Consolidated Financial Statements under BRGAAP and IFRS

2021

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C&A Modas S.A.

December 31, 2021 and 2020
and Independent Auditor's Report

C&A Modas S.A.

Financial statements

December 31, 2021 and 2020

Contents

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A free translation from Portuguese into English of Independent Auditor's Report on Individual and Consolidated Financial Statements prepared in Brazilian currency in accordance with accounting practices adopted in Brazil and with the International Financial Reporting Standards (IFRS) issued by the International Accounting Standards Board (IASB)

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

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

Opinion

We have audited the individual and consolidated financial statements of C&A Modas S.A. ("Company"), identified as Parent Company and Consolidated, respectively, which comprise the statement of financial position as at December 31, 2021 and the statements of operations, comprehensive income (loss), changes in equity and cash flows for year then ended, and notes to the financial statements, including a summary of significant accounting policies.
In our opinion, the accompanying financial statements present fairly, in all material respects, the individual and consolidated financial position of C&A Modas S.A. as at December 31, 2021, and its individual and consolidated financial performance and cash flows for the year then ended in accordance with the accounting practices adopted in Brazil and with the International Financial Reporting Standards (IFRS) issued by the International Accounting Standards Board (IASB).

Basis for opinion

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

Key audit matters

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

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

<u>Recoverability of deferred income and social contribution tax assets</u>

As disclosed in Note 14, the Company has recorded deferred income and social contribution tax assets in the amount of R$632,364 thousand at December 31, 2021, computed on temporary differences and income and social contribution tax losses carryforward. The Company evaluated the recoverability of deferred income and social contribution tax assets based on projections of future taxable profits.

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

How our audit conducted this matter

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

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

<u>Realization of extemporaneous tax credits</u>

As disclosed in Note 12, on December 31, 2021, the Company has extemporaneous tax credits related to PIS and COFINS in the amount of R$1,521,074 thousand and ICMS in the amount of R$ 32,612 thousand, arising from legal claims that have already become final ruling and causes that await the final ruling, but whose probability of favorable outcome to the Company is considered by the legal advisors as being virtually certain. The Company evaluated the recoverability of these balances based on projections of its prospective financial information.

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

<u>How our audit conducted this matter</u>

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

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

Tax contingencies

The Company is party to administrative and judicial proceedings arising from various tax disputes, whose provision as at December 31, 2021 was R$220,978 thousand (R$135,721 thousand net of judicial deposits with corresponding liabilities), as disclosed in Note 24. The assessment of the probability of loss and the measurement of the provision to cover the probable losses require judgment by the Company’s management, which relies on the opinions of its internal and external legal advisors. Changes in the assumptions used by the Company, which are the basis for exercising this judgment, or on external factors, including the positioning of the tax authorities and courts, may significantly impact the individual and consolidated financial statements of the Company.

Additionally, as of December 31, 2021, the Company is party to tax discussions totaling R$333,892 thousand, as disclosed in Note 24.3, which are not recorded in the financial statements due to Management assessment, supported by its external and internal legal advisors, that the likelihood of loss on these discussions is possible, but not probable.

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

How our audit conducted this matter

Our audit procedures included, among others, the evaluation of the accounting policies adopted by the Company for the classification of administrative and judicial proceedings between probable, possible or remote likelihood of loss, including the assumptions used to measure the amounts to be recorded as a provision for tax proceedings. We analyzed the provisions recorded and the proceedings disclosed in relation to contingencies classified as possible loss, taking into consideration the assessments prepared by the Company’s external and internal legal advisors. We obtained evidence on the risks of losses considered by the Company in the main proceedings, including the existing documentation and legal opinions, as well as obtained letters of confirmation of the Company's external legal advisors containing the current stage and the likelihood of loss in these administrative and judicial proceedings. Additionally, we evaluated the adequacy of the disclosures of Note 24 to the individual and consolidated statements as at December 31, 2021.

We identified deficiencies in internal controls for the recognition of contingencies in the appropriate accounting period in the previous year, communicated to the Audit and Risk Management Committee, the remediation of which was carried out by the Company in the year ended December 31, 2021.

Based on the result of audit procedures performed as to tax contingencies, which is consistent with Management's assessment, we understand that the criteria and assumptions used in the measurement of provisions, as well as the respective disclosures in Note 24 are acceptable in the context of the financial statements taken as a whole.

Other matters

Statements of value added

The individual and consolidated statements of value added for the year ended December 31, 2021, prepared under the responsibility of the Company's Management and presented as supplementary information for IFRS purposes were submitted to audit procedures conducted together with the audit of the Company's financial statements. To form our opinion, we evaluated if these statements are reconciled to the financial statements and accounting records, as applicable, and if their form and content comply with the criteria defined by Accounting Rule NBC TG 09 - Statement of Value Added. In our opinion, these statements of value added were prepared fairly, in all material respects, in accordance with the criteria defined in the above-mentioned accounting rule and are consistent in relation to the overall individual and consolidated financial statements.

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

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

Our opinion on the individual and consolidated financial statements does not cover the Management Report and we do not express any form of audit conclusion on this report.
In connection with the audit of the individual and consolidated financial statements, our responsibility is to read the Management Report and, in doing so, consider whether the report is significantly inconsistent with the financial statements or with our knowledge obtained in the audit, or otherwise seems to contain material misstatements. If, based on our work, we conclude that there are material misstatements in the Management Report, we are required to communicate this matter. We have nothing to report in this regard.

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

São Paulo, March 10, 2022

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

Flávio Serpejante Peppe
Contador CRC-1SP172167/O-6

C&A Modas S.A.

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

	Note	Parent Company		Consolidated	
		2021	2020	**2021**	2020
Assets					
Current					
Cash and cash equivalents	6	**1,003,249**	1,507,789	**1,050,251**	1,509,159
Trade receivables	8	**1,144,404**	1,063,742	**1,145,336**	1,063,844
Derivatives	30.1. a	**1,535**	238	**1,535**	238
Related parties	9	**643**	785	**504**	124
Inventory	11	**849,269**	641,020	**849,269**	641,020
Taxes recoverable	12	**848,803**	282,233	**849,155**	282,660
Other assets	13	**33,337**	22,933	**33,348**	22,933
Total current assets		**3,881,240**	3,518,740	**3,929,398**	3,519,978
Non-current assets					
Long-term assets					
Short-term investments	7	**7,776**	-	**7,776**	-
Taxes recoverable	12	**839,778**	1,157,357	**839,778**	1,157,357
Deferred taxes	14	**378,365**	71,492	**378,803**	71,492
Judicial deposits	24,2	**61,937**	81,513	**61,937**	81,513
Related parties	9	**133**	-	**133**	-
Other assets	13	**2,587**	2,684	**2,587**	2,684
Total long-term assets		**1,290,576**	1,313,046	**1,291,014**	1,313,046
Investments	15	**31,272**	875	**-**	-
Property and equipment	16	**836,269**	667,225	**836,269**	667,225
Right-of-use assets - leases	19	**1,640,290**	1,514,438	**1,640,290**	1,514,438
Intangible assets	17	**975,239**	294,960	**975,695**	294,960
Total non-current assets		**4,773,646**	3,790,544	**4,743,268**	3,789,669
Total assets		**8,654,886**	7,309,284	**8,672,666**	7,309,647

C&A Modas S.A.

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

	Note	Parent Company		Consolidated	
		2021	2020	**2021**	2020
Liabilities and equity					
Current liabilities					
Lease liabilities	19	**471,723**	390,603	**471,723**	390,603
Trade payables	20	**1,399,676**	1,158,890	**1,400,736**	1,158,914
Loans and debentures	21	**105,108**	390,600	**121,178**	390,600
Derivatives	30.1. a	**1,910**	6,788	**1,910**	6,788
Labor liabilities	22	**155,470**	136,126	**155,470**	136,126
Related parties	9	**59,454**	34,766	**59,016**	34,766
Interest on shareholder's equity and dividends payable	26	**-**	-	**1**	1
Taxes payable	23	**175,352**	106,940	**175,640**	106,955
Income Taxes payable		**-**	-	**463**	321
Other liabilities		**28,585**	26,637	**28,918**	26,637
Total current liabilities		**2,397,278**	2,251,350	**2,415,055**	2,251,711
Non-current assets					
Leases	19	**1,342,425**	1,264,193	**1,342,425**	1,264,193
Trade payables	20	**435,060**	24,810	**435,060**	24,810
Loans and debentures	21	**1,253,648**	820,652	**1,253,648**	820,652
Labor liabilities		**5,675**	4,442	**5,675**	4,442
Provisions for tax, civil and labor proceedings	24	**169,526**	230,124	**169,526**	230,124
Taxes payable	23	**16,212**	24,997	**16,212**	24,997
Other liabilities		**40,056**	33,918	**40,056**	33,918
Total non-current liabilities		**3,262,602**	2,403,136	**3,262,602**	2,403,136
Total liabilities		**5,659,880**	4,654,486	**5,677,657**	4,654,847
Shareholder's equity					
Capital stock	25	**1,847,177**	1,847,177	**1,847,177**	1,847,177
Shares in Treasury		**(1,362)**	-	**(1,362)**	-
Capital reserve		**27,861**	19,375	**27,861**	19,375
Profit reserve		**1,121,578**	792,570	**1,121,578**	792,570
Comprehensive income		**(248)**	(4,324)	**(248)**	(4,324)
Total controlling interests		**2,995,006**	2,654,798	**2,995,006**	2,654,798
Non-controlling interests		**-**	-	**3**	2
Total shareholder's equity		**2,995,006**	2,654,798	**2,995,009**	2,654,800
Total liabilities and equity		**8,654,886**	7,309,284	**8,672,666**	7,309,647

See accompanying notes.

C&A Modas S.A.

Statement of Operations
Periods ending 31 December 2021 and 2020
(In thousand Reals - R$ Except for earnings per share)

	Note	Parent Company		Consolidated	
		2021	2020	2021	2020
Net Revenue	27	**5,150,223**	4,082,459	**5,153,205**	4,085,486
Sale of goods and services		**4,978,231**	3,934,035	**4,978,231**	3,934,035
Financial Products and Services		**171,992**	148,424	**174,974**	151,451
Cost of goods sold, and services rendered	28	**(2,754,776)**	(2,188,859)	**(2,755,897)**	(2,188,859)
Sale of goods and services		**(2,753,915)**	(2,187,840)	**(2,753,915)**	(2,187,840)
Financial Products and Services		**(861)**	(1,019)	**(1,982)**	(1,019)
Gross profit		**2,395,447**	1,893,600	**2,397,308**	1,896,627
Operating (expenses) income:					
General and administrative expenses	28	**(486,412)**	(489,688)	**(487,881)**	(491,704)
Sales	28	**(2,026,254)**	(1,648,437)	**(2,025,632)**	(1,648,437)
Net credit losses		**-**	-	**(492)**	-
Share of profit of subsidiaries		**530**	689	**-**	-
Other operating income (expenses) net	28	**209,495**	79,275	**209,495**	79,276
Profit (loss) before finance results		**92,806**	(164,561)	**92,798**	(164,238)
Foreign exchange variation		**(691)**	(11,700)	**(691)**	(11,700)
Finance expenses		**(267,168)**	(214,077)	**(267,305)**	(214,080)
Finance income		**176,019**	134,340	**176,189**	134,345
Finance results	29	**(91,840)**	(91,437)	**(91,807)**	(91,435)
Loss before income taxes		**966**	(255,998)	**991**	(255,673)
Income taxes	14	**328,042**	89,666	**328,018**	89,341
Profit (Loss) for the Period		**329,008**	(166,332)	**329,009**	(166,332)
Attributable to the shareholders:					
Non-controlling				**1**	**-**
Equity holders of the parent				**329,008**	(166,332)
				329,009	(166,332)
Basic profit (loss) per share - in R$	33			1.0681	(0.5396)
Diluted profit (loss) per share - in R$	33			1.0617	(0.5396)

See accompanying notes.

C&A Modas S.A.

Statement of comprehensive income (loss)
Periods ending 31 December 2021 and 2020
(in thousand Reals - R$)

	Parent Company		Consolidated	
	2021	2020	2021	2020
Profit (Losses) for the Period	**329,008**	(166,332)	**329,009**	(166,332)
Other comprehensive results:				
Gain (loss) from derivatives	**6,176**	(3,263)	**6,176**	(3,263)
Tax effects	**(2,100)**	1,109	**(2,100)**	1,109
Total comprehensive results to be reclassified to results for the period in subsequent periods, net of taxes	**4,076**	(2,154)	**4,076**	(2,154)
Total comprehensive results	**333,084**	(168,486)	**333,085**	(168,486)
Attributable to the shareholders:				
Non-controlling interests			**1**	-
Equity holders of the parent			**333,084**	(168,486)
			333,085	(168,486)

See accompanying notes.

C&A Modas S.A.

Statements of Changes in Equity
Periods ending 31 December 2021 and 2020
(in thousand Reals - R$)

				Capital reserve		Profit reserve						Other comprehensive income			
	Note	Capital stock	Shares in Treasury	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 profit (loss)	Total controlling	Non-controlling interests	Total shareholder's equity
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	10	-	-	-	7,728	-	-	-	-	-	-	-	7,728	-	7,728
Losses in the period		-	-	-	-	-	-	-	-	-	-	(166,332)	(166,332)	-	(166,332)
Destination of profits:			-												
Special reserve for dividends (i)		-	-	-	-	-	86,014	(86,014)	-	-	-	-	-	-	-
Withheld dividends 2019 (ii)		-	-	-	-	-	75,988	-	-	-	-	-	75,988	-	75,988
Reversal of dividend reserve		-	-	-	-	-	(162,002)	-	-	-	-	162,002	-	-	-
Reserve for investments		-	-	-	-	-	-	-	-	(6,204)	-	6,204	-	-	-
Reserve for tax incentives	25.7	-	-	-	-	-	-	-	1,874	-	-	(1,874)	-	-	-
Other comprehensive results		-	-	-	-	-	-	-	-	-	(2,154)	-	(2,154)	-	(2,154)
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	10	-	-	-	8,486	-	-	-	-	-	-	-	8,486	-	8,486
Share buy-back		-	(1,362)										(1,362)		(1,362)
Destination of earnings:															
Net Profit for the period		-	-	-	-	-	-	-	-	-	-	329,008	329,008	1	329,009
Legal reserve		-	-	-	-	16,450	-	-	-	-	-	(16,450)	-	-	-
Reserve for unrealized profits		-	-	-	-	-	-	75,720	-	-	-	(75,720)	-	-	-
Reserve for investments		-	-	-	-	-			-	227,160	-	(227,160)	-	-	-
Reserve for tax incentives	25.7	-	-	-	-	-	-	-	9,678	-	-	(9,678)	-	-	-
Other comprehensive results		-	-	-	-	-	-	-	-	-	4,076	-	4,076	-	4,076
Balance on December 31, 2021		1,847,177	(1,362)	10,516	17,345	65,050	-	75,720	11,552	969,256	(248)	-	2,995,006	3	2,995,009

(i) and (ii) Following approval by the shareholders at the Ordinary General Meeting held on June 26, 2020, because of the uncertainties surrounding the effects of COVID-19 on the Company's financial availabilities on that date, R$ 75,988 of the minimum mandatory dividends for calendar-year 2019 were partially withheld as a Special Dividends Reserve (Note 25). And R$ 86,014 that had been set aside as Reserves for Future Profits were withheld as a Special Dividends Reserve. After calculating the results for 2020. The Special Dividends Reserve was absorbed by losses for the period. (Note 25)

See accompanying notes.

C&A Modas S.A.

Statements of cash flow
Periods ending 31 December 2021 and 2020
(in thousand Reals - R$)

	Note	Parent Company		Consolidated	
		2021	2020	2021	2020
Operating activities					
Income (loss) before income taxes		**966**	(255,998)	**991**	(255,673)
Adjustments to reconcile income before income taxes to net cash flows:					
Allowance for (reversal) for expected credit losses	8c	**5,133**	3,213	**5,626**	3,213
Adjustment to present value of accounts receivables and suppliers		**1,511**	(4,811)	**1,511**	(4,811)
Expenses with stock-based compensation	10	**8,486**	7,728	**8,486**	7,728
Provisions for inventory losses	11b	**52,792**	45,758	**52,792**	45,758
Gains/Recognition of tax claims	12(i.iv)	**(312,738)**	(233,720)	**(312,738)**	(233,720)
Share of profit of subsidiaries	15	**(530)**	(689)	**-**	-
Depreciation and amortization	16b and 17b	**246,647**	246,332	**246,655**	246,332
Impairment reversal of property and equipment, intangible and right-of-use assets		**(3,900)**	(6,150)	**(3,900)**	(6,150)
Losses from the sale or disposal of property and equipment and intangible assets		**4,632**	7,591	**4,632**	7,591
Depreciation of right-of-use	19a	**338,325**	306,443	**338,325**	306,443
Interest on leases	19a	**144,151**	139,120	**144,151**	139,120
Interest on loans	21c	**81,458**	35,802	**82,181**	35,802
Amortization of the transaction costs on loans	21c	**2,369**	2,036	**2,369**	2,036
Provisions (reversal) for tax, civil and labor proceedings		**(5,662)**	29,538	**(5,662)**	29,538
Derivative operations		**1**	-	**1**	-
Update of judicial deposits		**(2,635)**	(1,421)	**(2,635)**	(1,421)
Variations in assets and liabilities					
Trade receivables		**(97,395)**	88,973	**(98,717)**	88,917
Related parties		**(5,171)**	(33,777)	**23,737**	(34,521)
Inventory		**(261,041)**	(142,061)	**(261,041)**	(142,061)
Taxes recoverable		**63,747**	148,385	**63,822**	148,488
Other credits		**(18,379)**	(2,030)	**(18,391)**	(2,030)
Judicial deposits		**(8,854)**	7,273	**(8,854)**	7,273
Trade payables		**132,642**	337,372	**133,679**	337,372
Labor liabilities		**20,577**	8,469	**20,577**	8,469
Other debits		**8,086**	4,494	8,418	4,494
Provisions for tax, civil and labor liabilities		**(23,870)**	(18,785)	**(23,870)**	(18,785)
Taxes payable		**80,422**	(92,531)	**80,454**	(92,849)
Income tax and social contribution paid		**(1,727)**	(21,802)	**(1,806)**	(21,905)
Net cash flows originating from (used by) operating activities		**450,043**	**604,752**	**480,793**	604,648
Investment activities					
Purchase of property and equipment		**(302,840)**	(158,475)	**(302,840)**	(158,475)
Intangible purchases		**(268,102)**	(101,615)	**(268,566)**	(101,615)
Receivables from the sale of property and equipment		**82**	91	**82**	91
Cash flow used in investment activities		**(570,860)**	(259,999)	**(571,324)**	(259,999)
Financing activities					
New loans and debentures issued		**500,000**	1,200,000	**515,347**	1,200,000
Loan/debenture transaction costs		**(3,812)**	(4,994)	**(3,812)**	(4,994)
Repayment of loans		**(381,500)**	(11,000)	**(381,500)**	(11,000)
Interest paid on loans		**(51,011)**	(10,592)	**(51,011)**	(10,592)
Repayments and interest paid on leases		**(438,262)**	(387,167)	**(438,262)**	(387,167)
Share buy-back		**(1,362)**		**(1,362)**	
Interest on shareholder's equity and dividends paid		**-**	(68,846)	**(1)**	(68,846)
Net cash flows originating from (used by) financing activities		**(375,947)**	**717,401**	(360,601)	717,401
Net increase (decrease) in cash and cash equivalents		**(496,764)**	1,062,154	**(451,132)**	1,062,050
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		**1,011,025**	1,507,789	**1,058,027**	1,509,159

See accompanying notes.

C&A Modas S.A.

Statements on value added
Periods ending 31 December 2021 and 2020
(in thousand Reals - R$)

	Parent Company		Consolidated	
	2021	2020	2021	2020
Revenue				
Sale of goods and services	**6,675,741**	**5,251,133**	**6,678,975**	**5,254,308**
Other net operating income (expenses)	**227,244**	**173,915**	**227,244**	**173,915**
Provision for/reversal of expected credit losses	**(1,866)**	**3,612**	**(2,359)**	**3,612**
	6,901,119	**5,428,660**	**6,903,860**	**5,431,835**
Inputs acquired from third parties				
Cost of goods and services sold	**(2,667,555)**	**(2,121,562)**	**(2,667,555)**	**(2,121,562)**
Materials. energy. third-party services and others	**(947,364)**	**(872,655)**	**(949,585)**	**(874,666)**
Impairment of assets	**(55,054)**	**(38,165)**	**(55,054)**	**(38,165)**
	(3,669,973)	**(3,032,382)**	**(3,672,194)**	**(3,034,393)**
Gross Value Added	**3,231,146**	**2,396,278**	**3,231,666**	**2,397,442**
Depreciation and amortization	**(246,647)**	**(246,332)**	**(246,655)**	**(246,332)**
Depreciation of right-of-use	**(307,986)**	**(278,615)**	**(307,986)**	**(278,615)**
Retentions	**(554,633)**	**(524,947)**	**(554,641)**	**(524,947)**
Net value added	**2,676,513**	**1,871,331**	**2,677,025**	**1,872,495**
Value added received through transfer				
Share of profit of subsidiary	**530**	**689**	**-**	**-**
Finance income	**188,224**	**175,807**	**188,394**	**175,812**
	188,754	**176,496**	**188,394**	**175,812**
Total value added for distribution	**2,865,267**	**2,047,827**	**2,865,419**	**2,048,307**
Distribution of value added				
Personnel and payroll charges	**747,287**	**676,267**	**747,301**	**676,267**
Direct compensation	**557,744**	**480,305**	**557,744**	**480,305**
Benefits	**133,608**	**109,433**	**133,608**	**109,433**
Severance pay fund (FGTS)	**44,851**	**41,758**	**44,851**	**41,758**
Other	**11,084**	**44,771**	**11,098**	**44,771**
Taxes and Contributions	**1,313,323**	**1,188,540**	**1,313,721**	**1,189,013**
Federal	**219,261**	**347,331**	**219,659**	**347,804**
State	**1,040,603**	**790,436**	**1,040,603**	**790,436**
Municipal	**53,459**	**50,773**	**53,459**	**50,773**
Remuneration of third-party capital	**475,649**	**349,352**	**475,388**	**349,359**
Rent	**200,304**	**77,730**	**200,304**	**77,730**
Finance expenses	**275,345**	**271,622**	**275,084**	**271,629**
Compensation on equity	**329,008**	**(166,332)**	**329,009**	**(166,332)**
Losses in the period	**329,008**	**(166,332)**	**329,009**	**(166,332)**
Distribution of value added	**2,865,267**	**2,047,827**	**2,865,419**	**2,048,307**

See accompanying notes.

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 34.4% of its shares are traded on the B3 Brazilian stock exchange (São Paulo – Brazil) under the ticker “CEAB3”. The ultimate parent company is COFRA Holding AG headquartered in Switzerland.

The primary activities of the Company and its subsidiary are:

- online and offline (B&M, brick and mortar) retail sales of apparel, footwear, accessories, cell 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 granting personal loans, and intermediation in brokering and promoting the distribution of insurance, capitalization bonds, and related products offered by insurers and other third parties supplying such products.
- Proprietary payment institution activities.

The Company sells its goods in 319 B&M stores plus 4 mini-stores (295 stores and 2 mini-stores on December 31, 2020). These are supplied by 6 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 number of stores and distribution centers, among others, were not audited or reviewed by our independent auditors.

2. Basis of Preparation

The company's individual and consolidated financial statements (hereafter the "financial statements”) for the periods ending 31 December 2021 and 2020 were prepared according to the accounting practices adopted in Brazil. Which comprise the financial statements and instructions and interpretations issued by the CPC [*Comitê de Pronunciamentos Contábeis* or Accounting Pronouncements Committee] approved by the Brazilian Federal Accounting Board [*Conselho Federal de Contabilidade* CFC]. And by the Brazilian Securities and Exchange Commission CVM (*Comissão de Valores Mobiliários*], all of which comply with International Financial Reporting Standards (IFRS) issued by the International Accounting Standards Board – IASB.

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

On March 09, 2022, the Board of Directors authorized the issuing of the individual and consolidated financial statements for the period ending December 31, 2022.

The 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, per IFRS, this statement is presented as supplementary information, without prejudice to the set of financial statements. The purpose of the SVA is to demonstrate the wealth created by the company during the period, and how it was distributed to the various players.

Impact of COVID-19

After a period of uncertainty regarding the pandemic, by late 2021 the situation had become far more stable. All our stores resumed normal working hours, and sales have consistently recovered, Management is monitoring the situation and from time to time updates its financial projections, which are used to measure and assess the sufficiency of accounting estimates.

Below are the main assessments made in the preparation of the Company's financial statements for the period ending December 31, 2021:

Reduction in impairment - The Company assesses the need for impairment for stores with low performance. During 2020, shortly after the pandemic, some stores presented projections of results that indicated the need for impairment, which were recorded for fixed and intangible assets. In 2021, with a more stable economic scenario, the projections were reassessed based on the most recent performance of the stores. As a result of this evaluation, a reversal of R$6.1 million (R$1.0 million on 12/31/2020) impairment for fixed and intangible assets (goodwill).

Liquidity - The Company monitors its cash and availability position and pays attention to new opportunities and mechanisms that will improve cash management and efficiency. In 2020, the Company captured R$ 1,2 billion (Note 21) in promissory notes and bank credit certificates (CCBs), which is enough to ensure liquidity for the period. In 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 21), In addition to these funds, the Company is also using previously unused PIS/Cofins credits (Note 12) and paying supplier advances via an agreement (Note 20).
These initiatives have kept the cash balance at a level suitable for Company operations.

Hedge Accounting - The derivative transactions for which hedge accounting is applied were considered effective for the current and previous period (see Note 30).

Inventories - Our inventories are at a level considered adequate by the Company. The increase between December 31, 2020 and December 31, 2021 is the result of new store openings and new business. Furthermore, in 2021 there was a significant increase in inflation and the price of commodities such as fuel, which has a direct bearing on our shipping costs. Suppliers were forced to pass through these costs, which caused an increase in the unit cost of our goods. Also, the exchange rate in 2021 was quite a bit higher than it was pre-pandemic (e, g, before March 2020), but was more stable than in 2020.
The Company assessed the recoverable value of its inventory on December 31, 2020 and December 31, 2021, and concluded it has sufficient allowances for possible inventory losses (Note 11).

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$ 33,222 (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 19).

Realization of deferred tax assets and taxes to be recovered - Management reviewed its revenue and taxable income projects for the coming years. On December 31, 2021 the expectation was that previously unused tax credits enabled for use would be used by 2023. Credits where the Company is still waiting for a ruling and/or enablement should be realized by 2025. The expectation is that deferred taxes will be used within 10 years (Notes 12 and 14).

3. Basis for Consolidation

Consolidated financial statements include the Company's operations and those of its subsidiary Orion Instituição de Pagamento S.A. ("Orion" or "subsidiary").

The Company assesses whether is controls a subsidiary if facts and circumstances indicate that one or more of the following elements of control have changed:
• Power over the subsidiary (e,g. existing rights that ensure the current ability to manage the relevant activities of the subsidiary);
• Exposure or right to variable returns as a result of its involvement with the subsidiary;
• The ability to use its power over the subsidiary to impact the value of its returns.

Consolidation of a subsidiary commences at the time the Company has control of the subsidiary and ends when it no longer exercises said control. The assets, liabilities and earnings of a subsidiary that is purchased or sold during the period are included in the consolidated financial statements as of the day the Company obtained control until the date it no longer has control of the subsidiary.

The result, and each component of other comprehensive results, are allocated to the Company's controlling and non-controlling shareholders, even if this means a loss for non-controlling shareholders. The subsidiary's fiscal period coincides with that of the Parent Company, and accounting practices were uniformly applied to the subsidiary. When necessary, adjustments are made in the subsidiary financial statements to align their accounting policies with those of the Company. Consolidation eliminates any assets, liabilities, earnings, revenue, expenses, and cash flows for the same group that have to do with transactions between members of the same economic group.

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

If the company loses control over a subsidiary. The subsidiary assets (including any premium) and liabilities are written off at book value on the date control is lost. The book value of any non-controlling equity on the date control is lost (including components of other comprehensive results assigned to them) is also written off on the day control is lost. Any difference (loss or gain) is booked under earnings. Withheld investments are recognized at fair value on the date control is lost.

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

At an Extraordinary General Meeting held on February 1, 2021 the shareholders approved a change in the name of Orion Companhia Securitizadora de Créditos Financeiros S.A. to Orion Instituição de Pagamento S.A. The Company's stated purpose of business was also amended to 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.

4. Accounting policies

4.1 Recognition of revenue and costs

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

a) The sale of goods

Revenue from the sale of goods paid for upfront and in installments is recognized when the Company fulfills its obligation to deliver or, in other words. When control over the goods is transferred to the buying customer.

b) Services rendered

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

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

c) Receivables

Subsidiary Orion recognizes its revenue upon settlement of long past-due securities in its receivables portfolio, whose credit rights were purchased by Banco Bradesco. This policy was adopted due to the uncertainty surrounding

Banco Bradesco receiving these securities from the debtors; Banco Bradesco then transfers the funds received to Orion.

d) Right to return

Returned goods happen substantially in our e-commerce transactions. At this time, they are not sufficiently significant to be recorded as estimates on the date of the balance sheet. Returns in B&M stores are immediately converted into vouchers to be exchanged for other and/or similar goods of equal value.

e) Cost of goods sold and services rendered

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

f) Interest revenue

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

g) Revenue with commissions for intermediating financial services

This revenue is the commissions received for financial intermediation in receiving payment slips (boletos). And commissions for brokering credit card financial services. As per the contractual specification described in Note 4.7.

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

h) Non-exercised customer rights

The Company recognizes a revenue when, based on past behavior, it expects customers will not exercise their contractual rights regarding non-reimbursable prepayments. This happens when exchange vouchers and gift certificates are not used before they expire.

4.2. Taxes

a) Income Tax and Social Contribution - current

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

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

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

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

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

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

b) Value added taxes

Revenue. Expenses and assets are recognized net of value added taxes, except:

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

4.3. Cash and cash equivalents

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

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

4.4. Short-term investments

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

The company has financial investments it intends to retain until they mature, and thus classifies them as amortized cost.

4.5. Trade receivables

Trade receivables are receivables from the sale of goods paid for using third-party cards and the C&A Pay Card. They are recorded at realizable value, and also include receivables from a partnership that offers customers financial services and, in lesser amounts, receivables from commercial partners.

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

The risk of default in credit card transactions belongs to the individual card operators. For purchases with the Company's card the risk belongs to the company. The Company recognizes losses from sales not recognized by the customer (chargebacks) and expected credit losses, as mentioned in Note 30.1.b.ii.

The Company's current losses are concentrated in values not reconciled with business partners and customer chargebacks and are not relevant compared to the Company's total receivables. Provisions have been made in amounts management considers sufficient for these transactions as well as C&A Pay transactions. (Note 8)

4.6. Inventory

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

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

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

4.7. Investments in the subsidiary

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

After applying the equity approach, the Company will determine if it must recognize losses additional to the recoverable amount of its investment in its subsidiary. Each year, on the date the Balance Sheet is issued, the Company decides if there is objective evidence that its investment in the subsidiary lost any of its recoverable value. If so, the Company calculates the amount of the loss due to the impairment as the difference between the recoverable value of the subsidiary and the book value, recognizing the loss in its statement of earnings.

4.8. Partnership to provide financial services

The Company has a partnership with Bradescard to provide financial services to its customers and has been seeking ways to improve its offer of financial services.

On November 8, 2021 the Company signed and amendment to the Partnership Agreement with Banco Bradescard S.A., a subsidiary to Banco Bradesco, to buy back the entirety of its right to offer financial services and products, which until that date had been exclusively handled by Bradescard. As part of the amendment signed by the parties, C&A invested R$ 415 million, to be settled in January 2023. Further details are available in note 4.11 e 17.

The operation will be transferred to C&A gradually, over a period of 2 (two) years, following rules agreed by the parties to avoid disruptions and discontinuity in the services currently offered to the thousands of Company customers.

According to the original partnership agreement, the financial institution will be responsible for the main activities in the operation during the transition period, and for all transactions entered into under the partnership. The Company is responsible only for brokering the financial services controlled by Bradescard. Revenue and expenses related to this operation are controlled separately by each of the companies involved. At the end of each period, the amount of commissions payable to the Company is calculated and recorded as revenue from commissions on the sale of Bradescard financial products, and as net revenue in the statement of earnings.

4.9. Property and Equipment

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

At the end of each period. The estimated lifetime, residual value, restoration cost and depreciation methods are reviewed, and the effects of any changes in estimates recorded prospectively,

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

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

4.10. Intangible assets

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

4.11. Business Combinations

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

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

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

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

Initially, Goodwill is measured as the difference between the consideration transferred and the net assets acquired (identifiable net assets acquired and liabilities taken on). If the consideration is less than the fair value of the net assets acquired, the difference shall be recognized as a gain in the statement of earnings.

Following initial recognition, Goodwill is measured at cost less any accumulated impairment losses. For the purposes of testing impairment, the goodwill acquired in a business combination is, from the date of acquisition, allocated to each of the Company's cash generating units one expects will benefit from the combination synergies, regardless of other assets or liabilities of the acquiree being allocated to these units.

When Goodwill is part of a cash generating unit and part of this unit is divested, the goodwill associated with the divested portion shall be included in the transaction cost when calculating the gain or loss associated with this divestment. Under these circumstances, the divested goodwill is calculated based on the proportional values of the divested portion in relation to the cash generating unit maintained.

In November 8, 2021 the Company signed an amendment to the Partnership Agreement with Banco Bradescard S.A., a subsidiary to Banco Bradesco, to buy back the entirety of its right to offer financial services and products, which until that date had been exclusively handled by Bradescard. As part of the amendment signed by the parties, C&A invested R$ 415 million, to be settled in a single installment by January 2023. The Company classified the event as being the acquisition of a new business and booked the purchase of the right to explore Bradesco balcão customers as an intangible asset of indefinite lifetime, subject to testing to measure the book value against recoverable value (impairment): (a) annually, and (b) whenever there are indications that the intangible asset may have lost value. The Company considered as the date of acquisition the date of December 1, 2021, which is the date contractually established between the parties for the beginning of the right to explore the business of financial services and products by the Company.

4.12 Lease liabilities

The Company recognizes a right-of-use asset and a lease liability on the date of commencement of the lease. The right-of-use asset is initially measured at cost and subsequently at cost less any accumulated depreciation and impairment, and adjusted for certain re-measurements of the lease liability, Depreciation is calculated using the straight-line-approach over the remaining term of the contracts. The Company used the amounts of fixed or in-substance fixed lease payments, which are the minimum payments agreed in contracts with variable payments based on revenue achieved, gross of PIS and COFINS effects. As a cost component, prepaid lease payments and provision for store restoration less incentives received from lessors are added to the right-of-use assets. Specifically, variable payment amounts are recognized monthly as operating expenses.

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

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

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

Following the guidelines in the Memo above, and the explanation of some of the controversial points regarding adopting the new standard, the Company reviewed its premises for calculating right-of-use assets and lease liabilities, and now considers the cash flows of future payments without deducting potential PIS and Cofins credits, discounting them using a nominal incremental interest rate. This methodology agrees with CPC06 (R2) /IFRS16. The impact of this change was prospectively considered by remeasuring the changes in lease balances (Note 19.a).

4.13. Impairment of non-financial assets

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

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

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

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

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

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

4.14. Provisions for tax, civil and labor liabilities

The Company is a party in numerous legal and administrative claims. Provisions are made for all contingencies related to legal claims for which it is likely that a disbursement of funds will be made to settle the contingency, and for which a reasonable estimate can be made. An assessment of the likelihood of loss is made based on the advice of independent legal advisors, an analysis of the evidence available, the hierarchy of the laws, the available case-law, and the most recent decisions of the courts and their relevance in the legal framework. Provisions are reviewed and adjusted to bear in mind changes in circumstances such as applicable statutes of limitation, and the conclusions of tax inspections or additional exposures found based on new topics or court decisions.

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

4.15. Retirement and other post-employment benefits

The company sponsors Cyamprev - Sociedade de Previdência Privada, a privately held pension provider to provide pension plans for the employees of its sponsors. In essence, the pension plans sponsored by the Company are structured as defined contribution plans (Note 32), Benefit plans are assessed each year at the end of the period to check if the contribution rates are sufficient to make up the reserves required for current and future commitments. Actuarial gains and losses are recognized using the accrual method.

4.16. Provisions for restoring stores

When it enters into lease agreements with third parties, the Company agrees that., at the end of the lease, it will restore the property to the same conditions in which it was received. In these situations, a provision for store restoration is recognized against property and equipment or right-of-use asset, in the case of stores subject to IFRS16/CPC06, based on historical estimates of restoration costs. The property and equipment asset is amortized over the same period as the lease term. Management reviews its estimates of expenditure at the end of each period.

4.17. Other assets and liabilities

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

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

4.18. Financial instruments

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

a) <u>Financial asset</u>

Initial recognition and measurement

When initially recognized, financial assets are classified as subsequently measured at amortized cost, fair value using other comprehensive income, and fair value through profit or loss.

The classification of financial assets when initially recognized depends on the characteristics of the financial asset's contractual cash flows, and on the Company's business model used to manage such financial assets. In the case of financial assets not measured at fair value through profit or loss, the Company initially measures a financial asset at fair value plus transaction costs. For financial instruments measured at fair value, transaction costs are allocated directly to earnings. For term accounts receivable, the financial asset is brought to present value using the basic interest rate on the date the financial statements are close.

In order to classify and measure a financial asset based on the amortized cost or fair value through comprehensive income, it must generate cash flow that is "solely payments of principal and interest" (also referred to as the SPPI test) on the value of the principal outstanding. This analysis is performed on a per-instrument basis.

The business model the Company uses to manage its financial assets explains how it manages its financial asset to generate cash flow. The business model determines whether cash flows will result from collecting contractual cash flows, selling the financial assets, or both.

Subsequent measurements

For the purposes of subsequent measurement, financial assets are classified into one of four categories:

(i) Financial assets at amortized cost;
(ii) Financial assets at fair value through OCI with recycling of accumulated gains and losses,
(iii) Financial assets at fair value through OCI with no recycling of accumulated gains and losses at the moment of de-recognition;
(iv) Financial assets at fair value through profit or loss,

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

Financial assets at amortized cost

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

- The financial asset is held within a business model whose goal is to keep financial assets to collect contractual cash flows, and
- The contractual terms of the financial asset give rise to cash flows on specified dates that are solely payments of principal and interest on the outstanding principal (SSPI).

Financial assets at amortized cost are subsequently measured using the effective interest (EIR) approach and are subject to impairment.
.
Gains and losses are recognized in profit or loss when the asset is derecognized, modified or impaired.

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

Financial assets at fair value through other comprehensive income

Financial assets classified in this category are transactions with derivatives where hedge accounting is applied. The Company uses hedge accounting and considers future contracts to be NDF (Non-Deliverable Forward) cash flow hedges. The fair value of derivatives is determined based on the exchange rate and yield curve.

The Company uses cash flow hedge accounting to protect itself from the risk of exchange variations associated with as-yet unpaid import orders, for this reason they are known as cash flow hedges.

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

Financial assets at fair value through profit or loss

Financial assets at fair value through profit or loss include financial assets held for trading and financial assets designated upon initial recognition at fair value through profit or loss. Financial assets are classified as held for trading if they are acquired for the purpose of selling in the near term. Derivatives are classified as held for trading unless they are designated as effective hedging instruments.

They are carried in the statement of financial position at fair value with the related gains or losses recognized in the statement of operations.

Financial assets at fair value through profit or loss are carried in the statement of financial position at fair value with net changes in fair value recognized in the statement of operations.
This category includes the ineffective portion of derivative instruments used by the Company for hedge accounting purposes.

Derecognition

A financial asset or, where applicable, part of a financial asset or part of a group of similar financial assets), is written off when:

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

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

Impairment of non-financial assets

The Company assesses the need for an allowance for expected credit losses for all financial assets classified as amortized cost. For trade receivables, the Company applies a simplified approach in calculating estimated credit losses, since, according to the risk assessment for losses, they are concentrated in sales not recognized by customers and receivables with business partners. Therefore, the Company does not track changes in credit risk, but instead recognizes an allowance for expected credit losses arising from the periodic assessment of the receivables portfolio made by Management.

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

b) Financial liabilities

Initial recognition and measurement

Financial liabilities are classified as financial liabilities at fair value through profit or loss, financial liabilities at amortized cost or derivatives classified as hedging instruments, as appropriate. Financial liabilities are recognized initially at fair value and, in the case of loans and borrowings, plus directly attributable transaction costs.

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

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

Subsequent measurement

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

Derecognition

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

c) <u>Offsetting financial instruments</u>

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

d) <u>Derivative financial instruments and hedge accounting</u>

Initial recognition and measurement

The Company uses derivative financial instruments to minimize the risks associated with foreign currency exposure, represented by future purchases to be made in foreign currency and to settle debt with foreign suppliers.

Derivative financial instruments in hedge transactions are initially recognized at fair value on the date of signature of the derivative agreement. And are subsequently reviewed. Also at fair value.

Derivatives are recorded as financial assets when the fair value of the instruments is positive. And as financial liabilities if the fair value is negative.

Any gains or losses resulting from changes in the fair value of derivatives during the period are recorded directly in the statement of earnings. With the exception of the effective portion of the cash flow hedges. Which is recognized directly in shareholder's equity and classified as other comprehensive income.

Swaps are not designated as hedge accounting. And their gains and losses are recognized as financial earnings.

The following classifications are used for hedge accounting purposes:

- Fair value hedges, providing protection against exposure to changes in the fair value of a recognized asset or liability. Or an unrecognized firm commitment;
- Cash flow hedges, providing protection against variations in cash flow attributable to a specific risk associated with a recognized asset or liability. Or a highly likely transaction that could affect earnings. Or
- Hedges of a net investment in a foreign operating unit.

At the inception of a hedge relationship, the Company formally designates and documents the hedge relationship to which it wishes to apply hedge accounting and the risk management objective and strategy for undertaking the hedge. The documentation includes identification of the hedging instrument, the hedged item or transaction, the nature of the risk being hedged, the nature of the risks excluded from the hedging relationship, the prospective demonstration of the effectiveness of the hedging relationship and how the Company will assess the effectiveness of the hedging instrument in order to offset the exposure to changes in the fair value of the hedged item or cash flows related to the hedged risk.

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

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

Hedges that meet the Company's criteria for hedge accounting are registered as follows:

Cash flow hedges

The effective portion of the hedge investment's gains or losses is recognized directly in shareholder's equity under other comprehensive income, while the ineffective part of the hedge is recognized in financial earnings.

Whenever the Company's documented risk management strategy for a given hedge relationship excludes a specific component of gains or losses, or the specified hedge cash flows from the hedge assessment, this component of excluded gains or losses is recognized under financial earnings.

The amounts recognized in OCI are immediately transferred to the statement of earnings whenever the hedged transaction impacts profit or loss, for example, whenever a hedged financial revenue or expense is recognized, or whenever a forecast sale occurs. Whenever the hedged object is the cost of a non-financial asset or liability, the amounts recorded as shareholder's equity are transferred at the initial book value of the non-financial asset or liability.

If the hedge expires or is sold, ends, exercised or discontinued without replacement or roll-over (as part of the hedging strategy), or if it's classification as a hedge is recovered,or whenever coverage no longer fulfills the hedge accounting criteria,the gains or losses previously recognized under comprehensive income will remain separate in shareholder's equity until such a time as the anticipated transaction is complete or the firm commitment exercised.

e) <u>Fair value measurement of financial instruments</u>

The company measures financial instruments such as derivatives at fair value at the end of each reporting period.

Fair value is the price that would be received from the sale of an asset or paid for the transfer of a liability in a transaction entered into freely and willingly between market participants on the measurement date. Measurement of fair value is based on a presumption that the transaction to sell the asset or transfer the liabilities will occur:

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

The Company must have access to the main or most advantageous market.

The fair value of an asset or a liability is measured based on the same assumptions market participants would use to define the price of an asset or liability, assuming that the market participants would be acting in their best economic interest.

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

Level 1 - Unadjusted quote prices in active markets for identical assets or liabilities;

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

Level 3 - valuation techniques for which the lowest significant level of input for fair value measurement is not available;

For assets and liabilities recognized in the financial statements on a recurring basis, the Company determines it there has been any transfer between hierarchy levels, revaluing the categorization (based on the lowest significant level of information for fair value measurement as a whole) at the end of each disclosure period.

4.19. Present value adjustment of assets and liabilities

The adjustment of assets and liabilities to present value is calculated, and only entered on the books if it is considered relevant to the financial statements taken as a whole. For the purposes of accounting and determining relevance, adjustment to present value is calculated considering the contractual cash flows, as well as the explicit and, in certain cases, the implicit interest rate of the respective assets and liabilities. The monthly interest rates used for the calculation of present value for the periods ended December

31, 2021 and 2020 were 0,77% and 0,16% respectively.

4.20. Loans and debentures

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

The Company also considers loan transactions with third parties as financing activities

4.21. Operating segment

The company is active in a single operating segment, used by the governance bodies for analysis and decision making.

4.22. Shareholder's equity

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

4.23. Dividends proposed and paid, and additional dividends

The distribution of minimum mandatory dividends to Company shareholders. As defined in the bylaws, is recognized as a liability on the date of the balance sheet. Any amounts in excess of the mandatory minimum are booked as proposed additional dividends in the statement of changes in shareholder's equity and entered as dividends payable only on the date on which such additional dividends are approved by the Company shareholder's equity at a General Meeting.

4.24. Stock-based compensation plan

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

Plans are measured at fair value on the date granted. To determine fair value. The Company uses suitable valuation methods. The details of which are disclosed in Note 10.

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

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

Open options are reflected in the calculation of diluted earnings per share (Note 33).

4.25. Earnings per Share

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

Diluted earnings per share is calculated by dividing net profit attributable to the holders of Company common shares by the weighted average number of common shares available during the period, plus the weighted average number of common shares that would be issued to convert all potential diluted common shares into common shares.

Equity instruments that should or could be settled as Company shares are only included in the calculation when their settlement will dilute earnings per share,

4.26. Statements issued but not valid

New and amended standards and interpretations issued but not yet in effect as of the date of issue of the Company's 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) <u>IFRS 17 - Insurance Agreements</u>

In May 2017 the IASB issued IFRS 17 - Insurance Agreements (CPC 50 - Insurance Agreements, replacing CPC 11 – (Insurance Agreements), a new comprehensive accounting standard for insurance agreements that includes recognition and measurement, submission, and disclosure. As soon as it became effective, IFRS 17 (CPC 50) replaced IFRS 4 - Insurance Agreements (IFRS 4), issued in 2005, IFRS 17 applies to all sorts of insurance agreements (such as life, property & casualty, direct insurance and reinsurance), regardless of the type of issuing entity, as well as certain guarantees and financial instruments with discretionary participation features. Some exceptions apply to this scope. The overall goal of IFRS 17 is to provide an accounting model for insurance agreements that is more useful and consistent for insurers, Unlike the requirements of IFRS 4, which are broadly based on local accounting practices applicable in previous periods, IFRS 17 provides a comprehensive model for insurance agreements that covers all relevant accounting aspects. In general. The focus of IFRS 17 is supplemented by:

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

IFRS 17 and CPC 50 shall apply to all periods as of January 1, 2023; comparison 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,

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

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:

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

These amendments shall be effective as of January 1, 2023 and must be applied retroactively, Currently the Company analyzes the impact that the changes will have on current practice and if existing loan agreements may require renegotiation.

c) Changes in IAS 8: Definition of accounting standards

In February 2021 IASM amended IAS 8 (the standard that is equivalent to CPC 23), introducing a definition for 'accounting estimates. The changes clarify the distinction between changes in accounting estimates, changes in accounting policies, and error correction. They also explain how entities use the measuring techniques. And inputs to develop accounting estimates.

The amendments are effective for annual periods beginning on or after January 1, 2023 and apply to changes in policies and accounting estimates during and after this period. Early adoption is allowed if disclosed. These changes are not expected to have a significant impact on the Company's financial statements.

d) Amendments to IAS 1 and IFRS Practice Statement 2: Disclosure of accounting policies

In February 2021 the IASB issued amendments to IAS 1 (the standard corresponding to CPC 26 (R1)) and IFRS Practice Statement 2 *Making Materiality Judgements*, and providing guidelines and examples to help entities apply judgement of materiality when disclosing accounting policies. The amendments will help entities disclose more useful accounting policies by replacing the requirement to disclose significant accounting policies with material policies and adding guidelines as to how entities shall apply the concept of materiality to make decisions regarding disclosure of accounting policies.

The amendments in IAS 1 are effective for annual periods beginning on or after January 1, 2023. As the changes in *Practice Statement 2* are non-required guidelines to be applied in the definition of material as regards disclosure of accounting policies, there is no need to establish a date for adopting this amendment,

The Company is currently analyzing the impact of these changes on the accounting policies disclosed.

4.27 New or revised pronouncements for the first time in 2021

The Company has applied for the first-time certain standards and amendments, which are valid for annual periods beginning on or after January 1, 2021. The Company has decided not to early adopt any other standards, interpretations or amendments that have been issued, but have not yet are in force.

a) Amendments to CPC 06 (R2), CPC 11, CPC 38, CPC 40 (R1) and CPC 48: Reform of the Reference Interest Rate

The amendments to CPC Pronouncements 38 and 48 provide temporary exceptions that address the financial statement effects when an interbank certificate of deposit rate is replaced with an alternative to an almost risk-free rate. The changes include the following practical expedients:

• A practical expedient that requires contractual changes, or changes in cash flows that are directly required by the reform, to be treated as changes in a floating interest rate, equivalent to a movement in a market rate;
• Allows changes required by the reform to be made to the hedging designations and documentation, without the hedging relationship being discontinued;
• Provides a temporary exception for entities to comply with the separately identifiable requirement when a risk-free rate instrument is designated as a hedge of a risk component.

These changes did not impact the Company's individual and consolidated financial statements. The Company intends to use the practical expedients in future periods if they become applicable.

b) Amendments to CPC 06 (R2): Covid-19 Related Benefits Granted to Lessees in Lease Agreements that go beyond June 30, 2021.

The amendments provide for concession to lessees in the application of the guidelines of CPC 06 (R2) on the modification of the lease agreement, when accounting for the related benefits as a direct consequence of the Covid-19 pandemic. As a practical expedient, a lessee may choose not to assess whether a Covid-19-related benefit provided by the lessor is a modification of the lease. A lessee making this choice must account for any change in the lease payment resulting from the benefit granted in the lease agreement related to Covid-19 in the same way that it would account for the change applying CPC 06 (R2) if the change were not a contract modification. lease.

The change was intended to be applied until June 30, 2021, but as the impact of the Covid-19 pandemic may continue, on March 31, 2021, the CPC extended the period of application of this practical file to June 30, 2022. This amendment is effective for fiscal years beginning on or after January 1, 2021. However, the Company has not yet received benefits granted to lessees related to Covid-19, but plans to apply the practical expedient when available within the period of the standard.

5. Significant accounting judgments, estimates and premises

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

a) Determination of the lifetime of property and equipment and intangible assets.
b) Analysis of the recovery of values of property and equipment and intangible assets.
c) Allowance for expected credit losses.
d) Provisions for inventory losses.
e) Realization of deferred income tax and social contribution.
f) Fees 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) Provision for restoring stores to their original condition.
j) Profit sharing.
k) Stock-based compensation.
l) Determination of incremental interest rates and contract deadlines to be used to book lease liability cash flows.

The company is the defendant in labor claims of a similar nature, i.e., recurring content, generally filed by claimants who held certain positions and roles and filed suit based on similar claims, In the period ending March 31, 2021,The Company revised the methodology used to calculate labor provisions for such labor claims, and believed 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 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. This measurement is reviewed every six months, most recently in September 2021.

Measuring provisions for labor contingencies takes into account experience and the history of labor losses in the previous 4 (four) years and is reviewed at least annually (further details in note 24.1iv).

(in thousand Reals unless otherwise stated)

6. Cash and cash equivalents

	Parent Company		Consolidated	
	2021	**2020**	**2021**	**2020**
Cash	**4,490**	3,799	**4,490**	3,799
Banks	**51,354**	62,243	**68,182**	63,613
Short-term investments	**947,405**	1,441,747	**977,579**	1,441,747
	1,003,249	1,507,789	**1,050,251**	1,509,159

The Company has cash equivalents in the form of fixed-yield financial investments, indexed to 95% to 103% of the variation in CDI (Interbank Deposit Certificates), which may be redeemed at any time with the issuer of the security with no loss of the contracted yield,

7. Short-term investments

	Index	Rate	Parent Company		Consolidated	
			2021	**2020**	**2021**	**2020**
LTF (Brazilian Treasury Notes)	**Selic**	**100%**	**7,776**	-	**7,776**	-
			7,776	-	**7,776**	-

The Company has LTFs (Brazilian Treasury Notes), indexed to the variation in the SELIC (Special Custody and Settlement System) rate, which mature in March and September 2023. As the Company intends to hold on to these bonds until they mature, they are classified under long-term assets as amortized cost.

8. Trade receivables

a) Breakdown

	Parent Company		Consolidated	
	2021	**2020**	**2021**	**2020**
Card Operators	**988,865**	1,023,553	**988,865**	1,023,553
C&A Pay Card - related parties	**96,269**	-	**-**	-
C&A Pay Card - third parties	**-**	-	**97,694**	-
Commissions receivable - telephony suppliers	**13,013**	8,969	**13,013**	8,969
Commissions receivable - insurers	**6,506**	8,241	**6,506**	8,241
Credit rights	**-**	-	**-**	102
Bradescard partnership	**9,562**	20,927	**9,562**	20,927
Sale of raw material to the suppliers	**29,823**	-	**29,823**	-
Other	**17,334**	17,154	**17,334**	17,154
Allowances for expected credit losses	**(16,968)**	(15,102)	**(17,461)**	(15,102)
	1,144,404	1,063,742	**1,145,336**	1,063,844

(in thousand Reals unless otherwise stated)

b) Trade accounts receivable. Net of allowance for expected losses

	Parent Company		Consolidated	
	2021	**2020**	**2021**	**2020**
Coming due:				
Up to 30 days	**444,178**	432,862	**347,368**	432,862
31 – 60 days	**291,548**	269,020	**298,874**	269,020
61 – 90 days	**219,878**	153,170	**235,771**	153,170
91 – 120 days	**71,488**	67,457	**84,130**	67,457
121 – 150 days	**48,230**	46,396	**84,996**	46,396
151 to 180 days	**24,805**	31,788	**30,113**	31,788
Longer than 180 days	**43,424**	58,530	**63,422**	58,530
	1,143,551	1,059,223	**1,144,674**	1,059,223
Past due:				
Up to 30 days	**79**	452	**284**	452
31 – 60 days	**24**	977	**23**	977
61 – 90 days	**12**	124	**12**	124
Over 90 days	**738**	1,790	**246**	1,892
	853	3,343	**565**	3,445
Trade receivables not recognized by customers (*)	**-**	1,176	**97**	1,176
Total	**1,144,404**	1,063,742	**1,145,336**	1,063,844

(*) Includes Banco Bradescard credit card sales unrecognized by the card owners (chargebacks), in the amount of R$ 2,233 on December 31, 2021, (R$ 1,965 on December 31, 2020). And thus, considered in the provision 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$12,096 on December 31, 2021 (R$ 10,917 on December 31, 2020). The responsibility for unblocking procedures belongs to Banco Bradescard,

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

	Parent Company		Consolidated	
	2021	**2020**	**2021**	**2020**
Balance on December 31	**(15,102)**	(19,715)	**(15,102)**	(19,715)
(Provision)/Reversal	**(5,133)**	(3,213)	**(5,626)**	(3,213)
Loss	**3,267**	7,826	**3,267**	7,826
Balance on December 31	**(16,968)**	(15,102)	**(17,461)**	(15,102)

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 December 31, 2021 and December 31, 2020 were 0.77% and 0.16% respectively. Realization of the present value adjustment is recognized as an offsetting item to sales revenue.

(in thousand Reals unless otherwise stated)

9. Related parties

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

Asset	Parent Company		Consolidated	
	2021	2020	2021	2020
Trade receivables				
Instituto C&A de Desenvolvimento Social (*)	**13**	89	**13**	89
CFRA Latin America (*)	**435**	6	**435**	6
Orion Inst, Pagamento(*)	**6**	12	**-**	-
Cyamprev Soc, Previd, Privada	**-**	29	**-**	29
	454	136	**448**	124
Dividends receivable				
Orion Inst, Pagamento	**133**	649	**-**	-
	133	649	**-**	-
Prepaid expenses				
C&A Services	**189**	-	**189**	-
	189	-	**189**	-
Total related party assets	**776**	785	**637**	124
Current related party assets	**643**	785	**504**	124
Non-current related party assets	**133**	-	**133**	-

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

Liabilities	Parent Company		Consolidated	
	2021	2020	2021	2020
Accounts payable				
C&A Sourcing	**56,660**	32,568	**56,660**	32,568
Instituto C&A de Desenvolvimento Social	**-**	302	**-**	302
Cyamprev Soc, Previd, Privada	**2,337**	1,849	**2,337**	1,849
COFRA Latin America	**19**	47	**19**	47
Orion Inst, Pagamento	**438**	-	**-**	-
	59,454	34,766	**59,016**	34,766
Interest on shareholder's equity and dividends				
COFRA Latin America	**-**	-	**1**	1
	-	-	**1**	1
Total related party liabilities	**59,454**	34,766	**59,017**	34,767
(-) Interest on equity and related party dividends	**-**	-	**(1)**	(1)
Current related party liabilities	**59,454**	34,766	**59,016**	34,766

(in thousand Reals unless otherwise stated)

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	
	2021	2020	2021	2020
Reimbursements for shared expenses				
Cyamprev Soc, Prev, Privada	**1,233**	380	**1,233**	380
Instituto C&A de Desenvolvimento Social	**15**	127	**15**	127
COFRA Latin America	**79**	79	**79**	79
Orion Inst, Pagamento	**80**	80	**-**	-
Famamco Administração de Bens	**-**	46	**-**	46
Porticus Latin America Consult	**-**	52	**-**	52
	1,407	764	**1,327**	684
Revenue from services rendered				
C&A Mexico	**4,085**	5,093	**4,085**	5,093
	4,085	5,093	**4,085**	5,093
Goods purchased				
C&A Sourcing	**(230,892)**	(241,302)	**(230,892)**	(241,302)
	(230,892)	(241,302)	**(230,892)**	(241,302)
Services purchased				
C&A Services	**(1,698)**	(2,093)	**(1,698)**	(2,093)
COFRA Latin America	**(197)**	(188)	**(197)**	(188)
	(1,895)	(2,281)	**(1,895)**	(2,281)
Pension fund contributions				
Cyamprev Soc, Prev, Privada	**(6,066)**	(6,388)	**(6,066)**	(6,388)
	(6,066)	(6,388)	**(6,066)**	(6,388)

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

During the fiscal periods ending on December 31, 2021 and 2020 there was no need to recognize provisions for expected credit losses in related party accounts receivable.

(in thousand Reals unless otherwise stated)

Compensation of members of the Board of Directors and Executive Board

Expenses (paid and payable) associated with Officer compensation in the periods ending December 31, 2021 and 2020 were as follows:

	Parent Company and Consolidated	
	2021	**2020**
Fixed Compensation	**14,349**	**13,930**
Variable Compensation	**3,644**	**2,426**
Contributions for post-employment plans	**331**	**646**
Long-Term Incentives	**5,708**	**10,668**
Cessation of office	**-**	**1,379**
Total	**24,032**	**29,049**

The Ordinary General Meeting held on April 30, 2021 approved a change in the Company's Bylaws and 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).

10. Stock-based compensation plan

The Company currently has a Stock Option Plan approved at an ordinary meeting of the shareholders on October 2, 2019, which resulted in programs approved by the Board of Directors. with stock granted to eligible individuals. So far, stock has been granted under programs approved in 2019 and 2021 ("2019 grant" and "2021 grant").

2019 Grant:

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

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

On December 21, 2021 the Board of Directors met and approved a new amendment to the conditions for granting 1,062,037 out of the 1,148,148 stock options granted. These options are subject to the same rules as the “2021 Grant”, and for this reason are disclosed jointly. Below is a description of the rules for granting the remaining 86,111 options, or the current “2019 Grant” rules.

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 average price per share on the Brazilian stock exchange (B3 S.A. – Brasil, Bolsa, Balcão) in the 22 (twenty two) trading sessions that immediately precede the date the Vested Options are exercised, and must be equal to or greater than the price per share paid by investors in the Initial Public Offering (IPO), corrected according to the IPCA/IBGE, less the value per share distributed as dividends and interest on equity, and adjusted to reflect any share bonuses, splits or grouping between the Granting Date and the date of exercise of the Vested Options.

The price of the global exercise payable by the executives for the vested options on each anniversary is R$ 1,00. Vested options may not be exercised for three years after the date of transfer,

The weighted average contractual term for the stock options remaining on December 31, 2021 was 3.81 years. The weighted average fair value of the options granted during the period was R$ 8,89 in the original program, and R$ 2,61 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.

<u>2021 Grant:</u>

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. Throughout the year 94,508 options were granted. At a meeting held on December 21, 2021 the Board of Directors approved the standardization of the rules governing 1,062,037 of the stock options granted in 2019, bringing them in line with the 2021 Grant.

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 year, 43,133 options lapsed. No options were exercised or matured in the period.

The contractual term for the stock options remaining on December 31, 2021 was 2,15 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.

<u>Changes</u>

(in thousand Reals unless otherwise stated)

Programa	initial balance on 01/01/2021	Granted	Changes	Lapsed	Final balance on 12/31/2021
Granted in 2019 2nd replacement	1,148,148	-	(1,062,037)	-	86,111
Granted in 2019 and transferred to the 2021 Grant	-	-	1,062,037	-	1,062,037
Granted in 2021	-	1,506,702	-	(43,133)	1,463,569
Total	**1,148,148**	**1,506,702**		**(43,133)**	**2,611,717**

Premises:

	2019 grant (original)			2019 grant (substitution add-on)		
	Batch 1	**Batch 2**	**Batch 3**	**Batch 1**	**Batch 2**	**Batch 3**
Pricing model	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%
Risk-free rate	4.41%	4.78%	5.31%	5.63%	5.95%	6.20%
Price per share considered	16.50	16.50	16.50	16.89	16.89	16.89
Expected lifetime of the options	10/21/2020	10/21/2021	10/21/2022	10/21/2023	10/21/2024	10/21/2025
Fair value on the date measured	8.09	8.45	8.73	4.46	3.11	1.37
Expected annual volatility	31.26%	35.73%	36.55%	36.64%	37.79%	37.10%

	2019 Grant (December 2021 substitution add-on)	2021 Grant
	Single batch	**Single batch**
Pricing model	Monte Carlo	Monte Carlo
Dividend yield	0.00%	0.00%
Risk-free rate	10.92%	6.395%
Price per share considered	6.59	11.63
Expected lifetime of the options	02/24/2024	24/02/2024
Fair value on the date measured	4.39	12.45
Expected annual volatility	58,69%	53,92%

In 2021 the Company recognized expenses of R$ 8,486 for the 2019 Grant, and R$5,303 for the 2021 Grant (R$ 7,728 in the same period in 2020 relative to the 2019 Grant), with the capital reserve - shares granted as the counterpart. The following expenses will be recognized in subsequent periods:

(in thousand Reals unless otherwise stated)

	Program	
Year	**2019 Grant**	**2021 Grant**
2022	1,054	8,423
2023	-	8,424
2024	-	1,269
	1,054	**18,116**

11. Inventory

a) Inventory breakdown

	Parent Company and Consolidated	
	2021	**2020**
Goods for resale	**873,953**	622,353
Goods sold and in transit for delivery to customers	**1,154**	2,894
Goods held by third parties	**-**	17,564
Present value adjustment	**(11,651)**	(2,169)
Provisions for losses	**(45,961)**	(34,108)
	817,495	606,534
Imports in transit	**31,774**	34,486
	849,269	641,020

b) Changes in provisions for losses in the period

	2021	**2020**
Balance on December 31	**34,108**	32,202
Addition (reversal)	**52,792**	45,758
Actual losses	**(40,939)**	(43,852)
Balance on December 31	**45,961**	34,108

Throughout the year, the Company performs periodic physical counts of goods it classifies as high risk of loss; a full physical count is performed for all items once a year. As physical counts are performed, adjustments are recorded as actual losses, consuming provisions for inventory losses booked for this purpose. On December 31, 2021 the Company had finished inventorying 304 locations (285 in the period ending December 31 2020).

Provisions for lost inventory are made in proportion to sales, which is sensitive to the traffic in our B&M stores.

12. Taxes recoverable

	Parent Company		Consolidated	
	2021	**2020**	**2021**	**2020**

Previously unused PIS / COFINS credit (i)	**1,521,074**	1,361,210	**1,521,074**	1,361,210
ICMS (ii)	**115,661**	49,010	**115,661**	49,010
IT/CSLL	**29,476**	10,522	**29,820**	10,941
PIS/COFINS (taxes on revenue)	**-**	7,812	**-**	7,812
IT	**9,664**	3,250	**9,672**	3,258
IPI (excise tax)	**328**	345	**328**	345
Other	**12,378**	7,441	**12,378**	7,441
	1,688,581	1,439,590	**1,688,933**	1,440,017
Current assets	**848,803**	282,233	**849,155**	282,660
Non-current assets	**839,778**	1,157,357	**839,778**	1,157,357

(i) Previously unused PIS / COFINS credit

(i.i) ICM 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. Was fled 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 decision made 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, deferred to March 17, 2020, ensuring the right to offset this credit. On December 31, 2021 the balance of previously unused credits was R$ 1,131,662.

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 had 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. On October 2021, the Company recognized a supplement of R$ 10,496 relative to the same lawsuit. On December 31, 2021 the amount updated to R$ 250,684.

Management expects that updated tax credits from the first lawsuit will be offset by 2023, given the tax debits generated from normal Company operations. As shown in item (i.iv).

(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:

(in thousand Reals unless otherwise stated)

a) recognize that all sales of goods to the FTZ (including those originating within thee 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 the fruition of the REINTEGRA benefits resulting from the sale of domestic goods to the FTZ.

Thus, there was recognition/constitution of the asset 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. As of December 31, 2021, there was a supplement to Reintegra for the period from January 2020 to September 2021 in the amount of R$229, with the restated balance of extemporaneous credit being R$138,728. Realizing these credits shall respect 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 December 31, 2021,

Year	R$
2022	776,569
2023	355,093
Waiting for enablement	138,728
Waiting for the final, unappealable court ruling	250,684
Total	**1,521,074**

Starting in 2022 Management will offset PIS and COFINS credits with tax debits generated in its operations, without the use of current credits.

(i.iv) Changes in previously unused PIS / COFINS credits, in 2021 and 2020

	2021	2020
Balance on December 31	**1,361,210**	1,282,030
Recognize	**181,435**	141,856
Interest	**98,691**	91,864
Offset by	**(120,262)**	(154,540)
Balance at the end of period	**1,521,074**	1,361,210

(in thousand Reals unless otherwise stated)

ii) Credit on the increase in ICMS on the supply of electricity

On December 17, 2021 the Federal Supreme Court (STF) published its understanding a rate of 17% and not the higher rates as the effective rate for ICMS on electricity and telecommunication services. In 2015 and 2016 the Company filed Ordinary Claims in the states of SP, RJ, BA, PA, AL, AM, CE, DF, ES, GO, MT, PB, PE, PI, PR, RN, RO, RS, SC and SE. In light of this and based on the interpretation of item 33 of CPC 25 (Provisions, Contingent Assets and Contingent Liabilities), the Company entered its best estimate to date, or R$ 32,612.

The Company is waiting for the outcome of its claims to determine the requirements resulting the specific circumstances of each case.

13. Other assets

	Parent Company		Consolidated	
	2021	**2020**	**2021**	**2020**
Prepaid expenses	**30,697**	18,213	**30,697**	18,213
Actuarial asset	**2,552**	2,209	**2,552**	2,209
Employee loans and advances	**2,021**	3,940	**2,021**	3,940
Supplier advances	**-**	1,148	**-**	1148
I.P.T.U.	**103**	68	**103**	68
Other	**551**	39	**562**	39
	35,924	25,617	**35,935**	25,617
Current assets	**33,337**	22,933	**33,348**	22,933
Non-current assets	**2,587**	2,684	**2,587**	2,684

14. Income Tax and Social Contribution

On September 24, 2021 the Federal Supreme Court (STF) published its understanding that IRPJ and CSLL (taxes on income) shall not apply on arrears interest and monetary correction.

On January 9, 2012 the Company took out a writ of mandamus claiming the right to not have IRPJ and CSLL levied on monetary correction, including the Selic rate applied to repeated incidents of tax overpayment that resulted in a favorable ruling of the Company or its successors.

In light of this and based on the interpretation of IPC 22 (Uncertainty regarding the Handling of Income Taxes), and CPC 32 (Income Tax), the Company recorded its best estimate of R$311,301 as deferred income tax, and R$ 26,137 as taxes to be recovered long term.

The Company is waiting for a final ruling on its claims to enable its credits with the Brazilian Federal Revenue Services (FRS) to start offsetting these amounts.

(in thousand Reals unless otherwise stated)

a) Breakdown and changes in deferred taxes

		Parent Company		
		Increase/(Reduction)		
	Balance on December 31, 2020	**in earnings**	**in shareholder's equity**	**Balance on December 31, 2021**
Tax losses and negative bases	265,898	98,119	-	**364,017**
Temporary differences:				
Provisions for tax, civil and labor proceedings	96,667	(10,041)	-	**86,626**
Provisions for losses in inventories and accounts receivable	16,175	5,359	-	**21,534**
Provisions for loss of property and equipment and right-of-use assets	9,824	(1,326)	-	**8,498**
Provisions for profit sharing	15,976	3,200	-	**19,176**
CPC 06 (R2)/IFRS 16 leases	46,626	15,825	-	**62,451**
Other	79,369	(7,207)	(2,100)	**70,062**
Deferred tax assets	**530,535**	**103,929**	**(2,100)**	**632,364**
Gains from legal cases	(456,033)	203,942	-	**(252,091)**
Present value adjustment	(3,010)	1,102	-	**(1,908)**
Deferred tax liabilities	**(459,043)**	**205,044**	**-**	**(253,999)**
Net balance of deferred tax assets	**71,492**	**308,973**	**(2,100)**	**378,365**

		Consolidated		
		Increase/(Reduction)		
	Balance on December 31, 2020	**in earnings**	**in shareholder's equity**	**Balance on December 31, 2021**
Tax losses and negative bases	265,898	98,119	-	**364,017**
Temporary differences:				
Provisions for tax, civil and labor proceedings	96,667	(10,041)	-	**86,626**
Provisions for losses in inventories and accounts receivable	16,175	5,797	-	**21,972**
Provisions for loss of property and equipment and right-of-use assets	9,824	(1,326)	-	**8,498**
Provisions for profit sharing	15,976	3,200	-	**19,176**
CPC 06 (R2)/IFRS 16 leases	46,626	15,825	-	**62,451**
Other	79,369	(7,207)	(2,100)	**70,062**
Deferred tax assets	**530,535**	**104,367**	**(2,100)**	**632,802**
Gains from legal cases	(456,33)	203,942	-	**(252,091)**
Present value adjustment	(3,010)	1,102	-	**(1,908)**
Deferred tax liabilities	**(459,043)**	**205,044**	**-**	**(253,999)**
Net balance of deferred tax assets	**71,492**	**309,411**	**(2,100)**	**378,803**

(in thousand Reals unless otherwise stated)

		Parent Company and Consolidated		
		Increase/(Reduction)		
	Balance on December 31, 2019	**in earnings**	**in shareholder's equity**	**Balance on December 31, 2020**
Tax losses and negative bases	174,654	91,244	-	265,898
Temporary differences:				
Provisions for tax, civil and labor proceedings	93,011	3,656	-	96,667
Provisions for losses in inventories and accounts receivable	22,109	(5,934)	-	16,175
Provisions for the loss of property and equipment	11,915	(2,091)	-	9,824
Provisions for profit sharing	15,069	907	-	15,976
CPC 06 (R2)/IFRS 16 leases	28,459	18,167	-	46,626
Other	60,072	18,188	1,109	79,369
Deferred tax assets	**405,289**	**124,137**	**1,109**	**530,535**
Gains from legal cases	(435,890)	(20,143)	-	(456,033)
Present value adjustment	(2,375)	(635)	-	(3,010)
Adjustment to fair value	(12,655)	12,655	-	-
Deferred tax liabilities	**(450,920)**	**(8,123)**	**-**	**(459,043)**
Net balance of deferred tax assets	**(45,631)**	**116,014**	**1,109**	**71,492**

b) Expected realization of deferred tax assets on December 31, 2021

Year	Parent Company	Consolidated
2022	122,157	122,595
2023	69,849	69,849
2024	59,585	59,585
2025	94,166	94,166
2026	115,210	115,210
2027 to 2029	144,612	144,612
2030 to 2032	26,785	26,785
	632,364	**632,802**

(in thousand Reals unless otherwise stated)

c) Reconciliation of effective rate

	Parent Company		Consolidated	
	2021	**2020**	**2021**	**2020**
Profit (loss) before income taxes	**966**	(255,998)	**991**	(255,673)
Income tax expenses at statutory rates - 34%	**(328)**	87,039	**(337)**	86,929
Adjustments to reflect the effective rate				
Share of profit of subsidiaries	**180**	234	**-**	-
Non-deductible donations	**(1,872)**	(1,894)	**(1,872)**	(1,894)
PAT (worker meal program) and the culture incentive law	**-**	607	**-**	607
Adjustments in transfer pricing	**(2,418)**	-	**(2,418)**	-
Technology innovation (R&D) incentives	**(70)**	509	**(70)**	509
Corporate gifts and non-deductible fines	**(1,111)**	(611)	**(1,114)**	(611)
Investment Subsidies	**3,291**	637	**3,291**	637
IT and SC from previous periods	**(261)**	-	**(261)**	-
Equity Instruments Granted	**-**	385	**-**	385
Other additions and exclusions	**-**	2,760	**144**	2,755
Exemptions of additional taxes	**330,631**	-	**330,631**	-
Taxes calculated on the portion exempt from the additional 10%	**-**	-	**24**	24
Income Tax and Social Contribution on Profits	**328,042**	89,666	**328,018**	89,341
Current	**19,069**	(26,348)	**18,607**	(26,673)
Deferred	**308,973**	116,014	**309,411**	116,014
	328,042	89,666	**328,018**	89,341
Effective rate	**-339%**	35%	**-339%**	35%

15. Investments

a) Information on investments in the subsidiary

Orion	Shareholding	Current assets	Assets Non-Current	Current liabilities	Net Collection	Gross Revenue Gross	Profit	Book value of the investment	Share of profit of subsidiaries
2021	**99,8%**	**145,919**	**895**	**(115,539)**	**31,275**	**3,855**	**531**	**31,272**	**530**
2020	99,8%	1,899	-	(1,022)	877	3,175	690	875	689

b) Changes in investment

	2021	**2020**
Balance on December 31	**875**	836
Share of profit of subsidiaries	**530**	689
Advances for future capital increases	**30,000**	-
Stated dividends	**(133)**	(650)
Balance on December 31	**31,272**	**875**

(in thousand Reals unless otherwise stated)

16. Property and Equipment

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

Property and equipment	Cost	Accumulated Depreciation	Provision for impairment	December 31, 2021
Machinery and equipment	**241,850**	**(138,214)**	**(4,772)**	**98,864**
Furniture and fixtures	**529,770**	**(297,884)**	**(2,117)**	**229,769**
Equips, IT Equipment	**258,423**	**(167,970)**	**(645)**	**89,808**
Vehicles	**534**	**(520)**	**-**	**14**
Leasehold improvements	**1,293,687**	**(880,584)**	**(15,189)**	**397,914**
Land	**126**	**-**	**-**	**126**
Construction in progress	**18,291**	**-**	**-**	**18,291**
Provisions for store restorations	**2,430**	**(947)**	**-**	**1,483**
	2,345,111	**(1,486,119)**	**(22,723)**	**836,269**

Property and equipment	Cost	Accumulated Depreciation	Provision for 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
Equips, 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,

(in thousand Reals unless otherwise stated)

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

	Average annual depreciation rate	Balance on December 31, 2020	Additions (iii)	Depreciation	Write-offs	Transfers	Transfers to intangible	Reversals (provisions) *Impairment*	Balance on December 31, 2021
Machinery and equipment	8%	**63,797**	**9,357**	**(11,100)**	**(187)**	**39,924**	**-**	**(2,927)**	**98,864**
Furniture and fixtures	15%	**187,294**	**67,599**	**(44,794)**	**(234)**	**18,958**	**-**	**946**	**229,769**
IT Equipment	20%	**63,014**	**45,917**	**(23,409)**	**(260)**	**4,779**	**-**	**(232)**	**89,808**
Vehicles	20%	**41**	**-**	**(27)**	**-**	**-**	**-**	**-**	**14**
Leasehold improvements (i)	11%	**335,581**	**6,522**	**(77,854)**	**(4,011)**	**132,935**	**-**	**4,741**	**397,914**
Land	-	**126**	**-**	**-**	**-**	**-**	**-**	**-**	**126**
Construction in progress	-	**15,411**	**205,748**	**-**	**-**	**(195,379)**	**(7,489)**	**-**	**18,291**
Provisions for returning stores (ii)	-	**744**	**900**	**(161)**	**-**	**-**	**-**	**-**	**1,483**
Other	-	**1,217**	**-**	**-**	**-**	**(1,217)**	**-**	**-**	**-**
Total		**667,225**	**336,043**	**(157,345)**	**(4,692)**	**-**	**(7,489)**	**2,528**	**836,269**

	Average annual depreciation rate	Balance on December 31, 2019	Additions (iii)	Depreciation	Write-offs	Transfers	Transfers to intangible	Reversals (provisions) *Impairment*	Balance on December 31, 2020
Machinery and equipment	9%	51,841	20,325	(11,260)	(187)	3,397	-	(319)	63,797
Furniture and fixtures	14%	176,658	43,678	(42,574)	(1,599)	9,336	-	1,795	187,294
IT Equipment	20%	65,405	15,875	(21,369)	(163)	3,462	-	(196)	63,014
Vehicles	20%	66	-	(25)	-	-	-	-	41
Leasehold improvements	11%	368,514	3,525	(102,711)	(4,234)	63,071	-	7,416	335,581
Land	-	126	-	-	-	-	-	-	126
Construction in progress	-	51,506	79,007	-	-	(79,266)	(35,836)	-	15,411
Provisions for returning stores	12%	401	270	(107)	-	180	-	-	744
Other	-	2,895	-	-	(1,498)	(180)	-	-	1,217
Total		717,412	162,680	(178,046)	(7,681)	-	(35,836)	8,696	667,225

(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 22 lease agreements with fully variable payments. These are linked to provisions for dismantling and returning stores,

(iii) In 2021. The Company purchased property and equipment in the amount of R$ 336,043, R$ 43,700 of which were recognized as supplier accounts payable (R$ 10,497 in 2020). And R$ 10,497 were disbursed in 2021 for purchases made prior to December 31, 2020 (R$ 6,292 were disbursed in 2020 for purchases prior to December 2019),

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

(i) Revenue: projected to the end of the store's lease term
(ii) Costs and expenses: projected in the same period as revenue, corrected for an estimated annual inflation of 10% for 2022, and 3.5% for subsequent periods. As per Central Bank estimates.
(iii) Discount rate: determined bearing in mind the risk-free rate, the business risk, third-party cost of capital, and the Company's capital structure. The discount rate used was 11.85% annually. When calculating the discount rate, the Company considers lease liabilities as part of financing activities,

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

On December 31, 2021 the Company had provisions for impairment in the amount of R$ 22,723 (R$ 25,252 on December 31, 2020), of which R$ 15,941 referred to the impairment test (R$ 20,690 on December 31, 2020), and R$ 6,782 in provisions for writing off assets due to revamping and closing stores (R$ 4,562 on December 31, 2020).

(in thousand Reals unless otherwise stated)

17. Intangible assets

a) Breakdown of intangibles:

Parent Company	**2021** Cost	**2021** Accumulated amortization	**2021** Provision for *impairment*	**2021** Accounting Balance	**2020** Cost	**2020** Accumulated amortization	**2020** Provision for *impairment*	**2020** Accounting Balance
Software	787,579	(423,041)	(163)	**364,375**	570,120	(336,496)	(2)	233,622
Goodwill	70,387	(49,993)	(761)	**19,633**	59,519	(47,956)	(1,094)	10,469
Other intangibles	415,000	-	-	**415,000**	-	-	-	-
Intangibles in process	176,231	-	-	**176,231**	50,869	-	-	50,869
Total	**1,449,197**	**(473,034)**	**(924)**	**975,239**	680,508	**(384,452)**	**(1,096)**	**294,960**

Consolidated	**2021** Cost	**2021** Accumulated amortization	**2021** Provision for *impairment*	**2021** Accounting Balance	**2020** Cost	**2020** Accumulated amortization	**2020** Provision for *impairment*	**2020** Accounting Balance
Software	788,043	(423,049)	(163)	**364,831**	570,120	(336,496)	(2)	**233,622**
Goodwill	70,387	(49,993)	(761)	**19,633**	59,519	(47,956)	(1,094)	**10,469**
Other intangibles	415,000	-	-	**415,000**	-	-	-	**-**
Intangibles in process	176,231	-	-	**176,231**	50,869	-	-	**50,869**
Total	**1,449,661**	**(473,042)**	**(924)**	**975,695**	680,508	**(384,452)**	**(1,096)**	**294,960**

b) Changes in intangibles:

Parent Company

	Average amortization rate (% annual)	**Balance on December 31, 2020**	**Additions (i)**	**Amortization**	**Write-offs**	**Transfers**	**Property and equipment transfers**	**Reversals (provisions) *Impairment***	**Balance on December 31, 2021**
Software	**17%**	**233,622**	**43**	**(86,546)**	**(22)**	**209,949**	**7,489**	**(160)**	**364,375**
Goodwill	**10%**	**10,469**	**-**	**(2,756)**	**-**	**11,587**	**-**	**333**	**19,633**
Other intangibles	**-**	**-**	**415,000**	**-**	**-**	**-**	**-**	**-**	**415,000**
Intangibles in process	**-**	**50,869**	**346,898**	**-**	**-**	**(221,536)**	**-**	**-**	**176,231**
Total		**294,960**	**761,941**	**(89,302)**	**(22)**	**-**	**7,489**	**173**	**975,239**

	Average amortization rate (% annual)	Balance on December 31, 2019	Additions	Amortization	Write-offs	**Transfers**	Property and equipment transfers	Reversals (provisions) Impairment	Balance on December 31, 2020
Software	16%	177,968	39,084	(66,204)	(1)	46,938	35,836	1	**233,622**
Goodwill	11%	9,372	-	(2,082)	-	3,179	-	-	**10,469**
Intangibles in process	-	-	100,986	-	-	(50,117)	-	-	**50,869**
Total		**187,340**	**140,070**	**(68,286)**	**(1)**	**-**	**35,836**	**1**	**294,960**

(in thousand Reals unless otherwise stated)

	Consolidated								
	Average amortization rate (% annual)	**Balance on December 31, 2020**	**Additions (i)**	**Amortization**	**Write-offs**	**Transfers**	**Property and equipment transfers**	**Reversals (provisions) *Impairment***	**Balance on December 31, 2021**
Software	**17%**	**233,622**	**507**	**(86,554)**	**(22)**	**209,949**	**7,470**	**(141)**	**364,831**
Goodwill	**10%**	**10,469**	**-**	**(2,756)**	**-**	**11,587**	**(1,077)**	**1,410**	**19,633**
Other intangibles		**-**	**415,000**	**-**	**-**	**-**	**-**	**-**	**415,000**
Intangibles in process	**-**	**50,869**	**346,898**	**-**	**-**	**(221,536)**	**-**	**-**	**176,231**
Total		**294,960**	**762,405**	**(89,310)**	**(22)**	**-**	**6,393**	**1,269**	**975,695**

	Average amortization rate (% annual)	Balance on December 31, 2019	Additions	Amortization	Write-offs	Transfers	Property and equipment transfers	Reversals (provisions) Impairment	Balance on December 31, 2020
Software	16%	177,968	39,084	(66,204)	(1)	46,938	35,836	1	**233,622**
Goodwill	11%	9,372	-	(2,082)	-	3,179	-	-	**10,469**
Intangibles in process	-	-	100,986	-	-	(50,117)	-	-	**50,869**
Total		**187,340**	**140,070**	**(68,286)**	**(1)**	**-**	**35,836**	**1**	**294,960**

(i) In 2021 the Company added R$ 761,491 to its intangibles account, primarily due to the buy-back of the Bradesco Logistics System balcão, the development of e-commerce apps and systems, and the RFID inventory management system (R$ 762,405 consolidated). R$ 505,909 of this amount was booked as accounts payable to parent company supplier, and R$ 38,566 disbursed in 2021 for purchases that took place prior to December 31, 2020,

c) Impairment

Intangible assets, software and the trade fund are also subject to the impairment test. The approach is the same used for property and equipment (note 16.c)

d) Acquisitions during the period

On November 8, 2021, the Company acquired, through a business combination, the right to explore financial services, previously operated by Banco Bradesco. The Company has the right to explore this new business as of December 1, 2021, as established in the contract by the parties, this date being defined as the date of acquisition according to a specific requirement given by CPC 15. There is no fixed term for operating this business. The transaction was recorded at acquisition cost measured by the sum of the consideration transferred, which is evaluated based on the fair value on the acquisition date, in the amount of R$415,000 to be settled in January 2023.

18. Business Combination

a) Acquisition off the right to explore financial services in 2021

On April 30, 2008 C&A and Banco Bradesco signed a partnership agreement to offer C&A customers financial products and services. This partnership was to last for 20 years. The results were calculated monthly and each party received share, or 50% of the result of the partnership each.

In 2021, due to strategic repositioning, C&A decided to reacquire this business and on November 8, 2021 formalized the acquisition. The Company considered all the facts and circumstances involved in the business combination and determined December 1, 2021 as the acquisition date, as it is the date on which Banco Bradesco's exclusivity ceased to exist and, concomitantly, the of the Company's right to exploit financial services.

The acquisition was measured at fair value of the business, valued at R$ 415 million, to be settled by January 23, 2023. Fair value reflects the additional portion being acquired by the Company, given that the original partnership agreement included a split of the results between the parties.

b) Fair value of the acquisition

The fair value of the acquisition was calculated using a discounted cash flow based on the outlook of future profitability of the business. This method estimates the value of the business by calculating the present value of its projected cash flows. These flows are comprised of the expected ingress of funds and disbursements. Projections took into consideration the Company's business plan.

The estimate of fair value is based on:

• Discount rate estimated at 12.5% a year, which considers the risk of the financial services business
• Projected cash flows for the period between December 1, 2021 and March 31, 20230

The fair value of the portion acquired by C&A was valued at R$ 415,000.

19. 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 2021 was R$ 40,297 (R$ 89,781 in 2020, net of PIS/COFINS), recorded under results for the period as occupancy costs. The company also has payable leases related to the pandemic, which should be settled in full by July 2022. Deferred payments with no further burden to the Company added up to R$ 971 on December 31, 2021 (R$ 4,925 in December 2020) and are booked under lease liabilities until they are settled.

(in thousand Reals unless otherwise stated)

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 complies 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 for contractual terms practice in the period ended December 31, 2021,

Contractual terms	Real Rate (% p,y,)	Nominal Rate (% p,y,)
0 to 3 years	1.6 – 8.8	4.0 – 14.9
3 to 5 years	2.2 – 7.7	5.4 – 14.3
5 to 6 years	2.2 – 7.2	5.6 – 13.7
6 to 10 or more years	3.2 – 7.2	6.8 – 14.1

Incremental rates for contractual terms practice in the period ended December 31, 2020

Contractual terms	Real Rate (% p,y,)	Nominal Rate (% p,y,)
0 to 3 years	1.8 – 3.0	4.0 – 6.6
3 to 5 years	2.2 – 3.5	5.4 – 7.6
5 to 6 years	2.7 – 3.9	5.9 – 8.0
6 to 10 or more years	3.9 – 4.6	7.0 – 8.8

(in thousand Reals unless otherwise stated)

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

	Right-of-use asset			
	Real Estate	**Equipment**	**Total**	**Lease liabilities**
Balance on December 31, 2020	**1,507,566**	**6,872**	**1,514,438**	**(1,654,796)**
Amortization (i)	**(336,479)**	**(1,846)**	**(338,325)**	**-**
Financial charges	**-**	**-**	**-**	**(144,151)**
Payments made	**-**	**-**	**-**	**438,262**
Provisions for dismantling costs	**1,440**	**-**	**1,440**	**-**
Impairment	**1,200**	**-**	**1,200**	**-**
New/renewed/closed Agreements (ii)	**277,462**	**-**	**277,462**	**(267,323)**
Re-measurements (iii)	**184,323**	**(248)**	**184,075**	**(186,140)**
Balance on December 31, 2021	**1,635,512**	**4,778**	**1,640,290**	**(1,814,148)**
Current liabilities				**(471,723)**
Non-current liabilities				**(1,342,425)**

(i) In this table, amortization has not been corrected in the amount of R$ 39,078 for PIS/COFINS credits on lease payments, nor R$ 8,740 in interest, recorded directly as a reduction of amortization and interest expenses in the statements of operation.
(ii) This refers to 28 new store agreements, 12 renewals and 4 agreements that expired.
(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			
	Real Estate	**Equipment**	**Total**	**Lease liabilities**
Balance on December 31, 2019	1,501,141	6,674	1,507,815	(1,587,680)
Amortization	(304,983)	(1,460)	(306,443)	-
Financial charges	-	-	-	(139,120)
Payments made	-	-	-	387,167
Provisions for dismantling costs	450	-	450	-
Impairment	(2,547)	-	(2,547)	-
Re-measurements	313,505	1,658	315,163	(315,163)
Balance on December 31, 2020	**1,507,566**	**6,872**	**1,514,438**	**(1,654,796)**
Current liabilities				**(390,603)**
Non-current liabilities				**(1,264,193)**

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 to the flow of minimum lease payments using a given discount rate (4.0% to 14.1%). 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 entry)

(in thousand Reals unless otherwise stated)

The Company adopted scenario 2 for the period ended December 31, 2021. As determined by CPC06(R2) / IFRS16. The comparative balances of lease liabilities are submitted below:

	2021	2020
Lease liabilities		
Scenario 1	2,143,756	1,906,242
Scenario 2 (book value)	**1,814,148**	**1,654,796**
Financial Charges		
Scenario 1	164,441	158,543
Scenario 2 (book value)	**107,753**	**139,120**
Depreciation Expenses		
Scenario 1	376,522	340,495
Scenario 2 (book value)	**252,435**	**306,443**
Total Expenses		
Scenario 1	540,963	499,038
Scenario 2 (book value)	**360,188**	**445,563**

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

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

	2021		2020	
Coming due	**Payments**	**Potential PIS/COFINS Rights**	**Payments**	**Potential PIS/COFINS Rights**
Less than one year	**450,798**	**(41,351)**	406,551	(36,602)
One to five years	**1,448,274**	**(131,105)**	1,286,360	(115,719)
Over five years	**483,982**	**(44,351)**	416,125	(38,005)
Total minimum payments	**2,383,054**	**(216,807)**	2,109,036	(190,326)
Minimum payments discounted to present value	**(568,906)**	**52,047**	(454,240)	41,118
Present value of the minimum payments	**1,814,148**	**(164,760)**	1,654,796	(149,208)
Current liabilities	**471,723**		390,603	
Non-current liabilities	**1,342,425**		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 actually happen.

During the period ended December 31, 2021, the expense associated with the 17 variable lease agreements was R$ 4,167 (15 agreements or the period ended December 31, 2020 was R$ 3,669). 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$ 19,619 (R$ 17,512 on December 31, 2020) 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 there any sensitivity analysis of variable expenses with leases and the factors that impact this variation.

(in thousand Reals unless otherwise stated)

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

c) Impairment

Right-of-use assets are also subject to the impairment test. The approach is the same used for property and equipment (note 16.c)

20. Trade payables

	Parent Company		Consolidated	
	2021	**2020**	**2021**	**2020**
Goods Suppliers	**668,457**	623,775	**668,457**	623,775
Materials. Asset and service suppliers	**789,977**	324,746	**791,037**	324,770
Agreement suppliers - drawee risk	**376,302**	235,179	**376,302**	235,179
	1,834,736	1,183,700	**1,835,796**	1,183,724
Current liabilities	**1,399,676**	1,158,890	**1,400,736**	1,158,914
Non-current liabilities	**435,060**	24,810	**435,060**	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 supplier's. The agreement does not change the commercial conditions, terms, and prices previously agreed between the Company and its suppliers. 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$ 12,372 for the period ended December 31, 2021.

In 2021 the monthly discount rate varied between 0.75% and 1.69% (compared to 0.75% to 1.98% in 2020),

In the period ended December 31, 2021, R$ 543 were advanced to suppliers, which generated an income of R$ 14 (R$ 248,034 were advanced in 2020, generating revenue of R$9,838). This was recognized as financial income. net of funding costs. On December 31, 2021 there were no payments advanced by C&A directly to suppliers with due dates after the date of advance (on December 31, 2020, R$ 359 had been advanced).

The company discounts the current balance of trade receivables at interest rates close to market rates. The monthly interest rates used for the calculation of present value of outstanding payables on December 31, 2021 and 2020 were 0.77% 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.

(in thousand Reals unless otherwise stated)

21. Loans and debentures

a) Breakdown of the loans and debentures

			Parent Company		Consolidated	
Descriptions	**Rate (% p,y,)**	**Maturity**	**2021**	**2020**	**2021**	**2020**
Promissory notes (i)	100% CDI+ 1.09%	2021 - 2023	**494,905**	501,267	**494,905**	501,267
CCB (ii)	100% CDI + 3.45%	2021	**-**	354,226	**-**	354,226
CCB (iii)	100% CDI + 2.95%	2023	**230,107**	235,748	**230,107**	235,748
CCB (iii)	100% CDI + 2.90%	2022 - 2024	**132,227**	122,969	**132,227**	122,969
Debentures - Issue 1 - Single Series	100% CDI + 2.15%	2024 - 2025	**505,940**	-	**505,940**	-
Guaranteed Accounts (v)	100% CDI+ 1.70%	2022 - 2023	**-**	-	**16,070**	-
(-) Transaction costs to appropriate			**(4,423)**	(2,958)	**(4,423)**	(2,958)
Total			**1,358,756**	**1,211,252**	**1,374,826**	**1,211,252**
Current liabilities			**105,108**	390,600	**121,178**	390,600
Non-current liabilities			**1,253,648**	820,652	**1,253,648**	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. In April 2021 the second principal was settled and R$ 12,913 in interest were paid (the first payment of R$ 11,197 (principal + interest) was made in October). Further payments will be made every 6 months. The costs associated with the first issue of promissory notes, including taxes, commissions and other costs totaled R$ 1,432 and are being recorded as deductions from liabilities and added to results monthly during the debt term, R$ 477 were appropriated in the period ended December 31, 2021 (R$ 318 in 2020).

ii. On April 9, 2020 the company issued two CCBs that combined 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 was paid on a half-yearly basis and the principal was amortized on the due date in 2021. The first interest payment of R$ 10,395 was in October 2020. In April 2021, R$ 350,00 in principal and R$ 9,372 in interest were paid, thus setting this transaction in full.

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, in the amount of R$ 5,829, was made in January 2021 and the second, in the amount of R$ 6,258 in June 2021.
- 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.

(in thousand Reals unless otherwise stated)

The total costs for issuing the first and second CCBs, including taxes, commissions, and other costs totaled R$ 3,647 and are being recorded as deductions from liabilities and added to results monthly during the debt term. The amount appropriated in the period ended December 31, 2021 was R$ 1,216 (R$ 1,736 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, is due on May 20, 2024, and the last payment on the maturity date of May 20, 2025. The costs associated with the first issue of debentures notes, including taxes, commissions and other costs totaled R$ 3,619 and are being recorded as deductions from liabilities and added to results monthly during the debt term, R$ 538 were appropriated in the period ended December 31, 2021.

v. On December 1, 2021. Through its subsidiary Orion Instituição de Pagamentos. The Company secured funds in the amount of R$ 15,347, to be paid back at a rate of 100% of the CDI plus a 1.70% a year surcharge, to be settled in full by May 30, 2022. The purpose of this is to settle the funding of with-interest installment portfolios, past-due accounts, withdrawals and refinancing of the new C&A Pay card operations,

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

b) <u>Payment forecast</u>

The following is a forecast of the payment of loans:

Maturity	Parent Company	Consolidated
2022	105,037	121,107
2023	715,001	715,001
2024	289,095	289,095
2025	249,623	249,623
	1,358,756	**1,374,826**

(in thousand Reals unless otherwise stated)

c) Changes in loans

Changes in third party loans break down as follows:

	Parent Company		Consolidated	
	2021	**2020**	**2021**	**2020**
Balance on December 31	1,211,252	-	1,211,252	-
New loans/debentures	500,000	1,200,000	515,347	1,200,000
Interest	81,458	35,802	81,458	35,802
Interests to pass along	-	-	723	-
Funding cost	(3,812)	(4,994)	(3,812)	(4,994)
Cost amortization	2,369	2,036	2,369	2,036
Interest payment	(51,011)	(10,592)	(51,011)	(10,592)
Payment of principal	(381,500)	(11,000)	(381,500)	(11,000)
Balance on December 31	**1,358,756**	**1,211,252**	**1,374,826**	**1,211,252**

d) Restrictive covenants

Based on the clauses of current agreements, the company must abide by 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 (EBITDA plus revenue from supplier discounts less non-operating results, defined as the sale of assets, contingency provisions/reversals, impairment and restructuring expenses) for the last 12 (twelve) months is considered. For this calculation Adjusted EBITDA for the past 12 (twelve) months is used, and the effects brought on by adopting CPC06/IFRS16 are ignored.

From time to time, the Company monitors financial indicators that may impact the covenants. These covenants are the normal ones for transactions of this nature and to date, and in no way limit the Company's ability to conduct its business.

22. Labor liabilities

	Parent Company and Consolidated	
	2021	**2020**
Salaries, profit sharing and payroll charges	**93,586**	81,068
Vacation, 13th salary and payroll charges	**67,559**	59,500
	161,145	140,568
Current liabilities	**155,470**	136,126
Non-current liabilities	**5,675**	4,442

(in thousand Reals unless otherwise stated)

23. Taxes payable

	Parent Company		Consolidated	
	2021	**2020**	**2021**	**2020**
ICMS	**118,561**	99,525	**118,561**	99,525
PIS/COFINS	**62,882**	24,997	**63,031**	25,012
Other	**10,121**	7,415	**10,260**	7,415
	191,564	131,937	**191,852**	131,952
Current liabilities	**175,352**	106,940	**175,640**	106,955
Non-current liabilities	**16,212**	24,997	**16,212**	24,997

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

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

The Company is a party in administrative and judicial claims of tax, civil and labor natures, Pursuant to advice received from 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:

	2020	**Addition (reversal)**	**Payments**	**Update**	**2021**
Tax	200,437	**17,680**	**(2,473)**	**5,334**	**220,978**
Labor 23,1 (iv)	74,994	**(38,923)**	**(12,617)**	**6,641**	**30,095**
Civil	8,884	**2,080**	**(8,780)**	**1,526**	**3,710**
Provisions for tax, civil and labor proceedings	284,315	**(19,163)**	**(23,870)**	**13,501**	**254,783**
Judicial deposits with a corresponding liability	(54,191)	**(30,798)**	**-**	**(268)**	**(85,257)**
Net provisions for judicial deposits	230,124	**(49,961)**	**(23,870)**	**13,233**	**169,526**

	2019	**Addition (reversal)**	**Payments**	**Update**	**2020**
Tax	179,919	12,177	(351)	8,692	**200,437**
Labor	89,505	(10,599)	(15,746)	11,834	**74,994**
Civil	4,138	6,440	(2,688)	994	**8,884**
Provisions for tax, civil and labor proceedings	273,562	8,018	(18,785)	21,520	**284,315**
Judicial deposits with a corresponding liability	(39,720)	(16,686)	3,518	(1,303)	(54,191)
Net provisions for judicial deposits	233,842	**(8,668)**	**(15,267)**	**20,217**	**230,124**

Tax provisions refer substantially to discussions regarding the following taxes:

(i) PIS/COFINS (taxes on revenue)

On December 31, 2021, the Company had provisions for PIS and COFINS risks in the amount of R$ 122,405 (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$ 64,998 (R$ 82,271 on December 31, 2020), and Cofins Import credits, in the amount of R$ 40,077 (R$ 38,858 on December 31, 2020). For the latter case, on December 31, 2021 the Company had an updated deposit balance in the amount of R$ 37,773 (R$ 36,785 on December 31, 2020). On December 31, 2021 the company made provisions in the amount of R$ 9,715 related to credits to run out from expenses with credit card fees,

(ii) ICMS (State Value Added Tax)

On December 31, 2021, the Company had provisions for ICMS risk in the amount of R$ 36,069 (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$ 10,499 (R$ 10,377 on December 31, 2020) and discussions regarding ICMS rates on energy, in the amount of R$ 19,424 (R$ 16,278 on December 31, 2020),

(iii) Other taxes

On December 31, 2021, the Company had provisions for tax risks related to other taxes in the amount of R$ 62,505 (R$ 32,135 on December 31, 2020). The most significant amounts were related to ISS (tax on services) in the amount of R$ 5,495 (R$ 5,105 on December 31, 2020), IPTU (property tax) reversals in the amount of R$ 8,404 (R$ 8,352 on December 31, 2020), and FGTS in the amount of R$ 16,768 (R$ 16,748 on December 31, 2020). In the latter case, the amount will not be corrected monthly as the index used is the reference rate, last updated by the relevant authorities in August 2017.

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

On the advice of its legal advisors, 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 September 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, this understanding changed resulting in a ruling unfavorable to the taxpayers.
For these reasons, the Company's legal advisors opted for caution and a likely risk in the concrete case. Thus, on 30 June 2021 the company provisioned R$ 37,638. The updated amount on December 31, 2021 was R$ 38,268.

(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 experience the Company reviewed the methodology applied to similar labor claims and now believes 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. The measurement of provisions for labor claims is thus 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. 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, and the authorities demanded that the Company offer collateral 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 December 31, 2021 the updated amount was R$ 37,773 (R$ 36,785 on December 31, 2020), equivalent to the credits taken during the period plus interest. The Company has booked provisions of R$ 40,077 (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.

(in thousand Reals unless otherwise stated)

(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, Between January 2014 and November 2015 the Company opted to make monthly payments of CPRB in the form of judicial deposits. The updated amount on December 31, 2021 was R$ 30,798 (R$ 29,941 on December 31, 2020).

24.2. Judicial deposits

The Company is contesting the payment of certain taxes, contributions, and labor obligations, and has made judicial deposits to ensure that court discussions proceed, either because said deposits are required by the courts. or because of a strategic decision by Management to protect its cash. 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. On September 30, 2021 the company reclassified R$ 14,248, related to a deposit for the DIFAL claim. On December 31, 2021 the updated amount of the deposits related to the DIFAL claims amounted to R$ 16,122. Thus, the updated amount of the company's judicial deposits is:

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

	Parent Company and Consolidated	
	2021	**2020**
Tax	**31,064**	47,785
Civil and labor	**30,873**	33,728
Total	**61,937**	81,513

There is no provision for the judicial deposits mentioned above, based on the judgment of management supported by the opinion of the Company's legal advisors.

24.3. Non-provisioned contingencies

On December 31, 2021 the Company had an updated amount of R$ 315,978 (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 believes 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 on the sale of electronic goods, which was revoked by Provisional Measure # 690/2015, signed into Law # 13,241/15. On 7 October 2019, the Company was informed of the decision granting urgent interlocutory relief, guaranteeing the tax debt through an insurance bond in the amount of R$ 165 million. For this reason, considering that the initial petition was amended to allocate the same value to the case as the insurance bond, the non-provisioned contingency was adjusted. The updated amount on December 31, 2021 was R$ 176,798 (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 ruling issued by the appeals power, part of the amount was reversed. On December 31, 2021 the updated balance of the proceeding totaled R$ 7,980 (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. The updated value of the tax violations classified as possible was R$ 25,561 on December 31, 2020 (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. The updated amount on December 31, 2021 was R$ 17,572 (R$ 17,248 on December 31, 2020).

(e) Social Security credits are administrative claims that are discussing the non-homologation of requests for compensation. The updated value of the claims was R$ 16,445 in December 2021.

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.

(in thousand Reals unless otherwise stated)

25. Equity

25.1 Share capital

On December 31, 2021 the Company's share capital 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 December 31, 2021 the ownership of Company shares broke down as follows:

	2021		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	17,121	0.01%	17,212	0.01%
Management	546,797	0.17%	531,097	0.17%
Treasury	214,500	0.07%	-	-
Free Float	106,164,435	34.44%	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 share capital within the authorized limits shall be completed by issuing shares, convertible debentures, or subscription warrants, as decided by the Board of Directors, which is responsible for setting the issuing terms, including price and form of payment, if payment takes the form of assets. The General Assembly shall be responsible for increasing the share capital, with input from the Fiscal Board, if any,

25.2 Shares in Treasury

In December 2021 the Company spent R$ 1,362 to acquire 214,500 of its own shares, which at this time are kept in treasury.

25.3 Capital reserves - shares issued

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

25.4 Legal reserve

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

25.5 Reserve for unrealized profits

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 25)

On December 31, 2019 the company set aside R$ 75,720 as a reserve for unrealized gains,

25.6 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, less contingency reserves, reserves for tax incentives and reserves for future profits may not exceed 100% (one hundred percent) of the share capital. Once this threshold has been achieved, 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 share capital 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.

The proposed destination of profits for the period ended on December 31, 2021. To be discussed at a General Meeting of the Shareholders. Expects that R$ 227,160 of the profit for the period will be set aside for the investment reserve account.

25.7 Reserve for tax incentives

The Company has ICMS tax incentives in the form of presumed credits due to its operations in the state of Santa Catarina. Thus, it recognizes the impact as credit on the statement of earnings in those periods in which it recognizes the related costs. Management set aside the amounts of these incentives as tax incentive reserves. On December 31, 2021 the total reserve for tax incentives amounted to R$ 11,553 (R$ 1,874 on December 31, 2020).

(in thousand Reals unless otherwise stated)

25.8 Adjustments to equity valuation

This refers to the effective portion of financial instruments designated as cash flow hedge. As per Note 30.

26. 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,

The Company's profit for the period ended on December 31, 2021 was the result of unrealized tax gains. As the minimum mandatory dividends are owed on whatever exceeds realized profits, there were no dividends payable,

		OSM June 2020		**Transactions in December 2020**		
	Balance on December 31, 2019	Constitution of a special reserve for dividends	**Balance on 06/30/2020**	Loss absorption	Payment of Interest on Equity	**Balance on December 31, 2021**
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)**	**-**

(in thousand Reals unless otherwise stated)

27. Net Revenue

	Parent Company		Consolidated	
	2021	2020	2021	2020
Sale of Goods	**6,632,087**	5,486,950	**6,632,087**	5,486,950
Cancellations, exchanges, and vouchers	**(153,039)**	(403,812)	**(153,039)**	(403,812)
Sales taxes	**(1,518,415)**	(1,160,297)	**(1,518,415)**	(1,160,297)
Net revenue from the sale of merchandise	**4,960,633**	**3,922,841**	**4,960,633**	**3,922,841**
Commission revenue from the sale of financial services - Bradescard partnership	**159,568**	120,800	**159,568**	120,800
Commission revenue from the sale of partner insurance	**31,380**	40,233	**31,380**	40,233
Revenue from other commissions and services rendered	**20,506**	19,571	**20,506**	19,571
Net revenue from credit securitization	**-**	-	**2,523**	3,175
Revenue from financial products	**-**	-	**710**	-
Taxes on commissions and services	**(21,864)**	(20,986)	**(22,115)**	(21,134)
Net revenue from services rendered	**189,590**	**159,618**	**192,572**	**162,645**
	5,150,223	**4,082,459**	**5,153,205**	**4,085,486**

28. Earnings by nature

28.1. Classified by function

	Parent Company		Consolidated	
	2021	2020	2021	2020
Cost of goods sold, and services rendered	**(2,754,776)**	(2,188,859)	**(2,755,897)**	(2,188,859)
General and administrative expenses	**(486,412)**	(489,688)	**(487,881)**	(491,704)
Sales	**(2,026,254)**	(1,648,437)	**(2,025,632)**	(1,648,437)
Net credit losses	**-**	-	**(492)**	-
Other net operating income (expenses)	**209,495**	79,275	**209,495**	79,276
	(5,057,947)	**(4,247,709)**	**(5,060,407)**	**(4,249,724)**

28.2. Cost of sales by nature

	Parent Company		Consolidated	
	2021	2020	2021	2020
Cost of goods sold	**(2,690,186)**	(2,140,664)	**(2,690,186)**	(2,140,664)
Cost of services rendered	**(861)**	(1,019)	**(861)**	(1,019)
Cost of financial services	**-**	-	**(1,121)**	-
Other	**(63,729)**	(47,176)	**(63,729)**	(47,176)
	(2,754,776)	**(2,188,859)**	**(2,755,897)**	**(2,188,859)**

(in thousand Reals unless otherwise stated)

28.3. General and administrative expenses by nature

	Parent Company		Consolidated	
	2021	**2020**	**2021**	**2020**
Personnel	**(254,764)**	(248,445)	**(254,763)**	(248,445)
Third party materials/services	**(126,127)**	(121,478)	**(127,569)**	(123,492)
Depreciation and amortization	**(102,317)**	(82,981)	**(102,325)**	(82,981)
Depreciation of right-of-use	**(22,319)**	(20,816)	**(22,319)**	(20,816)
Occupancy	**(5,728)**	(1,746)	**(5,727)**	(1,746)
Other (b)	**24,843**	(14,222)	**24,822**	(14,224)
	(486,412)	**(489,688)**	**(487,881)**	**(491,704)**

(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$ 738 on December 31, 2021 (R$ 2,272 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 24.1.iv)

28.4. Selling expenses by nature

	Parent Company		Consolidated	
	2021	**2020**	**2021**	**2020**
Personnel	**(598,914)**	(488,088)	**(598,914)**	(488,088)
Third party materials/services	**(324,160)**	(275,228)	**(324,160)**	(275,228)
Depreciation of right-of-use	**(285,667)**	(257,798)	**(285,667)**	(257,798)
Depreciation and amortization	**(144,330)**	(163,352)	**(144,330)**	(163,352)
Occupancy	**(294,021)**	(148,137)	**(294,022)**	(148,137)
Advertising and promotions	**(211,744)**	(185,169)	**(211,744)**	(185,169)
Other	**(167,418)**	(130,665)	**(166,795)**	(130,665)
	(2,026,254)	**(1,648,437)**	**(2,025,632)**	**(1,648,437)**

(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$ 41,524 on December 31, 2021 (R$ 91,887 in the same period in 2020) as a deduction of occupancy costs,

28.5. Other net operating revenue (expenses) by nature

	Parent Company		Consolidated	
	2021	**2020**	**2021**	**2020**
Results from asset write-offs	**(2,529)**	(7,592)	**(2,529)**	(7,592)
Reversal (provision) for impairment:				
Store/DC closures/revamps	**(2,220)**	5,147	**(2,220)**	5,147
Impairment test	**6,121**	1,004	**6,121**	1,004
Recovery of tax credits (a)	**228,404**	150,429	**228,404**	150,429
Reversal (provision) for tax contingencies (b)	**(13,644)**	(25,791)	**(13,644)**	(25,791)
Strategy consulting services	**(4,309)**	(29,859)	**(4,309)**	(29,859)
Other	**(2,328)**	(14,063)	**(2,328)**	(14,062)
	209,495	79,275	**209,495**	79,276

(a) Credit recovery is booked net of attorney, consulting. And auditing expenses,

(b) In 2021 this contains CPRB tax provisions in the amount of R$ 36,746 (note 24.1.iii.i)

(in thousand Reals unless otherwise stated)

29. Finance results

	Parent Company		Consolidated	
	2021	**2020**	**2021**	**2020**
Exchange variation				
Exchange variation - Purchases	**(691)**	(11,700)	**(691)**	(11,700)
	(691)	**(11,700)**	**(691)**	**(11,700)**
Finance expenses				
Interest on loans	**(81,458)**	(35,805)	**(81,458)**	(35,805)
Bank expenses and IOF	**(2,812)**	(1,842)	**(2,816)**	(1,845)
Interest on taxes and contingencies	**(14,462)**	(27,162)	**(14,462)**	(27,162)
Interest on leases	**(135,412)**	(131,790)	**(135,412)**	(131,790)
Supplier financial expenses - PVA	**(28,604)**	(15,377)	**(28,604)**	(15,377)
Other	**(4,420)**	(2,101)	**(4,553)**	(2,101)
	(267,168)	**(214,077)**	**(267,305)**	**(214,080)**
Finance income				
Monetary correction	**126,385**	92,422	**126,381**	92,427
Interest on financial investments	**37,194**	23,855	**37,368**	23,855
Supplier financial revenue	**12,438**	16,969	**12,438**	16,969
Other	**2**	1,094	**2**	1,094
	176,019	**134,340**	**176,189**	**134,345**
Net financial results	**(91,840)**	**(91,437)**	**(91,807)**	**(91,435)**

30. Financial instruments and capital management

30.1. 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. Financial risks are carefully evaluated and managed, following the limits and procedures defined by the Company's financial policy. The Audit Committee is responsible for monitoring and ensuring compliance with the Financial Policy.

a) Market Risk

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

(in thousand Reals unless otherwise stated)

Interest rate risk

The Company is exposed to the risk of changes in interest rates that may impact the return on its short-term assets and its financial liabilities indexed to the CDI.The company seeks to keep the interest rate indexes of its assets and liabilities the same, in order to reduce the impact of the risk of interest rate variation. Today, 100% of loans are in the fixed income market and indexed to the CDI.

Management continually analyzes the exposure to interest rates, comparing the contracted rates with those prevailing in the market and simulating refinancing scenarios and calculating the impact on the result.

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 12/31/2021 (annualized CDI of 11,57% and 0,74% for the three-month period)

		Parent Company						
					Increasing interest		Decreasing interest	
	Risk	**Balance on December 31, 2021**	**Rate**	**Likely scenario**	**Possible Scenario +25%**	**Remote Scenario +50%**	**Possible Scenario -25%**	**Remote Scenario -50%**
Financial investments (ii)	Lower CDI	955,181	CDI	106,219	132,774	159,329	79,664	53,109
Loans and debentures	Higher CDI	(1,358,756)	CDI	(157,208)	(196,510)	(235,812)	(117,906)	(78,604)
Net exposure/Impact on earnings prior to IT/SC		**(403,575)**		**(50,989)**	**(63,736)**	**(76,483)**	**(38,242)**	**(25,495)**
Impact on earnings. Net of IT/SC				**(33,653)**	**(42,066)**	**(50,479)**	**(25,240)**	**(16,827)**

(i) Financial revenue stated net of 4,65% PIS and COFINS. For financial investments we considered an average yield of 100.8% of the CDI,

		Consolidated						
					Increasing interest		Decreasing interest	
	Risk	**Balance on December 31, 2021**	**Rate**	**Likely scenario**	**Possible Scenario +25%**	**Remote Scenario +50%**	**Possible Scenario -25%**	**Remote Scenario -50%**
Financial investments (ii)	Lower CDI	985,355	CDI	109,574	136,968	164,361	82,180	54,787
Loans and debentures	Higher CDI	(1,374,826)	CDI	(159,067)	(198,834)	(238,601)	(119,300)	(79,533)
Net exposure/Impact on earnings prior to IT/SC		**(389,471)**		**(49,493)**	**(61,866)**	**(74,240)**	**(37,120)**	**(24,746)**
Impact on earnings. Net of IT/SC				**(32,665)**	**(40,832)**	**(48,998)**	**(24,499)**	**(16,332)**

(i) Financial revenue stated net of 4,65% PIS and COFINS. For financial investments we considered an average yield of 100.8% of the CDI, *Exchange risk*

(in thousand Reals unless otherwise stated)

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

The 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. These taxes represent 36% of the order value.

In the table below, we highlight the exposure to exchange variation related to orders issued not covered by the hedging instrument and to non-recoverable taxes on clearance of goods for which the Company is not hedged. The Company demonstrates sensitivity to possible changes in the level of 25% to 50%, indicating the deterioration of the Company's financial situation through the increase in dollar exchange rates.

The US Dollar exchange rate used in the sensitivity analysis was taken by the FOCUS report published by the Brazilian Central Bank on December 31, 2021. Scenario estimates were used according to CVM Instruction 475/08.

				Negative Scenarios		
		Risk	**Notional US$ (Payable)/ Receivable**	**Likely Scenario USD 1 = R$ 5.60**	**Possible Scenario +25% USD 1 = R$ 7.00**	**Remote Scenario +50% USD 1 = R$ 8.40**
Hedge object	Purchasing orders for imported goods and imports in transit	Increase in the USD exchange	(69,528)	(1,356)	(98,695)	(196,034)
Hedge Instruments	NDF	Decrease in the USD exchange	29,758	580	42,241	83,902
	Net exposure of import orders		**(39,770)**	**(776)**	**(56,454)**	**(112,132)**
	Non-recoverable taxes **(36%)**		(25,030)	(488)	(35,530)	(70,572)
	Total net exposure		(64,800)	(1,264)	(91,984)	(182,704)
	Impact on earnings. Net of IT/SC		**(42,768)**	**(834)**	**(60,709)**	**(120,585)**

USD on 09/30/2021 = R$ 5.5805

Financial instruments designated for hedge accounting

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

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

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

Transactions for which the Company uses hedge accounting are highly likely and are exposed to variations in cash flow that could impact profit and loss and are highly effective in achieving exchange rate fluctuations or cash flow attributable to the hedged risk.
The following is a list of the hedge accounting instruments and expected periods for the import cash flow:

	USD thousand			**USD thousand**
Expected date	***Budget (hedged)***	**Maturity**	**Counterparty**	**NDF reference value**
Jan'22	(1,442)	Jan'22	Bradesco	1,442
Jan'22	(1,421)	Jan'22	Santander	1,421
Feb'22	(1,832)	Feb'22	Bradesco	1832
Feb'22	(1,790)	Feb'22	Santander	1,790
Mar'22	(599)	Mar'22	Itaú	599
Mar'22	(2,968)	Mar'22	Santander	2,968
Apr '22	(1,145)	Apr '22	Bradesco	1,145
Apr '22	(4,761)	Apr '22	Itaú	4761
May'22	(4,855)	May'22	Bradesco	4855
May'22	(866)	May'22	Santander	866
Jun'22	(3,673)	Jun'22	Bradesco	3673
Jun'22	(646)	Jun'22	Santander	646
Jul '22	(400)	Jul '22	Bradesco	400
Jul '22	(420)	Jul '22	Itaú	420
Jul '22	(74)	Jul '22	Santander	74
Aug'22	(169)	Aug'22	Bradesco	169
Aug'22	(400)	Aug'22	Itaú	400
Sep'22	(518)	Sep'22	Bradesco	518
Oct'22	(561)	Oct'22	Itaú	561
Nov'22	(603)	Nov'22	Itaú	603
Dec'22	(615)	Dec'22	Bradesco	615
Total	**(29,758)**			**29,758**

(in thousand Reals unless otherwise stated)

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.

The following table shows the outstanding positions by maturity date on December 31, 2021 of the forward contracts (Non-Deliverable Forwards - NDF) used to hedge exchange rate risk:

Derivative	Position	Contract	Contract date	Maturity date	Reference (notional) value - USD	Fair value
Term	Purchased	NDF	02/08/2021	01/19/2022	610	59
Term	Purchased	NDF	12/03/2021	02/16/2022	716	(99)
Term	Purchased	NDF	20/04/2021	03/16/2022	967	(69)
Term	Purchased	NDF	07/05/2021	04/20/2022	1,307	296
Term	Purchased	NDF	06/25/2021	05/18/2022	866	411
Term	Purchased	NDF	06/25/2021	04/20/2022	68	33
Term	Purchased	NDF	30/08/2021	06/152022	646	148
Term	Purchased	NDF	30/08/2021	07/15/2022	420	99
Term	Purchased	NDF	30/08/2021	01/19/2022	832	221
Term	Purchased	NDF	30/08/2021	02/21/2022	1,074	268
Term	Purchased	NDF	11/05/2021	06/15/2022	545	(64)
Term	Purchased	NDF	11/05/2021	02/16/2022	656	(20)
Term	Purchased	NDF	11/05/2021	03/16/2022	2,001	(87)
Term	Purchased	NDF	11/05/2021	06/17/2022	400	(63)
Term	Purchased	NDF	11/05/2021	05/18/2022	1,066	(96)
Term	Purchased	NDF	11/05/2021	01/19/2022	1,421	(17)
Term	Purchased	NDF	11/05/2021	10/19/2022	561	(99)
Term	Purchased	NDF	11/05/2021	04/20/2022	3,454	(236)
Term	Purchased	NDF	11/05/2021	07/20/2022	74	(10)
Term	Purchased	NDF	11/05/2021	09/21/2022	518	(85)
Term	Purchased	NDF	12/30/2021	06/15/2022	3,128	(313)
Term	Purchased	NDF	12/30/2021	11/16/2022	603	(107)
Term	Purchased	NDF	12/30/2021	02/16/2022	1,176	(20)
Term	Purchased	NDF	12/30/2021	03/16/2022	599	(19)
Term	Purchased	NDF	12/30/2021	06/17/2022	169	(23)
Term	Purchased	NDF	12/30/2021	05/18/2022	3,789	(271)
Term	Purchased	NDF	12/30/2021	04/20/2022	1,077	(55)
Term	Purchased	NDF	12/30/2021	07/20/2022	400	(47)
Term	Purchased	NDF	12/30/2021	12/21/2022	615	(110)
					29,758	**(375)**
Current assets						**1,535**
Current liabilities						**(1,910)**

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 December 31, 2021, non-settled NDF transactions had an outstanding balance net of tax effects in the amount of R$ 248 (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 December 31, 2021, the cost of goods sold was negatively impacted.by the in NDF transactions in the amount of R$ 505 (gain of R$ 47,102 in the same period of 2020).

During the year, the hedge operations with NDF used to protect the cash flow risk of import orders were effective, based on the regulations provided for by CPC 48/IFRS 9. To test the effectiveness, the Company compares the changes in the value of the hedging instrument with changes in the value of the hedged item attributable to the hedged risk. If the transaction becomes ineffective, the ineffective portion is recorded directly in income, in the period in which it occurs. Ineffectiveness may occur due to differences in the timing of cash flows of hedged items and hedging instruments. There were no ineffective installments in the periods ended December 31, 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

As of December 2021, theCompany, through its subsidiary Orion, is operating its own C&A Pay cards. This operation is recent, and Management organized itself to control credit risk by continuously monitoring the portfolio. As this operation is only just starting, there is no historical data, so the Company provisioned expected losses, given that so far there has been no increase in risk.

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 purchases by customers (chargebacks), for which an allowance for impairment is measured and recognized. There is a potential loss for transactions intermediated by Banco Bradescard, 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 polity to:

i) Protect itself in times of uncertainty.

(in thousand Reals unless otherwise stated)

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), In 2021. The company also invested in treasury notes (LFTs) (Note 6), which it intends to keep until they mature, booked at amortized cost.

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

On December 31 2021	Less than 1 year	1 to 5 years	More than 5 years	Total
Lease liabilities	471,723	1,112,110	230,315	1,814,148
Loans	121,178	1,253,648	-	1,374,826
Trade receivables	1,400,736	435,060	-	1,835,796
Total	**1,993,637**	**2,800,818**	**230,315**	**5,024,770**

(in thousand Reals unless otherwise stated)

30.2. Cost of capital

The goal of the Company's capital management is to ensure it has a structure to fund its operations.

The Company manages its capital structure by suitably adjusting 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 twelve-month period ending December 31, 2021.

	Parent Company		Consolidated	
Net Debt excluding Lease Liabilities	**2021**	**2020**	**2021**	**2020**
Short and long-term loans	**1,358,756**	1,211,252	**1,374,826**	1,211,252
Cash and cash equivalents	**(1,003,249)**	(1,507,789)	**(1,050,251)**	(1,509,159)
Short-term investments	**(7,776)**	-	**(7,776)**	-
Net debt (cash)	**347,731**	(296,537)	**316,799**	(297,907)
Non-controlling interests	**-**	-	**3**	2
Total shareholder's equity	**2,995,006**	2,654,798	**2,995,009**	2,654,800
Financial leverage index	**12%**	(11%)	**11%**	(11%)

On December 31, 2021 the balance of lease liabilities amounted to R$ 1,814,148 (R$ 1,654,796 on December 31, 2020). If lease liabilities are included in the capital management calculations, leverage would be 72%, as follows:

	Parent Company		Consolidated	
Net Debt including Lease Liabilities	**2021**	**2020**	**2021**	**2020**
Net debt (cash)	**347,731**	(296,537)	**316,799**	(297,907)
Lease liabilities	**1,814,148**	1,654,796	**1,814,148**	1,654,796
Adjusted net debt	**2,161,879**	1,358,259	**2,130,947**	1,356,889
Total shareholder's equity	**2,995,006**	2,654,798	**2,995,009**	2,654,800
Financial leverage index	**72%**	51%	**71%**	51%

(in thousand Reals unless otherwise stated)

30.3. Financial instruments - classification

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

Parent Company

On December 31, 2021	Amortized Cost	Fair value through other comprehensive income	Total
Financial assets			
Cash and cash equivalents	**1,003,249**	**-**	**1,003,249**
Short-term investments	**7,776**		**7,776**
Trade receivables	**1,144,404**	**-**	**1,144,404**
Derivatives	**-**	**1,535**	**1,535**
Related parties	**776**	**-**	**776**
Judicial deposits	**61,937**	**-**	**61,937**
Financial liabilities			
Lease liabilities	**(1,814,148)**	**-**	**(1,814,148)**
Trade receivables	**(1,834,736)**	**-**	**(1,834,736)**
Loans and debentures	**(1,358,756)**	**-**	**(1,358,756)**
Derivatives	**-**	**(1,910)**	**(1,910)**
Related parties	**(59,454)**	**-**	**(59,454)**
Total on December 31, 2021	**(2,848,952)**	**(375)**	**(2,849,327)**

On December 31, 2020	Amortized Cost	Fair value through other comprehensive income	Total
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)
Trade receivables	(1,183,700)	-	(1,183,700)
Loans and debentures	(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)

(in thousand Reals unless otherwise stated)

Consolidated

On December 31, 2019	Amortized Cost	Fair value through other comprehensive income	Total
Financial assets			
Cash and cash equivalents	**1,050,251**	**-**	**1,050,251**
Short-term investments	**7,776**		**7,776**
Trade receivables	**1,145,336**	**-**	**1,145,336**
Derivatives	**-**	**1,535**	**1,535**
Related parties	**637**	**-**	**637**
Judicial deposits	**61,937**	**-**	**61,937**
Financial liabilities			
Lease liabilities	**(1,814,148)**	**-**	**(1,814,148)**
Trade receivables	**(1,835,796)**	**-**	**(1,835,796)**
Loans and debentures	**(1,374,826)**	**-**	**(1,374,826)**
Derivatives	**-**	**(1,910)**	**(1,910)**
Related parties	**(59,016)**	**-**	**(59,016)**
Total on December 31, 2021	**(2,817,849)**	**(375)**	**(2,818,224)**

On December 31, 2020	Cost Amortized	Fair value through other comprehensive income	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)
Trade receivables	(1,183,724)	-	(1,183,724)
Loans and debentures	(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)

The fair value of the Company's financial assets and liabilities were evaluated on December 31, 2021 and 2020 by the hierarchy in level 2, which correspond to significant observable data

(in thousand Reals unless otherwise stated)

30.4. Changes in liabilities associated with financing activities

	December 31 2020	Cash flows	Interest Incurred	Remeasurements - lease liabilities	Other	December 31, 2021
Leases (i)	1,654,796	(438,262)	144,151	453,463	-	1,814,148
Loans and debentures	1,211,252	79,024	82,181	-	2,369	1,374,826
Total	**2,866,048**	**(359,238)**	**226,332**	**453,463**	**2,369**	**3,188,974**

(i) The amount of R$453,463 presented in "Remeasurements" 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,

	December 31, 2019	Cash flows	Interest Incurred	Remeasurements - lease liabilities	Other (i)	December 31 2020
Leases	1,587,680	(387,167)	139,120	315,163	-	1,654,796
Loans and debentures	-	1,173,412	35,805	-	2,035	1,211,252
Dividends and Interest on Shareholder's Equity	144,834	(68,846)	-	-	(75,988)	-
Total	**1,732,514**	**717,399**	**174,925**	**315,163**	**(73,953)**	**2,866,048**

(i) The amount of R$ 315,163 presented in "Remeasurements" 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$ 2,035 presented in "Other" 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 25,

31. Insurance

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

	Consolidated	
	2021	2020
Civil Liability and D&O	**239,674**	125,998
Property and Inventory	**600,010**	439,957
Shipping	**80,684**	63,815
	920,368	629,770

32. 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 2021, the Company contributed R$ 9,653 (R$ 6,388 in 2020) to the plans, entered as an expense in the earnings for the period. The total number of participating employees on December 31, 2021 was 8,055 (11,685 on December 31, 2020), with 199 participants under care (181 on December 31, 2020).

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, meaning it has 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 December 31, 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$ 2,552 (R$ 2,209 on December 31, 2020).

(in thousand Reals unless otherwise stated)

33. 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:

Basic profit per share	**2021**	**2020**
Net income (loss) for the period	329,009	(166,332)
Weighted average of the number of common shares	308,030,568	308,245,068
Basic profit (loss) per share - in R$	1.0681	(0.5396)

Diluted earnings per share	**2021**	**2020**
Net income (loss) for the period	329,009	(166,332)
Weighted average of the number of outstanding common shares	308,030,568	308,245,068
Weighted average of the options granted as part of the stock-based compensation plan	1,855,934	-
Weighted average of the diluted number of common shares	309,886,502	308,245,068
Diluted loss per share - R$	1.0617	(0.5396)

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

As of December 31, 2021, the share-based compensation plan provided dilution.
On December 31, 2020, 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