



Premises for Performance Comparisons

To better reflect the nature of our business and its economic reality, some of the numbers in this report are presented as pro-forma figures, with adjustments to exclude the impact of IFRS16 and recording of tax credit gains due to the exclusion of ICMS in the basis for calculating PIS/COFINS in 1Q19. This impact occurred in the following lines and amounts.

	1Q20	1Q19
Balance Sheet		
Right-of-use – leases (Assets)	+ R\$1,601.3 MM	+ R\$ 1,507.8MM
Lease (Liabilities)	+ R\$1,700.9MM	+ R\$1,587.7MM
Results		
Occupancy (Operational Expenses)	- R\$86.3MM	- R\$77.3MM
Depreciation - Right-of-use (Operational Expenses)	+ R\$67.8MM	+ R\$73.7MM
Gains from interest and monetary correction of tax credits (Financial Results)	R\$0	+ R\$559.0MM
Lease interest expenses (Financial Result)	+ R\$32.8MM	+ R\$18.5MM
Tax credit recovery (Other net operating income (expenses))	R\$0	- R\$637.7MM
Profit, Net of Tax Effects	+ R\$9.4MM	- R\$780.3MM

Highlights

Net revenue in 1Q20 was **R\$ 976.9 million**, **6.1%** lower than **1Q19**.

Same-Store Sales dropped 9.7% in 1Q20, considering the **period preceding** the Covid-19 pandemy, same-store sales **increased 7.3%**.

Total gross margin increased 0.6 percentage points (pp) in 1Q20.

Pro-forma operating revenue and expenses in 1Q20 added up to **R\$ 544.7 million** in **1Q20**, **2.4%** above 1Q19.

Pro-forma adjusted EBITDA was **R\$ 4.8 million** in 1Q20, **86.8% less** than 1Q19. **Pro-forma adjusted EBITDA margin was 0.5%, 3.0 pp below** 1Q19.

Pro-forma net income dropped **58.9% in 1Q20**, resulting in a loss of **R\$ 45.9 million**. Net margin was **-4.7%**.

Investments in 1Q20 totaled **R\$ 33.5 million**, a **60.0% drop**.

Subsequent Events

R\$ 500 million in Promissory Notes were issued, maturing **in 3 years** with a **daily DI rates +1.09%**.

R\$ 350 million in two CCBs (Bank Credit Certificates) were issued, maturing **in 12 months** with a **daily DI rates +3.45%**.

	1Q20	1Q19	△	1Q20 pro forma*	1Q19 pro forma*	△ pro forma*
Total Net Revenue (R\$MM)	976.9	1,040.5	-6.1%	976.9	1,040.5	-6.1%
<i>Same Store Sales</i>	<i>-9.7%</i>	<i>3.9%</i>	<i>-13.6p.p.</i>	<i>-9.7%</i>	<i>3.9%</i>	<i>-13.6p.p.</i>
Total Gross Margin	48.8%	48.2%	0.6p.p.	48.8%	48.2%	0.6p.p.
Operational Income and Expenses (R\$MM)	(526.3)	109.4	-R\$635.7	(544.7)	(531.9)	2.4%
Adjusted EBITDA (R\$MM)	91.1	751.6	-87.9%	4.8	36.6	-86.8%
Adjusted EBITDA margin	9.3%	72.2%	-62.9p.p.	0.5%	3.5%	-3.0p.p.
Net Profit (R\$MM)	(55.4)	751.4	-R\$806.8	(45.9)	(28.9)	58.9%
Net Margin	-5.7%	72.2%	-77.9p.p.	-4.7%	-2.8%	-1.9p.p.
Investments	33.5	83.7	-60.0%	33.5	83.7	-60.0%

Pro forma: Adjustments exclude the impact of IFRS16 and the recording of the tax credit gain referring to the exclusion of ICMS in the calculation basis of the PIS / COFINS occurred in 1Q19

Message from Management

Management had positive expectations for the first quarter of 2020 and the entire year. With the GDP expected to increase by about 3% in the year, the Company was focused on its growth plan, in line with what was presented at the IPO.

The Company advanced in some of its growth levers in the first months of the quarter. One new store was opened and five were revamped to the CVP concept (Customer Value Proposition) concept. On the Supply Chain front, we expanded the use of the sorter beyond the denim category and ran pilots to expand the operation of the Santa Catarina distribution center. In the digital transformation lever, we continue to roll out our ship-from-store offer to more stores and are working to increase the number of partners selling on our website, transforming it into a marketplace, as added functionalities to our relationship program (C&A &VC or C&A &You), among other initiatives. It enables personalized interaction with our customers, driving omnichannel buying functionalities such as the ability to locate the nearest store using GPS, and a bar-code scanner that provides additional content about items during the buying process.

In the financial services lever we are again talking to our partner about how to optimize the results of the business for both parties.

However, with the Covid-19 pandemic and a deteriorating scenario worldwide, the Company soon felt the impact of the pandemic in Brazil. Sales started to drop in mid-March, especially in the stores located in the south and southeast of the country. The Company started to gradually shut down stores and, by March 21, all C&A Brick and Mortar stores in Brazil were shut down. While the quarter started out as expected, responding to initiatives implemented according to our growth levers and new inventory management, with same-store sales increasing 7.3%, as measures to fight the pandemic took effect, same-store sales started to drop.

We have since focused our efforts on finding alternatives to sell and remain close to our customers in this scenario. There are numerous initiatives in this regard: implementation of drive-through pickups, basically an adaptation of in-store pickups, and different types of direct selling, all in line with our omnichannel strategy. We have also significantly increased our ship-from-store sales to ensure e-commerce growth, shipping from the closest store to reduce delivery times and avoid stockouts.

In light of the limitations imposed by the pandemic, in Financial Services we are reinforcing our efforts with our partner to provide customers with different ways of paying their bills. With stores entirely closed or open for reduced hours, paying their bill is no longer trivial for many customers. As social distancing measures are maintained, and in some cases upgraded to lock-down, this can demand a measure of effort.

As the seriousness of the crisis became clearer, all investments in new growth projects, especially those related to B&M stores, were suspended. The Company is now focusing on the safety of its employees and the protection of its cash position. Therefore, we are negotiating with our suppliers of goods and services to postpone and possibly reduce payments related to our B&M operations, as all our stores are closed and employees are working remotely.

To reinforce our financial robustness, on April 3, 2020 the Company issued its first Promissory Notes in the amount of R\$ 500 million, maturing in three years and yielding CDI +1.09%. Furthermore, on April 9, 2020 we completed the issue of two CCBs (Bank Credit Certificates) totaling R\$ 350 million, with an annual yield equivalent to CDI+3.45%, maturing in 12 months.

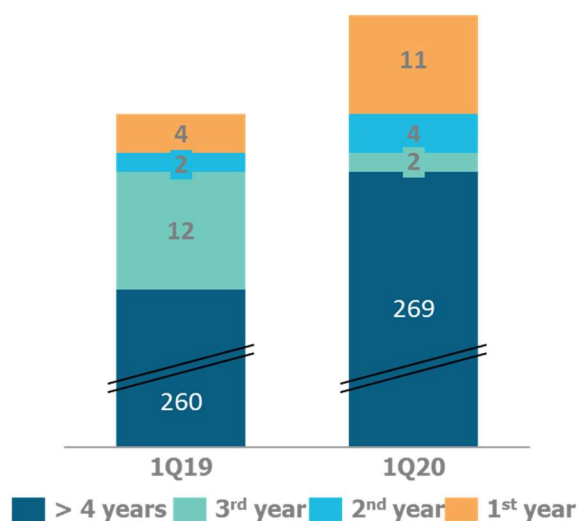
We will persevere during these troubling times, caring for our people, and respecting the guidelines issued by government and healthcare bodies. We will challenge our creativity to sell and maintain our market presence, doing business in a new and adverse scenario where we must learn as we go along and mitigate any negative impact on our results. We are confident that even during these difficult times we are making important progress that will strengthen us and ensure the success of our growth plan.

The Management of C&A Modas S.A.

Operating Indicators

	1Q20	1Q19	△
Stores	286	278	8
Open	1	0	1
Closed	2	1	1
Remodeled	5	20	-15
Sales area (thousand m²)	544	525	19

Store Distribution by Age



We opened one unit in the first quarter of the year (Parque Shopping Bahia), and closed two (Shopping Villa Lobos, which opened in July 2013, and Shopping Iguatemi Ribeirão Preto, which opened in September 2013). We also revamped five stores to adapt them to the CVP concept (Customer Value Proposition) concept.

This brought our total to 286 across Brazil, 269 of which have been in operation for more than 4 years.

Comments on the Company's Financial Performance

Net Revenue

R\$ million	1Q20	1Q19	△
Total Net Revenue	976.9	1,040.5	-6.1%
<i>Apparel</i>	713.7	767.1	-7.0%
<i>Fashiontronics</i>	191.8	213.7	-10.2%
Financial Services - Bradescard Partnership	68.2	55.3	23.4%
Other Revenues	3.2	4.5	-29.1%
<i>Same Store Sales</i>	-9.7%	3.9%	-13.6p.p.
<i>Apparel</i>	-8.9%	2.1%	-11.0p.p.
<i>Fashiontronics</i>	-12.2%	10.9%	-23.1p.p.

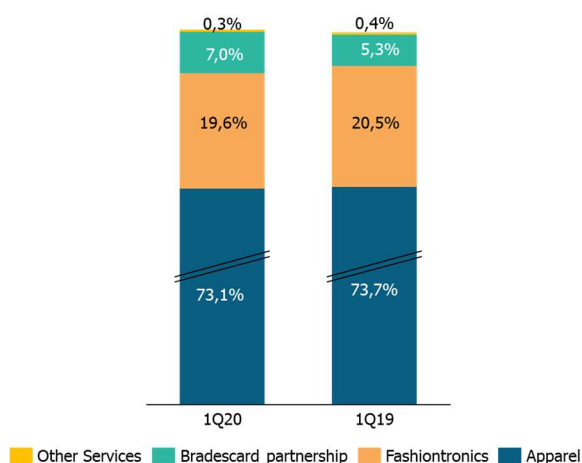
In the first quarter, net revenue was R\$ 976.9 million, 6.1% less than in 1Q19.

Revenue from apparel dropped 7.0%, and revenue from Fashiontronics dropped 10.2%. Same-store sales dropped 9.7% compared to 1Q19 – 8.9% for apparel and 12.2% for Fashiontronics. If we look at this indicator prior to March,13, 2020, before any significant impact from the pandemic, same-store sales reflected the initiatives taken in late 2019 to reinforce our assortment in stores and online, increasing 9.3% for apparel and 0.4% for Fashiontronics, resulting in a combined increase of 7.3%.

Net revenue from Financial Services resulting from our partnership with Bradescard was R\$ 68.2 million in 1Q20, an increase of 23.4%, primarily due to a credit portfolio sale executed by our partner.

Other revenue, which includes commissions from telephony operators when cell-phone plans sold by C&A are activated, as well as revenue from cell-phone top-offs and services, among others, dropped 29.1% in 1Q20, primarily due to reduced commissions from telephony operators.

Net Revenue by Business



When we look at how net revenue broke down in the quarter, the share of apparel dropped only slightly, while the share of Fashiontronics decreased, and that of financial services increased due to the sale of the credit portfolio by Bradesco.

Gross Profit and Margin

R\$ million except margin	1Q20	1Q19	△
Total Gross Profit	476.3	501.4	-5.0%
<i>Apparel</i>	373.1	394.8	-5.5%
<i>Fashiontronics</i>	40.9	52.9	-22.8%
Gross Profit of Goods	413.9	447.8	-7.6%
Financial Services Gross Profit - Bradescard Partnership	67.9	55.0	23.6%
Other Gross Losses	(5.5)	(1.3)	324.4%
Total Gross Margin	48.8%	48.2%	0.6p.p.
Apparel Gross Margin	52.3%	51.5%	0.8p.p.
Fashiontronics Gross Margin	21.3%	24.8%	-3.5p.p.
Gross Margin of Goods	45.7%	45.7%	0.1p.p.

Gross profit in the first quarter totaled R\$ 476.3 million, 5.0% below 1Q19. This is the direct result of the Covid-19 pandemic, which forced us to shut down our B&M stores on March 21, 2020. Total gross margin was 48.8%, a 0.6 pp increase, primarily due to the performance of financial services.

The 52.3% gross margin in apparel was 0.8 pp higher than in 1Q19, with improvements across almost all categories. In Fashiontronics, the margin was only 21.3%, a 3.5 pp drop due to more intense competition and the promotional event named Consumer Week in March of this year.

The 23.6% increase in gross profits is the result of the Bradesco sale of the credit portfolio.

The R\$ 5.5 million gross losses in the "other" line is due to a reduction in the revenue from telephony operator commissions from the activation of mobile telephony plans purchased at C&A, and higher inventory losses.

Pro forma Operating Revenue and Expenses

R\$ million	1Q20	1Q19	△	1Q20 pro forma	1Q19 pro forma	△ pro forma
Operational Income and Expenses	(526.3)	109.4	-R\$635.7	(544.7)	(531.9)	2.4%
Sales	(413.2)	(404.4)	2.2%	(429.8)	(407.2)	5.6%
General and Administrative	(108.7)	(126.1)	-13.8%	(110.5)	(126.8)	-12.9%
Total Expenses with sales and G&A	(521.9)	(530.4)	-1.6%	(540.4)	(534.0)	1.2%
Total Expenses with sales, G&A / Net Total Revenue	53.4%	51.0%	2.4p.p.	55.3%	51.3%	4.0p.p.
Other Operational Income and Expenses	(4.4)	639.9	-R\$644.2	(4.4)	2.1	-R\$6.5
Operational Income and Expenses / Net Total Revenue	53.9%	10.5%	43.4p.p.	55.8%	51.1%	4.6p.p.

Pro-forma operating expenses in the quarter added up to R\$ 544.7 million, 2.4% more than in 1Q19.

Pro-forma sales expenses were R\$ 429.8 million, a 5.6% increase. The main reason was higher spending on marketing campaigns such as Big Brother Brasil, partially offset by the fact that the Company is no longer paying royalties. In the activations during the BBB program, our App was among the 5 most downloaded in Brazil both in iOS and Android.

Pro-forma general and administrative expenses dropped 12.9% to R\$ 110.5 million, primarily due to the reversal of R\$ 7.8 million in provisions. Excluding the effect of this reversal, in 1Q20 general and administrative expenses would have been 6.7% less than in 1Q19.

Sales, general and administrative expenses as a percent of total net revenue were 55.3% in 1Q20, a drop of 4.0 pp.

Other pro-forma revenue and expenses amounted to expenses of R\$ 4.4 million due to R\$ 6.6 million in impairment as a result of the Covid-19 pandemic.

Financial Services - Bradescard Partnership

R\$ million	1Q20	1Q19	△
Net Revenue of the partnership with Bradescard	68.2	55.3	23.4%
Financial Services Gross Profit	67.9	55.0	23.6%
(-) Financial Services Expenses - Sales	(51.0)	(49.7)	2.5%
(=) Financial Services Result	17.0	5.2	224.8%
	1Q20	1Q19	△
Average Net Receivables (R\$ billions)	3.2	3.0	7.7%
% of sales	21.3%	20.9%	0.5p.p.
Number of new cards (thousand)	179.5	143.2	25.4%
Number of active cards (million)	5.2	5.5	-5.3%
Delinquency Rate* (%)	5.6%	7.6%	-1.9p.p.

*Net Losses /Portfolio

C&A offers a number of financial products and services, such as C&A card issuing and administration, personal loans and insurance through its partnership with Banco Bradescard.

In the first quarter of the year, revenue from this partnership added up to R\$ 68.2 million, a 23.4% increase. This performance was the result of the Bradesco sale of part of the portfolio, which brought in an additional R\$ 19.8 million in 1Q20. If we exclude the impact of this sale, revenue from the partnership would have been R\$ 48.4 million, a 12.5% reduction. The sale of this portfolio also had a positive impact on default in the period, which was 1.9 pp below what it had been in 1Q19.

The focus of the business in this time is to provide means for customers to pay their bills, as this is now a challenge and we understand that our actions are essential to reduce future losses and ensure customer satisfaction. The availability of self-service totems in specific stores and partnerships with other retailers are some of the solutions implemented.

Adjusted EBITDA

R\$ million except margin	1Q20	1Q19	△	1Q20 pro forma	1Q19 pro forma	△ pro forma
Profit (Losses)	(55.4)	751.4	-R\$806.8	(45.9)	(28.9)	58.9%
(+) Income Tax	(33.5)	387.6	-R\$421.2	(28.7)	(13.8)	107.1%
(+/-) Net Financial Result	39.0	(528.2)	R\$567.2	6.2	12.3	-49.8%
(+) Depreciation and Amortization	128.1	129.6	-1.2%	60.3	55.8	7.9%
(=) EBITDA	78.2	740.4	-89.4%	(8.1)	25.4	-R\$33.5
(+/-) Expenses (Revenue) with asset disposal and other operating expenses	4.4	(2.1)	R\$6.5	4.4	(2.1)	R\$6.5
(+) Expenses with Controlling Shareholder	0.0	1.4	-R\$1.4	0.0	1.4	-R\$1.4
(+) Royalties Expenses	0.0	5.6	-R\$5.6	0.0	5.6	-R\$5.6
(+) Suppliers Financial Revenue	8.6	6.3	36.7%	8.6	6.3	36.7%
(-) Tax Credit Recovery	0.0	(637.7)	R\$637.7	0.0	0.0	R\$0.0
(=) Adjusted EBITDA	91.1	113.9	-20.0%	4.8	36.6	-86.8%
Adjusted EBITDA Margin	9.3%	10.9%	-1.6p.p.	0.5%	3.5%	-3.0p.p.

*Pursuant to Article 4, CVM Instruction 527, the Company has chosen to show Adjusted EBITDA as in the above table in order to provide information which best reflects the gross operational cash generation from its activities.

In the first quarter, pro-forma adjusted EBITDA dropped 86.8% to R\$ 4.8 million. Pro-forma adjusted EBITDA margin was 0.5%, a 3.0 pp drop. This is primarily due to the closure of stores in March, which had a significant impact on sales.

Financial Results

R\$ milhões	1Q20	1Q19	△	1Q20 pro forma	1Q19 pro forma	△ pro forma
Financial Result	(39.0)	528.2	-R\$567.2	(6.2)	(12.3)	R\$6.1
Derivatives Results	0.0	(26.1)	R\$26.1	0.0	(26.1)	R\$26.1
Total Financial Expenses	(75.6)	(52.1)	-R\$23.5	(42.7)	(33.5)	-R\$9.2
Interests on Loans	0.0	(11.2)	R\$11.2	0.0	(11.2)	R\$11.2
Interests on Leasing	(32.8)	(18.5)	-R\$14.3	0.0	0.0	R\$0.0
Bank expenses and IOF	(0.5)	(1.9)	R\$1.4	(0.5)	(1.9)	R\$1.4
Interest on taxes and contingencies	(5.8)	(7.6)	R\$1.7	(5.8)	(7.6)	R\$1.7
Exchange Rate	(30.6)	(8.5)	-R\$22.1	(30.6)	(8.5)	-R\$22.1
Financial expenses of Suppliers – APV	(5.8)	(4.3)	-R\$1.5	(5.8)	(4.3)	-R\$1.5
Other financial Expenses	(0.01)	(0.03)	R\$0.0	(0.01)	(0.03)	R\$0.0
Total Financial Revenue	36.6	606.3	-R\$569.7	36.6	47.3	-R\$10.7
Interests	9.4	561.4	-R\$552.0	9.4	2.4	R\$7.0
Exchange Rate	18.1	39.3	-R\$21.2	18.1	39.3	-R\$21.2
Suppliers Revenue	8.6	6.3	R\$2.3	8.6	6.3	R\$2.3
Other Financial Revenue	0.4	(0.7)	R\$1.1	0.4	(0.7)	R\$1.1

In the first quarter, pro-forma financial expenses amounted to R\$ 6.2 million, a decrease of R\$ 6.1 million compared to 1Q19. This was primarily impacted by the settlement of related party loans in 2019, resulting in savings of R\$ 6.3 million in the first quarter on exchange variations, swap variations and interest expenses.

Net Profit

R\$ million except margin	1Q20	1Q19	△	1Q20 pro forma	1Q19 pro forma	△ pro forma
Net Profit (Losses)	972.0	751.4	R\$220.6	(9.5)	(28.9)	-67.2%
Net Margin	99.5%	72.2%	27.3p.p.	-1.0%	-2.8%	1.8p.p.

Pro-forma net losses in the quarter were R\$ 45.9 million, a performance 58.9% below 1Q19. Pro-forma net margin was negative 4.7%, lower 1.9 pp than the margin in the 1Q19.

Adjusted Free Cash Flow

R\$ million	1Q20	1Q19	△
Pro forma (Loss) Profit before Taxes	(74.6)	(42.7)	74.5%
Depreciation and Amortization	60.2	55.8	7.9%
(+/-) Others	5.7	-13.1	R\$18.8
Non-cash Adjustment	66.0	42.7	54.4%
Income tax and social contribution paid	(20.4)	(3.3)	-R\$17.2
Working Capital	(105.5)	45.5	-R\$151.0
Trade Receivables	464.1	389.9	19.0%
Inventories	(249.0)	(123.6)	101.4%
Trade Payables	(177.3)	(104.7)	69.4%
Others	(143.2)	(116.1)	23.4%
Cash originated from operational activities	(134.6)	42.3	-R\$176.8
(-) CAPEX	(32.6)	(89.9)	-63.7%
(=) Adjusted Free Cash Flow	(167.1)	(47.6)	-R\$119.5

C&A consumed R\$ 167.1 million in free cash flow in the first quarter of the year, an increase of R\$ 119.5 million compared to 1Q19. The main impact was an increase use of cash for inventories, which is in line with our strategy to increase our in-store and online assessment, and the impact of Covid-19 on our sales this quarter.

Investments

R\$ million	1Q20	1Q19	△
Total Investments	33.5	83.7	-60.0%
New Stores	7.5	11.5	-34.8%
Remodeling	14.4	39.5	-63.5%
Distribution Center	2.1	0.6	250.0%
IT and Others	9.5	32.1	-70.4%

We invested R\$ 33.5 million in the first quarter, a 60% drop due to a concentration in IT and other projects in 1Q19, and the number and schedule of store remodeling. This year, our original plan was to revamp 62 stores, compared to the 74 in 2019. In the first quarter of this year we revamped only 5 stores, compared to 20 in the first quarter of 2019.

Indebtedness

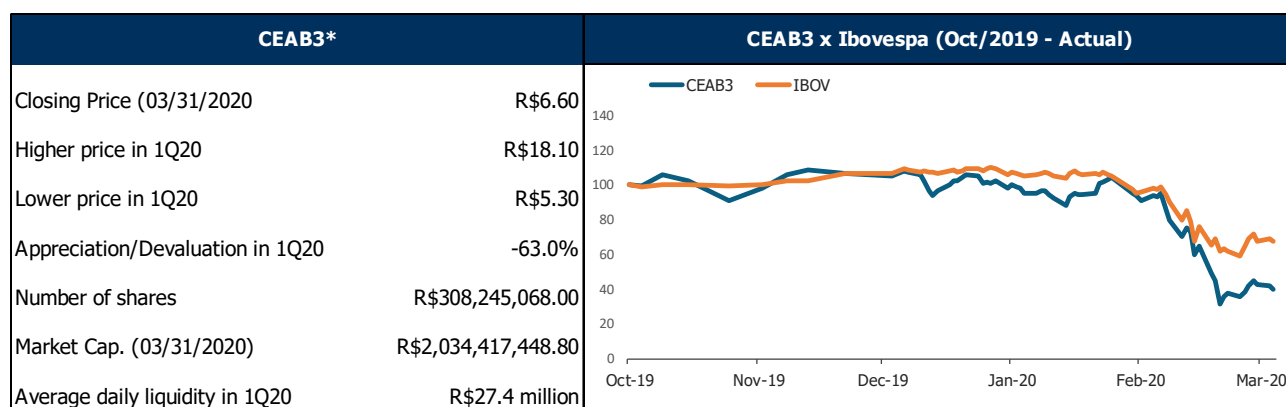
R\$ million	03/31/2020	03/31/2019
Gross Debt	0.0	(673.7)
Short-term debt	0.0	(11.3)
Long-term debt	0.0	(662.5)
(-) Cash and cash equivalents	280.0	134.9
(=) Cash or (Net Debt)	280.0	(538.8)

C&A ended the first quarter of the year with no short or long-term debt, and with a net cash position of R\$ 280.0 million.

Capital Market

C&A joined the B3 "Novo Mercado" on 28 October 2019, at a starting share price of R\$ 16,50.

The average daily volume traded in 1Q20 was R\$ 27.4 million, with a 63.0% loss in value of the shares. On 31 March 2020 the company's market cap was R\$ 2.0 billion.



The Company's capital stock is 308,245,068 common shares, with 34.5% free-float. The Company's free-float and its main shareholders on 31 March 2020 were as follows:

Stockholding structure	Number of Shares (ON)	% of total
Controlling shareholder	201,895,453	65.5%
Itaú Unibanco S.A.	15,766,280	5.1%
XP Gestão de Recursos Ltda	15,601,000	5.1%
Management	23,636	0.01%
Others	74,958,699	24.3%
Total	308,245,068	100.0%

Interim Financial Statements

C&A Modas S.A.

March 31, 2020 and 2019
and Independent Auditor's Report

C&A Modas S.A.

Interim Financial Statements

March 31, 2020 and 2019

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A free translation from Portuguese into English of Independent Auditor's Report on interim financial statements prepared in Brazilian currency in accordance with accounting practices adopted in Brazil, IFRS and the rules issued by the Brazilian Securities and Exchange Commission (CVM) applicable to the preparation of Quarterly Financial Information (ITR).

Independent auditor's report on review of interim financial statements

To the Management and Shareholders of
C&A Modas S.A.
Barueri - SP

Introduction

We have reviewed the individual and consolidated interim financial information of C&A Modas S.A. ("Company"), contained in the Quarterly Information Form (Formulário de Informações Trimestrais – ITR) for the quarter ended March 31, 2020, which comprises the statement of financial position at March 31, 2020 and the statements of operations, of comprehensive income (loss), of changes in equity and cash flows for the three-month period then ended and explanatory notes.

The Company's Management is responsible for the preparation of the individual and consolidated interim financial information in accordance with accounting standards NBC TG 21 and IAS 34 – Interim Financial Reporting, issued by the Federal Accounting Counsel ("CFC") and the International Accounting Standards Board (IASB), respectively, as well as for the fair presentation of this information in conformity with the rules issued by the Brazilian Securities and Exchange Commission (CVM) applicable to the preparation of Quarterly Financial Information (ITR). Our responsibility is to express a conclusion on this individual and consolidated interim financial information based on our review.

Scope of review

We conducted our review in accordance with Brazilian and International Standards on Review Engagements (NBC TR 2410 and ISRE 2410 – Review of Interim Financial Information Performed by the Independent Auditor of the Entity, respectively). A review of interim financial information consists of making inquiries, primarily to the persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with the International Standards on Auditing and, consequently, does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

Conclusion on the individual and consolidated interim financial information

Based on our review, nothing has come to our attention that causes us to believe that the accompanying individual and consolidated interim financial information included in the quarterly information referred to above have not been prepared, in all material respects, in accordance with the requirements of NBC TG 21 and IAS 34, applicable to the preparation of Quarterly Information (ITR), consistently with the rules issued by the Brazilian Securities and Exchange Commission.

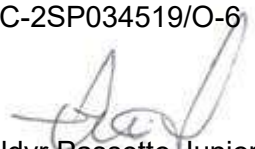
Other matters

Statements of value added

The quarterly information referred to above include the individual and consolidated statements of value added (DVA) for the three-month period ended March 31, 2020, prepared under the responsibility of the Company's Management and presented as supplementary information for the purpose of IAS 34. These statements have been subject to review procedures performed in conjunction with the review of quarterly information in order 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 NBC TG 09 Statement of Value Added. Based on our review, nothing has come to our attention that causes us to believe that these statements of value added have not been prepared, in all material respects, in accordance with the criteria defined in such standard and consistently with the individual and consolidated interim financial information taken as a whole.

São Paulo, May 27, 2020

ERNST & YOUNG
Auditores Independentes S.S.
CRC-2SP034519/O-6



Waldyr Passetto Junior
Accountant CRC-1SP173518/O-8

A free translation from Portuguese into English of Interim Financial Statements prepared in Brazilian currency in accordance with accounting practices adopted in Brazil, IFRS and the rules issued by the Brazilian Securities and Exchange Commission (CVM) applicable to the preparation of Quarterly Financial Information (ITR).

C&A Modas S.A.

Statements of financial position
As at March 31, 2020 and December 31, 2019
(In thousands of Reais)

	Note	Parent Company		Consolidated	
		03/31/2020	12/31/2019	03/31/2020	12/31/2019
Assets					
Current assets					
Cash and cash equivalents	6	279,052	445,635	279,963	447,109
Trade receivables	7	690,899	1,151,438	690,905	1,151,484
Derivatives	27	34,527	651	34,527	651
Related parties	8	136	1,111	124	356
Inventories	10	784,236	544,717	784,236	544,717
Taxes recoverable	11	209,608	795,635	209,616	795,643
Income taxes recoverable		23,162	37,484	23,908	38,006
Other assets	12	38,918	21,609	38,918	21,609
Total current assets		2,060,538	2,998,280	2,062,197	2,999,575
Noncurrent assets					
Long term assets					
Taxes recoverable	11	1,149,089	521,136	1,149,089	521,136
Deferred taxes	13	2,154	-	2,154	-
Judicial deposits	20.2	102,961	101,836	102,961	101,836
Other assets	12	3,539	1,978	3,539	1,978
Total long term assets		1,257,743	624,950	1,257,743	624,950
Investment in subsidiaries	14	917	836	-	-
Property and equipment	15	664,352	717,412	664,352	717,412
Right-of-use assets	17	1,601,294	1,507,815	1,601,294	1,507,815
Intangible assets	16	212,771	187,340	212,771	187,340
Total noncurrent assets		3,737,077	3,038,353	3,736,160	3,037,517
Total assets		5,797,615	6,036,633	5,798,357	6,037,092

C&A Modas S.A.

Statements of financial position
As at March 31, 2020 and December 31, 2019
(In thousands of Reais)

	Note	Parent Company		Consolidated	
		03/31/2020	12/31/2019	03/31/2020	12/31/2019
Liabilities and equity					
Current liabilities					
Lease liabilities	17	368,949	357,891	368,949	357,891
Trade payables	18	627,956	803,989	628,151	804,013
Derivatives	27	-	3,938	-	3,938
Labor liabilities		124,250	128,548	124,250	128,548
Related parties	8	143,904	69,519	143,904	69,519
Interest on shareholders' equity and dividends payable	23	144,834	144,834	144,834	144,834
Taxes payable	19	16,505	183,595	16,510	183,610
Income taxes payable		24,646	35,254	25,185	35,672
Other liabilities		23,932	23,052	23,933	23,052
Total current liabilities		1,474,976	1,750,620	1,475,716	1,751,077
Noncurrent liabilities					
Lease liabilities	17	1,331,949	1,229,789	1,331,949	1,229,789
Labor liabilities		3,459	3,551	3,459	3,551
Provisions for tax, civil and labor proceedings	20	229,007	233,842	229,007	233,842
Taxes payable	19	14,457	1,073	14,457	1,073
Deferred taxes	13	-	45,631	-	45,631
Other liabilities		33,157	32,559	33,157	32,559
Total noncurrent liabilities		1,612,029	1,546,445	1,612,029	1,546,445
Total Liabilities		3,087,005	3,297,065	3,087,745	3,297,522
Equity					
Capital stock	22	1,847,177	1,847,177	1,847,177	1,847,177
Capital reserve		13,097	11,647	13,097	11,647
Retained earnings (loss)		(55,365)	-	(55,365)	-
Profit reserve		882,914	882,914	882,914	882,914
Other comprehensive income (loss)		22,787	(2,170)	22,787	(2,170)
Equity attributable to equity holders of the parent		2,710,610	2,739,568	2,710,610	2,739,568
Non-controlling interests		-	-	2	2
Total equity		2,710,610	2,739,568	2,710,612	2,739,570
Total liabilities and equity		5,797,615	6,036,633	5,798,357	6,037,092

See accompanying notes.

C&A Modas S.A.

Statement of operations
Quarters ending March 31, 2020 and 2019
(In thousands of Reais)

	Note	Parent Company		Consolidated	
		03/31/2020	03/31/2019	03/31/2020	03/31/2019
Net revenue	24	976,265	1,040,094	976,850	1,040,513
Cost of sales and services rendered	25	(500,519)	(539,080)	(500,519)	(539,080)
Gross profit		475,746	501,014	476,331	501,433
Operating (expenses) income:					
General and administrative expenses	25	(108,340)	(125,858)	(108,722)	(126,056)
Selling expenses	25	(413,156)	(404,381)	(413,156)	(404,381)
Share of profit of subsidiary	14	81	45	-	-
Other operating income (expenses), net	25	(4,372)	639,917	(4,372)	639,851
Operating profit		(50,041)	610,737	(49,919)	610,847
Gain (loss) on derivatives		-	(26,054)	-	(26,054)
Finance expenses		(75,558)	(52,052)	(75,559)	(52,052)
Finance income		36,567	606,301	36,569	606,303
Finance results	26	(38,991)	528,195	(38,990)	528,197
Income before income taxes		(89,032)	1,138,932	(88,909)	1,139,044
Income taxes	13	33,667	(387,495)	33,545	(387,608)
Net income (loss) for the period		(55,365)	751,437	(55,364)	751,436
Attributable to:					
Non-controlling interests				1	(1)
Equity holders of the parent				(55,365)	751,437
				(55,364)	751,436
Basic earnings per share - in R\$	30			(0.1796)	2.9021
Diluted basic earnings per share - in R\$	30			(0.1794)	2.9021

See accompanying notes.

C&A Modas S.A.

Statement of comprehensive income (loss)
 Quarters ending March 31, 2020 and 2019
 (In thousands of Reais)

	Parent Company		Consolidated	
	03/31/2020	03/31/2019	03/31/2020	03/31/2019
Net income for the period	(55,365)	751,437	(55,364)	751,436
Other comprehensive income (loss):				
Gain (loss) on derivatives	37,814	(2,978)	37,814	(2,978)
Tax effects	(12,857)	1,012	(12,857)	1,012
Total other comprehensive income (loss) that may be reclassified as profit or loss in the subsequent periods, net of taxes (Note 27.a.iii)	24,957	(1,966)	24,957	(1,966)
Total comprehensive income (loss)	(30,408)	749,471	(30,407)	749,470
Attributable to:				
Non-controlling interests	-	-	1	(1)
Equity holders of the parent	-	-	(30,408)	749,471
	-	-	(30,407)	749,470

See accompanying notes.

C&A Modas S.A.

Statements of changes in equity
Quarters ending March 31, 2020 and 2019
(In thousands of Reais)

Other comprehensive income												
Capital reserve												
Profit reserve												
Reserve for unrealized gains												
Reserve for investments												
Adjustments to equity valuation												
Retained Earnings (Loss)												
Total controlling												
Non-controlling interests												
Total shareholder's equity												
Note	Capital stock	Capital reserve	Shares granted	Legal reserve	Reserve for unrealized gains	Reserve for investments	Adjustments to equity valuation	Retained Earnings (Loss)	Total controlling	Non-controlling interests	Total shareholder's equity	
At December 31, 2018	1,035,720	10,516	-	-	-	-	3,759	65,042	1,115,037	2	1,115,039	
Net income for the period	-	-	-	-	-	-	-	751,437	751,437	-	751,437	
Interest on shareholder's equity	8	-	-	-	-	-	-	-	-	-	-	
Other comprehensive income (loss):												
Loss on derivatives	27.a.iii	-	-	-	-	-	(2,978)	-	(2,978)	-	(2,978)	
Tax effects	27.a.iii	-	-	-	-	-	1,012	-	1,012	-	1,012	
At March 31, 2019	1,035,720	10,516	-	-	-	-	1,793	816,479	1,864,508	2	1,864,510	
At December 31, 2019	1,847,177	10,516	1,131	48,600	86,014	748,300	(2,170)	-	2,739,568	2	2,739,570	
Capital increase	22.1	-	-	-	-	-	-	-	-	-	-	
Share issuing expenses	22.1	-	-	-	-	-	-	-	-	-	-	
Equity instruments granted - share-based compensation	9	-	-	1,450	-	-	-	-	1,450	-	1,450	
Net Income for the period		-	-	-	-	-	-	(55,365)	(55,365)	-	(55,365)	
Other comprehensive income (loss):												
Gain on derivatives	27.a.iii	-	-	-	-	-	37,814	-	37,814	-	37,814	
Tax effects	27.a.iii	-	-	-	-	-	(12,857)	-	(12,857)	-	(12,857)	
At March 31, 2020	1,847,177	10,516	2,581	48,600	86,014	748,300	22,787	(55,365)	2,710,610	2	2,710,612	

See accompanying notes.

C&A Modas S.A.

Statements of cash flow Quarters ending March 31, 2020 and 2019 (In thousands of Reais)

	Parent Company		Consolidated	
	03/31/2020	03/31/2019	03/31/2020	03/31/2019
Operating activities				
Income (loss) before income tax	(89,032)	1,138,932	(88,909)	1,139,044
Adjustments to reconcile income before income taxes to net cash flow:				
Depreciation and amortization	60,237	55,845	60,237	55,845
Depreciation of right-of-use	74,328	73,748	74,328	73,748
Losses on sale or disposal of property and equipment and intangible assets	3,455	5,527	3,455	5,527
Impairment reversal on property and equipment and intangible assets	2,924	(6,177)	2,924	(6,177)
Allowance for (reversal of) expected credit losses	(98)	881	(98)	881
Adjustment to present value of trade receivables and suppliers	(2,842)	(2,056)	(2,842)	(2,056)
Expenses with stock-based compensation	1,450	-	1,450	-
Provisions for tax, civil and labor proceedings	(1,473)	8,508	(1,473)	8,508
Judicial deposits	(505)	(748)	(505)	(748)
Provisions for inventory losses	9,508	9,030	9,508	9,030
Share of profit of subsidiaries	(81)	(45)	-	-
Interest on leases	34,466	18,524	34,466	18,524
Interest on related party loans	-	11,191	-	11,191
Foreign exchange differences on loans	-	(32,370)	-	(32,370)
Derivatives	-	41,344	-	41,344
Gains on law suits - previously unused PIS/COFINS credits (Note 11)	(6,689)	(1,244,973)	(6,689)	(1,244,973)
Working capital adjustments				
Trade receivables	464,018	389,886	464,058	389,913
Related parties	75,360	49,136	74,617	48,636
Inventories	(249,027)	(123,618)	(249,027)	(123,618)
Taxes recoverable	(20,915)	(235)	(21,139)	(218)
Other assets	(18,870)	(9,680)	(18,870)	(9,682)
Judicial deposits	(866)	(2,937)	(866)	(2,937)
Trade payables	(177,486)	(104,808)	(177,315)	(104,683)
Labor liabilities	(4,390)	12,792	(4,390)	12,792
Other liabilities	1,388	(18,978)	1,389	(18,978)
Provisions for tax, civil and labor proceedings	(3,116)	(2,221)	(3,116)	(2,221)
Taxes payable	(171,067)	(143,275)	(170,859)	(143,483)
Income taxes paid	(20,222)	(3,277)	(20,442)	(3,277)
Net cash flows from operating activities	(39,545)	119,946	(40,108)	119,562
Investment activities				
Purchase of property and equipment	(32,630)	(60,441)	(32,630)	(60,441)
Purchase of intangible assets	-	(29,421)	-	(29,421)
Receivables from the sale of property and equipment	35	-	35	-
Cash flow used in investment activities	(32,595)	(89,862)	(32,595)	(89,862)
Financing activities				
Proceeds from loans	-	388,000	-	388,000
Repayments of loans	-	(590,588)	-	(590,588)
Interest paid on loans	-	(9,969)	-	(9,969)
Settlement of derivatives	-	7,625	-	7,625
Repayments on leases	(93,143)	(76,785)	(93,143)	(76,785)
Interest paid on leases	(1,300)	(523)	(1,300)	(523)
Interest on shareholder's equity paid	-	(58,582)	-	(58,582)
Net cash flows used in financing activities	(94,443)	(340,822)	(94,443)	(340,822)
Increase (Decrease) in cash and cash equivalents	(166,583)	(310,738)	(167,146)	(311,122)
Cash and cash equivalents at the beginning of the period	445,635	444,923	447,109	446,006
Cash and cash equivalents at the end of the period	279,052	134,185	279,963	134,884

See accompanying notes.

C&A Modas S.A.

Statements on value added
Quarters ending March 31, 2020 and 2019
(In thousands of Reais)

	Parent Company		Consolidated	
	03/31/2020	03/31/2019	03/31/2020	03/31/2019
Revenue	1,252,677	1,990,243	1,253,290	1,990,681
Sale of Goods and Services	1,245,505	1,330,094	1,246,118	1,330,532
Other revenue	7,074	661,030	7,074	661,030
Allowance for expected credit losses	98	(881)	98	(881)
Inputs acquired from third parties	(661,702)	(714,661)	(662,085)	(714,925)
Cost of sales and services	(485,751)	(532,134)	(485,751)	(532,134)
Materials, electric power, outsourced services and others	(163,119)	(178,693)	(163,502)	(178,957)
Impairment of assets	(12,832)	(3,834)	(12,832)	(3,834)
Gross Value Added	590,975	1,275,582	591,205	1,275,756
Retentions	(128,087)	(129,593)	(128,087)	(129,593)
Depreciation and Amortization	(60,237)	(55,845)	(60,237)	(55,845)
Depreciation of right-of-use	(67,850)	(73,748)	(67,850)	(73,748)
Net value added	462,888	1,145,989	463,118	1,146,163
Value added received through transfer	36,648	606,346	36,569	606,304
Share of profit of subsidiary	81	45	-	-
Financial income	36,567	606,301	36,569	606,304
Total value added for distribution	499,536	1,752,335	499,687	1,752,467
Distribution of value added	499,536	1,752,335	499,687	1,752,467
Personnel	174,672	173,547	174,672	173,547
Direct compensation	130,980	129,150	130,980	129,150
Benefits	27,931	28,290	27,931	28,290
Severance pay fund (FGTS)	12,156	11,826	12,156	11,826
Others	3,605	4,281	3,605	4,281
Taxes and Contributions	263,917	706,570	264,066	706,703
Federal	73,092	500,641	73,241	500,774
State	179,029	194,145	179,029	194,145
Municipal	11,796	11,784	11,796	11,784
Debt remuneration	116,312	120,781	116,313	120,781
Rentals	40,754	42,674	40,754	42,674
Financial expenses	75,558	78,107	75,559	78,107
Compensation on equity	(55,365)	751,437	(55,364)	751,436
Interest on shareholders equity and dividends proposed	-	-	-	-
Profits (loss) retained in the period	(55,365)	751,437	(55,364)	751,436

See accompanying notes.

C&A Modas S.A.

Notes to the interim financial statements
March 31, 2020 and 2019
(In thousand Reais, unless otherwise stated)

1. Operating Context

C&A Modas S.A. (hereafter the "Company" or "Controlling Entity") has its main offices located at Alarmed Araguaia, 1.222 - Barueri - São Paulo - Brazil. The ultimate holding company is COFRA Holding AG, based in Switzerland.

The Company became a traded company on October 28, 2019 and currently 34.50% of its shares are traded on Brazilian stock exchange B3 (São Paulo – Brazil) under the ticker "CEAB3".

The Company's primary purpose of business is retail trade - both offline (B&M, brick and mortar) and online - in apparel, comprised of men's clothing, women's clothing, children and teen clothing, footwear, bags and accessories, in addition to mobile phones, watches, costume jewelry and cosmetics, among others. It also provides financial intermediation services in the form of credit to finance purchases, issuing credit cards and personal loans, and the intermediation in brokering and promoting the distribution of insurance, saving bonds (*"títulos de capitalização"*) and related products offered by insurers and other third parties third parties offering of such products.

Retail apparel sales are strongly influenced by commemorative dates, in particular Mother's Day and Christmas. In months when there are commemorative dates, the Company's sales are higher than the average for other months in the year. This also impacts other Company metrics, in particular inventory levels, trade receivables, trade payables and value added taxes.

The Company sells its goods in 286 stores (287 in December 2019). These are supplied by 5 distribution centers located in the states of São Paulo, Rio de Janeiro and Santa Catarina. The Company also sells its goods through numerous types of *e-commerce*:

- . Deliveries made directly from the distribution center in São Paulo to the customer's location;
- . Click-and-collect, where customers choose a store to pick up their goods;
- . Ship-from-store, where goods are shipped from one of the stores to the location chosen by the customer.

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

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Notes to the interim financial statements
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(In thousand Reais, unless otherwise stated)

2. Basis of Preparation

The company's individual and consolidated financial statements (hereafter the "financial statements") for the periods ending March 31, 2020 and 2019 were prepared according to the accounting practices adopted in Brazil, which comprise the financial statements and instructions and interpretations issued by the CPC (Comitê de Pronunciamentos Contábeis or Accounting Pronouncements Committee), approved by the Federal Accounting Council (Conselho Federal de Contabilidade CFC), and by the Securities and Exchange Commission of Brazil - CVM (Comissão de Valores Mobiliários), all of which comply with International Financial Reporting Standards (IFRS) issued by the International Accounting Standards Board - IASB.

The individual and consolidated financial statements were prepared based on a historical cost basis, except for certain financial instruments measured at fair value, and based on the premise of a going concern of the consolidated entities. All of the data relevant to the interim individual and consolidated financial statements, and only this data is disclosed, and corresponds to the data used by Management in managing Company activities, as per Technical Instruction OCP07.

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

The issuing of the individual and consolidated interim financial statements for the period ending March 31, 2020 was authorized by the Board of Directors on May 27, 2020.

The interim financial statements are submitted in thousands of Reais (R\$), which is the functional and statement currency of the Company and its subsidiary.

Transactions in foreign currency are initially recorded at the exchange rate of the functional currency in effect on the date of the transaction. Foreign-currency denominated monetary assets and liabilities are converted using the functional currency exchange rate in effect on the date of the statement of financial positions. All differences are recorded in the statement of operations.

Restatement of comparative balances

In the financial statements for the year ended December 31, 2019, Management made changes in the classification of certain accounts in the statements of operations, which are being followed in the interim financial information for the quarter ended March 31, 2020. Management made the same reclassifications in the accounting information for the first quarter of 2019 for the purpose of adequate comparison. These changes did not impact net income or profit before income tax and social contribution, balance sheet accounts,

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Notes to the interim financial statements
March 31, 2020 and 2019
(In thousand Reais, unless otherwise stated)

comprehensive income statements, statements of changes in equity and the Company's cash flow statements for the first quarter 2019.

Below are the numbers that changed in the statement of operations.

	Parent Company			Consolidated		
	As previously reported on 03/31/2019	Reclassification	Balance as reclassified on 03/31/2019	As previously reported on 03/31/2019	Reclassification	Balance as reclassified on 03/31/2019
Statement of Operations						
Net revenue	1,040,733	(639)	1,040,094	1,041,151	(638)	1,040,513
Cost of goods sold and services rendered	(539,921)	841	(539,080)	(539,921)	841	(539,080)
Gross profit	500,812	202	501,014	501,230	203	501,433
General and administrative expenses	(127,623)	1,765	(125,858)	(127,820)	1,764	(126,056)
Sales expenses	(402,333)	(2,048)	(404,381)	(402,333)	(2,048)	(404,381)
Other operating income (expenses), net	639,822	95	639,917	639,756	95	639,851
Operating profit	610,723	14	610,737	610,833	14	610,847
Financial results	528,209	(14)	528,195	528,211	(14)	528,197
Profit before income taxes	1,138,932	-	1,138,932	1,139,044	-	1,139,044
Net income for the period	751,437	-	751,437	751,436	-	751,436

Impact of COVID-19

In March 2020 the World Health Organization (WHO) declared COVID-19 to be a global pandemic. Following this declaration, government authorities in numerous jurisdictions imposed lockdowns and other restrictions to contain the virus, and numerous companies suspended or reduced their operations. The final impact on the economy is still uncertain but is expected to be significant.

Because B&M stores have been closed since late March 2020, the Company estimates it will feel a more significant impact on its operating performance starting in the 2nd quarter of this year. Revenue in the first quarter of the year dropped already due to the pandemic, by approximately R\$ 160 million when compared to the amounts projected for the period.

As per Official Memo CVM/SNC/SEP 02/2020, the Company is evaluating the possible impact of the advance of Covid-19 on its business, and these premises are being reviewed with prudence, as at this time there is no expectation that the pandemic will continue over the long term. Below is an assessment of the main themes that could impact the Company's financial statements on 31 March 2020:

Impairment - The Company projected a cash flow for its cash generating units (CGUs) considering a drop in sales in the second quarter of 2020, followed by a gradual recovery through the end of the year. The Company concluded it should adjust the value in use of its assets (Note 15.c).

Liquidity - In March 2020, the Company adopted precautionary measures and adjusted its cost structure to increase its cash position and preserve its financial flexibility. In April it captured R\$ 850 million (Note 31 - subsequent event) in promissory notes and bank credit

C&A Modas S.A.

Notes to the interim financial statements
March 31, 2020 and 2019
(In thousand Reais, unless otherwise stated)

notes (CCBs). Allocation of this capital will favor investments in e-commerce operations, that can bring more immediate sales to the Company.

Hedge Accounting - The Company analyzed the derivative transactions for which it uses hedge accounting and concluded that such transactions remain effective on March 31, 2020.

Inventory Realization - The Company assessed the net realizable value of its inventory on March 31, 2020, considering a drop in sales in the 2nd quarter and a likely markdown of goods for rapid sales. The Company concluded it has sufficient allowances for inventory losses and that additional allowances are not necessary.

Finally, due to the lack of precision regarding the extent and depth of the impacts of COVID-19, Management, in order to guarantee the Company's operational health, is reevaluating the proposal for the distribution of results for the 2019 calendar year, to be submitted for analysis and approval by the shareholders at the Annual General Meeting, to be held on 06/26/2020.

3. Basis for Consolidation

Consolidated interim financial statements include the Company's operations and those of its subsidiary Orion Companhia Securitizadora de Créditos Financeiros S.A. ("Orion" or "subsidiary").

The subsidiary's reporting period coincides with that of the Parent Company, and accounting practices were uniformly applied to the subsidiary.

Upon consolidation, all balances of assets and liabilities, income and expenses arising from transactions with the subsidiary were eliminated. The profit or loss for the period is allocated to the shareholders of the Parent Company and non-controlling interests.

Orion is a closely held corporation, whose stated purpose of business is the purchase of receivables generated by the financial system, as well as management of its own and/or third party receivables portfolios.

4. Accounting policies

4.1 Recognition of revenue and costs

Revenue is measured based on the fair value of the consideration received, net of taxes, sales charges, discounts and rebates. To be recognized, the transaction must meet the recognition criteria described in CPC47/IFRS15. The following specific criteria must also be met before revenue can be recognized:

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Notes to the interim financial statements
March 31, 2020 and 2019
(In thousand Reais, unless otherwise stated)

a) Sale of goods

Revenue from the sale of goods paid for upfront (lump-sum) and in installments is recognized when the Company satisfies its performance obligation, which occur when control over the goods is transferred to the customer.

b) Services rendered

Revenue from services rendered is recognized when the services are actually provided, i.e. when the Company has fulfilled its obligation to deliver.

c) Receivables

Subsidiary Orion recognizes its revenue only upon settlement of long past-due securities in its receivables portfolio, whose credit rights were purchased by Banco Bradesco. This policy was adopted due to the uncertainty surrounding Banco Bradesco receiving these securities from the debtors; Banco Bradesco then transfers the funds received to Orion.

d) Right to return

The return of goods is primarily an issue in e-commerce and is currently not sufficiently significant to be recorded as estimates on the date of the balance sheet. Other returns that occurs physically in stores are immediately converted into vouchers to be exchanged for other and/or similar goods of equal value.

e) Cost of goods sold and services rendered

The cost of goods sold, which includes the costs associated with distribution centers, less allowances received from trade payables, as well the cost of services rendered are recognized on an accrual basis, recognizing their respective revenue.

f) Interest income

Interest revenue is booked using the effective interest rate under "Financial Revenue" in the statements of operations.

g) Commissions revenue from financial services intermediation

Represents the commission revenues form financial intermediation in receiving payment slips, and commissions for brokering credit card financial services, as per the contractual specification described in Note 4.7.

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The calculation includes the commission on revenue from interest and fees charged from Bradesco customers who use the Company intermediation services, in addition to the related operating costs and expenses.

h) Non-exercised customer rights

The Company recognizes a revenue when Management estimates that, based on historical data, customers will not exercise their contractual rights regarding non-reimbursable prepayments. This happens when exchange vouchers and gift certificates are not used before they expire.

4.2. Taxes

a) Income Tax and Social Contribution - current

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

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

Income tax and social contribution on items recognized directly as shareholder's equity are also recognized in shareholder's equity. From time to time, Management reviews the tax positions of the situations in which tax regulations require interpretation, and makes provisions as appropriate.

Prepayments, or amounts that may be offset, are demonstrated in current or non-current assets, depending on when they are expected to be realized.

Deferred taxes are the result of temporary differences between the tax basis of assets and liabilities and their book value on the date of the balance sheet. Deferred tax credits are recognized only to the extent that it is likely that there will be taxable profits available to enable using said fiscal losses and negative basis, and against which the temporary differences may be used.

Significant judgment is required on the part of Management to determine the value of current deferred taxes that may be recognized, based on the likely timing and the level of future taxable profits, along with future tax planning strategies. At the end of each period, the recoverability of deferred taxes is reviewed and written off, to the extent that it is no longer likely that taxable profits will be available to enable their use.

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b) Sales taxes

Revenue, expenses and assets are recognized net of the amount of sales taxes, except:

- Whenever sales taxes incurred in the purchase of goods or services are not recoverable from the tax authorities, sales taxes are recognized as part of the cost to purchase the asset or expense item, as the case may be;
- Whenever the amounts payable and receivable are presented together with the value of the sales taxes, and
- The net amount of sales tax recoverable from, or payable to is included as a component of the amounts receivable or payable in the balance sheet.

4.3. Cash and cash equivalents

Cash equivalents are held to meet short-term cash commitments and not for investment or other purposes. The Company considers as cash equivalents any immediately liquid financial investments redeemable from the issuer for a known amount of cash and subject to a negligible risk that they will change in value. Thus, an investment is normally classified as cash equivalent when it matures in a short period of time, e.g. three months or less from the date of the transaction.

Following initial recognition, cash equivalents are recognized at the amortized cost, plus the yield accrued until the date of the balance sheet.

4.4. Trade receivables

Trade receivables include receivables from the sale of goods, concentrated in the credit card operators and presented at the value they are realized. They also include receivables from a partnership that offers customers financial services and, in lesser amounts, receivables from commercial partners.

Installment sales are brought to their present value on the date of the transactions.

The risk of default in credit card transactions belongs to the individual card operators. The Company recognizes only losses from sales not recognized by the customer (chargebacks).

The Company's current losses are concentrated in values not reconciled with business partners and customer chargebacks and are not relevant compared to the Company's total receivables. Provisions have been made in amounts Management considers sufficient to cover expected credit losses, based on the history of such transactions.

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4.5. Inventories

Inventories are assessed at the average purchase cost, including the cost to ship to the distribution centers and the costs incurred in preparing goods for shipping from distribution centers to the stores, less supplier allowances and non-recoverable taxes. The cost of inventory shall not exceed the realization value, unless provisions have been made to cover possible losses. Supplier prepayment discounts are deducted from such costs. In the case of imported goods, the gains and losses from cash flow hedges are included.

Provisions for inventory losses are estimated based on the Company's past losses, calculated based on physical inventories taken at least annually. Provisions are also made for goods considered to be slow movers, based on the age of the inventory.

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

4.6. Investments in the subsidiary

The Company's investment in its subsidiary is recorded using the equity approach in individual financial statements.

After applying the equity approach, the Company will determine if it must recognize losses additional to the recoverable amount of its investment in its subsidiary. At each reporting date, the Company determines whether there is objective evidence that the investment in the subsidiary is impaired. If so, the Company calculates the amount of the loss due to the impairment as the difference between the recoverable value of the subsidiary and the book value, recognizing the loss in its statement of operations.

4.7. Partnership to provide financial services

The Company has a partnership with Bradescard to provide financial services to its customers.

According to the partnership agreement, the financial institution is responsible for the main activities of this operation, and the Company is responsible only for brokering the financial services controlled by Bradescard. Revenue and expenses related to this operation are controlled separately by each of the parties involved. At the end of each period, the amount of commissions payable to the Company is calculated and recorded under net revenue as revenue from commissions on the sale of Bradescard financial products.

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4.8. Property and equipment

Recorded at the cost of purchase, formation or construction, plus consideration of the provision for store restoration in case the store is not registered as right of use, less depreciation and provisions for losses of a non-financial asset (impairment). Depreciation of goods is calculated using the straight-line approach and takes into consideration the estimated lifetime of the asset.

At the end of each reporting period, the estimated lifetime, restoration costs and depreciation methods are reviewed, and the effects of any changes in estimates recorded prospectively.

To assess lifetime, the expected use of assets, planning of store revamps and any evidence that the asset may have a lifetime different from that originally recorded are taken into consideration. This analysis is documented in a report prepared by Company experts.

A property and equipment item is written off when sold or when no future economic benefit is expected from its use or sale. Any loss or gain from writing off an asset (calculated as the difference between its book value and net sales value), are entered into the statement of operations of the period in which the asset is written off.

4.9. Intangible assets

Intangible assets with defined lifetimes (software and goodwill) are recorded at cost, less accumulated amortization and impairment. Amortization is recognized using the straight-line approach based on the estimated lifetime of the asset. Estimated lifetime and the amortization approach are reviewed at the end of each period, and the impact of any changes on the estimates is recorded prospectively. Amortization is calculated using the straight-line approach, and takes into consideration the estimated lifetime of the asset.

4.10. Intangible assets

At the end of each reporting period, Management reviews the net book value of assets to assess events or changes in technology and economic or operational circumstances that might indicate any deterioration or impairment. If such evidence is found, and if the net book value exceeds the recoverable value, provisions are made for impairment, adjusting the net book value to the recoverable value. The recoverable value of an asset or specific cash generating unit, is defined as being the largest between its value in use and the net sale value. Each store is defined as a cash generating unit. The Company considers it to be an indication of impairment if, at the end of the period, the store's contribution is less than 5% of net sales.

The Company bases its assessment of impairment based on detailed financial budgets and provisions, prepared separately by Management for each cash generating unit to

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which assets are allocated. The average long-term rate of growth is calculated and applied to future cash flows.

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

Losses due to asset devaluation are recognized in the results, in a manner consistent with the function of the asset subject to the loss.

For assets other than goodwill, a valuation is performed on each reporting date to determine if there is any indication that the losses due to impairment previously recognized have diminished or no longer exist. If there is such indication, the Company estimates the recoverable value of the asset or cash generating unit.

A loss due to impairment of a previously recognized asset is reversed only if there have been changes in the estimates used to determine the impairment of the asset since the most recent recognized loss due to impairment. Reversal is limited to ensure the asset's carrying amount does not exceed that carrying amount that would have been calculated (net of depreciation and amortization), if no loss due impairment of the asset had been recognized in previous years. This reversal is recognized in earnings.

4.11. Provisions for tax, civil and labor proceedings

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

In cases where the provision has a corresponding judicial deposit and the Company intends to settle the liability and realize the asset simultaneously, the amounts are offset.

4.12. Retirement and other post-employment benefits

The Company sponsors Cyamprev - Sociedade de Previdência Privada, a privately held pension provider that provides pension plans for the employees of its sponsors. In essence, the pension plans sponsored by the Company are structured as defined

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contribution plans (Note 29). Benefit plans are assessed each year at the end of the period to check if the contribution rates are sufficient to make up the reserves required for current and future commitments. Actuarial gains and losses are recognized using the accrual method.

4.13. Provisions for stores restoration

By entering into lease contracts with third parties, the Company assumes the obligation to restore the property for return it to proprietor at the end of the contract under the same conditions in which the space was made available. In these situations, a provision for restoration of stores is recognized against property and equipment or right-of-use asset, in case store is under IFRS16/CPC06, based on historical estimates of restoration costs. Property and equipment are amortized over the same term as the lease contract, including the renewal options that the Company may and intends to exercise. Management reviews the estimates of expenses at the end of each reporting period.

4.14. Other assets and liabilities

An asset is recognized on the balance sheet when it is likely that it will generate future economic benefit for the Company, and if the cost or value can be reliably measured.

A liability is recognized on the balance sheet whenever the Company has a legally binding obligation as the result of a past event, and it is likely that economic resources will be required to settle it. Provisions are recorded based on the best estimate of the risk involved.

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4.15. Financial instruments

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

Initial recognition and measurement

a) Financial asset

Financial assets are classified, at initial recognition, as subsequently measured at amortized cost, fair value through other comprehensive income (OCI), and fair value through profit or loss.

The classification of financial assets at initial recognition depends on the financial asset's contractual cash flows characteristics and the Company's business model for managing them. The Company initially measures a financial asset at its fair value plus, in the case of a financial asset not at fair value through profit or loss, transaction costs. For financial instruments measured at fair value, transaction costs are allocated directly to profit or loss. For trade receivables from installment sales, the financial asset is discounted to present value at the basic interest rate on the closing date of the financial statements.

In order for a financial asset to be classified and measured at amortized cost or fair value through other comprehensive income (OCI), it needs to give rise to cash flows that are 'solely payments of principal and interest (SPPI)' on the principal amount outstanding. This assessment is performed at an instrument level.

The Company's business model for managing financial assets refers to how it manages its financial assets in order to generate cash flows. The business model determines whether cash flows will result from collecting contractual cash flows, selling the financial assets, or both.

Subsequent measurement

For purposes of subsequent measurement, financial assets are classified in four categories:

- (i) Financial assets at amortized cost;
- (ii) Financial assets at fair value through OCI with recycling of cumulative gains and losses;
- (iii) Financial assets designated at fair value through OCI with no recycling of cumulative gains and losses upon derecognition; or
- (iv) Financial assets at fair value through profit or loss.

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The Company has financial assets classified as financial assets at amortized cost; financial assets at fair value through OCI with recycling of cumulative gains and losses; and financial assets at fair value through profit or loss.

Financial assets at amortized cost

The Company measures financial assets at amortized cost if both of the following conditions are met:

- The financial asset is held within a business model with the objective to hold financial assets in order to collect contractual cash flows; and
- The contractual terms of the financial asset give rise on specified dates to cash flows that are SPPI on the principal amount outstanding.

Financial assets at amortized cost are subsequently measured using the effective interest (EIR) method and are subject to impairment.

Gains and losses are recognized in profit or loss when the asset is derecognized, modified or impaired.

The Company's financial assets at amortized cost include: cash and cash equivalents, trade receivables, judicial deposits and related parties.

Financial assets at fair value through OCI

Financial assets classified in this category are derivative transactions in which hedge accounting is applied. The Company adopts hedge accounting and designates forward currency contracts (NDF) as cash flow hedges. The fair values of derivative financial instruments are determined based on the exchange rate and yield curve.

The Company only applies cash flow hedge accounting to protect itself from foreign exchange risk arising from unpaid import orders; and for this reason designates it as cash flow hedge.

The effective and unsettled portion of changes in the fair value of derivatives that are designated and qualify as cash flow hedges is recognized in equity as equity valuation adjustments in OCI. This portion is realized upon the elimination of the risk for which the derivative was contracted. When the financial instruments are settled, the gains and losses previously deferred in equity are transferred from it and included in the initial measurement of the cost of the asset.

Financial assets at fair value through profit or loss

Financial assets at fair value through profit or loss include financial assets held for trading and financial assets designated upon initial recognition at fair value through profit or loss. Financial assets are classified as held for trading if they are

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acquired for the purpose of selling in the near term. Derivatives are classified as held for trading unless they are designated as effective hedging instruments. They are carried in the statement of financial position at fair value with the related gains or losses recognized in the statement of operations.

Financial assets at fair value through profit or loss are carried in the statement of financial position at fair value with net changes in fair value recognized in the statement of operations.

This category includes the ineffective portion of derivative instruments used by the Company for hedge accounting purposes.

Derecognition

A financial asset (or, where appropriate, a part of a financial asset or part of a group of similar financial assets) is derecognized when:

- The rights to receive cash flows from the asset have expired; or
- The Company and its subsidiaries have transferred their rights to receive cash flows from the asset or have assumed an obligation to pay the received cash flows in full without material delay to a third party under a 'pass-through' arrangement; and either (a) the Company and its subsidiaries have transferred substantially all the risks and rewards of the asset, or (b) the Company and its subsidiaries have neither transferred nor retained substantially all the risks and rewards of the asset, but have transferred control of the asset.

When the Company and its subsidiaries have transferred their rights to receive cash flows from an asset or have entered into a pass-through arrangement, and have neither transferred nor retained substantially all of the risks and rewards of the asset, an asset is recognized to the extent of their continuing involvement with the asset. In that case, the Company and its subsidiaries also recognize an associated liability. The transferred asset and the associated liability are measured on a basis that reflects the rights and obligations that the Company and its subsidiaries have retained. Continuing involvement that takes the form of a guarantee over the transferred asset is measured at the lower of the original carrying amount of the asset and the maximum amount of consideration that the Company and its subsidiaries could be required to repay.

Impairment of financial assets

The Company assesses the need for an allowance for expected credit losses for all financial assets classified as amortized cost. For trade receivables, the Company applies a simplified approach in calculating estimated credit losses,

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since, according to the risk assessment for losses, they are concentrated in sales not recognized by customers and receivables with business partners. Therefore, the Company does not track changes in credit risk, but instead recognizes an allowance for expected credit losses arising from the periodic assessment of the receivables portfolio made by Management.

The Company considers a financial asset in default when contractual payments are 90 days past due. This situation refers to receivables with business partners. The Company analyze each case individually and the allowance is recognized if there is expectation of loss on these amounts.

b) Financial liabilities

Initial recognition and measurement

Financial liabilities are classified as financial liabilities at fair value through profit or loss, financial liabilities at amortized cost or derivatives classified as hedging instruments, as appropriate.

Financial liabilities are recognized initially at fair value and, in the case of loans and borrowings, plus directly attributable transaction costs.

At March 31, 2020 and 2019 the Company and its subsidiary had only financial liabilities classified in the categories of (i) financial liabilities at amortized cost and (ii) derivatives classified as hedging instruments.

The financial liabilities of the Company and its subsidiary are trade payables, loans and payables to related parties, lease liabilities and derivative financial instruments.

Subsequent measurement

The measurement of financial liabilities depends on their classification. Trade payables, loans and payables to related parties and lease liabilities, classified by the Company as financial liabilities at amortized cost, upon initial recognition, including interest, are subsequently measured at amortized cost using the effective interest rate method.

Derecognition

A financial liability is derecognized when the obligation under the liability is discharged or canceled or expires. When an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as the derecognition of the original liability and the recognition of a new liability. The difference in the respective carrying amounts is recognized in the statement of operations.

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c) Offsetting of financial instruments

Financial assets and financial liabilities are offset and the net amount is reported in the statement of financial position if, and only if, there is a currently enforceable legal right to offset the recognized amounts and there is an intention to settle on a net basis, to realize the assets and settle the liabilities simultaneously.

d) Derivative financial instruments and hedge accounting

Initial recognition and measurement

The Company uses derivative financial instruments to minimize its exposure in foreign currency, represented by future purchases to be made in foreign currency from foreign suppliers and, in March, 2019, also to settle loans payable to related parties.

Such derivative financial instruments are initially recognized at fair value on the date on which a derivative contract is entered into and are subsequently remeasured at fair value. Derivatives are carried as financial assets when the fair value is positive and as financial liabilities when the fair value is negative.

Any gains or losses resulting from changes in the fair value of derivatives during the year are recognized directly in the statement of operations, except for the effective portion of the cash flow hedges, which is recognized directly in equity classified as other comprehensive income (loss).

Swap transactions are not designated for hedge accounting, and their respective gains or losses are recognized in finance results.

For the purpose of hedge accounting, hedges are classified as:

- Fair value hedges when hedging the exposure to changes in the fair value of a recognized asset or liability or an unrecognized firm commitment;
- Cash flow hedges when hedging the exposure to variability in cash flows that is either attributable to a particular risk associated with a recognized asset or liability or a highly probable forecast transaction or the foreign currency risk in an unrecognized firm commitment; or
- Hedges of a net investment in a foreign operation.

At the inception of a hedge relationship, the Company formally designates and documents the hedge relationship to which it wishes to apply hedge accounting and the risk management objective and strategy for undertaking the hedge. The documentation includes identification of the hedging instrument, the hedged item or transaction, the nature of the risk being hedged, the nature of the risks

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excluded from the hedging relationship, the prospective demonstration of the effectiveness of the hedging relationship and how the Company will assess the effectiveness of the hedging instrument in order to offset the exposure to changes in the fair value of the hedged item or cash flows related to the hedged risk.

Regarding the cash flow hedge, the demonstration of the hedged highly probable forecast, as well as the expected periods for transfer of gains or losses arising from hedging instruments from equity to profit or loss, are also included in the hedging relationship documentation. Such hedges are expected to be highly effective in achieving offsetting changes in fair value or cash flows and are assessed on an ongoing basis to determine whether that they actually have been highly effective throughout the financial reporting periods for which they were designated.

The hedge ratio is measured by the relationship between the contracted amount of the hedging instrument and the amount of imported goods actually purchased. There will be a need to rebalance the hedge relationship when the contracting of derivative financial instruments (NDFs) reflects a relationship different from that initially stipulated in the Company's Hedge Policy.

Hedges that meet all the qualifying criteria for hedge accounting are accounted for, as described below:

Cash flow hedges

The effective portion of the gain or loss on the hedging instrument is recognized in equity under OCI, while any ineffective portion is recognized immediately in the statement of operations under finance results.

When the Company's documented its risk management strategy for a particular hedge relationship excludes from the hedge effectiveness assessment a specific component of the gain or loss, or the respective cash flows of the hedging instrument, this component of the excluded gain or loss is recognized in finance results.

Amounts recognized in OCI are immediately transferred to the statement of operations when the hedged transaction affects profit or loss; for example, when the hedged finance result is recognized or when a forecast sale occurs. If the hedged item is the cost of a non-financial asset or liability, the amounts recognized in equity are transferred at the carrying amount of the non-financial asset or liability.

If the hedging instrument expires or is sold, terminated or exercised without replacement or rollover (as part of a hedging strategy), or if its classification as hedge is revoked, or when the hedge no longer meets the hedge accounting criteria, the gains or losses previously recognized in OCI remain separately in equity until the forecast transaction occurs or the firm commitment is fulfilled.

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e) Fair value measurement of financial instruments

The Company measures financial instruments such as derivatives at fair value at the end of each reporting period. Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The fair value measurement is based on the presumption that the transaction to sell the asset or transfer the liability takes place either:

- In the principal market for the asset or liability; or
- In the absence of a principal market, in the most advantageous market for the asset or liability.

The principal or the most advantageous market must be accessible by the Company.

The fair value of an asset or a liability is measured using the assumptions that market participants would use when pricing the asset or liability, assuming that market participants act in their economic best interest.

All assets and liabilities for which fair value is measured or disclosed in the financial statements are categorized within the fair value hierarchy, described as follows, based on the lowest level input that is significant to the fair value measurement as a whole:

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

Level 2 - Valuation techniques for which the lowest level input that is significant to the fair value measurement is directly or indirectly observable;

Level 3 - Valuation techniques for which the lowest level input that is significant to the fair value measurement is unobservable.

For assets and liabilities that are recognized in the financial statements at fair value on a recurring basis, the Company determines whether transfers have occurred between levels in the hierarchy by re-assessing categorization (based on the lowest level input that is significant to the fair value measurement as a whole) at the end of each reporting period.

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4.16. Present value adjustment of assets and liabilities

The adjustment of assets and liabilities to present value is calculated, and only entered on the books if it is considered relevant to the financial statements taken as a whole. For the purposes of accounting and determining relevance, adjustment to present value is calculated taking into account the contractual cash flows, as well as the explicit and, in certain cases, the implicit interest rate of the respective assets and liabilities.

4.17 Loans with related parties

Until October 2019, the need for capital was supplied through transactions with related parties in the form of capital increase or loans. For this reason, all of the transactions related to this operation are considered financing and classified in this line in the cash flow. This includes capital decreases, loans and loan amortization, interest payments and the settlement of swaps related to these loans.

4.18 Operating segment

The Company is active in a single operating segment, used by the CEO and Headquarters for analysis and decision making.

4.19 Shareholder's Equity

The Company's capital stock is represented by common shares. Incremental expenditures directly attributable to issuing stock are presented as deductions of shareholder's equity, capital transactions net of tax effects.

4.20 Dividends proposed and paid

The distribution of dividends to Company shareholders is recognized as a liability on the date of the balance sheet, based on the minimum required dividends defined in Company bylaws. Any amounts exceeding this required minimum are recorded only on the date the additional dividends are approved by the shareholders at a General Meeting.

4.21 Stock-based compensation plan

The Company offers stock-based compensation plans to its executives that include options settled solely with the issue or delivery of Company common shares.

Plans are measured at fair value on the date granted. To determine fair value, the Company uses suitable valuation methods, the details of which are disclosed in Note 9,

The cost of transactions settled with equity titles is recognized as an expense in the capital reserve account, together with a corresponding increase in shareholder's equity,

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ending on the date on which the securities vest, i.e. the employee acquires the full right to exercise his/or option. Accumulated expenses, recognized for transactions settled with equity instruments on each base-date until the date of acquisition, reflect how much of the acquisition period was completed, and the Company's best estimate of the number of equity securities to be purchased. The expense or credit in the statement of operations for the period is recorded as an administrative expense.

If the plan is canceled (except if cancellation is due to loss of the right to the equity security for not meeting the granting conditions), it is handled as if it had been purchased on the date of cancellation, and any unrecognized plan expense is recorded immediately.

Open options are reflected in the calculation of diluted earnings per share (Note 30).

4.22 Earnings per share

Basic earnings per share is calculated by dividing the profits attributable to the holders of Company common shares (the numerator) by the weighted average number of common shares held by the shareholders (the denominator) during the reporting period.

Diluted earnings per share is calculated by dividing net profit attributable to the holders of Company common shares by the weighted average number of common shares available during the period, plus the weighted average number of common shares that would be issued to convert all potential diluted common shares into common shares. Equity instruments that are expected to be or may be settled with Company shares are only included in the calculation when their settlement will dilute earnings per share.

4.23 Statements of Value Added (SVA)

IFRS does not require a statement of value added, it is provided as a supplement to comply with Brazilian corporate law. Its purpose is to show value created by the Company during the reporting period, and demonstrate how it was distributed to the various players.

4.24. Lease transactions

The Company, as a lessee, recognizes right-of-use assets representing its rights to use the underlying assets, and lease liabilities representing its obligation to make lease payments, as per CPC06 (R2) / IFRS16.

The Company recognizes a right-of-use asset and a lease liability on the date of commencement of the lease. A right-of-use asset is initially measured at cost and subsequently at cost less any accumulated depreciation and impairment, and adjusted for certain re-measurements of the lease liability. Depreciation is calculated using the straight-line-approach over the remaining term of the contracts. The Company used the

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amounts of fixed or in-substance fixed lease payments, which are the minimum payments agreed in contracts with variable payments based on revenue achieved, gross of PIS and COFINS effects, as a cost component. Prepaid lease payments and provision for store restoration less incentives received from lessors are added to the right-of-use assets. Specifically, variable payment amounts are recognized monthly as operating expenses.

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

The Company has applied judgment to determine the lease term of some contracts, considering the provisions of Law 8,245 ("Tenant Law"), which grants the lessee the right to contractual renewals when certain conditions are met, as well as past practices regarding the Company's success in renewing its contracts. An assessment of whether the Company is reasonably certain of exercising these options has an impact on the lease term, which significantly affects the amount of recognized lease liabilities and right-of-use assets. Based on the history of recent renewals, where negotiated terms and values substantially differ from expired contracts, the Company considers renewals as a new contract rather than as term renewal or extension.

4.25. New or revised statements effective as of 1 January 2020

"Amendments to CPC 15 (R1): Definition of Business" and "Amendments to CPC 26 (R1) and IAS 8 Material Omission" have been issued, and they did not impact the Company's interim financial statements.

5. Significant accounting judgments, estimates and assumptions

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

- a) Determination of the useful life of property and equipment and intangibles assets;
- b) Impairment analysis of property and equipment and intangibles assets;
- c) Allowance for expected credit losses;
- d) Provisions for inventory losses;
- e) Deferred income tax and social contribution;
- f) Taxes and timeliness applied when determining adjustment to present value of assets and liabilities;
- g) Provisions for tax, civil and labor proceedings;

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- h) Determination of fair value of derivative financial instruments;
- i) Provisions for restoring stores to their original condition;
- j) Profit sharing;
- k) Stock-based compensation.

The Company reviews its estimates and significant assumptions from time to time.

6. Cash and cash equivalents

	Parent Company		Consolidated	
	03/31/2020	12/31/2019	03/31/2020	12/31/2019
Cash	3,252	3,226	3,252	3,226
Banks	25,626	62,659	26,537	64,133
Short-term Investments	250,174	379,750	250,174	379,750
	279,052	445,635	279,963	447,109

The Company has cash equivalents in the form of fixed-yield financial investments, indexed to 80% to 101% of the variation in CDIs (Interbank Deposit Certificates), which may be redeemed at any time with the issuer of the security, without loss of the contracted yield.

7. Trade receivables

a) Breakdown

	Parent Company		Consolidated	
	03/31/2020	12/31/2019	03/31/2020	12/31/2019
Card Operators	633,482	1,116,847	633,482	1,116,847
Commissions receivable - telephony suppliers	9,902	12,320	9,902	12,320
Commissions receivable - insurers	5,352	6,957	5,352	6,957
Credit rights	-	-	5	45
Bradescard partnership	37,187	13,617	37,187	13,617
Other	24,593	21,412	24,594	21,413
Allowance for expected credit losses	(19,617)	(19,715)	(19,617)	(19,715)
	690,899	1,151,438	690,905	1,151,484

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b) Ageing list of trade accounts receivable, net of allowance for expected losses

	Parent Company		Consolidated	
	03/31/2020	12/31/2019	03/31/2020	12/31/2019
Coming due:				
Up 30 days	302,445	503,281	302,446	503,281
31 – 60 days	155,568	258,854	155,568	258,854
61 – 90 days	81,406	188,271	81,406	188,271
91 – 120 days	48,843	70,611	48,843	70,611
121 – 150 days	33,722	47,825	33,722	47,825
151 to 180 days	22,554	24,216	22,554	24,216
Longer than 180 days	42,350	54,360	42,350	54,360
	686,888	1,147,418	686,889	1,147,418
Past due:				
Up 30 days	290	2,965	290	2,965
31 – 60 days	848	497	848	497
61 – 90 days	698	24	698	24
Over 90 days	1,146	326	1,151	372
	2,982	3,812	2,987	3,858
Trade receivable not recognized by customers (*)	1,029	208	1,029	208
Total	690,899	1,151,438	690,905	1,151,484

(*) Includes Banco Bradescard credit card sales unrecognized by the card owners (charge-backs), in the amount of R\$ 5,480 in March 2020 (R\$ 4,461 in 2019), and thus considered in the allowance for expected credit losses. The Company also recognized provisions for expected credit losses for court-blocked amounts in C&A bank accounts, in the amount of R\$ 10,917 in March 2020 (R\$ 10,917 in 2019), the responsibility for unblocking procedures belongs to Banco Bradescard.

c) Changes in allowance for expected credit losses (Parent company and Subsidiary)

	03/31/2020	03/31/2019
Balance at December 31	(19,715)	(17,298)
Addition	(3,193)	(1,775)
Reversal	3,291	894
Balance at March 31	(19,617)	(18,179)

d) Present value adjustment

The Company discounts its receivables to present value using interest rates directly related to customer credit profiles. The monthly interest rates used to calculate the present value of outstanding receivables on March 31, 2020 and December 31, 2019 were 0.34% and 0.37% respectively. Realization of the present value adjustment is recognized as an offsetting item to sales revenue.

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8. Related parties

On March 31, 2020 and December 31, 2019 the outstanding balances in related party transactions were the following:

Asset	Parent Company		Consolidated	
	03/31/2020	12/31/2019	03/31/2020	12/31/2019
Accounts receivables				
Instituto C&A de Desenvolvimento Social (*)	72	18	72	18
Porticus Latin America Consult (*)	32	29	32	29
Famamco Adm. de Bens Ltda (*)	8	142	8	142
COFRA Latin America (*)	12	6	12	6
Orion Sec. Cred. Financeiros (*)	12	6	-	-
Cyamprev Soc. Previd. Privada	-	161	-	161
	136	362	124	356
Dividends receivable				
Orion Sec. Cred. Financeiros	-	749	-	-
	-	749	-	-
Total related party assets	136	1.111	124	356

(*) COFRA Group entities have an agreement whereby general and administrative expenses are shared.

Liabilities	Parent Company		Consolidated	
	03/31/2020	12/31/2019	03/31/2020	12/31/2019
Accounts payable				
C&A AG	27,160	27,160	27,160	27,160
C&A Sourcing	115,464	39,967	115,464	39,967
Cyamprev Soc. Previd. Privada	1,265	2,376	1,265	2,376
COFRA Latin America	15	16	15	16
	143,904	69,519	143,904	69,519
Interest on equity and dividends				
COFRA Latin America Ltda	8	8	8	8
Incas SARL	47,613	47,613	47,613	47,613
COFRA Investments	47,614	47,614	47,614	47,614
	95,235	95,235	95,235	95,235
Total related party liabilities	239,139	164,754	239,139	164,754

The payment flows for interest on related party loans and financing are presented as financing activity cash flow in the Company's cash flow.

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

Associate, with no significant influence	Direct parent company
C&A Mexico	COFRA Investments
C&A Mode AG	Incas SARL
C&A Sourcing	Indirect parent company
COFRA Latin America	C&A AG
COFRA Treasury	Subsidiary
Famamco Adm. de Bens	Orion Sec. Cred. Financeiros
Instituto C&A de Desenvolvimento Social	Subsidiary under direct influence
Porticus Latin America Consult	Cyamprev Soc. Previd. Privada
RSC Commercial Services	

Transactions with related parties

	Parent Company		Consolidated	
	03/31/2020	03/31/2019	03/31/2020	03/31/2019
Reimbursements for shared expenses				
COFRA Latin America	23	23	23	23
Orion Sec. Cred. Financeiros	22	22	-	-
Famamco Administração de Bens	30	30	30	30
Porticus	33	33	33	33
Instituto C&A de Desenvolvimento Social	36	36	36	36
	144	144	122	122
Revenue from services rendered				
C&A Mexico	1,488	1,509	1,488	1,509
	1,488	1,509	1,488	1,509
Goods purchased				
C&A Sourcing	(133,657)	(122,605)	(133,657)	(122,605)
	(133,657)	(122,605)	(133,657)	(122,605)
Royalties and services purchased				
RSC Commercial	-	(1)	-	(1)
COFRA Latin America	(47)	(296)	(47)	(296)
C&A AG	-	(5,692)	-	(5,692)
	(47)	(5,989)	(47)	(5,989)
Finance results				
C&A Mode AG	-	(10,735)	-	(10,735)
COFRA Treasury	-	(456)	-	(456)
	-	(11,191)	-	(11,191)
Pension fund contributions				
Cyamprev Soc. Prev. Privada	(459)	(1,650)	(459)	(1,650)
	(459)	(1,650)	(459)	(1,650)

Related party transactions entered into to support the Company's operations in the form of consulting services or importation of goods are carried out according to specific prices agreed by the parties.

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The Company maintains accounts payable to C&A AG related to royalties for the use of the "C&A" trademark in 2019, to be settled in December 2020. Through December 2019, these amounts were calculated based on revenue from goods sold, and were owed only if the Company made a profit in the period. Since January 2020, the Company has been exempt of paying royalties for the use of the "C&A" brand. The liability with the associate is reported net of withheld income tax and CIDE.

Changes in the balance of loans

	Parent Company and Consolidated	
	03/31/2020	03/31/2019
Balance at December 31	-	907,456
New loans	-	388,000
Exchange variation	-	(32,370)
Interest	-	11,191
Interest payment	-	(9,969)
Payment of principal	-	(590,588)
Balance at March 31	-	673,720

Expenses regarding compensation for key management (Executive Directors and Board Members) in the periods ending 31 March 2020 and 2019 were as follows:

	Parent Company and Consolidated	
	03/31/2020	03/31/2019
Fixed Compensation	3,536	2,106
Variable compensation	498	705
Contributions to post-employment plans	183	157
Long term incentives	1,364	-
Total	5,581	2,968

9. Stock-based compensation plan

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

Ownership of the option to convert into stock will be transferred to the participants in identical batches of 33.33% on each anniversary of the plan over a period of three years from the granting date. The transfer is subject to the cumulative fulfillment of both the following conditions on each anniversary of the granting date: (i) The participant must have remained as an employee or officer of the Company for the grace period, and (ii) the average price of the stock on the B3, securities exchange in Brazil, for the 22 trading sessions prior to each granting date anniversary, must be equal to or higher to the price per share paid by investors in the Company's initial public offering, , corrected according to the IPCA/IBGE.

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The price of the global exercise payable by the executives for the vested options on each anniversary is R\$ 1,00. Vested options are restricted for resale for three years after the date of transfer.

Changes in the balance

	Parent Company and Consolidated	
	Number of	WAEP (*)
Balance at December 31, 2018	-	-
Options granted during the period	1,148,148	1.00
Balance at December 31, 2019	1,148,148	1.00
Options granted during the period	-	-
Balance at March 31, 2020	1,148,148	1.00

(*) Weighted average of the exercise price

No options were exercised, expired or canceled during the period, as the plan was only recently created.

The weighted average contractual term for the stock options remaining on 31 March 2020 was 1.2 years. The weighted fair value of the options granted during the period was R\$ 8,4256. The price for exercising the remaining options at the end of the period was R\$ 1,00.

The following table is a list of the information using the templates applied to the three batches in the period ending 31 December 2019 and 31 March 2020:

	Parent Company and Consolidated		
	Batch 1	Batch 2	Batch 3
Weighted average of the fair value on the date measured (R\$)	8.09	8.45	8.73
Dividend yield (%)	1.10%	1.10%	1.10%
Risk-free rate of return (%)	4.41%	4.78%	5.31%
Expected lifetime of the options	21/10/2020	21/10/2021	21/10/2022
Weighted average of the stock price (R\$)	16,50	16,50	16,50
Model used	Monte Carlo	Monte Carlo	Monte Carlo

Volatility calculations took into account the historical volatility of comparable companies in comparable periods with the lifetime of the stock in each batch.

During the first quarter of 2020, the Company recognized expenses totaling R\$ 1,450 for its stock-based compensation plan, offset by the capital reserve plan - shares granted. The following expenses will be recognized in the future periods:

Fiscal period	R\$
Nine months remaining in 2020	3,868
2021	2,414
2022	897

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10. Inventories

a) Inventory breakdown

	Parent Company and Consolidated	
	03/31/2020	12/31/2019
Goods for resale	726,150	560,241
Goods sold and in transit for delivery to customers	1,113	1,244
Adjustment to present value	(5,831)	(8,846)
Provisions for losses	(37,616)	(32,202)
	683,816	520,437
Imports in transit	100,420	24,280
	784,236	544,717

b) Changes in provisions for losses

	03/31/2020	03/31/2019
Balance at December 31	32,202	40,716
Constitution	9,508	9,030
Actual losses (i)	(4,094)	(7,091)
Balance at March 31	37,616	42,655

11. Taxes recoverable

	Parent Company		Consolidated	
	03/31/2020	12/31/2019	03/31/2020	12/31/2019
ICMS (State VAT)	56,240	25,436	56,240	25,436
COFINS (tax on revenue)	4,978	-	4,978	-
PIS (tax on revenue)	254	-	254	-
Previously unused PIS / COFINS credit	1,288,719	1,282,030	1,288,719	1,282,030
IRRF (withholding taxes)	-	-	8	8
IPI (excise tax)	328	328	328	328
Other	8,178	8,977	8,178	8,977
	1,358,697	1,316,771	1,358,705	1,316,779
Current assets	209,608	795,635	209,616	795,643
Noncurrent assets	1,149,089	521,136	1,149,089	521,136

Previously unused PIS / COFINS credit

The Company filed two lawsuits claiming right to the exclude ICMS from the PIS and COFINS tax base, and to offset of amounts unduly paid in the past. The first claim refers to the period between 2002 and 2014, and the second between 2015 and 2017.

In March 2017, the Federal Supreme Court ("STF") decided, in the leading case court records (RE 574706) addressing this same theme, that indeed, including ICMS in the basis for calculating PIS/COFINS was unconstitutional. The Federal Government filed a motion for clarification of the decision, requesting that the STF define and explain the impact (i.e. from when ICMS should be excluded), and define the method of calculation (how much

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ICMS to exclude - paid, net of credits from purchases or ICMS on sales), which is pending for judgement. Notwithstanding the Federal Government's motions, the Federal Regional Courts (TRF) - lower courts - must and have followed the STF ruling on all proceedings filed by other taxpayers that have been overturned as a result of the leading case judgment.

In February 2019, a final non-appealable decision was rendered on the writ of mandamus whereby the Company sought the right to no longer include ICMS in the PIS/COFINS tax basis used to calculate PIS and COFINS for the period between January 2002 and December 2014, in line with the STF ruling rendered on RE 574706, judged by the superior court (STF) in a repeat appeal.

Thus, in 2019 the Company recognized PIS/COFINS credit in the amount of R\$1,282,030, R\$663,538 of which referred to the original amounts as other operating income, with R\$618,492 being monetary correction and interest as financial revenue.

On March 17, 2020, the Company's petition to enable this credit resulting from the final unappealable decision was approved by the Brazilian Internal Revenue Service, ensuring the right to offset the credit as of that date.

On March 31, 2020, the updated previously unused credit balance amounted to R\$1,288,719, the increment for the period of R\$6,689 being due to recognition of interest as financial revenue.

The potential tax credit referring to the second claim, for the period between 2015 and 2017, will be recognized only after a final, non-appealable ruling has been issued for this specific claim as, for the time being, it is considered a contingent asset.

The expected realization of such credits has changed due to the Covid-19 pandemic. Management expects that updated tax credits in the amount of R\$1,288,719 will be offset within 4 years, based on the tax debits generated from normal Company operations, as shown below.

Year	R\$
2020	156,800
2021	375,000
2022	434,000
2023	322,919

Changes in tax credits in the period were as follows:

Balance on 31 December 2019	Recognition of credits	Interest	Monetary correction	Balance on 31 March 2020
1,282,030	-	6,689	-	1,288,719

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12. Other assets

	Parent Company and Consolidated	
	03/31/2020	12/31/2019
Prepaid insurance	4,206	5,547
I.P.T.U. property tax	16,367	35
Prepaid IT expenses	8,404	7,514
Employee advances	1,208	902
Personal loans to employees	2,356	2,548
Prepaid advertising expenses	3,707	3,024
Prepaid lease expenses	1,000	1,000
Advances to suppliers	1,552	1,552
Actuarial assets	2,832	1,078
Other	825	387
	42,457	23,587
Current assets	38,918	21,609
Noncurrent assets	3,539	1,978

13. Income Tax and Social Contribution

a) Breakdown and changes in deferred taxes (parent company and consolidated)

	Balance on 31 December 2019	Increase / (Reduction)		Balance on 31 March 2020
		in earnings	in Shareholders equity	
Tax losses carry forward	174,654	58,113	-	232,767
Temporary differences:				
Provisions for tax, civil and labor proceedings	31,838	(1,973)	-	29,865
Provisions for inventory and trade accounts receivable losses	22,109	(3,659)	-	18,450
Impairment of property, equipment and right of use	11,915	(868)	-	11,047
Provision for profit sharing	15,069	(2,705)	-	12,364
Leases tax difference CPC 06 (R2)/IFRS 16	28,459	4,866	-	33,325
Other	121,245	(896)	(12,857)	107,492
Deferred tax assets	405,289	52,878	(12,857)	445,310
Tax credits due to exclusion of ICMS from the basis for calculating PIS and COFINS (i)	(435,890)	(2,274)	-	(438,164)
Present value adjustments	(2,375)	(2,617)	-	(4,992)
Fair value adjustment	(12,655)	12,655	-	-
Deferred tax liabilities	(450,920)	7,764	-	(443,156)
	(45,631)	60,642	(12,857)	2,154

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	Balance on 31 December 2018	Increase / (Reduction)		Balance on 31 March 2019
		in earnings	in Shareholders equity	
Tax losses and carry forward	189,302	(686)	-	188,616
Temporary differences:				
Provisions for tax, civil and labor proceedings	111,916	2,138	-	114,054
Provisions for inventory and trade account receivable losses and allowances	21,485	1,658	-	23,143
Impairment of property and equipment	15,745	(2,100)	-	13,645
Provision for profit sharing	18,107	3,772	-	21,879
Present value adjustment	5,214	(1,100)	-	4,114
Other	38,178	17,031	1,012	56,221
Deferred tax assets	399,947	20,713	1,012	421,672
Tax credits due to exclusion of ICMS from the basis for calculating PIS and COFINS	-	(423,291)	-	(423,291)
Fair value adjustment	(29,304)	16,649	-	(12,655)
Deferred tax liabilities	(29,304)	(406,642)	-	(435,946)
	370,643	(385,929)	1,012	(14,274)

- (i) The amount of R\$ (428,285) refers to deferred taxes on winning the claim that recognized the Company's right recover excess taxes paid following the right to exclude ICMS from the PIS/COFINS tax base, commented in Note 11 above.

The Company, supported by the opinion of its legal advisors, will tax the gains from the lawsuit from the exclusion of ICMS from the PIS and COFINS calculation base, at the time of offsetting the credits, which is expected to occur over the next 4 years.

b) Expected realization of deferred taxes in the balance at March 31, 2020.

Year	R\$
2020	(44,862)
2021	(25,342)
2022	(46,232)
2023	19,181
2024	25,284
2025 to 2027	31,308
2028 to 2030	42,817
	<u>2,154</u>

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c) Reconciliation of effective rate

	Parent Company		Consolidated	
	03/31/2020	03/31/2019	03/31/2020	03/31/2019
Profit (loss) before income taxes	(89,031)	1,138,932	(88,909)	1,139,044
Income tax and social contribution expenses at statutory rates - 34%	30,271	(387,237)	30,229	(387,275)
Adjustments to reflect the effective rate				
Share of profit of subsidiaries	28	16	-	-
Interest on shareholders equity	-	-	-	-
Non-deductible donations	(401)	-	(401)	-
PAT (worker meal program) and the culture incentive law	2,233	29	2,233	29
Transfer pricing and incentives for technology innovation (R&D)	(89)	-	(89)	-
Corporate gifts and non-deductible fines	(150)	(223)	(209)	(223)
Equity Instruments Granted	385	-	385	-
Share issuing expenses	1,155	-	1,155	-
Other permanent additions and exclusions	212	(80)	212	(139)
Taxes calculated on the portion exempt from the additional 10%	23	-	30	-
Income Tax and Social Contribution on Profits	33,667	(387,495)	33,545	(387,608)
Current	(26,975)	(1,566)	(27,097)	(1,679)
Deferred	60,642	(385,929)	60,642	(385,929)
	33,667	(387,495)	33,545	(387,608)
Effective rate	38%	34%	38%	34%

14. Investment

a) Investments in the Subsidiary

Orion	Shareholding	Current assets	Current liabilities	Net Collection	Gross Revenue	Book value of the Profit investment	Share of profit of subsidiaries
03/31/2020	99.8%	1,670	(751)	919	613	82	81
12/31/2019	99.8%	2,050	(1,213)	837	2,719	681	680

b) Changes in investment

	03/31/2020	03/31/2019
Balance at December 31	836	905
Share of profit of subsidiaries	81	45
Balance at March 31	917	950

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15. Property and equipment

a) Property and equipment Breakdown (Parent Company and Consolidated)

Property and equipment	Cost	Accumulated Depreciation	Impairment	March 31, 2020
Machinery and equipment	173,292	(122,464)	(1,361)	49,467
Furniture and fixtures	413,657	(232,741)	(4,237)	176,679
IT Equipment	205,334	(142,507)	-	62,827
Vehicles	535	(475)	-	60
Leasehold improvements	1,123,586	(748,459)	(25,798)	349,329
Land	126	-	-	126
Construction in progress	22,533	-	-	22,533
Provisions for store restorations	1,080	(702)	-	378
Other	2,953	-	-	2,953
	1,943,096	(1,247,348)	(31,396)	664,352

Property and equipment	Cost	Accumulated Depreciation	Impairment	December 31, 2019
Machinery and equipment	173,331	(119,964)	(1,526)	51,841
Furniture and fixtures	408,265	(226,749)	(4,858)	176,658
Equip. IT Equipment	203,473	(137,850)	(218)	65,405
Vehicles	534	(468)	-	66
Leasehold improvements	1,127,356	(731,495)	(27,347)	368,514
Land	126	-	-	126
Construction in progress	51,506	-	-	51,506
Provisions for store restorations	1,170	(769)	-	401
Other	2,895	-	-	2,895
	1,968,656	(1,217,295)	(33,949)	717,412

The company has no property and equipment pledged as collateral.

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b) Changes in property and equipment (Parent Company and Consolidated)

	Average annual depreciation rate	Balance on 31 December 2019	Additions (iii)	Depreciation	Disposals (Write-offs)	Transfers	Transfers to intangible	Impact of adopting IFRS 16	Reversals of provisions Impairment	Balance on 31 March 2020
Machinery and equipment	8%	51,841	14	(2,848)	(185)	480	-	-	165	49,467
Furniture and fixtures	11.80%	176,658	9,603	(10,574)	(646)	1,017	-	-	621	176,679
IT Equipment	20%	65,405	1,141	(5,672)	(43)	1,778	-	-	218	62,827
Vehicles	20%	66	-	(6)	-	-	-	-	-	60
Leasehold improvements (i)	10.52%	368,514	340	(25,281)	(2,593)	6,800	-	-	1,549	349,329
Land	-	126	-	-	-	-	-	-	-	126
Construction in progress	-	51,506	22,388	-	-	(10,075)	(41,286)	-	-	22,533
Provisions for returning stores (ii)	12%	401	-	-	(23)	-	-	-	-	378
Financial leases	-	-	-	-	-	-	-	-	-	-
Other	-	2,895	58	-	-	-	-	-	-	2,953
Total		717,412	33,544	(44,381)	(3,490)	-	(41,286)	-	2,553	664,352
	Average annual depreciation rate	Balance on 31 December 2018	Additions (iii)	Depreciation	Disposals (Write-offs)	Transfers	Transfers to intangible	Impact of adopting IFRS 16	Reversals of provisions Impairment	Balance on 31 March 2019
Machinery and equipment	8%	56,466	150	(2,935)	(397)	236	-	-	441	53,961
Furniture and fixtures	11.80%	126,951	19,534	(9,152)	(145)	5,329	-	-	523	143,040
IT Equipment	20%	42,441	15,527	(4,921)	(204)	2,223	-	-	64	55,130
Vehicles	20%	91	-	(6)	-	-	-	-	-	85
Leasehold improvements	10.52%	375,281	478	(23,842)	(2,916)	18,172	-	-	3,467	370,640
Land	-	126	-	-	-	-	-	-	-	126
Construction in progress	-	25,309	48,001	-	-	(25,960)	(29,421)	-	-	17,929
Provisions for returning stores	12%	3,140	-	(39)	(33)	-	-	(2,716)	-	352
Financial leases	-	4,210	-	-	-	-	-	(4,210)	-	-
Other	-	2,912	267	-	-	-	-	-	-	3,179
Total		636,927	83,957	(40,895)	(3,695)	-	(29,421)	(6,926)	4,495	644,442

- (i) Leasehold improvements include miscellaneous assets such as civil works, lighting, fire-fighting, generators, etc. The depreciation rate is defined based on the lifetime of these assets or the lease term, whichever is shortest.
- (ii) The Company has 14 lease agreements with fully variable payments. These are linked to provisions for dismantling and returning stores.
- (iii) During the first quarter of 2020 the Company purchased property and equipment in the amount of R\$ 33,544, R\$ 7,206 were recognized as supplier accounts payable (R\$ 2,294 on 31 March 2019); R\$ 6,292 were disbursed in the first quarter of the year for purchases made in December 2019 (R\$ 8,199 were disbursed in 1Q19 regarding December 2018).

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c) Impairment

The Company considers each store individually to be a cash-generating unit (CGU).

CGUs are valued annually to check if the value of their assets in the financial statements does not exceed their recoverable value.

The Company uses the following criteria to identify assets that could show signs of impairment:

- *Operating profit before financial earnings* - In selecting stores for testing, the Company considers those with operating profits lower than the target set by the Company.
- Stores that recorded impairment in the previous year.

Furthermore, stores must be more than three years old, which is what the Company considers to be a mature store.

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

- (i) Revenue: projected to the end of the lease term
- (ii) Costs and expenses: projected in the same year as the revenue using a straight-line rate of 3%, which is the inflation estimated by the Brazilian Central Bank;
- (iii) Discount rate: determined bearing in mind the risk-free rate, the business risk, third-party cost of capital and the Company's capital structure. The discount rate used was 9.54% annually.

Due to the impact of Covid-19 the Company performed review tests using the base date of 31 March 2020, and concluded that it needed to make provisions for impairment in the amount of R\$ 6,613, of which R\$ 1,135 in property and equipment, and R\$ 5,478 in right-of-use assets as the recoverable value of these assets did not exceed their book value.

The Company also records provisions for impairment whenever Management approves store restoration and closing plans. The provision is made in the estimated amount of the assets to be written off, reversed when the actual write-off is taken. In the first quarter of 2020 a total of R\$ 3,688 were reversed, and the corresponding assets written off.

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16. Intangibles

a) Breakdown of intangibles (Parent Company and Consolidated)

Intangibles	Cost	Accumulated amortization	Provisions Impairment	31 March 2020
Software	489,629	(285,713)	(2)	203,914
Goodwill	56,340	(46,389)	(1,094)	8,857
	545,969	(332,102)	(1,096)	212,771

Intangibles	Cost	Accumulated amortization	Provisions	31 December 2019
Software	448,379	(270,408)	(3)	177,968
Goodwill	56,339	(45,873)	(1,094)	9,372
	504,718	(316,281)	(1,097)	187,340

b) Changes in intangibles (Parent Company and Consolidated)

	Average amortization rate (% annual)	Balance on 31 December 2019	Additions	Amortization	Disposals (Write-offs)	Property and equipment transfers	Reversals of provisions Impairment	Balance on 31 March 2020
Software	13%	177,968	-	(15,341)	-	41,286	1	203,914
Goodwill	10%	9,372	-	(515)	-	-	-	8,857
Total		187,340	-	(15,856)	-	41,286	1	212,771

	Average amortization rate (% annual)	Balance on 31 December 2018	Additions	Amortization	Disposals (Write-offs)	Property and equipment transfers	Reversals of provisions Impairment	Balance on 31 March 2019
Software	13%	185,909	-	(14,370)	(173)	29,421	1	200,788
Goodwill	10%	10,989	-	(580)	(1,659)	-	1,681	10,431
Total		196,898	-	(14,950)	(1,832)	29,421	1,682	211,219

c) Impairment

Intangible assets, software and goodwill were also tested for impairment. The approach is the same used for property and equipment (Note 15.c).

17. Leases

Until 3rd quarter of 2019 the Company considered future minimal lease payments gross of PIS and COFINS potential credits, discounted at a nominal interest rate. Following the guidelines in Official Memo CVM/SNC/SEP 01/2020, the Company reviewed its premises for calculating right-of-use assets and lease liabilities, and now considers the cash flows of future payments without deducting potential PIS and Cofins credits, discounting them using a nominal incremental interest rate. This methodology is in line with CPC06 (R2) /IFRS16.

The impact of this change was prospectively considered by remeasuring the changes in lease balances.

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

Incremental rates based on lease terms		
Contractual term	Real Rate (% p.y.)	Nominal Rate (% p.y.)
0 to 3 years	3.0	6.6
3 to 5 years	3.5	7.6
5 to 6 years	3.9	8.0
6 to 10 or more years	4.6	8.8

a) Changes in the balance of lease right-of-use assets and liabilities are shown below (Parent Company and Consolidated):

2020

	Right-of-use asset			Lease liability
	Real estate	Server	Total	
Balance on 31 December 2019	1,501,141	6,674	1,507,815	(1,587,680)
Amortization (i)	(73,983)	(345)	(74,328)	-
Financial charges	-	-	-	(34,466)
Payments made (principal)	-	-	-	93,143
Payments made (interest)	-	-	-	1,300
Provisions for dismantling costs	90	-	90	-
Impairment (note 15.c)	(5,478)	-	(5,478)	-
Re-measurements (ii)	173,195	-	173,195	(173,195)
Balance on 31 March 2020	1,594,965	6,329	1,601,294	(1,700,898)
Current	-	-	-	(368,949)
Noncurrent	-	-	-	(1,331,949)

- (i) Amortization on this schedule is not deducted from tax credits of PIS/COFINS on lease payments, which were recorded as reduction of amortization expenses on statements of operation in the amount of R\$ 6,771.
- (ii) This refers to the annual remeasurement inflation adjustments on minimal lease payments as per the respective agreements, and lease renewals;

2019

	Right-of-use asset			Lease liability
	Real estate	Server	Total	
Opening balance on 1 January 2019	1,729,502	8,192	1,737,694	(1,737,694)
Prepayments and incentives received	1,984	-	1,984	-
Provisions for dismantling costs	2,716	-	2,716	-
Adjusted opening balance on 1 January 2019	1,734,202	8,192	1,742,394	(1,737,694)
Amortization	(73,316)	(432)	(73,748)	-
Financial charges	-	-	-	(18,524)
Payments made (principal)	-	-	-	76,785
Payments made (interest)	-	-	-	523
Re-measurements (i)	9,663	-	9,663	(9,663)
Balance on 31 March 2019	1,670,549	7,760	1,678,309	(1,688,573)
Current	-	-	-	(313,384)
Noncurrent	-	-	-	(1,375,189)

- (i) This refers to the annual remeasurement inflation adjustments on minimal lease payments as per the respective agreements;

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b) Comparison of lease projections between the different scenarios

In compliance with CVM guidelines and in order to provide the market with a comprehensive view of the impact of applying different interest rates, below is a comparative list of the right-of-use lease liabilities, financial expenses and amortization expenses for the current and coming years for the following scenarios:

Scenario	Nomirnal Rate	Fugure payment flows
1	Nominal	Including proj. inflation
2	Nominal	Not including proj. Inflation

The Company is adopting scenario 2 for the period ending on 31 March 2020, as per CPC06(R2) / IFRS16.

	Rate (% p.y.)	2020	2021	2022	2023	2024
Lease Liabilities						
Scenario 1	6.6% - 8.8%	1,766,620	1,501,938	1,223,512	956,164	696,045
Scenario 2	6.6% - 8.8%	1,515,350	1,253,263	992,265	753,881	533,574
Financial Charges						
Scenario 1	6.6% - 8.8%	155,976	141,605	118,876	95,688	72,950
Scenario 2	6.6% - 8.8%	138,226	119,846	97,875	76,614	56,808
Depreciation Expenses						
Scenario 1	6.6% - 8.8%	327,178	324,223	299,840	260,320	226,885
Scenario 2	6.6% - 8.8%	296,265	287,309	264,047	227,148	196,203
Total Expenses						
Scenario 1	6.6% - 8.8%	483,154	465,828	418,716	356,008	299,835
Scenario 2	6.6% - 8.8%	434,491	407,155	361,922	303,762	253,011

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

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

Coming due	Consolidated			
	03/31/2020		12/31/2019	
	Payments	Potential PIS and COFINS Rights	Payments	Potential PIS and COFINS Rights
Less than one year	385,926	(34,494)	373,987	(33,406)
One to five years	1,298,791	(115,594)	1,183,473	(104,912)
Over five years	552,710	(49,573)	529,082	(46,614)
Total minimum payments	2,237,427	(199,661)	2,086,542	(184,932)
Minimum payments discounted to present value	(536,529)	53,358	(498,862)	47,659
Present value of the minimum payments	1,700,898	(146,303)	1,587,680	(137,273)
Current	368,949		357,891	
Noncurrent	1,331,949		1,229,789	

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

During the period ending 31 March 2020, the expense associated with the 14 variable lease agreements was R\$ 646 (13 agreements or R\$ 615 in 1Q19). Management believes it is not appropriate to project minimum payments due to the very nature of such expenses. Expenses associated with short-term leases and low-value assets totaled R\$ 2,960 (R\$ 5,137 in 1Q19), and refer to leasing printers and forklifts. Because of limited relevance, future commitments with minimum lease payments of low-value assets and short-term contracts are not presented, nor is any sensitivity analysis of variable expenses with leases and the factors that impact this variation.

The Company does not pledge real estate as collateral in any of its transactions.

18. Suppliers

	Parent Company		Consolidated	
	03/31/2020	12/31/2019	03/31/2020	12/31/2019
Goods Suppliers	493,138	629,717	493,138	629,717
Miscellaneous Suppliers	134,818	174,272	135,013	174,296
	627,956	803,989	628,151	804,013

The Company offers advances on receivables at a discount over the face value to suppliers who sign a term agreeing with the Company's terms and conditions. In 2020, the monthly rate varied between 1.45% and 1.95% (unchanged from 2019) Discounts are made directly with the Company, without the intermediation of any financial institution.

During the first quarter of 2020, R\$ 244,133 were advanced to suppliers, which generated an income of R\$ 9,740 (in 1Q19 R\$ 254,505 were advanced with an income of R\$ 9,762), recognized as financial income, net of funding costs.

At March 31, 2020, the total advanced trade payables payments with original due dates following that date totaled R\$ 171,092 (R\$ 172,200 in the quarter ending at March 31, 2020).

The Company discounts the balance of its trade payables to present value using interest rates close to those practiced in the industry. The monthly interest rates used to calculate the present value of outstanding payables at March 31, 2020 and December 31, 2019 were 0.34% and 0.37% respectively. The matching entry to the present value adjustment is made on inventories and the interest is recognized on a pro rata die basis in financial expenses

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19. Taxes payable

	Parent Company		Consolidated	
	03/31/2020	12/31/2019	03/31/2020	12/31/2019
ICMS	5,830	102,479	5,830	102,479
COFINS	11,878	55,505	11,882	55,518
PIS	2,579	11,518	2,580	11,520
CIDE	3,195	3,195	3,195	3,195
IT	4,068	7,839	4,068	7,839
Other	3,412	4,132	3,412	4,132
	30,962	184,668	30,967	184,683
Current liabilities	16,505	183,595	16,510	183,610
Noncurrent liabilities	14,457	1,073	14,457	1,073

20. Provisions for tax, civil and labor proceedings, and judicial deposits

20.1. Provisions for tax, civil and labor liabilities (Parent Company and Consolidated)

The Company is a party in administrative and judicial claims of a tax, civil and labor nature. Pursuant to advice received from its expert advisors, Management believes it must create provisions to cover likely and reasonably estimable losses where disbursement of financial resources by the Company is likely.

Provisions have been made for legal claims where it is considered likely the Company will be the losing Party, in an amount sufficient to cover expected losses. The balance of provisions is as follows:

	12/31/2019	Addition (reversal)	Utilization	Update	03/31/2020
Tax	179,919	378	-	837	181,134
Labor	89,505	(5,235)	(2,798)	3,167	84,639
Civil	4,138	(843)	(318)	223	3,200
Provisions for tax, civil and labor proceedings	273,562	(5,700)	(3,116)	4,227	268,973
Judicial deposits with a corresponding liability	(39,720)	-	-	(246)	(39,966)
Net provisions for judicial deposits	233,842	(5,700)	(3,116)	3,981	229,007
	31/12/2018	Addition (reversal)	Utilization	Update	03/31/2019
Tax	237,215	980	-	3,155	241,350
Labor	85,476	1,622	(1,965)	3,483	88,616
Civil	6,474	(883)	(256)	151	5,486
Provisions for tax, civil and labor proceedings	329,165	1,719	(2,221)	6,789	335,452
Judicial deposits with a corresponding liability	(66,558)	(30)	-	(636)	(67,224)
Net provisions for judicial deposits	262,607	1,689	(2,221)	6,153	268,228

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Tax provisions refer substantially to discussions regarding the following taxes:

PIS/COFINS (taxes on revenue)

On 31 March 2020, the Company had provisions for PIS and COFINS risks in the amount of R\$ 132,731 (R\$ 132,443 on 31 December 2019). The most significant values are associated with credits used with inputs for its end-activity, in the amount of R\$ 87,271 (R\$ 86,623 on 31 December 2019), and Cofins Import credits, in the amount of R\$ 38,335 (R\$ 38,026 on 31 December 2019). For the latter case, on 31 March 2020 the Company had an updated deposit balance in the amount of R\$ 36,167

ICMS (State Value Added Tax)

On 31 March 2020, the Company had provisions for ICMS risks in the amount of R\$ 37,982 (R\$ 36,735 on 31 December 2019). The most significant values are associated with themes related to credit taken on trade payables to suppliers considered unqualified by the tax authorities, in the amount of R\$ 10,316 (R\$ 10,283 on 31 December 2019), and discussions regarding ICMS rates on energy in the amount of R\$ 14,541 (R\$ 13,471 on 31 December 2019).

Other taxes

On 31 March, the Company had provisions for tax risk related to other taxes in the amount of R\$ 10,421 (R\$ 10,741 on 31 December 2019). The most significant amounts were related to ISS (tax on services) in the amount of R\$ 5,655 (R\$6,002 on 31 December 2019), and IPTU (property taxes) in the amount of R\$ 3,35 (R\$3,135 on 31 December 2019).

Civil and labor

This provision was created to cover civil and labor claims (claims for moral damages, overtime, night shift premium and severance pay, among others) currently underway. Based on information received from legal advisors and in-house attorneys, Management believes the recorded amount is sufficient to cover losses arising from any outcome unfavorable to the Company.

Judicial deposits with corresponding liabilities

1% additional COFINS for imports

On 7 March 2013, the Company filed a lawsuit claiming the right to credit for the COFINS surtax levied on the import of some of its goods, and obtained a preliminary injunction allowing it to take credit for such COFINS import surtax.

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20.2 Judicial deposits

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

The balance of judicial deposits recorded in assets by nature of the discussion is as follows:

	Parent Company and Consolidated	
	03/31/2020	12/31/2019
Tax	64,006	63,748
Civil and labor	38,955	38,088
Total	102,961	101,836

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

20.3 Non-provisioned contingencies

On March 31, 2019 the Company had an updated amount of R\$ 297,445 (R\$ 306,439 on 31 December 2019) associated with judicial and/or administrative claims where it is considered possible that the Company may suffer losses, and for this reason these matters are disclosed but no provisions are recorded, as per CPC25/IAS37.

Below is a summary of the main proceedings, with the amount of the principal plus interest and fines, for which legal advisors believe it is possible that the Company will have to disburse funds.

- (a) PIS and COFINS - At the rate of zero on the sale of electronic goods - Law No. 11196/05 ("Lei do Bem" - tax relief law) - refers to a claim filed with the courts that discusses the reinstatement of the benefit provided for by Law No. 11196/05, suspending the enforcement of PIS and COFINS levied on the sale of electronic products, which had been revoked by Provisional Measure # 690/2015, subsequently signed into Law # 13241/15. On 7 October 2019, the Company was informed of the decision granting urgent interlocutory relief, guaranteeing the tax debt through an insurance bond in the amount of R\$ 165 million. For this reason, considering that the initial petition was amended to allocate the same value to the case as the bond, the non-provisioned contingency was adjusted to R\$ 171,000. Nevertheless, on 31 March 2020 the Company decided to adjust the amount of the contingency to reflect the statement issued by the PGF (Procuradoria-Geral da Fazenda, roughly the Treasury AG), with the updated amount of R\$170,000 (R\$171,000 on 31 December 2019).

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- (b) Social Security Contribution on Health and Hospital care: a notice of assessment was issued against the Company demanding the payment of social security contributions supposedly levied on the amounts paid as Health and Hospital care to its insured employees for the period between 12 December 1997 and 28 February 2005. On 31 March 2020, based on the decision issued by the appeals power, part of the amount was reversed. Thus, on 31 March 2020 the updated balance of the proceeding totals R\$ 7,985 (R\$ 30,000 on 31 December 2019).
- (c) PIS/COFINS - Non-cumulative taxation refers to notices of tax violations disallowing PIS and COFINS credits on expenses classified as inputs by the Company in 2012 and 2014. The updated value of the tax violations classified as possible is approximately R\$31,000 (R\$31,000 on 31 December 2019).
- (d) Import Taxes on Royalties refers to notices of tax assessments demanding the payment of Import Taxes as well as PIS/PASEP and COFINS on imports, due to failure to include royalties paid for the use of licensed brands in the basis for calculating taxes levied on imported goods. The updated amount associated with these assessments is R\$ 17,000 (R\$ 17,000 on 31 December 2019).
- (e) ICMS – Unqualified trade payables refers to notices of tax assessments demanding payment of ICMS supposedly owed due to credit taken for ICMS stated separately in invoices issued by Company suppliers considered unqualified. In this regard, in January 2020 the Company subscribed to an Installment Payment Plan. Thus, the updated remaining balance is R\$ 2,686 (R\$ 3,000 on 31 December 2019).

Regarding civil and labor claims, because of the diverse nature and features of these claims, Management believes that the amounts provisioned are those that best represent the Company's risks regarding such matters. The Company does not believe it is feasible to determine the amount of non-provisioned labor and civil contingencies (involving possible but not probable loss) because, as a rule, the amount of the original claim is quite a bit different from the final amounts paid or settled.

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

21. Contingent assets

The Company is a party in lawsuits claiming its right to tax credits, which require a final non-appealable court ruling before they can be recognized in the financial and fiscal books as assets. Below is a summary of the main contingent asset claims.

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Non-enforceability of PIS/COFINS on operations performed in the Manaus Free Trade Zone (FTZ)

The Company is a party in a claim underway aimed at recognizing that all sales of goods to the FTZ (including those originating within the FTZ) be comparable, for all fiscal purposes, to exports and thus, that the non-existence of a legal-tax relationship between the Federal Government and the Company regarding PIS and COFINS levied on the revenue of transactions of this nature be recognized.

A favorable lower court decision has already been issued by the 1st Region TRF (Federal Regional Court). Right now, the case is waiting for the addition of attachments (embargoes) by the Federal Government as part of the docket.

As the Company's lawsuit is still pending a final and non-appealable ruling, it is not possible to recognize the assets associated with the credits to be determined for 5 year-period prior to the lawsuit filing (March 31, 2016). Considering a preliminary estimate based on information available at December 31, 2019, the Company estimates the potential amount of credits of R\$ 123,220 (R\$122,371 on 31 December 2019).

Regarding the amounts for the periods following May 2018, the period in which the likelihood of loss is assessed by legal advisors as remote due to a favorable ruling on the lawsuit, the Company has been recognizing the effects on statement of operations, having determined an accumulated amount of R\$26,730 (R\$24,215 on 31 December 2019).

22. Shareholders' equity

22.1. Share capital

On August 28, 2019, the General Meeting approved i) the transformation of the parent company's corporate type to a corporation; and ii) the conversion of all social quotas into common shares (1 quota = 1 share). In October 2019, the grouping of shares was approved at a 4 to 1 ratio. This month, 49,315,068 common shares were also issued in the amount of R\$16.50 each.

On 31 March 2020, ownership of company shares broke down as follows:

	Number of shares:	%
COFRA Investments	100,939,166	32.75%
Incas SARL	100,939,166	32.75%
COFRA Latin America	17,122	0.01%
<i>Free Float</i>	106,349,614	34.50%
Total	<u>308,245,068</u>	<u>100%</u>

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According to the Company's bylaws, the Company is authorized to increase capital on 135,000,000 new common shares, therefore to the limit of 443,245,068 common shares, regardless of any statutory reform, as per article 168 of Law 6404 of 15 December 1976, as amended ("Brazilian Corporate Law").

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

22.2. Capital reserves - shares issued

This refers to the reserve for options granted according to the stock-based compensation plan. See Note 9 for further details.

22.3. Legal reserve

The Company Bylaws stipulate that 5% of net profit will be taken as legal reserves, to the limit of 20% of the capital stock.

22.4. Reserve for unrealized gains

The amount of R\$ 86,014 is recognized as reserve for unrealized gains, refers to the required minimum dividends exceeding net profit realized in the period, as per article 197 of the Brazilian Corporate Law (Law 6,404/76 Consolidated). This calculation is shown in Note 23.

22.5. Reserve for investments

According to the Company's Bylaws and Brazilian Corporate Law, the net income of year, after appropriations for legal reserve, reserve for unrealized gains, Interest on shareholders' equity and required dividends may be set aside for statutory profit reserves. In 2019, the amount of R\$748,300 was constituted as a reserve for investments as per the capital budget, which must be approved by a General Meeting in 2020. The purpose of this reserve is to reinforce the Company's working capital and activities, observed that its balance, plus the balance of other profit reserves less contingency reserves, reserves for tax incentives and reserves for future profits must not exceed 100% (one hundred percent) of the share capital. Once this limit is reached, the General Meeting shall determine on the exceeding amount to the shareholder capital, as per article 199 of the Brazilian Corporate Law, it may be used increase the share capital or to be distributed as dividends.

22.6. Adjustments to equity valuation

This is the effective portion of financial instruments designated as cash flow hedge, as per Note 17.

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23. Dividends and interest on shareholders' equity

As determined in the Company's Bylaws, at each year the Company shareholders have the right to receive minimum dividends of 25% to the Company's results of the year, which should first be deducted by the legal reserves and complemented by any reversal of previous reserves.

As stated in Note 11, for the year ended December 31, 2019, the Company recorded net profits of R\$827,149 (net of tax effects such as deferred tax liabilities and PIS and COFINS on financial revenue) due to the final, non-appealable decision on the writ of mandamus that recognized the Company's right to not include ICMS on the basis for calculating PIS and COFINS for the period between January 2002 and December 2014. This gain was not financially realized and therefore has not yet affected Company's cash position, and it thus represents a large portion of the net profit for the year 2019. Management is already qualified to use the credits, however, due to the current economic scenario and the taxation decision at the time of compensation, it revised its expectation of use and expects to offset most of this credit with long-term tax debts.

As defined by the article 197 of Brazilian Corporate Law, gains from operations realized after the end of the subsequent year may be included in the Reserve for unrealized gains.

Management will propose in the Shareholders' General Meeting that minimum required dividends exceeding the realized portion of net profits be set aside as a reserve for unrealized gains until these amounts are monetized by means of offsetting future PIS/COFINS debts. If this asset is monetized in 2020, the realized amounts that make up such reserve will be paid as dividends in 2020.

Below is a breakdown of the realized portion of net profit for the year ended December 31, 2019:

	2019
Net profit for the year	971,993
Unrealized gains (ICMS in the basis for calculating PIS/COFINS)	(827,159)
Realized portion of net profit for the year	<u>144,834</u>

The basis for calculating minimum required dividends for the year ended December 31, 2019, and the proposal to withhold part of the minimum required reserves as a reserve for future profits is shown below:

	2019
Net profit for the year	971,993
Legal Reserves - 5% of net profit for the year	(48,600)
Net profit for the year after constituting legal reserves	<u>923,393</u>
Minimum statutory required dividends - 25%	230,848
(-) Realized portion of net income for the period	(144,834)
Constitution of the unrealized gains reserve	<u>86,014</u>

Minimum required dividends is composed as follows:

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Interest on shareholders equity (a)	78,133
(-) Withholding taxes of Interest on shareholders' equity	(9,287)
Complement to minimum required dividends	75,988
Constitution of the unrealized gains reserve	86,014
Minimum required dividends	230,848

(a) A meeting of the Board of Directors held on 23 December 2019 approved the payment of interest on shareholders equity (IoE) in the amount of R\$ 78,133, equivalent to R\$ 0.253477379 per share. Withholding taxes will be retained by Company on to this amount, except in cases of individuals who are exempt, resulting in a net amount of R\$68,846.

(b) The total dividends payable correspond to R\$ 0.24651819 per share.

As mentioned in Note 8, R\$95,235 of 2019 interest on shareholder's equity was declared to related parties. This amount was, however, reported under "Interest on shareholders equity and dividends payable" in the statement of financial position.

24. Net revenue

	Parent Company		Consolidated	
	03/31/2020	03/31/2019	03/31/2020	03/31/2019
Sale of Goods	1,246,440	1,344,962	1,246,440	1,344,962
Cancellations and exchange of goods	(74,911)	(78,490)	(74,911)	(78,490)
Expiration of exchange-vouchers and gift cards (i)	438	2,060	438	2,060
Sales taxes	(266,520)	(287,798)	(266,520)	(287,798)
Net revenue from goods	905,447	980,734	905,447	980,734
Commission revenue from the sale of financial services - Bradescard partnership	62,940	48,414	62,940	48,414
Commission revenue from the sale of partner insurance	12,101	12,586	12,101	12,586
Commission revenue from other services	4,319	5,040	4,319	5,040
Net revenue from credit securitization	-	-	613	439
Taxes on commissions and services	(8,542)	(6,680)	(8,570)	(6,700)
Other net revenue	70,818	59,360	71,403	59,779
	976,265	1,040,094	976,850	1,040,513

(i) This refers to revenue for realization/deferment of revenue associated with issuing exchange vouchers and gift cards that have not yet been used, and the expense with issuing vouchers.

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25. Expenses by nature

25.1. Classified by function

	Parent Company		Consolidated	
	03/31/2020	03/31/2019	03/31/2020	03/31/2019
Cost of goods sold and services rendered	(500,519)	(539,080)	(500,519)	(539,080)
General and administrative expenses	(108,340)	(125,858)	(108,722)	(126,056)
Selling expenses	(413,156)	(404,381)	(413,156)	(404,381)
Other Operating income (expenses)	(4,372)	639,917	(4,372)	639,851
	(1,026,387)	(429,402)	(1,026,769)	(429,666)

25.2. Cost of sales by nature

	Parent Company		Consolidated	
	03/31/2020	03/31/2019	03/31/2020	03/31/2019
Cost of Goods Sold	(491,510)	(532,961)	(491,510)	(532,961)
Cost of services rendered	(300)	(340)	(300)	(340)
Other	(8,709)	(5,779)	(8,709)	(5,779)
	(500,519)	(539,080)	(500,519)	(539,080)

25.3. General and administrative expenses by nature

	Parent Company		Consolidated	
	03/31/2020	03/31/2019	03/31/2020	03/31/2019
Occupancy	(1,524)	(2,090)	(1,524)	(2,090)
Personnel	(64,409)	(65,344)	(64,409)	(65,344)
Third party materail/services	(23,486)	(26,493)	(23,868)	(26,690)
Depreciation and amortization	(20,324)	(18,510)	(20,324)	(18,510)
Depreciation of right-of-use	(4,671)	(5,465)	(4,671)	(5,465)
Other (9)	6,074	(7,956)	6,074	(7,957)
	(108,340)	(125,858)	(108,722)	(126,056)

25.4 Selling expenses by nature

	Parent Company		Consolidated	
	03/31/2020	03/31/2019	03/31/2020	03/31/2019
Occupancy	(58,812)	(68,363)	(58,812)	(68,363)
Personnel	(140,758)	(135,323)	(140,758)	(135,323)
Third party materials/services	(50,554)	(45,997)	(50,554)	(45,997)
Depreciation and amortization	(39,937)	(37,336)	(39,937)	(37,336)
Depreciation of right-of-use	(63,155)	(68,282)	(63,155)	(68,282)
Advertising and merchandising	(27,167)	(12,962)	(27,167)	(12,962)
Other	(32,773)	(36,118)	(32,773)	(36,118)
	(413,156)	(404,381)	(413,156)	(404,381)

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25.5 Other net operating income (expenses) by nature

	Parent Company		Consolidated	
	03/31/2020	03/31/2019	03/31/2020	03/31/2019
Results from asset write-offs	526	(5,391)	526	(5,391)
Impairment	(6,613)	6,177	(6,613)	6,177
Recovery of tax credits (a)	518	637,719	518	637,719
Other	1,197	1,412	1,197	1,346
	(4,372)	639,917	(4,372)	639,851

(a) In 2020, R\$ 3,688 were recorded as reversal of impairment

(b) In 2019, previously unused PIS and COFINS credit in the amount of R\$ 658,703 (principal), less attorney, consulting and auditing costs in the amount of R\$ 20,984.

26. Finance results

	Parent Company		Consolidated	
	03/31/2020	03/31/2019	03/31/2020	03/31/2019
Gain (loss) from derivatives	-	(26,054)	-	(26,054)
Finance expenses				
Interest on working capital loans - related parties	-	(11,191)	-	(11,191)
Foreign exchange variation	(30,579)	(8,473)	(30,579)	(8,473)
Bank expenses and IOF	(503)	(1,946)	(504)	(1,947)
Interest on taxes and contingencies	(5,834)	(7,559)	(5,834)	(7,559)
Interest on leases (a)	(32,823)	(18,524)	(32,823)	(18,524)
Financial expenses of suppliers- present value adjustment	(5,813)	(4,327)	(5,813)	(4,327)
Other	(6)	(32)	(6)	(31)
	(75,558)	(52,052)	(75,559)	(52,052)
Financial income				
Interest (b)	9,420	561,407	9,422	561,409
Foreign exchange variation	18,143	39,314	18,143	39,314
Financial income of supplier	8,585	6,278	8,585	6,278
Other	419	(698)	419	(698)
	36,567	606,301	36,569	606,303
Net finance results	(38,991)	528,195	(38,990)	528,197

(a) As of December 2019, expenses with interest on leases, net of PIS and COFINS credits on lease payments, is disclosed in Note 17.2

(b) In 2019 this included R\$ 586,270 in interest revenue and revenue from the monetary correction of previously unused tax credits, described in Note 11, less PIS/COFINS taxes in the amount of R\$ 27,262.

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27. Financial instruments and capital management

27.1. Financial risk management

The activities of the Company and its subsidiary expose them to a number of financial risks, such as market risk (including exchange and interest rate risks), credit risk and liquidity risk.

a) Market Risk

Market risk is the risk that the fair value of the future cash flows of a financial instrument will fluctuate due to market prices. Market prices include three types of risk: interest rate risk, exchange risk and price risk, which can be commodities, shares or others.

Interest rate risk

The Company is exposed to the risk of changes in interest rate that could impact short term returns on its assets. The following sensitivity analysis was developed bearing in mind exposure to CDI, which is the indexer of the financial investments contracted by the Company.

		Parent Company and Consolidated				
		Financial results				
	Risk	Balance on 31 March 2020	Rate	Likely scenario	25% decrease scenario	50% decrease scenario
Assets						
	Decrease in CDI rate					
Short term investment		250,174	CDI (i)	8,756	6,567	4,378

(i) Interest in the likely scenario taken from the Focus scenario of 27 March 2020 (3.5% annualized daily CDI).

The Company formerly raised loans with related parties in foreign currency plus fixed interest, therefore there is no interest rate risk on these loans.

Foreign currency risk

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

The exchange risk on foreign currency loans existing up to March 2019 was mitigated through swap contracts, whereby the foreign exchange variation was “swapped” for the

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rate set by the bank. Foreign currency loans were settled in full in March 2019, New loans have been taken out in local currency at fixed rates, thus not subject to market risk. Related party loans were settled in full in November 2019.

The Company hedges against exchange variations in the outstanding balance of its imports by entering into Non-Deliverable Forward Contracts (NDFs) for highly probable forecasted purchases. The contracts based on the FOB value of the goods limits the exchange exposure and its effect on price composition. As soon as goods are nationalized, taxes must be paid that are not included in the hedge defined when contracting the NDF. The table below shows exposure to exchange variation related to orders issued and not covered by the hedge, and non-recoverable customs clearance taxes for which the Company is not hedged.

The 36% non-recoverable taxes on NDFs was determined according to the prevailing import tax percentages (35% on average) and the non-recoverable percentage of COFINS on imports (1%). To define a US-Dollar exchange rate in the expected scenario, we used the median of market expectations according to the Central Bank's Market Expectations System on 27 March 2020, considering the expected dollar exchange for the next reporting period (December 2020). Scenario estimates were used according to CVM Instruction 475/08,

		Negative Scenarios			
		Notional US\$ (Payable)/Receivable	Likely Scenario USD 1 = R\$ 4.50	Possible Scenario +25% USD 1 = R\$ 5.63	Remove Scenario +50% USD 1 = R\$ 6.75
Hedge object Hedge Instrument s	Purchasing orders for imported goods and imports on the way NDF	(46,134)	32,234	(19,667)	(71,568)
		37,889	(26,473)	16,152	58,778
	Net exposure of import orders	(8,245)	5,761	(3,515)	(12,790)
	Non-recoverable taxes (36%)	(16,608)	11,604	(7,080)	(25,764)
	Total net exposure	(24,853)	17,365	(10,595)	(38,554)
	Impact on earnings, net of IT/CS	(16,403)	11,461	(6,993)	(25,446)
USD on 03/31/2020 = R\$ 5.1987					

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Financial instruments designated for hedge accounting

To handle its market risks, the Company manages its foreign currency exposure related to the purchase of goods by contracting derivative financial instruments pegged to the US dollar, considering the expected entry of the goods in the Company's inventory in the Company's official budget.

As of October 2016, the Company formally adopted cash flow hedge accounting for derivative instruments to cover its highly likely future imports, in order to hedge against oscillations in the cost of goods entered in inventories during periods of unfavorable exchange rates.

The hedging structure consists of hedging a highly likely transaction whereby imported goods to be sold by the Company will enter the inventory in USD, against the risk of variations in the US\$ vs. R\$ exchange rate, using derivative financial instruments such as NDFs as hedging instruments, in amounts, maturities and currencies equivalent to import budget in US\$.

Transactions for which the Company uses hedge accounting are highly likely and are exposed to variations in cash flow that could impact profit and loss, and are highly effective in achieving exchange rate fluctuations or cash flow attributable to the hedged risk.

The following is a list of the hedge accounting instruments and expected periods for the import cash flow:

Expected date	US\$ thousand Budget (hedged)	Maturity	Counterparty	US\$ thousand NDF reference value
Apr'20	(2,445)	Apr'20	Santander	2,445
Apr'20	(4,140)	Apr'20	Citibank	4,140
Apr'20	(2,180)	Apr'20	Itaú	2,180
May'20	(5,238)	May'20	Citibank	5,238
May'20	(5,240)	May'20	Itaú	5,240
Jun'20	(2,243)	Jun'20	Santander	2,243
Jun'20	(6,750)	Jun'20	Citibank	6,750
Jul'20	(2,275)	Jul'20	Santander	2,275
Aug'20	(1,861)	Aug'20	Santander	1,861
Sep'20	(845)	Sep'20	Citibank	845
Oct'20	(1,008)	Oct'20	Santander	1,008
Nov'20	(1,575)	Nov'20	Santander	1,575
Dec'20	(2,089)	Dec'20	Santander	2,089
Total	(37,889)			37,889

Financial instruments are measured at fair value in Level 2, which uses valuation techniques for which the lowest significant level of information for fair value measurement is directly or indirectly observable.

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The following table shows the outstanding positions by maturity date on 31 December March 2020 of the forward contracts (Non-Deliverable Forwards - NDF) used to hedge exchange rate risk:

Derivative	Position	Contract	Contract date	Maturity date	Reference (notional) value - US\$	Fair value
Term	Long	NDF	18/10/2019	15/04/2020	2,445	(2,556)
Term	Long	NDF	18/10/2019	20/05/2020	2,618	(2,720)
Term	Long	NDF	18/10/2019	17/06/2020	2,243	(2,327)
Term	Long	NDF	09/12/2019	15/04/2020	1,960	(1,989)
Term	Long	NDF	11/12/2019	15/04/2020	2,180	(2,298)
Term	Long	NDF	12/12/2019	15/04/2020	2,180	(2,338)
Term	Long	NDF	09/12/2019	20/05/2020	2,620	(2,646)
Term	Long	NDF	11/12/2019	20/05/2020	2,620	(2,742)
Term	Long	NDF	12/12/2019	20/05/2020	2,620	(2,790)
Term	Long	NDF	09/12/2019	17/06/2020	2,250	(2,268)
Term	Long	NDF	11/12/2019	17/06/2020	2,250	(2,349)
Term	Long	NDF	12/12/2019	17/06/2020	2,250	(2,389)
Term	Long	NDF	06/03/2020	15/07/2020	2,275	(1,233)
Term	Long	NDF	06/03/2020	19/08/2020	1,861	(995)
Term	Long	NDF	06/03/2020	16/09/2020	845	(446)
Term	Long	NDF	06/03/2020	21/10/2020	1,008	(530)
Term	Long	NDF	06/03/2020	18/11/2020	1,575	(823)
Term	Long	NDF	06/03/2020	16/12/2020	2,089	(1,088)
					37,889	(34,527)

Derivative financial instruments are entered at fair value. Thus, at the inception of the hedge transaction the book value and fair value are the same.

At March 31, 2020, non-settled NDF operations presented a gain, net of tax effects, of R\$ 22,787 (net gain of R\$ 1,793 in March 2019), recorded under other comprehensive income. In the first quarter of 2020, the cost of goods sold was positively impacted by the gain in NDF transactions in the amount of R\$ 6,402 (gain of R\$ 3,812 in March 2019).

During the period, NDF hedge transactions used to hedge the cash flow risk of import orders were effective, based on the rules set forth by CPC 48/IFRS 9. Should the transaction become ineffective, the ineffective portion is recognized directly in the earnings of the period in which this takes place.

There were no ineffective portions in the quarters ending March 31, 2020 and 2019.

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b) Credit risk

i) *Cash and cash equivalents*

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

ii) *Receivables*

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

c) Liquidity risk

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

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

Management constantly monitors the expectation on the Company's liquidity and that of its subsidiary to ensure they have sufficient cash to meet their operational needs, investment plans and financial obligations.

The Company invests excess cash in financial assets with floating interest rates and daily liquidity (CDBs and LCAs of financial institutions that comply with the investment policy approved by Management).

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

March 31 2020	Less than 1 year	1 to 5 years	More than 5 years	Total
Other related party liabilities	143,904	-	-	143,904
Lease liabilities	250,181	968,374	482,343	1,700,898
Trade payables	628,151	-	-	628,151
Total	1,022,236	968,374	482,343	2,472,953

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27.2. Capital management

The goal of the Company's capital management is to ensure that a financing structure is maintained for its operation.

The Company manages its capital structure by making suitable adjustments to changes in economic conditions. To keep this structure adjusted, the Company may make dividend payments and take out loans. There were no changes in the capital structure objectives, policies or processes in the period ending March 31, 2020.

On March 31, 2020 the Company had no outstanding loans, thus its net debt structure is comprised exclusively of cash and cash equivalents.

	Parent Company		Consolidated	
	03/31/2020	12/31/2019	03/31/2020	12/31/2019
Cash and cash equivalents	(279,052)	(445,635)	(279,963)	(447,109)
Net debt	(279,052)	(445,635)	(279,963)	(447,109)
Non-controlling interests	-	-	2	2
Total shareholder's equity	2,710,610	2,739,568	2,710,612	2,739,570
Related party financial leverage index	(10%)	(16%)	(10%)	(16%)

27.3. Financial instruments - classification

On 31 March 2020 and 31 December 2019, the financial instruments can be summarized and classified as follows:

Parent Company

On 31 March 2020	Amortized Cost	Fair Value	Fair value through other comprehensive results	Total
Financial assets				
Cash and cash equivalents	279,052	-	-	279,052
Derivatives	-	-	34,527	34,527
Trade receivables	690,899	-	-	690,899
Related parties	136	-	-	136
Judicial deposits	102,961	-	-	102,961
Financial liabilities				
Lease liabilities	(1,700,898)	-	-	(1,700,898)
Trade payables	(627,956)	-	-	(627,956)
Related parties	(143,904)	-	-	(143,904)
Total on 31 March 2020	(1,399,710)	-	34,527	(1,365,183)

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On 31 December 2019	Amortized Cost	Fair Value	Fair value through other comprehensive results	Total
Financial assets				
Cash and cash equivalents	445,635	-	-	445,635
Derivatives	-	-	651	651
Trade receivables	1,151,438	-	-	1,151,438
Related parties	1,111	-	-	1,111
Judicial deposits	101,836	-	-	101,836
Financial liabilities				
Lease liabilities	(1,587,680)	-	-	(1,587,680)
Derivatives	-	-	(3,938)	(3,938)
Trade payables	(803,989)	-	-	(803,989)
Related parties	(69,519)	-	-	(69,519)
Total on 31 December 2019	(761,168)	-	(3,287)	(764,455)

Consolidated

On 31 March 2020	Amortized Cost	Fair Value	Fair value through other comprehensive results	Total
Financial assets				
Cash and cash equivalents	279,963	-	-	279,963
Derivatives	-	-	34,527	34,527
Trade receivables	690,905	-	-	690,905
Related parties	124	-	-	124
Judicial deposits	102,961	-	-	102,961
Financial liabilities				
Lease liabilities	(1,700,898)	-	-	(1,700,898)
Trade payables	(628,151)	-	-	(628,151)
Related parties	(143,904)	-	-	(143,904)
Total on 31 March 2020	(1,399,000)	-	34,527	(1,364,473)

On 31 December 2019	Amortized Cost	Fair Value	Fair value through other comprehensive results	Total
Financial assets				
Cash and cash equivalents	447,109	-	-	447,109
Derivatives	-	-	651	651
Trade receivables	1,151,484	-	-	1,151,484
Related parties	356	-	-	356
Judicial deposits	101,836	-	-	101,836
Financial liabilities				
Lease liabilities	(1,587,680)	-	-	(1,587,680)
Derivatives	-	-	(3,938)	(3,938)
Trade payables	(804,013)	-	-	(804,013)
Related parties	(69,519)	-	-	(69,519)
Total on 31 December 2019	(760,427)	-	(3,287)	(763,714)

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27.4 Changes in liabilities associated with financing activities

	31 December 2019	Cash flows	Exchange variation	Interest Incurred	New leases	Other (i)	31 March 2020
Leases liabilities	1,587,680	(94,443)	-	34,466	19,683	153,512	1,700,898
Dividends and Interest on Shareholders' Equity	144,834	-	-	-	-	-	144,834
Total	1,732,514	(94,443)	-	34,466	19,683	153,512	1,845,732

- (i) The amount presented in "Others" refers to the initial recognition of CPC 06 (R2)/IFRS16 – Leases and the re-measurement of lease liabilities due to annual inflation adjustment of minimal lease payments based on the lease agreements.

	31 December 2018	Cash flows	Exchange variation	Interest Incurred	New leases	Other	31 March 2019
Lease liabilities	1,848	(77,308)	-	18,524	-	1,745,509	1,688,573
Related parties	907,456	(212,557)	(32,370)	11,191	-	-	673,720
Dividends and Interest on shareholder's equity	58,581	(58,581)	-	-	-	-	-
Derivatives	403	7,625	-	-	-	(8,028)	-
Total	968,288	(340,821)	(32,370)	29,715	-	1,737,481	2,362,293

28. Insurance

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

	Consolidated	
	03/31/2020	12/31/2019
Civil Liability and D&O	331,117	331,117
Property and Inventory	438,077	438,077
Shipping	63,828	115,808
	833,022	885,002

29. Retirement plan

Together with other related companies, the Company participates as a sponsor of Cyamprev - Sociedade de Previdência Privada, to provide private pension plans to supplement the general social security system. The benefit plans are structured in the form of Defined Contribution (DC),

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and the amount of monthly income is linked to the financial amount of the accumulated contributions on behalf of each participant. After payments start the monthly income is updated on an annual basis based on the participant's updated balance. Pension plan contributions are made by active participants and/or the sponsor. The plans guarantee a minimum benefit equivalent to three monthly salaries of each participant, calculated in proportion to their length of service and paid out in a single installment at the end of their employment link and eligibility for retirement. Contributions to the plans for this minimum benefit are made exclusively by the Company.

In the first quarter of 2020, the Company contributed R\$ 459 (R\$ 1,650 in 1Q19) to the plans, entered as an expense in the earnings for the period. The total number of participating employees on 31 March 2020 was 16,313 (15,751 on 31 December 2019), with 163 participants under care (157 on 31 December 2019).

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

On 31 March 2020, the fair value of the plan assets related to the minimum benefit described above, exceeded the actuarial present value of the accumulated benefit obligations by approximately R\$ 2,823 (R\$ 720 on 31 March 2019).

30. Earnings per share

As mentioned in Note 22, at a General Meeting held on 2 October 2019, the Company's shareholders approved the grouping of 1,035,720,002 common shares in a 4 to 1 ration, and the fractions were canceled, resulting in a total of 258,930,000 common shares.

As required by CPC 41 / IAS 33 - Earnings per share, the calculation of basic and diluted earnings per share were retrospectively adjusted for the first quarter of 2019 to reflect the new number of shares resulting from the grouping mentioned above.

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

	03/31/2020	03/31/2019
Basic earnings per share		
Net income (loss) for the period	(55,365)	751,437
Weighted average of the number of outstanding common shares	308,245,068	258,930,000
Basic earnings (loss) per share - in R\$	(0.1796)	2.9021

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Basic diluted earnings per share	03/31/2020	03/31/2019
Net income (loss) for the period	(55,365)	751,437
Weighted average of the number of outstanding common shares	308,245,068	258,930,000
Weighted average of the options granted as part of the stock-based compensation plan	388,105	-
Weighted average of the diluted number of common shares	308,633,173	258,930,000
Diluted basic earnings (loss) per share - in R\$	(0.1794)	2.9021

On March 31, 2020, the only financial instrument providing dilution is the stock-based compensation plan, described in detail in Note 9. There were no financial instruments providing dilution in previous periods.

31. Subsequent events

a) 1st Issue of Promissory Notes

On April 3, 2020, the Company issued its first Promissory Notes in the amount of R\$500,000 with a ticket equivalent to 100% of the accumulated variation in the daily DI rate plus a 1.09% annual surcharge payable in 3 years. This is a 6-series for public distribution with limited effort (CVM476). The first batch will come due on October 3, 2020, and the remainder every six months thereafter, and interest payable at the end of the transaction. Captured funds will be used to reinforce working capital. The covenant clause is net debt/EBITDA $\leq$ 3.00

b) Working Capital Transactions (CCB - Brazilian Bank Credit Notes)

On April 9, 2020, the Company issued two CCBs. The two issues totaled R\$350,000, equivalent to 100% of the accumulated variation in the daily DI rates, plus a surcharge of 3.45% a year for payment in 1 year. Interest shall be paid on a half-yearly basis and capital will be amortized on the date of payment. The first batch comes due on October 9, 2020. Captured funds will be used to reinforce working capital. The covenant clause is net debt/EBITDA $\leq$ 3.00.

c) Rectification of the proposal for the distribution of 2019 results

On May 27, 2020, the Board of Directors of C&A Modas S.A. met and decided to rectify the proposal for the distribution of results for the calendar year 2019, according to the meeting of the Board of Directors held on March 19, 2020, to: "The amount of R\$ 162,002 due to shareholders as mandatory dividend will be retained and allocated to the "Special Dividend Reserve", based on article 202, paragraphs four and five, of Law 6,404 / 76 and will be distributed when the Company's financial situation so allow, if not absorbed by losses in subsequent years."

The new proposal will be resolved at the Annual General Meeting, to be held on June 26, 2020.