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Consolidated Financial Statements under IFRS
2020

Consolidated Financial Statements under IFRS

C&A Modas S.A.

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

C&A Modas S.A.

Financial Statements

December 31, 2020 and 2019

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, 2020 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, 2020, 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.

Recoverability of deferred income and social contribution tax assets

As disclosed in Note 13, the Company has recorded deferred income and social contribution tax assets in the amount of R$530,535 thousand at December 31, 2020, 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 13.

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 13 are acceptable in the context of the financial statements taken as a whole.

Tax contingencies

The Company is party to administrative and judicial proceedings arising from various tax disputes, whose provision as at December 31, 2020 was R$284,315 thousand, as disclosed in Note 21. 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, 2020, the Company is party to tax discussions totaling R$292,277 thousand, as disclosed in Note 21.3, 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 21 to the individual and consolidated statements as at December 31, 2020.

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 21 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, 2020, 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 18, 2021

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

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

C&A Modas S.A.

Statements of Financial Position
As of December 31, 2020 and 2019
(in thousands of Reais)

	Note	Parent Company		Consolidated	
		2020	2019	2020	2019
Assets					
Current					
Cash and cash equivalents	6	**1,507,789**	445,635	**1,509,159**	447,109
Trade receivables	7	**1,063,742**	1,151,438	**1,063,844**	1,151,484
Derivatives	28.1.a	**238**	651	**238**	651
Related parties	8	**785**	1,111	**124**	356
Inventories	10	**641,020**	544,717	**641,020**	544,717
Taxes recoverable	11	**271,711**	795,635	**271,719**	795,643
Income Taxes recoverable		**10,522**	37,484	**10,941**	38,006
Other assets	12	**22,933**	21,609	**22,933**	21,609
Total current assets		**3,518,740**	2,998,280	**3,519,978**	2,999,575
Non-current assets					
Long-term assets					
Taxes recoverable	11	**1,157,357**	521,136	**1,157,357**	521,136
Deferred taxes	13	**71,492**	-	**71,492**	-
Judicial deposits	21.2	**81,513**	101,836	**81,513**	101,836
Other assets	12	**2,684**	1,978	**2,684**	1,978
Total long-term assets		**1,313,046**	624,950	**1,313,046**	624,950
Investments in subsidiaries	14	**875**	836	**-**	-
Property and equipment	15	**667,225**	717,412	**667,225**	717,412
Right-of-use assets - leases	17	**1,514,438**	1,507,815	**1,514,438**	1,507,815
Intangible assets	16	**294,960**	187,340	**294,960**	187,340
Total non-current assets		**3,790,544**	3,038,353	**3,789,669**	3,037,517
Total assets		**7,309,284**	6,036,633	**7,309,647**	6,037,092

C&A Modas S.A.

Statements of Financial Position
As of December 31, 2020 and 2019
(in thousands of Reais)

	Note	Parent Company		Consolidated	
		2020	**2019**	**2020**	**2019**
Liabilities and equity					
Current liabilities					
Lease liabilities	17	**390,603**	357,891	**390,603**	357,891
Trade payables	18	**1,158,890**	803,989	**1,158,914**	804,013
Loans	19	**390,600**	-	**390,600**	-
Derivatives	28.1.a	**6,788**	3,938	**6,788**	3,938
Labor liabilities		**136,126**	128,548	**136,126**	128,548
Related parties	8	**34,766**	69,519	**34,766**	69,519
Interest on shareholder's equity and dividends payable	24	**-**	144,834	**1**	144,834
Taxes payable	20	**106,940**	183,595	**106,955**	183,610
Income taxes payable		**-**	35,254	**321**	35,672
Other liabilities		**26,637**	23,052	**26,637**	23,052
Total current liabilities		**2,251,350**	1,750,620	**2,251,711**	1,751,077
Noncurrent liabilities					
Lease liabilities	17	**1,264,193**	1,229,789	**1,264,193**	1,229,789
Trade payables	18	**24,810**	-	**24,810**	-
Loans	19	**820,652**	-	**820,652**	-
Labor liabilities		**4,442**	3,551	**4,442**	3,551
Provisions for tax, civil and labor proceedings	21	**230,124**	233,842	**230,124**	233,842
Taxes payable	20	**24,997**	1,073	**24,997**	1,073
Deferred taxes	13	**-**	45,631	**-**	45,631
Other liabilities		**33,918**	32,559	**33,918**	32,559
Total noncurrent liabilities		**2,403,136**	1,546,445	**2,403,136**	1,546,445
Total liabilities		**4,654,486**	3,297,065	**4,654,847**	3,297,522
Equity					
Capital stock	23	**1,847,177**	1,847,177	**1,847,177**	1,847,177
Capital reserve		**19,375**	11,647	**19,375**	11,647
Profit reserve		**792,570**	882,914	**792,570**	882,914
Other comprehensive income (loss)		**(4,324)**	(2,170)	**(4,324)**	(2,170)
Equity attributable to equity holders of the parent		**2,654,798**	2,739,568	**2,654,798**	2,739,568
Non-controlling interests		**-**	-	**2**	2
Total equity		**2,654,798**	2,739,568	**2,654,800**	2,739,570
Total liabilities and equity		**7,309,284**	6,036,633	**7,309,647**	6,037,092

See accompanying notes.

C&A Modas S.A.

Statements of Operations
For the years ended December 31, 2020 and 2019
(in thousands of Reais - R$)

	Note	Parent Company 2020	Parent Company 2019	Consolidated 2020	Consolidated 2019
Net Revenue	25	**4,082,459**	5,282,583	**4,085,486**	5,285,176
Cost of sales and services rendered	26	**(2,188,859)**	(2,717,065)	**(2,188,859)**	(2,717,065)
Gross Profit		**1,893,600**	2,565,518	**1,896,627**	2,568,111
Operating (expenses) income:					
General and administrative expenses	26	**(489,688)**	(496,579)	**(491,704)**	(498,019)
Selling expenses	26	**(1,648,437)**	(1,755,337)	**(1,648,437)**	(1,755,337)
Share of profit of subsidiary		**689**	680	**-**	-
Other operating income (expenses) net	26	**79,275**	718,393	**79,276**	718,329
Operating profit (loss)		**(164,561)**	1,032,675	**(164,238)**	1,033,084
Gain (loss) on derivatives		**-**	(26,054)	**-**	(26,054)
Foreign exchange variation		**(11,700)**	29,562	**(11,700)**	29,562
Finance expenses		**(214,077)**	(255,834)	**(214,080)**	(255,837)
Finance income		**134,340**	641,259	**134,345**	641,271
Finance results	27	**(91,437)**	388,933	**(91,435)**	388,942
Income (loss) before income taxes		**(255,998)**	1,421,608	**(255,673)**	1,422,026
Income taxes	13	**89,666**	(449,615)	**89,341**	(450,033)
Net income (loss) for the year		**(166,332)**	971,993	**(166,332)**	971,993
Attributable to:					
Non-controlling interests				**-**	-
Equity holders of the parent				**(166,332)**	971,993
				(166,332)	971,993
Basic profit (loss) per share - in R$	31			**(0,5396)**	3,6253
Diluted profit (loss) per share - in R$	31			**(0,5396)**	3,6239

See accompanying notes.

C&A Modas S.A.

Statement of comprehensive income (loss)
For the years ended December 31, 2020 and 2019
(in thousands of Reais - R$)

	Parent Company		Consolidated	
	2020	**2019**	**2020**	**2019**
Net income (loss) for the year	**(166,332)**	971,993	**(166,332)**	971,993
Other comprehensive results:				
Derivative results	**(3,263)**	(8,983)	**(3,263)**	(8,983)
Tax effects	**1,109**	3,054	**1,109**	3,054
Total comprehensive results to be reclassified to results for the year in subsequent periods, net of taxes	**(2,154)**	(5,929)	**(2,154)**	(5,929)
Total comprehensive income	**(168,486)**	966,064	**(168,486)**	966,064
Attributable to the shareholders:				
Non-controlling interests	-	-	**-**	-
Equity holders of the parent	-	-	**(168,486)**	966,064
	-	-	**(168,486)**	966,064

See accompanying notes.

C&A Modas S.A.

Statements of changes in equity
For the years ended December 31, 2020 and 2019
(in thousands of Reais - R$)

			Capital reserve		Profit reserve					Other comprehensive income				
	Note	Capital stock	Capital reserve	Shares granted	Legal reserve	Special reserve for dividends	Reserve for unrealized gains	Reserve for tax incentives	Reserve for investments	Adjustments to equity valuation	Retained earnings (Accumulated losses)	Total controlling	Non-controlling interests	Total shareholder's equity
At December 31 2018		1,035,720	10,516	-	-	-	-	-	-	3,759	65,042	1,115,037	2	1,115,039
Capital increase	23.1	813,699	-	-	-	-	-	-	-	-	-	813,699	-	813,699
Share issuing expenses	23.1	(2,242)	-	-	-	-	-	-	-	-	-	(2,242)	-	(2,242)
Equity instruments granted - share-based compensation	9	-	-	1,131	-	-	-	-	-	-	-	1,131	-	1,131
Net income for the year		-	-	-	-	-	-	-	-	-	971,993	971,993	-	971,993
Destination of profits:			-											
Legal reserve	23.3	-	-	-	48,600	-	-	-	-	-	(48,600)	-	-	-
Reserve for unrealized gains		-	-	-	-	-	86,014	-	-	-	(86,014)	-	-	-
Reserve for investments	23.5	-	-	-	-	-	-	-	748,300	-	(748,300)	-	-	-
Dividends	24	-	-	-	-	-	-	-	-	-	(75,988)	(75,988)	-	(75,988)
Interest on shareholder's equity	24	-	-	-	-	-	-	-	-	-	(78,133)	(78,133)	-	(78,133)
Other comprehensive results:						-		-						
Derivative results	29.a.iii	-	-	-	-	-	-	-	-	(8,983)	-	(8,983)	-	(8,983)
Tax effects	29.a.iii	-	-	-	-	-	-	-	-	3,054	-	3,054	-	3.054
At December 31, 2019		1,847,177	10,516	1,131	48,600	-	86,014	-	748,300	(2,170)	-	2,739,568	2	2,739,570
Equity instruments granted - share-based compensation	9	**-**	**-**	**7,728**	**-**	**-**	**-**		**-**	**-**	**-**	**7,728**	**-**	**7,728**
Losses in the year		**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**(166,332)**	**(166,332)**	**-**	**(166,332)**
Destination of profits:														
Special reserve for dividends (i)	24	**-**	**-**	**-**	**-**	**86,014**	**(86,014)**	**-**	**-**	**-**	**-**	**-**	**-**	**-**
Withheld dividends 2019 (ii)	24	**-**	**-**	**-**	**-**	**75,988**	**-**	**-**	**-**	**-**	**-**	**75,988**	**-**	**75,988**
Special reserve for dividends	24	**-**	**-**	**-**	**-**	**(162,002)**	**-**	**-**	**-**	**-**	**162,002**	**-**	**-**	**-**
Reversal of the Investment Reserve		**-**	**-**	**-**	**-**	**-**	**-**	**-**	**(6,204)**	**-**	**6,204**	**-**	**-**	**-**
Reserve for tax incentives	23.6	**-**	**-**	**-**	**-**	**-**	**-**	**1,874**	**-**	**-**	**(1,874)**	**-**	**-**	**-**
Other comprehensive results:														
Derivative results	29.a.iii	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**(3,263)**	**-**	**(3,263)**	**-**	**(3,263)**
Tax effects	29.a.iii	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**1,109**	**-**	**1,109**	**-**	**1,109**
At 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**

(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 24), 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 year. (Note 24.4)

C&A Modas S.A.

Statements of cash flow
For the years ended December 31, 2020 and 2019
(in thousands of Reais - R$)

	Parent Company		Consolidated	
	2020	2019	2020	2019
Operating activities				
Income (loss) before income tax	**(255,998)**	1,421,608	**(255,673)**	1,422,026
Adjustments to reconcile income before income taxes to net cash flows:				
Depreciation and amortization	**246,332**	233,043	**246,332**	233,043
Depreciation of right-of-use	**306,443**	295,675	**306,443**	295,675
Losses on sale or disposal of property and equipment and intangible assets	**7,591**	19,767	**7,591**	19,767
Impairment reversal of property and equipment, intangible and right-of-use assets	**(6,150)**	(11,264)	**(6,150)**	(11,264)
Allowance for (reversal of) expected credit losses	**3,213**	8,377	**3,213**	8,377
Adjustment to present value of accounts receivables and suppliers	**(4,811)**	(1,988)	**(4,811)**	(1,988)
Expenses with stock-based compensation	**7,728**	1,131	**7,728**	1,131
Provisions (reversals) for tax, civil and labor proceedings	**29,538**	(38,047)	**29,538**	(38,047)
Judicial deposits	**(1,421)**	(2,887)	**(1,421)**	(2,887)
Provisions for inventory losses	**45,758**	38,836	**45,758**	38,836
Share of profit of subsidiaries	**(689)**	(680)	**-**	-
Interest on leases	**139,120**	142,138	**139,120**	142,138
Interest related party loans	**-**	60,749	**-**	60,749
Interest on loans	**35,802**	-	**35,802**	-
Amortization transaction costs on loans	**2,036**	-	**2,036**	-
Foreign exchange differences on related party loans	**-**	(32,372)	**-**	(32,372)
Derivatives	**-**	41,343	**-**	41,343
Tax gains	**(233,720)**	(1,282,030)	**(233,720)**	(1,282,030)
Working capital adjustments				
Trade receivables	**88,973**	(14,667)	**88,917**	(14,471)
Related parties	**(33,777)**	10,933	**(34,521)**	10,433
Inventories	**(142,061)**	(92,939)	**(142,061)**	(92,939)
Taxes recoverable	**148,385**	23,685	**148,488**	23,372
Other assets	**(2,030)**	(2,744)	**(2,030)**	(2,744)
Judicial deposits	**7,273**	(4,363)	**7,273**	(4,363)
Trade payables	**337,372**	126,507	**337,372**	126,507
Labor liabilities	**8,469**	(2,881)	**8,469**	(2,881)
Other liabilities	**4,494**	(15,207)	**4,494**	(15,205)
Provisions for tax, civil and labor proceedings	**(18,785)**	(17,556)	**(18,785)**	(17,556)
Taxes payable	**(92,531)**	(34,124)	**(92,849)**	(33,815)
Income taxes paid	**(21,802)**	(18,547)	**(21,905)**	(18,947)
Net cash flows from operating activities	**604,752**	851,496	**604,648**	851,888
Investment activities				
Purchase of property and equipment	**(158,475)**	(321,260)	**(158,475)**	(321,260)
Purchase of Intangible assets	**(101,615)**	(46)	**(101,615)**	(46)
Receivables from the of property and equipment	**91**	-	**91**	-
Cash flow used in investment activities	**(259,999)**	(321,306)	**(259,999)**	(321,306)
Financing activities				
Capital increase	**-**	813,699	**-**	813,699
Costs with stock issuing transactions	**-**	(2,242)		(2,242)
Proceeds from loans	**1,200,000**	508,000	**1,200,000**	508,000
Loan transaction costs	**(4,994)**	-	**(4,994)**	-
Repayment of loans	**(11,000)**	(1,373,038)	**(11,000)**	(1,373,038)
Interest paid on loans	**(10,592)**	(70,795)	**(10,592)**	(70,795)
Settlement of derivatives	**-**	7,625	**-**	7,625
Lease liability paid, principal and interest	**(387,167)**	(354,147)	**(387,167)**	(354,147)
Interest on shareholder's equity paid	**(68,846)**	(58,580)	**(68,846)**	(58,581)
Net cash flows obtained from (used in) financing activities	**717,401**	(529,478)	**717,401**	(529,479)
Increase in cash and cash equivalents	**1,062,154**	712	**1,062,050**	1,103
Cash and cash equivalents at the beginning of the period	**445,635**	444,923	**447,109**	446,006
Cash and cash equivalents at the end of the period	**1,507,789**	445,635	**1,509,159**	447,109

See accompanying notes.

C&A Modas S.A.

Statements on value added
For the years ended December 31, 2020 and 2019
(in thousands of Reais - R$)

	Parent Company		Consolidated	
	2020	2019	2020	2019
Revenue	**5,428,660**	7,514,343	**5,431,835**	7,516,927
Sale of Goods and Services	**5,251,133**	6,838,387	**5,254,308**	6,841,106
Other revenue	**173,915**	678,372	**173,915**	678,371
Allowance for expected credit losses	**3,612**	(2,416)	**3,612**	(2,550)
Inputs acquired from third parties	**(3,032,382)**	(4,199,964)	**(3,034,393)**	(4,201,333)
Cost of sales and services sold	**(2,121,562)**	(3,501,260)	**(2,121,562)**	(3,501,260)
Materials, electric power, outsourced services and others	**(872,655)**	(655,005)	**(874,666)**	(656,374)
Impairment of assets	**(38,165)**	(43,699)	**(38,165)**	(43,699)
Gross Value Added	**2,396,278**	3,314,379	**2,397,442**	3,315,594
Retentions	**(524,947)**	(501,796)	**(524,947)**	(501,796)
Depreciation and Amortization	**(246,332)**	(233,043)	**(246,332)**	(233,043)
Depreciation of right-of-use	**(278,615)**	(268,753)	**(278,615)**	(268,753)
Net value added	**1,871,331**	2,812,583	**1,872,495**	2,813,798
Value added received through transfer	**176,496**	691,059	**175,812**	690,391
Share of profit of subsidiary	**689**	680	**-**	-
Finance income	**175,807**	690,379	**175,812**	690,391
Total value added for distribution	**2,047,827**	3,503,642	**2,048,307**	3,504,189
Distribution of value added	**2,047,827**	3,503,642	**2,048,307**	3,504,189
Personnel	**676,267**	737,285	**676,267**	737,284
Direct compensation	**480,305**	538,431	**480,305**	538,431
Benefits	**109,433**	123,280	**109,433**	123,280
Severance pay fund (FGTS)	**41,758**	48,758	**41,758**	48,758
Other	**44,771**	26,816	**44,771**	26,815
Taxes and Contributions	**1,188,540**	1,308,287	**1,189,013**	1,308,832
Federal	**347,331**	707,511	**347,804**	708,056
State	**790,436**	554,732	**790,436**	554,732
Municipal	**50,773**	46,044	**50,773**	46,044
Debt remuneration	**349,352**	486,077	**349,359**	486,080
Rentals	**77,730**	184,631	**77,730**	184,631
Financial expenses	**271,622**	301,446	**271,629**	301,449
Compensation on equity	**(166,332)**	971,993	**(166,332)**	971,993
Interest on shareholder's equity and dividends proposed	**-**	154,121	**-**	154,121
Retained earnings (Accumulated losses) in the year	**(166,332)**	817,872	**(166,332)**	817,872

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 ultimate holding company is COFRA Holding AG, based in Switzerland.

The Company became a traded company on October 28, 2019, when 34.52% of its shares were first traded on Brazilian stock exchange B (São Paulo – Brazil), under the ticker "CEAB3". In November 2019, an additional lot of shares was traded, and since then 34.50% of Company shares are traded on the B3 exchange.

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

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

The Company sells its goods in 299 stores, 4 of which are mini-stores (287 stores in December 2019). These are supplied by 5 distribution centers located in the states of São Paulo, Rio de Janeiro and Santa Catarina. The Company also sells its goods through numerous 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 years ended December 31, 2019 and 2018 were prepared according to the accounting practices adopted in Brazil, which comprise the financial statements and instructions and interpretations issued by the Accounting Pronouncements Committee (CPC), approved by the Federal Accounting Council (CFC) and by the Brazilian Securities and Commission (CVM), all of which comply with International Financial Reporting Standards (IFRS) issued by the International Accounting Standards Board - IASB.

The financial statements were prepared based on a historical cost basis, except for certain financial instruments measured at fair value, and based on the premise of a going concern. All of the data relevant to the financial statements, and only this data is disclosed and corresponds to the data used by Management in managing Company activities, as per Technical Instruction OCPC07

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 18, 2021, the Board of Directors authorized the issuing of the individual and consolidated financial statements for the year ending December 31, 2020.

The financial statements are submitted in thousand Reais (R$), which is the functional and statement currency of the Company and its subsidiary. Transactions in foreign currency are initially recorded at the exchange rate of the functional currency in effect on the date of the transaction. Foreign-currency denominated monetary assets and liabilities are converted using the functional currency exchange rate in effect on the date of the 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. Therefore, by IFRS, this statement is presented as supplementary information, without prejudice to the set of annual financial information. Its purpose is to show value created by the company during the year, and demonstrate how it was distributed to the various players.

Impact of COVID-19

In March 2020, the World Health Organization (WHO) declared COVID-19 to be a global pandemic. Following this declaration, government authorities in numerous jurisdictions imposed lockdowns and other restrictions to contain the virus, and numerous companies suspended or reduced their operations.

The Company looked for alternative sales mechanisms, new types of delivery and new trade partners. As expected, the largest impact on the Company's operating performance came in the 2nd quarter of 2020. In the 2nd half of the year the Company's sales recovered month by month.

The Company is adapting to the new scenario and constantly monitors how things evolve regarding COVID-19 and its possible impact on business. Below are the main themes that were assessed in the preparation of the Company's financial statements for the year ending December 31, 2020:

Impairment - The Company reviewed the cash flow projections of its cash generating units (CGU) considering 2020 sales, and the expected sales for the next periods according to the lease term of each store. With sales consistently increasing in the second half of 2020, the Company expects its performance will be positive for the coming years. There was no need to significantly adjust impairment in 2020, which derives from an estimate of the future profitability of our stores (adjustment of + R$ 0.7 million).

Liquidity - Between April and June 2020, the Company captured R$ 1.2 billion (Note 19) in promissory notes and CCBs (Bank Credit Notes). The Company also signed agreements with financial institutions to ensure supplier funding (Note 18), and subscribed to MP 936/20 and MP 927/20, which enabled suspending labor agreements leading to payroll savings of R$ 29,110. It also started to offset PIS COFINS credits (Note 11), among other initiatives.

Hedge Accounting - The Company has analyzed the derivative transactions for which it uses hedge accounting, and concluded that such transactions remained in effect on December 31, 2020 (Note 28).

Inventory - Part of the goods purchased in 2020, valued at R$ 56,019 and comprised of basic winter goods and seasonal items, has been stored for sale in 2021. On December 31, 2020 the balance of goods held by third parties was valued at R$ 17,564. As these are basic, non-perishable goods, Management does not believe there will be losses associated with them. The Company assessed the recoverable value of its inventory on December 31, 2020, and concluded it has sufficient allowances for inventory losses (Note 10).

Lease Renegotiations - The Company adopted the practical expedient stipulated in the Review of Technical Pronouncement CPC06 (R2), which is equivalent to the amendment of IFRS 16 and CVM Statement 859 regarding "Benefits related to Covid-19 granted to the lessees in lease agreements", and decided to book reductions in lease payments in the amount of R$ 94,159 directly in earnings (Note 17).

(in thousand Reais unless otherwise stated)

Realization of deferred tax assets and recoverable taxes - Management reviewed its revenue and taxable income projects for the coming years, and its ability to realize deferred taxes and tax credits. Due to diminished sales and new tax credits in 2020, the outlook for realizing tax credits has changed. The last year to offset such taxes has gone from 2023 to 2024, and the expected period for realizing deferred taxes went from 5 to 7.5 years (Notes 11 and 13).

Distribution of dividends - To ensure the Company's operating health, Management proposed to withhold part of the minimum mandatory dividends for 2019, in the amount of R$ 75,988. This was approved by the shareholders at the General Meeting held on June 26, 2020, and absorbed by the losses in 2020 (Note 24).

Restatement of comparative balances

To facilitate the comparability of numbers, provide more clarity to investors and better reflect the Company's operations as managed by Management, in 2020 Management revised its accounting policy and started to classify reversals and provisions for tax contingencies in Other operating income (expenses) net. To maintain the comparability of the information, it reclassified the balances of the income statements and the affected Notes for the year 2019 as well. These changes did not impact net income or profit before income tax and social contribution, balance sheet accounts, comprehensive income statements, statements of changes in shareholders' equity and statements of cash flows of the Company.

Below are the numbers that changed in the statement of earnings:

	Parent Company			Consolidated		
Statement of Earnings	**As previously reported in 2019**	**Re-classification**	**Balance as reclassified in 2019**	**As previously reported in 2019**	**Re-classification**	**Balance as reclassified in 2019**
Net Revenue	5,282,583	-	5,282,583	5,285,176	-	5,285,176
Cost of goods sold and services rendered	(2,717,065)	-	(2,717,065)	(2,717,065)	-	(2,717,065)
Gross profit	**2,565,518**	-	**2,565,518**	**2,568,111**	-	**2,568,111**
General and administrative expenses	(424,307)	**(72,272)**	(496,579)	(425,747)	**(72,272)**	(498,019)
Sales	(1,755,337)	-	(1,755,337)	(1,755,337)	-	(1,755,337)
Share of profit of subsidiaries	680	-	680	-	-	-
Other operating income (expenses) net	646,121	**72,272**	718,393	646,057	**72,272**	718,329
Profit before financial results	**1,032,675**	-	**1,032,675**	**1,033,084**	-	**1,033,084**
Financial results	**388,933**	-	**388,933**	**388,942**	-	**388,942**
Income before income taxes	**1,421,608**	-	**1,421,608**	**1,422,026**	-	**1,422,026**
Net profit for the year	**971,993**	-	**971,993**	**971,993**	-	**971,993**

3. Basis for Consolidation

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

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

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

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

4. Accounting policies

4.1 Recognition of revenue and costs

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

a) Sale of goods

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

b) Services rendered

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

c) Receivables

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

d) Right to return

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

e) Cost of goods sold and services rendered

The cost of goods sold, which includes the costs associated with distribution centers less rebates 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 income" in the statement of operations.

g) Revenue with commissions for intermediating financial services

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

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

h) Non-exercised customer rights

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

4.2. Taxes

a) Income Tax and Social Contribution - current

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

Provisions for income tax and social contribution are calculated using the rate of 15% plus 10% on any taxable income exceeding R$ 240 for income tax, and 9% of taxable income for Social Contribution on Net Profits (*Contribuição Social sobre o Lucro Líquido* - CSLL). 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.

Pre-payments 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) Sales taxes

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

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

4.3. Cash and cash equivalents

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

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

4.4. Trade receivables

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

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

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

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

4.5. Inventories

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

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

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

4.6. Investments in the subsidiary

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

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

4.7. Partnership to provide financial services

The Company has a partnership with Bradescard to provide financial services to its customers and has been looking for ways to improve the offer of its financial products, and is currently in a process of negotiation with Bradescard to identify new formats, conditions and products.

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

4.8. Property and Equipment

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

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

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

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

4.9. Intangible assets

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

4.10. 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.

The lease liability is initially measured at the present value of lease payments that were not paid on the contract start date, discounted using the incremental interest rate, which is defined as the nominal interest rate (with inflation) equivalent to that Company would have when contracting a loan with a similar term and with a similar guarantee.

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

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 17.a).

4.11. Impairment of non-financial assets

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

The Company bases its assessment of impairment based on detailed financial budgets and provisions, prepared separately by Management for each cash generating unit to 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 at present value, using an after-tax discount rate that reflects the weighted average cost of capital for the industry in which the cash generating unit operates. The net fair value of sales expenses is determined based on recent market transactions between knowing and willing parties holding similar assets. In the absence of such transactions, suitable assessment methodology is used.

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

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

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

4.12. Provisions for tax, civil and labor proceedings

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

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

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

4.14. Provisions for stores restoration

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

4.15. 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 bending 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.

4.16. Financial instruments

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

Initial recognition and measurement

a) Financial asset

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

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

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

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

Subsequent measurement

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

(i) Financial assets at amortized cost;

(ii) Financial assets at fair value through OCI with recycling of cumulative gains and losses;

(iii) Financial assets designated at fair value through OCI with no recycling of cumulative gains and losses upon derecognition; or

(iv) Financial assets at fair value through profit or loss.

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

Financial assets at amortized cost

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

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

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

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

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

Financial assets at fair value through OCI

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

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

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

Financial assets at fair value through profit or loss

Financial assets at fair value through profit or loss include financial assets held for trading and financial assets designated upon initial recognition at fair value through profit or loss. Financial assets are classified as held for trading if they are acquired for the purpose of selling in the near term. Derivatives are classified as held for trading unless they are designated as effective hedging instruments. They are carried in the statement of financial position at fair value with the related gains or losses recognized in the statement of operations.

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

Derecognition

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

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

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

Impairment of financial assets

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

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

b) Financial liabilities

Initial recognition and measurement

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

At December 31, 2019 and 2018 the Company and its subsidiary had only financial liabilities classified in the categories of (i) financial liabilities at amortized cost and (ii) derivatives classified as hedging instruments.

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

Subsequent measurement

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

Derecognition

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

c) Offsetting of financial instruments

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

d) Derivative financial instruments and hedge accounting

Initial recognition and measurement
The Company uses derivative financial instruments to minimize its exposure in foreign currency, represented by future purchases to be made in foreign currency from foreign suppliers and, in 2018, also to settle loans payable to related parties.

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

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

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

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

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

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

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

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

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

Cash flow hedges

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

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

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

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

e) Fair value measurement of financial instruments

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

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

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

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

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

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

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

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

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

4.17. 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 average monthly interest rates used for the calculation of present value during the year ended on December 31, 2020 and 2019 were 0.16% and 0.37% respectively.

4.18. Related or third-party loans

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

The Company also considers loan operations with third parties as financing activities.

4.19. Operating segment

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

4.20. 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.

4.21. 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 more than 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 shareholders at a General Meeting.

4.22. Stock-based compensation plan

The Company offers stock-based compensation plans to its executives, that include 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 9.

The cost of transactions settled with equity titles is recognized as an expense in the capital reserve account, together with a corresponding increase in shareholder's equity 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, reflects how much of the acquisition period was completed, and the Company's best estimate of the number of equity securities to be purchased. The expense or credit in the statement of operations for the period is recorded as an administrative expense.

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

Open options are reflected in the calculation of diluted earnings per share (Note 31).

4.23. 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 are expected to be or may be settled with Company shares are only included in the calculation when their settlement will dilute earnings per share.

4.24. Statements issued and valid as of January 1, 2020

a) Changes in CPC 15 (R1): Definition of business

In October 2018, the IASB amended the definition of business in IFRS 3. These changes are reflected in CPC revision 14, amending CPC 15 (R1) to help entities determine if an acquired set of activities and assets does or does not constitute a business. The amendments clarify the minimum requirements to be a business, remove the assessment of a market participant's ability to replace missing elements, add guidance to help entities assess if an acquired process is substantive, narrow the definition of business and outputs, and introduce an optional concentration test for fair value. New illustrative cases are provided with the changes.

As these amendments apply prospectively to transactions or other events happening on or after the date of first application, the Company is not affected by these amendments on the date of transition.

b) Changes in CPC 38, CPC 40 (R1) and CPC 48: Interest Rate Benchmark Reform

The amendments to CPC 38 and CPC 48 provide a number of reliefs, which apply to all hedging relationships that are directly affected by interest rate benchmark reform. A hedging relationship is affected if the reform gives rise to uncertainty about the timing and/or amount of benchmark-based cash flows of the hedged item or the hedging instrument.

These amendments have no impact on the consolidated financial statements of the Company as it does not have any interest rate hedge relationships.

c) Changes in CPC 26 (R1) and IAS 8: Definition of material omission

In October 2018, the IASB issued amendments to IAS 1 and IAS 8 Accounting Policies, Changes in Accounting Estimates and Errors. These amendments are reflected in CPC revision 14, amending CPC 26 (R1) and CPC 23 to align the definition of "material omission" or "misstated material disclosure" in all standards, and explaining certain aspects of the definition. The new definition states that "information is material if omitting, misstating or obscuring it could reasonably be expected to influence the decisions that the primary users of general purpose financial statements make on the basis of those financial statements, which provide financial information about a specific reporting entity".

These changes are not expected to have a significant impact on the Company's financial statements.

d) Amendments in CPC 00 (R2): Conceptual Framework for Financial Reporting

The revised Conceptual Framework includes some new concepts, updated definitions and recognition criteria for assets and liabilities and clarifies some important concepts.

These amendments had no impact on the consolidated financial statements of the Company.

e) Amendments to CPC06 (R2) Covid-19 Related Rent Concessions

The amendments provide relief to lessees from applying CPC06 (R2) guidance on lease modification accounting for rent concessions arising as a direct consequence of the Covid-19 pandemic.
As a practical expedient, a lessee may elect not to assess whether a Covid-19 related rent concession from a lessor is a lease modification. A lessee that makes this election accounts for any change in lease payments resulting from the Covid-19 related rent concession the same way it would account for the change under CPC06 (R2), if the change were not a lease modification.

This amendment had impact on the consolidated financial statements of the Company and it is shown in note 17.

4.25. Statements issued and valid as of January 1, 2021

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. The changes in CPC50/IFRS17 do not apply to the Company.

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

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

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

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

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

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

1- What the right to defer settlement means;
2- That the right to defer must exist on the effective date of the report;

3- That this classification is not affected by the likelihood that an entity will exercise is right to defer;
4- The terms of a liability would not impact its classification only if that derivative is embedded into a convertible liability is itself an equity instrument

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

5. Significant accounting judgments, estimates and assumptions

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

a) Determination of the useful life of property and equipment and intangibles assets;
b) Impairment analysis of property and equipment and intangibles assets;
c) Allowance for expected credit losses;
d) Provisions for inventory losses;
e) Deferred income tax and social contribution;
f) Taxes and timeliness applied when determining adjustment to present value of assets and liabilities;
g) Provisions for tax, civil and labor proceedings;
h) Determination of fair value of derivative financial instruments;
i) Provision for restoring stores to their original condition;
j) Profit sharing;
k) Stock-based compensation

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

(in thousand Reais unless otherwise stated)

6. Cash and cash equivalents

	Parent Company		Consolidated	
	2020	**2019**	**2020**	**2019**
Cash	**3,799**	3,226	**3,799**	3,226
Banks	**62,243**	62,659	**63,613**	64,133
Short-term investments	**1,441,747**	379,750	**1,441,747**	379,750
	1,507,789	445,635	**1,509,159**	447,109

The Company has cash equivalents in the form of fixed-yield financial investments, indexed to 80% to 104% of the variation in CDI (Interbank Deposit Certificates), which may be redeemed at any time with the issuer of the security without loss of the contracted yield.

7. Trade receivables

a) Breakdown

	Parent Company		Consolidated	
	2020	**2019**	**2020**	**2019**
Card Operators	**1,023,553**	1,116,847	**1,023,553**	1,116,847
Commissions receivable - telephony suppliers	**8,969**	12,320	**8,969**	12,320
Commissions receivable - insurers	**8,241**	6,957	**8,241**	6,957
Credit rights	**-**	-	**102**	45
Bradescard partnership	**20,927**	13,617	**20,927**	13,617
Other	**17,154**	21,412	**17,154**	21,413
Allowances for expected credit losses	**(15,102)**	(19,715)	**(15,102)**	(19,715)
	1,063,742	1,151,438	**1,063,844**	1,151,484

(in thousand Reais unless otherwise stated)

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

	Parent Company		Consolidated	
	2020	**2019**	**2020**	**2019**
Coming due:				
Up to 30 days	**432,862**	503,281	**432,862**	503,281
31 – 60 days	**269,020**	258,854	**269,020**	258,854
61 – 90 days	**153,170**	188,271	**153,170**	188,271
91 – 120 days	**67,457**	70,611	**67,457**	70,611
121 – 150 days	**46,396**	47,825	**46,396**	47,825
151 to 180 days	**31,788**	24,216	**31,788**	24,216
Longer than 180 days	**58,530**	54,360	**58,530**	54,360
	1,059,223	1,147,418	**1,059,223**	1,147,418
Past due:				
Up to 30 days	**452**	2,965	**452**	2,965
31 – 60 days	**977**	497	**977**	497
61 – 90 days	**124**	24	**124**	24
Over 90 days	**1,790**	326	**1,892**	372
	3,343	3,812	**3,445**	3,858
Trade receivables not recognized by customers (*)	**1,176**	208	**1,176**	208
Total	**1,063,742**	1,151,438	**1,063,844**	1,151,484

(*) Includes Banco Bradescard credit card sales unrecognized by the card owners (charge-back), in the amount of R$ 1,965 on December 31, 2020 (R$ 4,461 on December 31, 2019), and is thus considered in the allowance for expected credit losses. The Company also recognized provisions for expected credit losses for court-blocked amounts in C&A bank accounts, in the amount of R$ 10,917 on December 31, 2020 (R$ 10,917 on December 31, 2019), the responsibility for unblocking procedures belongs to Banco Bradescard.

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

	2020	**2019**
Balance on December 31	**(19,715)**	(17,298)
(Provision)/Reversal	**(3,213)**	(8,377)
Write-off	**7,826**	5.960
Balance on December 31	**(15,102)**	(19,715)

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 for the calculation of present value of outstanding receivables on December 31, 2020 and 2019 were 0.16% and 0.37% respectively. Realization of the present value adjustment is recognized as an offsetting item to sales revenue.

(in thousand Reais unless otherwise stated)

8. Related parties

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

Asset	Parent Company		Consolidated	
	2020	2019	2020	2019
Accounts receivable				
Instituto C&A de Desenvolvimento Social (*)	**89**	18	**89**	18
Porticus Latin America Consult (*)	**-**	29	**-**	29
FAMAMCO Adm. de Bens Ltda (*)	**-**	142	**-**	142
COFRA Latin America (*)	**6**	6	**6**	6
Orion Sec. Cred. Financeiros (*)	**12**	6	**-**	-
Cyamprev Soc. Previd. Privada	**29**	161	**29**	161
	136	362	**124**	356
Dividends receivable				
Orion Sec. Cred. Financeiros	**649**	749	**-**	-
	649	749	**-**	-
Total related party assets	**785**	1,111	**124**	356

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

Liabilities	Parent Company		Consolidated	
	2020	2019	2020	2019
Accounts payable				
C&A AG	**-**	27,160	**-**	27,160
C&A Sourcing	**32,568**	39,967	**32,568**	39,967
Instituto C&A de Desenvolvimento Social	**302**	-	**302**	
Cyamprev Soc. Previd. Privada	**1,849**	2,376	**1,849**	2,376
COFRA Latin America	**47**	16	**47**	16
	34,766	69,519	**34,766**	69,519
Interest on shareholder's equity and dividends				
COFRA Latin America	**-**	8	**-**	8
Incas SARL	**-**	47,613	**-**	47,613
COFRA Investments	**-**	47,614	**-**	47,614
	-	95,235	**-**	95,235
Total related party liabilities	**34,766**	**164,754**	**34,766**	**164,754**
(-) Interest on equity and related party dividends	**-**	(95,235)	**-**	(95,235)
Current related party liabilities	**34,766**	69,519	**34,766**	69,519

(in thousand Reais 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 Mode AG	Incas SARL
C&A Sourcing	**Indirect parent company**
COFRA Latin America	C&A AG
COFRA Treasury	**Subsidiary**
FAMAMCO Adm. de Bens	Orion Sec. Cred. Financeiros
Instituto C&A de Desenvolvimento Social	**Subsidiary under direct influence**
Porticus Latin America Consult	Cyamprev Soc. Previd. Privada
C&A Services	

Transactions with related parties

	Parent Company		Consolidated	
	2020	**2019**	**2020**	**2019**
Reimbursements for shared expenses				
COFRA Latin America	**79**	56	**79**	56
Orion Sec. Cred. Financeiros	**80**	55	**-**	-
FAMAMCO Administração de Bens	**46**	71	**46**	71
Porticus	**52**	80	**52**	80
Instituto C&A de Desenvolvimento Social	**127**	87	**127**	87
	384	349	**304**	294
Revenue from services rendered				
C&A Mexico	**5,093**	6,128	**5,093**	6,128
	5,093	6,128	**5,093**	6,128
Goods purchased				
C&A Sourcing	**(241,302)**	(301,216)	**(241,302)**	**(301,216)**
	(241,302)	(301,216)	**(241,302)**	**(301,216)**
Royalties and services purchased				
C&A Services	**(2,093)**	(2,257)	**(2,093)**	(2,257)
COFRA Latin America	**(188)**	(183)	**(188)**	(183)
C&A AG	**-**	(31,953)	**-**	(31,953)
	(2,281)	(34,393)	**(2,281)**	(34,393)
Finance results				
C&A Mode AG	**-**	(60,293)	**-**	(60,293)
COFRA Treasury	-	(456)	-	(456)
	-	(60,749)	**-**	(60,749)
Pension fund contributions				
Cyamprev Soc. Prev. Privada	**(6,388)**	(8,706)	**(6,388)**	(8,706)
	(6,388)	(8,706)	**(6,388)**	(8,706)

Related party transactions entered 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.

(in thousand Reais unless otherwise stated)

Through December 2019, royalties for using the "C&A" brand were calculated based on revenue from goods sold and were owed only if the Company made a profit in the year. Since January 2020, the Company has been exempted of paying royalties for using the "C&A" brand. Outstanding amounts for 2019 were settled in December 2020.

During the years ended December 31, 2020 and 2019, there was no need to recognize an allowance for expected credit losses in accounts receivable from related parties.

Changes in the balance of related party loans.

	Parent Company and Consolidated	
	2020	2019
Balance on December 31	-	907,456
New loans	-	508,000
Exchange variation	-	(32,372)
Interest	-	60,749
Interest payment	-	(70,795)
Payment of principal	-	(1,373,038)
Balance on December 31	-	-

Compensation of members of the Board of Directors and Executive Board

Expenses (paid and payable) associated with Officer compensation in the years ending December 31, 2020 and 2019 were as follows:

	Parent Company and Consolidated	
	2020	2019
Fixed Compensation (a)	**13,930**	10,435
Variable Compensation	**2,426**	3,330
Contributions for post-employment plans	**646**	813
Long-Term Incentives	**10,668**	1,766
Cessation of office	**1,379**	-
Total	**29,049**	16,344

(a) Increased in 2020 due to the development of a Board of Directors and termination expenses for a member of the Administration.

9. Stock-based compensation plan

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

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

(in thousand Reais unless otherwise stated)

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

This transfer will take place regardless of whether the participant remains as a Company employee or officer. It is subject to verification of the following: the average price per share on the Brazilian stock exchange (B3 S.A. – Brasil, Bolsa, Balcão) in the 22 (twenty two) trading sessions that immediately precede the date of exercising the Vested Options must be equal to or larger than the price per share paid by investors in the Initial Public Offering (IPO), corrected according to the IPCA/IBGE less the value per share distributed as dividends distributed 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 have three years of restriction after each date of transfer.

Changes

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

(*)Weighted average of the exercise price

No options were exercised, expired or were canceled during the year. However, as mentioned above all stock was replaced in an equal amount.

The weighted average contractual term for the stock options remaining on December 31, 2020 was 4 years. The weighted average fair value of the options granted during the year is R$8.81 in the original program, and R$2.98 incremental fair value for the options replaced according to the calculation method established in CPC10/IFRS2. The exercise price shall be adjusted whenever dividends are paid or stock is grouped or split.

(in thousand Reais unless otherwise stated)

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

	Parent Company and Consolidated		
	Batch 1	**Batch 2**	**Batch 3**
Weighted average of the fair value on the date measured (R$)	8.43	8.86	9.14
Dividend yield (%)	1.10%	1.10%	1.10%
Risk-free rate of return (%)	4.16%	4.58%	5.17%
Expected lifetime of the options	10/21/2020	10/21/2021	10/21/2022
Weighted average of the stock price (R$)	16.50	16.50	16.50
Model used	Monte Carlo	Monte Carlo	Monte Carlo

	Parent Company and Consolidated (Additional replacement fair value)		
	Batch 1	**Batch 2**	**Batch 3**
Weighted average of the fair value on the date measured (R$)	4.46	3.11	1.37
Dividend yield (%)	1.10%	1.10%	1.10%
Risk-free rate of return (%)	5.63%	5.95%	6.20%
Expected lifetime of the options	10/21/2023	10/21/2024	10/21/2025
Weighted average of the stock price (R$)	16.89	16.89	16.89
Model used	Monte Carlo	Monte Carlo	Monte Carlo

Volatility calculations considered the historical volatility of comparable companies in comparable periods with the lifetime of the stock in each lot, as follows:

Parent Company and Consolidated		
End of Grace Period	Original Plan	Replacement Plan
10/21/2020	31.26%	36.64%
10/21/2021	35.73%	37.79%
10/21/2022	36.55%	37.10%

In 2020, the company recognized R$ 7,728 (R$ 1,131 in 2019) in expenses associated with stock-based compensation plans (original and replacement), using as the counterpart the capital reserve account - stock granted. The following expenses will be recognized in the following periods:

	R$
Fiscal year 2021	3,183
Fiscal year 2022	1,055

(in thousand Reais unless otherwise stated)

10. Inventories

a) Inventory breakdown

	Parent Company and Consolidated	
	2020	**2019**
Goods for resale	**622,353**	560,241
Goods sold and in transit for delivery to customers	**2,894**	1,244
Goods held by third parties	**17,564**	-
Present value adjustment	**(2,169)**	(8,846)
Provisions for losses	**(34,108)**	(32,202)
	606,534	520,437
Imports in transit	**34,486**	24,280
	641,020	544,717

b) Changes in provisions for losses

	2020	**2019**
Opening balance	**32,202**	40,716
Constitution	**45,758**	38,836
Actual losses (i)	**(43,852)**	(47,350)
Final balance	**34,108**	32,202

(i) 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. By December 31, 2020, the Company had finished inventorying 285 locations (275 in the period ending December 31, 2019).

11. Taxes recoverable

	Parent Company		Consolidated	
	2020	**2019**	**2020**	**2019**
ICMS (State VAT)	**49,010**	25,436	**49,010**	25,436
PIS/COFINS (Federal VAT)	**7,812**	-	**7,812**	-
Previously unused PIS / COFINS credit	**1,361,210**	1,282,030	**1,361,210**	1,282,030
IRRF (withholding taxes)	**3,250**	-	**3,258**	8
IPI (excise tax)	**345**	328	**345**	328
Other	**7,441**	8,977	**7,441**	8,977
	1,429,068	1,316,771	**1,429,076**	1,316,779
Current assets	**271,711**	795,635	**271,719**	795,643
Noncurrent assets	**1,157,357**	521,136	**1,157,357**	521,136

(i) Previously unused PIS / COFINS credit

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

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

In March 2017, the Federal Supreme Court ("STF") decided, in the leading case court records (RE 574706) addressing this same theme, that indeed, including ICMS in the basis for calculating PIS/COFINS was unconstitutional The Federal Government filed a motion for clarification of the decision, requesting that the STF define and clarify the effects thereof (namely the date as from which ICMS should be excluded), and define the method of calculation (how much ICMS to exclude - paid, net of credits from purchases or ICMS on sales), which is pending for judging. Notwithstanding the Federal Government's motion, the Federal Regional Courts (TRF) - lower courts - must follow the STF ruling on all proceedings filed by other taxpayers that have been overturned because of the leading case judgment.

In February 2019, a final non-appealable ruling was rendered by the 3rd Regional Federal Court on the writ of mandamus whereby the Company sought the right to no longer include ICMS in the PIS/COFINS tax basis used to calculate PIS and COFINS for the period between January 2002 and December 2014, in line with the STF ruling rendered on RE 574706, judged by the superior court (STF) in a repeat appeal.

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

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

On December 31, 2020, the updated balance of previously unused credits was R$1,226,366, the main changes in 2020 being the result of using credit to offset federal taxes in the amount of R$73,347, and a R$17,683 increases to the recognition of interest as financial revenue.

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

The expected realization of such credits has changed due to the Covid-19 pandemic. Management expects that updated tax credits in the amount of R$1,226,366 will be offset within 4 years, based on the tax debits generated from normal Company operations, as shown in item (ilia).

(in thousand Reais unless otherwise stated)

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

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

a) Recognize that all sales of goods to the FTZ (including those originating within 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 of the asset related to credits related to the period that precede 5 years from the filing date of the claim (March 31, 2016), in the amount of R$124,657 referring to the equalization of sales destined to ZFM as export and R$10,187 referring to Reintegra. The amounts related to current period, in the amount of R$12,302, were offset within the fiscal year 2020

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, 2020.

Year	R$
2021	220,970
2022	437,129
2023	514,503
2024	53,764
Waiting for enablement	134,844
Total	**1,361,210**

(in thousand Reais unless otherwise stated)

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

	ICMS on the basis for calculating PIS/COFINS	Legal Claim regarding the FTZ and Reintegra	Basis of calculation of PIS/COFINS on imports	Total Previously unused PIS/COFINS credits
Balance on December 31, 2019	1,282,030	-	-	1,282,030
Recognition	-	94,202	47,654	141,856
Interest	17,683	40,642	33,539	91,864
Offset by	(73,347)	-	(81,193)	(154,540)
Balance on December 31, 2020	**1,226,366**	**134,844**	**-**	**1,361,210**

12. Other assets

	Parent Company and Consolidated	
	2020	**2019**
Prepaid expenses	**18,213**	17,085
Personal loans and advances	**3,940**	3,450
Advances to suppliers	**1,148**	1,552
Actuarial assets	**2,209**	1,078
I.P.T.U. [property tax]	**68**	35
Other	**39**	387
	25,617	23,587
Current assets	**22,933**	21,609
Non-current assets	**2,684**	1,978

(in thousand Reais unless otherwise stated)

13. Income Taxes

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

	Balance on December 31, 2019	Increase / (Decrease) in earnings	Increase / (Decrease) in shareholder's equity	Balance on December 31, 2020
Tax losses carryforward	174,654	91,244	-	265,898
Temporary differences:				
Provisions for tax, civil and labor proceedings	93,011	3,656	-	96,667
Provisions for inventories losses and allowance for expected credit losses	22,109	(5,934)	-	16,175
Impairment of property, equipment and right-of-use	11,915	(2,091)	-	9,824
Accrued 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**
Tax credits (i)	(435,890)	(20,143)	-	(456,033)
Present value adjustment	(2,375)	(635)	-	(3,010)
Fair value adjustment	(12,655)	12,655	-	-
Deferred tax liabilities	**(450,920)**	**(8,123)**	**-**	**(459,043)**
Balance of deferred tax (liabilities) assets	**(45,631)**	**116,014**	**1,109**	**71,492**

	Balance on December 31 2018	Increase / (Decrease) in earnings	Increase / (Decrease) in shareholder's equity	Balance on December 31, 2019
Tax losses carry forward	189,302	(14,648)	-	174,654
Temporary differences:				
Provisions for tax, civil and labor proceedings	111,916	(18,905)	-	93,011
Provisions for inventories losses and allowance for expected credit losses	21,485	624	-	22,109
Impairment of property, equipment and right-of-use	15,745	(3,830)	-	11,915
Accrued for profit sharing	18,107	(3,038)	-	15,069
CPC 06 (R2)/IFRS 16 leases	-	28,459		28,459
Present value adjustment	5,214	(5,214)	-	-
Other	38,178	18,840	3,054	60,072
Deferred tax assets	**399,947**	**2,288**	**3,054**	**405,289**
Tax credits due to exclusion of ICMS from the basis for calculating PIS and COFINS	-	(435,890)	-	(435,890)
Present value adjustment	-	(2,375)	-	(2,375)
Fair value adjustment	(29,304)	16,649	-	(12,655)
Deferred tax liabilities	**(29,304)**	**(421,616)**	**-**	**(450,920)**
	370,643	**(419,328)**	**3,054**	**(45,631)**

(in thousand Reais unless otherwise stated)

(i) The amount of R$456,033 is comprised of: R$407,169 related to the deferment of tax claims from the claim that recognized the Company's right to recover excess contributions paid with the exclusion of ICMS from the basis for calculating PIS and COFINS, R$45,204 originated from the gain of the Manaus Free Trade Zone claim, R$1,254 related to SUFRAMA and R$2,406 related to the final favorable ruling in the PAT (Worker Meal Program) claim.

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

b) Expected realization of deferred taxes in the balance on December 31, 2020

Year	R$
2021	6,986
2022	(57,988)
2023	(64,248)
2024	21,498
2025	79,619
2026 to 2028	58,012
2029 to 2030	27,613
	71,492

c) Reconciliation of effective rate

	Parent Company		Consolidated	
	2020	**2019**	**2020**	**2019**
Profit (loss) before income taxes	**(255,998)**	1,421,608	**(255,673)**	1,422,026
Income tax at statutory rates - 34%	**87,039**	(483,347)	**86,929**	(483,489)
Adjustments to reflect the effective rate				
Share of profit of subsidiaries	**234**	231	**-**	-
Interest on shareholder's equity	**-**	26,565	**-**	26,565
Non-deductible donations	**(1,894)**	-	**(1,894)**	-
PAT (worker meal program) and the culture incentive law	**607**	4,951	**607**	4,951
Transfer pricing and incentives for technology innovation (R&D	**509**	1,973	**509**	1,973
Corporate gifts and non-deductible fines	**(611)**	-	**(611)**	-
Investment Subsidies	**637**		**637**	
Equity Instruments Granted	**385**	-	**385**	-
Other permanent additions and exclusions	**2,760**	(12)	**2,755**	(81)
Exemption of additional taxes	**-**	24	**24**	48
Income taxes	**89,666**	(449,615)	**89,341**	(450,033)
Current	**(26,348)**	(30,287)	**(26,673)**	(30,705)
Deferred	**116,014**	(419,328)	**116,014**	(419,328)
	89,666	(449,615)	**89,341**	(450,033)
Effective rate	**35%**	32%	**35%**	32%

(in thousand Reais unless otherwise stated)

14. Investments in subsidiary

a) Investments in the subsidiary

Orion	Share holding	Current assets	Current liabilities	Net Collection	Gross Revenue Gross	Profit	Book value of the investment	Share of profit of subsidiaries
2020	**99.8%**	**1,899**	**(1,022)**	**877**	**3,175**	**690**	**875**	**689**
2019	99.8%	2,050	(1,213)	837	2,719	681	836	680

b) Changes in investment

	2020	2019
Balance at December 31	**836**	905
Share of profit of subsidiaries	**689**	680
Stated dividends	**(650)**	(749)
Balance at December 31	**875**	836

15. Property and Equipment

a) Breakdown (Parent Company and Consolidated)

Property and equipment	Cost	Accumulated Depreciation	Reduction in Recoverable Value	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**

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

The company has no property and equipment pledged as collateral.

(in thousand Reais unless otherwise stated)

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

	Average annual depreciation rate	Balance on December 31, 2019	Additions (iii)	Depreciation	Disposals (Write-offs)	Transfers	Transfers to intangible	Right-of-use transfers	Reversals (provisions) *Impairment*	Balance on December 31, 2020
Machinery and equipment	8%	51,841	20,325	(11,260)	(187)	3,397	-	-	(319)	63,797
Furniture and fixtures	11.80%	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 (i)	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 (ii)	-	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

	Average annual depreciation rate	Balance on December 31, 2018	Additions (iii)	Depreciation	Disposals (Write-offs)	Transfers	Transfers to intangible	Right-of-use transfers	Reversals (provisions) *Impairment*	Balance on December 31, 2019
Machinery and equipment	8%	56,466	404	(11,576)	(571)	6,943	-	-	175	51,841
Furniture and fixtures	11.80%	126,951	67,519	(39,703)	(4,840)	21,364	-	-	5,367	176,658
IT Equipment	20%	42,441	34,272	(21,975)	(453)	11,124	-	-	(4)	65,405
Vehicles	20%	91	-	(25)	-	-	-	-	-	66
Leasehold improvements	10.52%	375,281	1,662	(97,393)	(11,424)	96,343	-	-	4,045	368,514
Land	-	126	-	-	-	-	-	-	-	126
Construction in progress	-	25,309	214,810	-	-	(135,774)	(52,839)	-	-	51,506
Provisions for returning stores	12%	3,140	180	(80)	(123)	-	-	(2,716)	-	401
Financial leases	-	4,210	-	-	-	-	-	(4,210)	-	-
Other	-	2,912	506	-	(523)	-	-	-	-	2,895
Total		636,927	319,353	(170,752)	(17,934)	-	(52,839)	(6,926)	9,583	717,412

(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 17 lease contracts with payments are full variable, for which refers the dismantling and restoring the leased assets provisions.

(iii) Between January and December 2020, the Company purchased property and equipment in the amount of R$ 162,680, R$ 10,497 of which were recognized as supplier accounts payable (R$ 6,292 in 2019), and R$ 6,292 were disbursed in 2020 for purchases made prior to December 31, 2019 (R$ 8,199 were disbursed in 12M19 relative to December 2018).

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) Cost and expenses: projected in the same year as the revenue using a straight-line rate of 3%, which is the inflation estimated by the Brazilian Central Bank;
(iii) Discount rate: determined bearing in mind the risk-free rate, the business risk, third-party cost of capital and the Company's capital structure. The discount rate used was 8.72% annually.

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, 2020 the Company had provisions for impairment in the amount of R$25,252 (R$33,949 in 2019), of which R$20,690 refereed to the impairment test (R$24,990 on December 31, 2019), and R$4,562 for store closings (R$8,959 on December 31, 2019).

(in thousand Reais unless otherwise stated)

16. Intangibles

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

Intangible assets	Cost	Accumulated amortization	Provisions for *Impairment*	December 31, 2020
Software	570,120	**(336,496)**	**(2)**	**233,622**
Goodwill	59,519	**(47,956)**	**(1,094)**	**10,469**
Intangibles in process	50,869	**-**	**-**	**50,869**
	680,508	**(384,452)**	**(1,096)**	**294,960**

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

b) Changes in Intangibles (Parent Company and Consolidated)

	Average amortization rate (% annual)	Balance on December 31, 2019	Additions (i)	Amortization	Disposals (Write-offs)	Transfers	Property and equipment transfers	Reversals (provisions) *Impairment*	Balance on December 31, 2020
Software	**13%**	177,968	**39,084**	**(66,204)**	**(1)**	**46,938**	**35,836**	**1**	**233,622**
Goodwill	**10%**	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**

	Average amortization rate (% annual)	Balance on December 31 2018	Additions	Amortization	Disposals (Write-offs)	Transfers	Property and equipment transfers	Reversals (provisions) *Impairment*	Balance on December 31, 2019
Software	13%	185,909	46	(60,099)	(174)	-	52,286	-	177,968
Goodwill	10%	10,989	-	(2,192)	(1,659)	-	553	1,681	9,372
Total		196,898	46	(62,291)	(1,833)	-	52,839	1,681	187,340

(i) Between January and December 2020, the Company purchased intangibles in the amount of R$ 140,070, R$ 38,455 of which were recognized as supplier accounts payable

c) Impairment

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

(in thousand Reais unless otherwise stated)

17. Leases

Based on a Review of Technical Pronouncement 16/2020, which clarifies Technical Pronouncement CPC 06 (R2)/IFRS16 regarding Covid-19-related benefits granted to the lessors in Lease Agreements, the Company analyzed its leases together with its partner Lessors and concluded that the lease negotiations resulting from COVID-19 do not constitute a contractual amendment and thus have no impact on remeasurement of the leases. The discount obtained from negotiations in 2020 was R$89,781 (net of PIS/COFINS), recorded under results for the year, occupancy costs. Deferred payments with no further burden to the Company added up to R$4,925 and are booked under lease liabilities until they are settled.

Until September 2019 the Company considered future lease payments net of PIS and COFINS, discounted at a real interest rate Following the guidelines in CVM/SNC/SEP Memo 01/2020, the Company reviewed its premises for calculating right-of-use assets and lease liabilities, and now considers the cash flows of future payments without deducting potential PIS and Cofins credits, discounting them using a nominal incremental interest rate. This methodology agrees with CPC06 (R2) / IFRS16. The impact of these changes was considered prospectively as re-measurement of the right-of-use and leases on December 31, 2019.

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 ae updated for each new lease agreement.

Incremental rates based on lease terms

Contractual terms	Real Rate (% p.y.)	Nominal Rate (% p.y.)
0 to 3 years	1.8 - 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 Reais 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, 2019	1,501,141	6,674	1,507,815	(1,587,680)
Amortization (i)	**(304,983)**	**(1,460)**	**(306,443)**	**-**
Financial charges	**-**	**-**	**-**	**(139,120)**
Payments made (interest)	**-**	**-**	**-**	**387,167**
Provisions for dismantling costs	**450**	**-**	**450**	**-**
Impairment (Note 15.c)	**(2,547)**	**-**	**(2,547)**	**-**
Re-measurements (ii)	**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)**

(i) In this table amortization has not been corrected in the amount of R$ 35,158 for PIS/COFINS credits on lease payments, nor R$ 7,330 in interest, recorded directly as a reduction of amortization expenses in the statements of operation.
(ii) This refers to the annual remeasurement inflation adjustments on minimal lease payments as per the respective agreements and lease renewals;

	Right-of-use asset			
	Real Estate	**Equipment**	**Total**	**Lease liabilities**
Opening balance on January 1 2019	1,729,502	8,192	1,737,694	(1,737,694)
Prepayments and incentives received	1,984	-	1,984	-
Provisions for dismantling costs	2,716	-	2,716	-
Adjusted opening balance on January 1 2019	1,734,202	8,192	1,742,394	(1,737,694)
Amortization	(294,157)	(1,518)	(295,675)	-
Financial charges	-	-	-	(142,138)
Payments of principal	-	-	-	338,747
Payments of interest	-	-	-	15,400
Prepayments and incentives received	-	-	-	-
Provisions for dismantling costs	630	-	630	-
Additions (4 new stores)	31,645	-	31,645	(33,174)
Re-measurements (i)	28,821	-	28,821	(28,821)
Balance on December 31, 2019	1,501,141	6,674	1,507,815	(1,587,680)
Current liabilities	-	-	-	(357,891)
Non-current liabilities	-	-	-	(1,229,789)

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

b) Comparison of lease projections in the different scenarios.

In compliance to CVM instructions, and to provide the market a comprehensive view of the effects that emerge when the different interest rates are applied, below we present a comparison of the right-of-use and lease liability, financial expenses and amortization in the year ended and for the upcoming periods, based on the following criteria

Scenario	Incremental rate	Future payments flow
1	Nominal	With projection for inflation
2	Nominal	No projection for inflation

The Company is adopting scenario 2 for the period ending December 31, 2020, as per CPC06(R2) / IFRS16. Below are the estimated values for the years ended in December

(in thousand Reais unless otherwise stated)

	2020	2021	2022	2023	2024
Lease liabilities					
Scenario 1	1,906,242	1,633,429	1,331,255	1,041,409	760,964
Scenario 2 (book value)	**1,654,796**	**1,378,820**	**1,093,359**	**831,402**	**587,705**
Financial Charges					
Scenario 1	158,543	145,197	121,785	98,078	75,262
Scenario 2 (book value)	**139,120**	**123,948**	**101,224**	**79,178**	**57,962**
Depreciation Expenses					
Scenario 1	340,495	347,042	322,374	281,639	246,335
Scenario 2 (book value)	**306,443**	**310,870**	**287,007**	**248,765**	**216,179**
Total Expenses					
Scenario 1	499,038	492,239	444,159	379,717	321,597
Scenario 2 (book value)	**445,563**	**434,818**	**388,231**	**327,943**	**274,141**

c) Future minimum lease payments and potential PIS and COFINS credits (Parent Company and Consolidated)

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

	2020		**2019**	
Coming due	**Payments**	**Potential PIS/COFINS Rights**	**Payments**	**Potential PIS/COFINS Rights**
Less than one year	**406,551**	**(36,602)**	373,987	(30,047)
One to five years	**1,286,360**	**(115,719)**	1,183,473	(86,960)
Over five years	**416,125**	**(38,005)**	529,082	(22,199)
Total minimum payments	**2,109,036**	**(190,326)**	2,086,542	(139,206)
Minimum payments discounted to present value	**(454,240)**	**41,118**	(498,862)	28,564
Present value of the minimum payments	**1,654,796**	**(149,208)**	1,587,680	(110,642)
Current liabilities	**390,603**		357,891	
Non-current liabilities	**1,264,193**		1,229,789	

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

During the period ended December 31, 2020, the expense associated with the 15 variable lease agreements was R$ 3,669 (14 agreements or R$ 3,672 for the period ended December 31, 2019). 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$ 17,512 (R$ 21,674 on December 31, 2019), and refer to leasing printers and forklifts. Because of limited relevance, future commitments with minimum lease payments of low-value assets and short-term contracts are not presented, nor is any sensitivity analysis of variable expenses with leases and the factors that impact this variation.

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

(in thousand Reais unless otherwise stated)

18. Trade payables

	Parent Company		Consolidated	
	2020	**2019**	**2020**	**2019**
Goods Suppliers	**623,775**	629,717	**623,775**	629,717
Materials, asset and service suppliers	**324,746**	174,272	**324,770**	174,296
Suppliers – forfeit agreements	**235,179**	-	**235,179**	-
	1,183,700	**803,989**	**1,183,724**	**804,013**
Current liabilities	**1,158,890**	803,989	**1,158,914**	804,013
Non-current liabilities	**24,810**	-	**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 supplier. For this reason, the balances payable were kept under the item “suppliers". Since April 2020 the Company has used an agreement for these transactions and received commissions in the amount of R$8,726 for the year ended December 31, 2020.

In 2020, the monthly rate varied between 1.00% and 1.95% (compared to 1.45% and 1.95% in 2019).

In the year ended December 31, 2020, R$248,034 were advanced to suppliers, which generated an income of R$9,838 (R$1,122,774 were advanced in 2019, generating revenue of R$44,446). This was recognized as financial income, net of funding costs. On December 31, 2020 the balance of payments advanced by C&A directly to suppliers with due dates after the date of advance was R$359 (R$251,200 on December 31, 2019).

The Company discounts the balance of its trade payables to present value using interest rates close to those practiced in the industry. The monthly interest rates used for the calculation of present value of outstanding payables on December 31, 2020 and 2019 were 0.16 and 0.37% respectively. The matching entry to the present value adjustment is made on inventories and the interest is recognized on a pro rata die basis in financial expenses

(in thousand Reais unless otherwise stated)

19. Loans

a) Breakdown of the loans

Descriptions	Rate (% p.y.)	Maturity	Parent Company and Consolidated 2020	2019
Promissory notes (i)	100% CDI+ 1.09%	2021 - 2023	**501,267**	-
CCB (ii)	100% CDI + 3.45%	2021	**354,226**	-
CCB (iii)	100% CDI + 2.95%	2023	**235,748**	-
CCB (iii)	100% CDI + 2.90%	2022 - 2024	**122,969**	-
(-) Transaction costs to appropriate			**(2,958)**	
Total			**1,211,252**	-
Current			**390,600**	-
Non-current			**820,652**	-

i. On April 3, 2020, the Company issued its first Promissory Notes in 6 series for public distribution with limited effort (CVM 476), in the amount of R$500,000 with a ticket equivalent to 100% of the accumulated variation in the daily DI rate plus a 1.09% annual surcharge payable in 3 years. The first settlement was in October 2020, in the amount of R$11,000. Further settlements will take place every 6 months, with interest payable at the end of the transaction.

ii. On April 9, 2020 the company issued two CCBs, which together totaled R$350,000, equivalent to 100% of the accumulated variation in the daily DI rates, plus a surcharge of 3.45% a year for payment in 1 year. Interest shall be paid on a half-yearly basis and capital will be amortized on the due date in 2021. The first interest payment was in October 2020. Captured funds will be used to reinforce working capital.

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 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.

The loans above were obtained without the need for a guarantee by the Company

(in thousand Reais unless otherwise stated)

b) Payment forecast

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

Maturity	Parent Company and Consolidated 2020
2022	88,624
2023	692,028
2024	40,000
	820,652

c) Changes in loans

Changes in third party loans break down as follows:

	Parent Company and Consolidated	
	2020	**2019**
Balance on December 31, 2019	-	-
New loans	1,200,000	-
Interest	35,802	-
Funding cost	(4,994)	-
Cost amortization	2,036	-
Interest payments	(10,592)	-
Payment of principal	(11,000)	-
Balance on December 31, 2020	**1,211,252**	**-**

d) Restrictive covenants

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

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

The Company monitors financial indicators that may impact the covenants monthly. The 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.

(in thousand Reais unless otherwise stated)

20. Taxes payable

	Parent Company		Consolidated	
	2020	**2019**	**2020**	**2019**
ICMS	**99,525**	102,479	**99,525**	102,479
PIS/COFINS	**24,997**	67,023	**25,012**	67,038
CIDE	**-**	3,195	**-**	3,195
Income Tax	**-**	7,839	**-**	7,839
Other	**7,415**	4,132	**7,415**	4,132
	131,937	184,668	**131,952**	184,683
Current liabilities	**106,940**	183,595	**106,955**	183,610
Non-current liabilities	**24,997**	1,073	**24,997**	1,073

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

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

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

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

	2019	Addition (reversal)	Utilization	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**

	2018	Addition (reversal)	Utilization	Update	2019
Tax	237,215	(68,475)	(106)	11,285	179,919
Labor	85,476	5,789	(15,844)	14,084	89,505
Civil	6,474	(1,561)	(1,606)	831	4,138
Provisions for tax, civil and labor proceedings	329,165	(64,247)	(17,556)	26,200	273,562
Judicial deposits with a corresponding liability	(66,558)	29,345	-	(2,507)	(39,720)
Net provisions for judicial deposits	262,607	(34,902)	(17,556)	23,693	233,842

Tax provisions refer substantially to discussions regarding the following taxes:

PIS/COFINS (taxes on revenue)

On December 31, 2020, the Company had provisions for PIS and COFINS risks in the amount of R$ 128.753 (R$ 132,443 on December 31, 2019). The most significant values are associated with credits used with inputs for its end-activity, in the amount of R$ 82,271 (R$ 86,623 on December 31, 2019), and Cofins Import credits, in the amount of R$ 38,858 (R$ 38,026 on December 31, 2019). For the latter case, on December 31, 2020 the Company hand an updated deposit balance in the amount of R$ 36,785 (R$ 36,167 on December 31, 2019).

ICMS (State Value Added Tax)

On December 31, 2020 the Company had provisions for ICMS risk in the amount of R$ 39,550 (R$ 36,735 on December 31, 2019). The most significant values are associated with themes related to credit taken on trade payables to suppliers considered unqualified by the tax authorities, in the amount of R$ 10,377 (R$ 10,283 on December 31, 2019), and discussions regarding ICMS rates on energy, in the amount of R$ 16,278 (R$ 13,471 on December 31, 2019).

Other taxes

On December 31, 2020 the Company had provisions for tax risks relate to other taxes in the amount of R$ 32,135 (R$ 10,741 on December 31, 2019). The most significant amounts are related to ISS - R$ 5,105 (R$ 6,002 on December 31, 2019), IPTU - R$ 8,352 (R$ 3,135 on December 31, 2019), and FGTS, in the annualized amount of R$ 16,748 and created in September 2020 due to unfavorable decisions by the Federal Supreme Court.

Civil and labor

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

Judicial deposits with corresponding liabilities

1% additional COFINS for imports

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

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On March 26, 2018, said injunction was revoked, as such, the Company offered a guarantee to suspend the enforceability of the tax credit in order to continue challenging the matter on higher courts. The Company made a judicial deposit in the amount of R$ 33,795, on December 31, 2020, the updated amount was R$ 36,785 (R$ 36,167 on December 31, 2019), equivalent to the credits taken during the period plus interest. The Company has provisions of R$ 38,858 for this.

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.

21.2. Judicial deposits

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

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

	Parent Company and Consolidated	
	2020	**2019**
Tax	**47,785**	63,748
Civil and labor	**33,728**	38,088
Total	**81,513**	101,836

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

21.3. Non-provisioned contingencies

On December 31, 2020 the Company had an updated amount of R$ 292,277 (R$ 306,439 on December 31, 2019) associated with judicial and/or administrative claims where it is considered the Company has possible chances of losses, and for this reason, in accordance to CPC25/IAS37, these matters are disclosed but no provisions were recorded.

Below is a summary of the main proceedings, with the amount of the principal plus interest and fines, for which legal advisors believes it is possible, but not probable, that the Company will have to disburse funds:

(a) PIS and COFINS - At the rate of zero on the sale of electronic goods - Law No. 11,196/05 ("Lei do Bem" - tax relief law): refers to claim discussing the reinstatement of the benefit provided for by Law No. 11,196/05, suspending the enforcement of PIS and COFINS levy on the sale of electronic products, which has been 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, 2020 was R$ 172,197 (R$ 171,141 on December 31, 2019).

(b) Social Security Contribution on Healthcare and Hospitalization: notice of violation was issued against the Company demanding the payment of social security contributions supposedly levied on the amounts paid as Healthcare and Hospitalization to its insured employees for the period between December 12, 1997 and February 28, 2005. In February 2020, based on the favorable decision issued by the appeals power, part of the amount was reversed. On December 31, 2020 the updated balance of the proceeding totals R$ 8,130 (R$ 30,000 on December 31, 2019).

(c) PIS/COFINS - Non-cumulative taxation refers to notices of tax violations disallowing PIS and COFINS credits on expenses classified as inputs by the Company in 2012 and 2014, The updated value of the tax violations classified as possible is was R$ 24,926 on December 31, 2020 (R$ 23,829 on December 31, 2019).

(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. The updated amount on December 31, 2020 was R$ 17,248 (R$ 17,000 on December 31, 2019).

(e) ICMS – Unqualified trade payables refers to notices of tax assessments demanding payment of ICMS supposedly owed due to credit taken for ICMS stated separately in invoices issued by Company suppliers considered unqualified. On July 31, 2020, because of a favorable ruling, the notice of violation in the amount of R$ 2,693 (R$ 3,000 on December 31, 2019) was canceled in full.

Regarding civil and labor claims, because of the diverse nature and features of these claims, Management believes that the amounts provisioned are what best represent the Company's risks regarding such matters. The Company believes it is unfeasible to determine the amount of unaccrued labor and civil contingencies (involving possible but not probable chance of loss), as the amount of the original claims invariably and significantly differs different from the final amounts paid or settled.

Due to external factors not under the Company's control, it is not feasible to determine the period of cash outflows, if any, in connection with the judicial and administrative proceedings in which the Company does not prevail.

22. Contingent assets

On November 30, 2020, the final unappealable ruling was issued regarding a claim involving contingent assets. This decision is summarized below:

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

On November 30 2020 the final favorable unappealable decision on the claim whereby the Company seemed recognition that the 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 was issued. Thus, an asset was created/recognized for the credits raised in this regard more than 5 years before the claim was filed (March 31 2016), in the amount of R$124,656 (R$123,220 on December 31, 2019), as per Note 11 (i.ii).

Regarding the amounts for the current periods, i.e. following May 2018, the period in which the likelihood of loss has been assessed by the Company's legal advisors as remote due to a favorable ruling on the claim, the Company has been routinely offsetting the credits generated monthly. The accumulated amount offset in the period ended December 31, 2020 is R$34,712 (R$24,215 on December 31, 2019).

(in thousand Reais unless otherwise stated)

23. Equity

23.1 Share capital

On August 18, 2019, a General Meeting approved i) the transformation of the parent company into a joint stock company [sociedade por ações], with no change in the continuity of business or in the legal nature of the Company, with no change in Shareholder' equity, and ii) all quotas were transformed into common shares on a one-to-one basis.

On October 2, 2019, an Extraordinary General Meeting approved the grouping of 1,035,720,002 common shares in a r:1 ration, thus the fractions were canceled resulting in 258,930,000 common shares.

A meeting of the Board of Directors held on October 24, 2019 approved an increase of capital in the amount of R$813,699, with the Company's share capital going from R$1,035,720 to R$1,849,419, with funds from the primary offer in which 49,315,068 common shares of R$16.50 each were issued, net of the cost to issue the shares. A secondary offer of 49,891,195 shares previously hold by the controlling shareholders were as well sold. In November 2019, the controlling shareholders sold an additional 7,143,351, so that the free-float at the end of 2019 was 106,349,614 (34.50%).

The Company incurred costs of the initial public offering of R$2,242, net of tax effects. These costs include preparing prospectuses and reports, compensation for third-party services (attorneys, auditors, consultants, investment bankers), fees and commissions, and registration costs, among others. As stated in accounting pronouncement CPC 08(R1)/IAS 19 - Transaction and Premium costs in Issuing Securities, the transaction costs associated with equity funding were recorded in a separate line, in a share capital reducing account, net of any tax effects

As a result of the events described above, the Company's share capital on December 31, 2019 was R$ 1,847,177, net of the R$ 2,242 in share expenses mentioned above, represented by 308,245,068 fully paid in common shares.

Each common share has the right to one vote at Company’s general meetings. Shareholders have preferred rights to subscribe to new shares or convertible securities in proportion to their number of shares. On December 31, 2020, ownership of company shares broke down as follows

	2020		2019	
	Number of shares	**%**	**Number of shares**	**%**
COFRA SARL Investments	100,363,049	32.56%	100,939,166	32.75%
Incas SARL	100,939,166	32.75%	100,939,166	32.75%
COFRA Latin America	17,212	0.01%	17,122	0.01%
Management	531,097	0.17%	-	0.00%
Free Float	106,394,544	34.52%	106,349,614	34.50%
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 to 443,245,068 common shares, regardless of any statutory reform, as per article 168 of Law 6404 of 15 December 1976, as amended ("Brazilian Corporate Law").

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

23.2 Capital reserves - shares issued

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

23.3 Legal reserve

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

23.4 Special dividends reserve

On June 26, 2020, the General Meeting decided to set aside R$ 162,002 of the 2019 profit for the special dividends reserve, payable as dividends unless absorbed by losses in subsequent exercises.

On December 31, 2020 the special reserves for dividends was entirely absorbed by part of the losses in 2020.

23.5 Reserve for investments

The purpose of this reserve is to reinforce the Company's working capital and activities. The balance of this reserve, plus the balance of other profit reserves 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 capital stock or distribute dividends.

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

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

(in thousand Reais unless otherwise stated)

23.6 Reserve for tax incentives

The Company has ICMS tax incentives in the form of presumed credit due to its operations in the State of Santa Catarina. Thus, it recognizes the impact as credit 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, 2020 this reserve amounted to R$ 1,874.

23.7 Adjustments to equity valuation

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

24. Dividends and interest on shareholder's equity

As stipulated in the Company Bylaws, each year 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 2019, because of the impact of COVID-19, part of the mandatory dividends was set aside as a 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.

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

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

(in thousand Reais unless otherwise stated)

25. Net Revenue

	Parent Company		Consolidated	
	2020	**2019**	**2020**	**2019**
Sale of Goods	**5,486,950**	6,967,969	**5,486,950**	6,967,969
Cancellations and exchanges of goods	**(403,812)**	(387,383)	**(403,812)**	(387,383)
Sales taxes	**(1,160,297)**	(1,528,735)	**(1,160,297)**	(1,528,735)
Net revenue from goods	**3,922,841**	5,051,851	**3,922,841**	5,051,851
Commission revenue from the sale of financial services - Bradescard partnership	**120,800**	190,247	**120,800**	190,247
Commission revenue from the sale of partner insurance	**40,233**	49,259	**40,233**	49,259
Revenue from other commissions and services rendered	**19,571**	18,295	**19,571**	18,295
Net revenue from credit securitization	**-**	-	**3,175**	2,719
Taxes on commissions and services	**(20,986)**	(27,069)	**(21,134)**	(27,195)
Other net revenue	**159,618**	230,732	**162,645**	233,325
	4,082,459	5,282,583	**4,085,486**	5,285,176

26. Expenses by nature

26.1. Classified by function

	Parent Company		Consolidated	
	2020	**2019**	**2020**	**2019**
Cost of goods sold and services rendered	**(2,188,859)**	(2,717,065)	**(2,188,859)**	(2,717,065)
General and administrative expenses	**(489,688)**	(496,579)	**(491,704)**	(498,019)
Sales	**(1,648,437)**	(1,755,337)	**(1,648,437)**	(1,755,337)
Other operating income (expenses)	**79,275**	718,393	**79,276**	718,329
	(4,247,709)	(4,250,588)	**(4,249,724)**	(4,252,092)

26.2. Cost of sales by nature

	Parent Company		Consolidated	
	2020	**2019**	**2020**	**2019**
Cost of goods sold	**(2,140,664)**	(2,672,250)	**(2,140,664)**	(2,672,250)
Cost of services rendered	**(1,019)**	(1,276)	**(1,019)**	(1,276)
Other	**(47,176)**	(43,539)	**(47,176)**	(43,539)
	(2,188,859)	(2,717,065)	**(2,188,859)**	(2,717,065)

(in thousand Reais unless otherwise stated)

26.3. General and administrative expenses by nature

	Parent Company		Consolidated	
	2020	**2019**	**2020**	**2019**
Personnel	**(263,249)**	(271,696)	**(263,249)**	(271,698)
Third party materials/services	**(121,478)**	(103,026)	**(123,492)**	(104,330)
Depreciation and amortization	**(82,981)**	(77,544)	**(82,981)**	(77,544)
Depreciation of right-of-use	**(20,816)**	(20,066)	**(20,816)**	(20,066)
Occupancy (a)	**(1,746)**	(6,621)	**(1,746)**	(6,621)
Other (a)	**582**	(17,626)	**580**	(17,760)
	(489,688)	(496,579)	**(491,704)**	(498,019)

(a) The Company opted to adopt the practical expedient in CPC06 (R2) and consider lease discounts due to the pandemic, in the amount of R$ 2,272, as a deduction of occupancy costs.
(b) 2020 includes R$ 10,078 in labor contingency reversals.

26.4. Selling expenses by nature

	Parent Company		Consolidated	
	2020	**2019**	**2020**	**2019**
Personnel	**(488,088)**	(579,633)	**(488,088)**	(579,633)
Third party materials/services	**(275,228)**	(203,002)	**(275,228)**	(203,002)
Depreciation of right-of-use	**(257,798)**	(248,687)	**(257,798)**	(248,687)
Depreciation and amortization	**(163,352)**	(155,499)	**(163,352)**	(155,499)
Occupancy	**(148,137)**	(280,085)	**(148,137)**	(280,085)
Advertising and promotions	**(185,169)**	(109,993)	**(185,169)**	(109,993)
Other (b)	**(130,665)**	(178,438)	**(130,665)**	(178,438)
	(1,648,437)	(1,755,337)	**(1,648,437)**	(1,755,337)

(a) The Company opted to adopt the practical expedient in CPC06 (R2) and consider lease discounts due to the pandemic, in the amount of R$ 91,887, as a deduction of occupancy costs.
(b) 2019 includes related party royalties in the amount of R$ 31,953. These expenses stopped in that fiscal period.

(in thousand Reais unless otherwise stated)

26.5. Other net operating revenue (expenses) by nature

	Parent Company		Consolidated	
	2020	**2019**	**2020**	**2019**
Results from asset write-offs	**(7,592)**	(34,133)	**(7,592)**	(34,133)
Reversal (provision) of impairment:				
Store closings/refurbishments	**5,147**	15,118	**5,147**	15,118
Impairment test	**1,004**	11,264	**1,004**	11,264
Recovery of tax credits				
ICMS on the basis for calculating PIS/COFINS	**-**	663,538	**-**	663,538
Legal Claim regarding the FTZ and Reintegra	**94,902**	-	**94,902**	-
Basis of calculation of PIS/COFINS on imports	**47,654**	-	**47,654**	-
Social security credits	**22,014**	-	**22,014**	-
Others tax credits	**-**	2,853	**-**	2,853
Tax credits related expenses(a)	**(14,141)**	(21,498)	**(14,141)**	(21,498)
Reversal (provision) of tax expenses	**(25,791)**	72,272	**(25,791)**	72,272
Strategic consulting services	**(29,859)**	-	**(29,859)**	-
Other	**(14,063)**	8,979	**(14,062)**	8,915
	79,275	718,393	**79,276**	718,329

(a) Refers to expenses with attorney, consulting and auditing costs related tax credits.

(in thousand Reais unless otherwise stated)

27. Finance results

	Parent Company		Consolidated	
	2020	**2019**	**2020**	**2019**
Gain (loss) from derivatives	**-**	(26,054)	**-**	(26,054)
Exchange variation				
Exchange variation - goods	**(11,700)**	(2,810)	**(11,700)**	(2,810)
Exchange variation - related party loans	**-**	32,372	**-**	32,372
	(11,700)	29,562	**(11,700)**	29,562
Finance expenses				
Interest on related party loans	**-**	(60,749)	**-**	(60,749)
Interest on third parties' loans	**(35,805)**	-	**(35,805)**	-
Bank expenses and IOF	**(1,842)**	(4,154)	**(1,845)**	(4,156)
Interest on taxes and contingencies	**(27,162)**	(28,218)	**(27,162)**	(28,218)
Interest on leases (a)	**(131,790)**	(137,478)	**(131,790)**	(137,478)
Financial expenses of suppliers – present value adjustment	**(15,377)**	(24,983)	**(15,377)**	(24,983)
Other	**(2,101)**	(252)	**(2,101)**	(253)
	(214,077)	(255,834)	**(214,080)**	(255,837)
Finance income				
Interest (c)	**116,277**	609,162	**116,282**	609,175
Financial income of supplier	**16,969**	31,730	**16,969**	31,730
Other	**1,094**	367	**1,094**	366
	134,340	641,259	**134,345**	641,271
Net finance results	**(91,437)**	388,933	**(91,435)**	388,942

(a) To better reflect an analysis of the Company's financial performance, Management reclassified exchange variation expenses in 2019, formerly under "financial expenses" and "financial revenue".

(b) As of December 2019, expenses with interest on leases is calculated based on nominal interest rates (real rate in 2019), net of PIS and COFINS credits on lease payments, is disclosed in Note 17.2.

(c) In 2020, interest revenue includes R$ 17,683 related to updating the extemporaneous PIS/COFINS tax credits due to the exclusion of ICMS from the basis of calculation, R$ 40,642 related to updating the tax credits associated with the Manaus Free Trade Zone (FTZ) and Reintegra legal claim (R$ 618,492 in 2019), less R$ 28,760 in PIS/COFINS taxes. They also include the net amount of R$ 33,539 in interest related to Previously unused PIS/COFINS credits on imports.

(in thousand Reais unless otherwise stated)

28. Financial instruments and capital management

28.1. Financial risk management

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

a) Market Risk

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

Interest rate risk

The Company is exposed to the risk of changes in interest rate that could impact returns on its short-term assets and financial liabilities indexed to the CDI. Some tests were performed considering scenarios for the next disclosure in order to demonstrate the impact of fluctuations in this index on results. Interests in the probable scenario were obtained based on the B3 website reference interest rate on December 31, 2020 (annualized CDI of 1.92% and 0.48% for the 3-month period).

		Parent Company and Consolidated						
					Increasing interest		Decreasing interest	
	Risk	**Balance on December 31, 2020**	**Rate**	**Likely scenario**	**Possible Scenario +25%**	**Remote Scenario +50%**	**Possible Scenario -25%**	**Remote Scenario -50%**
Financial investments (ii)	Lower CDI	1,441,747	CDI	6,736	8,420	10,104	5,052	3,368
Loans	Higher CDI	(1,211,252)	CDI	(5,814)	(7,267)	(8,721)	(4,360)	(2,907)
Net exposure/Impact on earnings prior to IT/SC		**230,495**		**922**	**1,153**	**1,383**	**692**	**461**
Impact on earnings, net of IT/SC				**609**	**761**	**913**	**457**	**304**

(i) Financial revenue stated net of 4.65% PIS and COFINS. For financial investments we considered an average yield of 101.56% of the CDI.

Foreign currency risk

Foreign currency risk exists in future commercial transactions, primarily those associated with US-Dollar denominated imports. The foreign currency risk management policy is defined by the Company's headquarters

The exchange risk on foreign currency loans existing up to March 2019 was mitigated through swap contracts, whereby the foreign exchange variation was “swapped” for the rate set by the bank. Foreign currency loans were settled in full in March 2019. New loans have been taken out in local currency at fixed rates. These loans were also settled in full in November 2019.

(in thousand Reais unless otherwise stated)

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

The 36% non-recoverable taxes on NDFs was determined according to the prevailing import tax percentages (35% on average) and the non-recoverable percentage of COFINS on imports (1%). The US Dollar exchange rate used in the sensitivity analysis was taken by the FOCUS report published by the Brazilian Central Bank on December 31, 2020.

				Negative Scenarios		
		Risk	**Notional US$ (Payable)/ Receivable**	**Scenario Likely USD 1 = R$ 5.14**	**Possible Scenario +25% USD 1 = R$ 6.43**	**Scenario Remote +50% USD 1 = R$ 7.71**
Hedge object	Purchasing orders for imported goods and imports in transit	Increase in the USD exchange	(27,091)	1,536	(33,276)	(68,088)
Hedge Instruments	NDF	Decrease in the USD exchange	24,433	(1,385)	30,011	61,407
	Net exposure of import orders		**(2,658)**	**151**	**(3,265)**	**(6,681)**
	Non-recoverable taxes **(36%)**		(9,753)	553	(11,979)	(24,512)
	Total net exposure		**(12,411)**	**704**	**(15,244)**	**(31,193)**
	Impact on earnings, net of IT/SC			**465**	**(10,061)**	**(20,587)**

USD on 12/31/2020 = R$ 5,1967

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, 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'21	(1,100)	Jan'21	Itaú	1,100
Jan'21	(880)	Jan'21	Santander	880
Feb'21	(1,920)	Feb'21	Itaú	1,920
Mar'21	(900)	Mar'21	Itaú	900
Mar'21	(1,795)	Mar'21	Santander	1,795
Apr'21	(625)	Apr'21	Itaú	625
Apr'21	(2,495)	Apr'21	Santander	2,495
May'21	(2,905)	May'21	Itaú	2,905
May'21	(725)	May'21	Santander	725
Jun'21	(1,145)	Jun'21	Itaú	1,145
Jun'21	(2,090)	Jun'21	Santander	2,090
Jul'21	(959)	Jul'21	Itaú	959
Jul'21	(640)	Jul'21	Santander	640
Aug'21	(1,115)	Aug'21	Itaú	1,115
Sep'21	(760)	Sep'21	Itaú	760
Sep'21	(505)	Sep'21	Santander	505
Oct'21	(1,512)	Oct'21	Itaú	1,512
Nov'21	(2,362)	Nov'21	Itaú	2,362
Total	(24,433)			24,433

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.

(in thousand Reais unless otherwise stated)

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

Derivative	Position	Contract	Contract date	Maturity date	Reference (notional) value - USD	Fair value
Term	Purchased	NDF	10/16/2020	01/20/2021	**880**	**(409)**
Term	Purchased	NDF	11/09/2020	01/20/2021	**440**	**(32)**
Term	Purchased	NDF	10/16/2020	02/17/2021	**960**	**(459)**
Term	Purchased	NDF	11/09/2020	02/17/2021	**480**	**(41)**
Term	Purchased	NDF	10/16/2020	03/17/2021	**1,795**	**(863)**
Term	Purchased	NDF	11/09/2020	03/17/2021	**450**	**(40)**
Term	Purchased	NDF	10/16/2020	04/22/2021	**2,495**	**(1,196)**
Term	Purchased	NDF	11/09/2020	04/22/2021	**625**	**(62)**
Term	Purchased	NDF	10/16/2020	05/19/2021	**2,905**	**(1,415)**
Term	Purchased	NDF	11/09/2020	05/19/2021	**725**	**(77)**
Term	Purchased	NDF	10/16/2020	06/16/2021	**1,145**	**(561)**
Term	Purchased	NDF	11/09/2020	06/16/2021	**2,090**	**(239)**
Term	Purchased	NDF	10/16/2020	07/21/2021	**640**	**(314)**
Term	Purchased	NDF	10/16/2020	08/18/2021	**445**	**(224)**
Term	Purchased	NDF	10/16/2020	09/15/2021	**505**	**(258)**
Term	Purchased	NDF	10/16/2020	10/20/2021	**605**	**(320)**
Term	Purchased	NDF	12/01/2020	01/20/2021	**660**	**(51)**
Term	Purchased	NDF	12/01/2020	02/17/2021	**480**	**(45)**
Term	Purchased	NDF	12/01/2020	03/17/2021	**450**	**(44)**
Term	Purchased	NDF	12/17/2020	07/21/2021	**959**	**63**
Term	Purchased	NDF	12/17/2020	08/18/2021	**670**	**41**
Term	Purchased	NDF	12/17/2020	09/15/2021	**760**	**38**
Term	Purchased	NDF	12/17/2020	10/20/2021	**907**	**38**
Term	Purchased	NDF	12/01/2020	11/17/2021	**945**	**(138)**
Term	Purchased	NDF	12/17/2020	11/17/2021	**1,417**	**58**
					24,433	**(6,550)**
Current assets						**238**
Current liabilities						**(6,788)**

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, 2020, non-settled NDF transactions had an outstanding balance net of tax effects in the amount of R$ 4,324 (net outstanding debt of R$ 2,170 on December 31, 2019), recorded as other comprehensive income. The amount presented in the statements of comprehensive income refers to the variation between operations not settled in 2019 and 2020. On December 31, 2020, the cost of goods sold was positively impacted by the gain in NDF transactions in the amount of R$ 47,102 (gain of R$ 10,175 in 2019).

During the period, NDF hedge transactions used to hedge the cash flow risk of import orders were effective, based on the rules set forth by CPC 48/IFRS 9. Should the

transaction become ineffective, the ineffective portion is recognized directly in the earnings of the period in which this takes place.
There were no ineffective portions for the 12 months ended December 31, 2020 and 2019.

b) Credit risk

i) Cash and cash equivalents

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

ii) Receivables

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

c) Liquidity risk

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

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

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

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

(in thousand Reais unless otherwise stated)

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

On December 31, 2020	Less than 1 year	1 to 5 years	More than 5 years	Total
Other related party liabilities	34,766	-	-	34,766
Lease liabilities	390,603	980,214	283,979	1,654,796
Loans	390,600	820,652	-	1,211,252
Trade receivables	1,158,914	24,810	-	1,183,724
Total	**1,974,883**	1,825,676	283,979	**4,084,538**

28.2. Capital Management

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

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

	Parent Company		Consolidated	
Net Debt excluding Lease Liabilities	**2020**	**2019**	**2020**	**2019**
Short and long-term loans	**1,211,252**	-	**1,211,252**	-
Cash and cash equivalents	**(1,507,789)**	(445,635)	**(1,509,159)**	(447,109)
Net debt (cash)	**(296,537)**	(445,635)	**(297,907)**	(447,109)
Non-controlling interests	**-**	-	**2**	2
Total shareholder's equity	**2,654,798**	2,739,568	**2,654,800**	2,739,570
Financial leverage index	**(11%)**	(16%)	**(11%)**	(16%)

As of January 1, 2019, the Company has recorded right-of-use lease liabilities in its statement of operations. On December 31, 2020 the balance of lease liabilities amounted to R$ 1,654,796 (R$ 1,587,680 on December 31, 2019). If lease liabilities are included in the capital management calculations, leverage would be 51%, as follows.

	Parent Company		Consolidated	
Net Debt including Lease Liabilities	**2020**	**2019**	**2020**	**2019**
Net debt (cash)	**(296,537)**	(445,635)	**(297,907)**	(447,109)
Lease liabilities	**1,654,796**	1,587,680	**1,654,796**	1,587,680
Adjusted net debt	**1,358,259**	1,142,045	**1,356,889**	1,140,571
Total shareholder's equity	**2,654,798**	2,739,568	**2,654,800**	2,739,570
Financial leverage index	**51%**	42%	**51%**	42%

(in thousand Reais unless otherwise stated)

28.3. Financial instruments - classification

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

Parent Company

On December 31, 2020	Amortized Cost	Fair value through other comprehensive results	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	**(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)**

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

(in thousand Reais unless otherwise stated)

Consolidated

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

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

28.4. Changes in liabilities associated with financing activities

	December 31, 2019	Cash flows	Interest Incurred	Other	December 31, 2020
Leases (i)	1,587,680	(387,167)	139,120	315,163	1,654,796
Loans (ii)	-	1,173,412	35,805	2,035	1,211,252
Dividends and Interest on Equity (iii)	144,834	(68,846)	-	(75,988)	-
Total	**1,732,514**	**717,399**	**174,925**	**241,210**	**2,866,048**

(i) The amount of R$ 315,163 presented in “Others” refers to the re-measurement of the correction of lease liabilities due to annual review to adjust minimum lease payments based on the inflation in the lease agreements.

(ii) Loans are recorded net of the funding costs of R$ 4,994. The R$ 2,035 in "Others" is related to amortization of the funding costs.

(iii) R$ (75,988) refers to partial retention of minimum mandatory dividends as stated in Note 23.4.

(in thousand Reais unless otherwise stated)

	December 31 2018	Cash flows	Exchange variation	Interest Incurred	New leases	Other (iv)	December 31, 2019
Leases	1,848	(354,147)	-	137,478	33,174	1,769,327	1,587,680
Related parties	966,444	(935,833)	(32,372)	60,749	-	10,531	69,519
Dividends and Interest on Shareholder's Equity	58,580	(58,580)				144,834	144,834
Derivatives	403	7,625	-	-	-	(8,028)	-
Total	**1,027,275**	**(1,340,935)**	**(32,372)**	**198,227**	**33,174**	**1,916,664**	**1,802,033**

(iv) The amount presented in "Others" corresponds to the initial recognition of leases and remeasurement of lease liabilities (Note 17).

29. Insurance

The Company has a policy of keeping insurance coverage in the amount that Management considers appropriate to cover possible risks to its property and equipment (basic coverage: fire, lightning, explosion and other property and equipment policy coverage), inventories, civil liability and transportation of goods. In 2020 the D&O policy for the IPO expired and was not renewed as the coverage had been purchased solely for that event. Below is the maximum indemnity limit for each coverage:

	Consolidated	
	2020	2019
Civil Liability and D&O	**125,998**	331,117
Property and Inventory	**439,957**	438,077
Shipping	**63,815**	115,808
	629,770	885,002

30. Retirement plan

Together with other related companies, the Company participates as a sponsor of Cyamprev - Sociedade de Previdência Privada, to provide private pension plans to supplement the general social security system. The benefit plans are structured in the form of Defined Contribution (DC), and the amount of monthly income is linked to the financial amount of the accumulated contributions on behalf of each participant. After payments start the monthly income is updated on an annual basis based on the participant's updated balance. Pension plan contributes 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 2020, the Company contributed R$ 6,388 (R$ 8,706 on December 31, 2019) to the plans, entered as an expense in the earnings for the period. The total number of participating employees on December 31, 2020 was 11,685 (15,751 on December 31, 2019), with 181 participants under care (157 on December 31, 2019).

(in thousand Reais unless otherwise stated)

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

On December 31, 2020, the fair value of the plan assets related to the minimum benefit described above, exceeded the actuarial present value of the accumulated benefit obligations by approximately R$ 2,209 (R$ 1,078 on December 31, 2019).

31. Earnings per share

As mentioned in Note 23, at a General Meeting held on October 2, 2019, the Company's shareholders approved the grouping of 1,035,720,002 common shares in a 4 to 1 ratio and the fractions were canceled, resulting in a total of 258,930,000 common shares. 49,315,068 common shares were issued, valued at R$ 16,50 (sixteen Reais and fifty cents) each.

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 earnings per share	**2020**	**2019**
Net income (loss) for the period	(166,332)	971,993
Weighted average of the number of common shares	308,245,068	268,117,465
Basic profit (loss) per share - in R$	(0,5396)	3,6253

Basic diluted earnings per share	**2020**	**2019**
Net income (loss) for the period	(166,332)	971,993
Weighted average of the number of common shares	308,245,068	268,117,465
Weighted average of the options granted as part of the stock-based compensation plan	-	100,440
Weighted average of the diluted number of common shares	308,245,068	268,217,905
Diluted Basic profit (loss) per share - in R$	(0,5396)	3,6239

The only financial instrument that would provide dilution refers to the stock-based compensation plan, the details of which are described in Note 9. As of December 31, 2020, considering the fair value of the Company's common shares and the average share price in the period, the remuneration plan would provide an anti-dilutive effect, which is why it was not considered in the calculation shown above. As of December 31, 2019, the share-based compensation plan provided dilution.