



Interim Financial Statements

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Interim Financial Statements

C&A Modas S.A.

June 30, 2021 and 2020
and the Report of the Independent Auditor

C&A Modas S.A.

Interim Financial Statements

June 30, 2021 and 2020

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A free translation from Portuguese into English of Independent Auditor's Review Report on Quarterly Information prepared in Brazilian currency in accordance with NBC TG 21 – Interim Financial Reporting and IAS 34 – Interim Financial Reporting, issued by the International Accounting Standards Board (IASB), and the rules issued by the Brazilian Securities and Exchange Commission (CVM) applicable to the preparation of Quarterly Information (ITR)

Independent auditor's review report on quarterly information

The Shareholders and Officers

C&A Modas S.A.

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Introduction

We have reviewed the accompanying individual and consolidated interim financial information, contained in the Quarterly Information Form (ITR) of C&A Modas S.A. (the "Company") for the quarter ended June 30, 2021, comprising the statement of financial position as of June 30, 2021 and the related statements of profit or loss and comprehensive income for three and six-month periods then ended, and the statements of changes in equity and of cash flows for the six-month period then ended, including the explanatory notes.

Management is responsible for preparation of the individual and consolidated interim financial information in accordance with Accounting Pronouncement NBC TG 21 – Interim Financial Reporting, and IAS 34 – Interim Financial Reporting, issued by the International Accounting Standards Board (IASB), 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 the Quarterly Information Form (ITR). Our responsibility is to express a conclusion on this 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 of 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 auditing standards 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 was not prepared, in all material respects, in accordance with NBC TG



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21 and IAS 34 applicable to the preparation of Quarterly Information Form (ITR), and presented consistently with the rules issued by the Brazilian Securities and Exchange Commission (CVM).

Other matters

Statements of value added

The abovementioned quarterly information includes the individual and consolidated statements of value added (SVA) for the six-month periods ended June 30, 2021, prepared under Company's Management responsibility and presented as supplementary information by IAS 34. These statements have been subject to review procedures performed together with the review of the quarterly information with the objective to conclude whether they are reconciled to the interim financial information and the accounting records, as applicable, and if its format and content are in accordance with the criteria set forth by NBC TG 09 – Statement of Value Added. Based on our review, nothing has come to our attention that causes us to believe that they were not prepared, in all material respects, consistently with the overall individual and consolidated interim financial information.

São Paulo, August 10, 2021.

ERNST & YOUNG

Auditores Independentes S.S.

CRC-2SP034519/O-6

Flávio Serpejante Peppe

Partner

C&A Modas S.A.

Statements of Financial Position
On June 30, 2021 and December 31, 2020
(in thousand Reals)

	Note	Parent Company		Consolidated	
		06/30/2021	12/31/2020	06/30/2021	12/31/2020
Assets					
Current assets					
Cash and cash equivalents	6	878,215	1,507,789	878,959	1,509,159
Trade receivables	7	849,866	1,063,742	849,904	1,063,844
Derivatives	28.1.a	-	238	-	238
Related parties	8	935	785	927	124
Inventories	10	862,404	641,020	862,404	641,020
Taxes recoverable	11	270,384	271,711	270,393	271,719
Income taxes recoverable		3,304	10,522	3,865	10,941
Other assets	12	31,801	22,933	31,801	22,933
Total current assets		2,896,909	3,518,740	2,898,253	3,519,978
Non-current assets					
Long-term assets					
Taxes recoverable	11	1,363,649	1,157,357	1,363,649	1,157,357
Deferred taxes	13	105,346	71,492	105,346	71,492
Judicial deposits	22.2	48,371	81,513	48,371	81,513
Related parties	8	161	-	161	-
Other assets	12	1,845	2,684	1,845	2,684
Total long-term assets		1,519,372	1,313,046	1,519,372	1,313,046
Investments in subsidiaries	14	1,008	875	-	-
Property and equipment	15	689,490	667,225	689,490	667,225
Right-of-use assets - leases	17	1,492,172	1,514,438	1,492,172	1,514,438
Intangible assets	16	363,845	294,960	364,309	294,960
Total non-current assets		4,065,887	3,790,544	4,065,343	3,789,669
Total assets		6,962,796	7,309,284	6,963,596	7,309,647

C&A Modas S.A.

Statements of Financial Position
On June 30, 2021 and December 31, 2020
(in thousand Reals)

	Note	Parent Company		Consolidated	
		06/30/2021	12/31/2020	06/30/2021	12/31/2020
Liabilities and equity					
Current liabilities					
Lease liabilities	17	435,780	390,603	435,780	390,603
Trade payables	18	847,677	1,158,890	847,973	1,158,914
Loans	19	69,142	390,600	69,142	390,600
Derivatives	28.1.a	5,809	6,788	5,809	6,788
Labor liabilities	20	129,534	136,126	129,534	136,126
Related parties	8	22,215	34,766	22,215	34,766
Interest on shareholder's equity and dividends payable	24	-	-	-	1
Taxes payable	21	42,053	106,940	42,080	106,955
Income taxes payable		-	-	475	321
Other liabilities		32,551	26,637	32,551	26,637
Total current liabilities		1,584,761	2,251,350	1,585,559	2,251,711
Non-current liabilities					
Lease liabilities	17	1,225,024	1,264,193	1,225,024	1,264,193
Trade payables	18	20,489	24,810	20,489	24,810
Loans	19	1,280,206	820,652	1,280,206	820,652
Labor liabilities		6,372	4,442	6,372	4,442
Provisions for tax, civil and labor proceedings	22	194,440	230,124	194,440	230,124
Taxes payable	21	27,792	24,997	27,792	24,997
Other liabilities		33,909	33,918	33,909	33,918
Total non-current liabilities		2,788,232	2,403,136	2,788,232	2,403,136
Total liabilities		4,372,993	4,654,486	4,373,791	4,654,847
Equity					
Capital stock	23	1,847,177	1,847,177	1,847,177	1,847,177
Capital reserve		23,198	19,375	23,198	19,375
Profit reserve		796,890	792,570	796,890	792,570
Other comprehensive income (loss)		(3,834)	(4,324)	(3,834)	(4,324)
Accumulated losses		(73,628)	-	(73,628)	-
Equity attributable to equity holders of the parent		2,589,803	2,654,798	2,589,803	2,654,798
Non-controlling interests		-	-	2	2
Total equity		2,589,803	2,654,798	2,589,805	2,654,800
Total liabilities and equity		6,962,796	7,309,284	6,963,596	7,309,647

See accompanying notes.

C&A Modas S.A.

Statement of Operations

Quarters and six-month periods ended June 30, 2021 and 2020

(in thousand Reals - R\$)

	Note	Parent Company			
		Current quarter	Year-to-Date	Same quarter previous year	Previous year
		04/01/2021 to 06/30/2021	01/01/2021 to 06/30/2021	04/01/2020 to 06/30/2020	01/01/2020 to 06/30/2020
Net revenue	25	1,175,069	1,950,433	293,805	1,270,071
Cost of sales and services rendered	26	(627,154)	(1,052,233)	(151,237)	(651,756)
Gross profit		547,915	898,200	142,568	618,315
Operating (expenses) income:					
General and administrative expenses	26	(131,239)	(208,812)	(109,793)	(218,686)
Selling expenses	26	(456,771)	(905,179)	(276,999)	(690,155)
Share of profit of subsidiary	14	82	133	99	180
Other operating income (expenses) net	26	125,772	132,150	(420)	(4,237)
Operating profit (loss) before finance results		85,759	(83,508)	(244,545)	(294,583)
Foreign exchange variation		2,886	1,286	(274)	(12,710)
Finance expenses		(55,122)	(108,135)	(55,732)	(100,712)
Finance income		70,879	87,204	14,848	33,272
Finance results	27	18,643	(19,645)	(41,158)	(80,150)
Income (loss) before income taxes		104,402	(103,153)	(285,703)	(374,733)
Income taxes	13	(35,171)	33,845	93,622	127,287
Net income (loss) for the period		69,231	(69,308)	(192,081)	(247,446)

See accompanying notes.

C&A Modas S.A.

Statement of Operations

Quarters and six-month periods ended June 30, 2021 and 2020

(in thousand Reals - R\$)

	Note	Consolidated			
		Current quarter	Year-to-Date	Same quarter previous year	Previous year
		04/01/2021 to 06/30/2021	01/01/2021 to 06/30/2021	04/01/2020 to 06/30/2020	01/01/2020 to 06/30/2020
Net revenue	25	1,175,590	1,951,666	294,492	1,271,342
Cost of sales and services rendered	26	(627,154)	(1,052,233)	(151,237)	(651,756)
Gross profit		548,436	899,433	143,255	619,586
Operating (expenses) income:					
General and administrative expenses	26	(131,697)	(209,757)	(110,321)	(219,598)
Selling expenses	26	(456,771)	(905,179)	(276,999)	(690,155)
Other operating income (expenses) net	26	125,772	132,150	(420)	(4,237)
Operating profit (loss) before finance results		85,740	(83,353)	(244,485)	(294,404)
Foreign exchange variation		2,886	1,286	(274)	(12,710)
Finance expenses		(55,123)	(108,137)	(55,733)	(100,714)
Finance income		70,879	87,205	14,850	33,276
Finance results	26	18,642	(19,646)	(41,157)	(80,148)
Income (loss) before income taxes		104,382	(102,999)	(285,642)	(374,552)
Income taxes	13	(35,150)	33,691	93,562	127,106
Net income (loss) for the period		69,232	(69,308)	(192,080)	(247,446)
Attributable to:					
Non-controlling interests		1	-	1	-
Equity holders of the parent		69,231	(69,308)	(192,081)	(247,446)
		69,232	(69,308)	(192,080)	(247,446)
Basic profit (loss) per share - in R\$	31	0.2246	(0.2248)	(0.6231)	(0.8028)
Diluted profit (loss) per share - in R\$	31	0.2245	(0.2248)	(0.6232)	(0.8022)

See accompanying notes.

C&A Modas S.A.

Statement of comprehensive income (loss)

Quarters and six-month periods ended June 30, 2021 and 2020

(in thousand Reals - R\$)

	Parent Company			
	Current quarter	Year-to-Date	Same quarter previous year	Previous year
	04/01/2021 to 06/30/2021	01/01/2021 to 06/30/2021	04/01/2020 to 06/30/2020	01/01/2020 to 06/30/2020
Net income (loss) for the period	69,231	(69,308)	(192,081)	(247,446)
Other comprehensive results:				
Derivative results	(10,279)	742	(27,178)	10,635
Tax effects	3,495	(252)	9,241	(3,616)
Total comprehensive results to be reclassified to results for the period in subsequent periods, net of taxes	(6,784)	490	(17,937)	7,019
Total comprehensive results	62,447	(68,818)	(210,018)	(240,427)
	Consolidated			
	Current quarter	Year-to-Date	Same quarter previous year	Previous year
	04/01/2021 to 06/30/2021	01/01/2021 to 06/30/2021	04/01/2020 to 06/30/2020	01/01/2020 to 06/30/2020
Net income (loss) for the period	69,232	(69,308)	(192,080)	(247,446)
Other comprehensive results:				
Derivative results	(10,279)	742	(27,178)	10,635
Tax effects	3,495	(252)	9,241	(3,616)
Total comprehensive results to be reclassified to results for the period in subsequent periods, net of taxes	(6,784)	490	(17,937)	7,019
Total comprehensive results attributable to:	62,448	(68,818)	(210,017)	(240,427)
Non-controlling interests	1	-	1	-
Equity holders of the parent	62,447	(68,818)	(210,018)	(240,427)
	62,448	(68,818)	(210,017)	(240,427)

See accompanying notes.

C&A Modas S.A.

Statements of changes in equity
For the six-month periods ended June 30, 2021 and 2020
(in thousand Reals - R\$)

	Note	Capital reserve			Profit reserve				Other comprehensive income		Non-controlling interests	Total shareholder's equity		
		Capital stock	Capital reserve	Shares granted	Legal reserve	Special reserve for dividends	Reserve for unrealized gains	Reserve for tax incentives	Reserve for investments	Adjustments to equity valuation			Accumulated profits	Total controlling
On 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
Equity instruments granted - share-based compensation	9	-	-	2,900	-	-	-	-	-	-	-	2,900	-	2,900
Destination of profits:														
Special reserve for dividends		-	-	-	-	86,014	(86,014)	-	-	-	-	-	-	-
Minimum dividends 2019 (i)		-	-	-	-	75,988	-	-	-	-	-	75,988	-	75,988
Loss for the period		-	-	-	-	-	-	-	-	-	(247,446)	(247,446)	-	(247,446)
Other comprehensive results:														
Derivative results	28.a.iii	-	-	-	-	-	-	-	-	10,635	-	10,635	-	10,635
Tax effects	28.a.iii	-	-	-	-	-	-	-	-	(3,616)	-	(3,616)	-	(3,616)
On June 30, 2020		1,847,177	10,516	4,031	48,600	162,002	-	-	748,300	4,849	(247,446)	2,578,029	2	2,578,031
Balance on December 31 2020		1,847,177	10,516	8,859	48,600	-	-	1,874	742,096	(4,324)	-	2,654,798	2	2,654,800
Equity instruments granted - share-based compensation	9	-	-	3,823	-	-	-	-	-	-	-	3,823	-	3,823
Destination of profits:														
Loss for the period		-	-	-	-	-	-	-	-	-	(69,308)	(69,308)	-	(69,308)
Reserve for tax incentives	23.6	-	-	-	-	-	-	4,320	-	-	(4,320)	-	-	-
Other comprehensive results:														
Derivative results	28.a.iii	-	-	-	-	-	-	-	-	742	-	742	-	742
Tax effects	28.a.iii	-	-	-	-	-	-	-	-	(252)	-	(252)	-	(252)
On June 30, 2021		1,847,177	10,516	12,682	48,600	-	-	6,194	742,096	(3,834)	(73,628)	2,589,803	2	2,589,805

(i) Following approval by the Shareholders at the Ordinary Meeting held on June 26, 2020, R\$75,988 of the minimum mandatory dividends for 2019 were partially withheld as a Special dividends reserve (Note 24).

See accompanying notes.

C&A Modas S.A.

Statements of cash flow For the six-month periods ended June 30, 2021 and 2020 (in thousand Reals - R\$)

	Note	Parent Company		Consolidated	
		06/30/2021	06/30/2020	06/30/2021	06/30/2020
Operating activities					
Income (loss) before income tax		(103,153)	(374,733)	(102,999)	(374,552)
Adjustments to reconcile income before income taxes to net cash flows:					
Allowance for (reversal) for expected credit losses	7c	2,749	(2,136)	2,749	(2,136)
Adjustment to present value of accounts receivables and suppliers	7d and 18	107	(3,221)	107	(3,221)
Expenses with stock-based compensation	9	3,823	2,900	3,823	2,900
Provisions for inventory losses	10b	21,603	11,317	21,603	11,317
Gains/ recognition from legal cases	11(i.iv)	(243,554)	(11,452)	(243,554)	(11,452)
Share of profit of subsidiaries	14	(133)	(180)	-	-
Depreciation and amortization	15b and 16b	116,895	121,102	116,895	121,102
Impairment reversal of property and equipment, intangible and right-of-use assets	15c	81	3,893	81	3,893
Losses from the sale or disposal of property and equipment and intangible assets		4,448	4,462	4,448	4,462
Depreciation of right-of-use	17a	167,756	150,261	167,756	150,261
Interest on leases	17a	70,354	70,825	70,354	70,825
Interest on loans	19c	24,814	9,720	24,814	9,720
Amortization of the transaction costs on loans	19c	1,332	438	1,332	438
Provisions (reversal) for tax, civil and labor proceedings	22.1	6,772	5,255	6,772	5,255
Derivative operations		1	-	1	-
Update of judicial deposits		(660)	(877)	(660)	(877)
Variations in assets and liabilities:					
Trade receivables		210,055	785,421	210,119	785,410
Related parties		(12,862)	(31,251)	(13,515)	(31,991)
Inventory		(242,987)	(276,883)	(242,987)	(276,883)
Taxes recoverable		45,807	(1,292)	45,664	(1,425)
Other credits		(8,230)	(14,293)	(8,230)	(14,293)
Judicial deposits		3,316	(435)	3,316	(435)
Suppliers		(321,151)	(392,898)	(320,879)	(392,690)
Labor liabilities		(4,662)	8,531	(4,662)	8,531
Other debits		5,905	19,679	5,905	19,679
Provisions for tax, civil and labor proceedings		(11,970)	(8,083)	(11,970)	(8,083)
Taxes payable		(60,626)	(188,373)	(60,535)	(187,937)
Income tax and social contribution paid		(1,727)	(20,914)	(1,806)	(21,352)
Cash flow originating (invested in) operating activities					
Investment activities					
Purchase of property and equipment		(102,527)	(76,620)	(102,527)	(76,620)
Purchase of intangible assets		(104,178)	-	(104,642)	-
Receivables from the sale of property and equipment		82	86	82	86
Cash flow used in investment activities					
Financing activities					
New loans and debentures issued		500,000	1,200,000	500,000	1,200,000
Loan/debenture transaction costs		(3,678)	(4,994)	(3,678)	(4,994)
Repayment of loans		(362,500)	-	(362,500)	-
Interest paid on loans		(21,872)	-	(21,872)	-
Repayments and interest paid on leases		(209,004)	(173,038)	(209,004)	(173,038)
Interest on shareholder's equity paid		-	-	(1)	-
Net cash flows obtained from (used in) financing activities					
(Reduction) Increase in the balance of cash and cash equivalents					
(629,574)					
Cash and cash equivalents at the beginning of the period		1,507,789	445,635	1,509,159	447,109
Cash and cash equivalents at the end of the period		878,215	1,257,852	878,959	1,259,009

See accompanying notes

C&A Modas S.A.

Statements of value added
Six-month period ending June 30, 2021 and 2020
(in thousand Reals - R\$)

	Parent Company		Consolidated	
	06/30/2021	06/30/2020	06/30/2021	06/30/2020
Revenue	2,698,792	1,639,494	2,700,087	1,640,832
Sale of Goods and Services	2,518,041	1,616,891	2,519,336	1,618,229
Other revenue	181,341	20,467	181,341	20,467
Allowance for expected credit losses	(590)	2,136	(590)	2,136
Inputs acquired from third parties	(1,481,147)	(937,711)	(1,482,089)	(938,625)
Cost of sales and services sold	(1,027,302)	(633,583)	(1,027,302)	(633,583)
Materials, electric power, outsourced services and others	(441,014)	(287,510)	(441,956)	(288,424)
Impairment of assets	(12,831)	(16,618)	(12,831)	(16,618)
Gross Value Added	1,217,645	701,783	1,217,998	702,207
Retentions	(269,724)	(257,673)	(269,724)	(257,673)
Depreciation and Amortization	(116,895)	(121,102)	(116,895)	(121,102)
Depreciation of right-of-use	(152,829)	(136,571)	(152,829)	(136,571)
Net value added	947,921	444,110	948,274	444,534
Value added received through transfer	95,758	62,123	95,626	61,947
Share of profit of subsidiary	133	180		-
Finance income	95,625	61,943	95,626	61,947
Total value added for distribution	1,043,679	506,233	1,043,900	506,481
Distribution of value added	1,043,679	506,233	1,043,900	506,481
Personnel	335,081	310,648	335,081	310,648
Direct compensation	244,987	225,791	244,987	225,791
Benefits	58,621	47,447	58,621	47,447
Severance pay fund (FGTS)	20,955	18,930	20,955	18,930
Other	10,518	18,480	10,518	18,480
Taxes and Contributions	586,363	273,996	586,580	274,243
Federal	174,019	21,438	174,236	21,685
State	387,119	228,805	387,119	228,805
Municipal	25,225	23,753	25,225	23,753
Debt remuneration	191,543	169,035	191,547	169,036
Rentals	77,433	24,278	77,433	24,278
Financial expenses	114,110	144,757	114,114	144,758
Compensation on equity	(69,308)	(247,446)	(69,308)	(247,446)
Interest on shareholder's equity and dividends proposed	-	-	-	-
Accumulated losses in the period	(69,308)	(247,446)	(69,308)	(247,446)

See accompanying notes.

C&A Modas S.A.

Notes to the interim financial statements
June 30, 2021 and 2020
(in thousand Reals unless otherwise stated)

1. Operating Context

C&A Modas S.A. (hereafter the "Company" or "Controlling Entity") has its main offices located at Alameda Araguaia, 1.222 - Barueri - São Paulo - Brazil. The Company is a traded company, currently 34.52% of its shares are traded on the B3 Brazilian stock exchange (São Paulo – Brazil) under the ticker "CEAB3". The ultimate parent company is COFRA Holding AG headquartered in Switzerland.

The company's primary purpose of business is retail trade - both offline (B&M) 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, capitalization bonds and related products offered by insurers and other 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, accounts receivable, suppliers and value added taxes.

The Company sells its goods in 304 stores plus 4 mini-stores (295 stores and 2 mini-stores on December 31, 2020). These are supplied by 4 distribution centers located in the states of São Paulo, Rio de Janeiro and Santa Catarina. The Company also sells its goods through numerous forms 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 the number of stores and distribution centers, among others, have not been audited nor reviewed by our Independent auditors.

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2. Basis of Preparation

The Company's individual and consolidated interim financial statements for the quarter ended June 30, 2021 were prepared based on accounting practices adopted in Brazil, in accordance with Brazilian Accounting Standard NBC TG 21 (R4) - Interim Statement issued by the Federal Accounting Council ("CFC") which is correlated to the international financial reporting standard (IFRS) IAS 34 - Interim Financial Reporting Standards issued by International Accounting Standards Board - IASB, and guidelines from the Brazilian Securities and Exchange Commission ("CVM")

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 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 OCP C07.

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.

On **August 10, 2021** the Board of Directors authorized the issuing of the individual and consolidated interim financial statements for the period ending June 30, 2021.

The interim financial statements are submitted in thousand Reals (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 Statements of Financial Position. All differences are recorded in the Statement of Operations.

The presentation of the Statement of Added Value (SAV), individual and consolidated, is required by Brazilian Accounting Standard NBC TG 09 - Statement of Added Value - applicable to publicly-held companies. IFRS does not require the presentation of this statement. Consequently, by IFRS, this statement is presented as supplementary information, without prejudice to the set of interim financial information.

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Impact of COVID-19

After a period of uncertainty regarding the pandemic, the scenario is beginning to show signs of improvement, mainly due to the advance of vaccination between states and municipalities and, consequently, a reduction in new cases and serious cases, which generates greater consumer safety in resuming their routines and consumption of other goods not focused on food and health, only. The Company continues to adopt all the security protocols required by government agencies in its 304 stores in order to ensure the safety of its associates and customers, and prevent the spread of the virus. The market has shown a consistent recovery in sales and the Company is following this trend. Although it is not clear when the situation will definitely improve, Management monitors the situation carefully and updates the financial projections with each new relevant evidence. These projections are used to measure and assess the sufficiency of accounting estimates existing in the period related to this interim information.

Below are the main assessments made in the preparation of the Company's financial statements for the period ending June 30, 2021:

Impairment - During 2020, the Company assessed the recoverability of its assets on a quarterly basis and, as a result of this assessment, a positive impact of R\$0.7 million was found on the result. The Company concluded that as it is an estimate that involves long-term projections, the effects of the pandemic should not impact the recoverability of its assets. Management considers such effects to be transitory and more relevant in the short term. With the improvement in the sales scenario during the second quarter of 2021, the Company decided not to reassess these estimates, since the long-term projections do not present significant variations in relation to the studies carried out for the period ended December 31, 2020.

Liquidity - The Company continues to monitor its cash and cash equivalents in the very short term, and is attentive to new opportunities and mechanisms that contribute to management and efficiency, always aiming at a minimum period of twelve months. In 2020, the Company raised R\$1.2 billion (Note 19) in promissory notes and bank credit notes (CCBs), which was enough to guarantee its liquidity at the time. During this second quarter of 2021, the Company settled part of its short-term loans in the amount of R\$362,500 and issued long-term debentures in the amount of R\$500,000 (Note 19). In addition to this funding, the Company started to use extemporaneous PIS/Cofins credits (Note 11) and make advance payments to suppliers through an agreement (Note 18). These initiatives have allowed the cash balance to remain at an adequate level for its operations.

Hedge Accounting - With sales, and thus the purchase of goods, returning to normal, our operations with derivatives for which we use hedge accounting remained in effect on June 30, 2021 (Note 28). They were also in effect in 2020.

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Inventories - Our inventories are at a level considered adequate by the Company. The increase on June 30, 2021 compared to December 31, 2020 is primarily the result of opening new stores, rolling out our cosmetics operation, and winter inventories.

The Company assessed the recoverable value of its inventory on December 31, 2020 and June 30, 2021, and concluded it has sufficient allowances for inventory losses (Note 10).

Lease Renegotiations - The Company adopted the practical expedient stipulated in the Review of Technical Pronouncement CPC06 (R2), which is equivalent to the amendment of IFRS 16 and CVM Statement 859 regarding "Benefits related to Covid-19 granted to the lessees in lease agreements", and decided to book reductions in lease payments in the amount of R\$27,197 (R\$94,159 in 2020) directly in earnings. The Company analyzed CVM Resolution 41, which amended CPC 06 R2 and concluded it had no impact on its financial statements (Note 17). (Note 17).

Realization of deferred tax assets and taxes to be recovered - Management reviewed its revenue and taxable income projects for the coming years. On June 30, 2021 the expectation was that previously unused tax credits enabled for use would be used by 2025. Credits where the Company is still waiting for a ruling and/or enablement should be realized by 2026. The expectation is that deferred taxes will be used within 7.5 years (Note 11)

Restatement of comparative balances

The Management, in order to facilitate the comparability of numbers and provide greater clarity to investors about the Company's operations, revised its accounting policy related to the disclosure of tax contingencies, which resulted in the reclassification of such reversals and provisions for general and administrative expenses to the item from other net operating income (expenses). Since such review took place during the preparation and disclosure of its financial statements for the year ended December 31, 2020, as disclosed in note 2 of said financial statement, for the current interim period, the Company carried out the reclassification for the amounts related to the comparative period of June 30, 2020, in order to maintain comparability between periods and fiscal years. As it is a reclassification between lines of the operating expenses group, this reclassification does not change the result for the period, as well as the other accounting pieces that make up this interim information.

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Below, we show the amounts and items impacted in the income statements as a result of this reclassification:

	Parent Company			Consolidated		
	As previously reported on 06/30/2020	Reclassification	Balance on 06/30/2020 (Represented)	As previously reported on 06/30/2020	Reclassification	Balance on 06/30/2020 (Represented)
Statement of Earnings						
Net Revenue	1,270,071	-	1,270,071	1,271,342	-	1,271,342
Cost of sales and services rendered	(651,756)	-	(651,756)	(651,756)	-	(651,756)
Gross profit	618,315	-	618,315	619,586	-	619,586
General and administrative expenses	(218,543)	(143)	(218,686)	(219,455)	(143)	(219,598)
Sales	(690,155)	-	(690,155)	(690,155)	-	(690,155)
Share of profit of subsidiaries	180	-	180	-	-	-
Other operating income (expenses) net	(4,380)	143	(4,237)	(4,380)	143	(4,237)
Profit before financial results	(294,583)	-	(294,583)	(294,404)	-	(294,404)
Finance results	(80,150)	-	(80,150)	(80,148)	-	(80,148)
Profit before income taxes	(374,733)	-	(374,733)	(374,552)	-	(374,552)
Net profit for the period	(247,446)	-	(247,446)	(247,446)	-	(247,446)

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").

At an Extraordinary General Meeting held on February 1, 2021 the shareholders approved a change in the name of Companhia Orion Companhia Securitizadora de Créditos Financeiros S.A. to Orion Instituição de Pagamento S.A. This Company's stated purpose of business was also amended to be primarily the development of payment arrangements, payment services as an issuer of electronic currency, issuer of post-paid payment instruments, accrediting, sub-accrediting, and payment transaction initiator, among other activities inherent to a payment institution.

The subsidiary's fiscal 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.

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4. Accounting policies

The main accounting policies used to prepare these Individual and Consolidated Interim Financial Statements are consistent with those used and disclosed in Explanatory Note 4, corresponding to the financial statements for the period ending December 31, 2020 and published on March 18, 2021, and therefore, should be read in combination.

4.1 Statements issued but not yet in effect

New and amended standards and interpretations issued but not yet in effect as of the date of issue of the Company's interim financial statements are described below. The Company plans to adopt these new and amended standards and interpretations as applicable, on the date they become effective. Changes related to CPC50/IFRS17 do not apply to the Company.

a) Changes in CPC 50 - Insurance Contracts (corresponds to IFRS 17 - Insurance Agreements)

This Statement will replace the standard currently in effect regarding Insurance Contracts - CPC 11 (IFRS 4, issued in 2005). The goal of CPC 50 - Insurance Agreements is to "ensure an entity provides relevant information that accurately represents the essence of these contracts using a consistent accounting model". This information provides a basis for the users of financial statements to assess the impact that insurance agreements have on the entity's financial position, financial position and cash flows.

IFRS 17 was issued by the IASB - International Accounting Standard Board in May 2017 and may apply to all sorts of insurance agreements (such as life, property & casualty, direct insurance and reinsurance) issued on or after January 1, 2023, regardless of the type of issuing entity, as well as certain guarantees and financial instruments with discretionary participation features. There are some exceptions to the scope. The overall goal is to provide an accounting model for insurance agreements that is more useful and consistent for insurers. In general, this model addresses: 1 - Specific adaptations for contracts with direct participation features (variable rate approach). 2 - A simplified approach (premium allocation approach), primarily for short-term agreements.

IFRS 17 will be in effect for all periods as of January 1, 2023; comparable values must be submitted. Early adoption is allowed if the entity also adopts IFRS 9 and IFRS 15 on or before the date it adopts IFRS 17. This standard does not apply to the Company.

On July 22, 2021, the Brazilian Securities Commission issued CVM Resolution 42, approving the application of CPC 50 - Insurance Contracts and, consequently, revoking CVM Resolution 563 of December 17, 2008 to which it referred and resolved on the previous pronouncement CPC 11 – Insurance Contracts.

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b) Changes in IAS 1: Classification of liabilities as current or non-current (CPC 26)

In January 2020, the IASB amended paragraphs 69 through 76 of IAS 1, which corresponds to CPC 26, specifying the requirements for classifying a liability as current or non-current. These amendments clarify:

1. What the right to defer settlement means;
2. That the right to defer must exist on the effective date of the report;
3. That this classification is not affected by the likelihood that an entity will exercise its right to defer;
4. The terms of a liability would not impact its classification only if that derivative is embedded into a convertible liability is itself an equity instrument

These amendments are effective as of January 1, 2023 and must be applied retrospectively.

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 interim 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;
- 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 and
- l) determination of the incremental interest rates and term of the contracts to be used to account for the cash flows of leasing liabilities.

The Company is the responding party in labor claims of a similar nature or, in other words, claims that are similar in content and generally are brought by claimants who occupied specific positions or functions and are claims based on common offenders. In the period ending June 30, 2021, the Company revised the methodology used to calculate labor provisions for such labor claims, considering it appropriate to estimate the risk of losses (and thus the creation of provisions) based on the history of how these claims have played out and the consequent

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losses. Thus, the measurement of provisions for labor claims is now obtained by applying the historical percent losses to the total value of the claim (which is the maximum exposure to which the Company is subject) for each claim, as informed by the Company's legal advisors.

The measurement of provisions for labor contingencies takes into consideration the Company's past experience and losses in labor claims in the previous 4 (four) years and is reviewed at least annually (further details in note 22.1.iv).

6. Cash and cash equivalents

	Parent Company		Consolidated	
	06/30/2021	12/31/2020	06/30/2021	12/31/2020
Cash	3,649	3,799	3,649	3,799
Banks	71,378	62,243	72,122	63,613
Short-term investments	803,188	1,441,747	803,188	1,441,747
	878,215	1,507,789	878,959	1,509,159

The Company has cash equivalents in the form of fixed-yield financial investments, indexed to 80% to 104% of the variation in the 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	
	06/30/2021	12/31/2020	06/30/2021	12/31/2020
Card Operators	813,634	1,023,553	813,634	1,023,553
Commissions receivable - telephony suppliers	1,909	8,969	1,909	8,969
Commissions receivable - insurers	9,707	8,241	9,707	8,241
Credit rights	-	-	38	102
Bradescard partnership	16,202	20,927	16,202	20,927
Other	24,106	17,154	24,106	17,154
Allowances for expected credit losses	(15,692)	(15,102)	(15,692)	(15,102)
	849,866	1,063,742	849,904	1,063,844

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

	Parent Company		Consolidated	
	06/30/2021	12/31/2020	06/30/2021	12/31/2020
Coming due:				
Up to 30 days	365,801	432,862	365,801	432,862
31 – 60 days	193,711	269,020	193,711	269,020
61 – 90 days	127,949	153,170	127,949	153,170
91 – 120 days	61,030	67,457	61,030	67,457
121 – 150 days	35,452	46,396	35,452	46,396
151 to 180 days	22,462	31,788	22,462	31,788
Longer than 180 days	39,898	58,530	39,898	58,530
	846,303	1,059,223	846,303	1,059,223
Past due:				
Up to 30 days	539	452	539	452
31 – 60 days	345	977	345	977
61 – 90 days	30	124	30	124
Over 90 days	2,649	1,790	2,687	1,892
	3,563	3,343	3,601	3,445
Trade receivables not recognized by customers (*)	-	1,176	-	1,176
Total	849,866	1,063,742	849,904	1,063,844

(*) Includes Banco Bradescard credit card sales unrecognized by the card owners (chargebacks), in the amount of R\$900 on June 30, 2021 (R\$1,965 on December 31, 2020), 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\$12,095 on June 30, 2021 (R\$10,917 on December 31, 2020), the responsibility for unblocking procedures belongs to Banco Bradescard.

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

	06/30/2021	06/30/2020
Balance on December 31	(15,102)	(19,715)
(Provision)/Reversal	(2,749)	(3,834)
Loss	2,159	5,970
On June 30	(15,692)	(17,579)

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 June 30, 2021 and December 31, 2020 were 0.31% and 0.16% respectively. Realization of the present value adjustment is recognized as an offsetting item to sales revenue.

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8. Related parties

On June 30, 2021 and December 31, 2020, the outstanding balances in related party transactions were the following:

Asset	Parent Company		Consolidated	
	06/30/2021	12/31/2020	06/30/2020	12/31/2020
Accounts receivable				
C&A Sourcing	832	-	832	-
Instituto C&A de Desenvolvimento Social (*)	12	89	12	89
COFRA Latin America (*)	26	6	26	6
Orion Inst. Pagamento (*)	8	12	-	-
Cyamprev Soc. Previd. Privada	-	29	-	29
	878	136	870	124
Dividends receivable				
Orion Inst. Pagamento	-	649	-	-
	-	649	-	-
Prepaid expenses				
C&A Services	218	-	218	-
	218	-	218	-
Total related party assets	1,096	785	1,088	124
Related party liabilities - current	935	785	927	124
Related party liabilities – non-current	161	-	161	-

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

Liabilities	Parent Company		Consolidated	
	06/30/2021	12/31/2020	06/30/2021	12/31/2020
Accounts payable				
C&A Sourcing	21,200	32,568	21,200	32,568
Instituto C&A de Desenvolvimento Social	-	302	-	302
Cyamprev Soc. Previd. Privada	999	1,849	999	1,849
COFRA Latin America	16	47	16	47
	22,215	34,766	22,215	34,766
Interest on shareholder's equity and dividends				
COFRA Latin America	-	-	-	1
	-	-	-	1
Total related party liabilities	22,215	34,766	22,215	34,767
(-) Interest on equity and related party dividends	-	-	-	-
Current related party liabilities	22,215	34,766	22,215	34,767

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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 Services	Incas SARL
C&A Sourcing	Indirect parent company
COFRA Latin America	C&A AG
Famamco Adm. de Bens	Subsidiary
Instituto C&A de Desenvolvimento Social	Orion Inst. Pagamento
Porticus Latin America Consult	Subsidiary under direct influence
	Cyamprev Soc. Previd. Privada

Transactions with related parties

	Parent Company		Consolidated	
	06/30/2021	06/30/2020	06/30/2021	06/30/2020
Reimbursements for shared expenses				
Cyamprev Soc. Prev. Privada	810	96	810	96
Instituto C&A de Desenvolvimento Social	15	68	15	68
COFRA Latin America	44	44	44	44
Orion Inst. Pagamento	43	43	-	-
Famamco Administração de Bens	-	46	-	46
Porticus Latin America	-	52	-	52
	912	349	869	306
Revenue from services rendered				
C&A Mexico	4,085	2,845	4,085	2,845
	4,085	2,845	4,085	2,845
Goods purchased				
C&A Sourcing	(105,341)	(157,950)	(105,341)	(157,950)
	(105,341)	(157,950)	(105,341)	(157,950)
Services purchased				
C&A Services	(654)	(705)	(654)	(705)
COFRA Latin America	(97)	(93)	(97)	(93)
	(751)	(798)	(751)	(798)
Pension fund contributions				
Cyamprev Soc. Prev. Privada	(3,236)	(2,407)	(3,236)	(2,407)
	(3,236)	(2,407)	(3,236)	(2,407)

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

During the fiscal periods ending on June 30, 2021 and 2020 there was no need to recognize provisions for expected credit losses in related party accounts receivable.

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Compensation of members of the Board of Directors and Executive Board

Expenses (paid and payable) associated with Officer compensation in the periods ending June 30, 2021 and 2020 were as follows:

	Parent Company and Consolidated	
	06/30/2021	06/30/2020
Fixed Compensation	6,980	5,860
Variable Compensation	1,183	499
Contributions to post-employment plans	168	361
Long-Term Incentives	3,667	2,900
Total	11,998	9,620

The Ordinary General Meeting held on April 30, 2021 approved a change in the Company's Bylaws and in the global annual compensation for Board and Executive Board members for fiscal year 2021, in the amount of up to R\$28,283 (R\$30,934 for fiscal year 2020).

9. Stock-based compensation plan

The Company currently has two stock-based compensation plans: Outorga 2019 and the PSU 2021 program.

Outorga 2019:

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

A number of the existing conditions for granting stock options were amended by the Board of Directors at a meeting held on February 18, 2020. Below is a description of the granting rules currently in effect

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

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

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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 three years after each transfer date.

During the period no options were exercised, expired or canceled, but, as mentioned above, all options were replaced by the same number.

The weighted average contractual term for the stock options remaining on June 30, 2021 was 3.34 years. The weighted average fair value of the options granted during the period is R\$8.88 in the original program, and R\$2.67 incremental fair value for the options replaced according to the calculation method established in CPC10. The exercise price shall be adjusted whenever dividends are paid, or stock is grouped or split.

PSU 2021:

The Performance Share Units program was approved at a meeting of the Board of Directors on February 24, 2021. The meeting approved granting 1,412,194 options to senior managers in a single batch.

The value of the shares will be paid in a single installment (100% of the batch) at the end of the three-year grace period following the date granted.

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

During the period no options were exercised, expired or canceled.

The contractual term for the stock options remaining on June 30, 2021 was 2.65 years. The fair value of the options granted during the period was R\$12.45.

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

Movement

Program	Inicial balance in 01/01/2021	Granted	Exercised	Canceled	Final balance in 06/30/2021
Outorga 2019	1,148,148	-	-	-	1,148,148
PSU 2021	-	1,412,194	-	-	1,412,194
Total	1,148,148	1,412,194	-	-	2,560,342

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Premises

	Outorga 2019 (original)			Outorga 2019 (Additional replacement fair value)			PSU 2021
	Lote 1	Lote 2	Lote 3	Lote 1	Lote 2	Lote 3	Lote único
Pricing model	Monte Carlo	Monte Carlo	Monte Carlo	Monte Carlo	Monte Carlo	Monte Carlo	Monte Carlo
Dividend yield (%)	1.10%	1.10%	1.10%	0.00%	0.00%	0.00%	0%
Risk-free rate of return (%)	4.41%	4.78%	5.31%	5.63%	5.95%	6.20%	6.395%
Weighted average of the stock price (R\$)	16.89	16.89	16.89	16.89	16.89	16.89	11.63
Expected lifetime of the options	10/21/2020	10/21/2021	10/21/2022	10/21/2023	10/21/2024	10/21/2025	02/24/2024
Fair value on the date measured (R\$)	8.09	8.45	8.73	4.46	3.11	1.37	12.45
Expected annual volatility	31.26%	35.73%	36.55%	36.64%	37.79%	37.10%	53.92%

During the first semester of 2021, the company recognized R\$3,823 (R\$1,450 in the period ending June 30, 2020) in expenses associated with stock-based compensation plans “Outorga 2019” (original and replacement) and with “Plano PSU”, using as the counterpart the capital reserve account - stock granted. The following expenses will be recognized in subsequent periods:

Year	Program	
	Outorga 2019	PSU 2021
2021	1,380	2,954
2022	1,055	5,859
2023	-	5,859
2024	-	883
	2,435	15,555

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10. Inventories

a) Inventory breakdown

	Parent Company and Consolidated	
	06/30/2021	12/31/2020
Goods for resale	896,747	622,353
Goods sold and in transit for delivery to customers	4,343	2,894
Goods held by third parties	-	17,564
Present value adjustment	(5,554)	(2,169)
Provisions for losses	(49,965)	(34,108)
	845,571	606,534
Imports in transit	16,833	34,486
	862,404	641,020

b) Changes in provisions for losses in the period

Changes in the period:

	06/30/2021	06/30/2020
Balance on December 31	34,108	32,202
Addition	21,603	11,317
Actual losses	(5,746)	(4,120)
On June 30	49,965	39,399

Changes in the quarter

	06/30/2021	06/30/2020
Balance on March 31	36,817	37,616
Addition	15,256	1,810
Actual losses	(2,108)	(27)
On June 30	49,965	39,399

The provision for inventory loss is set up proportionally to sales, which is sensitive to the flow of people in physical stores. As a result of the softening of the social distance imposed by the states and, consequently, the increase in the opening hours of stores and the flow of people, there was also a need to establish a higher level of provision for loss of inventories in the six-month period of 2021.

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11. Taxes recoverable

	Parent Company		Consolidated	
	06/30/2021	12/31/2020	06/30/2021	12/31/2020
ICMS (State VAT)	44,758	49,010	44,758	49,010
PIS/COFINS (tax on revenue)	-	7,812	-	7,812
Previously unused PIS / COFINS credit	1,565,743	1,361,210	1,565,743	1,361,210
IRRF (withholding taxes)	8,400	3,250	8,409	3,258
IPI (excise tax)	328	345	328	345
Other	14,804	7,441	14,804	7,441
	1,634,033	1,429,068	1,634,042	1,429,076
Current assets	270,384	271,711	270,393	271,719
Non-current assets	1,363,649	1,157,357	1,363,649	1,157,357

(i) Previously unused PIS / COFINS credit

(i.i) ICMS on the basis for calculating PIS and COFINS

The Company filed two lawsuits claiming the right to the exclude ICMS from the PIS and COFINS tax base, and to offset the amounts unduly paid in the past. One claim was filed on 01/17/2007 covering the period between 2002 and 2014, and the second, filed on 03/09/2017, for the period between 2015 and 2017.

On March 21, 2019, the favorable final ruling on the injunction seeking recognition of the right to not include ICMS in the basis for calculating PIS and COFINS in the period between January 2002 and December 2014 was passed, in line with the generally applicable ruling the Federal Supreme Court in leading case RE 574706. judged by the STF in terms of general repercussion, in which it is recognized that the ICMS informed in a tax document is not part of the calculation basis of the contribution to PIS and COFINS.

Thus, in fiscal period 2019, the Company recognized PIS/COFINS tax credits in the amount of R\$1,282,030, having been granted the enablement in March 17, 2020, ensuring the right to offset this credit. On June 30, 2021 the updated balance of credits is R\$1,195,128.

On May 13, 2021 the Federal Supreme Court confirmed the exclusion of ICMS from the basis for calculating PIS and COFINS. As result, on June 30, 2021, even though the final ruling has yet to be passed, the Company recognized tax credits relative to the second lawsuit for the period between 2015 and 2017, in the amount of R\$234,704.

Management expects that updated tax credits from the first lawsuit will be offset by 2024, given the tax debits generated from normal Company operations, as shown in item (i.iii).

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(i.ii) Credit for the Manaus Free Trade Zone (FTZ) Lawsuit

On November 30, 2020 the final unappealable ruling was issued in favor of the Company, allowing it to:

- a) Recognize 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 and its right to tax credits;
- b) Recognize fruition of the REINTEGRA benefits resulting from the sale of domestic goods to the FTZ.

Thus, the assets related to credits in the period 5 years or more prior to the date the claim was filed (March 31, 2016), in the amount of R\$124,657 (R\$123,220 on December 31, 2019) and R\$10,187 referring to Reintegra were recognized.

On June 30, 2021 the balance of previously unused credit was R\$135,911. These credits will be realized as per the deadlines determined in applicable legislation from the moment the credits are enabled by the Brazilian Federal Revenue Service.

(i.iii) Expected realization of previously unused PIS/COFINS credits on June 30, 2021.

Year	R\$
2021	124,797
2022	317,861
2023	453,195
2024	299,275
Waiting for enablement	135,911
Waiting for the final, unappealable court ruling and enablement	234,704
Total	1,565,743

(i.iv) Changes in previously unused PIS / COFINS credits

	06/30/2021	12/31/2020
Balance at the start of the period	1,361,210	1,282,030
Recognition	173,339	141,856
Interest	70,215	91,864
Offset by	(39,021)	(154,540)
Balance at the end of the period	1,565,743	1,361,210

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12. Other assets

	Parent Company and Consolidated	
	06/30/2021	12/31/2020
Prepaid expenses	19,080	18,213
I.P.T.U. (property tax)	10,127	68
Personal loans and advances	2,531	3,940
Actuarial assets	1,797	2,209
Supplier advances	57	1,148
Other	54	39
	33,646	25,617
Current assets	31,801	22,933
Non-current assets	1,845	2,684

13. Income Tax and Social Contribution

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

In the period:

	Balance on December 31, 2020	Increase / (Reduction)		Balance on June 30, 2020
		in earnings	in shareholders' equity	
Tax losses carryforward	265,898	118,219	-	384,117
Temporary differences:				
Provisions for tax, civil and labor proceedings	96,667	(1,767)	-	94,900
Provisions for inventory losses and allowance for expected credit losses	16,175	6,470	-	22,645
Impairment of property, equipment, and right-of-use	9,824	28	-	9,852
Accrued for profit sharing	15,976	(8,314)	-	7,662
CPC 06 (R2)/IFRS 16 leases	46,626	8,712	-	55,338
Other	79,369	(13,640)	(252)	65,477
Deferred tax assets	530,535	109,708	(252)	639,991
Gains from legal claims (i)	(456,033)	(69,072)	-	(525,105)
Present value adjustment	(3,010)	(6,530)	-	(9,540)
Fair value adjustment	-	-	-	-
Deferred tax liabilities	(459,043)	(75,602)	-	(534,645)
Balance of deferred tax (liabilities) assets	71,492	34,106	(252)	105,346

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	Balance on December 31, 2019	Increase / (Reduction)		Balance on June 30, 2020
		in earnings	in shareholder's equity	
Tax losses carryforward	174,654	123,901	-	298,555
Temporary differences:				
Provisions for tax, civil and labor proceedings	31,838	(1,926)	-	29,912
Provisions for inventory losses and allowance for expected credit losses	22,109	(3,736)	-	18,373
Impairment of property, equipment, and right-of-use	11,915	1,325	-	13,240
Accrued for profit sharing	15,069	(9,357)	-	5,712
CPC 06 (R2)/IFRS 16 leases	28,459	10,293	-	38,752
Present value adjustment	-	2,996	-	2,996
Other	121,245	9,646	(3,616)	127,275
Deferred tax assets	405,289	133,142	(3,616)	534,815
Tax credits due to exclusion of ICMS from the basis for calculating PIS and COFINS	(435,890)	9,141	-	(426,749)
Present value adjustment	(2,375)	2,375	-	-
Fair value adjustment	(12,655)	12,655	-	-
Deferred tax liabilities	(450,920)	24,171	-	(426,749)
	(45,631)	157,313	(3,616)	108,066

- (i) The amount of R\$525,105 is comprised of: The amount of R\$(475,869) is related to the deferment of tax gains from the claim that recognized the Company's right to recover excess contributions paid with the exclusion of ICMS from the basis for calculating PIS and COFINS (note 11); R\$45,550 refers to winning the Manaus Free Trade Zone claim (note 11), R\$1,264 refers to Suframa and R\$2,422 from the favorable ruling in the PAT (Worker Meal Program) claim.

In the quarter:

	Balance on March 31, 2021	Increase / (Reduction)		Balance on June 30, 2020
		in earnings	in shareholder's equity	
Tax losses carryforward	364,356	19,761	-	384,117
Temporary differences:				
Provisions for tax, civil and labor proceedings	82,439	12,461	-	94,900
Provisions for inventory losses and allowance for expected credit losses	18,307	4,338	-	22,645
Impairment of property, equipment, and right-of-use	9,824	28	-	9,852
Accrued for profit sharing	6,339	1,323	-	7,662
CPC 06 (R2)/IFRS 16 leases	51,000	4,338	-	55,338
Other	61,797	185	3,495	65,477
Deferred tax assets	594,062	42,434	3,495	639,991
Gains from legal cases (i)	(451,543)	(73,562)	-	(525,105)
Present value adjustment	(5,758)	(3,782)	-	(9,540)
Fair value adjustment	-	-	-	-
Deferred tax liabilities	(457,301)	(77,344)	-	(534,645)
Balance of deferred tax (liabilities) assets	136,761	(34,910)	3,495	105,346

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	Balance on March 31, 2020	Increase / (Reduction)		Balance on June 30, 2020
		in earnings	in shareholder's equity	
Tax losses carryforward	232,767	65,788	-	298,555
Temporary differences:				
Provisions for tax, civil and labor proceedings	29,865	47	-	29,912
Provisions for inventory losses and allowance for expected credit losses	18,450	(77)	-	18,373
Impairment of property, equipment, and right-of-use	11,047	2,193	-	13,240
Accrued for profit sharing	12,364	(6,652)	-	5,712
CPC 06 (R2)/IFRS 16 leases	33,325	5,427	-	38,752
Present value adjustment	-	2,996	-	2,996
Other	107,492	886	9,241	117,619
Deferred tax assets	445,310	70,608	9,241	525,159
Tax credits due to exclusion of ICMS from the basis for calculating PIS and COFINS	(438,164)	21,071	-	(417,093)
Present value adjustment	(4,992)	4,992	-	-
Deferred tax liabilities	(443,156)	26,063	-	(417,093)
	2,154	96,671	9,241	108,066

The Company, supported by the opinion of its legal advisors, will tax the gains from the tax lawsuits when the credits are offset, expected to be over the next 4 years.

b) Expected realization of deferred tax assets on June 30, 2021

Year	R\$
2021	123,389
2022	90,650
2023	92,708
2024	135,953
2025	99,659
2026 to 2028	97,524
2029 to 2031	108
	<u>639,991</u>

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c) Reconciliation of effective rate

	Parent Company		Consolidated	
	06/30/2021	06/30/2020	06/30/2021	06/30/2020
Loss before income taxes	(103,153)	(374,733)	(102,999)	(374,552)
Income tax and social contribution expenses at statutory rates - 34%	35,072	127,409	35,020	127,348
Adjustments to reflect the effective rate				
Share of profit of subsidiaries	45	61	-	-
Non-deductible donations	(829)	(445)	(829)	(445)
PAT (worker meal program) and the culture incentive law	-	497	-	497
Transfer pricing and incentives for technology innovation (R&D)	(1,175)	(1,569)	(1,175)	(1,569)
Corporate gifts and non-deductible fines	-	(263)	-	(263)
Investment Subsidiaries	1,469	-	1,469	-
IT and SC from previous periods	(261)	-	(261)	-
Equity Instruments Granted	-	385	-	385
Share issuing expenses	-	1,155	-	1,155
Other permanent additions and exclusions	(476)	57	(545)	(14)
Taxes calculated on the portion exempt from the additional 10%	-	-	12	12
Income taxes	33,845	127,287	33,691	127,106
Current	(261)	(30,026)	(415)	(30,207)
Deferred	34,106	157,313	34,106	157,313
	33,845	127,287	33,691	127,106
Effective rate	33%	34%	33%	34%

14. Investments

a) Information on investments in the subsidiary

Orion	Shareholding	Current assets	Current liabilities	Net Collecti on	Gross Revenue Gross	Profit	Book value of the investment	Share of profit of subsidiaries
06/30/2021	99.8%	1,816	(806)	1,010	1,296	133	1,008	133
12/31/2020	99.8%	1,899	(1,022)	877	3,175	690	875	689

b) Changes in investment

	06/30/2021	06/30/2020
Balance on December 31	875	836
Share of profit of subsidiaries	133	180
On June 30	1,008	1,016

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15. Property and Equipment

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

Property and equipment	Cost	Accumulated Depreciation	Impairment	June 30, 2021
Machinery and equipment	213,689	(132,477)	(5,061)	76,151
Furniture and fixtures	461,953	(274,407)	(2,830)	184,716
IT Equipment	219,874	(155,463)	(229)	64,182
Vehicles	534	(507)	-	27
Leasehold improvements	1,195,840	(841,418)	(17,034)	337,388
Land	126	-	-	126
Construction in progress	25,863	-	-	25,863
Provisions for store restorations	1,890	(853)	-	1,037
	2,119,769	(1,405,125)	(25,154)	689,490

Property and equipment	Cost	Accumulated Depreciation	Impairment	December 31, 2020
Machinery and equipment	195,747	(130,105)	(1,845)	63,797
Furniture and fixtures	447,159	(256,802)	(3,063)	187,294
IT Equipment	219,703	(156,276)	(413)	63,014
Vehicles	536	(495)	-	41
Leasehold improvements	1,174,862	(819,350)	(19,931)	335,581
Land	126	-	-	126
Construction in progress	15,411	-	-	15,411
Provisions for store restorations	1,530	(786)	-	744
Other	1,217	-	-	1,217
	2,056,291	(1,363,814)	(25,252)	667,225

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 December 31, 2020	Additions (iii)	Depreciation	Disposals (Write-offs)	Transfers	Transfers to intangible	Reversals (provisions) Impairment	Balance on June 30, 2021
Machinery and equipment	8%	63,797	19,735	(5,363)	(187)	1,385	-	(3,216)	76,151
Furniture and fixtures	11.80%	187,294	14,428	(21,298)	(230)	4,289	-	233	184,716
IT Equipment	20%	63,014	12,019	(10,885)	(251)	101	-	184	64,182
Vehicles	20%	41	-	(14)	-	-	-	-	27
Leasehold improvements (i)	11%	335,581	-	(38,689)	(3,840)	41,439	-	2,897	337,388
Land	-	126	-	-	-	-	-	-	126
Construction in progress	-	15,411	63,938	-	-	(45,997)	(7,489)	-	25,863
Provisions for returning stores (ii)	-	744	360	(67)	-	-	-	-	1,037
Other	-	1,217	-	-	-	(1,217)	-	-	-
Total		667,225	110,480	(76,316)	(4,508)	-	(7,489)	98	689,490

	Average annual depreciation rate	Balance on December 31, 2019	Additions (iii)	Depreciation	Disposals (Write-offs)	Transfers	Transfers to intangible	Reversals of provisions Impairment	Balance on June 30, 2020
Machinery and equipment	8%	51,841	31	(5,692)	(185)	823	-	165	46,983
Furniture and fixtures	11.80%	176,658	19,574	(21,375)	(866)	2,425	-	621	177,037
IT Equipment	20%	65,405	2,068	(11,034)	(43)	2,581	-	218	59,195
Vehicles	20%	66	-	(13)	-	-	-	-	53
Leasehold improvements	10.52%	368,514	154	(50,698)	(3,454)	19,474	-	(476)	333,514
Land	-	126	-	-	-	-	-	-	126
Construction in progress	-	51,506	56,383	-	-	(23,977)	(62,141)	-	21,771
Provisions for returning stores	12%	401	-	(46)	-	-	-	-	355
Financial leases	-	-	-	-	-	-	-	-	-
Other	-	2,895	-	-	-	(1,326)	-	-	1,569
Total		717,412	78,210	(88,858)	(4,548)	-	(62,141)	528	640,603

- (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 21 lease agreements with fully variable payments. These are linked to provisions for dismantling and returning stores.
- (iii) In the first half of 2021, the Company purchased property and equipment in the amount of R\$110,480, R\$18,450 of which were recognized as supplier accounts payable (R\$7,206 in 1st semester of 2020), and R\$10,497 were disbursed in 2021 for purchases made prior to December 31, 2020 (R\$6,292 were disbursed in 1st semester of 2019 for December 2019).

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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 store's 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 8.72% annually. When calculating the discount rate the Company considers lease liabilities as part of financing activities.

On June 30, 2021 the Company had provisions for impairment in the amount of R\$25,154 (R\$25,252 on December 31, 2020), R\$18,490 of which referred to the impairment test (R\$20,690 on December 31, 2020), and R\$6,664 for asset wrote-offs (R\$4,562 on December 31, 2020).

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16. Intangibles

a) Breakdown of Intangible assets (Parent Company and Consolidated)

Parent Company	06/30/2021				12/31/2020			
	Cost	Accumulate d amortization	Provision for impairment	Account ing Balance	Cost	Accumulate d amortization	Provision for impairment	Account ing Balance
	Software	639,234	(375,722)	(2)	263,510	570,120	(336,496)	(2)
Goodwill	69,700	(48,589)	(1,094)	20,017	59,519	(47,956)	(1,094)	10,469
Intangibles in process	80,318	-	-	80,318	50,869	-	-	50,869
Total	789,252	(424,311)	(1,096)	363,845	680,508	(384,452)	(1,096)	294,960

Consolidated	Cost	Accumulate d amortization	Provision for impairment	Account ing Balance	Cost	Accumulate d amortization	Provision for impairment	Account ing Balance	
	Software	639,234	(375,722)	(2)	263,510	570,120	(336,496)	(2)	233,622
	Goodwill	69,700	(48,589)	(1,094)	20,017	59,519	(47,956)	(1,094)	10,469
Intangibles in process	80,782	-	-	80,782	50,869	-	-	50,869	
Total	789,716	(424,311)	(1,096)	364,309	680,508	(384,452)	(1,096)	294,960	

b) Changes in intangibles:

	Parent Company								
	Average amortization rate (% annual)	Balance on December 31, 2020	Additi ons (i)	Amortizati on	Dispos als (Write- offs)	Transfers	Property and equipment transfers	Reversals (provisions) Impairment	Balance on June 30, 2021
Software	13%	233,622	-	(39,227)	(22)	61,648	7,489	-	263,510
Goodwill	10%	10,469	-	(1,352)	-	10,900	-	-	20,017
Intangibles in process	-	50,869	101,997	-	-	(72,548)	-	-	80,318
Total		294,960	101,997	(40,579)	(22)	-	7,489	-	363,845

	Parent Company								
	Average amortization rate (% annual)	Balance on December 31, 2019	Additions	Amortizati on	Disposal s (Write- offs)	Transfers	Property and equipment transfers	Reversals (provisions) Impairment	Balance on June 30, 2020
Software	13%	177,968	-	(31,215)	-	-	62,141	1	208,895
Goodwill	10%	9,372	-	(1,029)	-	-	-	-	8,343
Total		187,340	-	(32,244)	-	-	62,141	1	217,238

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		Consolidated							
	Average amortization rate (% annual)	Balance on December 31, 2020	Additions (i)	Amortization	Disposals (Write-offs)	Transfers	Property and equipment transfers	Reversals (provisions) Impairment	Balance on June 30, 2021
Software	13%	233,622	-	(39,227)	(22)	61,648	7,489	-	263,510
Goodwill	10%	10,469	-	(1,352)	-	10,900	-	-	20,017
Intangibles in process	-	50,869	102,461	-	-	(72,548)	-	-	80,782
Total		294,960	102,461	(40,579)	(22)	-	7,489	-	364,309

	Average amortization rate (% annual)	Balance on December 31, 2019	Additions	Amortization	Disposals (Write-offs)	Transfers	Property and equipment transfers	Reversals (provisions) Impairment	Balance on June 30, 2020
Software	13%	177,968	-	(31,215)	-	-	62,141	1	208,895
Goodwill	10%	9,372	-	(1,029)	-	-	-	-	8,343
Total		187,340	-	(32,244)	-	-	62,141	1	217,238

- (i) Between January and June 2021, the Company purchased R\$101,997 in intangibles (R\$102,461 consolidated), R\$9,889 are accounts payable registered in parent company suppliers, and R\$12,070 disbursed in 2021 for purchases that took place before December 31, 2020.

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).

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17. Leases

Based on a Review of Technical Pronouncement 16/2020, which clarifies Technical Pronouncement CPC 06 (R2)/IFRS16 regarding Covid-19-related benefits granted to the lessors in Lease Agreements, the Company analyzed its leases together with its partner Lessors and concluded that the lease negotiations resulting from COVID-19 do not constitute a contractual amendment and thus have no impact on re-measurement of the leases. The discount obtained from negotiations in first semester of 2021 was R\$25,932 (R\$89,781 in 2020), net of PIS/COFINS, recorded under results for the period, occupancy costs. Deferred payments with no further burden to the Company added up to R\$7,550 and are booked under lease liabilities until they are settled.

Following the guidelines in CVM/SNC/SEP Memo 01/2020, the Company 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 compliant with CPC06 (R2) /IFRS16.

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). Rates are updated for each new lease agreement.

Incremental rates based on lease terms		
Contractual terms	Real Rate (% p.y.)	Nominal Rate (% p.y.)
0 to 3 years	1.8 - 4.4	4.0 - 9.2
3 to 5 years	2.2 - 4.8	5.4 - 9.7
5 to 6 years	2.7 - 4.7	5.9 - 9.6
6 to 10 (or more) years	3.9 - 5.5	7.0 - 10.4

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

	Right-of-use asset			Lease liabilities
	Real Estate	Equipment	Total	
Balance on December 31, 2020	1,507,566	6,872	1,514,438	(1,654,796)
Amortization (i)	(166,843)	(913)	(167,756)	-
Financial charges	-	-	-	(70,354)
Payments of principal	-	-	-	209,004
Provisions for dismantling costs	810	-	810	-
Impairment	(179)	-	(179)	-
New/renewed/closed Agreements (ii)	47,118	-	47,118	(44,854)
Re-measurements (iii)	97,989	(248)	97,741	(99,804)
On June 30, 2021	1,486,461	5,711	1,492,172	(1,660,804)
Current liabilities				(435,750)
Non-current liabilities				(1,225,024)

- (i) In this table amortization has not been corrected in the amount of R\$19,001 for PIS/COFINS credits on lease payments, nor R\$4,074 in interest, recorded directly as a reduction of amortization and interest expenses in the statements of operation.
- (ii) This is due to the addition of 7 new agreements (new stores), 2 renewals and 2 terminated agreements.
- (iii) This refers to the annual re-measurement inflation adjustments on minimal lease payments as per the respective agreements and lease renewals;

	Right-of-use asset			Lease liabilities
	Real Estate	Equipment	Total	
Balance on December 31, 2019	1,501,141	6,674	1,507,815	(1,587,680)
Amortization	(149,570)	(691)	(150,261)	-
Financial charges	-	-	-	(70,825)
Payments made (principal)	-	-	-	168,447
Payments made (interest)	-	-	-	4,591
Provisions for dismantling costs	270	-	270	-
Impairment	(4,422)	-	(4,422)	-
Re-measurements	219,787	-	219,787	(219,787)
On June 30, 2020	1,567,206	5,983	1,573,189	(1,705,254)
Current liabilities				(392,618)
Non-current liabilities				(1,312,636)

- b) Comparison of lease projections in the different scenarios.

In compliance with CVM guidelines and in order to provide the market with a comprehensive view of the different effects of applying models, with and without inflation, on the flow of minimum lease payments using a given incremental borrowing rate (4.0% to 10.4%), below is a comparative list of the right-of-use lease liabilities, financial expenses and amortization expenses for the current and coming years in the following scenarios:

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

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The Company adopted scenario 2 for the period ending June 30, 2021, as determined by CPC06(R2) / IFRS16. The comparative balances of lease liabilities are submitted below:

	06/30/2021	12/31/2020
Lease liabilities		
Scenario 1	1,932,669	1,906,242
Scenario 2 (book value)	1,660,804	1,654,796
Financial Charges		
Scenario 1	79,031	158,543
Scenario 2 (book value)	70,354	139,120
Depreciation Expenses		
Scenario 1	186,077	340,495
Scenario 2 (book value)	167,756	306,443
Total Expenses		
Scenario 1	265,108	499,038
Scenario 2 (book value)	238,110	445,563

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:

	06/30/2021		12/31/2020	
	Payments	Potential PIS/COFINS Rights	Payments	Potential PIS/COFINS Rights
Coming due				
Less than one year	429,453	(38,731)	406,551	(36,602)
One to five years	1,298,009	(116,868)	1,286,360	(115,719)
Over five years	365,315	(32,734)	416,125	(38,005)
Total minimum payments	2,092,777	(188,333)	2,109,036	(190,326)
Minimum payments discounted to present value	(431,973)	39,509	(454,240)	41,118
Present value of the minimum payments	1,660,804	(148,824)	1,654,796	(149,208)
Current liabilities	435,780		390,603	
Non-current liabilities	1,225,024		1,264,193	

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

During the six month period ending June 30, 2020, the expense associated with the 16 variable lease agreements was R\$1,271 (14 agreements or R\$794 in 2Q20). 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\$8,197 (R\$7,566 in 3Q21) 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.

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d) Impairment

Right-of-use assets are also subject to the impairment test. The approach is the same used for property and equipment (Note 15.c).

18. Suppliers

	Parent Company		Consolidated	
	06/30/2021	12/31/2020	06/30/2021	12/31/2020
Goods Suppliers	460,326	623,775	460,326	623,775
Materials, asset and service suppliers	229,700	324,746	229,996	324,770
Suppliers – forfeit agreements	178,140	235,179	178,140	235,179
	868,166	1,183,700	868,462	1,183,724
Current liabilities	847,677	1,158,890	847,973	1,158,914
Non-current liabilities	20,489	24,810	20,489	24,810

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

Under these agreements, the financial institution advances a given amount to the supplier and, when this amount comes due, it is paid back by the Company. The decision to subscribe to this type of transaction is solely the suppliers. The agreement does not change the commercial conditions, terms and prices previously agreed between the Company and its supplier. For this reason, the balances payable were kept under the item "suppliers". Since April 2020, the Company has used an agreement for these transactions, and received commissions in the amount of R\$5,948 for the period ended June 30, 2021.

On June 30, 2021 the monthly rate varied between 0.75% and 1.21% (compared to 1.0% to 1.95% on December 31, 2020).

In the first half of 2021, R\$543 were advanced to suppliers, with a resulting revenue of R\$14 (in the same period of 2020, R\$247,071 were advanced, with a resulting revenue of R\$9,812), booked as financial income, net of funding costs. On June 30, 2021 the balance of payments advanced by C&A directly to suppliers with due dates after the date of advance was R\$532 (R\$53 on June 30, 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 on June 30, 2021 and December 31, 2020 were 0.31% and 0.16% 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. Loans and debentures

a) Breakdown of the loans and debentures

Descriptions	Rate (% p.y.)	Due on	Parent Company and Consolidated	
			06/30/2021	12/31/2020
Promissory notes (i)	100% CDI+ 1.09%	2021 - 2023	495,909	501,267
CCB (ii)	100% CDI + 3.45%	2021	-	354,226
CCB (iii)	100% CDI + 2.95%	2023	230,000	235,748
CCB (iii)	100% CDI + 2.90%	2022 - 2024	126,332	122,969
Debentures - Issue 1 - Single Series	100% CDI + 2.15%	2024 - 2025	502,412	-
(-) Transaction costs to appropriate			(5,305)	(2,958)
Total			1,349,348	1,211,252
Current liabilities			69,142	390,600
Non-current liabilities			1,280,206	820,652

- i. On April 3, 2020, the Company issued its first Promissory Notes in 6 series for public distribution with limited effort (CVM 476), 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. The second principal settlement took place in April 2021, along with R\$12,911 in interest (the first payment of R\$11,197 was made in October). Further payments will be made every 6 months. The costs incurred with the 1st issue of promissory notes, including fees, commissions and other costs, totaled R\$1,347 and are recorded as a reduction in liabilities and offset against income on a monthly basis during the debt period. The amount appropriated in the period ended June 30, 2021 was R\$224 (R\$75 in the same period in 2020).
- ii. On April 9, 2020 the company issued two CCBs, which together 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 payed on a half-yearly basis and capital will be amortized on the due date in 2021. The first interest payment was in October 2020, in the amount of R\$10,395. In April 2021 R\$350,000 in principal and R\$9,732 in interest were paid.
- iii. On June 30, 2020 the Company issued two CCBs as follows:
 - The first, in the amount of R\$230,000 paying the equivalent of 100% of the accumulated variation in the average daily DI rate, plus an annual surcharge of 2.95% and half-yearly interest payments in 6 installments. The principal will be amortized on the maturity date in 2023. The first interest payment happened in January 2021 in the amount of R\$5,823 and the second in June 2021, in the amount of R\$6,258;
 - The second, in the amount of R\$120,000 paying the equivalent to 100% of the accumulated variation in the average daily DI rate, plus an annual surcharge of 2.90% and half-yearly interest payments in 6 installments of R\$20,000, the first due in January 2022 and the last in June 2024.

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Costs incurred with the issuance of CCBs (1st and 2nd issuance), including fees, commissions and other costs, totaled R\$3,647 and are being recorded as a reduction in liabilities and allocated to income on a monthly basis during the debt period. The amount appropriated in the period ended June 30, 2021 was R\$984 (R\$376 in the same period in 2020).

- iv. On May 20, 2021 the Company issued its first series of simple, non-secured, non-convertible debentures for public distribution with limited effort (CVM n. 476), in the amount of R\$500,000 with a yield of 100% of the DI, plus an annual surcharge of 2.15% effective for 4 (four) years and amortized annually in 2 (two) installments as of year 3 from the date of issue of the debentures. The first installment, equivalent to 50% of the nominal unit amount due on May 20, 2024 and the last on the maturity date of May 20, 2025. Costs incurred with the 1st issue of debentures, including fees, commissions and other costs, totaled R\$3,619 and are being recorded as a reduction in liabilities and allocated to income on a monthly basis during the debt period. The amount appropriated in the period ended June 30, 2021 was R\$75.

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

b) Payment forecast

The following is a forecast of the payment of long-term loans:

	Parent Company and Consolidated
Due on	06/30/2021
2021	21,266
2022	91,347
2023	698,017
2024	289,095
2025	249,623
	1,349,348

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c) Changes in loans

Changes in third party loans break down as follows:

	Parent Company and Consolidated	
	06/30/2021	06/30/2020
Balance on December 31	1,211,252	-
New loans/debentures	500,000	1,200,000
Interest	24,814	9,720
Funding costs	(3,678)	(4,994)
Amortization costs	1,332	438
Interest payment	(21,872)	-
Payment of principal	(362,500)	-
On June 30	1,349,348	1,205,164

d) Restrictive covenants

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

- Maintain a Net Debt/Adjusted Ebitda ratio less than or equal to 3.0x, to be calculated each year based on the consolidated financial statements. For this calculation, the Adjusted EBITDA for the last 12 (twelve) months is considered.

The Company monitors financial indicators that may impact the covenants from time to time. The covenants are the normal ones for transactions of this nature and so far, have not limited limit the Company's ability to conduct its business in any way.

20. Labor liabilities

	Parent Company		Consolidated	
	06/30/2021	12/31/2020	06/30/2021	12/31/2020
Wages, profit sharing and payroll taxes	59,349	81,068	59,349	81,068
Vacation, 13th salary and social charges	76,557	59,500	76,557	59,500
	135,906	140,568	135,906	140,568
Current liabilities	129,534	136,126	129,534	136,126
Non-current liabilities	6,372	4,442	6,372	4,442

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21. Taxes payable

	Parent Company		Consolidated	
	06/30/2021	12/31/2020	06/30/2021	12/31/2020
ICMS	30,891	99,525	30,891	99,525
PIS/COFINS (taxes on revenue)	32,029	24,997	32,041	25,012
IRRF (withholding taxes)	-	-	3	-
Other	6,925	7,415	6,937	7,415
	69,845	131,937	69,872	131,952
Current liabilities	42,606	106,940	42,633	106,955
Non-current liabilities	27,239	24,997	27,239	24,997

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

22.1. Provisions for tax, civil and labor proceedings (Parent Company and Consolidated)

The Company is a party in administrative and judicial claims of tax, civil and labor natures. On the advice of its legal advisors, Management believes it must create provisions to cover likely and reasonably estimable losses where disbursement of financial resources by the Company is likely. The balance of provisions is as follows:

	12/31/2020	Addition (reversal)	Utilization	Update	06/30/2021
Tax	200,437	36,371	(1,021)	1,989	237,776
Labor 22.1 (iv)	74,994	(40,125)	(6,483)	3,931	32,317
Civil	8,884	3,835	(4,466)	771	9,024
Provisions for tax, civil and labor proceedings	284,315	81	(11,970)	6,691	279,117
Judicial deposits with a corresponding liability	(54,191)	(30,191)	-	(295)	(84,677)
Net provisions for judicial deposits	230,124	(30,110)	(11,970)	6,396	194,440

	12/31/2019	Addition (reversal)	Utilization	Update	06/30/2020
Tax	179,919	1,388	-	1,451	182,758
Labor	89,505	(4,488)	(5,957)	5,776	84,836
Civil	4,138	713	(2,126)	415	3,140
Provisions for tax, civil and labor proceedings	273,562	(2,387)	(8,083)	7,642	270,734
Judicial deposits with a corresponding liability	(39,720)	-	-	(432)	(40,152)
Net provisions for judicial deposits	233,842	(2,387)	(8,083)	7,210	230,582

Tax provisions refer substantially to discussions regarding the following taxes:

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(i) PIS/COFINS (taxes on revenue)

On June 30, 2021, the Company had provisions for PIS and COFINS risks in the amount of R\$130,042 (R\$128,753 on December 31, 2020). The most significant values are associated with credits used with inputs for its end-activity, in the amount of R\$83,052 (R\$82,271 on December 31, 2020), and Cofins Import credits, in the amount of R\$39,246 (R\$38,858 on December 31, 2020). For the latter case, on June 30, 2021 the Company had an updated deposit balance in the amount of R\$37,074 (R\$36,785 on December 31, 2020).

(ii) ICMS (State Value Added Tax)

On June 30, 2021 the Company had provisions for ICMS risk in the amount of R\$37,785 (R\$39,550 on December 31, 2020). 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\$10,423 (R\$10,377 on December 31, 2020), and discussions regarding ICMS rates on energy, in the amount of R\$17,636 (R\$16,278 on December 31, 2020). In April 2021 the Company adhered to the State of RJ installment program and settled the amount of R\$2,779.

(iii) Other taxes

On June 30, 2021 the Company had provisions for tax risk related to other taxes in the amount of R\$69,952 (R\$32,135 on December 31, 2020), including R\$37,638 related to CPRB, as described below. The most significant amounts were related to ISS (tax on services) in the amount of R\$5,214 (R\$5,105 on December 31, 2020), IPTU (property taxes) in the amount of R\$8,387 (R\$8,352 on December 31, 2020), and FGTS in the amount of R\$16,768 (R\$16,748 on December 31, 2020).

(iii.i) ISS and ICMS on the basis for calculation – CPRB

On the advice of its legal counsel, on December 31, 2019 the company reversed provisions for CPRB [Social Security Contribution on Gross Revenue], in the amount of R\$36.746, for the case in which exclusion of ICMS and ISS from its basis of calculation is being discussed.

On June 30, 2021 the matter was reviewed by the Federal Supreme Court, which stated it's understanding that ICMS and ISS are part of the basis for calculating CPRB, contradicting the concept resulting from leading case (RE n. 574.706), which established the thesis that ICMS is not part of the basis for calculating PIS and COFINS.

Although the legal discussion is similar to that judged by the Federal Supreme Court excluding ICMS from the basis for calculating PIS and COFINS, the understanding changed resulting in a ruling unfavorable to the taxpayers.

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For these reasons the Company's legal advisors opted for a prognosis of likely risk for the concrete case. Thus, on June 30, 2021 the company created [reserves] of R\$37,638.

(iv) Civil and labor

To improve how it measures the values associated with labor claims and thus the presentation of likely losses based on the past 4 (four) years, the Company reviewed the methodology applied to similar labor claims. Therefore, it now understands that the best estimate of the risk of loss (and thus to create provisions), is to calculate the historical behavior based on actual losses in similar claims. Thus, the measurement of provisions for labor claims is not obtained by applying the historical percent losses to the total value of the claim (which is the maximum exposure to which the Company is subject) for each claim, as informed by the Company's legal advisors. As a result of this review the Company booked R\$41,418 in reversals in the period. The criteria used to calculate civil claims did not change.

(v) Judicial deposits with a corresponding liability

1% additional COFINS for imports

On March 7, 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.

On March 26, 2018, said injunction was revoked. As such, the Company offered a guarantee to suspend the enforceability of the tax credit in order to continue challenging the matter in the higher courts. The company made judicial deposits in the amount of R\$33,795. On June 30, 2021 the updated amount was R\$37,074 (R\$36,785 on December 31, 2020), equivalent to the credits taken during the period plus interest. The Company has provisions of R\$39,246 (R\$38,858 on December 31, 2020) for this.

(vi) FGTS

In September 2020 the Company reclassified the balance of the legal deposit created for FGTS, in the amount of R\$16,686, to deposits with corresponding liabilities.

(vii) ISS and ICMS on the basis for calculation – CPRB

On August 28, 2013, the Company filed a claim to exclude ICMS and ISS from the basis for calculating CPRB - Social Security on Gross Revenue. The Company opted for monthly

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payments to CPRB as a judicial deposit, from January 2014 to November 2015. The updated amount on June 30, 2021 was R\$30,191 (R\$29,941 on December 31, 2020).

22.2. 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, and/or because of a strategic decision by Management to protect its cash. On June 30, 2021, R\$1,053 were raised due to the replacement of a guarantee. On this same date the Company reclassified the balance of the judicial deposit created for CPRB, in the amount of R\$30,191 in the deposits with corresponding liabilities account. Thus, the updated amount of the judicial deposit is as follows:

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

	Parent Company and Consolidated	
	06/30/2021	12/31/2020
Tax	15,562	47,785
Civil and labor	32,809	33,728
Total	48,371	81,513

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

22.3. Non-provisioned contingencies

On June 30, 2021 the Company had an updated amount of R\$295,185 (R\$292,277 on December 31, 2020) associated with judicial and/or administrative claims where it is considered possible that the Company will lose, and for this reason accounting provisions are not made, as per the relevant accounting standards.

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

- (a) PIS and COFINS - At the rate of zero on the sale of electronic goods - Law No. 11,196/05 ("Lei do Bem" - tax relief law): refers to claim discussing the reinstatement of the benefit provided for by Law No. 11,196/05, suspending the enforcement of PIS and COFINS levy on the sale of electronic products, revoked by Provisional Measure # 690/2015, signed into Law # 13,241/15, On October 7, 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 insurance bond, the non-

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provisioned contingency was adjusted. The updated amount on June 30, 2021 was R\$173,820 (R\$172,197 on December 31, 2020).

- (b) Social Security Contribution on Healthcare and Hospitalization: notice of violation was issued against the Company demanding the payment of social security contributions supposedly levied on the amounts paid as Healthcare and Hospitalization to its insured employees for the period between December 12, 1997 and February 28, 2005. In February 2020, based on the favorable decision issued by the appeals power, part of the amount was reversed. On June 30, 2021 the updated balance of the proceeding totals R\$8,824 (R\$8,130 on December 31, 2020).
- (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. On June 30, 2021 the updated value of the tax violations classified as possible was approximately R\$25,088 (R\$24,926 on December 31, 2020).
- (d) Import Taxes on Royalties refers to notices of tax violations demanding 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 imported goods. On March 31, 2021 R\$99 were reversed to reflect the amount stated by the company's legal advisors in reports. On June 30, 2021 the updated amount associated with these assessments is R\$17,390 (R\$17,248 on December 31, 2020).

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.

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23. Shareholder's equity

23.1 Capital stock

On June 30, 2021 the Company's Capital stock was R\$1,847,177, represented by 308,245,068 fully paid-in common shares, 106,394,544 common shares in free-float (106,394,544 common shares in December 2020).

On June 30, 2021 the ownership of Company shares broke down as follows:

	06/30/2021		12/31/2020	
	Number of shares	%	Number of shares	%
COFRA SARL Investments	100,363,049	32.56%	100,363,049	32.56%
Incas SARL	100,939,166	32.75%	100,939,166	32.75%
COFRA Latin America	17,212	0.01%	17,212	0.01%
Management	531,097	0.17%	531,097	0.17%
Free Float	106,394,544	34.52%	106,394,544	34.52%
Total	308,245,068	100%	308,245,068	100%

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

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

23.2 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.

23.3 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.

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23.4 Reserve for unrealized gains

On December 31, 2019 the company set aside R\$86,014 as a reserve for unrealized gains. Following a discussion at the General Meeting held on June 26, 2020 this amount was transferred to the special dividends reserve that, on December 31, 2020, was fully absorbed by part of the losses in 2020. (see note 24)

23.5 Reserve for investments

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

On June 26, 2020 the General Shareholder's Meeting decided to set aside R\$748,300 of the 2019 profit as a reserve for investments, as per the capital budget.

On December 31, 2020, R\$6,204 of the investment reserves were used to absorb part of the losses in 2020.

23.6 Reserve for tax incentives

The Company has ICMS tax incentives in the form of presumed credit due to its operations in the State of Santa Catarina. Thus, it recognizes the impact as credit in the statement of earnings in those periods in which it recognizes the related costs. Management set aside the amounts of these incentives as tax incentive reserves. On June 30, 2021 this reserve for tax incentives amounted to R\$6,194 (R\$1,874 on December 31, 2020).

23.7 Adjustments to equity valuation

This refers to the effective portion of financial instruments designated as cash flow hedge, as per Note 28.

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24. Dividends and interest on shareholder's equity

As stipulated in the Company Bylaws, each period the Company shareholders have the right to receive the minimum mandatory 25% of net profits for the period, less legal reserves and plus the reversal of previous reserves, as dividends.

In 2020, part of the mandatory dividends for 2019 were set aside for the reserve for unrealized profits and, in June 2020, to the special dividends reserve. The remaining dividends in the amount of R\$78,133 (R\$68,846 net of withheld income tax) were paid in December 2020.

The Company suffered a loss in the period ended December 31, 2020, and for this reason did not calculate dividends payable.

	Balance on March 31, 2020	OSM June 2020	Balance on June 30, 2020	Transactions in December 2020		Balance on June 30, 2020
		Constitution of a special reserve for dividends		Loss absorption	Payment of Interest on Equity	
Reserve for unrealized profits	86,014	(86,014)	-	-	-	-
Dividends and interest on shareholder's equity	144,834	(75,988)	68,846	-	(68,846)	-
Interest on Shareholder's Equity	78,133	-	78,133	-	(78,133)	-
Withheld income tax on interest on shareholders' equity	(9,287)	-	(9,287)	-	9,287	-
Dividends	75,988	(75,988)	-	-	-	-
Special reserve for dividends	-	162,002	162,002	(162,002)	-	-
Mandatory dividends	230,848	-	230,848	(162,002)	(68,846)	-

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25. Net Revenue

	Parent Company		Consolidated	
	06/30/2021	06/30/2020	06/30/2021	06/30/2020
Sale of Goods	2,619,262	1,615,647	2,619,262	1,615,647
Cancellations and exchanges of goods	(212,656)	(92,756)	(212,656)	(92,756)
Sales taxes	(564,281)	(342,322)	(564,281)	(342,322)
Net revenue from goods	1,842,325	1,180,569	1,842,325	1,180,569
Commission revenue from the sale of financial services - Bradescard partnership	91,931	70,466	91,931	70,466
Commission revenue from the sale of partner insurance	16,688	22,468	16,688	22,468
Commission revenue from other services rendered	11,319	8,242	11,319	8,242
Net revenue from credit securitization	-	-	1,296	1,338
Taxes on commissions and services	(11,830)	(11,674)	(11,893)	(11,741)
Net revenue from services	108,108	89,502	109,341	90,773
	1,950,433	1,270,071	1,951,666	1,271,342

26. Earnings by nature

26.1. Classified by function

	Parent Company		Consolidated	
	06/30/2021	06/30/2020	06/30/2021	06/30/2020
Cost of sales and services rendered	(1,052,233)	(651,756)	(1,052,233)	(651,756)
General and administrative expenses	(208,812)	(218,686)	(209,757)	(219,598)
Sales	(905,179)	(690,155)	(905,179)	(690,155)
Other operating income (expenses)	132,150	(4,237)	132,150	(4,237)
	(2,034,074)	(1,564,834)	(2,035,019)	(1,565,746)

26.2. Cost of sales by nature

	Parent Company		Consolidated	
	06/30/2021	06/30/2020	06/30/2021	06/30/2020
Cost of goods sold	(1,031,165)	(640,379)	(1,031,165)	(640,378)
Cost of services rendered	(459)	(549)	(459)	(549)
Other	(20,609)	(10,828)	(20,609)	(10,829)
	(1,052,233)	(651,756)	(1,052,233)	(651,756)

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26.3. General and administrative expenses by nature

	Parent Company		Consolidated	
	06/30/2021	06/30/2020	06/30/2021	06/30/2020
Staff	(121,546)	(121,925)	(121,546)	(121,925)
Third party materials/services	(55,690)	(48,232)	(56,632)	(49,144)
Depreciation and amortization	(46,673)	(40,754)	(46,673)	(40,754)
Depreciation of right-of-use	(10,731)	(9,662)	(10,731)	(9,662)
Occupancy	(1,710)	(2,402)	(1,710)	(2,402)
Other (b)	27,538	4,289	27,535	4,289
	(208,812)	(218,686)	(209,757)	(219,598)

- (a) The Company opted to adopt the practical expedient in CPC06 (R2) and consider lease discounts due to the pandemic, in the amount of R\$369 in 2H21 (R\$1,179 in the same period in 2020) as a deduction of occupancy costs.
- (b) 2021 includes the reversal for labor provisions in the amount of R\$41,418 (note 22.1.iv)

26.4. Selling expenses by nature

	Parent Company		Consolidated	
	06/30/2021	06/30/2020	06/30/2021	06/30/2020
Staff	(260,161)	(229,674)	(260,161)	(229,674)
Third party materials/services	(145,811)	(89,412)	(145,811)	(89,412)
Depreciation of right-of-use	(142,098)	(126,909)	(142,098)	(126,909)
Depreciation and amortization	(70,222)	(80,348)	(70,222)	(80,348)
Occupancy	(119,376)	(62,528)	(119,376)	(62,528)
Advertising and promotions	(105,422)	(54,076)	(105,422)	(54,076)
Other	(62,089)	(47,208)	(62,089)	(47,208)
	(905,179)	(690,155)	(905,179)	(690,155)

- (a) The Company chose to adopt the practical expedient in CPC06 (R2) and consider lease discounts due to the pandemic, in the amount of R\$26,828 in 2nd semester of 2021 (R\$56,115 in the same period in 2020) as a deduction of occupancy costs.

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26.5. Other net operating revenue (expenses) by nature

	Parent Company		Consolidated	
	06/30/2021	06/30/2020	06/30/2021	06/30/2020
Results from asset write-offs	(3,588)	(4,465)	(3,588)	(4,465)
Reversal (provision) for impairment:				
Store/DC closures/revamps	(2,102)	3,687	(2,102)	3,687
Impairment test	2,021	(7,582)	2,021	(7,582)
Recovery of tax credits				
Previously unused PIS / COFINS credit	173,339	-	173,339	-
Social security credits	4,358	12,984	4,358	12,984
Reversal (provision) for tax contingencies	(35,295)	(2,791)	(35,295)	(2,791)
Strategic consulting services	(7,147)	(1,307)	(7,147)	(1,307)
Other	564	(4,763)	564	(4,763)
	132,150	(4,237)	132,150	(4,237)

(a) The numbers for 2021 include R\$36,746 as tax provisions for CPRB (note 22.1.iii.i)

27. Finance results

	Parent Company		Consolidated	
	06/30/2021	06/30/2020	06/30/2021	06/30/2020
<u>Exchange variation</u>				
Exchange variation - Purchases	1,286	(12,710)	1,286	(12,710)
	1,286	(12,710)	1,286	(12,710)
<u>Finance expenses</u>				
Interest on loans - third parties	(24,814)	(9,720)	(24,814)	(9,720)
Bank expenses and IOF	(905)	(898)	(907)	(900)
Interest on taxes and contingencies	(7,062)	(12,440)	(7,062)	(12,440)
Interest on leases	(66,280)	(67,458)	(66,280)	(67,458)
Supplier financial expenses - PVA	(7,656)	(9,749)	(7,656)	(9,749)
Other	(1,418)	(447)	(1,418)	(447)
	(108,135)	(100,712)	(108,137)	(100,714)
<u>Financial income</u>				
Interest (a)	81,183	22,958	81,184	22,961
Supplier financial income	5,964	9,460	5,964	9,460
Other	57	854	57	855
	87,204	33,272	87,205	33,276
Net financial results	(19,645)	(80,150)	(19,646)	(80,148)

(a) In June 2021, interest revenue includes R\$61,365 related to updating the extemporaneous PIS/COFINS tax credits due to the exclusion of ICMS from the basis of calculation, less R\$ 2,854 in PIS/COFINS taxes.

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28. Financial instruments and capital management

28.1. 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, and shares, among others.

Interest rate risk

The Company is exposed to the risk of changes in interest rate that could impact returns on its short-term assets and financial liabilities indexed to the CDI. The Company ran tests using scenarios for the next disclosure to demonstrate how fluctuations in this index impact results. Interest rates for the favorable scenario were taken from the reference rates published on the B3 site on 06/30/2021 (annualized CDI of 5.63% and 4.01% for the six-month period)

		Parent Company and Consolidated						
		Balance on June 30, 2021	Rate	Likely scenario	Increasing interest		Decreasing interest	
Risk	Possible Scenario +25%				Remote Scenario +50%	Possible Scenario -25%	Remote Scenario -50%	
Financial investments (ii)	Lower CDI	803,188	CDI	31,093	38,866	46,640	23,320	15,547
Loans	Higher CDI	(1,349,348)	CDI	(54,109)	(67,636)	(81,163)	(40,582)	(27,054)
Net exposure/Impact on earnings prior to IT/SC		(546.160)		(23,016)	(28,770)	(34,523)	(17,262)	(11,507)
Impact on earnings, net of IT/SC				(15,191)	(18,988)	(22,785)	(11,393)	(7,595)

(i) Financial revenue stated net of 4.65% PIS and COFINS. For financial investments we considered an average yield of 101.29% of the CDI.

Exchange risk

Foreign currency exchange risk exists in future commercial transactions, primarily those associated with US-Dollar denominated imports. The foreign currency risk management

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policy is defined by Management and approved by the Auditing and Risk Management Committee.

The Company hedges against exchange variations in the outstanding balance of its imports by entering into Non-Deliverable Forward Contracts (NDFs) for highly probable budgeted 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%). The US Dollar exchange rate used in the sensitivity analysis was taken by the FOCUS report published by the Brazilian Central Bank on July 2, 2021. Scenario estimates were used according to CVM Instruction 475/08,

	Risk	Notional USD (Payable)/ Receivable	Negative Scenarios			
			Scenario Likely USD 1 = R\$ 5.04	Possible Scenario +25% USD 1 = R\$ 6.30	Scenario Remote +50% USD 1 = R\$ 7.56	
Hedge object	Purchasing orders for imported goods and imports in transit	Increase in the USD exchange	(30,090)	(1,138)	(39,051)	(76,964)
Hedge Instruments	NDF	Decrease in the USD exchange	17,496	662	22,707	44,752
	Net exposure of import orders		(12,594)	(476)	(16,344)	(32,212)
	Non-recoverable taxes (36%)		(10,832)	(410)	(14,058)	(27,707)
	Total net exposure Impact on earnings, net of IT/SC		(23,426)	(886)	(30,402)	(59,919)
			(15,461)	(585)	(20,065)	(39,547)

USD on 06/30/2021 = R\$ 5.0022

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.

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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	USD thousand		Counterparty	USD thousand	
	Budget (hedged)	Due on		NDF reference value	
Jul'21	(959)	Jul'21	Itaú	959	
Jul'21	(1,140)	Jul'21	"Santander.	1,140	
Aug'21	(1,861)	Aug'21	Itaú	1,861	
Sep'21	(760)	Sep'21	Itaú	760	
Sep'21	(705)	Sep'21	"Santander.	705	
Oct'21	(1,942)	Oct'21	Itaú	1,942	
Nov'21	(2,362)	Nov'21	Itaú	2,362	
Nov'21	(100)	Nov'21	"Santander.	100	
Dec'21	(1,253)	Dec'21	Bradesco	1,253	
Dec'21	(1,880)	Dec'21	Itaú	1,880	
Jan'22	(610)	Jan'22	Bradesco	610	
Feb'22	(716)	Feb'22	"Santander.	716	
Mar'22	(967)	Mar'22	"Santander.	967	
Apr'22	(68)	Apr'22	Bradesco	68	
Apr'22	(1,307)	Apr'22	Itaú	1,307	
May'22	(866)	May'22	"Santander.	866	
Total	(17,496)			17,496	

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 of the forward contracts (Non-Deliverable Forwards - NDF) used to hedge exchange rate risk on June 30, 2021:

Derivative	Position	Contract	Contract date	Maturity date	Reference (notional) value - USD	Fair value
Term	Purchased	NDF	16/10/2020	21/07/2021	640	(441)
Term	Purchased	NDF	16/10/2020	18/08/2021	445	(314)
Term	Purchased	NDF	16/10/2020	15/09/2021	505	(355)
Term	Purchased	NDF	16/10/2020	20/10/2021	605	(429)
Term	Purchased	NDF	01/12/2020	17/11/2021	945	(302)
Term	Purchased	NDF	17/12/2020	21/07/2021	959	(123)
Term	Purchased	NDF	17/12/2020	18/08/2021	670	(92)
Term	Purchased	NDF	17/12/2020	15/09/2021	760	(107)
Term	Purchased	NDF	17/12/2020	20/10/2021	907	(124)
Term	Purchased	NDF	17/12/2020	17/11/2021	1,417	(188)
Term	Purchased	NDF	13/01/2021	15/12/2021	1,253	(477)
Term	Purchased	NDF	08/02/2021	19/01/2022	610	(253)
Term	Purchased	NDF	12/03/2021	16/02/2022	716	(467)
Term	Purchased	NDF	20/04/2021	16/03/2022	967	(570)
Term	Purchased	NDF	07/05/2021	21/07/2021	500	(131)
Term	Purchased	NDF	07/05/2021	18/08/2021	746	(204)
Term	Purchased	NDF	07/05/2021	15/09/2021	200	(56)
Term	Purchased	NDF	07/05/2021	20/10/2021	430	(120)
Term	Purchased	NDF	07/05/2021	17/11/2021	100	(29)
Term	Purchased	NDF	07/05/2021	15/12/2021	1,880	(553)
Term	Purchased	NDF	07/05/2021	20/04/2022	1,307	(406)
Term	Purchased	NDF	25/06/2021	20/04/2022	68	(4)
Term	Purchased	NDF	25/06/2021	18/05/2022	866	(64)
					17,496	(5,809)
Current assets						-
Current liabilities						(5,809)

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.

On June 30, 2021, non-settled NDF transactions had an outstanding balance net of tax effects in the amount of R\$3,834 (net outstanding debt of R\$4,324 on December 31, 2020), recorded as other comprehensive income.

The amount presented in the statements of comprehensive income refers to the variation between operations not settled in 2020 and 2021. In the period ended June 30, 2021, the Cost of sales was positively impacted by the gain in NDF transactions in the amount of R\$1,157 (gain of R\$6,402 in the same period of 2020).

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.

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There were no ineffective portions in the periods ending June 30, 2021 and 2020.

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 (chargebacks) 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 cashbacks. Historically, credit losses resulting from the agreement with Banco Bradescard are smaller than the gains.

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:

June 30, 2021	Less than one year	1 to 5 years	More than 5 years	Total
Lease liabilities	435,780	977,261	247,763	1,660,804
Loans	69,142	1,280,206	-	1,349,348
Suppliers	847,973	20,489	-	868,462
Total	1,352,895	2,277,956	247,763	3,878,614

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28.2. Capital management

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

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 June 30, 2021.

	Parent Company		Consolidated	
	06/30/2021	12/31/2020	06/30/2021	12/31/2020
Net Debt excluding Lease Liabilities				
Short and long-term loans	1,349,348	1,211,252	1,349,348	1,211,252
Cash and cash equivalents	(878,215)	(1,507,789)	(878,959)	(1,509,159)
Net debt (cash)	471,133	(296,537)	470,389	(297,907)
Non-controlling interests	-	-	2	2
Total shareholder's equity	2,589,803	2,654,798	2,589,805	2,654,800
Financial leverage index	18%	(11%)	18%	(11%)

On June 30, 2021 the balance of lease liabilities amounted to R\$1,660,804 (R\$1,654,796 on December 31, 2020). If lease liabilities are included in the capital management calculations, leverage would be 82%, as follows.

	Parent Company		Consolidated	
	06/30/2021	12/31/2020	06/30/2021	12/31/2020
Net Debt including Lease Liabilities				
Net debt (cash)	471,133	(296,537)	470,389	(297,907)
Lease liabilities	1,660,804	1,654,796	1,660,804	1,654,796
Adjusted net debt	2,131,937	1,358,259	2,131,193	1,356,889
Total shareholder's equity	2,589,803	2,654,798	2,589,805	2,654,800
Financial leverage index	82%	51%	82%	51%

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28.3. Financial instruments - classification

On June 30, 2021 and December 31, 2020, the financial instruments can be summarized and classified as follows:

Parent Company

<u>On June 30, 2021</u>	<u>Amortized Cost</u>	<u>Fair value through other comprehensive results</u>	<u>Total</u>
Financial assets			
Cash and cash equivalents	878,215	-	878,215
Trade receivables	849,866	-	849,866
Related parties	1,096	-	1,096
Judicial deposits	48,371	-	48,371
Financial liabilities			
Lease liabilities	(1,660,804)	-	(1,660,804)
Suppliers	(868,166)	-	(868,166)
Loans	(1,349,348)	-	(1,349,348)
Derivatives	-	(5,809)	(5,809)
Related parties	(22,215)	-	(22,215)
Total on June 30, 2021	(2,122,985)	(5,809)	(2,128,794)

<u>On December 31, 2020</u>	<u>Cost Amortized</u>	<u>Fair value through other Earnings comprehensive</u>	<u>Total</u>
Financial assets			
Cash and cash equivalents	1,507,789	-	1,507,789
Trade receivables	1,063,742	-	1,063,742
Derivatives	-	238	238
Related parties	785	-	785
Judicial deposits	81,513	-	81,513
Financial liabilities			
Lease liabilities	(1,654,796)	-	(1,654,796)
Suppliers	(1,183,700)	-	(1,183,700)
Loans	(1,211,252)	-	(1,211,252)
Derivatives	-	(6,788)	(6,788)
Related parties	(34,766)	-	(34,766)
Total on December 31, 2020	(1,430,685)	(6,550)	(1,437,235)

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Consolidated

On June 30, 2021	Amortized Cost	Fair value through other comprehensive results	Total
Financial assets			
Cash and cash equivalents	878,959	-	878,959
Trade receivables	849,904	-	849,904
Derivatives	-	-	-
Related parties	1,088	-	1,088
Judicial deposits	48,371	-	48,371
Financial liabilities			
Lease liabilities	(1,660,804)	-	(1,660,804)
Suppliers	(868,462)	-	(868,462)
Loans	(1,349,348)	-	(1,349,348)
Derivatives	-	(5,809)	(5,809)
Related parties	(22,215)	-	(22,215)
Total on June 30, 2021	(2,122,507)	(5,809)	(2,128,316)

On December 31, 2020	Amortized Cost	Fair value through other comprehensive results	Total
Financial assets			
Cash and cash equivalents	1,509,159	-	1,509,159
Trade receivables	1,063,844	-	1,063,844
Derivatives	-	238	238
Related parties	124	-	124
Judicial deposits	81,513	-	81,513
Financial liabilities			
Lease liabilities	(1,654,796)	-	(1,654,796)
Suppliers	(1,183,724)	-	(1,183,724)
Loans	(1,211,252)	-	(1,211,252)
Derivatives	-	(6,788)	(6,788)
Related parties	(34,766)	-	(34,766)
Total on December 31, 2020	(1,429,898)	(6,550)	(1,436,448)

28.4. Changes in liabilities associated with financing activities

	December 31, 2020	Cash flows	Interest Incurred	Other	June 30, 2021
Leases (i)	1,654,796	(209,004)	70,354	144,658	1,660,804
Loans	1,211,252	111,950	24,814	1,332	1,349,348
Total	2,866,048	(97,054)	95,168	145,990	3,010,152

- (i) The amount of R\$144,658 presented in "Others" refers to the re-measurement of the correction of lease liabilities due to annual review to adjust minimum lease payments based on the inflation in the lease agreements, in the amount of R\$168,269.

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	Decem ber 31, 2019	Cash flows	Interest Incurred	Other (i)	June 30, 2020
Leases	1,587,680	(173,038)	70,825	219,787	1,705,254
Loans	-	1,195,006	9,720	438	1,205,164
Dividends and Interest on Shareholder's Equity	144,834	-		(75,988)	68,846
Total	1,732,514	1,021,968	80,545	144,237	2,979,264

- (i) The amount of R\$219,787 presented in "Others" refers to the re-measurement of lease liabilities due to annual inflation adjustments of the minimal lease payments based on the lease agreements; the amount of R\$438 refers to the amortization of the transaction cost of the loan; the amount of R\$(75,988) refers to the partial retention of the minimum mandatory dividends already mentioned in Note 23.4

29. 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:

	<u>Consolidated</u>	
	<u>06/30/2021</u>	<u>12/31/2020</u>
Civil Liability and D&O	139,674	125,998
Property and Inventory	600,010	439,957
Shipping	76,480	63,815
	<u>816,164</u>	<u>629,770</u>

30. 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), 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 semester of 2021, the Company contributed R\$4,515 (R\$2,407 in first semester of 2020) to the plans, entered as an expense in the earnings for the period. The total number of participating employees on June 30, 2021 was 9,483 (11,685 on December 31, 2020), with 193 participants under care (181 on December 31, 2020).

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

On June 30, 2021 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\$1,797 (R\$2,208 on December 31, 2020).

31. Earnings per share

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

	<u>06/30/2021</u>	<u>06/30/2020</u>
Basic earnings per share		
Net loss for the year	(69,308)	(247,446)
Weighted average of the number of common shares	308,245,068	308,245,068
Basic loss per share - in R\$	<u>(0.2248)</u>	<u>(0.8028)</u>
Basic diluted earnings per share		
Net loss for the year	(69,308)	(247,446)
Weighted average of the number of outstanding common shares	308,245,068	308,245,068
Weighted average of the options granted as part of the stock-based compensation plan	-	227,340
Weighted average of the diluted number of common shares	<u>308,245,068</u>	<u>308,472,408</u>
Diluted loss per share - R\$	<u>(0.2248)</u>	<u>(0.8022)</u>

The only financial instrument providing dilution is the stock-based compensation plan, described in detail in Note 9. On June 30, 2021, considering the fair value of the Company's common shares and the average share price in the period, the compensation plan would provide an anti-dilution effect, which is why it was not considered in the calculation shown above. On June 30, 2020 the share-based compensation plan provided dilution.