of insurance products to C&A Pay customers, commissions from the sale of cell phone top-ups, and other commissions.

c) Net revenue from credit securitization

Affiliate Orion recognizes revenue when it settles securities in its receivables portfolio that are a long time past due, and whose credit rights were purchased by Banco Bradesco. This policy was adopted as there is uncertainty that the debtor will pay these amounts to Banco Bradesco, which passes along the funds received to Orion.

f) Revenue from commissions from intermediating financial services - Bradescard Partnership

This revenue is the commissions received for financial intermediation in receiving payment slips (boletos), and commissions for brokering credit cards and other financial services. The calculation includes the commission on revenue from interest and fees charged from Bradesco customers who use the Group’s intermediation services, in addition to the related operating costs and expenses.

e) Revenue from financial products

This is the interest on installment sales and arrears interest from the e portfolio originating from SCD – C&A Pay Sociedade de Crédito Direto S.A. (“SCD”) and assigned to FIDC -Fundo de Investimento a um Direito Creditório. In compliance with the accrual approach, revenue is recognized when results are calculated in the period to which they belong, to the extent that it is likely that they will be received. Formal transactions with pre-defined financial charges are updated pro rata diem and booked as revenue from financial products.

(in thousand Reals unless otherwise stated)

28.2. Breakdown of net revenue

	Parent Company		Consolidated	
	2023	2022	2023	2022
Sale of goods	**8,834,284**	8,175,912	**8,820,276**	8,175,912
Cancellations, exchanges and vouchers	**(501,109)**	(491,795)	**(501,109)**	(491,795)
Sales taxes	**(1,982,467)**	(1,779,342)	**(1,982,467)**	(1,779,915)
Net revenue from the sale of merchandise	**6,350,708**	5,904,775	**6,336,700**	5,904,202
Revenue from commissions, services and financial products (*)	**152,151**	200,076	**415,621**	316,238
Taxes on commissions and services	**(21,659)**	(23,586)	**(33,004)**	(36,890)
Net revenue from services rendered	**130,492**	176,490	**382,617**	279,348
	6,481,200	6,081,265	**6,719,317**	6,183,550

(*) As of May 2023, transactions with C&A Pay characteristics migrated to SCD – C&A Pay Sociedade de Crédito Direto S.A. ("SCD"). Formerly they were supported by a mandate clause with the partner financial institution. The portfolio originating from the SCD is assigned to an FIDC - Credit Rights Investment Fund on the day after origination, the FIDC records the interest on installment sales and arrears interest.

29. Earnings by nature

29.1. Classified by function

	Parent Company		Consolidated	
	2023	2022	2023	2022
Cost of goods sold and services rendered	**(3,196,478)**	(3,076,995)	**(3,197,049)**	(3,077,441)
General and administrative	**(783,776)**	(676,045)	**(786,065)**	(682,646)
Sales	**(2,106,144)**	(2,178,333)	**(2,183,983)**	(2,260,266)
Net credit losses	**-**	-	**(223,878)**	(64,271)
Other net operating income (expenses)	**66,362**	170,287	**66,106**	169,254
	(6,020,036)	(5,761,086)	**(6,324,869)**	(5,915,370)

29.2. General and administrative expenses by nature

	Parent Company		Consolidated	
	2023	2022	2023	2022
Personnel	**(323,540)**	(303,700)	**(325,355)**	(309,835)
Third party materials/services	**(151,371)**	(125,195)	**(151,660)**	(125,578)
Depreciation and amortization	**(224,490)**	(171,218)	**(224,582)**	(171,311)
Depreciation of right-of-use	**(25,662)**	(25,748)	**(25,662)**	(25,748)
Occupancy	**(13,530)**	(11,784)	**(13,530)**	(11,784)
Other	**(45,183)**	(38,400)	**(45,276)**	(38,390)
	(783,776)	(676,045)	**(786,065)**	(682,646)

(in thousand Reals unless otherwise stated)

29.3. Selling expenses by nature

	Parent Company		Consolidated	
	2023	2022	2023	2022
Personnel	**(692,063)**	(692,640)	**(714,521)**	(731,739)
Third party materials/services	**(314,152)**	(323,899)	**(358,939)**	(351,675)
Depreciation of right-of-use	**(314,510)**	(321,079)	**(314,510)**	(321,079)
Depreciation and amortization	**(143,073)**	(123,749)	**(143,073)**	(123,749)
Occupancy	**(349,398)**	(353,337)	**(349,398)**	(353,337)
Advertising and promotions	**(106,710)**	(161,389)	**(106,739)**	(161,389)
Other	**(186,238)**	(202,240)	**(196,803)**	(217,298)
	(2,106,144)	(2,178,333)	**(2,183,983)**	(2,260,266)

29.4. Other net operating revenue (expenses) by nature

Other net operating revenue (expenses) are amounts that are not related or only incidentally related to core Group activities, and are not expected to be repeated with any frequency in future periods.

	Parent Company		Consolidated	
	2023	2022	2023	2022
Asset write-offs	**(8,410)**	(8,592)	**(8,410)**	(8,592)
Reversals (provisions) for impairment:				
Store/DC closures/revamps	**3,816**	3,966	**3,816**	3,966
Impairment test	**-**	2,174	**-**	2,174
Store and distribution center closures (a)	**(7,407)**	-	**(7,407)**	-
(-) Tax credit recovery (b)	**73,094**	200,382	**73,094**	200,382
Reversal (provision) for tax contingencies	**10,536**	(6,453)	**10,536**	(6,453)
Strategy consulting services	**(5,030)**	(7,104)	**(5,030)**	(7,104)
Other	**(237)**	(14,086)	**(493)**	(15,119)
	66,362	170,287	**66,106**	169,254

(a) Covers inventory write-offs, contractual penalties, and employee severance costs.

(b) Credit recovery is shown net of legal and consulting expenses and mainly comprises PIS and COFINS credits amounting to R$31,679 in 2023 (R$99,487 in 2022), social security credits totaling R$12,171 in 2023 (R$41,516 in 2022), ICMS credits amounting to R$6,960 in 2023 (R$19,025 in 2022), and other minor credits.

(in thousand Reals unless otherwise stated)

30. Finance results

	Parent Company		Consolidated	
	2023	**2022**	**2023**	**2022**
Exchange variation				
Exchange variation - Purchases	**1,980**	324	**1,980**	324
	1,980	324	**1,980**	324
Finance expenses				
Interest on loans	**(255,421)**	(272,366)	**(255,421)**	(272,366)
Interest on leases	**(160,119)**	(156,537)	**(160,119)**	(156,537)
Supplier financial expenses - PVA	**(116,293)**	(88,611)	**(116,293)**	(88,611)
Bradescard supplier interest	**(70,570)**	(54,328)	**(70,570)**	(54,328)
Interest on taxes and contingencies	**(22,151)**	(21,742)	**(22,164)**	(21,747)
Payroll Charges com receivable anticipation (note 8.3)	**(47,468)**	(2,284)	**(4,110)**	(2,334)
Other finance expenses	**(6,638)**	(4,079)	**(7,799)**	(5,416)
	(678,660)	(599,947)	**(636,476)**	(601,339)
Finance income				
Monetary correction of tax credits (a)	**85,300**	168,737	**82,023**	168,642
Interest on financial investments	**87,057**	110,312	**104,992**	111,662
Supplier financial income	**11,687**	9,248	**11,687**	9,248
Other	**43**	7	**43**	7
	184,087	288,304	**198,745**	289,559
FIDC C&A Pay	**(4,648)**	-	-	-
	(4,648)	-	-	-
Bonds and securities	**-**	-	**7,068**	-
	-	-	**7,068**	-
Net financial results	**(497,241)**	(311,319)	**(428,683)**	(311,456)

(a) In December 2023, interest revenue included R$ 67,821 (R$ 125,784 in December 2022) related to monetary adjustment for previously unused PIS/COFINS credits, less PIS/COFINS taxes in the amount of R$ 3,154 (R$ 5,849 in December 2022) see note 12.2.1.5.

(in thousand Reals unless otherwise stated)

31. Information by segment

Group Management defined the reportable operating segments based on the reports used to make strategic decisions. The businesses were classified into two segments, retail and financial services; the main characteristics for each of the divisions are:

(i) Retail: sale of apparel, perfumery, cosmetics, watches, and cell phones in B&M stores and e-commerce.
(ii) Financial products and services: consumer credit operations and intermediation of insurance sales through our partners or own operations with the C&A Pay card

	Retail		Financial Services		Consolidated	
	2023	**2022**	**2023**	**2022**	**2023**	**2022**
Revenue from third parties	**6,362,725**	5,926,173	**356,592**	257,377	**6,719,317**	6,183,550
Cost of sales and services provided	**(3,195,966)**	(3,075,909)	**(1,083)**	(1,532)	**(3,197,049)**	(3,077,441)
Gross Profit	**3,166,759**	**2,850,264**	**355,509**	**255,845**	**3,522,268**	**3,106,109**
Sales	**(1,535,283)**	(1,617,101)	**(191,117)**	(198,337)	**(1,726,400)**	(1,815,438)
General and administrative	**(515,148)**	(473,412)	**(20,673)**	(12,175)	**(535,821)**	(485,587)
Net credit losses	**-**	-	**(223,878)**	(64,271)	**(223,878)**	(64,271)
Other net operating income (expenses)	**66,359**	170,281	**(253)**	(1,027)	**66,106**	169,254
Earnings by segment	**1,182,687**	**930,032**	**(80,412)**	**(19,965)**	**1,102,275**	**910,067**
Depreciation and amortization	**(692,289)**	(626,334)	**(15,538)**	(15,553)	**(707,827)**	(641,887)
Finance results					**(428,683)**	(311,456)
Income taxes					**36,572**	44,105
Profit for the period					**2,337**	**829**

32. Financial instruments and capital management

32.1. Financial instruments - Accounting Policy

A financial instrument is a contract that gives rise to a financial asset for one entity, and a financial liability or equity instrument for another entity.

a) Classification of financial instruments

The classification of financial assets depends on the characteristics of the financial asset's contractual cash flows, and on the business model used to manage such financial instruments. The Group classifies them at:

(i) Amortized cost
(ii) Fair value through profit or loss,
(iii) Fair value through other comprehensive results.

(i) Amortized cost

Financial results at amortized cost include the following lines: cash and cash equivalents, trade receivables, judicial deposits, and related parties. Financial assets at amortized cost are subsequently measured using the effective interest rate (EIR) approach, and are subject to impairment.

Financial liabilities are initially recognized at fair value and, in the case of loans and financing, plus the directly attributable transaction costs. Measuring financial liabilities depends on their classification. Trade payables, related party loans and accounts payable, and leases payable classified as financial liabilities at amortized using the effective interest rate approach.

(ii) Fair value through profit and loss

Includes financial assets held for trading, and financial assets designed upon initial recognition at fair value through profit or loss. Financial assets are classified as held for trading if they were acquired to be sold short term. This category includes investments in bonds and securities (Treasury Bonds) held for negotiation.

(iii) Fair value through other comprehensive results.

Financial assets and liabilities in this category are derivative transactions to which hedge accounting applies. Also includes investments in securities (LFTs) held as available-for-sale. The Group uses hedge accounting and considers forward currency contracts (NDF) as cash flow hedges. The fair value of derivative financial instruments is determined based on the exchange rate and interest rate curves.

b) *Cash flow hedges*

The Group uses derivative financial instruments to minimize the risks associated with foreign currency exposure. The Group uses hedge transactions to protect itself from foreign exchange risk associated with as-yet unpaid import orders, and for this reason designates them as cash flow hedges.

(in thousand Reals unless otherwise stated)

The effective and unsettled portion of changes in the fair value of derivatives that are designated and qualify as cash flow hedges is recognized in shareholder's equity as equity valuation adjustments in OCI. This installment is realized when the risk for which the derivative was purchased no longer exists. Regarding liquidation of financial instruments, previously deferred gains and losses in shareholder's equity are transferred to the initial measurement of the cost of the asset.

Such derivative financial instruments in hedge transactions are initially recognized at fair value on the date the derivative agreement is entered into, and are subsequently reviewed, also at fair value.

The effective portion of the gain or loss on the hedge instrument is recognized in shareholder's equity under other comprehensive income, while any ineffective portion is recognized immediately in the statement of operations under finance results.

32.2. Financial instruments - classification

Financial instruments on December 31, 2023 and 2022 can be summarized and classified as follows:

Parent Company

	Cost amortized	Fair value through profit and loss	Fair value through other earnings comprehensive income	Total
Financial assets				
Cash and cash equivalents	**1,130,245**	**-**	**-**	**1,130,245**
Financial investments	**-**	**-**	**-**	**-**
Trade receivables	**1,054,599**	**-**	**-**	**1,054,599**
FIDC C&A Pay	**-**	**791,352**	**-**	**791,352**
Derivatives	**-**	**-**	**721**	**721**
Related parties	**342**	**-**	**-**	**342**
Judicial deposits	**47,641**	**-**	**-**	**47,641**
Financial liabilities				
Lease liabilities	**(1,711,423)**	**-**	**-**	**(1,711,423)**
Suppliers	**(2,088,945)**	**-**	**-**	**(2,088,945)**
Loans and debentures	**(1,687,854)**	**-**	**-**	**(1,687,854)**
Derivatives	**-**	**-**	**(1,392)**	**(1,392)**
Related parties	**(79,760)**	**-**	**-**	**(79,760)**
Total on December 31, 2023	**(3,335,155)**	**791,352**	**(671)**	**(2,544.474)**

(in thousand Reals unless otherwise stated)

	Cost amortized	Fair value through profit and loss	Fair value through other earnings comprehensive income	Total
Financial assets				
Cash and cash equivalents	1,627,977	-	-	1,627,977
Financial investments	8,735	-	-	8,735
Trade receivables	1,065,961	-	-	1,065,961
Derivatives	-	-	1,371	1,371
Related parties	4,411	-	-	4,411
Judicial deposits	61,290	-	-	61,290
Financial liabilities				
Lease liabilities	(1,789,212)	-	-	(1,789,212)
Suppliers	(1,865,384)	-	-	(1,865,384)
Loans and debentures	(1,987,375)	-	-	(1,987,375)
Derivatives	-	-	(1,756)	(1,756)
Related parties	(48,567)	-	-	(48,567)
Total on December 31, 2022	(2,922,164)	-	(385)	(2,922,549)

Consolidated

	Cost Amortized	Fair value through profit and loss	Fair value through other earnings comprehensive income	Total
Financial assets				
Cash and cash equivalents	**1,155,588**	**-**	**-**	**1,155,588**
Financial investments	**-**	**107,604**	**83,983**	**191,587**
Trade receivables	**1,778,421**	**-**	**-**	**1,778,421**
FIDC C&A Pay	**-**	**-**	**-**	**-**
Derivatives	**-**	**-**	**721**	**721**
Related parties	**111**	**-**	**-**	**111**
Judicial deposits	**47,668**	**-**	**-**	**47,668**
Financial liabilities				
Lease liabilities	**(1,711,423)**	**-**	**-**	**(1,711,423)**
Suppliers	**(2,105,182)**	**-**	**-**	**(2,105,182)**
Loans and debentures	**(1,687,854)**	**-**	**-**	**(1,687,854)**
Derivatives	**-**	**-**	**(1,392)**	**(1,392)**
Related parties	**(71,661)**	**-**	**-**	**(71,661)**
Total on December 31, 2023	**(2,594,332)**	**107,604**	**83,312**	**(2,403,416)**

(in thousand Reals unless otherwise stated)

	Cost Amortized	Fair value through profit and loss	Fair value through other earnings comprehensive income	Total
Financial assets				
Cash and cash equivalents	1,674,091	-	-	1,674,091
Financial investments	8,735	-		8,735
Trade receivables	1,278,206	-	-	1,278,206
Derivatives	-	-	1,371	1,371
Related parties	171	-	-	171
Judicial deposits	61,290	-	-	61,290
Financial liabilities				
Lease liabilities	(1,789,212)	-	-	(1,789,212)
Suppliers	(1,877,223)	-	-	(1,877,223)
Loans and debentures	(2,150,832)	-	-	(2,150,832)
Derivatives	-	-	(1,756)	(1,756)
Related parties	(43,592)	-	-	(43,592)
Total on December 31, 2022	(2,838,366)	-	(385)	(2,838,751)

The fair value of the Group's assets and liabilities were measured on December 31, 2023 and 2022 using Level 2 hierarchy, which corresponds to significant observable data.

32.3. Financial risk management

The activities of the Group and its subsidiaries expose them to certain financial risks (including foreign exchange and interest rate), credit risk, and liquidity risk. Financial risks are assessed and managed carefully, using the limits and procedures defined in the Group's financial policy.

a) <u>Market Risk</u>

Market risk is the risk that the fair value of the future cash flows of a financial instrument will fluctuate driven by market prices. Market prices include three types of risk: interest rate risk, exchange risk and price risk, which can be commodities or shares, among others. Financial instruments affected by market risk includes loans and financing, cash equivalents and other financial assets, investments in debt and equity instruments, and derivative financial instruments.

Interest rate risk

The Group is exposed to the risk of changes in interest rates that could impact returns on its short-term assets and financial liabilities indexed to the CDI.

The Group attempts to keep the interest rate indicators for its assets and liabilities equal to reduce the impact of a risk in a fluctuation in interest rates. Currently all our loans are fixed rate and indexed to the CDI. The Group is also exposed to the CDI in the payments to Bradesco for the purchase of Balcão.

(in thousand Reals unless otherwise stated)

Management continuously analyzes its exposure to interest rates, comparing the contracted rates to current market rates and simulating refinancing scenarios and the impact on results.

The Group ran tests using scenarios for the next disclosure to demonstrate how fluctuations in this index impact results. Likely scenario interest rates come from the reference rates on the B3 website on December 28, 2023 (annualized CDI of 10.46%).

		Parent Company						
					Increasing interest		Decreasing interest	
	Risk	Balance on 12/31/2023	Rate	Likely scenario	Possible scenario + 25%	Remote scenario + 50%	Possible scenario - 25%	Remote scenario - 50%
Financial investments (i)	Lower CDI	1,059,262	CDI (i)	106,051	132,564	159,077	79,538	53,025
Loans and debentures	Higher CDI	(1,687,854)	CDI (i)	(176,549)	(220,687)	(264,824)	(132,412)	(88,275)
Bradescard Supplier	Higher CDI	(539,898)	CDI (i)	(56,473)	(70,591)	(84,710)	(42,355)	(28,236)
Net exposure/Impact on earnings prior to IT/SC		**(1,168,490)**		**(126,971)**	**(158,714)**	**(190,457)**	**(95,229)**	**(63,486)**
Impact on earnings, net of IT/SC				**(83,801)**	**(104,751)**	**(125,702)**	**(62,851)**	**(41,901)**

(i) Financial revenue stated net of 4.65% PIS and COFINS. For financial investments we considered an average yield of 100.43% of the CDI.

		Consolidated						
					Increasing interest		Decreasing interest	
	Risk	Balance on 12/31/2023	Rate	Likely scenario	Possible scenario + 25%	Remote scenario + 50%	Possible scenario - 25%	Remote scenario - 50%
Financial investments (i)	Lower CDI	1,269,421	CDI (i)	127,091	158,864	190,637	95,318	63,545
Loans and debentures	Higher CDI	(1,687,854)	CDI (i)	(176,549)	(220,686)	(264,824)	(132,412)	(88,274)
Bradescard Supplier	Higher CDI	(539,898)	CDI (i)	(56,473)	(70,592)	(84,710)	(42,355)	(28,236)
Net exposure/Impact on earnings prior to IT/SC		**(958,331)**		**(105,931)**	**(132,414)**	**(158,897)**	**(79,449)**	**(52,965)**
Impact on earnings, net of IT/SC				**(69,914)**	**(87,393)**	**(104,872)**	**(52,436)**	**(34,957)**

(i) Financial revenue stated net of 4.65% PIS and COFINS. For financial investments we considered an average yield of 100.36% of the CDI.

(in thousand Reals unless otherwise stated)

Exchange risk

Foreign currency exchange risk exists in future commercial transactions, primarily those associated with US-Dollar denominated imports. The foreign currency risk management policy is defined by Group Management, and subsequently submitted to the Auditing and Risk Management Committee for analysis and approval.

The Group hedges against exchange variations in the outstanding balance of its imports by entering into Non-Deliverable Forward Contracts (NDFs) for highly probable budgeted purchases. Contracts based on the FOB value of the goods limits the exchange exposure and its effect on price composition. As soon as goods are nationalized, taxes must be paid that are not included in the hedge defined when contracting the NDF. These taxes amount to 36% of the value of the order.
The table below shows exposure to exchange variation related to orders issued and not covered by the hedge, and non-recoverable customs clearance taxes for which the Group is not hedged. The Group shows sensitivity to possible changes in the range of 25% to 50%, indicating a deteriorating financial situation for the Group driven by increases in the US Dollar exchange rate.

The US Dollar exchange rate used in the sensitivity analysis was taken by the FOCUS report published by the Brazilian Central Bank on December 29, 2023. Scenario estimates were adopted according to CVM Instruction 475/08.

				Negative scenarios		
		Risk	**Notional USD**	**Scenario Likely**	**Possible scenario +25%**	**Scenario Remote scenario +50%**
			(Payables)/ Receivables	**USD 1 = R$ 5.00**	**USD 1 = R$ 6.25**	**USD 1 = R$ 7.50**
Hedge object	Purchasing orders for imported goods and imports in transit	Increase in the USD exchange	(71,913)	(11,413)	(101,304)	(191,195)
Hedge instrument	NDF	Decrease in the USD exchange	29,567	4,692	41,651	78,610
	Net exposure of import orders		**(42,346)**	**(6,721)**	**(59,653)**	**(112,585)**
	Non-recoverable taxes (36%)		(25,889)	(4,109)	(36,469)	(68,830)
	Total net exposure		**(68,235)**	**(10,830)**	**(96,122)**	**(181,415)**
	Impact on earnings, net of IT/SC		**(45,035)**	**(7,148)**	**(63,441)**	**(119,734)**

USD on 12/29/2023 = R$ 4.8413

(in thousand Reals unless otherwise stated)

Financial instruments designated for hedge accounting

To manage its market risk, the Group manages its foreign currency exposure related to the purchase of merchandise by contracting US Dollar-based derivative financial instruments, considering the expected date the merchandise will enter Group inventory in the official budget.

In the table below, we demonstrate the consolidated positions by maturity as of December 31, 2023, for open non-deliverable forward (NDF) contracts used for hedging exchange rate risk:

Contract	Maturity	Reference Value (nocional) – USD	Amount Receivable (payable)
NDF	jan/2024	5,294	(140)
NDF	feb/2024	5,456	(184)
NDF	mar/2024	5,298	(289)
NDF	apr/2024	5,822	(331)
NDF	may/2024	7,697	273
		29,567	**(671)**
Current assets			**721**
Current liabilities			**(1,392)**

b) Credit risk

i) Cash and Cash Equivalents

In accordance with the Group policy, cash and cash equivalents must be invested in financial institutions rated as having low credit risk.

ii) Receivables

In December 2021 the C&A pay card was launched, operated by subsidiary Orion until April 2023. As of May 2023, this operation is the responsibility of another subsidiary, SCD – C&A Pay Sociedade de Credito Direto. In the current operation, CCD assigns the receivables to FIDC – C&A Pay Fundos de Investimentos em Direitos Creditórios, of which C&A Modas is the sole quota holder (see Note 7.3).

Expected losses from C&A Pay operations are calculated by the Group based on in-house studies to measure percent loss based on past-due stage and time, bearing in mind the likelihood of exposure to default and the effective loss for each past-due range.

As C&A Pay operations mature, estimates and approaches may be reviewed to adjust provisions to reflect the changes in the macroeconomic scenario and/or changes in customer profiles.

(in thousand Reals unless otherwise stated)

The credit risk of other Group operations is minimized to the extent that assets represented by receivables from the sale of goods and services are intermediated by Bradescard and credit card companies. In the case of credit card companies, the risk is fully transferred to them, and the Group remains only with the risk of non-recognition of purchase by customers (charge-backs) for which an allowance for impairment is measured and recognized. For transactions intermediated by Banco Bradescard, there is a potential loss, contractually limited to 50% of the net doubtful receivables registered with that institution, in addition to customer chargebacks. Historically, credit losses resulting from the agreement with Banco Bradescard are smaller than the gains.

Management believes that the estimates used to make provisions for expected losses are sufficient to cover possible customer portfolio credit losses.

c) Liquidity risk

Based on the operation's cash cycle, Management approved a minimum cash policy to:

i) Protect itself in times of uncertainty;
ii) Ensure execution of its investment and expansion strategy;
iii) Ensure that a dividend distribution policy is maintained.

Management constantly monitors the expected demands on the liquidity of the Group and that of its subsidiary to ensure they have sufficient cash to meet their operational needs, investment plans and financial obligations.

The Group invests excess cash in financial assets with floating interest rates and daily liquidity (CDBs, repo transactions, and private credit investment funds that comply with the investment policy approved by Management). The Group also invests in LFTs (Treasury Bonds) (Note 7), that may or may not be kept until they mature. Those that are kept until maturity are registered at amortized cost, and those available for sale at fair value.

The following table summarizes the maturity profile of the Group's financial liabilities:

On December 31, 2023	**Less than 1 year**	**1 to 5 years**	**More than 5 years**	**Total**
Lease liabilities	501,642	808,054	401,727	**1,711,423**
Loans	511,427	1,176,427	-	**1,687,854**
Suppliers	1,189,225	551,248	-	**1,740,473**
Drawee risk transactions	364,709	-	-	**364,709**
Total	**2,567,003**	**2,535,729**	**401,727**	**5,504,459**

(in thousand Reals unless otherwise stated)

32.4. Capital management

The Group's capital management aims to ensure the maintenance of a structure to fund its operations.

The Group manages its capital structure by making suitable adjustments to changes in economic conditions. To keep this structure adjusted, the Group may pay dividends and take out loans. There were no changes in the capital structure objectives, policies, or processes in the twelve-month period ending December 31 2023.

	Parent Company		Consolidated	
Net Debt excluding Lease Liabilities	**12/31/2023**	**12/31/2022**	**12/31/2023**	**12/31/2022**
Short and long-term loans and debentures	**1,687,854**	1,987,375	**1,687,854**	2,150,832
Cash and cash equivalents	**(1,130,245)**	(1,627,977)	**(1,155,588)**	(1,674,091)
Financial investments	**-**	(8,735)	**(191,587)**	(8,735)
Net debt (cash)	**557,609**	350,663	**340,679**	468,006
Non-controlling interests	**-**	-	**3**	1
Total shareholder's equity	**3,012,716**	3,000,195	**3,012,719**	3,000,196
Financial leverage index	**19%**	12%	**11%**	16%

On December 31, 2023, the balance of lease liabilities stood at R$1,711,423 (R$ 1,789,212 on December 31, 2022). If lease liabilities are included in the capital management calculations, leverage would be 75%, as follows:

	Parent Company		Consolidated	
Net Debt including Lease liabilities	**12/31/2023**	**12/31/2022**	**12/31/2023**	**12/31/2022**
Net debt (cash)	**557,609**	350,663	**340,679**	468,006
Lease liabilities	**1,711,423**	1,789,212	**1,711,423**	1,789,212
Adjusted net debt	**2,269,032**	2,139,875	**2,052,102**	2,257,218
Total shareholder's equity	**3,012,716**	3,000,195	**3,012,719**	3,000,196
Financial leverage index	**75%**	71%	**68%**	75%

32.5. Changes in liabilities associated with financing activities in the consolidated Group figures:

	December 31, 2022	Cash flows	Interest incurred	Re-measurements of lease liabilities	Other	December 31, 2023
Leases (i)	**1,789,212**	(519,024)	173,079	135,513	132,643	**1,711,423**
Loans and debentures	**2,150,832**	(723,587)	255,421		5,188	**1,687,854**
Total	**3,940,044**	**(1,242,611)**	**428,500**	**135,513**	**137,831**	**3,399,277**

(i) "Other" refers to new, ended, and renewed lease agreements

(in thousand Reals unless otherwise stated)

	December 31, 2021	Cash flows	Interest incurred	Re-measurements of lease liabilities	Other	December 31, 2022
Leases (i)	1,814,148	(488,840)	165,719	209,863	88,322	1,789,212
Loans and debentures	1,374,826	498,130	273,629		4,247	2,150,832
Total	3,188,974	9,290	439,348	209,863	92,569	3,940,044

(ii) “Other” refers to new, ended, and renewed lease agreements

33. Insurance

The Group has a policy of keeping insurance coverage in the amount that Management considers appropriate to cover possible risks to its property and equipment (basic coverage: fire, lightning, explosion and other property and equipment policy coverage), inventories, civil liability and transportation of goods. Below is the maximum indemnity limit for each coverage:

	Consolidated	
	2023	**2022**
Civil Liability and D&O	**313,688**	290,781
Property and Inventory	**529,900**	633,230
Shipping	**66,270**	69,807
Cyber	**50,000**	-
	959,858	993,818

34. Retirement plan

34.1. Accounting policy

The Company sponsors Cyamprev - Sociedade de Previdência Privada, a closed capital private pension company that provides private pension plans for the employees of its sponsors. In essence, the pension plans sponsored by the Company are structured as defined contribution plans e pension plan contributions are made by active participants and/or the sponsor. The plans ensure a minimum benefit paid out in a single installment at the end of their employment link and eligibility for retirement. Contributions to the plans for this minimum benefit are made exclusively by the Company.

Benefit plans are reviewed at the end of each fiscal period to check if contributions are sufficient for forming the necessary reserves to honor current and future commitments. Actuarial losses and gains are recognized on an accrual basis.

In accordance with CPC 33/IAS19, approved by CFC Resolution 1,193/09, the Company recognizes an actuarial asset when: (a) the Company controls a resource, which is the ability to use the surplus to generate future benefits, (b) that control is a result of past events (contributions paid by the Company and service rendered by the employee), and (c) future economic benefits are available to the Company in the form of a reduction in future contributions.

34.2. Retirement plan

In 2023 the Group contributed R$ 7,130 (R$ 11,364 on December 31, 2022) to the plans, booked as expenses in earnings in the period. The total number of participating employees on December 31 2023 was 4,500 (5,647 on December 31, 2022), with 192 participants under care (185 on December 31, 2022).

On December 31, 2023, the fair value of the plan assets related to the minimum benefit described above, exceeded the actuarial present value of the accumulated benefit obligations by approximately R$ 303 (R$ 632 on December 31, 2022).

(in thousand Reals unless otherwise stated)

35. Earnings per share

Basic earnings per share are obtained by dividing the profit (loss) attributable to the owners of Company common shares (numerator) by the weighted average number of outstanding shares (common shares in the hands of shareholders) (denominator) during the period.

Diluted earnings per share are obtained by dividing net profit attributable to the owners of common shares (numerator) by the weighted average number of outstanding shares in the period plus the weighted average number of common shares that would be issued if all potential diluted common shares were converted into common shares.

Equity instruments that should or could be settled only as Company shares are included in the calculation if their settlement would have a dilution effect on earnings per share.

The following chart shows the determination of net profit available to the holders of common shares, and the weighted average of outstanding common shares used to calculate basic and diluted earnings (loss) per share in each period:

Basic earnings per share	**2023**	**2022**
Net income for the period	**2,337**	829
Weighted average of the number of common shares	**305,594,568**	306,275,168
Basic profit per share - R$	**0.0076**	0.0027

Diluted earnings per share	**2023**	**2022**
Net income for the period	**2,337**	829
Weighted average of the number of outstanding common shares	**305,594,568**	306,275,168
Weighted average of the options granted as part of the stock-based compensation plan	**3,182,503**	2,751,213
Weighted average of the diluted number of common shares	**308,777,071**	309,026,381
Diluted profit per share - R$	**0.0076**	0.0027

The only financial instrument providing dilution is the stock-based compensation plan, described in detail in Note 10.

On December 31, 2023 and 2022 the stock-based compensation plan provided dilution.

(in thousand Reals unless otherwise stated)

36. Non-cash Transactions

On December 31, 2023 the non-cash investment and financing transactions were:

(i) Purchase of property and equipment, in the amount of R$ 7,040 (R$ 24,336 in 2022).
(ii) Purchase of intangible assets, in the amount of R$13.580 (R$ 73.746 in 2022).
(iii) Recognition of lease liabilities as a counter-entry to the right to use the asset, where new agreements amounted to R$ 132,643 (R$ 88,322 in 2022), remeasurements amounting to R$ 135,513 (R$ 209,863 in 2022), and terminated or closed agreements in the amount of R$ 2,582 (R$ 6,577).

	Parent Company and Consolidated	
	2023	**2022**
Purchase of property and equipment	**7,040**	24,336
Purchase of intangible assets	**13,580**	73,746
New right-of-use agreements	**132,643**	88,322
New lease liability agreements	**(132,643)**	(88,322)
Remeasurements of right-of-use agreements	**135,513**	209,863
Remeasurement of lease liabilities	**(135,513)**	(209,863)
Closed/terminated lease agreements	**(2,581)**	(6,577)