

Earnings Release 4Q19 and 2019

C&A

Earnings Teleconference:

- Portuguese, English
- Date: 20-Mar-2020
- Time:
 - Brasília: 11:00 a.m.
 - New York: 10:00 a.m.
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Barueri, 19 March 2020 – C&A Modas S.A. (B3: CEAB3) a leading fashion retailer in Brazil, hereby discloses its earnings for the fourth quarter of 2019 (4Q19) and for the year 2019. Unless otherwise stated, the financial and operating information that follows is presented on a consolidated basis in Brazilian Reals, as per Brazilian Corporate Law.

Summary of 4Q19 and 2019

Pro-forma numbers adjust the comparison with 2018: Some of the lines in the statement of earnings for 2019 were affected by changes in accounting rules and the recording of extraordinary events:

- IFRS16: In 2019 there was a change in how fixed rent expenses are booked. They are now recorded as financial leases, requiring that they be recognized at the present value of future commitments with rent as lease liabilities, offset as an asset in the form of the right-of-use. Rent expenses, previously entered in the line "Occupancy", are now shown in the statement of earnings partly as a depreciation and amortization expenses, and partly as financial expenses (interest on leases).

Balance	4Q19	2019
Right-of-use – leases (Assets) + R\$ 1,507.8 million	Occupancy (Operational Expenses) - R\$ 84.6M	- R\$322.6M
Lease (Liabilities) + R\$ 1,587.7 million	Depreciation and Amortization (Operational Expenses) + R\$49.0M	+ R\$268.7M
	Interests on Leasing (Financial Result) + R\$82.3M	+ R\$137.5M
	Profit, Net of Tax Effects - R\$ 30.9M	- R\$ 55.2M

- Tax credits: C&A was successful in its legal claim regarding the unconstitutionality of including ICMS in the basis for calculating PIS/COFINS. Thus, it recorded extraordinary operating and financial revenue in the earnings of the first three quarters in 2019.

To better compare 4Q19 and 2019 with the same periods in 2018, pro-forma numbers were drawn-up that ignore the impact of these events on operating revenue and expenses, financial earnings and net profit.

Highlights

Net revenue: 4Q19 NR was **R\$ 1,742.4 million, 3.1% higher** than in 4Q18. For 2019 it was **R\$ 5,285.2 million, 2.8% higher** than in 2018.

Same-Store Sales: a **1.0%** increase in **4Q19** and **1.8%** in **2019**.

Gross margin: GM dropped **2.2 percentage points (pp)** in **4Q19** and **1.0 pp** in **2019**, primarily due to lower gross margins in Fashiontronics.

Pro-forma operating revenue and expenses: in **4Q19** these added up to **R\$ 601.4 million** in **4Q19**, **2.9%** less than in 4Q18. In **2019** these totaled **R\$ 2,230.7 million**, a **1.7%** increase compared to 2018.

Adjusted EBITDA: in 4Q19 adjusted EBITDA was **R\$ 344.6 million, 0.7% less** than 4Q18. In 2019 it was **R\$ 633.3 million, 0.3% less** than in 2018. In **4Q19 adjusted EBITDA margin was 0.7 pp** and **0.4 pp** lower than the corresponding values in 2018.

Pro-forma net profit: in **4Q19**, this increased **16.4%**, while net margin increased to **11.5%**. In **2019**, pro-forma net profit **increased 23.4%**, and net margin to **4.1%**.

Investments: in **4Q19 R\$ 84.8** million were invested, **8.4%** more than in the same period in 2018. In the year **R\$ 318.8 million** were invested, a **33.0%** increase compared to 2018.

	4Q19	4Q18	△	4Q19 pro forma	△ pro forma	2019	2018	△	2019 pro forma	△ pro forma
Total Net Revenue (R\$MM)	1,742.4	1,690.7	3.1%	1,742.4	3.1%	5,285.2	5,139.1	2.8%	5,285.2	2.8%
Same Store Sales	1.0%	3.4%	-2.4p.p.	1.0%	-2.4p.p.	1.8%	2.5%	-0.7p.p.	1.8%	-0.7p.p.
Total Gross Margin	49.3%	51.5%	-2.2p.p.	49.3%	-2.2p.p.	48.6%	49.6%	-1.0p.p.	48.6%	-1.0p.p.
Operational Income and Expenses (R\$MM)	(566.3)	(619.6)	-8.6%	(601.4)	-2.9%	(1,535.0)	(2,192.9)	-30.0%	(2,230.7)	1.7%
Adjusted EBITDA (R\$MM)	344.6	346.6	-0.6%	344.6	-0,6%	633.1	634.9	-0.3%	633.3	-0.3%
Adjusted EBITDA margin	19.8%	20.5%	-0.7p.p.	19.8%	-0.7p.p.	12.0%	12.4%	-0.4p.p.	12.0%	-0.4p.p.
Net Profit (R\$MM)	175.7	172.1	2.1%	200.3	16.4%	972.0	173.6	459.8%	214.4	23.4%
Net Margin	10.1%	10.2%	-0.1p.p.	11.5%	1.3 p.p	18.4%	3.4%	15.0p.p.	4.1%	0.7 p.p

Message from Management

2019 was a milestone for C&A in Brazil. Following a decision by the controlling group, Cofra Holding, on 28 October the Company issued its IPO on the Brazilian "Novo Mercado" (B3). This brought with it a new management model and a greater degree of decision-making autonomy for the business in Brazil, supported by a strengthened corporate governance structure. New members joined the Board of Directors, with experiences and backgrounds to enhance discussions and further validate our strategy. An Audit and Risk Management Committee was created, and policies designed to govern our decisions.

This IPO marks the start of a new phase. Following an intense cycle focusing on increased efficiency along several fronts, we now turn our focus to growth. This new phase will focus on 5 levers that will support C&A in its leading role in the Brazilian fashion industry. These are:

Accelerated opening of new stores. After a period of almost no change in the number of stores, 10 new ones opened their doors in 2019. In 2020 the pace will pick up even more, as we plan to open 22 new stores all over Brazil. The faster pace should continue for the next few years, resulting in more robust growth than we experienced in the past, and positioning us in regions of the country where, during the crisis years, our presence was less relevant, while intensifying our presence in locations where we are already well known.

Optimization of the current store configuration, focusing on the customer experience. In late 2016, we started implementing a project to optimize the configuration of our stores using a new concept - Customer Value Proposition, or CVP. In this concept, merchandise displays and the flow within stores creates a more pleasant customer experience and encourages buying. Results to date in those stores already configured using CVP encouraged us to accelerate the revamping program. In 2019, we revamped 74 stores, and in 2020 will revamp another 62.

Modernization of our Supply Chain Operations. We have been updating our logistics operations as a necessary step to enable us to evolve in other growth levers. We started in 2019, with the initial steps of a project that should be fully implemented within four years. This will include logistic systems updates, redesign and investment in Distribution Centers, adaptation of suppliers, changes in store processes and employee training. In the first step we invested R\$ 5.3 million in our first sorter (a device that separates individual SKUs) for the denim category. In 2020 we will invest in another sorter and run our first pilot with RFID (radiofrequency id) technology.

Digital Transformation. The digital transformation pillar is doubtless the most important for the company's future growth. Consumers have transformed their buying experience, adding new channels and new touchpoints in their decision-making journey. In this new scenario, our challenge is to acquire knowledge of the customer and the skills required to navigate the various channels. In 2019, we focused on improving our App, which now accounts for 37% of online sales, and reinforced our omnichannel strategy. We continue to roll out various initiatives that integrate the physical and online worlds such as: *Click&Collect*; *Ship from Store* and *Infinite Aisle*. Our CRM has also achieved impressive growth via its C&A&VC (C&A&You) relationship program, which now has 9 million members and 40% of the turnover in our B&M stores come from these registered clients. In 2020 this transformation will be part of the Company's internal agenda, with new methodologies to organize work that include squads to address specific challenges. We have also partnered with Endeavor to reinforce our pipeline of innovative projects.

Better offer of financial products. The Company believes that availability of credit remains a key factor of success for retailers in Brazil, leading to increased buying frequency and higher average tickets. For this reason, we will intensify our discussions with our partner and strengthen our in-house capabilities to better serve our customers in this regard.

This intensified agenda of growth has determined a new pace for Company management. Specific forums and routines have been developed to monitor the progress of each specific lever, making sure that execution is on-time and delivers optimum results. We are also reinforcing our executive team, complementing it with new qualifications we believe are necessary to lead the Company in what it has proposed to deliver.

Despite an outlook for solid growth going forward, 2019 results still reflect a management model that sought efficiency in a low growth economic scenario. Our net revenue from goods sold was R\$ 5.3 billion, 3% higher than in 2018, and same-store sales increased 1.8%. Gross margin was 48.6% and the year's adjusted EBITDA R\$ 633 million.

We received a number of significant awards in 2019, demonstrating our commitment to both customers and employees. These include: the HR Management Award, and the most admired CEO and HR according to IBEVAR, the Respect Award for companies that most respect consumers, the Most Loved company in apparel, awarded by Grupo Padrão and the Amcham ECO award, among others. We were also considered as one of the top companies to work for in Barueri and Brazil, according to GPTW.

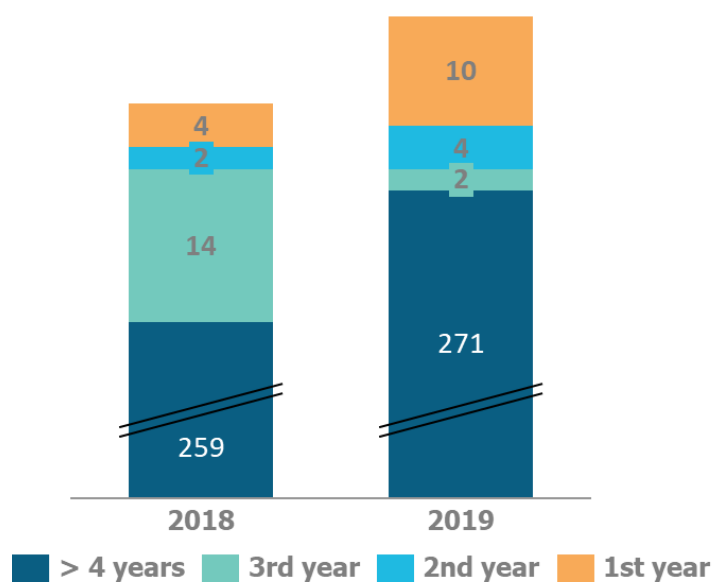
Our debut in the capital market was a significant disruptive moment in our management model and strategic goal. The Company is excited about its roadmap for growth and feels the energy of its more than 15 thousand employees reflected in the organizational climate. While we are aware there are remain challenges that may not be obvious at this time, and that adjustments to our culture may be necessary, we will not give up our essence, that of a diverse, young and fun Company.

The Management of C&A Modas S.A.

Operating Indicators

	4Q19	4Q18	△	2019	2018	△
Stores	287	279	8	287	279	8
Open	4	3	1	10	4	6
Closed	0	1	-1	2	1	1
Remodeled	1	20	-19	74	60	14
Sales area (thousand m²)	544	526	18	544	526	18

Store Distribution by Age



To avoid any type of customer disruption in our strongest quarter, in 4Q19 we opened 4 new stores but did not revamp any existing stores. In the year we opened 10 new stores and closed 2 that were not performing up to par. We also revamped 74 to bring them to CVP level. This brought our total to 287 across Brazil, 271 of which have been in operation for more than 4 years.

Comments on the Company's Financial Performance

Net Revenue

R\$ million	4Q19	4Q18	△	2019	2018	△
Total Net Revenue	1,742.4	1,690.7	3.1%	5,285.2	5,139.1	2.8%
<i>Apparel</i>	1,428.1	1,354.8	5.4%	4,127.7	3,966.7	4.1%
<i>Fashiontronics*</i>	264.0	275.1	-4.0%	924.2	915.3	1.0%
Financial Services - Bradescard Partnership	46.6	56.3	-17.2%	215.4	241.3	-10.7%
Other Commissions Revenue	3.7	4.5	-17.8%	17.8	15.7	13.4%
<i>Same Store Sales</i>	1.0%	3.4%	-2.4p.p.	1.8%	2.5%	-0.7p.p.
<i>Apparel</i>	2.2%	1.3%	0.9p.p.	2.2%	0.4%	1.8p.p.
<i>Fashiontronics</i>	-4.7%	13.7%	-18,4 p.p	-0.2%	11.3%	-11,5 p.p

*Complying with CPC16 (R1), supplier allowances in the Fashiontronics business were reclassified in 2019 and 2018. Allowances, previously entered as revenue, are now reclassified as cost. The did not change the gross profit of Fashiontronics but did affect gross margin in both years.

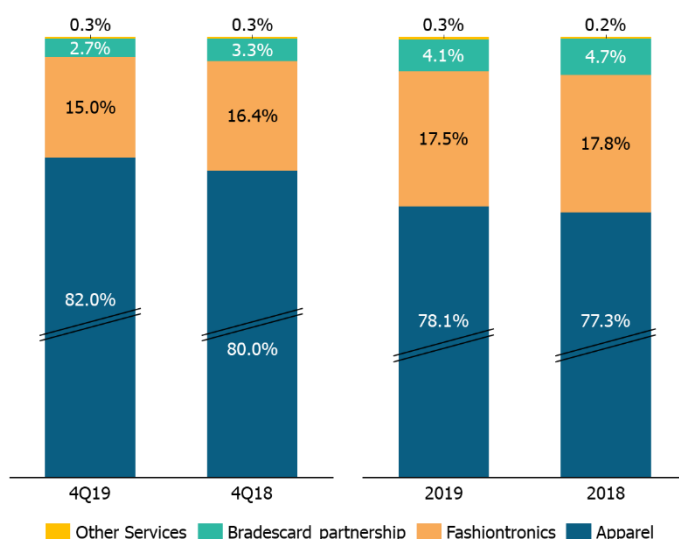
In the fourth quarter, net revenue was R\$ 1,742.4 million, 3.1% higher than in 4Q18. The main contributor was the apparel business, with net revenue 5.4% higher than in 2018. Net revenue in Fashiontronics dropped 4.0% due to increased industry promotions and a larger tax burden with the expiration of the "Lei do Bem" at the end of 2018.

Same store sales increased 1.0% compared to 4Q18.

In 4Q19, net revenue from Financial Services - the Bradescard partnership -, dropped 17.2% (see the explanation under "Financial Services - Bradescard Partnership").

Other commission revenue, primarily from cell-phone top-ups, dropped 17.8% in 4Q19 due to increased competition.

Net Revenue by Business



In 2019, net revenue added up to R\$ 5,285.2 million, 2.8% higher than in 2018. This increase is the result of the performance of Apparel sales, with women's and men's collections that helped drive up net revenue from this business by 4.1%. Revenue in Fashiontronics increased 1.0% due to the good performance of 1Q19 sales. Net revenue from Financial Services - the Bradescard partnership - dropped 10.7% (see the explanation under "Financial Services - Bradescard Partnership").

Gross Profit and Margin

R\$ million except margin	4Q19	4Q18	△	2019	2018	△
Total Gross Profit	858.6	871.0	-1.4%	2,568.1	2,549.1	0.7%
<i>Apparel</i>	764.9	749.3	2.1%	2,151.0	2,082.4	3.3%
<i>Fashiontronics</i>	62.7	78.0	-19.6%	229.7	269.7	-14.8%
Gross Profit of Goods	827.6	827.3	0.0%	2,380.7	2,352.1	1.2%
Financial Services Gross Profit - Bradescard Partnership	46.3	55.9	-17.2%	214.1	239.7	-10.7%
Other Commissions Gross Profit	(15.6)	(12.2)	25.4%	(26.8)	(42.7)	-37.2%
Total Gross Margin	49.3%	51.5%	-2.2p.p.	48.6%	49.6%	-1.0p.p.
<i>Apparel Gross Margin</i>	53.6%	55.3%	-1.7p.p.	52.1%	52.4%	-0.3p.p.
<i>Fashiontronics Gross Margin</i>	23.8%	28.4%	-4.6p.p.	24.8%	29.4%	-4.6p.p.
Gross Margin of Goods	48.9%	50.8%	-1.9p.p.	47.1%	48.1%	-1.0p.p.

In 4Q19, gross profit totaled R\$ 858.6 million, 1.4% below 4Q18. This drop is due to reduced revenue and gross profits in Fashiontronics and Financial Services. The 49.3% gross margin was 2.2 pp lower than in the previous year. Gross margin in Apparel was 53.6%, 1.7 pp lower due to a larger volume of promotional sales. Gross margin in Fashiontronics was 23.8%, down 4.6 pp due to a more promotional environment in the industry and increased tax burden with the end of the "Lei do Bem".

Gross profit in 2019 was R\$ 2,568.1 million, 0.7% higher than it was in 2018. The 48.6% gross margin was 1.0 pp below 2018 due to (i) lower gross margins due to increased promotions; (ii) higher tax burden in Fashiontronics with the end of the "Lei do Bem", (iii) a drop in financial services revenue and (iv) to the fact that this year the contribution of the foreign exchange hedge for goods to the result was lower.

Pro-Forma Operating Revenue and Expenses

R\$ million	4Q19	4Q18	△	4Q19 pro forma	△ pro forma	2019	2018	△	2019 pro forma	△ pro forma
Operational Income and Expenses	(566.3)	(619.6)	-8.6%	(601.4)	-2.9%	(1,535.0)	(2,192.9)	-30.0%	(2,230.7)	1.7%
Sales	(490.7)	(499.3)	-1.7%	(514.9)	3.1%	(1,755.3)	(1,715.6)	2.3%	(1,803.8)	4.9%
General and Administrative	(70.5)	(111.4)	-36.7%	(81.0)	-27.3%	(425.7)	(466.5)	-8.7%	(430.2)	-7.8%
Total Expenses with sales and G&A	(561.2)	(610.7)	-8.1%	(595.9)	2.5%	(2,181.1)	(2,182.1)	0.0%	(2,234.0)	-2.3%
Total Expenses with sales, G&A / Net Total Revenue	32.2%	36.1%	-3.9p.p.	34.3%	-1.9 p.p	41.3%	42.5%	-1.2p.p.	42.3%	-0.2p.p.
Other Operational Income and Expenses	(5.1)	(8.9)	-42.7%	(5.5)	-38.2%	646.1	(10.8)	+R\$656.9M	3.3	+R\$642.8M
Operational Income and Expenses / Net Total Revenue	32.5%	36.6%	-4.1 p.p	34.5%	-2.1 p.p	29.0%	42.7%	-13.7 p.p	42.2%	-0.5 p.p

In the fourth quarter, pro-forma sales, general and administrative expenses (excluding IFRS16), were R\$ 601.4 million, 2.9% below what they were in 4Q18. It important to remember that 4Q19 benefited from the 2019 practice of recording royalty expenses every quarter (which was not the case in 2018, when R\$ 34.4 million in royalties were paid all in the fourth quarter). Higher operating costs in new stores and increased marketing expenses led to a 2.2% increase in pro-forma sales expenses. Pro-forma general and administrative expenses were 27.3% lower due primarily to the reversal of provisions for tax contingencies in 4Q19. Excluding the effects of this reversion, in 4Q19 general and administrative expenses would have been 1.0% less than in 4Q18. Sales, general and administrative expenses as a percent of total net revenue were 34.3% in 4Q19, a drop of 1.9 pp.

In 2019, pro-forma sales, general and administrative expenses (excluding IFRS16) were R\$ 2,230.7 million (1.7% higher than in 2018). The 5.1% change in pro-forma sales expenses is due to higher expenses with staff and occupancy of new stores, and increased depreciation expenses due to the faster pace of investments. Pro-forma general and administrative expenses dropped 7.8% due to a reversal of provisions for tax contingencies. Excluding the impact of this reversal in both years, general and administrative expenses would have been 2.2% higher than in 2018, primarily due to higher expenses for depreciation and amortization due to investments made to support our growth levers in digital transformation and supply chain. The R\$ 646.1 million in other operating revenue is the result of ICMS tax credits. Were it not for this effect, the pro-forma result would have been R\$ 3.3 million.

Sales, general and administrative expenses as a percent of total net revenue were 42.3% in 4Q19, a drop of 0.2 pp.

Financial Services - Bradescard partnership

R\$ million	4Q19	4Q18	△	2019	2018	△
Net Revenue of the partnership with Bradescard	46.6	56.3	-17.2%	215.4	241.3	-10.7%
Financial Services Gross Profit	46.3	55.9	-17.3%	214.1	239.7	-10.7%
(-) Financial Services Expenses - Sales	(56.4)	(47.7)	18.2%	(207.8)	(191.1)	8.8%
(=) Financial Services Result	(10.2)	8.2	-R\$ 18,3M	6.3	48.6	-87.0%
	4Q19	4Q18	△	2019	2018	△
Average Net Receivables (R\$ billions)	3.1	3.2	-0,9%	2.9	3.5	-15,0%
% of sales	20.1%	21.2%	-1,1 p.p	20.8%	22.4%	-1,6 p.p
Number of new cards (thousand)	294.1	198.2	48,4%	783.5	589.8	32,8%
Number of active cards (million)	5.3	6.0	-12,3%	5.4	6.1	-12.3%
Delinquency Rate* (%)	9.8%	6.3%	-3,5 p.p	9.0%	7.0%	-2,0 p.p

*Net Losses /Portfolio

C&A has partnered with Bradesco in what is known as Retail Financial Services - RFS, to offer a number of financial products and services, such as C&A card issuing and administration, personal loans and insurance. In 2019, as our partner reviewed its credit policies, launched a new card subscription system, launched a new card product (with the brand Elo) and invested to capture customers on important dates, there was an increase of 32.8 % in new C&A cards. As these are new accounts, initially we increased our provisions for doubtful debtors and thus our Net Credit Losses (NCL). This change was a key factor in the 17.2% and 10.7% drops in revenue from financial services in 4Q19 and 2019 respectively, and an 18.2% and 8.8% increase in sales expenses. In the case of revenue from financial services, the 2018 the sale of a credit portfolio also impacted the change observed.

We are confident that the larger number of cards will reinforce credit for our customers and will positively impact future sales. However, this impact was not felt in 2019, when we kicked off this effort, and sales using the C&A card accounted for only 20.8% of the sale of goods, a 1.6 pp drop compared to 2018. In 4Q19 such participation in sales accounted for 20.1%.

Adjusted EBITDA Pro Forma

R\$ million except margin	4Q19	4Q18	△	2019	2018	△
Accounting Year Net profit	200.3	172.1	16.4%	214.4	173.6	23.5%
(+) Profit Tax	51.4	(49.7)	-203.4%	59.7	51.9	15.0%
(+/-) Net Financial Result	(5.5)	29.6	-R\$81.5M	(63.3)	130.7	-R\$194,3M
(+) Depreciation and Amortization	60.1	45.7	31.5%	233.1	205.2	13.6%
(=) EBITDA	317.2	297.0	6.8%	570.5	561.3	87.7%
(+/-) Expenses (Revenue) with asset retirement	4.8	8.9	-R\$4.1M	(4.0)	10.8	-R\$14,8M
(+) Expenses with Controlling Shareholder	0.0	0.9	-R\$0.9M	3.1	4.0	-R\$0,9M
(+) Royalties Expenses	11.4	34.4	-66.9%	32.0	34.4	-7.0%
(+) Suppliers Financial Revenue	11.1	5.4	105.5%	31.7	24.4	29.9%
(=) Adjusted EBITDA	344.6	346.6	-0.6%	633.3	634.9	-0,3%
Adjusted EBITDA Margin	19.8%	20.5%	-0.7p.p.	12.0%	12.4%	-0.4p.p.

Earnings Release

4Q19 and 2019



In 4Q19, adjusted EBITDA dropped 0.6% to R\$ 344.6 million. EBITDA margin was 19.8%, a 0.7 pp drop. Lower operating expenses partially offset the drop in gross profit, bolstering adjusted EBITDA in the quarter.

Adjusted EBITDA in 2019 was R\$ 633.3 million, 0.3% below 2018. Adjusted EBITDA dropped 0.4 pp to 12.0%.

Pro-forma Net Financial Earnings

R\$ million	4Q19	4Q18	△	4Q19 pro forma	△ pro forma	2019	2018	△	2019 pro forma	△ pro forma
Financial Result	(78.9)	(29.6)	+R\$49.3M	(5.6)	-R\$24.0M	388.9	(130.7)	+R\$519.6M	(63.3)	-R\$67.4M
Derivatives Results	0.0	(40.1)	+R\$40.1M	0.0	+R\$40.1M	(26.1)	17.2	-R\$43.3M	(26.1)	-R\$43.3M
Total Financial Expenses	(102.9)	(52.2)	+R\$50.7M	(28.9)	-R\$28.3M	(250.4)	(293.7)	-R\$43.3M	(112.9)	-R\$180.8M
Interests on Loans	(9.5)	(12.6)	-R\$3.1M	(9.5)	-R\$3.1M	(60.7)	(41.2)	+R\$19.5M	(60.7)	+R\$19.5M
Interests on Leasing	(82.4)	0.0	+R\$82.4M	0.0	-	(137.5)	0.0	-R\$137.5M	0.0	-
Bank expenses and IOF	(0.4)	(0.4)	-	(0.4)	-	(4.2)	(3.3)	+R\$0.9M	(4.2)	+R\$0.9M
Interest on taxes and contingencies	(6.7)	(7.0)	-R\$0.3M	(6.7)	-R\$0.3M	(28.2)	(27.8)	+R\$0.4M	(28.2)	+R\$0.4M
Exchange Rate	(3.9)	(32.2)	-R\$28.3M	(3.9)	-R\$28.3M	(19.6)	(221.4)	-R\$201.8M	(19.6)	-R\$201.8M
Other financial Expenses	(0.05)	(0.004)	-	(0.05)	-	(0.2)	(0.014)	-	(0.2)	-
Total Financial Revenue	33.3	71.3	-R\$38.0M	23.3	-R\$48.0M	690.4	169.0	+R\$521.4M	100.7	-R\$68.3M
Interests	18.8	(3.0)	+R\$21.8M	8.8	+R\$11.8M	609.2	14.4	+R\$594.8M	19.4	+R\$5.0M
Exchange Rate	2.8	61.1	-R\$58.3M	2.8	-R\$58.3M	49.1	123.0	-R\$73.9M	49.1	-R\$73.9M
Suppliers Revenue	11.1	5.4	+R\$5.7M	11.1	+R\$5.7M	31.7	24.4	+R\$7.3M	31.7	+R\$7.3M
Other Financial Revenue	0.6	7.8	-R\$7.2M	0.6	-R\$7.2M	0.4	7.2	-R\$6.8M	0.4	-R\$6.8M

In the fourth quarter, pro-forma financial earnings (excluding IFRS16 and tax credits) amounted to negative R\$ 5.6 million, a decrease of R\$ 24.1 million compared to 4Q18. This primarily reflects the settlement of related party loans in 2019, resulting in savings of R\$ 13.5 million in the fourth quarter between exchange variations, exchange swaps and interest. The Company's performance also improved in supplier allowances, which amounted to R\$ 5.7 million in the quarter.

In 2019, the company had pro-forma financial expenses of R\$ 63.3 million. Lower expenses are also explained by loans settled in 2019, which resulted in savings of R\$ 84.6 million due to exchange variations, exchange swaps and an increase of R\$ 19.5 million in interest expenses.

Pro-Forma Net Profit

R\$ million except margin	4Q19	4Q18	△	4Q19 pro forma	△ pro forma	2019	2018	△	2019 pro forma	△ pro forma
Net Profit	175.7	172.1	2.1%	200.3	16.4%	972.0	173.6	459.9%	214.4	23.5%
Net Margin	10.1%	10.2%	-0.1 p.p	11.5%	1.3 p.p	18.4%	3.4%	15.0 p.p	4.1%	0.7 p.p

C&A's pro-forma net profit (excluding IFRS16 and tax credits) in 4Q19 was R\$ 200.3 million, 16.4% higher than in 4Q18, primarily due to increased operating leverage. Pro-forma net margin was up 1.3 pp to 11.5%.

Pro-forma net profit in 2019 (excluding IFRS16 and tax credits) was R\$ 214.4 million, 23.5% higher than in 2018. Pro-forma net margin increased 0.7 pp to 4.1%.

Adjusted Free Cash Flow (excluding IFRS16 and tax credits)

R\$ million	4Q19	4Q18	△	2019	2018	△
Adjusted Profit before Taxes	251.4	221.8	13.3%	273.9	225.6	21.4%
Depreciation and Amortization	60.1	45.7	31.5%	233.0	205.2	13.5%
(+/-) Others	(10.6)	24.2	-143.8%	53.8	155.7	-65.4%
Non-cash Adjustment	49.5	69.9	-29.2%	286.8	360.9	-20.5%
Working Capital	43.3	(57.8)	-174.9%	(63.0)	(227.9)	-72.4%
Accounts Receivables	(316.3)	(341.7)	-7.4%	(3.5)	(73.4)	-95.2%
Inventory	24.6	29.4	-16.3%	(92.9)	(52.7)	76.3%
Suppliers	216.6	141.8	52.8%	105.0	(2.7)	-3988.9%
Others	118.4	112.7	5.1%	(71.5)	(99.1)	-27.9%
Cash originated from operational activities	344.2	233.0	47.7%	497.7	358.5	38.8%
(-) CAPEX	(80.3)	(73.7)	9.0%	(321.3)	(246.4)	30.4%
(=) Adjusted Free Cash Flow	263.9	159.3	65.7%	176.4	112.1	57.4%

C&A generated R\$ 176.4 million in free cash flow in 2019, 57.4% more than in 2018 due to less need for working capital. This is the result of an increased share of lump sum receivables and an increase in the share

of apparel sales in the fourth quarter. Payment terms for apparel are traditionally shorter than they are for Fashiontronics.

Investments

R\$ million	4Q19	4Q18	△	2019	2018	△
Total Investments	84.8	78.2	8.4%	318.8	239.7	33.0%
New Stores	25.5	12.4	105.6%	65.7	24.1	172.6%
Remodelling	22.1	42.3	-47.8%	131.6	132.5	-0.7%
Distribution Center	2.5	0.6	316.7%	15.1	4.6	228.3%
IT and Others	34.7	22.9	51.5%	106.4	78.5	35.5%

As per C&A's expansion plan, the Company invested R\$ 47.6 million in its stores in 4Q19, R\$ 25.5 million in new units and R\$ 22.1 million in maintenance and to revamp and adapt stores to the new CVP concept, in addition to minor revamps. R\$ 2.5 million were invested in Distribution Centers and R\$ 34.7 in IT/Systems and Logistics.

In 2019, C&A invested R\$ 197.3 million in its stores, R\$ 65.7 million to accelerate expansion, one of the pillars of its growth strategy, opening 10 new stores; R\$ 131.6 million were invested in store revamps, part of this went to the 74 CVP stores redesigned to improve the customer experience. Of the R\$ 15.1 million invested in Distribution Centers, the largest share went into C&A's first sorter. This is in line with the Company's strategy to modernize its supply chain operating model, making it faster and more accurate, thus better able to support the Company's expansion plan. Most of the remaining investment of R\$ 106.4 million went to IT and to support digital projects - important advances towards its omni-channel initiatives and to accelerate e-commerce and CRM.

Indebtedness

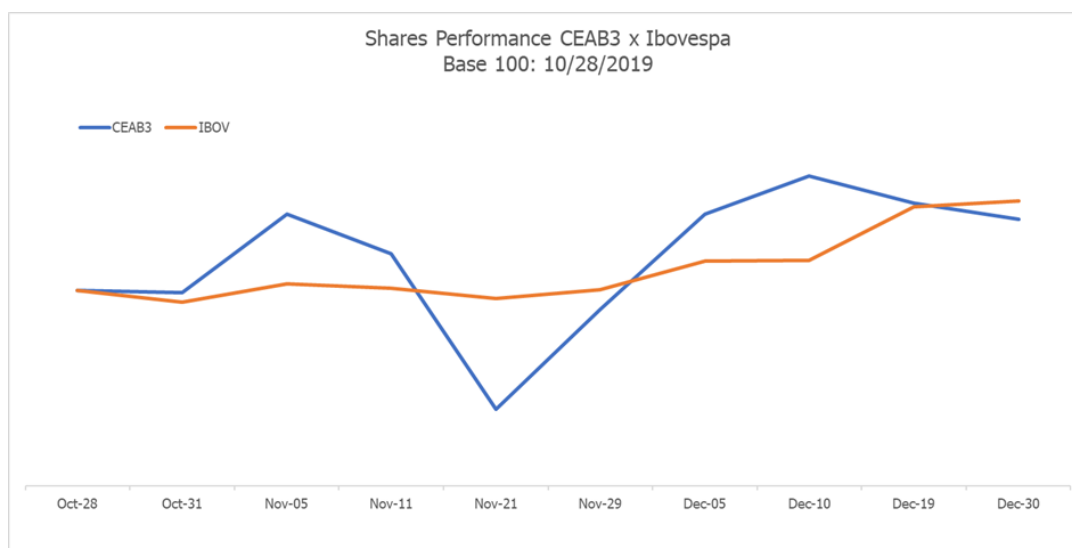
R\$ million	2019	2018
Gross Debt	0.0	907.5
Short-term debt	0.0	594.0
Long-term debt	0.0	313.5
(-) Cash and cash equivalents	447.1	446.0
(=) Cash or (Net Debt)	447.1	(461.5)

In 2019, C&A settled its short and long-term debt with the earnings from a primary offering, ending the year with a net cash position of R\$ 447.1 million.

Capital Markets

C&A joined the B3 "Novo Mercado" on 28 October, at a starting share price of R\$ 16,50. The daily average trading volume was R\$ 38.3 million. By 30 December 2019 share value had increased 5.5%.

The Company's share capital is 308,245,068 common shares, with 34.5% free float. On 30 December 2019 the company's market cap was R\$ 5.5 billion.



Corporate Events

At a meeting on 23 December 2019, the Company's Board of Directors decided to pay R\$ 78,133,151.81 in gross interest on equity. This is equivalent to an amount of R\$ 0,2535 per share. On 19 March 2020 it decided

to pay R\$ R\$ 75,988,014.95 in dividends (R\$ 0,2465 per share). Thus, C&A shareholder compensation in 2019 added up to R\$ 154,121,166.76 gross, or R\$ 0,4999 per share. Payments will be made by Banco Bradesco S.A. on dates to be defined at the 2020 Ordinary General Meeting.

Attachments

Consolidated Balance Sheet

R\$ million	2019	2018	R\$ million	2019	2018
Total Assets	6,037.1	3,478.3	Total liabilities and shareholder's equity	6,037.1	3,478.3
Current Assets	2,999.6	2,195.6	Current Liabilities	1,751.1	1,750.1
Cash and cash equivalents	447.1	446.0	Leases	357.9	0.2
Accounts receivable	1,151.5	1,142.8	Suppliers	804.0	678.8
Derivatives	0.6	55.1	Derivatives	3.9	0.4
Related Parties	0.4	0.3	Labor Liabilities	128.5	130.9
Inventory	544.7	490.6	Related Parties	69.5	711.6
Taxes to recover	795.6	17.1	Dividends	144.8	-
Income tax and Social Contribution to recover	38.0	25.8	Taxes Payable	183.6	160.9
Other assets	21.7	17.9	Income Tax and social contribution payable	35.8	26.6
Non-current Assets	3,037.5	1,282.7	Other liabilities	23.1	40.6
Long-term Achievable Assets	625.0	448.9	Non-current liabilities	1,546.4	613.2
Taxes to recover	521.1	7.6	Leases	1,229.8	1.6
Deferred taxes	-	370.6	Related Parties	-	313.5
Judicial deposits	101.8	67.8	Labor Liabilities	3.6	4.1
Other assets	2.0	2.9	Provisions for tax, civil and labor liabilities	233.8	262.6
Investment	-	-	Taxes payable	1.1	-
PP&E	717.5	636.9	Deferred taxes	45.6	-
Right-of-use - leases	1,507.8	-	Other liabilities	32.6	31.4
Intangibles	187.3	196.9	Shareholder's Equity	2,739.6	1,115.0
			Share capital	1,847.2	1,035.7
			Capital reserves	11.7	10.5
			Accumulated profits	-	65.0
			Profit Reserve	882.9	-
			Comprehensive income	(2.2)	3.8

Earnings Release

4Q19 and 2019



Consolidated Statement of Earnings

R\$ milhões	4Q19	4Q18	Δ	4Q19 pro forma	Δ pro forma	2019	2018	Δ	2019 pro forma	Δ pro forma
Net Operational Revenue	1,742.4	1,690.7	3.1%	1,742.4	3.1%	5,285.2	5,139.1	2.8%	5,285.2	2.8%
Apparel	1,428.1	1,354.8	5.4%	1,428.1	5.4%	4,127.7	3,966.7	4.1%	4,127.7	4.1%
Fashiontronics	264.0	275.1	-4.0%	264.0	-4.0%	924.2	915.3	1.0%	924.2	1.0%
Financial Services - Bradescard Partnership	46.6	56.3	-17.2%	46.6	-17.2%	215.4	241.3	-10.7%	215.4	-10.7%
Other Commissions Revenue	3.7	4.5	-17.8%	3.7	-17.8%	17.8	15.7	13.4%	17.8	13.4%
Sales Cost	(883.8)	(819.7)	7.8%	(883.8)	7.8%	(2,717.1)	(2,590.1)	4.9%	(2,717.1)	4.9%
Gross Profit	858.6	871.0	-1.4%	858.6	-1.4%	2,568.1	2,549.1	0.7%	2,568.1	0.7%
Apparel	764.9	749.3	2.1%	764.9	2.1%	2,151.0	2,082.4	3.3%	2,151.0	3.3%
Fashiontronics	62.7	78.0	-19.6%	62.7	-19.6%	229.7	269.7	-14.8%	229.7	-14.8%
Gross Profit of Goods	827.6	827.3	0.0%	827.6	0.0%	2,380.7	2,352.1	1.2%	2,380.7	1.2%
Financial Products - Bradescard Partnership	46.3	55.9	-17.2%	46.3	-17.2%	214.1	239.7	-10.7%	214.1	-10.7%
Other Commissions Gross Profit	(15.5)	(12.2)	27.0%	(15.5)	27.0%	(26.8)	(42.7)	-37.2%	(26.8)	-37.2%
(Expenses) and Operational Revenue	(566.3)	(619.6)	-8.6%	(601.4)	-2.9%	(1,534.9)	(2,192.9)	-30.0%	(2,230.7)	1.7%
General and Administrative	(70.5)	(111.4)	-36.7%	(81.0)	-27.3%	(425.7)	(466.5)	-8.7%	(430.2)	-7.8%
Sales	(490.7)	(499.3)	-1.7%	(514.9)	3.1%	(1,755.3)	(1,715.6)	2.3%	(1,803.8)	5.1%
Other Operational Revenue (Expenses), Net	(5.1)	(8.9)	-42.7%	(5.5)	-38.2%	646.1	(10.8)	+ R\$656.9 M	3.3	-130.6%
Profit before Financial Revenue and Expenses	292.3	251.4	16.3%	257.1	2.3%	1,033.2	356.2	190.1%	337.4	-5.3%
Financial Result	(78.0)	(29.6)	163.3%	(5.6)	-81.3%	388.9	(130.7)	+ R\$ 519.6M	(63.3)	-R\$67.4M
Derivatives Results	-	(40.1)	+R\$ 40.1M	-	+R\$ 40.1M	(26.1)	17.2	-251.7%	(26.1)	-251.7%
Total Financial Expenses	(111.3)	(60.8)	83.0%	(28.9)	-52.5%	(275.4)	(316.9)	-13.1%	(137.9)	-56.5%
Interests on Loans	(9.5)	(12.6)	-24.6%	(9.5)	-24.6%	(60.7)	(41.2)	47.3%	(60.7)	47.3%
Interests on Leasing	(82.4)	0.0	-	0.0	-	(137.5)	0.0	-R\$137.5M	0.0	-
Exchange Rate	(0.4)	(0.4)	0.0%	(0.4)	0.0%	(4.2)	(3.3)	27.3%	(4.2)	27.3%
Other financial Expenses	(6.7)	(7.0)	-4.3%	(6.7)	-4.3%	(28.2)	(27.8)	1.4%	(28.2)	1.4%
Total Financial Revenue	(3.9)	(32.2)	-87.9%	(3.9)	-87.9%	(19.6)	(221.4)	-91.1%	(19.6)	-91.1%
Interests	(8.3)	(8.6)	-3.5%	(8.3)	-3.5%	(25.0)	(23.1)	8.2%	(25.0)	8.2%
Exchange Rate	(0.05)	(0.004)	1150.0%	(0.05)	1150.0%	(0.2)	(0.014)	1328.6%	(0.2)	1328.6%
Suppliers Revenue	33.3	71.3	-53.3%	23.3	-67.3%	690.4	169.0	308.5%	100.7	-40.4%
Other Financial Revenue	18.8	(3.0)	-726.7%	8.8	-393.3%	609.2	14.4	4130.6%	19.4	34.7%
Profit before Tax	2.8	61.1	-95.4%	2.8	-95.4%	49.1	123.0	-60.1%	49.1	-60.1%
Profit Tax	11.1	5.4	105.6%	11.1	105.6%	31.7	24.4	29.9%	31.7	29.9%
Accounting Year Net profit	0.6	7.8	+R\$7.2M	0.6	+R\$7.2M	0.4	7.2	+R\$1.7M	0.4	+R\$1.7M
(+) Profit Tax	214.4	221.8	-3.3%	251.6	13.4%	1,422.0	225.5	530.6%	274.1	21.6%
(+/-) Net Financial Result	(38.7)	(49.7)	-22.1%	51.3	-203.2%	450.0	51.9	+R\$398.1M	59.7	15.0%
(+) Depreciation and Amortization	175.7	172.1	2.1%	200.3	16.4%	972.0	173.6	459.8%	214.4	23.5%
(=) EBITDA	(38.7)	(49.7)	-22.1%	51.4	-203.4%	450.0	51.9	767.1%	59.7	15.0%
(+/-) Expenses (Revenue) with asset retirement	(78.0)	(29.6)	163.5%	(5.6)	-81.1%	388.9	(130.7)	+R\$519.6M	(63.3)	R\$67.4M
(+) Expenses with Controlling Shareholder	109.1	45.7	138.7%	60.1	31.5%	501.8	205.1	144.7%	233.1	13.7%
(+) Royalties Expenses	401.4	297.0	35.2%	317.2	6.8%	1,534.9	561.3	173.5%	570.5	1.6%
(+) Suppliers Financial Revenue	(4.8)	8.9	-153.9%	4.8	-46.1%	(4.0)	10.8	-R\$14.8M	(4.0)	-R\$14.8M
(-) Tax Credits Recovery	0.0	0.9	-R\$0.9M	0.0	-R\$0.9M	3.1	4.0	-22.5%	3.1	-22.5%
(-) Commercial Lease Payments	11.4	34.4	-66.9%	11.4	-66.9%	32.0	34.4	-7.0%	32.0	-7.0%
(=) Adjusted EBITDA	11.1	5.4	105.6%	11.1	105.6%	31.7	24.4	29.9%	31.7	29.9%
(-) Recuperação de Créditos Fiscais	(0.3)	0.0	+R\$0.3M	0.0	-	(642.0)	0.0	+R\$642.0M	0.0	-
(-) Pagtos. Relativos ao Arr. Mercantil	(84.7)	0.0	+R\$84.7M	0.0	-	(322.6)	0.0	+R\$322.6M	0.0	-
(=) EBITDA Ajustado	334.6	346.6	-3.5%	344.6	-0.6%	633.1	634.9	-0.3%	633.3	-0.3%

Consolidated Cash Flow

R\$ million	4Q19	4Q18	2019	2018
Operational Activities				
Profit before income tax	214.4	221.8	1,422.0	225.6
(+) Adjustments in items with no cash disbursement to reconcile profit before taxes and cash flow	202.1	81.5	(538.5)	366.1
Depreciation and amortization	136.0	45.7	528.7	205.2
Losses from the sale or write-off of PP&E and intangible assets	0.2	28.5	19.8	38.5
Provisions to reduce the recoverable value of PP&E and intangible assets	9.8	(18.7)	(11.3)	(24.6)
Provisions for expected credit losses	(0.7)	(1.6)	(2.4)	0.3
Adjustments to present value of accounts receivable and suppliers	(2.0)	1.5	(2.0)	1.5
Expenses with stock-based compensation	1.1	-	1.1	-
Provisions for tax, civil and labor liabilities	(45.4)	(21.1)	(38.0)	0.9
Update of judicial deposits	(0.6)	2.3	(2.9)	(1.4)
Provisions for inventory losses	17.6	20.6	38.8	41.5
Interest on leases	87.0	-	142.1	-
Interest on related parties loans	9.5	12.6	60.7	41.1
Exchange variation on related party loans	(0.001)	(28.4)	(32.4)	86.3
Derivatives	-	40.1	41.3	(23.2)
Gains from legal claims - extemporaneous PIS/Cofins credits	(10.4)	-	(1,282.0)	-
(+) Variations in assets and liabilities	43.6	(70.4)	(31.8)	(233.3)
Client accounts receivable	(316.5)	(341.7)	(3.7)	(73.4)
Related parties	1.5	(3.8)	10.4	(14.6)
Inventory	24.6	17.8	(92.9)	(52.7)
Taxes to recover	6.7	5.2	23.4	28.0
Other credits	16.0	9.2	(2.7)	(1.3)
Judicial deposits	2.7	(10.5)	(4.4)	(50.3)
Suppliers	216.6	141.8	126.5	(2.7)
Labor liabilities	(5.3)	(0.6)	(2.9)	(5.9)
Other debits	(2.6)	13.6	(15.2)	(1.3)
Provisions for tax, civil and labor liabilities	(9.6)	(6.9)	(17.6)	(23.2)
Taxes due	109.2	106.4	(33.8)	(30.5)
Income tax and social contribution paid	0.3	(0.9)	(18.9)	(5.4)
(=) Cash flow originating (invested in) operating activities	460.4	233.0	851.9	358.5
(+) Investments Activities	(80.2)	(73.7)	(321.3)	(246.4)
PP&E purchases	(80.2)	(73.7)	(321.3)	(245.5)
Intangible purchases	(0.04)	-	(0.04)	(0.9)
Cash flow invested in investments activities	(80.3)	(73.7)	(321.3)	(246.4)
(+) Financing Activities	(121.7)	(16.5)	(529.5)	(98.2)
Capital increase	813.7	-	813.6	-
Costs with stock issuing transactions	(2.2)	-	(2.2)	-
New loans	-	-	508.0	835.3
Payments on the principle of loans	(782.5)	-	(1,373.0)	(861.7)
Payment of interest on loans	(34.5)	(15.6)	(70.8)	(43.6)
Swap settlements	-	-	7.6	28.1
Payments of the principal on leases	(100.8)	(0.6)	(338.7)	(0.2)
Payments of the interest on leases	(15.4)	(0.3)	(15.4)	(0.3)
Non-controlling	-	0.001	-	0.001
Interest on equity and dividends paid	0.001	-	(58.6)	(55.8)
Cash flow invested in financing activities	(121.7)	(15.6)	(529.5)	(97.9)
(=) Reduction in the balance of cash and cash equivalents	258.4	143.6	1.1	14.2
Cash and cash equivalents at the start of the period	188.7	302.4	444.9	431.0
Cash and cash equivalents at the end of the period	447.1	446.0	447.1	446.0

About C&A

C&A was established in 1841 by Dutch brothers Clemns and August, whose initials gave rise to the name and brand. C&A was a pioneer in ready-for-use fashion and is now one of the leading retail chains in the world. C&A is present in 21 countries in Europe, Latin America and Asia, with 1,800 stores. The C&A brand has been present in Brazil since 1976, and was a precursor of the Fast-Fashion concept. C&A markets apparel of good cost-benefit, including clothing, accessories, footwear, swimwear, beauty items and colognes for men, women and children. It has a number of B&M stores and an online e-commerce platform. It also offers electronic items and the such like smartphones, Kindles, tablets, watches and accessories such as earphones and chargers. Combined these are known as Fashiontronics. C&A's target audience is primarily made up of young women aged 18 to 35 in search of an elegant, fashionable style. Because it has been in Brazil for over 40 years, C&A has a network of B&M stores in 26 states and the Federal District. On 31 December 2019 there were 287 C&A stores in operation, with a total sales area of 544 thousand sq. meters.

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