

Cantu Store S.A.
Quarterly Information (ITR) at
March 31, 2023
and report on review of
quarterly information



(A free translation of the original in Portuguese)

Report on review of quarterly information

To the Board of Directors and Stockholders
Cantu Store S.A.

Introduction

We have reviewed the interim financial information, both individual and consolidated, of Cantu Store S.A. Group ("Company"), as presented in the Quarterly Information Form (ITR) for the quarter ended March 31, 2023. This includes the balance sheet as of March 31, 2023, and the corresponding statements of income, comprehensive income, changes in equity, and cash flows for the three-month period ending on that date, along with accompanying explanatory notes.

Management is responsible for preparing the individual and consolidated interim financial information in accordance with the Technical Pronouncement CPC 21 - "Interim Financial Reporting" and the International Accounting Standard IAS 34 - Interim Financial Reporting issued by the International Accounting Standards Board (IASB). They are also responsible for presenting this information in accordance with the standards issued by the Securities and Exchange Commission, applicable to the preparation of Quarterly Information (ITR). Our responsibility is to express a conclusion on this interim financial information based on our review.

Scope of the Review

We conducted our review in accordance with Brazilian and international standards for the review of interim financial information (NBC TR 2410 - "Review of Interim Financial Information Performed by the Auditor of the Entity" and ISRE 2410 - Review of Interim Financial Information Performed by the Independent Auditor of the Entity, respectively). A review of interim financial information involves making inquiries, primarily of those responsible for financial and accounting matters, and applying analytical and other review procedures. The scope of a review is significantly less than that of an audit conducted in accordance with auditing standards and, consequently, did not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Therefore, we do not express an audit opinion.

Conclusion on Interim Information

Based on our review, we are not aware of any fact that leads us to believe that the individual and consolidated interim financial information included in the above-mentioned quarterly information has not been prepared, in all material respects, in accordance with CPC 21 and IAS 34, applicable to the preparation of Quarterly Information Forms (ITR), and presented in a manner consistent with the regulations issued by the Brazilian Securities and Exchange Commission.

Other matters

2



Cantu Store S.A.

Statements of value added

The above-mentioned quarterly information includes the Statements of Value Added (DVA), both individual and consolidated, for the nine-month period ending on March 31, 2023. These statements were prepared under the responsibility of the Company's management and presented as supplementary information for the purposes of IAS 34. These statements underwent review procedures conducted in conjunction with the review of the quarterly information, aiming to conclude whether they are reconciled with the interim financial information and accounting records, as applicable, and whether their form and content are in accordance with the criteria defined in Technical Pronouncement CPC 09 - "Statement of Value Added." Based on our review, we are not aware of any fact that leads us to believe that these Statements of Value Added have not been prepared, in all material respects, in accordance with the criteria defined in this Technical Pronouncement and consistently with the individual and consolidated interim financial information taken as a whole.

Florianópolis, May 9, 2023

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

Leandro Sidney Camilo da Costa
Contador CRC 1SP236051/O-7

Cantu Store S.A. and its Subsidiaries

Balance sheet (In thousands of reais)

Asset	Note	Parent company		Consolidated	
		3/31/2023	12/31/2022	3/31/2023	12/31/2022
Current					
Cash and cash equivalents	8	1	3	310,493	23,557
Trade accounts receivable	9			549,984	467,371
Trade accounts receivable - related parties	9 and 20	798	20,917		
Inventory	10			556,394	512,029
Taxes recoverable	11			206,321	140,401
Advances to suppliers	13		46	13,816	3,079
Advances to suppliers - related parties	13 and 20			22,296	-
Other current assets		1,446	82	12,594	16,970
		2,245	21,048	1,671,898	1,163,407
Noncurrent					
Deferred income tax and social contribution	12			48,936	49,337
Taxes recoverable	11			361,427	382,996
Deposits in court	21			50,064	43,333
Other noncurrent assets				1,352	3,743
Investments	14	696,222	383,840		
Premium				2,405	
Property, plant, and equipment	15			38,030	30,701
Intangible assets				8,564	8,296
Right-of-use asset	27			64,144	52,712
		696,222	383,840	574,922	571,118
		698,467	404,888	2,246,820	1,734,525

The explanatory notes are an integral part of the interim financial information.

Cantu Store S.A. and its Subsidiaries

Balance sheet (In thousands of reais)

Liability	Note	Parent company		Consolidated	
		3/31/2023	12/31/2022	3/31/2023	12/31/2022
Current					
Suppliers	16	503	42	176,312	174,809
Suppliers - related parties	16 and 20			-	54,414
Loans and financing	17			265,800	270,580
Taxes and contributions payable and tax installments	18	5	4	133,315	130,149
Wages and social charges		762	608	19,064	16,755
Advances from customers				3,100	2,560
Leases payable	29			9,189	7,817
Investments payable	20		7,554	2,601	20,754
Dividends payable			65,860		65,860
Derivative financial instruments	19			5,707	9,998
Other accounts payable		34		9,552	12,199
		<u>1,304</u>	<u>74,068</u>	<u>624,640</u>	<u>765,895</u>
Noncurrent					
Loans and financing	17			791,165	490,256
Leases payable	27			57,306	44,727
Loan with related parties		25,000			
Taxes and contributions payable and tax installments	18			47,645	48,927
Allowance for contingencies	21			53,901	53,900
		<u>25,000</u>	<u>-</u>	<u>950,017</u>	<u>637,810</u>
Shareholders' equity	22				
Paid-in and subscribed capital		262,349	101	262,349	101
Capital reserves		208,630	133,312	208,630	133,312
Appropriated retained earnings		201,184	197,407	201,157	197,407
Equity valuation adjustment				27	
		<u>672,163</u>	<u>330,820</u>	<u>672,163</u>	<u>330,820</u>
		<u>698,467</u>	<u>404,888</u>	<u>2,246,820</u>	<u>1,734,525</u>

The explanatory notes are an integral part of the interim financial information.

Cantu Store S.A. and its Subsidiaries

Statement of income

Fiscal year ended on March 31

(In thousands of reais)

	Note	<u>Parent company</u>		<u>Consolidated</u>	
		<u>1/1/2023</u> <u>3/31/2023</u>	<u>1/1/2022</u> <u>3/31/2022</u>	<u>1/1/2023</u> <u>3/31/2023</u>	<u>1/1/2022</u> <u>3/31/2022</u>
Net sales and services revenue	23			591,817	65,020
Cost of goods sold and outsourced services	24			(350,836)	(33,846)
Gross profit				240,981	31,174
Operating revenue (expenses)					
Sales expenses	24			(85,034)	(27,979)
General and administrative expenses	24	(821)	(302)	(61,028)	(9,683)
Income using the equity method	14	38,380	(8,629)		
Other operating income (expenses), net	26	816		(2,057)	697
Income or loss before net financial expenses and taxes		38,375	(8,931)	92,862	(5,791)
Financial revenue	25			4,638	597
Financial expenses	25	(458)	(15)	(46,912)	(12,091)
Exchange variation, net	25			268	3,807
Financial expenses, net		(458)	(15)	(42,006)	(7,687)
Income or loss before income tax and social contribution		37,917	(8,946)	50,856	(13,478)
Current income tax and social contribution	12			(12,538)	(1,899)
Deferred income tax and social contribution	12			(401)	6,431
Earnings (losses) for the fiscal year		37,917	(8,946)	37,917	(8,946)
Basic earnings (losses) per share (BRL per share)	22	0.19	(0.06)	0.19	(0.06)

The explanatory notes are an integral part of the interim financial information.

Cantu Store S.A. and its Subsidiaries

Statement of comprehensive income

Fiscal year ended on March 31

(In thousands of reais)

	<u>Parent company</u>		<u>Consolidated</u>	
	1/1/2023 3/31/2023	1/1/2022 3/31/2022	1/1/2023 3/31/2023	1/1/2022 3/31/2022
Earnings (losses) for the fiscal year	<u>37,917</u>	<u>(8,946)</u>	<u>37,917</u>	<u>(8,946)</u>
Total comprehensive income for the fiscal year	<u>37,917</u>	<u>(8,946)</u>	<u>37,917</u>	<u>(8,946)</u>

The explanatory notes are an integral part of the interim financial information.

Cantu Store S.A. and its Subsidiaries

Statement of shareholders' equity

(In thousands of reais)

	Paid-in capital	Subscribed capital	Subscribed paid-in capital	Capital reserves	Appropriated Retained Earnings		Equity valuation adjustment	Total
					Expansion and investment reserves	Accumulated earnings (losses)		
Balance as of January 1, 2022	101	-	-	-	-	(172)	-	(71)
Income for the fiscal year:								
Net profit for the fiscal year						263,439		263,439
Mandatory minimum dividend						(65,860)		(65,860)
Expansion and investment reserve					197,407	(197,407)		
Corporate reorganization of entities under common control - Related-party transactions				133,312				133,312
Balance as of December 31, 2022	101	-	-	133,312	197,407	-	-	330,820
Income for the fiscal year:								
Net income for the fiscal year						37,917		37,917
Dividends paid						(34,140)		(34,140)
Gains (losses) on the conversion of operations abroad of an indirectly controlled entity						(27)	27	
Increase in capital through contribution of shares	10,968							10,968
Subscribed capital		601,280						601,280
Capital paid-in in currency	251,280	(251,280)						
Constitution of capital reserve through payment in currency		(100,000)		100,000				
Paid-in capital			(250,000)					(250,000)
Transaction costs in stock issue				(24,682)				(24,682)
Balance as of March 31, 2023	262,349	250,000	(250,000)	208,630	197,407	3,750	27	672,163

The explanatory notes are an integral part of the interim financial information.

Cantu Store S.A. and its Subsidiaries

Statement of cash flow (In thousands of reais)

		Parent company		Consolidated	
	Note	3/31/2023	3/31/2022	3/31/2023	3/31/2022
Consolidated cash flow in operating activities					
Earnings (losses) before income tax and social contribution for the fiscal year		37,917	(8,946)	50,856	(13,478)
Adjustments due to:					
Depreciation and amortization	15			2,161	829
Amortization of leases	29			3,350	1,612
Gain (loss) on the conversion of operations abroad				(27)	
Allowance for bad debts	9			3,842	1,073
Allowance for contingencies	21			1	1,395
Cost of disposal of property, plant, and equipment				102	
Exchange rate change				(268)	(3,052)
Equity	14	(39,436)	8,629		
Appropriated interest on leases	27			2,599	870
Interest on loans and financing	17			29,010	12,919
		(1,519)	(317)	91,626	2,168
Changes in assets and liabilities					
Decrease (increase) in trade accounts receivable	9	20,119		(86,455)	(3,181)
Decrease (increase) in inventories	10			(44,365)	(11,899)
Decrease (increase) in advances to suppliers	13	46		(33,033)	(46,091)
Decrease (increase) in deposits in court	21			(6,731)	
Decrease (increase) in other accounts receivable		(1,363)		4,362	(6,159)
Decrease (increase) in recoverable taxes	11			(44,351)	(6,355)
Decrease (increase) in suppliers	16	461		(52,911)	54,447
Decrease (increase) in tax obligations	18	1		1,884	(8,428)
Decrease (increase) in labor and social security obligations		154	301	2,309	4,930
Decrease (increase) in advances from customers			18	540	(13,326)
Decrease (increase) in leases payable				(105)	(669)
Decrease (increase) in investments payable	14	(7,554)	82,160	(20,754)	13,332
Decrease (increase) in other accounts payable		34		(1,419)	15,611
Interest on loans paid	17			(41,104)	(11,923)
Lease payments	27			(3,325)	(1,548)
Income tax and social contribution paid				(12,538)	(1,889)

The explanatory notes are an integral part of the interim financial information.

Cantu Store S.A. and its Subsidiaries

Statement of cash flow (In thousands of reais)

	Note	Parent company		Consolidated	
		3/31/2023	3/31/2022	3/31/2023	3/31/2022
Net cash flow used in operating activities		10,379	82,162	(246,370)	(20,980)
Cash flow from investing activities					
Acquisition of equity interest of related parties			(82,161)		
Payment of capital in subsidiaries		(297,629)			
Acquisition of equity interest				(2,890)	
Acquisition of intangible assets				(777)	
Acquisition of property, plant, and equipment	15			(9,083)	(8,804)
Net cash flow used in investing activities		(297,629)	(82,161)	(12,750)	(8,804)
Cash flow from financing activities					
Loans obtained	17			415,568	65,263
Capital increase		262,248		262,248	
Capital contribution for capital reserve		100,000		100,000	
Transaction costs for issuance of securities				(24,682)	
Loan obtained from related parties		25,000			
Dividends paid		(100,000)		(100,000)	
Payment of loans and financing	17			(107,077)	(22,745)
Net cash flow from financing activities		287,248	-	546,057	42,518
Decrease in cash and cash equivalents		(2)	1	286,936	12,734
Statement of increase (decrease) in cash and cash equivalents					
At the beginning of the fiscal year		3	101	23,557	73,479
At the end of the fiscal year		1	102	310,493	86,213
Statement of increase (decrease) in cash and cash equivalents		(2)	1	286,936	12,734

The explanatory notes are an integral part of the interim financial information.

Cantu Store S.A. and its Subsidiaries

Statement of value added (In thousands of reais)

	Parent company		Consolidated	
	3/31/2023	3/31/2022	3/31/2023	3/31/2022
Revenue				
Gross product sales and services			733,632	78,144
Other revenue				697
Allowance for doubtful accounts			(3,842)	(1,073)
			729,790	77,768
Inputs purchased from third parties				
Cost of goods sold and outsourced services			(350,836)	(33,846)
Freight and storage expenses			(46,095)	(9,450)
Commission expenses			(23,292)	(2,162)
Third-party services expenses			(7,844)	(1,346)
Marketing expenses			(8,299)	(164)
IT expenses			(6,313)	(49)
Insurance expenses			(776)	(149)
Travel expenses			(1,280)	(135)
Guarantees expenses			(661)	-
Import expenses			(977)	(74)
Other expenses	(313)		(11,071)	(11,300)
	(313)		(457,444)	(58,675)
	(313)		272,346	19,093
Gross value added				
Depreciation and amortization			(5,511)	(2,441)
			266,835	16,652
Produced value added, net				
Value added received by transfer				
Income using the equity method	39,436	(8,629)		
Financial revenue			4,638	597
Total value added for distribution	39,123	(8,629)	271,473	17,249
Distribution of value added				
Personnel - direct compensation	553	222	21,227	4,335
Personnel - benefits	195	80	7,459	1,559
Taxes, fees and contributions				
Federal			19,579	1,899
State			135,175	6,693

The explanatory notes are an integral part of the interim financial information.

Cantu Store S.A. and its Subsidiaries

Statement of value added

(In thousands of reais)

Interest, taxes, and exchange rate changes	458	15	46,644	11,277
Rents			3,472	432
Retained earnings (losses) for the fiscal year	37,917	(8,946)	37,917	(8,946)
Distributed value added	<u>39,123</u>	<u>(8,629)</u>	<u>271,473</u>	<u>17,249</u>

The explanatory notes are an integral part of the interim financial information.

Cantu Store S.A. and its Subsidiaries

Explanatory notes to the interim financial information as of March 31, 2023 (In thousands of reais, unless stated otherwise)

1 Operational context

Cantu Store S.A. (“Company”) is a publicly traded corporation whose registration with the Brazilian Securities Commission - CVM was granted on March 17, 2022, and is listed in the special segment called Novo Mercado of B3 S.A., - Brasil, Bolsa, Balcão, under the code “PNEU3”. It operates mainly in the wholesale and retail trade of tires and has its administrative headquarters in the city of São Paulo, State of São Paulo.

The Company has five distribution centers in Brazil located in the cities of Itajaí/SC, Serra/ES, Jaboatão dos Guararapes/PE, Contagem/MG, and Barueri/SP, in addition to another 38 commercial units in the states of the South, Southeast, Northeast and Midwest regions. It also has a distribution center in the United States located in Connecticut, in addition to two other branches in New Jersey and New Hampshire.

Until December 31, 2022, Humberto Gabriel Cantu was the Company’s sole shareholder. On February 8, 2023, the Company approved the capital subscription in the amount of BRL 601,280 in favor of Iris Fundo de Investimento e Participações Multiestratégica, a fund controlled by L Catterton Latin America, which now holds a stake of 21.16%, as shown in Note 22. The payment of capital is made in currency and will be carried out in two stages, of which BRL 351,280 was paid on February 8, 2023, and the remaining balance of BRL 250,000 will be paid by November 8, 2023.

In order to improve its capital structure, the subsidiary of the Company, CPX Distribuidora S.A., approved on February 8, 2023, the first public issuance of corporate bonds, non-convertible into shares, in the total amount of BRL 375,000, in accordance with the CVM Resolution 160/2022, as presented in Note 17.

In January 2023, the Company completed the acquisition process of 100% of the shares of the company Verum Store Tecnologia Ltda, headquartered in the city of Araçatuba-SP, whose main activity is the development and licensing of custom computer programs and consulting in information technology.

The process of acquiring the company Digitire Professionals LLC, based in Connecticut, United States, through a share contribution, was also completed in January 2023. Digitire’s main activity is importing and trading truck tires in the American market. For this transaction, a holding company named Lahenger Luxembourg S.a.r.l. was established with its headquarters in Luxembourg, which became the parent company of Digitire Professionals LLC with a 100% ownership stake in the capital.

1.1 Corporate reorganization

On March 18, 2022, the Company concluded the closing terms that formalize and put into effect the corporate restructuring that was conditional on obtaining registration as a publicly traded company with the CVM. As of this date, the Company started consolidating the interim financial information from companies with the same shareholder in common, which

Cantu Store S.A. and its Subsidiaries

Explanatory notes to the interim financial information as of March 31, 2023 (In thousands of reais, unless stated otherwise)

became part of its corporate structure. As a result, the balances presented in the Income Statement on a consolidated basis as of March 31, 2022, are not comparable to future periods since the balance presented accounts for the result calculated between March 18 and 31, 2022.

For accounting purposes, this reorganization, carried out through the issuance of shares of Cantu S.A.'s capital, was considered a business combination between entities under common control (with the same controller in their individual person) and thus measured based on the relevant prior, historical cost values of the companies involved and which became controlled by Cantu Store S.A. as of March 17, 2022.

Cantu Store S.A. and its Subsidiaries

Explanatory notes to the interim financial information as of March 31, 2023

(In thousands of reais, unless stated otherwise)

The combined balance sheet of these entities that were included in the consolidation as of March 18, 2022, represents the opening balances of these subsidiaries as follows:

Asset	3/18/2022	Liability	3/18/2022
Current		Current	
Cash and cash equivalents	73,479	Suppliers	178,337
Trade accounts receivable	238,806	Loans and financing	139,934
Inventory	405,625	Taxes and contributions to collect	100,960
Taxes recoverable	171,690	Wages and social charges	7,834
Advances to suppliers	17,899	Advances from customers	19,523
Other current assets	9,572	Leases payable	4,710
		Investments payable	82,028
		Other accounts payable	165
	917,071		533,491
Noncurrent		Noncurrent	
Deferred income tax and social contribution	37,612	Loans and financing	321,420
Taxes recoverable	8,682	Leases payable	24,069
Deposit in court	46,606	Taxes and contributions to collect	13,865
Other noncurrent assets	404	Allowance for contingencies	45,019
Investment properties	7,973		404,373
Property, plant, and equipment	17,450	Shareholders' equity	
Intangible assets	4,992	Capital	101.
Right-of-use asset	30,315	Capital reserves	133,312
	154,034	Accumulated losses	(172)
			133,241
	1,071,105		1,071,105

Cantu Store S.A. and its Subsidiaries

Explanatory notes to the interim financial information as of March 31, 2023 (In thousands of reais, unless stated otherwise)

2 Basis for preparation

2.1 Statement of compliance

The individual and consolidated interim financial information of the Company has been prepared, and it is being presented in accordance with the accounting practices adopted in Brazil, in force as of March 31, 2023, which includes the pronouncements issued by the Brazilian Accounting Pronouncements Committee (CPC) and in accordance with the International Financial Reporting Standards (IFRS) issued by the International Accounting Standards Board (IASB), as well as interpretations from the IFRS Interpretations Committee (IFRIC). They only disclose all relevant information specific to the Company's individual and consolidated interim financial information, which are consistent with the ones used by the Management in its decision-making process.

2.2 Basis for preparation

The Company's individual and consolidated interim financial information as of March 31, 2023, comprises the financial information of the companies mentioned in Note 2.5, prepared in accordance with CPC 21 and IAS 34, applicable to the preparation of the Interim Financial Information, and presented in accordance with the rules issued by the Securities and Exchange Commission of Brazil.

The main accounting policies adopted in the preparation of this interim financial information are described in Note 6.

The preparation of the individual and consolidated interim financial information requires the use of certain critical accounting estimates, as well as the exercise of judgment by the Company's management in the application process of the accounting policies. The areas that require a higher level of judgment and are more complex, as well as those with assumptions and estimates that are significant for the interim financial information, are disclosed in Note 4.

The Company's individual and consolidated interim financial information was prepared based on historical cost, except for certain financial instruments measured at fair value when required by the standards.

The issuance of this interim financial information was authorized by the Company's Management on May 2, 2023.

2.3 Functional currency

The items included in the individual and consolidated interim financial information are measured using the currency of the main economic environment in which the Company operates ("functional currency").

Cantu Store S.A. and its Subsidiaries

Explanatory notes to the interim financial information as of March 31, 2023 (In thousands of reais, unless stated otherwise)

The functional currency for presenting the Company's individual interim financial information is the Real (BRL).

Conversion of financial statements of subsidiaries abroad

The assets and liabilities of subsidiaries and affiliates are converted using the exchange rate in effect on the balance sheet date. In contrast, the balances in the statement of income and statements of cash flow are converted using the average exchange rates for the fiscal year, and the balances in equity statements are converted using the historical exchange rates of the respective transactions. The translation adjustments, representing the difference between the average and historical exchange rates, are recorded directly in the comprehensive income.

2.4 Statement of value added

The Statement of Value Added (SVA) is required by the Brazilian corporate law and the accounting practices adopted in Brazil applicable to publicly traded companies. The SVA was prepared in accordance with the criteria established in the Technical Pronouncement CPC 09 - "*Demonstração do Valor Adicionado*" (Statement of Value Added).

2.5 Consolidation basis and investments in subsidiaries

The consolidated interim financial information comprises the parent company's and its subsidiaries' interim financial information. Control is obtained when the Company holds, directly or indirectly, the majority of the voting rights or is exposed or is entitled to variable returns based on its involvement with the investee and can affect those returns through the power exercised in relation to the investee.

The Company's consolidation basis includes:

Parent company	Subsidiary	Main Activity
Cantu Store S.A.	CPX Distribuidora S.A.	Tire retail trade
Cantu Store S.A.	CANSPE Participações S.A.	Equity interests
Cantu Store S.A.	NEOSPE Participações S.A.	Equity interests
Cantu Store S.A.	CANAAN Trade Ltda	Import and Export
NEOSPE Participações S.A.	ITR Com. Pneus e Peças S.A.	Tire wholesaler trade
CANSPE Participações S.A.	CP Comercial S.A.	Tire wholesaler trade
CPX Distribuidora S.A.	Lahenger Luxembourg S.à.r.l	Equity interests
Lahenger Luxembourg S.à.r.l	Digitire Professionals LLC	Tire retail trade
ITR Comércio de Pneus e Peças S.A.	Verum Store Tecnologia Ltda	Development of computer programs

In the process of consolidating the interim financial information, the following eliminations are considered:

- Interests of the parent company in the capital, reserves and accumulated results of the consolidated companies;

Cantu Store S.A. and its Subsidiaries

Explanatory notes to the interim financial information as of March 31, 2023 (In thousands of reais, unless stated otherwise)

- Balances of asset and liability accounts held between consolidated companies; and
- Balances of revenue and expenses arising from transactions carried out between the consolidated companies

In the individual interim financial information, the financial information of subsidiaries and joint ventures is recognized using the equity method.

The subsidiaries that are part of the individual interim financial information are presented in Note 14.

3 Information presented by segment

The Board of Directors and the Strategic Management Committee are responsible for allocating resources and evaluating the performance of the Company's operating segments. Information by operating segments is presented consistently with the internal management reports provided to the main operating decision-makers.

4 Use of judgment and estimates

The Company's management used judgments, estimates, and assumptions to prepare this individual and consolidated interim financial information, which impact the enforcement of the accounting standards and the reported figures for assets, liabilities, revenue, and expenses. The actual results may differ from these estimates.

Estimates and assumptions are continuously reviewed. Estimate reviews are recognized prospectively.

(a) Uncertainties about assumptions and estimates

Information about uncertainties regarding assumptions and estimates that have a significant risk of resulting in a material adjustment within the next fiscal year are included in the following explanatory notes:

Note 12 - Deferred income tax and social contribution (recognition of deferred tax assets: availability of future taxable income against which temporary deductible deficiency and tax losses may be used).

Note 21 - Contingencies (assessment of the need to set up allowances for contingencies).

(b) Fair value measurement

A number of the Company's accounting policies and disclosures require the measurement of fair values for both financial and non-financial assets and liabilities.

Management regularly reviews significant unobservable inputs and valuation adjustments. If third-party information, such as broker quotes or pricing services, is used to measure fair values, then the Management assesses the evidence obtained from third parties to support the conclusion that these valuations meet the requirements of the Brazilian Accounting Pronouncements Committee (CPC), including the level in the fair value hierarchy in which the valuations should be classified.

Cantu Store S.A. and its Subsidiaries

Explanatory notes to the interim financial information as of March 31, 2023 (In thousands of reais, unless stated otherwise)

When measuring the fair value of an asset or a liability, the Company uses observable market data as far as possible. Fair values are categorized into different levels in a fair value hierarchy based on the inputs used in the valuation techniques as follows:

Level 1 - quoted prices (unadjusted) in active markets for identical assets or liabilities;

Level 2 - inputs other than quoted prices included in Level 1 that are observable for the asset or liability, either directly (prices) or indirectly (derived from prices); and

Level 3 - inputs for the asset or liability that are not based on observable market data (unobservable inputs).

The Company recognizes transfers between levels of the fair value hierarchy at the end of the interim financial information's fiscal year in which the change has occurred.

5 Changes to the main accounting policies

The Company did not make any changes to its accounting policies until March 31, 2023.

6 Significant accounting policies

The Company has consistently applied the following accounting policies to all fiscal years presented in this individual and consolidated interim financial information.

(a) Basis for transactions eliminated in the consolidation

Intra-group balances and transactions, and any revenues or expenses derived from intra-group transactions, are eliminated in these consolidated interim financial information. Unrealized losses are eliminated in the same way as unrealized gains, but only to the extent that there is no evidence of impairment loss.

(b) Foreign currency transactions

Transactions in foreign currency are translated into the respective functional currency of the Company at the exchange rate on the transactions' dates.

Monetary assets and liabilities denominated and calculated in foreign currencies are translated into the functional currency at the exchange rate in effect at the reporting date. Non-monetary assets and liabilities measured at fair value in a foreign currency are translated into the functional currency at the exchange rate at the date the fair value was determined. Non-monetary items measured based on historical cost in a foreign currency are translated at the exchange rate on the transaction's date. Foreign currency differences are generally recognized in income or loss.

(c) Cash and cash equivalents

Cantu Store S.A. and its Subsidiaries

Explanatory notes to the interim financial information as of March 31, 2023 (In thousands of reais, unless stated otherwise)

They include cash balances and checking accounts (demand bank deposits) in financial institutions, considered to be cash equivalents, i.e., which can be immediately converted into a known amount of cash, subject to an insignificant risk of change in value and which maturity is less than 90 days from the contract date.

(d) Investments

They include balances with financial institutions, considered not to have immediate liquidity, i.e., they will be convertible into a known amount of cash after the presentation of receivables pledged as collateral in loan operations. Financial investments are adjusted for inflation by the yields obtained until the date of this individual and consolidated quarterly financial information.

(e) Trade accounts receivable and allowance for expected loss

Trade accounts receivable are stated at the corresponding billed amounts, adjusted to present value, where applicable, including any direct taxes for which the Company is liable.

Allowance for expected loss was set up in an amount the Management deemed sufficient to cover possible losses on the realization of receivables. The criteria and assumptions used by Management, as well as allowances transactions, are described in Note 9.

(f) Inventories

Inventories are measured at the lowest value between cost and net realizable value (NRV). This cost is based on the average price principle and comprises incurred expenses from inventory purchases, as well as their respective shipping costs. The recorded inventory values do not exceed the net realizable values.

The net realizable value is the estimated selling price of goods in the ordinary course of business, less estimated expenses and costs necessary to make the sales.

Inventories are periodically evaluated by the Company, emphasizing the need to establish an impairment, considering the assumptions defined in the internal policy.

Cantu Store S.A. and its Subsidiaries

Explanatory notes to the interim financial information as of March 31, 2023 (In thousands of reais, unless stated otherwise)

(g) **Property, plant, and equipment**

(i) **Recognition and measurement**

Property, plant, and equipment are measured by acquisition or construction historical cost, net of accumulated depreciation and accumulated impairment losses, where applicable.

When significant parts of property, plant, and equipment have different useful lives, they are accounted for as separate (main) assets of the property, plant, and equipment.

Any profits and losses arising from the disposal of property, plant, and equipment are reported in the financial statements.

(ii) **Subsequent costs**

The replacement cost of property, plant, and equipment is recognized in the carrying amount of such asset in the event it is probable that the economic benefits incorporated into the asset will flow to the Company, provided that their cost can be reliably measured. The carrying amount of the asset that has been replaced by another one is written off. Recurring maintenance and repair costs are recognized in income or loss as incurred.

(iii) **Depreciation**

Property, plant, and equipment are depreciated as of the date they are available for use, or in case of internally constructed assets, as of the day when construction is completed and the asset is available for use.

Depreciation is calculated on the depreciable value, which is the cost of an asset or another value that substitutes the cost less the estimated residual value of the asset.

Depreciation is recognized in income or loss based on the straight-line method in relation to the estimated useful life of each part of property, plant, and equipment since this method most closely reflects the consumption pattern of future economic benefits incorporated into the asset.

The estimated useful lives of property, plant, and equipment are:

Improvements	5 years
Furniture and supplies	10 years
Vehicles	5 years
Machinery and equipment	10 years
Electronic equipment	5 years
Commercial facilities	10 years

Depreciation methods, useful life, and residual values are reviewed at the end of each fiscal year and adjusted if appropriate.

Cantu Store S.A. and its Subsidiaries

Explanatory notes to the interim financial information as of March 31, 2023 (In thousands of reais, unless stated otherwise)

(h) Intangible assets

(iv) *Recognition and measurement*

Software

They have finite useful lives and are measured at acquisition cost, less accumulated amortization and any impairment losses, where applicable.

(v) *Subsequent expenses*

Subsequent expenses are capitalized only when they increase the future economic benefits embodied in the specific asset to which they are related.

(vi) *Amortization*

Software and other intangible assets are amortized using the straight-line method based on the estimated useful life of the assets, net of their estimated residual values. Amortization is generally recognized in income or loss. The estimated useful life for software is 5 years.

(i) Premium

Premium arises in the acquisition of subsidiaries and affiliates, and it is determined as the excess between the sum of the consideration paid in exchange for control of the acquired entity and the fair value, on the acquisition date, of any pre-existing equity interest in the acquired entity, over the fair value of the identifiable net assets acquired and liabilities assumed, measured in accordance with IFRS 3/CPC 15 (R1), on the respective acquisition date.

In accordance with IFRS 3 / CPC 15 (R1), the premium is accounted for at cost and not amortized but tested at least annually for impairment purposes.

(j) Suppliers

The Company presents the balance of suppliers net of the offsetting effects between the counterparties of the advance payments granted to suppliers of goods for resale.

(k) Short-term employee benefits

Short- and long-term employee benefit obligations are recognized as personnel expenses as the corresponding service is rendered. The liability is recognized at the expected payment amount if the Company has a present legal or constructive obligation to pay this amount due to a past service rendered by the employee, and the obligation can be estimated reliably.

Cantu Store S.A. and its Subsidiaries

Explanatory notes to the interim financial information as of March 31, 2023 (In thousands of reais, unless stated otherwise)

(l) Financial instruments

The Company classifies its financial assets as subsequently measured at amortized cost. Management determines the classification of its financial assets in the initial recognition. The classification depends on the Company's business model for managing the financial assets and the contractual terms of the cash flows.

These are financial assets maintained within the business model whose purpose is to keep them for contractual cash flow receipts. The contractual terms of the financial assets gave rise on specified dates to cash flows consisting solely of payments of principal and interest on the outstanding principal amount. Any earnings or losses due to the asset write-off are recognized directly in income or loss. Impairment losses are recorded in a separate account in the statement of income.

Loans and receivables are recorded at amortized cost using the effective interest method.

Transactions with derivatives are recognized at fair value in assets and/or liabilities with a corresponding entry in the financial result in the statement of income.

Investments are initially recognized at fair value. All other financial assets (including assets designated at fair value through income or loss) are initially recognized on the trade date, on which the Company becomes a party to the contractual provisions of the instrument.

Financial assets are written off when the rights to receive cash flows from investments have expired or have been transferred; in the latter, as soon as the Company has significantly transferred all the risks and benefits of ownership. Financial assets measured at fair value through income are subsequently carried at fair value.

(m) Impairment

(vii) *Non-derivative financial assets*

The Company recognizes allowances for expected credit losses on accounts receivable.

The Company assumes that the credit risk of a financial asset has increased significantly if it is more than 180 days past due and without guarantees that it can be used for its realization.

The gross carrying amount of a financial asset is written off when the Company has no reasonable expectation of recovering the financial asset in whole or in part. Regarding individual or corporate clients, the Company makes an individual assessment of the time and the amount of the write-off based on whether there is a reasonable expectation of recovery or not. The Company does not expect any significant recovery from the amount written off. However, the financial assets written-off may still be subject to credit execution for compliance with the Company's procedures for the recovery of the amounts due.

(viii) *Non-financial assets*

Cantu Store S.A. and its Subsidiaries

Explanatory notes to the interim financial information as of March 31, 2023 (In thousands of reais, unless stated otherwise)

The carrying amounts of the Company's non-financial assets, other than deferred tax assets, are reviewed at each balance sheet date to determine whether there is an indication of loss in recoverable amount. If such an indication occurs, the asset's recoverable amount is estimated.

(n) Allowances

Due to a past event, allowance is recognized if the Company has a present legal or constructive obligation that can be reliably estimated, and it is probable that an economic resource will be required to settle the obligation.

(o) Sales revenue

Sale of goods

Operating revenue from the sale of goods in the ordinary course of business is measured at the fair value of the compensation received or receivable. Sales revenue is recognized when there is compelling evidence that contractual performance obligations have been fulfilled, that it is probable that the economic and financial benefits will flow to the entity, that the associated costs and the possible return of the goods can be reliably estimated, that there is no ongoing involvement with the goods sold, and that the amount of operating income can be reliably measured. If it is probable that discounts will be granted and the amount can be reliably measured, then the discount is recognized as a reduction in operating revenue as sales are recognized.

In practice, the right moment of fulfilling the contractual performance obligations occurs when the product is delivered to the customer's warehouse; however, for some international shipments, the transfer occurs upon loading the goods onto the relevant carrier at the seller's port.

Service provision

They are recognized when it is probable that the obligations related to the service provided will occur.

(p) Financial revenue

Interest revenues are recognized by the straight-line method based on time and on the effective interest rate on the outstanding principal amount, with the effective interest rate being the one that exactly discounts the estimated future cash receipts during the estimated life of the financial instrument in relation to the initial net carrying amount of this asset.

(q) Government subsidies and assistance

For the Company and its subsidiaries, government subsidies are initially recognized as deferred revenue at fair value when there is reasonable assurance that they will be received and that the Company will comply with the conditions associated with the subsidy, and are

Cantu Store S.A. and its Subsidiaries

Explanatory notes to the interim financial information as of March 31, 2023 (In thousands of reais, unless stated otherwise)

recognized in income or loss as other revenue on a systematic basis over the asset's useful life.

Subsidies intended to offset incurred expenses are recognized in income or loss systematically in the same period in which the expenses are recorded, pursuant to Law No. 11.973/14.

(r) Income tax and social contribution

Income tax and social contribution for the current and deferred fiscal year are calculated based on the rates of 15%, plus the additional 10% on taxable income exceeding BRL 240 for income tax and 9% on taxable income for social contribution on net income, and consider the offset of tax losses and negative social contribution base, limited to 30% of the income for the fiscal year.

The income tax and social contribution expense comprises current and deferred income taxes and social contribution. Current and deferred tax are recognized in income or loss unless related to the combination of business or items directly recognized in the shareholders' equity or other comprehensive income.

(i) Current income tax and social contribution expenses

Income tax and social contribution are based on taxable income for the fiscal year. The current income tax and social contribution are the expected tax payable or receivable on the taxable profit or loss for the fiscal year and any adjustment to the taxes payable in relation to the previous fiscal years. The amount of current taxes payable or receivable is recognized in the balance sheet as a tax asset or liability based on the best estimate of the expected tax amount to be paid or received that reflects the uncertainties related to their calculation, if any. It is measured based on tax rates enacted at the reporting date.

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

(ii) Deferred income tax and social contribution expenses

Deferred tax assets and liabilities are recognized in relation to temporary differences between the carrying amount of assets and liabilities for interim financial information purposes and those used for tax purposes. Changes in deferred tax assets and liabilities in the fiscal year are recognized as deferred income tax and social contribution expenses. The deferred tax is not recognized for temporary differences on the initial recognition of assets and liabilities in a transaction that is not a business combination and that affects neither the taxable income or loss nor the statement of income for the year.

A deferred tax asset is recognized in relation to unused tax losses and deductible temporary differences to the extent that it is probable that future taxable income will be available against which they will be used. Future taxable income is determined based on the reversal of relevant taxable temporary differences. If the amount of taxable temporary differences is insufficient to fully recognize a deferred tax asset, future taxable income will be considered, adjusted for reversals of current temporary differences, based on the parent company and its

Cantu Store S.A. and its Subsidiaries

Explanatory notes to the interim financial information as of March 31, 2023 (In thousands of reais, unless stated otherwise)

subsidiary's business plans individually.

Deferred tax assets are reviewed at each balance sheet date and are reduced to the extent that their realization is no longer likely.

Deferred tax assets and liabilities are measured according to the rates expected to be applied to temporary differences when they are reversed, based on the rates enacted up to the reporting date.

The deferred tax assets and liabilities measurement reflects the tax consequences of the Company's approach to recover or settle its assets and liabilities.

Deferred tax assets and liabilities are offset only if certain criteria are met.

(s) Related parties

Disclosures of transactions with related parties were made on terms equivalent to those prevailing in transactions with independent parties and are made only if these terms can be effectively substantiated. The nature of these transactions and the accounting record are described in Note 20.

(t) Leases

The Company has applied CPC 06(R2) using the modified retrospective approach, and, therefore, the comparative information has not been restated and continues to be presented under CPC 06(R1) and ICPC 03. The details of the accounting policies under CPC 06(R1) and ICPC 03 are disclosed separately.

7 New rules and interpretations not yet adopted

There were no IFRS issuances/changes made by the IASB that are effective for the fiscal year beginning in 2023, and that could impact the Company's individual and consolidated interim financial information.

8 Cash and cash equivalents

The balance is composed of the following amounts:

	Parent company		Consolidated	
	3/31/2023	12/31/2022	3/31/2023	12/31/2022
Cash and checking accounts	1	3	24,813	11,521
Investments			285,680	12,036

Cantu Store S.A. and its Subsidiaries

Explanatory notes to the interim financial information as of March 31, 2023 (In thousands of reais, unless stated otherwise)

	<u>1</u>	<u>3</u>	<u>310,493</u>	<u>23,557</u>
--	----------	----------	----------------	---------------

The financial investments refer to CDBs (Bank Deposit Certificates), which are remunerated on average at a rate of 106% of the CDI (Interbank Deposit Certificate).

The financial investments are readily convertible into a known cash amount and are subject to an insignificant risk of change in value. For this reason, they have been considered as cash and cash equivalents in the statements of cash flow.

9 Trade accounts receivable

	Parent company		Consolidated	
	3/31/2023	12/31/2022	3/31/2023	12/31/2022
Trade accounts receivable			568,450	482,399
Related parties (Note 20)	798	20,917		
Allowance for expected losses			(18,466)	(15,028)
	<u>798</u>	<u>20,917</u>	<u>549,984</u>	<u>467,371</u>

Trade accounts receivable have the following composition by maturity:

	Parent company		Consolidated	
	3/31/2023	12/31/2022	3/31/2023	12/31/2022
To expire	798	20,917	528,026	447,856
Due up to 30 days			11,789	10,589
Due from 31 to 90 days			5,109	4,392
Due from 91 to 180 days			5,324	4,536
Due from 181 to 360 days			6,656	4,849
Over 360 days			11,546	10,177
(-) Allowance for expected losses	<u>-</u>	<u>-</u>	<u>(18,466)</u>	<u>(15,028)</u>
	<u>798</u>	<u>20,917</u>	<u>549,984</u>	<u>467,371</u>

The changes in the allowance for credit losses from customers in the consolidated interim financial information are shown below:

	Parent company		Consolidated	
	3/31/2023	12/31/2022	3/31/2023	12/31/2022
Balance at the beginning of the fiscal year			(15,028)	
Initial effect of the corporate reorganization				(11,274)

Cantu Store S.A. and its Subsidiaries

Explanatory notes to the interim financial information as of March 31, 2023 (In thousands of reais, unless stated otherwise)

Allowance constituted			(3,842)	(3,754)
Allowance reversed			404	
Balance at the end of the fiscal year	<u>-</u>	<u>-</u>	<u>(18,466)</u>	<u>(15,028)</u>

The expected losses are estimated based on the history of realization of the customer portfolio, except for cases in which we present a collateral for receipt, being considered sufficient by Management to cover any losses in the realization of credits.

10 Inventories

The balance in the interim financial information is made up of the following amounts:

	Parent company		Consolidated	
	3/31/2023	12/31/2022	3/31/2023	12/31/2022
Goods for resale	-	-	556,394	512,029
	<u>-</u>	<u>-</u>	<u>556,394</u>	<u>512,029</u>

DOT (Department of Transportation) codes are used for the tire inventory to identify the manufacturing date. Goods with DOT over the one-year mark are monitored and sent to the sales team to create campaigns and sales actions.

The Company has not considered that setting up an allowance for obsolete inventories is needed.

Cantu Store S.A. and its Subsidiaries

**Explanatory notes to the interim financial information
as of March 31, 2023**
(In thousands of reais, unless stated otherwise)

11 Taxes recoverable

The balance is composed of the following amounts:

	Parent company		Consolidated	
	3/31/2023	12/31/2022	3/31/2023	12/31/2022
ICMS (i)			59,845	56,281
COFINS (ii)			407,071	374,627
PIS (ii)			91,362	88,403
IRRF			177	740
IRPJ			3,074	2,753
CSLL			523	523
IPI			5,696	70
	<u>-</u>	<u>-</u>	<u>567,748</u>	<u>523,397</u>
Current asset			206,321	140,401
Noncurrent asset			361,427	382,996

- (i) The Company appropriates ICMS credits on purchases of goods for resale. The credits are realized over the marketing of goods and in the normal flow of ascertainment of this tax.
- (ii) Credit arising predominantly from the final and unappealable lawsuit in the Superior Court of Justice – STJ in May 2021 in favor of the subsidiary CPX Distribuidora S.A. The monetization of these credits occurs monthly by offsetting against federal tax debts, such as INSS (National Social Security Institute), IRRF (Withholding Income Tax), IPI (Tax on Manufactured Products), IRPJ (Legal Entity Income Tax), and CSLL (Social Contribution on Net Income) and is directly associated with the future expectation of increased taxable profits, increased payroll, and the start of IPI taxation in February 2023. The expectation of realization of credits of PIS (Social Integration Program) and COFINS (Contribution for Financing Social Security) is defined as follows:

	Parent company		Consolidated	
	3/31/2023	12/31/2022	3/31/2023	12/31/2022
2023			75,590	70,221
2024			117,071	108,756
2025			168,432	156,469
2026			137,340	127,584
	<u>-</u>	<u>-</u>	<u>498,433</u>	<u>463,030</u>

Cantu Store S.A. and its Subsidiaries

Explanatory notes to the interim financial information as of March 31, 2023 (In thousands of reais, unless stated otherwise)

12 Income tax and social contribution

(a) Reconciliation of the effective rate of current taxes

Current income tax and social contribution expenses for the fiscal year ended on March 31, 2023, and December 31, 2022, can be reconciled with the book profit as follows:

	Parent company		Consolidated	
	3/31/2023	12/31/2022	3/31/2023	12/31/2022
Income or loss before income tax and social contribution	37,917	263,439	50,856	334,872
Nominal tax rate 34%	(12,891)	(89,569)	(17,291)	(113,856)
(+) Investment grants			5,218	15,569
(+) Equity method	13,408	89,787		
(+) Selic income on tax credit			12	23,187
(-) Allowance for contingencies			-	(2,545)
(-) Allowance for losses on accounts receivable			(1,079)	(912)
(+/-) Other net additions/exclusions	(517)	(218)	602	(4,600)
	-	-	(12,538)	(83,157)
Income tax and social contribution in the income or loss			(12,538)	(83,157)
Effective tax rate	0%	0%	25%	25%

Cantu Store S.A. and its Subsidiaries

Explanatory notes to the interim financial information as of March 31, 2023 (In thousands of reais, unless stated otherwise)

(b) Deferred social contribution and income tax

Deferred tax credits and debits of Income Tax and Social Contribution were ascertained pursuant to CVM Resolution No. 109/22, which approved CPC Technical Pronouncement No. 32 (IAS 12) – Taxes on profit.

As of March 31, 2023, and December 31, 2022, the deferred Income Tax and Social Contribution recognized in the consolidated interim financial information are as follows:

	Parent company		Consolidated	
	3/31/2023	12/31/2022	3/31/2023	12/31/2022
Tax loss and negative basis			66,119	66,185
Deferred income tax and social contribution on tax loss and negative base			22,480	22,503
Temporary differences				
Allowance for contingencies			18,326	18,326
Allowance for losses on accounts receivable			6,189	5,109
Other allowances			1,941	3,399
			26,456	26,834
Deferred income tax and social contribution on temporary differences			26,456	26,834
			48,936	49,337

Management estimates that deferred taxes arising from temporary differences will be realized in proportion to the realization of projected contingencies, losses, and obligations.

Regarding deferred tax credits, recorded on tax losses and negative basis of social contribution, Management estimates that they should be realized in the next five years, in view of the projection of future profits.

The expected realization of the deferred tax asset is defined as follows:

Cantu Store S.A. and its Subsidiaries

**Explanatory notes to the interim financial information
as of March 31, 2023**
(In thousands of reais, unless stated otherwise)

	Parent company		Consolidated	
	3/31/2023	12/31/2022	3/31/2023	12/31/2022
2023	-	-	14,317	14,435
2024	-	-	11,279	11,370
2025	-	-	8,745	8,817
2026	-	-	7,598	7,661
2027	-	-	6,997	7,054
	<u>-</u>	<u>-</u>	<u>48,936</u>	<u>49,337</u>

13 Advances to suppliers and related parties

The balance in advances to suppliers is related to the purchase of goods for resale and is composed of the following amounts:

	Parent company		Consolidated	
	3/31/2023	12/31/2022	3/31/2023	12/31/2022
Suppliers	-	46	13,816	3,079
Related parties (Note 20)	-	-	22,296	-
	<u>-</u>	<u>46</u>	<u>36,112</u>	<u>3,079</u>

14 Investments in subsidiaries

As of the corporate reorganization completed on March 17, 2022, the consolidation basis of the Company's interim financial information includes the following companies:

Parent company	Subsidiary	Main Activity	Direct Interest (%)
			3/31/2023
Cantu Store S.A.	CPX Distribuidora S.A.	Retail and wholesale of tires	100%
Cantu Store S.A.	CANSPE Participações S.A.	Equity interests	100%
Cantu Store S.A.	NEOSPE Participações S.A.	Equity interests	100%
Cantu Store S.A.	CANAAN Trade Ltda	Import and Export Service	100%

Cantu Store S.A. and its Subsidiaries

**Explanatory notes to the interim financial information
as of March 31, 2023**
(In thousands of reais, unless stated otherwise)

Parent company	Subsidiary	Main Activity	Indirect Interest (%)
			3/31/2023
NEOSPE Participações S.A.	ITR Comércio de Pneus S.A.	Tire wholesaler trade	100%
CANSPE Participações S.A.	CP Comercial S.A.	Tire wholesaler trade	100%
ITR Comércio de Pneus e Peças S.A.	Verum Store Tecnologia Ltda	Development of computer programs	100%
CPX Distribuidora S.A.	Lahenger Luxembourg S.à.r.l.	Equity interests	100%
Lahenger Luxembourg S.à.r.l.	Digitire Professionals LLC	Tire retail trade	100%

As of March 31, 2023, investments in subsidiaries are represented by the following amounts:

Subsidiaries	Interest %	Asset	Liability	Capital	Equity
CPX Distribuidora S.A.	100%	1,944,623	1,323,898	300,968	620,725
NEOSPE Participações S.A.	100%	66,951	-	49,000	66,951
CANSPE Participações S.A.	100%	7,623	-	13,201	7,623
CANAAN Trade Ltda	100%	9,136	8,213	2,280	923
		2,028,333	1,332,111	365,449	696,222

The investment transactions in direct subsidiaries, presented in the interim financial information, are as follows:

Transaction	CPX Distribuidora S.A.	CANSPE Participações S.A.	NEOSPE Participações S.A.	CANAAN Trade Ltda	Total
Balance as of January 01, 2023	363,062	(8,472)	29,709	(459)	383,840
Capital increase	223,466	13,200	35,000	1,280	272,946
Equity	34,197	2,895	2,242	102	39,436
Balance as of March 31, 2023	620,725	7,623	66,951	923	696,222

Cantu Store S.A. and its Subsidiaries

**Explanatory notes to the interim financial information
as of March 31, 2023**
(In thousands of reais, unless stated otherwise)

15 Property, plant, and equipment

	Consolidated									
	Lands	Improvements	Machinery and equipment	Vehicles	Electronic equipment	Facilities	Furniture and utensils	Other property, plant, and equipment	Works in progress (a)	Total
Depreciation rate		20%	10%	25%	20%	10%	10%	20%		
Balance as of January 1, 2023	102	11,932	6,097	1,540	1,208	6,748	1,643	828	603	30,700
Cost	102	14,809	7,694	2,798	2,852	8,246	3,284	952	603	41,340
Accumulated depreciation		(2,877)	(1,597)	(1,258)	(1,644)	(1,498)	(1,641)	(124)	-	(10,639)
Balance as of January 1, 2023	102	11,932	6,097	1,540	1,208	6,748	1,643	828	603	30,700
Additions		714	1,735	667	508	2,282	1,063	239	1,875	9,083
Transfers and write-offs	(102)									(102)
Depreciation		(309)	(400)	(404)	(102)	(240)	(171)	(26)		(1,652)
Balance as of March 31, 2023	-	12,337	7,432	1,803	1,614	8,790	2,535	1,041	2,478	38,030
Cost		15,523	9,429	3,465	3,360	10,528	4,347	1,191	2,478	50,323
Accumulated depreciation		(3,186)	(1,997)	(1,662)	(1,746)	(1,738)	(1,812)	(150)		(12,291)
Balance as of March 31, 2023	-	12,337	7,432	1,803	1,614	8,790	2,535	1,041	2,478	38,030

b) They refer to expenses with renovations and improvements in the properties where the headquarters and branches are established.

Cantu Store S.A. and its Subsidiaries

Explanatory notes to the interim financial information as of March 31, 2023

(In thousands of reais, unless stated otherwise)

Assessment for impairment of assets

According to technical pronouncement CPC 01 – Impairment of Assets, the recoverable amount of property, plant, and equipment is analyzed at least annually. For the fiscal year ended on March 31, 2023, Management did not identify any signs of impairment and, consequently, did not identify the need to set up an allowance for losses.

16 Suppliers

The balance is composed of the following amounts:

	Parent company		Consolidated	
	3/31/2023	12/31/2022	3/31/2023	12/31/2022
Suppliers	503	42	176,312	174,809
Related parties (Note 20)				54,414
	<u>503</u>	<u>42</u>	<u>176,312</u>	<u>229,223</u>

17 Loans and financing

The balance in the interim financial information is made up of the following amounts:

	Interest	Maturity Date	3/31/2023	12/31/2022	3/31/2023	12/31/2022
In foreign currency						
Working capital	CDI + 3.8%	Feb. 2027			164,006	206,163
Brazilian Currency						
Working capital	CDI + 3.5%	March 2026			327,726	342,432
FGI working capital	CDI + 4.4%	Nov. 2025			23,688	28,053
Finep	TJLP + 3.5%	Jan. 2032			16,123	16,123
Finame	CDI + 2.0%	July 2028			30,000	30,000
Drawee Risk	21.7%	March 2023			-	17,643
Corporate bond - pneu11	CDI + 4.8%	Dec. 2026			120,422	120,422
Corporate bond - cpxd11	CDI + 3.0%	Dec. 2027			375,000	-
			<u>-</u>	<u>-</u>	<u>1,056,965</u>	<u>760,836</u>
Current					265,800	270,580
Noncurrent					791,165	490,256

The rate informed represents the weighted average of the rates of contracts in force on March 31, 2023.

Guarantees posted comprise fiduciary assignment of receivables, inventories, and suretyship.

On March 31, 2023, the Company and its subsidiaries had receivables given as collateral, related to loan and financing operations amounting to BRL 393,946.

Cantu Store S.A. and its Subsidiaries

Explanatory notes to the interim financial information as of March 31, 2023

(In thousands of reais, unless stated otherwise)

Corporate bonds

As of September 2021, ITR Comércio de Pneus e Peças S.A. formalized the “Private Simple Bond Indenture, Not Convertible into Shares, of the Secured Interest Type,” and with an Additional Personal Guarantee, in a Single Series, for Public Distribution, with Restricted Efforts, with the following companies as sureties: ITR Comércio de Pneus e Peças S.A., jointly with CP Comercial S.A., CPX Distribuidora S.A., N.E.O.S.P.E Empreendimentos e Participações S.A., and N.H.A.S.P.E Empreendimentos e Participações S.A. A total of 120,000,000 corporate bonds were issued in the amount of BRL 120,000, maturing on December 17, 2026.

As of March 2023, CPX Comércio de Pneus e Peças S.A. formalized the “Private Corporate Bond Indenture Convertible into Shares, of the Secured Interest Type and with an Additional Personal Guarantee, in Series, for Public Distribution, with Restricted Efforts of CPX Distribuidora S.A., CP Comercial S.A., ITR Comércio de Pneus e Peças S.A. e Cantu Store S.A. A total of 375,000 corporate bonds were issued in the amount of BRL, maturing on December 15, 2027.

Loans and financing made during the fiscal years ended on March 31, 2023, and December 31, 2022, are as follows:

	Parent company		Consolidated	
	3/31/2023	12/31/2022	3/31/2023	12/31/2022
Balance at the beginning of the fiscal year	-	-	760,836	-
Initial effect of the corporate reorganization			-	461,354
Funding in the fiscal year	-	-	415,568	415,353
Financial charges	-	-	29,010	62,794
Exchange rate change			(268)	13,857
Amortization - principal	-	-	(107,077)	(132,995)
Amortization - interest and changes	-	-	(41,104)	(59,517)
Balance at the end of the fiscal year	<u>-</u>	<u>-</u>	<u>1,056,965</u>	<u>760,836</u>

Installments classified as noncurrent liabilities will be paid as follows:

	Parent company		Consolidated	
Expiry year	3/31/2023	12/31/2022	3/31/2023	12/31/2022
2024	-	-	198,101	226,518
2025	-	-	259,864	160,454
2026	-	-	160,786	78,985
2027	-	-	125,618	10,995
2028 to 2032	-	-	46,796	13,304
	<u>-</u>	<u>-</u>	<u>791,165</u>	<u>490,256</u>

Covenants

In the consolidated financial information, the Company is subject to certain restrictive covenants in the loan and financing agreements based on certain financial and non-financial indicators. The financial indicators consist of:

Cantu Store S.A. and its Subsidiaries

Explanatory notes to the interim financial information as of March 31, 2023

(In thousands of reais, unless stated otherwise)

- (a) Current liquidity ratio greater than or equal to 1.10.
- (b) Net debt index / EBITDA less than or equal to 2.30
- (c) Distribution of dividends to shareholders equal to or less than 50% of net income.
- (d) Cash and cash equivalent balance greater than or equal to BRL 20,000.
- (e) EBITDA ratio / net financial result greater than 2.00.
- (f) Reduction of the capital by any amount.
- (g) Change of corporate control, directly or indirectly

For the fiscal year ended on March 31, 2023, the Company complies with all financial indicators required in the restrictive clauses.

18 Taxes and contributions payable and tax installments

In the interim financial information, the balance is composed of the following amounts:

	Parent company		Consolidated	
	3/31/2023	12/31/2022	3/31/2023	12/31/2022
IPI	-	-	35,302	35,161
ICMS	-	-	30,239	21,997
IRPJ	-	-	64,777	70,142
CSLL	-	-	23,784	25,788
Installments	-	-	25,752	24,645
Others	5	4	1,106	1,343
	<u>5</u>	<u>4</u>	<u>180,960</u>	<u>179,076</u>
Current liability	5	4	133,315	130,149
Noncurrent liability	-	-	47,645	48,927

Installments

Refers to ICMS (Tax on Circulation of Goods and Services) and ICMS Substitution declared with the Finance Departments of the states of São Paulo, Rio Grande do Sul, Bahia, and Minas Gerais. These debts have payment terms ranging from 12 to 36 installments and are monetarily updated based on the SELIC interest rate.

Cantu Store S.A. and its Subsidiaries

Explanatory notes to the interim financial information as of March 31, 2023 (In thousands of reais, unless stated otherwise)

19 Derivative financial instruments

The Company has the following operations with derivative financial instruments as of March 31, 2023:

Operation	Type	Risk	Contracted value
SWAP	Exchange rate	Dollar	145,000
SWAP	Exchange rate	Euro	30,000
SWAP	Rate	CDI	177,350
			<hr/>
			352,350

The operations are intended to protect against fluctuations in exchange rates and rates ("CDI") in loan and financing agreements.

The company recorded the accounting entry based on fair value on March 31, 2022, under the accrual basis. The net accumulated amount recorded is as follows:

Program	Fair value adjustment	Gain (loss) posted	Consolidated	
			3/31/2023	12/31/2022
Currency exposure protection				
U.S. dollar agreements	(3,173)	16	(3,157)	(7,501)
Euro agreements	(112)	(2,376)	(2,488)	991
Rate exposure protection				
Swap fixed rate versus CDI floating rate	(2,392)	-	(2,392)	(18,138)
			<hr/>	<hr/>
			(5,677)	(24,648)

20 Related parties

Cantu Store S.A. and its Subsidiaries

Explanatory notes to the interim financial information as of March 31, 2023

(In thousands of reais, unless stated otherwise)

The main assets and liabilities balances on March 31, 2023, and December 31, 2020, refer to commercial transactions of purchase and sale of goods.

The liability balances with related parties include goods supply transactions.

Parent company						
As of March 31, 2023	Accounts receivable	Advances receivable	Loan payable	Services rendered	Sales	Purchases
CP Comercial S.A.			25,000			
CPX Distribuidora S.A.	798					
	798	-	25,000	-	-	-
Consolidated						
As of March 31, 2023	Accounts receivable	Advances receivable	Loan payable	Services rendered	Sales	Purchases
Absolute Trade S.A.		14,499				183,959
Level Trade S.A.		1,778				21,663
RJU Trading S.A.		6,019				131,325
CP Comercial S.A.				2,361	6,626	7,049
CPX Distribuidora S.A.					164,574	7,515
Canaan Trade Ltda					29,411	
Verum Store Tecnologia Ltda				205		
ITR Comércio de Pneus S.A.						156,303
	-	22,296	-	2,566	200,611	507,814

Remuneration of key management personnel

Key management personnel include the board of directors. The remuneration paid or payable to key management personnel for their services is reported below:

	Parent company		Consolidated	
	3/31/2023	12/31/2022	3/31/2023	12/31/2022
Salaries and compensations for work	599	1,098	1,398	3,431
Direct and indirect benefits	18	64	178	516
Profit sharing	-	-	52	389
	612	1,162	1,628	4,336

Cantu Store S.A. and its Subsidiaries

Explanatory notes to the interim financial information as of March 31, 2023

(In thousands of reais, unless stated otherwise)

The Company is a party in lawsuits and administrative proceedings before several courts and government agencies, arising from the normal course of operations, involving civil, labor, and tax disputes. The allowance for possible losses arising from these lawsuits is estimated and updated by management, supported by its external legal advisors. On March 31, 2023, and December 31, 2022, the allowance for civil, labor, and tax lawsuits assessed as being of probable risk is reported as follows:

	Parent company		Consolidated	
	3/31/2023	12/31/2022	3/31/2023	12/31/2022
Allowance for tax claims (a)	-	-	52,714	52,713
Allowance for labor and civil claims	-	-	1,187	1,187
	-	-	53,901	53,900
(-) Deposits in court related to taxes (b)	-	-	(50,064)	(43,333)
	-	-	3,837	10,567

(a) Tax action

It refers to the ICMS DIFAL, in which CPX Distribuidora S.A. is the plaintiff in lawsuits filed against 22 Brazilian States, questioning the legality of charging the ICMS - Differential rate on interstate sales transactions aimed at end consumers and carried out over the Internet.

The lawsuits were filed at two different times, namely: 1) Lawsuits filed in 2018 that question the legality of DIFAL's collection until December 31, 2021, and 2) Lawsuits filed in 2022 that question the legality of DIFAL's collection between January and December 2022.

(b) Tax judicial deposit

The company CPX Distribuidora S.A. obtained decisions in limine issued by the regional courts of the States that allow the ICMS DIFAL amounts calculated on non-face-to-face sales operations to be collected through judicial deposit slips.

Possible losses not provisioned in the balance sheet

The Company's subsidiaries have tax, civil, and labor actions involving loss risks classified by management as possible, based on the assessment of its legal advisors, for which there is no allowance constituted, as shown in the following composition and estimate: Within the context of the consolidated interim financial information, there are civil, labor, and tax lawsuits assessed by the legal advisors as having a risk of loss classified as possible, amounting to BRL 24,747 (BRL 24,026 on December 31, 2022).

Cantu Store S.A. and its Subsidiaries

Explanatory notes to the interim financial information as of March 31, 2023

(In thousands of reais, unless stated otherwise)

	Parent company		Consolidated	
	3/31/2023	12/31/2022	3/31/2023	12/31/2022
Tax action (c)	-	-	22,055	21,413
Civil action	-	-	2,453	2,381
Labor action	-	-	239	232
	<u>-</u>	<u>-</u>	<u>24,747</u>	<u>24,026</u>

(c) **Finance Department of the State of São Paulo**

Refers to the annulment lawsuit against the tax assessment notice, which has as its object of discussion the maintenance of the right to ICMS credit on the purchase of goods from third parties. The updated amount is BRL 5,538.

Finance Department of the State of Minas Gerais

Refers to the administrative proceeding against the tax assessment, which has as its object of discussion the maintenance of the right to ICMS credit on sales return operations. The updated amount is BRL 1,677.

Brazilian Federal Revenue

Refers to the administrative proceeding against the tax assessment notice, which has as its object the discussion of the collection of IPI on resale of imported products. The updated amount is BRL 14,840.

22 Shareholders' equity

(a) Capital

The Company's subscribed capital totals BRL 512,349 (BRL 101 as of December 31, 2022) and is divided into one hundred and ninety-nine million, one hundred and twelve thousand, five hundred and seventy-five (199,112,575) shares, of which one hundred and fifty-six million, nine hundred and seventy-one thousand, two hundred and ninety-four (156,971,294) are registered common shares with no par value and forty-two million, one hundred and forty-one thousand, two hundred and eighty-one (42,141,281) are registered preferred shares with no par value. As of March 31, 2023, the amount of BRL 250,000 was pending payment.

On February 8, 2023, the Company's Special Shareholders' Meeting was held, which approved the capital subscription in the amount of BRL 601,280, of which BRL 501,280 was allocated to the Company's capital account, and BRL 100,000 was allocated to the Company's capital reserve. On the same date, the amount of BRL 351,280 was subscribed and paid in, and the remaining balance of BRL 250,000 will be paid in until November 8, 2023.

(b) Dividends

The Company's Articles of Incorporation establish that 25% of the profit for the fiscal year shall be allocated as payment of mandatory minimum dividends.

Cantu Store S.A. and its Subsidiaries

Explanatory notes to the interim financial information as of March 31, 2023

(In thousands of reais, unless stated otherwise)

On February 8, 2023, the payment of BRL 100,000 in dividend securities was made, of which the amount of BRL 65,860 refers to the minimum mandatory dividend for the fiscal year 2022, and the amount of BRL 34,140 refers to supplemental dividends.

(c) Investment and expansion reserve

It is provided in the Company's Articles of Incorporation that the remaining balance of net income, after legal allocations, will be allocated to the profit reserve created by the Articles referred to as "Investment and Expansion Reserve," with a view to financing the expansion of the Company's activities.

(d) Capital reserves

The balances are shown below:

Balance as of January 1, 2022	-
Corporate reorganization (1)	133,312
Balance as of December 31, 2022	133,312
Capital contribution in local currency (2)	100,000
Transaction costs in the issuance of securities (3)	(24,682)
Balance as of March 31, 2023	<u>208,630</u>

1) Corporate reorganization

It derives from the corporate reorganization of entities under common control (related parties) that resulted in the incorporation of the Cantu Store Group on March 17, 2022. The amount represents the difference between the acquisition value of the equity interests and the equity value of the investees on the transaction date.

	Based on the preceding historical cost	Amount paid	Difference
CPX Distribuidora S.A.	193,412	(68,160)	125,252
CANSPE Participações S.A.	4,029	(1)	4,028
NEOSPE Participações S.A.	18,032	(14,000)	4,032
	<u>215,473</u>	<u>(82,161)</u>	<u>133,312</u>

Cantu Store S.A. and its Subsidiaries

Explanatory notes to the interim financial information as of March 31, 2023

(In thousands of reais, unless stated otherwise)

2) Capital contribution in local currency

It derives from the capital increase approved on February 08, 2023 in which the amount of BRL 100,000 was allocated to set aside a capital reserve. Contribution made by the company Iris Fundo de Investimento e Participações Multiestratégica, a fund controlled by L Catterton Latin America, which now holds an interest in the Company's capital as of this date.

3) Transaction costs in the issuance of securities

According to CPC 08 (R1), all transaction costs in raising funds through the issuance of equity securities should be recognized prominently in a shareholders' equity deduction account in a capital reserve account.

(e) Earnings per share

The basic calculation of earnings per share is made by dividing the net income for the fiscal year, attributed to the holders of shares of the parent company, by the number of available shares, already considering the effect of the stock split.

	Basic earnings	
	3/31/2023	12/31/2022
In thousands		
Total preferred shares	42,141	-
Total common shares	156,972	150,750
	<u>199,113</u>	<u>150,750</u>
Net earnings (losses) for the fiscal year	37,917	(8,946)
Earnings (losses) per share: (In BRL)	0.19	(0.06)

(f) Legal reserve

It is recorded, before any other allocation, at the rate of five percent (5%) of the net income ascertained in each fiscal year under the terms of Article 193 of Law 6.404/76, up to a limit of 20% of the capital. In the fiscal year in which the balance of legal reserve plus the amount of capital reserves surpasses 30% of the capital, allocating part of the net income for the fiscal year to the legal reserve will not be mandatory.

Cantu Store S.A. and its Subsidiaries

Explanatory notes to the interim financial information as of March 31, 2023

(In thousands of reais, unless stated otherwise)

23 Net operating revenue

Net revenue is composed as follows:

	<u>Parent company</u>		<u>Consolidated</u>	
	<u>1/1/2023</u> <u>3/31/2023</u>	<u>1/1/2022</u> <u>3/31/2022</u>	<u>1/1/2023</u> <u>3/31/2023</u>	<u>1/1/2022</u> <u>3/31/2022</u>
Revenue from goods sold			747,448	80,077
Revenue from services provided			12,261	1,325
Gross operating revenue			759,709	81,402
Tax on sales (i)			(141,815)	(13,124)
Returns and rebates			(26,077)	(3,258)
Deductions from revenue			(167,892)	(16,382)
	<u>-</u>	<u>-</u>	<u>591,817</u>	<u>65,020</u>

- (i) Refers to taxes levied on sales of goods, net of the effects of the recognition of gains with tax benefits that the Company has with the States of Espírito Santo, Pernambuco and Minas Gerais. On March 31, 2023, the total amount of tax benefits pertaining to the presumed ICMS credit amounted to BRL 15,348.

Cantu Store S.A. and its Subsidiaries

Explanatory notes to the interim financial information as of March 31, 2023 (In thousands of reais, unless stated otherwise)

24 Cost of goods sold, sales expenses, and administrative and general expenses

	<u>Parent company</u>		<u>Consolidated</u>	
	<u>1/1/2023</u> <u>3/31/2023</u>	<u>1/1/2022</u> <u>3/31/2022</u>	<u>1/1/2023</u> <u>3/31/2023</u>	<u>1/1/2022</u> <u>3/31/2022</u>
Cost of goods sold and outsourced services			350,836	33,846
Freight and storage expenses			46,095	9,450
Personnel and charges expenses	748	303	28,686	5,894
Sales commission expenses			23,292	2,162
Third-party services expenses	46		7,844	1,346
Depreciation and amortization			5,511	1,120
Marketing expenses	11		8,299	164
Rent expenses			3,472	432
IT expenses			6,313	49
Travel expenses			1,280	135
Allowance for expected losses from customers			3,842	1,073
Guarantees expenses			661	211
Import expenses			977	74
Insurance expenses	15		776	149
Maintenance expenses			1,203	85
Other costs and expenses	1		7,811	15,318
	<u>821</u>	<u>303</u>	<u>496,898</u>	<u>71,508</u>

(ii) Reconciliation of costs and expenses by function

	<u>Parent company</u>		<u>Consolidated</u>	
	<u>1/1/2023</u> <u>3/31/2023</u>	<u>1/1/2022</u> <u>3/31/2022</u>	<u>1/1/2023</u> <u>3/31/2023</u>	<u>1/1/2022</u> <u>3/31/2022</u>
Cost of goods sold and outsourced services			350,836	33,846
Sales expenses			85,034	27,979
Administrative expenses	821	303	61,028	9,683
	<u>821</u>	<u>303</u>	<u>496,898</u>	<u>71,508</u>

Cantu Store S.A. and its Subsidiaries

Explanatory notes to the interim financial information as of March 31, 2023 (In thousands of reais, unless stated otherwise)

25 Financial revenue and expenses

	<u>Parent company</u>		<u>Consolidated</u>	
	<u>1/1/2023</u> <u>3/31/2023</u>	<u>1/1/2022</u> <u>3/31/2022</u>	<u>1/1/2023</u> <u>3/31/2023</u>	<u>1/1/2022</u> <u>3/31/2022</u>
Financial expenses				
Charges on bank debt			(32,198)	(2,998)
Interest paid to third parties			(2,849)	(1,213)
Interest on leases			(2,599)	-
Bank fees	(60)	(15)	(902)	(281)
IOF	(398)		(75)	-
Derivatives expenses			(8,037)	(7,579)
Others			(252)	(20)
	(458)	(15)	(46,912)	(12,091)
Financial revenue				
Interest revenue			2,105	193
Discounts obtained			550	67
Financial investment return			1,867	334
Others			116	3
	-	-	4,638	597
Exchange rate change, net				
Loss with exchange rate change			(868)	(223)
Gain with exchange rate change			1,136	4,030
	-	-	268	3,807
	(458)	(15)	(42,006)	(7,687)

26 Financial instruments

The Company uses the measurement presented in keeping with Note 3 at each balance sheet date in accordance with the rules established by International Accounting Standards for each type of financial assets and liabilities.

All operations with financial instruments are recognized in the individual and consolidated interim financial information, as shown in the table below:

Cantu Store S.A. and its Subsidiaries

Explanatory notes to the interim financial information as of March 31, 2023

(In thousands of reais, unless stated otherwise)

	Parent company		Consolidated	
	3/31/2023	12/31/2022	3/31/2023	12/31/2022
Financial assets				
Amortized cost:				
Cash and cash equivalents	1	3	310,493	23,557
Trade accounts receivable and related parties	798	20,917	549,984	467,371
	<u>799</u>	<u>20,920</u>	<u>860,477</u>	<u>490,928</u>
Financial liabilities:				
Fair value				
Derivatives payable			5,707	9,998
Amortized cost:				
Suppliers and related parties		42	176,312	229,223
Leases payable			66,495	52,544
Loans and financing			1,056,965	760,836
Other accounts payable			12,153	12,199
	<u></u>	<u>42</u>	<u>1,317,632</u>	<u>1,064,800</u>

Cash and cash equivalents

The Company held cash and cash equivalents representing its maximum credit exposure regarding such assets. Cash and cash equivalents are held with banks and prime financial institutions.

Accounts receivable and suppliers

These arise directly from the Company's operations. They are measured at amortized cost and recorded at their original value, deducting the allowance for losses and adjustments to present value, where applicable. The carrying amount is substantially equivalent to the fair value, considering the very short term for settlement of these transactions.

Loans and financing

They are classified as other financial liabilities not measured at fair value and are recorded on the amortized cost method according to the contractual terms. According to Management's understanding, this definition was adopted because it reflects the most relevant financial information. The fair values of these loans are equivalent to their carrying amounts since they are financial instruments with rates equivalent to market rates and have unique characteristics arising from specific funding sources.

Cantu Store S.A. and its Subsidiaries

Explanatory notes to the interim financial information as of March 31, 2023

(In thousands of reais, unless stated otherwise)

Financial risk management

The Company is exposed to the following risks arising from the use of financial instruments:

- Credit risk
- Liquidity risk and capital structure
- Market risk
- Foreign exchange risk

This note presents information about the Company's exposure to each of the above risks, what the Company's objectives are, the policies and processes for measuring and managing risk, and capital management. Additional quantitative disclosures are included throughout this interim financial information.

Risk management structure

The Company adopted and followed a risk management policy that provides guidance in relation to transactions and requires diversification of transactions and corresponding entries. Under this policy, the nature and overall position of financial risks are regularly monitored and managed in order to assess the results and impacts on cash flow.

The Company's risk management policies are established to identify and analyze the risks faced, to set appropriate risk limits and controls, and to monitor risks and adherence to limits. Through its training and management policies and procedures, the Company aims to develop a disciplined and constructive control environment in which all employees understand their roles and obligations.

Management monitors compliance with the Company's risk management policies and procedures, in addition to analyzing the adequacy of the risk management framework in relation to the risks faced by the Company.

Credit risk

Credit risk is the risk of financial loss if a customer or the other party in a financial instrument fails to meet their contractual obligations, which arise primarily from the Company's trade receivables.

The Company's exposure to credit risk is influenced primarily by the individual characteristics of each customer. However, Management also considers the demographics of the customer base, including the credit risk of the industry and the country where the customers operate, since these factors can influence credit risk, especially considering the current deteriorating economic circumstances.

Liquidity risk and capital structure

It results from the option between shareholders' equity (capital contributions and profit retention) and third-party capital that the Company uses to finance its operations. To mitigate liquidity risks and optimize the weighted average cost of capital, the Company permanently monitors indebtedness levels in accordance with market standards.

Consistent with other companies in the sector, the Company monitors capital based on the financial leverage ratio. This ratio corresponds to the net debt divided by the total capital.

Cantu Store S.A. and its Subsidiaries

Explanatory notes to the interim financial information as of March 31, 2023

(In thousands of reais, unless stated otherwise)

Net debt, in turn, corresponds to total loans (including short- and long-term loans, as shown in the balance sheet), subtracted from the amount of cash and cash equivalents and restricted financial investments. The total capital is determined by the sum of shareholders' equity, as shown in the balance sheet, with net debt.

The financial leverage index on March 31, 2023, and December 31, 2022, is summed up as follows:

	Parent company		Consolidated	
	3/31/2023	12/31/2022	3/31/2023	12/31/2022
Total financing and loans (Note 17)	-	-	1,056,965	760,836
(-) Cash and cash equivalents (Note 8)	(1)	(3)	(310,493)	(23,557)
Net debt	(1)	(3)	746,472	737,279
Shareholders' equity	672,163	330,820	672,163	330,820
Total capital	672,162	330,817	1,418,635	1,068,099
Financial leverage index	0.00	0.00	0.53	0.69

The table below analyzes the Company's financial liabilities that are settled on a net basis by the Company, according to their maturity dates, corresponding to the remaining period between the balance sheet date and the maturity date of the agreement. The amounts presented in the table are the contracted undiscounted cash flows.

	Less than one year	One to two years	Two to five years	More than five years
As of March 31, 2023				
Loans	265,800	198,101	546,268	46,796
Lease liabilities	9,189	14,326	42,980	
Suppliers	176,312			

Market risk

Market risk is defined as the risk that changes in market prices, such as exchange rates and interest rates, or the prices of products sold and services provided by the Company and other inputs, have on the Company's earnings or their interest in financial instruments. Market risk management aims to manage and control exposures to market risks within acceptable parameters while optimizing the return.

Foreign exchange risk

Cantu Store S.A. and its Subsidiaries

Explanatory notes to the interim financial information as of March 31, 2023

(In thousands of reais, unless stated otherwise)

The Company is subject to currency risk on purchases made in a currency other than the Company's respective functional currency. The currencies in which these transactions are primarily made are USD and EUR.

Sensitivity analysis

Financial revenue and expenses arising from the Company's foreign currency financing are affected by exchange rate changes, such as the US dollar. However, the Company does not expect significant impacts on financial expenses and income as the exchange rate exposure is not substantial.

Financial expenses of the Company's financing are affected by the changes in interest rates, such as the TJLP and the SELIC rates.

The income arising from financial investments, as well as the financial expenses from the Company's financing, are affected by the changes in interest rates, such as the SELIC rate.

The tables below consider three scenarios. The Company adopted the likely scenario, which considered the market levels prevailing at the balance sheet closing date.

Operations with financial investments and cash equivalent

Consolidated

	Balance as of 3/31/2023	Likely scenario	Scenario I (*)	Scenario II (**)
Increase in the SELIC rate Impact on income or loss	285,680	36,424	49,108	29,453

(*) Considers a 25% increase in the SELIC rate.

(**) Considers a 25% decrease in the SELIC rate.

The SELIC closing rate on March 31, 2023 was 13.75% (on December 31, 2022 it was 13.75%), and the rate used for scenarios I and II was 12.75% per year on March 31, 2023, the same used for the base value projection (likely scenario).

Loan and financing operations

Consolidated

	Balance as of 3/31/2023	Likely scenario	Scenario I (*)	Scenario II (**)
Increase in the SELIC rate Impact on income or loss	1,056,965	134,763	181,692	108,973

(*) Considers a 25% increase in the SELIC rate.

(**) Considers a 25% decrease in the SELIC rate.

Cantu Store S.A. and its Subsidiaries

Explanatory notes to the interim financial information as of March 31, 2023

(In thousands of reais, unless stated otherwise)

The SELIC closing rate on March 31, 2023 was 13.75% (on December 31, 2022 it was 13.75%), and the rate used for scenarios I and II was 12.75% per year on March 31, 2023, the same used for the base value projection (likely scenario).

27 Leases

The Company acts as a lessee in contracts related to properties (warehouses and distribution centers). Since 2019, the Company has recognized these contracts in accordance with CPC 06 (R2)/IFRS 16 on the balance sheet as right-of-use assets and lease liabilities.

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

The right-of-use asset is subsequently depreciated using the straight-line method from the beginning date to the end of the lease term.

The lease liability is initially measured at the present value of lease payments not made on the effective date, discounted at the interest rate implied in the lease or, if this rate cannot be determined immediately, at the Company's incremental lending rate.

The Company determines its incremental rate on loans by obtaining interest rates from various external financing sources and making some adjustments to reflect the terms of the agreement and the type of leased asset.

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

The changes in the balances of the right-of-use assets are evidenced below:

	Consolidated	
	3/31/2023	12/31/2022
Balance at the beginning of the fiscal year	52,712	-
Initial effect of the corporate reorganization	-	30,315
Addition due to new agreements Direct costs incurred	14,782	29,436
Amortization expense	(3,350)	(7,039)
Balance at the end of the fiscal year	64,144	52,712

Lease liabilities

The changes in the balances of lease liabilities are shown in the table below:

Consolidated

Cantu Store S.A. and its Subsidiaries

Explanatory notes to the interim financial information as of March 31, 2023

(In thousands of reais, unless stated otherwise)

	3/31/2023	12/31/2022
Balance at the beginning of the fiscal year	52,544	-
Initial effect of the corporate reorganization	-	28,779
Provisioned interest	2,599	3,835
Paid interest	(2,248)	(2,391)
Addition due to new agreements	16,925	32,679
Payments	(3,325)	(10,358)
Balance at the end of the fiscal year	66,495	52,544
Current liability	9,189	7,817
Noncurrent liability	57,306	44,727

Additional disclosures required by the CVM

In compliance with the Circular Letter/CVM/SNC/SEP/ in 02/2019, the Company reports the comparative balances of lease liabilities, right-of-use, financial expense, and depreciation expense, considering the effect of future inflation projected in the lease agreement flows, discounted at the nominal rate:

	2023	2024	2025	2026
Lease liabilities				
Accounting - IFRS 16 / CPC 06 (R2)	55,412	44,329	33,246	22,163
Flow with inflation projection	62,477	48,762	36,238	24,102
Variance	12.75%	10.00%	9.00%	8.75%
Net right-of-use - final balance				
Accounting - IFRS 16 / CPC 06 (R2)	51,316	38,488	25,660	12,832
Flow with inflation projection	57,858	42,336	27,969	13,954
Variance	12.75%	10.00%	9.00%	8.75%
Financial expenses				
Accounting - IFRS 16 / CPC 06 (R2)	7,065	4,432	2,992	1,939
Flow with inflation projection	7,965	4,875	3,261	2,108
Variance	12.75%	10.00%	9.00%	8.75%

Cantu Store S.A. and its Subsidiaries

Explanatory notes to the interim financial information as of March 31, 2023 (In thousands of reais, unless stated otherwise)

	2023	2024	2025	2026
Depreciation expense				
Accounting - IFRS 16 / CPC 06 (R2)	12,828	12,828	12,828	12,828
Flow with inflation projection	14,463	14,111	13,982	13,950
Variance	12.75%	10.00%	9.00%	8.75%

28 Insurance coverage (unreviewed)

The coverage was taken out for amounts considered sufficient by management to cover possible losses, considering the nature of its activity, the risks involved in its operations, and the advice of its insurance consultants.

As of March 31, 2023, the Company presented the following main insurance policies taken out from third parties:

Insured assets	Covered risks	Coverage amount
Civil Liability	Civil Liability of Managers and Officers	20,000
Buildings, Machinery, Inventory	Fire, Lightning, Explosion	90,000
Buildings, Machinery, Inventory	Electrical damage	400
Buildings, Machinery, Inventory	Windstorm, Hurricane, Cyclone, Tornado	900
Buildings, Machinery, Inventory	Robbery, Theft	600
Inventory (per shipment/trip)	National Cargo Transport	1,000
Inventory (per vessel)	International Transport (ocean)	USD 1,200
Inventory (per vehicle/aircraft)	International Transport (land/air)	USD 500

-----*****-----