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Interim Financial Statements

C&A Modas S.A.

September 30, 2020 and 2019
and Independent Auditor's Report

C&A Modas S.A.

Interim Financial Statements

September 30, 2020 and 2019

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

Independent auditor's report on review of interim financial statements

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

Introduction

We have reviewed the individual and consolidated interim financial information of C&A Modas S.A. ("Company"), contained in the Quarterly Information Form (*Formulário de Informações Trimestrais – ITR*) for the quarter ended September 30, 2020, which comprises the statement of financial position at September 30, 2020 and the statements of operations, of comprehensive income (loss) for the three and nine-month periods then ended, and the statements of changes in equity and cash flows for the nine-month period then ended and explanatory notes.

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

Scope of review

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

Conclusion on the individual and consolidated interim financial information

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



Other matters

Statements of value added

The quarterly information referred to above include the individual and consolidated statements of value added (DVA) for the nine-month period ended September 30, 2020, prepared under the responsibility of the Company's Management and presented as supplementary information for the purpose of IAS 34. These statements have been subject to review procedures performed in conjunction with the review of quarterly information in order to conclude whether they are reconciled with the interim financial information and accounting records, as applicable, and whether their form and content are in accordance with the criteria defined in NBC TG 09 Statement of Value Added. Based on our review, nothing has come to our attention that causes us to believe that these statements of value added have not been prepared, in all material respects, in accordance with the criteria defined in such standard and consistently with the individual and consolidated interim financial information taken as a whole.

São Paulo, November 12, 2020

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

A handwritten signature in dark ink, appearing to read 'Waldyr Passetto Junior', is placed over the printed name and registration number.

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

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

C&A Modas S.A.

Statements of financial position

As of September 30, 2020 and December 31, 2019

(In thousands of Reais)

	Note	Parent Company		Consolidated	
		09/30/2020	12/31/2019	09/30/2020	11/31/2019
Assets					
Current assets					
Cash and cash equivalents	6	1,320,197	445,635	1,321,684	447,109
Trade receivables	7	680,806	1,151,438	680,848	1,151,484
Derivatives	28	4,341	651	4,341	651
Related parties	8	56	1,111	43	356
Inventories	10	762,170	544,717	762,170	544,717
Taxes recoverable	11	272,491	795,635	272,504	795,643
Income taxes recoverable		17,199	37,484	17,533	38,006
Other assets	12	33,903	21,609	33,903	21,609
Total current assets		3,091,163	2,998,280	3,093,026	2,999,575
Noncurrent assets					
Long term assets					
Taxes recoverable	11	1,091,448	521,136	1,091,448	521,136
Deferred taxes	13	127,986	-	127,986	-
Judicial deposits	21.2	83,054	101,836	83,054	101,836
Other assets	12	3,698	1,978	3,698	1,978
Total long-term assets		1,306,186	624,950	1,306,186	624,950
Investments in subsidiaries	14	1,150	836	-	-
Property and equipment	15	631,086	717,412	631,086	717,412
Right-of-use assets	17	1,527,449	1,507,815	1,527,449	1,507,815
Intangible assets	16	220,269	187,340	220,269	187,340
Total noncurrent assets		3,686,140	3,038,353	3,684,990	3,037,517
Total assets		6,777,303	6,036,633	6,778,016	6,037,092

C&A Modas S.A.

Statements of financial position

As of September 30, 2020 and December 31, 2019

(In thousands of Reais)

	Note	Parent Company		Consolidated	
		09/30/2020	12/31/2019	09/30/2020	12/31/2019
Liabilities and equity					
Current liabilities					
Lease liabilities	17	388,324	357,891	388,324	357,891
Trade payables	18	725,064	803,989	725,443	804,013
Loans	19	384,514	-	384,514	-
Derivatives	28	-	3,938	-	3,938
Labor liabilities		145,067	128,548	145,067	128,548
Related parties	8	67,162	69,519	67,162	69,519
Interest on shareholder's equity and dividends payable	24	68,846	144,834	68,846	144,834
Taxes payable	20	21,868	183,595	21,883	183,610
Income taxes payable		-	35,254	317	35,672
Other liabilities		25,747	23,052	25,747	23,052
Total current liabilities		1,826,592	1,750,620	1,827,303	1,751,077
Noncurrent liabilities					
Lease liabilities	17	1,273,832	1,229,789	1,273,832	1,229,789
Loans	19	834,797	-	834,797	-
Labor liabilities		3,618	3,551	3,618	3,551
Provisions for tax, civil and labor proceedings	21	231,226	233,842	231,226	233,842
Taxes payable	20	24,569	1,073	24,569	1,073
Deferred taxes	13	-	45,631	-	45,631
Other liabilities		33,366	32,559	33,366	32,559
Total noncurrent liabilities		2,401,408	1,546,445	2,401,408	1,546,445
Total liabilities		4,228,000	3,297,065	4,228,711	3,297,522
Equity					
Capital stock	23	1,847,177	1,847,177	1,847,177	1,847,177
Capital reserve		16,013	11,647	16,013	11,647
Retained earnings (loss)		(275,654)	-	(275,654)	-
Profit reserve		958,902	882,914	958,902	882,914
Other comprehensive income (loss)		2,865	(2,170)	2,865	(2,170)
Equity attributable to equity holders of the parent		2,549,303	2,739,568	2,549,303	2,739,568
Non-controlling interests		-	-	2	2
Total equity		2,549,303	2,739,568	2,549,305	2,739,570
Total liabilities and equity		6,777,303	6,036,633	6,778,016	6,037,092

See accompanying notes.

C&A Modas S.A.

Statements of operations

Quarters and nine-month periods ended September 30, 2020 and 2019

(In thousands of Reais - R\$)

	Note	Parent Company			
		Current	Same quarter		
		quarter	Year-to-Date	previous year	Previous year
		07/01/2020 - 09/30/2020	01/01/2020 - 09/30/2020	07/01/2019 - 09/30/2019	01/01/2019 - 09/30/2019
Net revenue	25	1,066,229	2,336,300	1,241,231	3,541,142
Cost of sales and services rendered	26	(612,126)	(1,263,881)	(654,032)	(1,833,299)
Gross profit		454,103	1,072,419	587,199	1,707,843
Operating (expenses) income:					
General and administrative expenses	26	(114,335)	(332,880)	(108,509)	(346,835)
Selling expenses	26	(409,146)	(1,099,301)	(428,654)	(1,272,252)
Share of profit of subsidiary	14	134	314	199	370
Other operating income (expenses) net	26	29,906	25,527	7,530	651,381
Operating profit		(39,338)	(333,921)	57,765	740,507
Gain (loss) on derivatives		-	-	-	(26,054)
Foreign exchange variation		(211)	(12,921)	(278)	30,616
Financial expenses		(61,113)	(161,825)	(52,989)	(148,480)
Finance income		48,233	81,505	24,429	610,679
Finance results	27	(13,091)	(93,241)	(28,838)	466,761
Income (loss) before income taxes		(52,429)	(427,162)	28,927	1,207,268
Income taxes	13	24,221	151,508	(9,819)	(410,956)
Net income (loss) for the period		(28,208)	(275,654)	19,108	796,312

C&A Modas S.A.

Statements of operations

Quarters and nine-month periods ended September 30, 2020 and 2019

(In thousands of Reais - R\$)

	Note	Consolidated			
		Current quarter	Year-to-Date	Same quarter previous year	Previous year
		07/01/2020 - 09/30/2020	01/01/2020 - 09/30/2020	07/01/2019 - 09/30/2019	01/01/2019 - 09/30/2019
Net revenue	25	1,067,151	2,338,493	1,241,888	3,542,731
Cost of sales and services rendered	26	(612,126)	(1,263,881)	(654,032)	(1,833,299)
Gross profit		455,025	1,074,612	587,856	1,709,432
Operating (expenses) income:					
General and administrative expenses	26	(114,985)	(334,442)	(108,850)	(347,641)
Selling expenses	26	(409,146)	(1,099,301)	(428,654)	(1,272,252)
Other operating income (expenses), net	26	29,904	25,526	7,529	651,315
Operating profit (loss)		(39,202)	(333,605)	57,881	740,854
Gain (loss) on derivatives		-	-	-	(26,054)
Foreign exchange variation		(211)	(12,921)	(278)	30,616
Financial expenses		(61,114)	(161,828)	(52,989)	(148,482)
Financial income		48,234	81,510	24,432	610,690
Financial results	26	(13,091)	(93,239)	(28,835)	466,770
Income (loss) before income taxes		(52,293)	(426,844)	29,046	1,207,624
Income taxes	13	24,085	151,190	(9,938)	(411,312)
Net income (loss) for the period		(28,208)	(275,654)	19,108	796,312
Attributable to:					
Non-controlling interests		-	-	-	-
Equity holders of the parent		(28,208)	(275,654)	19,108	796,312
		(28,208)	(275,654)	19,108	796,312
Basic profit (loss) per share - in R\$	31	(0,0915)	(0,8943)	0,0738	3,0754
Diluted profit (loss) per share - in R\$	31	(0,0915)	(0,8936)	0,0738	3,0754

See accompanying notes.

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Statement of comprehensive income (loss)

Quarters and nine-month periods ended September 30, 2020 and 2019

(In thousands of Reais - R\$)

	Parent Company			
	Current quarter	Year-to-Date	Same quarter previous year	Previous year
	07/01/2020 - 09/30/2020	01/01/2020 - 09/30/2020	07/01/2019 - 09/30/2019	01/01/2019 - 09/30/2019
Net income (loss) for the period	(28,208)	(275,654)	19,108	796,312
Other comprehensive results:				
Derivatives results	(3,007)	7,629	9,202	1,015
Tax effects	1,023	(2,594)	(3,129)	(345)
Total comprehensive results to be reclassified to results for the period in subsequent periods, net of taxes (Note 27.a.iii)	(1,984)	5,035	6,073	670
Total comprehensive income (loss)	(30,192)	(270,619)	25,181	796,982

	Consolidated			
	Current quarter	Year-to-Date	Same quarter previous year	Previous year
	07/01/2020 - 09/30/2020	01/01/2020 - 09/30/2020	07/01/2019 - 09/30/2019	01/01/2019 - 09/30/2019
Net income (loss) for the period	(28,208)	(275,654)	19,108	796,312
Other comprehensive income (loss):				
Derivatives results	(3,007)	7,629	9,202	1,015
Tax effects	1,023	(2,594)	(3,129)	(345)
Total comprehensive results to be reclassified to results for the period in subsequent periods, net of taxes (Note 27.a.iii)	(1,984)	5,035	6,073	670
Total comprehensive results attributable to:	(30,192)	(270,619)	25,181	796,982
Non-controlling interests	-	-	-	-
Equity holders of the parent	(30,192)	(270,619)	25,181	796,982
	(30,192)	(270,619)	25,181	796,982

See accompanying notes.

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Statements of changes in equity

For the nine-month periods ended September 30, 2020 and 2019

(In thousands of Reais - R\$)

	Note	Capital reserve			Profit reserve			Other comprehensive income	Retained earnings (Accumulated Losses)	Total controlling	Non-controlling interests	Total shareholder's equity	
		Capital stock	Capital reserve	Shares granted	Legal reserve	Special reserve for dividends	Reserve for unrealized gains	Reserve for investments					Adjustments to equity valuation
At December 31, 2018		1,035,720	10,516	-	-	-	-	-	3,759	65,042	1,115,037	2	1,115,039
Net income for the period		-	-	-	-	-	-	-	-	796,312	796,312	-	796,312
Interest on shareholder's equity	8	-	-	-	-	-	-	-	-	-	-	-	-
Other comprehensive income (loss):													
Derivatives results	28.a.iii	-	-	-	-	-	-	-	1,015	-	1,015	-	1,015
Tax effects	28.a.iii	-	-	-	-	-	-	-	(345)	-	(345)	-	(345)
At September 30, 2019		1,035,720	10,516	-	-	-	-	-	4,429	861,354	1,912,019	2	1,912,021
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	-	-	4,366	-	-	-	-	-	-	4,366	-	4,366
Destination of 2019 profits:													
Special dividends reserve (i)		-	-	-	-	86,014	(86,014)	-	-	-	-	-	-
Withheld dividends 2019 (ii)		-	-	-	-	75,988	-	-	-	-	75,988	-	75,988
Loss for the period		-	-	-	-	-	-	-	-	(275,654)	(275,654)	-	(275,654)
Other comprehensive income (loss):													
Derivatives results	28.a.iii	-	-	-	-	-	-	-	7,629	-	7,629	-	7,629
Tax effects	28.a.iii	-	-	-	-	-	-	-	(2,594)	-	(2,594)	-	(2,594)
At September 30, 2020		1,847,177	10,516	5,497	48,600	162,002	-	748,300	2,865	(275,654)	2,549,303	2	2,549,305

(i) and (ii): Following approval by the Shareholders at the Ordinary Meeting held on June 26, 2020, due to the uncertainties regarding the effects of COVID-19 on the Company's cash and cash equivalents on that date, R\$75,988 of the minimum mandatory dividends related to the calendar year 2019 were partially retained as a Special Dividend Reserve (Note 24) and R\$86,014 that were recorded as "Reserve for unrealized gains" were retained as a "Special reserve for dividends".

See accompanying notes.

C&A Modas S.A.

Statements of cash flow

For the nine-month periods ended September 30, 2020 and 2019

(In thousands of Reais - R\$)

	Parent Company		Consolidated	
	09/30/2020	09/30/2019	09/30/2020	09/30/2019
Operating activities				
Income (loss) before income tax	(427,162)	1,207,268	(426,844)	1,207,624
Adjustments to reconcile income before income taxes to net cash flow:				
Depreciation and amortization	182,082	172,932	182,082	172,932
Depreciation of right-of-use	226,267	219,752	226,267	219,752
Losses on sale or disposal of property and equipment and intangible assets	7,173	19,541	7,173	19,541
Impairment on property and equipment and intangibles and right of use	(7,071)	(21,101)	(7,071)	(21,101)
Provision for expected credit losses	3,771	5,298	3,771	5,298
Adjustment to present value of trade receivables and suppliers	(3,159)	(2,405)	(3,159)	(2,405)
Expenses with stock-based compensation	4,366	-	4,366	-
Provisions for tax, civil and labor proceedings	28,654	7,357	28,654	7,357
Judicial deposits	(1,387)	(2,273)	(1,387)	(2,273)
Provisions for inventory losses	27,655	21,259	27,655	21,259
Share of profit of subsidiaries	(314)	(370)	-	-
Interest on leases	106,785	55,126	106,785	55,126
Interest on related party loans	-	51,227	-	51,227
Interest on loans	23,062	-	23,062	-
Amortization transaction costs on loans	1,243	-	1,243	-
Foreign exchange differences on related party loans	-	(32,371)	-	(32,371)
Derivatives	1	41,343	1	41,343
Gains of previously unused PIS / COFINS credits	(14,710)	(1,271,591)	(14,710)	(1,271,591)
Working capital adjustments				
Trade receivables	472,520	309,018	472,524	309,133
Related parties	(1,302)	9,396	(2,044)	8,896
Inventories	(245,108)	(117,562)	(245,108)	(117,562)
Taxes recoverable	(12,173)	16,846	(11,990)	16,632
Other assets	(14,014)	(18,759)	(14,014)	(18,759)
Judicial deposits	2,925	(7,043)	2,925	(7,043)
Trade payables	(77,959)	(91,302)	(77,604)	(90,994)
Labor liabilities	16,586	2,390	16,586	2,390
Other liabilities	3,412	(12,637)	3,412	(12,635)
Provisions for tax, civil and labor proceedings	(14,026)	(7,966)	(14,026)	(7,966)
Taxes payable	(168,094)	(143,203)	(168,374)	(142,990)
Income taxes paid	(30,094)	(18,990)	(30,233)	(19,291)
Net cash flows from operating activities	89,929	391,180	89,942	391,529
Investment activities				
Purchase of property and equipment	(81,676)	(241,013)	(81,676)	(241,013)
Purchases of intangible assets	(46,790)	-	(46,790)	-
Receivables from the sale of property and equipment	86	-	86	-
Cash flow used in investment activities	(128,380)	(241,013)	(128,380)	(241,013)
Financing activities				
Proceeds from loans	1,200,000	508,000	1,200,000	508,000
Loan transaction costs	(4,994)	-	(4,994)	-
Repayment of loans	-	(590,588)	-	(590,588)
Interest paid on loans	-	(36,338)	-	(36,338)
Settlement of derivatives	-	7,625	-	7,625
Lease liability paid, principal and interest	(281,993)	(237,907)	(281,993)	(237,907)
Interest on shareholder's equity paid	-	(58,582)	-	(58,582)
Net cash flows obtained from (used in) financing activities	913,013	(407,790)	913,013	(407,790)
Increase (Decrease) in cash and cash equivalents	874,562	(257,623)	874,575	(257,274)
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	1,320,197	187,300	1,321,684	188,732

See accompanying notes

C&A Modas S.A.

Statements on added value

For the nine-month periods ended September 30, 2020 and 2019

(In thousands of Reais - R\$)

	Parent Company		Consolidated	
	09/30/2020	09/30/2019	09/30/2020	09/30/2019
Revenue	3,075,433	5,255,908	3,077,733	5,257,582
Sale of Goods and Services	2,992,578	4,585,223	2,994,878	4,586,897
Other revenue	79,169	672,319	79,169	672,319
Allowance for expected credit losses	3,686	(1,634)	3,686	(1,634)
Inputs acquired from third parties	(1,774,386)	(2,897,350)	(1,775,951)	(2,898,220)
Cost of sales and services	(1,223,211)	(2,387,621)	(1,223,211)	(2,387,622)
Materials, electric power, outsourced services and others	(527,906)	(490,199)	(529,471)	(491,068)
Impairment of assets	(23,269)	(19,530)	(23,269)	(19,530)
Gross Value Added	1,301,047	2,358,558	1,301,782	2,359,362
Retentions	(387,741)	(392,684)	(387,741)	(392,684)
Depreciation and Amortization	(182,083)	(172,932)	(182,083)	(172,932)
Depreciation of right-of-use	(205,658)	(219,752)	(205,658)	(219,752)
Net value added	913,306	1,965,874	914,041	1,966,678
Value added received through transfer	117,899	657,396	117,589	657,035
Share of profit of subsidiary	314	371	-	-
Financial income	117,585	657,025	117,589	657,035
Total value added for distribution	1,031,205	2,623,270	1,031,630	2,623,713
Distribution of value added	1,031,205	2,623,270	1,031,630	2,623,713
Personnel	475,019	534,891	475,019	534,891
Direct compensation	341,117	390,933	341,117	390,933
Benefits	75,542	91,722	75,542	91,722
Severance pay fund (FGTS)	30,756	36,778	30,756	36,778
Other	27,604	15,458	27,604	15,458
Taxes and Contributions	584,526	965,795	584,951	966,236
Federal	110,247	571,922	110,672	572,363
State	438,722	359,055	438,722	359,055
Municipal	35,557	34,818	35,557	34,818
Debt remuneration	247,314	326,272	247,314	326,274
Rentals	32,402	136,045	32,402	136,045
Financial expenses	214,912	190,227	214,912	190,229
Compensation on equity	(275,654)	796,312	(275,654)	796,312
Retained earnings (Accumulated losses) in the period	(275,654)	796,312	(275,654)	796,312

See accompanying notes.

C&A Modas S.A.

Notes to the interim financial statements
September 30, 2020 and 2019
(In thousand Reais, unless otherwise stated)

1. Operating Context

C&A Modas S.A. (hereafter the "Company" or "Controlling Entity") has its main offices located at Alarmed Araguaia, 1.222 - Barueri - São Paulo - Brazil. The Company became a stock corporation on October 28, 2019 and currently 34.52% of its shares are traded on Brazilian stock exchange B3 (São Paulo – Brazil) under the ticker "CEAB3". The ultimate parent company is COFRA Holding AG headquartered in Switzerland.

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

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

The Company sells its goods in 289 stores (287 in December 2019). These are supplied by 5 distribution centers located in the states of São Paulo, Rio de Janeiro and Santa Catarina. The Company also sells its goods through numerous 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.

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2. Basis of Preparation

The Company's individual and consolidated interim financial statements for the quarter ended September 30, 2020 were prepared in accordance to the accounting practices adopted in Brazil, in accordance with Brazilian Accounting Standard NBC TG 21 (R4) - Interim Statement issued by the Federal Accounting Council ("CFC") which is correlated to the international financial reporting standard (IFRS) IAS 34 - Interim Financial Reporting Standards issued by International Accounting Standards Board - IASB, and guidelines from the Brazilian Securities and Exchange Commission ("CVM")

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

The issuing of the individual and consolidated interim financial statements for the quarter ended September 30, 2020 was authorized by the Board of Directors on November 12, 2020.

The interim financial statements are submitted in thousands of Reais (R\$), which is the functional and statement currency of the Company and its subsidiary. Transactions in foreign currency are initially recorded at the exchange rate of the functional currency in effect on the date of the transaction. Foreign-currency denominated monetary assets and liabilities are converted using the functional currency exchange rate in effect on the date of the 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. As a consequence, by IFRS, this statement is presented as supplementary information, without prejudice to the set of interim financial information.

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Restatement of comparative balances

In the financial statements for the year ended December 31, 2019, Management made changes in the classification of certain accounts in the statements of operations, which have been reproduced in the interim financial information of September 30, 2020. To enable suitable comparisons with September 2019, Management made the same reclassifications in the accounting information for the period ended September 30, 2020. 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 equity and the Company's cash flow statements relative to the first nine months of 2019.

Below are the numbers that changed in the Statements of Operations.

	Parent Company			Consolidated		
	As previously reported on 09/30/2019	Reclassification	Balance as reclassified on 09/30/2019	As previously reported on 09/30/2019	Reclassification	Balance as reclassified on 09/30/2019
Statement of Operations						
Net revenue	3,566,561	(25,419)	3,541,142	3,568,151	(25,420)	3,542,731
Cost of sales and services rendered	(1,859,348)	26,049	(1,833,299)	(1,859,348)	26,049	(1,833,299)
Gross profit	1,707,213	630	1,707,843	1,708,803	629	1,709,432
General and administrative expenses	(354,119)	7,654	(346,465)	(355,295)	7,654	(347,641)
Sales expenses	(1,264,597)	(7,655)	(1,272,252)	(1,264,597)	(7,655)	(1,272,252)
Other operating income (expenses), net	651,969	(588)	651,381	651,903	(588)	651,315
Profit before financial results	740,466	41	740,507	740,814	40	740,854
Financial results	466,802	(41)	466,761	466,810	(40)	466,770
Income before income taxes	1,207,268	-	1,207,268	1,207,624	-	1,207,624
Net income for the period	796,312	-	796,312	796,312	-	796,312

Impact of COVID-19

After the World Health Organization (WHO) declared COVID-19 to be a global pandemic in March 2020, 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 this year. The Company has recovered every month of this 3rd quarter.

The Company is adapting to the new scenario and constantly monitors the changes and effects regarding COVID-19 and its possible impact on business. Below are the main matters evaluated when preparing the Company's Financial Statements for the quarter and nine-month period ended on September 30, 2020:

Reduction in impairment - The Company reviewed the cash flow projections of its cash generating units (CGU) considering the sales made in the first nine months of 2020, and the expected sales for the next three months and for the next fiscal years according to the lease term of each store. As sales have consistently increased this past quarter, and continue to

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improve, the outlook for some operations that was very poor in the first half of the year is now positive. This required adjusting our allowance for impairment, with a reversal of R\$8,319 (Note 15.c.).

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 has also signed agreements with financial institutions to ensure supplier funding (Note 18), subscribed to MP 936/20 and MP 927/20, which allowed it to suspend employment contracts with savings of R\$29,110 in payroll expenses and postpone the payment of social charges in the amount of R\$13,391. 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 remain effective on September 30, 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 (São João, for example), has been stored for sale in 2021. As these are basic, non-perishable goods, Management does not believe there will be losses associated with them. The Company has assessed the recoverable value of its inventory on September 30, 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 of lease agreements", and decided to book reductions in lease payments in the amount of R\$87,865 directly in earnings (Note 17).

Realization of deferred tax assets and recoverable taxes - Management reviewed the projections of taxable income for the year 2020 and subsequent years and revalued the period for realization of deferred taxes and recoverable taxes. As a result of the reduction in sales during the year of 2020 and the registration of new tax credits, which were immediately used on compensation in the year, there was a change in the expectation of realization of the tax credits that went from 2023 to 2024, and for the realization of deferred taxes the expectation of utilization 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 06/26/2020 (Note 24).

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3. Basis for Consolidation

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

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

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

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

The main accounting policies used to prepare these Individual and Consolidated Interim Financial Statements are consistent with those used and disclosed in Explanatory Note 4, corresponding to the financial statements for the year ended December 31, 2019 and published on March 19, 2020, and therefore, should be read in combination.

4.1 Statements issued and valid as of January 1, 2020

Management revised the new rules, guidelines and interpretations in effect as of January 1, 2020 and did not identify any impact derived from their adoption.

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5. Significant accounting judgments, estimates and premises

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

- a) Determination of the lifetime of property and equipment and intangible assets;
- b) Analysis of the recovery of values of property and equipment and intangible assets;
- c) Allowance for expected credit losses;
- d) Provisions for inventory losses;
- e) 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 premises from time to time.

6. Cash and cash equivalents

	Parent Company		Consolidated	
	09/30/2020	12/31/2019	09/30/2020	12/31/2019
Cash	3,270	3,226	3,270	3,226
Banks	30,178	62,659	31,665	64,133
Short-term investments	1,286,749	379,750	1,286,749	379,750
	1,320,197	445,635	1,321,684	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 with no loss of the contracted yield.

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7. Trade receivables

a) Breakdown of trade receivables

	Parent Company		Consolidated	
	09/30/2020	12/31/2019	09/30/2020	12/31/2019
Card Operators	658,918	1,116,847	658,918	1,116,847
Commissions receivable - telephony suppliers	4,381	12,320	4,381	12,320
Commissions receivable - insurers	4,321	6,957	4,321	6,957
Credit rights	-	-	42	45
Bradescard partnership	17,382	13,617	17,382	13,617
Other	11,833	21,412	11,833	21,413
Allowances for expected credit losses	(16,029)	(19,715)	(16,029)	(19,715)
	680,806	1,151,438	680,848	1,151,484

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

	Parent Company		Consolidated	
	09/30/2020	12/31/2019	09/30/2020	12/31/2019
Coming due:				
Up to 30 days	287,715	503,281	287,715	503,281
31 – 60 days	150,009	258,854	150,009	258,854
61 – 90 days	101,159	188,271	101,159	188,271
91 – 120 days	47,485	70,611	47,485	70,611
121 – 150 days	27,982	47,825	27,982	47,825
151 to 180 days	21,182	24,216	21,182	24,216
Longer than 180 days	42,471	54,360	42,471	54,360
	678,003	1,147,418	678,003	1,147,418
Past due:				
Up to 30 days	123	2,965	123	2,965
31 – 60 days	586	497	586	497
61 – 90 days	100	24	100	24
Over 90 days	772	326	814	372
	1,581	3,812	1,623	3,858
Trade receivables not recognized by customers (*)	1,222	208	1,222	208
Total	680,806	1,151,438	680,848	1,151,484

(*) Includes Banco Bradescard credit card sales not recognized by the card owners (chargebacks), in the amount of R\$1,891 in Sep. 2020 (R\$4,461 in Dec. 2019), and thus included in the allowance for expected credit losses. The Company also recognized provisions for expected credit losses for court-blocked amounts in C&A bank accounts, in the amount of R\$10,917 in Sep. 2020 (R\$10,917 in Dec. 2019), the responsibility for unblocking procedures belongs to Banco Bradescard.

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

	09/30/2020	09/30/2019
Balance on December 31	(19,715)	(17,298)
Constitution	(3,771)	(5,298)
Write-off	7,457	3,664
Balance on September 30	(16,029)	(18,932)

d) Present value adjustment

The Company discounts its receivables to present value using interest rates directly related to customer credit profiles. The monthly interest rates used to calculate the present value of outstanding receivables on September 30, 2020 and December 31, 2019 were 0.16% and 0.37% respectively. Realization of the present value adjustment is recognized as an offsetting item to sales revenue.

8. Related parties

On September 30, 2020 and December 31, 2019, the outstanding balances in related party transactions were the following:

Asset	Parent Company		Consolidated	
	09/30/2020	12/31/2019	09/30/2020	12/31/2019
Trade receivables				
Instituto C&A de Desenvolvimento Social (*)	31	18	31	18
Porticus Latin America Consult (*)	-	29	-	29
Famamco Adm. de Bens Ltda (*)	-	142	-	142
Cofra Latin America (*)	12	6	12	6
Orion Sec. Cred. Financeiros (*)	13	6	-	-
Cyamprev Soc. Previd. Privada	-	161	-	161
	56	362	43	356
Dividends receivable				
Orion Sec. Cred. Financeiros	-	749	-	-
	-	749	-	-
Total related party assets	56	1,111	43	356

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

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Liabilities	Parent Company		Consolidated	
	09/30/2020	12/31/2019	09/30/2020	12/31/2019
Accounts payable				
C&A AG	27,160	27,160	27,160	27,160
C&A Sourcing	39,027	39,967	39,027	39,967
Cyamprev Soc. Previd. Privada	960	2,376	960	2,376
COFRA Latin America	15	16	15	16
	67,162	69,519	67,162	69,519
Interest on shareholder's equity and dividends				
Cofra Latin America Ltda	4	8	4	8
Incas SARL	21,748	47,613	21,748	47,613
Cofra Investments	21,748	47,614	21,748	47,614
	43,500	95,235	43,500	95,235
Total related party liabilities	110,662	164,754	110,662	164,754

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

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

Transactions with related parties

	Parent Company		Consolidated	
	09/30/2020	09/30/2019	09/30/2020	09/30/2019
Reimbursements for shared expenses				
Cofra Latin America	61	61	61	61
Orion Sec. Cred. Financeiros	62	62	-	-
Famamco Administração de Bens	46	79	46	79
Porticus	52	89	52	89
Instituto C&A de Desenvolvimento Social	97	97	97	97
	318	388	256	326
Revenue from services rendered				
C&A Mexico	4,086	4,588	4,086	4,588
	4,086	4,588	4,086	4,588

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Goods purchased

C&A Sourcing	(201,143)	(237,156)	(201,143)	(237,156)
	(201,143)	(237,156)	(201,143)	(237,156)

Royalties and services purchased

RSC Commercial	-	(1,005)	-	(1,005)
Cofra Latin America	(139)	(136)	(139)	(136)
C&A AG	-	(20,583)	-	(20,583)
	(139)	(21,724)	(139)	(21,724)

Financial results

C&A Mode AG	-	(50,771)	-	(50,771)
Cofra Treasury	-	(456)	-	(456)
	-	(51,227)	-	(51,227)

Pension fund contributions

Cyamprev Soc. Prev. Privada	(3,783)	(6,279)	(3,783)	(6,279)
	(3,783)	(6,279)	(3,783)	(6,279)

Related party transactions 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.

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

Changes in the balance of related party loans

	Parent Company and Consolidated	
	09/30/2020	09/30/2019
Balance on December 31	-	907,456
New loans	-	508,000
Exchange variation	-	(32,371)
Interest	-	51,227
Interest payment	-	(36,338)
Payment of principal	-	(590,588)
Balance on September 30	-	807,386

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

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Compensation of members of the Executive Board and Board of Directors

Expenses (paid and payable) regarding compensation for key management in the periods ending September 30, 2020 and 2019 were as follows:

	Parent Company and Consolidated	
	09/30/2020	09/30/2019
Fixed Compensation (a)	11,640	7,301
Variable Compensation	600	2,701
Contributions to post-employment plans	449	599
Long-Term Incentives	5,741	-
Total	18,430	10,601

(a) The increase in 2020 is due to the creation of the Board an expense for the exit of a Management member.

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, 1,148,148 options were granted to senior managers in three different batches.

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

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

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Changes

	Parent Company and Consolidated	
	Number	WAEP (*)
Balance on December 31, 2018	-	-
Options granted during the period	1,148,148	1.00
Balance on December 31, 2019	1,148,148	1.00
Options granted during the period	-	-
Balance on September 30, 2020	1,148,148	1.00

(*) Weighted average of the exercise price

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

The weighted average contractual term for the stock options remaining on September 30, 2020 was 1.09 years. The weighted fair value of the options granted during the period was R\$8,4256. The price for exercising the remaining options at the end of the period was R\$1,00.

The following table is a list of the information using the templates applied to the three batches in the period ending December 31, 2019 and September 30, 2020:

	Parent Company and Consolidated		
	Batch 1	Batch 2	Batch 3
Weighted average of the fair value on the date measured (R\$)	8.09	8.45	8.73
Dividend yield (%)	1.10%	1.10%	1.10%
Risk-free rate of return (%)	4.41%	4.78%	5.31%
Expected lifetime of the options	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

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

During the first nine months of 2020, the Company recognized expenses totaling R\$4,366 for its stock-based compensation plan, offset by the capital reserve plan - shares granted. The following expenses will be recognized in the following periods:

	R\$
Three months remaining in 2020	865
Fiscal year 2021	2,414
Fiscal year 2022	897

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10. Inventories

a) Inventory breakdown

	Parent Company and Consolidated	
	09/30/2020	12/31/2019
Goods for resale	684,447	560,241
Goods sold and in transit for delivery to customers	2,752	1,244
Goods held by third parties	56,019	-
Adjustment to present value	(2,586)	(8,846)
Provisions for losses	(24,299)	(32,202)
	716,333	520,437
Imports in transit	45,837	24,280
	762,170	544,717

b) Changes in provisions for losses

Changes in the period:

	09/30/2020	09/30/2019
Balance on December 31	32,202	40,716
Constitution	27,655	21,259
Effective losses (i)	(35,558)	(18,139)
Balance on September 30	24,299	43,836

Changes in the quarter

	09/30/2020	09/30/2019
Balance on June 30	39,399	50,491
Constitution	16,338	6,871
Effective losses	(31,438)	(13,526)
Balance on September 30	24,299	43,836

(i) Throughout the year, the Company performs 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 losses, consuming the provisions for inventory losses. In the period ended September 2020 the Company had completed the full inventory process at 275 establishments (115 in the period ended September 2019).

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11. Taxes recoverable

	Parent Company		Consolidated	
	09/30/2020	12/31/2019	09/30/2020	12/31/2019
ICMS (State VAT)	42,036	25,436	42,036	25,436
PIS/COFINS (Federal VAT)	68,956	-	68,969	-
Previously unused PIS / COFINS credit	1,244,274	1,282,030	1,244,274	1,282,030
IRRF (withholding taxes)	-	-	-	8
IPI (excise tax)	330	328	330	328
Other	8,343	8,977	8,343	8,977
	1,363,939	1,316,771	1,363,952	1,316,779
Current assets	272,491	795,635	272,504	795,643
Noncurrent assets	1,091,448	521,136	1,091,448	521,136

Previously unused PIS / COFINS credit

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

In February 2019, a final non-appealable decision was rendered by the 3rd Federal Regional Court on the writ of mandamus whereby the Company sought the right to no longer include ICMS in 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.

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 September 30, 2020 the updated balance of previously unused credits was R\$1,244,274, the main changes being the result of using credit to offset federal taxes in the amount of R\$14,130, and a R\$3,258 increase for 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\$1,244,274 will be offset within 4 years, based on the tax debits generated from normal Company operations, as shown below.

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- a) Expected realization of Previously unused PIS / COFINS credit on September 30, 2020.

Year	R\$
2020	11,420
2021	338,665
2022	360,366
2023	475,047
2024	58,776
Total	1,244,274

Expectations regarding the realization of judicial credits for PIS and COFINS have been adjusted due to the qualification of new PIS / COFINS credits (Note 26.5), whose compensation was prioritized.

- b) Changes in Previously unused PIS / COFINS credit

Changes in the period:

In the period:

Balance on December 31, 2019	Interest	Offset by	Balance on September 30 2020
1,282,030	14,710	(52,466)	1,244,274

In the quarter:

Balance on September 30 2020	Interest	Offset by	Balance on September 30 2020
1,255,146	3,258	(14,130)	1,244,274

12. Other assets

	Parent Company and Consolidated	
	09/30/2020	12/31/2019
Prepaid expenses	24,446	17,085
I.P.T.U. property tax	5,567	35
Personal loans and advances	3,528	3,450
Advances to suppliers	1,091	1,552
Actuarial assets	2,925	1,078
Other	44	387
	37,601	23,587
Current assets	33,903	21,609
Non-current assets	3,698	1,978

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13. Income Tax and Social Contribution

a) Breakdown and changes in deferred taxes (Parent Company and Consolidated)

In the period:

	Balance on December 31, 2019	Increase / (Reduction)		Balance on September 30 2020
		in earnings	in shareholder's equity	
Tax losses carry forward	174,654	140,033	-	314,687
Temporary differences:				
Provisions for tax, civil and labor proceedings	31,838	(3,631)	-	28,207
Provisions for inventory and trade accounts receivable losses	22,109	(8,638)	-	13,471
Impairment of property, equipment and right of use	11,915	(2,404)	-	9,511
Provisions for profit sharing	15,069	(6,828)	-	8,241
Leases tax difference CPC 06 (R2)/IFRS 16	28,459	14,551	-	43,010
Present value adjustment	-	2,112	-	2,112
Other	121,245	13,149	(2,594)	131,800
Deferred tax assets	405,289	148,344	(2,594)	551,039
Tax credits due to exclusion of ICMS in the basis for calculating PIS and COFINS (i)	(435,890)	12,837	-	(423,053)
Present value adjustment	(2,375)	2,375	-	-
Fair value adjustment	(12,655)	12,655	-	-
Deferred tax liabilities	(450,920)	27,867	-	(423,053)
Deferred tax asset (liability) balance	(45,631)	176,211	(2,594)	127,986

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	Balance on 12/30/2019	Increase / (Reduction) in earnings in shareholder's equity		Balance on 09/30/2020
Tax losses carry forward	189,302	(3,980)	-	185,322
Temporary differences:				
Provisions for tax, civil and labor proceedings	111,916	(207)	-	111,709
Provisions for inventory and trade accounts receivable losses	21,485	3,849	-	25,334
Impairment of property, equipment and right of use	15,745	(7,175)	-	8,570
Provisions for profit sharing	18,107	(7,452)	-	10,655
Leases tax difference CPC 06 (R2)/IFRS 16	-	12,570	-	12,570
Present value adjustment	5,214	(7,538)	-	(2,324)
Other	38,178	23,491	(345)	61,324
Deferred tax assets	399,947	13,558	(345)	413,160
Tax credits due to exclusion of ICMS from the basis for calculating PIS and COFINS	-	(432,341)	-	(432,341)
Fair value adjustment	(29,304)	16,649	-	(12,655)
Deferred tax liabilities	(29,304)	(415,692)	-	(444,996)
	370,643	(402,134)	(345)	(31,836)

- (i) The amount of R\$(432,341) refers to deferred taxes on winning the claim that recognized the Company's right to recover overpaid contributions excluding ICMS from the PIS and COFINS calculation basis, commented on Note 11, above.

In the quarter:

	Balance on 06/30/2020	Increase / (Reduction) in earnings in shareholder's equity		Balance on 09/30/2020
Tax losses carry forward	298,555	16,132	-	314,687
Temporary differences:				
Provisions for tax, civil and labor proceedings	29,912	(1,705)	-	28,207
Provisions for inventory and trade accounts receivable losses	18,373	(4,902)	-	13,471
Provisions for loss of property and equipment and right-of-use assets	13,240	(3,729)	-	9,511
Provisions for profit sharing	5,712	2,529	-	8,241
Leases tax difference CPC 06 (R2)/IFRS 16	38,752	4,258	-	43,010
Present value adjustment	2,996	(884)	-	2,112
Other	117,619	13,158	1,023	131,800
Deferred tax assets	525,159	24,857	1,023	551,039
Tax credits due to exclusion of ICMS in the basis for calculating PIS and COFINS (i)	(417,093)	(5,960)	-	(423,053)
Deferred tax liabilities	(417,093)	(5,960)	-	(423,053)
	108,066	18,897	1,023	127,986

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	Balance on 06/30/2019	Increase / (Reduction)		Balance on 09/30/2019
		in earnings	in sharehold er's equity	
Tax losses carry forward	186,805	(1,483)	-	185,322
Temporary differences:				
Provisions for tax, civil and labor proceedings	113,740	(2,031)	-	111,709
Provisions for inventory and trade accounts receivable losses	26,056	(722)	-	25,334
Provisions for the loss of property and equipment	10,497	(1,927)	-	8,570
Provisions for profit sharing	7,216	3,439	-	10,655
Leases tax difference CPC 06 (R2)/IFRS 16	9,303	3,267	-	12,570
Present value adjustment	3,741	(6,065)	-	(2,324)
Other	59,431	5,022	(3,129)	61,324
Deferred tax assets	416,789	(500)	(3,129)	413,160
Tax credits due to exclusion of ICMS from the basis for calculating PIS and COFINS	(426,133)	(6,208)	-	(432,341)
Fair value adjustment	(12,655)	-	-	(12,655)
Deferred tax liabilities	(438,788)	(6,208)	-	(444,996)
	(21,999)	(6,708)	(3,129)	(31,836)

The Company, supported by the opinion of its legal advisors, taxes the gains from the lawsuit to exclude ICMS from the basis for calculating PIS and COFINS when the credits are offset, which is expected to occur over the next 4 years.

b) Expected realization of deferred taxes on September 30, 2020

Year	R\$
2020	28,228
2021	(42,655)
2022	(48,444)
2023	(56,812)
2024	44,320
2025 to 2027	161,080
2028 to 2030	42,269
	<u>127,986</u>

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c) Reconciliation of effective rate

	Parent Company		Consolidated	
	09/30/2020	09/30/2019	09/30/2020	09/30/2019
Income (loss) before income taxes	(427,162)	1,207,268	(426,844)	1,207,624
Income tax and social contribution expenses at statutory rates - 34%	145,235	(410,471)	145,127	(410,592)
Adjustments to reflect the effective rate				
Share of profit of subsidiaries	107	126	-	-
Non-deductible donations	(869)	-	(869)	-
PAT (worker meal program) and the culture incentive law	497	268	497	268
Adjustments in transfer pricing and incentives for technology innovation (R&D)	3,678	(268)	3,678	(268)
Corporate gifts and non-deductible fines	(334)	-	(334)	-
Equity Instruments Granted	385	-	385	-
Inventories	1,589	-	1,589	-
Share issuing expenses	1,155	-	1,155	-
Other permanent additions and exclusions	65	(629)	(56)	(756)
Taxes calculated on the portion exempt from the additional 10%	-	18	18	36
Income Tax and Social Contribution on Profits	151,508	(410,956)	151,190	(411,312)
Current	(24,703)	(8,822)	(25,021)	(9,178)
Deferred	176,211	(402,134)	176,211	(402,134)
	151,508	(410,956)	151,190	(411,312)
Effective rate	35%	34%	35%	34%

14. Investments

a) Investments in the subsidiary

Orion	Shareholding	Current assets	Current liabilities	Net Collecti on	Gross income	Profit	Book value of the investment	Share of profit of subsidiaries
09/30/2020	99.8%	1,875	(723)	1,152	2,300	315	1,150	314
12/31/2019	99.8%	2,050	(1,213)	837	2,719	681	836	680

b) Changes in investment

	09/30/2020	09/30/2019
Balance on December 31	836	905
Share of profit of subsidiaries	314	370
Balance on September 30	1,150	1,275

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15. Property and Equipment

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

Property and equipment	Cost	Accumulated Depreciation	Impairment	September 30, 2020
Machinery and equipment	174,192	(127,342)	(1,361)	45,489
Furniture and fixtures	425,837	(246,371)	(3,337)	176,129
IT Equipment	207,971	(151,404)	-	56,567
Vehicles	535	(488)	-	47
Leasehold improvements	1,139,436	(793,024)	(18,306)	328,106
Land	126	-	-	126
Construction in progress	20,714	-	-	20,714
Provisions for store restorations	1,530	(756)	-	774
Other	3,134	-	-	3,134
	1,973,475	(1,319,385)	(23,004)	631,086

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

The company has no property and equipment pledged as collateral.

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

	Average annual depreciation rate	Balance on December 31, 2019	Additions (iii)	Depreciation	Disposals (Write-offs)	Transfers	Transfers to intangible	Right-of-use transfers	Reversals (provisions) Impairment	Balance on September 30, 2020
Machinery and equipment	8%	51,841	31	(8,498)	(186)	2,136	-	-	165	45,489
Furniture and fixtures	11.80%	176,658	28,093	(32,115)	(1,590)	3,563	-	-	1,520	176,129
IT Equipment	20%	65,405	4,175	(16,104)	(115)	2,988	-	-	218	56,567
Vehicles	20%	66	-	(19)	-	-	-	-	-	47
Leasehold improvements (i)	10.52%	368,514	639	(76,385)	(4,236)	30,533	-	-	9,041	328,106
Land	-	126	-	-	-	-	-	-	-	126
Construction in progress	-	51,506	45,002	-	-	(40,770)	(35,024)	-	-	20,714
Provisions for returning stores (ii)	12%	401	270	(77)	-	180	-	-	-	774
Other	-	2,895	-	-	(1,131)	1,370	-	-	-	3,134
Total		717,412	78,210	(133,198)	(7,258)	-	(35,024)	-	10,944	631,086

	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 September 30, 2019
Machinery and equipment	8%	56,466	303	(8,699)	(571)	5,857	-	-	441	53,797
Furniture and fixtures	11.80%	126,951	57,331	(29,228)	(4,748)	17,085	-	-	6,287	173,678
IT Equipment	20%	42,441	30,170	(15,981)	(318)	10,356	-	-	214	66,882
Vehicles	20%	91	-	(19)	-	-	-	-	-	72
Leasehold improvements	10.52%	375,281	1,125	(72,378)	(11,425)	66,254	-	-	12,477	371,334
Land	-	126	-	-	-	-	-	-	-	126
Construction in progress	-	25,309	144,935	-	-	(99,552)	(46,744)	-	-	23,948
Provisions for returning stores	12%	3,140	90	(57)	(123)	-	-	(2,716)	-	334
Financial leases	-	4,210	-	-	-	-	-	(4,210)	-	-
Other	-	2,912	306	-	(523)	-	-	-	-	2,695
Total		636,927	234,260	(126,362)	(17,708)	-	(46,744)	(6,926)	19,419	692,866

- (i) Leasehold improvements include miscellaneous assets such as civil works, lighting, firefighting, 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 agreements with fully variable payments. These are linked to provisions for dismantling and returning stores.
- (iii) Between January and September 2020 the Company purchased property and equipment in the amount of R\$78,210, R\$2,826 of which were recognized as supplier accounts payable (R\$1,446 on September 30, 2020), and R\$6,292 were disbursed in the first quarter of the year for purchases made prior to December 31, 2019 (R\$8,199 were disbursed in the nine months of 2019 relative to December 2018).

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c) Impairment

The Company considers each store individually to be a cash-generating unit (CGU). CGUs are valued annually to check if the value of their assets in the financial statements does not exceed their recoverable value.

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

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

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

The company 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 9.00% annually.

As June 30, 2020, the Company had provisions for impairment in the amount of R\$7,582 (R\$3,160 for property and equipment and R\$4,422 for right-of-use assets), as a reflection of the impact of COVID-19 on business. The Company reviewed its impairment study at September 30, 2020 and, as business improved in the third quarter and following the reviewed business plan for the next years, it decided to reverse provisions in the amount of R\$8,213 (R\$7,879 in property and equipment and R\$334 in right-of-use assets).

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. In the period ended September 30, 2020, a total of R\$6,441 in allowances for impairment were reversed, and the corresponding assets written off.

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16. Intangibles

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

Intangible s	Cost	Accumulated amortization	Provisions for Impairment	September 30, 2020
Software	519,048	(317,722)	(2)	201,324
Goodwill	56,340	(47,407)	(1,094)	7,839
Intangibles in process	11,106	-	-	11,106
	<u>586,494</u>	<u>(365,129)</u>	<u>(1,096)</u>	<u>220,269</u>

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
	<u>504,718</u>	<u>(316,281)</u>	<u>(1,097)</u>	<u>187,340</u>

b) Changes in Intangibles (Parent Company and Consolidated)

	Average amortization rate (% annual)	Balance on December 31, 2019	Additions	Amortization	Disposals (Write-offs)	Property and equipment transfers	Reversals (provisions) Impairment	Balance on September 30, 2020
Software	13%	177,968	33,341	(47,351)	(1)	37,367	-	201,324
Goodwill	10%	9,372	-	(1,533)	-	-	-	7,839
Intangibles in process		-	13,449	-	-	(2,343)	-	11,106
Total		187,340	46,790	(48,884)	(1)	35,024	-	220,269

	Average amortization rate (% annual)	Balance on December 31, 2018	Additions	Amortization	Disposals (Write-offs)	Property and equipment transfers	Reversals (provisions) Impairment	Balance on September 30, 2019
Software	13%	185,909	-	(44,893)	(174)	46,744	1	187,587
Goodwill	10%	10,989	-	(1,677)	(1,659)	-	1,681	9,334
Total		196,898	-	(46,570)	(1,833)	46,744	1,682	196,921

c) Impairment

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

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17. Leases

Based on a Review of Technical Pronouncement 16/2020, which clarifies Technical Pronouncement CPC 06 (R2) 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. A total discount of R\$83,779 (net of PIS/COFINS) was negotiated in this period and booked in the period in the occupancy expenses line. Postponed payments with no further burden to the Company added up to R\$8,223 and are booked under lease liabilities until they are settled.

Until 3Q19, 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 this change was prospectively considered by remeasuring the right of use and lease liability balance at 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).

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

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

	Right-of-use asset			Lease liability
	Real Estate	Equipment	Total	
Balance on December 31, 2019	1,501,141	6,674	1,507,815	(1,587,680)
Amortization (i)	(225,208)	(1,059)	(226,267)	-
Financial charges	-	-	-	(106,785)
Payments made (principal)	-	-	-	272,006
Payments made (interest)	-	-	-	9,987
Provisions for dismantling costs	90	-	90	-
Impairment (Note 15.c)	(3,873)	-	(3,873)	-
Re-measurements (ii)	248,704	980	249,684	(249,684)
Balance on September 30, 2020	1,520,854	6,595	1,527,449	(1,662,156)
Current				(388,324)
Non-current				(1,273,832)
(i)	Amortization in this schedule has not been corrected in the amount of R\$26,029 for PIS/COFINS credits on lease payments, nor R\$5,433 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;			

	Right-of-use asset			Lease liability
	Real Estate	Equipment	Total	
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	(218,582)	(1,170)	(219,752)	-
Financial charges	-	-	-	(55,126)
Payments made (principal)	-	-	-	214,684
Payments made (interest)	-	-	-	23,223
Prepayments and incentives received	(1,200)	-	(1,200)	-
Provisions for dismantling costs	270	-	270	-
Additions (4 new stores)	14,649	-	14,649	(14,557)
Re-measurements (i)	55,355	-	55,355	(55,355)
Balance on September 30, 2019	1,584,694	7,022	1,591,716	(1,624,825)
Current				(321,224)
Non-current				(1,303,601)
(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 with CVM guidelines and in order to provide the market with a comprehensive view of the impact of applying inflation and not applying inflation on the future minimal lease payments, using the same discount rate (6.6% to 8.8%), below is a comparative list of the right-of-use lease liabilities, financial expenses and amortization expenses for the current and coming years in the following scenarios:

Scenario	Incremental rate	Future payments flow
1	Nominal	Including projections for inflation
2	Nominal	Not including projections for inflation (recorded)

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The Company adopted scenario 2 for the period ending September 30, 2020, as per CPC06(R2) / IFRS16. Below are the estimated values for the periods ended in December

	2020	2021	2022	2023	2024
Lease liabilities					
Scenario 1	1,780,472	1,512,335	1,229,758	958,947	696,103
Scenario 2 (recorded)	1,588,778	1,317,863	1,045,855	796,961	565,671
Financial Charges					
Scenario 1	147,187	142,860	119,725	96,215	73,180
Scenario 2 (recorded)	141,711	125,963	103,093	80,913	60,175
Depreciation Expenses					
Scenario 1	311,692	329,447	304,905	265,324	234,392
Scenario 2 (recorded)	302,700	297,941	275,552	238,140	206,534
Total Expenses					
Scenario 1	458,879	472,307	424,630	361,539	307,572
Scenario 2 (recorded)	444,411	423,904	378,645	319,053	266,709

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:

Coming due	09/30/2020		12/31/2019	
	Payments	Potential PIS and COFINS Rights	Payments	Potential PIS and COFINS Rights
Less than one year	405,467	(35,825)	373,987	(33,406)
One to five years	1,289,398	(116,026)	1,183,473	(104,912)
Over five years	460,036	(41,951)	529,082	(46,614)
Total minimum payments	2,154,901	(193,802)	2,086,542	(184,932)
Minimum payments discounted to present value	(492,745)	55,628	(498,862)	47,659
Present value of the minimum payments	1,662,156	(138,174)	1,587,680	(137,273)
Current	388,324		357,891	
Non-current	1,273,832		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 come due.

During the period ended September 30, 2020, the expense associated with the 15 variable lease agreements was R\$2,025 (13 agreements or R\$2,703 in period ended September 30, 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\$12,855 (R\$16,152 in the third quarter of 2019) and refer to leasing printers and forklifts. Because of limited relevance, future commitments with minimum lease payments of low-value assets and

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short-term contracts are not presented, nor is any sensitivity analysis of variable expenses with leases and the factors that impact this variation.

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

18. Suppliers

	Parent Company		Consolidated	
	09/30/2020	12/31/2019	09/30/2020	12/31/2019
Goods Suppliers	434,182	629,717	434,182	629,717
Miscellaneous Suppliers	180,118	174,272	180,497	174,296
Suppliers – forfait agreements	110,764	-	110,764	-
	725,064	803,989	725,443	804,013

The Company offers its suppliers advances on receivables at a discount over the face value. This can be arranged directly with the Company by signing a term of adherence, with no involvement of any intermediary financial institution, or via agreements with financial institutions ("forfait agreements").

For discounts applied directly by the company the monthly rate in 2020 varied between 1.45% and 1.95%. (unchanged from 2019)

In order to preserve its cash position, starting in April 2020, the Company signed agreements with financial institutions for advanced supplier payments. According to the terms of the 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 adhere to this type of transaction is solely the suppliers. The agreement does not change the commercial conditions, terms and prices previously agreed between the Company and its supplier. For this reason, the balance payable was disclosed as "suppliers". In the period ended September 30, 2020 the Company received a commission in the amount of R\$4,515.

In the first nine months of 2020, the Company advanced R\$247,665 to suppliers, which generated an income of R\$9,815 (in the same period of 2019, R\$795,723 were advanced, with an income of R\$31,408), recognized as financial income, net of funding costs. On September 30, 2020 the balance of payments advanced by C&A directly to suppliers whose original maturity was after that date was R\$6 (R\$200,310 on September 30, 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 to calculate the present value of outstanding payables on September 30, 2020 and December 31, 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

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19. Loans

a) Breakdown of the loans

Description	Rate (% p.y.)	Maturity	Parent Company and Consolidated	
			09/30/2020	12/31/2019
Promissory notes (i)	100% CDI+ 1.09%	2020 - 2023	508,757	-
CCB (ii)	100% CDI + 3.45%	2020 - 2021	359,901	-
CCB (iii)	100% CDI + 2.95%	2023	232,904	-
CCB (iv)	100% CDI + 2.90%	2022 - 2024	121,500	-
(-) Transaction costs to appropriate			(3,751)	-
Total			1,219,311	-
Current			384,514	-
Non-current			834,797	-

- i. On April 3, 2020, the Company issued its first Promissory Notes in the amount of R\$500,000 with a ticket equivalent to 100% of the accumulated variation in the daily DI rate plus a 1.09% annual surcharge payable in 3 years. This is a 6-series for public distribution with limited effort (CVM476). The first batch will come due on October 3, 2020, and the remainder every six months thereafter, and interest payable at the end of the transaction.
- ii. On April 9, 2020 the company issued two CCB, 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 date of payment. The first batch came due on October 9, 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; and
 - 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 in January 2022 and the last in June 2024.

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

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b) Payment forecast

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

Parent Company and Consolidated	
Maturity	09/30/2020
2021	19,078
2022	86,376
2023	689,343
2024	40,000
	834,797

c) Changes

Changes in loans is described in note 28.4.

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 monthly monitors its indicators, such as financial leverage. The covenants are the normal ones for transactions of this nature and, to date, have in no way limit the Company's ability to conduct its business.

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20. Taxes payable

	Parent Company		Consolidated	
	09/30/2020	12/31/2019	09/30/2020	12/31/2019
ICMS	13,112	102,479	13,112	102,479
PIS/COFINS	24,569	67,023	24,584	67,038
CIDE	3,195	3,195	3,195	3,195
IT	2,669	7,839	2,669	7,839
Other	2,892	4,132	2,892	4,132
	46,437	184,668	46,452	184,683
Current	21,868	183,595	21,883	183,610
Non-current	24,569	1,073	24,569	1,073

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

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

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

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

	12/31/2019	Addition (reversal)	Utilization	Update	09/30/2020
Tax	179,919	17,097	-	8,213	205,229
Labor	89,505	(10,234)	(11,611)	8,593	76,253
Civil	4,138	4,337	(2,415)	648	6,708
Provisions for tax, civil and labor proceedings	273,562	11,200	(14,026)	17,454	288,190
Judicial deposits with a corresponding liability	(39,720)	(16,686)	-	(558)	(56,964)
Net provisions for judicial deposits	233,842	(5,486)	(14,026)	16,896	231,226

	12/31/2018	Addition (reversal)	Utilization	Update	09/30/2019
Tax	237,215	(13,485)	(106)	9,518	233,142
Labor	85,476	2,207	(6,986)	10,488	91,185
Civil	6,474	(1,962)	(874)	591	4,229
Provisions for tax, civil and labor proceedings	329,165	(13,240)	(7,966)	20,597	328,556
Judicial deposits with a corresponding liability	(66,558)	(60)	-	(1,964)	(68,582)
Net provisions for judicial deposits	262,607	(13,300)	(7,966)	18,633	259,974

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Tax provisions refer substantially to discussions regarding the following taxes:

PIS/COFINS (taxes on revenue)

On September 30, 2020, the Company had provisions for PIS and COFINS risks in the amount of R\$133,965 (R\$132,443 on December 31, 2019). The most significant values are related to credits used with inputs for its end-activity, in the amount of R\$88,070 (R\$86,623 on December 31, 2019), and COFINS Import credits, in the amount of R\$38,714 (R\$38,026 on December 31, 2019). For the latter case, on September 30, 2020 the Company had an updated deposit balance in the amount of R\$36,678 on September 30, 2020 (R\$36,168 on December 31, 2019).

ICMS (State Value Added Tax)

On September 30, 2020, the Company had provisions for ICMS risks in the amount of R\$39,158 (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\$10,361 (R\$10,283 on December 31, 2019), and discussions regarding ICMS rates on energy, in the amount of R\$15,729 (R\$13,471 on December 31, 2019).

Other taxes

On September 30, 2020, the Company had provisions for tax risk related to other taxes in the amount of R\$32,104 (R\$10,741 on December 31, 2019). The most significant amounts were related to ISS (tax on services) in the amount of R\$5,748 (R\$6,002 on December 31, 2019), and IPTU (property taxes) in the amount of R\$8,163 (R\$3,135 on December 31, 2019). In the latter case the amount was corrected due to additional interest in the amount of R\$4,995, informed by the Municipality of Rio de Janeiro.

Due to an unfavorable decision by the Superior Court (STF), which impacted the decision on the constitutionality of the 10% fine payable on the FGTS of dismissed employees without a cause, on September 30, 2020 the Company reclassified the FGTS judicial deposits balance in the amount of R\$16,686 to the deposits account with corresponding liabilities.

Civil and labor

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

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Judicial deposits with corresponding liabilities

1% additional COFINS for imports

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

21.2. Judicial deposits

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

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

	Parent Company and Consolidated	
	09/30/2020	12/31/2019
Tax	48,245	63,748
Civil and labor	34,809	38,088
Total	83,054	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 September 30, 2020 the Company had an updated amount of R\$290,766 (R\$306,439 on December 31, 2019), associated with judicial and/or administrative claims where it is considered possible that the Company may suffer losses, and for this reason accounting provisions are not made, as per CPC guidelines.

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

- (a) PIS and COFINS - At the rate of zero on the sale of electronic goods - Law 11.196/05 ("Lei do Bem" - tax relief law): refers to a claim discussing the reinstatement of the benefit provided for by Law 11.196/05, suspending the enforcement of PIS and COFINS on the sale of electronic goods, which was been revoked by Provisional Measure # 690/2015, subsequently signed into Law # 13.241/15, The updated amount on September 30, 2020 was R\$171,575 (R\$171,141 on December 31, 2019).

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- (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 decision issued by the appeals courts, part of the amount was reversed. On September 30, 2020 the updated balance of the proceeding totals R\$8,090 (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 approximately R\$24,732 (R\$23,829 on December 31, 2019).
- (d) Import Taxes on Royalties refers to notices of tax assessments demanding the payment of Import Taxes as well as PIS/PASEP and COFINS on imports, due to failure to include royalties paid for the use of licensed brands in the basis for calculating taxes levied on imported goods. The updated amount associated with these assessments is R\$17,137 (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, as a result of a favorable decision, 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 those that best represent the Company's risks regarding such matters The Company does not believe it is feasible to determine the amount of non-provisioned labor and civil contingencies (involving possible but not probable loss) because, as a rule, the amount of the original claim is quite a bit different from the final amounts paid or settled.

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

22. Contingent assets

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

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

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

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

As the Company's lawsuit is still pending a final and non-appealable ruling, it is not possible to recognize the assets associated with the credits to be determined for 5 year-period prior to the lawsuit filing (March 31, 2016). Considering a preliminary estimate based on information available on September 30, 2020, the Company estimates the potential amount of credits at R\$124,262 (R\$123,220 on December 31, 2019).

Regarding the amounts for the periods 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 recognizing the accumulated amount of R\$31,665 (R\$24,215 on December 31, 2019).

23. Shareholder's Equity

23.1. Share capital

On August 28, 2019, a General Meeting approved i) the transformation of the parent company into a joint stock company; ii) all quotas were transformed into common shares on a one-to-one basis. In October 2019, the grouping of shares was approved at a 4 to 1 ratio. This month, 49,315,068 common shares were issued, in the amount of R\$16.50 each.

On September 30, 2020, ownership of company shares broke down as follows

	09/30/2020		12/31/2019	
	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 Company's bylaws, the Company is authorized to increase its share capital by up to 135,000,000 new common shares by decision of the Board of Directors, which is responsible for setting the issuing terms, including price and form of payment. If payment

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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

This refers to withholding minimum required dividends for 2019, to be paid as dividends as soon as the Company's economic situation allows, if not absorbed by losses in subsequent periods, as resolved at the General Meeting of June 26, 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.

23.6. Adjustments to equity valuation

This is the effective portion of financial instruments designated as cash flow hedge, as per Note 27.

24. Dividends and interest on shareholder's equity

As stipulated in the Company Bylaws, each period the Company shareholders have the right to receive the minimum required 25% of net profits for the period, less legal reserves and plus the reversal of previous reserves, as dividends. However, because of the Company's current situation arising from Covid-19, extraordinary measures have been taken to contain the social and economic effects of the pandemic, setting aside part of required dividends as a special dividend reserve. The remaining dividends will be paid on or before December 31, 2020.

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The basis for calculating minimum required dividends for the year ended December 31, 2019, and the withholding of part of the minimum required dividends as a special reserve for dividends is shown below:

	2019
Net profit for the year	971,993
Legal Reserves - 5% of net profit for the year	(48,600)
Net profit for the year after constituting legal reserves	923,393
Minimum statutory required dividends - 25%	230,848
(-) Constitution of a special reserve for dividends	(162,002)
Dividends/Interest on equity payable	68,846

Interest on equity payable is comprised of the following:

Interest on shareholder's equity (a)	78,133
(-) Withheld income tax on interest on shareholders' equity	(9,287)
Interest on equity payable	68,846

(a) A meeting of the Board of Directors held on 23 December 2019 approved the payment of interest on shareholder's equity (IoE) in the amount of R\$78,133, equivalent to R\$0,253477379 per share. Withholding taxes will be retained by Company on to this amount, except in cases of individuals who are exempt, resulting in a net amount of R\$68,846. The Annual General Meeting held on June 26, 2020 approved the partial retention of the mandatory minimum dividends of R\$75,988.

25. Net revenue

	Parent Company		Consolidated	
	09/30/2020	09/30/2019	09/30/2020	09/30/2019
Sale of Goods	3,100,662	4,637,156	3,100,662	4,637,156
Cancellations, exchanges and vouchers	(221,398)	(266,702)	(221,398)	(266,702)
Sales taxes	(650,029)	(1,010,718)	(650,029)	(1,010,718)
Net revenue from goods	2,229,235	3,359,736	2,229,235	3,359,736
Commission revenue from the sale of financial services - Bradescard partnership	76,967	150,678	76,967	150,678
Commission revenue from the sale of partner insurance	31,415	36,946	31,415	36,946
Commission revenue from other services	13,488	14,074	13,488	14,074
Net revenue from credit securitization	-	-	2,300	1,674
Taxes on commissions and services	(14,805)	(20,292)	(14,912)	(20,377)
Other net revenue	107,065	181,406	109,258	182,995
	2,336,300	3,541,142	2,338,493	3,542,731

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26. Earnings by nature

26.1. Classified by function

	Parent Company		Consolidated	
	09/30/2020	09/30/2019	09/30/2020	09/30/2019
Cost of goods sold and services rendered	(1,263,881)	(1,833,299)	(1,263,881)	(1,833,299)
General and administrative expenses	(332,880)	(346,835)	(334,442)	(347,641)
Selling expenses	(1,099,301)	(1,272,252)	(1,099,301)	(1,272,252)
Other operating income (expenses)	25,527	651,381	25,526	651,315
	(2,670,535)	(2,801,005)	(2,672,098)	(2,801,877)

26.2. Cost of sales by nature

	Parent Company		Consolidated	
	09/30/2020	09/30/2019	09/30/2020	09/30/2019
Cost of goods sold	(1,236,316)	(1,807,733)	(1,236,316)	(1,807,733)
Cost of services rendered	(784)	(973)	(784)	(973)
Other	(26,781)	(24,593)	(26,781)	(24,593)
	(1,263,881)	(1,833,299)	(1,263,881)	(1,833,299)

26.3. General and administrative expenses by nature

	Parent Company		Consolidated	
	09/30/2020	09/30/2019	09/30/2020	09/30/2019
Personnel	(185,192)	(193,343)	(185,192)	(193,343)
Third party materials/services	(75,826)	(74,950)	(77,387)	(75,756)
Depreciation and amortization	(60,989)	(57,656)	(60,989)	(57,656)
Depreciation of right-of-use	(15,351)	(16,511)	(15,351)	(16,511)
Occupancy	(3,572)	(5,106)	(3,572)	(5,106)
Other (a)	8,050	731	8,049	731
	(332,880)	(346,835)	(334,442)	(347,641)

(a) The balance of 2020 includes R\$6,593 of labor contingency reversals.

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26.4. Selling expenses by nature

	Parent Company		Consolidated	
	09/30/2020	09/30/2019	09/30/2020	09/30/2019
Personnel	(347,141)	(424,198)	(347,141)	(424,198)
Depreciation of right-of-use	(190,307)	(203,241)	(190,307)	(203,241)
Third party materials/services	(170,732)	(140,079)	(170,732)	(140,079)
Depreciation and amortization	(121,094)	(115,277)	(121,094)	(115,277)
Occupancy	(83,971)	(206,254)	(83,971)	(206,254)
Advertising and promotions	(103,630)	(62,181)	(103,630)	(62,181)
Other (b)	(82,426)	(121,022)	(82,426)	(121,022)
	(1,099,301)	(1,272,252)	(1,099,301)	(1,272,252)

- (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\$87,865, as a deduction of occupancy costs.
- (b) The balance of 2019 includes related party royalties in the amount of R\$20,583. These expenses terminated in that fiscal period.

26.5. Other net operating income (expenses) by nature

	Parent Company		Consolidated	
	09/30/2020	09/30/2019	09/30/2020	09/30/2019
Results from asset write-offs	(727)	(18,788)	(727)	(18,788)
Impairment	632	21,102	632	21,102
Recovery of tax credits (b)	63,017	643,727	63,017	643,727
Other (c)	(37,395)	5,340	(37,396)	5,274
	25,527	651,381	25,526	651,315

- (a) The 2020 number includes a R\$6,441 reversal of impairment.
- (b) In 2019, previously unused PIS and COFINS credit in the amount of R\$663,568 (principal), less attorney, consulting, and auditing costs amounted to R\$21,204. In 2020, it refers to the recovery of social security credits, net of expenses with lawyers in the amount of R\$22,014, R\$41,932 related to the gain from a lawsuit with import PIS / COFINS, which were fully offset by September 30, 2020 (amount gross of the cause R\$81,193, R\$31,414 recorded under financial income)
- (c) In 2020 includes provisions for tax contingencies related to FGTS in the amount of R\$15,557, strategic consulting services in the amount of R\$3,483, tax consulting services in the amount of R\$3,121, and fines in the amount of R\$2,934, as well as other expenses.

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27. Financial results

	Parent Company		Consolidated	
	09/30/2020	09/30/2019	09/30/2020	09/30/2019
<u>Gain (loss) from derivatives</u>	-	(26,054)	-	(26,054)
<u>Exchange variation</u>				
Exchange variation – goods	(12,921)	(1,755)	(12,921)	(1,755)
Foreign variation - related party loans	-	32,371	-	32,371
	(12,921)	30,616	(12,921)	30,616
<u>Financial expenses</u>				
Interest on related party loans	-	(51,227)	-	(51,227)
Interest on loans	(23,062)	-	(23,062)	-
Bank expenses and IOF	(1,327)	(3,743)	(1,330)	(3,745)
Interest on taxes and contingencies	(22,917)	(21,523)	(22,917)	(21,523)
Interest on leases (a)	(101,369)	(55,126)	(101,369)	(55,126)
Financial expenses of suppliers – present value adjustment	(11,897)	(16,660)	(11,897)	(16,660)
Other	(1,253)	(201)	(1,253)	(201)
	(161,825)	(148,480)	(161,828)	(148,482)
<u>Financial income</u>				
Interest (b)	67,252	590,327	67,257	590,338
Financial income of supplier	13,172	20,593	13,172	20,593
Other	1,081	(241)	1,081	(241)
	81,505	610,679	81,510	610,690
Net financial results	(93,241)	466,761	(93,239)	466,770

- (a) After December 2019, expenses with interest on leases were calculated based on nominal interest rates (real rate during 2019), net of PIS and COFINS credits on lease payments, is disclosed in Note 17.2.
- (b) In September 2020 interest revenue included R\$14,708 related to updating previously unused tax credits (R\$608,023 in September 2019, net of R\$28,273 in PIS/COFINS taxes). In September 2020 they also include R\$31,414 in interest from winning the PIS/COFINS-imports.

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28. Financial instruments and capital management

28.1 Financial risk management

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

a) Market Risk

Market risk is the risk that the fair value of the future cash flows of a financial instrument 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. Scenarios were estimated to demonstrate the effects of variations in this index on results, as per CVM Instruction 475/08.

Parent Company and Consolidated								
Risk	Balance on September 30, 2020	Rate	Likely scenario	Increasing interest		Decreasing interest		
				Possible Scenario +25%	Remote Scenario +50%	Possible Scenario -25%	Remote Scenario -50%	
Financial investments (ii)	Lower CDI	1,286,749	CDI (i)	24,298	30,373	36,447	18,224	12,149
Loans	Higher CDI	(1,219,285)	CDI (i)	(23,776)	(29,720)	(35,664)	(17,832)	(11,888)
Net exposure/Impact on earnings prior to IT/SC		67,464		522	653	783	392	261
Impact on earnings, net of IT/SC				345	431	517	259	172

(i) Interest in the scenario taken from the B3 site reference rates on September 30, 2020 (1.95% annualized daily CDI);

(ii) Financial revenue stated net of 4.65% PIS/COFINS;

(iii) Financial investments consider an average yield of 101.56% of the CDI.

Exchange risk

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

The exchange risk on foreign currency loans existing up to March 2019 was mitigated through swap contracts, whereby the foreign exchange variation was “swapped” for the rate set by the bank. Foreign currency loans were settled in full in March 2019. Proceeds

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from loans have been taken out in local currency at fixed rates. These loans were also settled in full in November 2019.

The Company hedges against exchange variations in the outstanding balance of its imports by entering into Non-Deliverable Forward Contracts (NDFs) for highly probable 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 September 25, 2020. Scenario estimates were used according to CVM Instruction 475/08.

		Risk	Notional US\$ (Payable)/ Receivable	Negative Scenarios		
				Scenario Likely US\$ 1 = R\$5,25	Possible Scenario +25% US\$ 1 = R\$6,56	Scenario Remote +50% US\$ 1 = R\$7,88
Hedge object	Purchasing orders for imported goods and imports in transit	Higher Dollar	(27,765)	10,848	(25,594)	(62,035)
Hedge Instruments	NDF	Lower Dollar	4,672	(1,825)	4,307	10,439
	Net exposure of import orders		(23,093)	9,023	(21,287)	(51,596)
	Non-recoverable taxes (36%)		(9,995)	3,905	(9,214)	(22,333)
	Total net exposure		(33,088)	12,928	(30,501)	(73,929)
	Impact on earnings, net of IT/CS			8,532	(20,131)	(48,793)

US\$ on 09/30/2020 = R\$5,6407

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Financial instruments designated for hedge accounting

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

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

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

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

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

Expected date	US\$ thousand Budget (hedged)	Maturity	Counterparty	US\$ thousand NDF reference value
Oct'20	(1,008)	Oct'20	Santander	1,008
Nov'20	(1,575)	Nov'20	Santander	1,575
Dec'20	(2,089)	Dec'20	Santander	2,089
Total	(4,672)			4,672

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

The following table shows the outstanding positions by maturity date on September 30, 2020 of the forward contracts (Non-Deliverable Forwards - NDF) used to hedge exchange rate risk:

Derivative	Position	Contract	Contract date	Maturity date	Reference (notional) value - US\$	Fair value
Term	Purchased	NDF	03/06/2020	10/21/2020	1,008	(949)
Term	Purchased	NDF	03/06/2020	11/18/2020	1,575	(1,463)
Term	Purchased	NDF	03/06/2020	12/16/2020	2,089	(1,929)
					4,672	(4,341)

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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 September 30, 2020, non-settled NDF operations presented a loss, net of tax effects, of R\$2,865 (net gain of R\$4,429 in September 2019), recorded under other comprehensive income. In 9M20, the cost of goods sold was positively impacted by the gain in NDF transactions in the amount of R\$30,093 (gain of R\$6,555 in September 2020).

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

There were no ineffective portions in the quarters ending September 30, 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 (chargebacks) for which an allowance for impairment is measured and recognized. For transactions intermediated by Banco Bradescard, there is a potential loss, contractually limited to 50% of the net doubtful receivables registered with that institution, in addition to customer cashbacks. Historically, credit losses resulting from the agreement with Banco Bradescard are smaller than the gains.

c) Liquidity risk

Based on the operation's cash cycle, Management approved a minimum cash 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.

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

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

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

On September 30, 2020	Less than one year	1 to 5 years	More than 5 years	Total
Other related party liabilities	67,162	-	-	67,162
Leases liabilities	273,951	983,520	404,685	1,662,156
Loans	384,514	834,797	-	1,219,311
Trade payables	725,443	-	-	725,443
Total	1,451,070	1,818,317	404,685	3,674,072

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28.2. Capital management

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

The Company manages its capital structure by making suitable adjustments to changes in economic conditions. To keep this structure adjusted, the Company may make dividend payments and take out loans. There were no changes in the capital structure objectives, policies or processes in the period ending September 30, 2020.

	Parent Company		Consolidated	
	09/30/2020	12/31/2019	09/30/2020	12/31/2019
Net Debt without Lease Liabilities				
Short and long-term loans	1,219,311	-	1,219,311	-
Cash and cash equivalents	(1,320,197)	(445,635)	(1,321,684)	(447,109)
Net debt	(100,886)	(445,635)	(102,373)	(447,109)
Non-controlling interests	-	-	2	2
Total shareholder's equity	2,549,303	2,739,568	2,549,305	2,739,570
Financial leverage index	(4%)	(16%)	(4%)	(16%)

As of January 1, 2019, the Company has recorded right-of-use lease liabilities in its statement of operations. On September 30, 2020 the balance of lease liabilities amounted to R\$1,662,156. If lease liabilities are included in the capital management calculations, leverage would be 61%, as follows.

	Parent Company		Consolidated	
	09/30/2020	12/31/2019	09/30/2020	12/31/2019
Net Debt including Lease Liabilities				
Net debt	(100,886)	(445,635)	(102,373)	(447,109)
Lease liabilities	1,662,156	1,587,680	1,662,156	1,587,680
Adjusted net debt	1,561,270	1,142,045	1,559,783	1,140,571
Total shareholder's equity	2,549,303	2,739,568	2,549,305	2,739,570
Financial leverage index	61%	42%	61%	42%

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28.3. Financial instruments - classification

As of September 30, 2020, and December 31, 2019, the financial instruments can be summarized and classified as follows:

Parent Company

On September 30, 2020	Amortized Cost	Fair value through other comprehensive results	Total
Financial assets			
Cash and cash equivalents	1,320,197	-	1,320,197
Derivatives	-	4,341	4,341
Trade receivables	680,806	-	680,806
Related parties	56	-	56
Judicial deposits	83,054	-	83,054
Financial liabilities			
Lease liabilities	(1,662,156)	-	(1,662,156)
Loans	(1,219,311)	-	(1,219,311)
Trade receivables	(725,064)	-	(725,064)
Related parties	(67,162)	-	(67,162)
Total on September 30, 2020	(1,589,580)	4,341	(1,585,239)

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

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Consolidated

On September 30, 2020	Amortized Cost	Fair value through other comprehensive results	Total
Financial assets			
Cash and cash equivalents	1,321,684	-	1,321,684
Derivatives	-	4,341	4,341
Trade receivables	680,848	-	680,848
Related parties	43	-	43
Judicial deposits	83,054	-	83,054
Financial liabilities			
Lease liabilities	(1,662,156)	-	(1,662,156)
Loans	(1,219,311)	-	(1,219,311)
Trade payables	(725,443)	-	(725,443)
Related parties	(67,162)	-	(67,162)
Total on September 30, 2020	(1,588,443)	4,341	(1,584,102)

On December 31, 2019	Amortized Cost	Fair value through other comprehensive results	Total
Financial assets			
Cash and cash equivalents	447,109	-	447,109
Derivatives	-	651	651
Trade receivables	1,151,484	-	1,151,484
Related parties	356	-	356
Judicial deposits	101,836	-	101,836
Financial liabilities			
Leases	(1,587,680)	-	(1,587,680)
Derivatives	-	(3,938)	(3,938)
Trade payables	(804,013)	-	(804,013)
Related parties	(69,519)	-	(69,519)
Total on 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	September 30, 2020
Leases (i)	1,587,680	(281,993)	106,785	249,684	1,662,156
Loans (ii)	-	1,195,006	23,062	1,243	1,219,311
Dividends and Interest on Equity (iii)	144,834	-	-	(75,988)	68,846
Total	1,732,514	913,013	129,847	174,939	2,950,313

- (i) The amount of R\$249,684 entered in "Others" refers to the re-measurement of lease liabilities due to annual inflation adjustments of the minimal lease payments based on the lease agreements.
- (ii) Loans are net of transaction costs of R\$4,994, the amount of R\$1,243 refers to the amortization of the transaction cost of the loan.
- (iii) The amount of R\$(75,988) refers to the partial retention of the minimum mandatory dividends already mentioned in Note 23.4.

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	December 31, 2018	Cash flows	Exchange variation	Interest Incurred	New leases	Other (iv)	September 30, 2019
Leases	1,848	(237,907)	-	55,126	14,557	1,791,201	1,624,825
Related parties	907,456	(118,926)	(32,371)	51,227	-	-	807,386
Dividends and Interest on					-		
Shareholder's Equity	58,582	(58,582)	-	-	-	-	-
Derivatives	403	7,625	-	-	-	(8,028)	-
Total	968,289	(407,790)	(32,371)	106,353	14,557	1,783,173	2,432,211

(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. Below is the maximum indemnity limit for each coverage:

	Consolidated	
	09/30/2020	12/31/2019
Civil Liability and D&O	325,698	331,117
Property and Inventory	439,957	438,077
Shipping	66,742	115,808
	832,397	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.

During the first nine-month period of 2020, the Company contributed R\$3,783 (R\$6,279 in 9M2019) to the plans, entered as an expense in the earnings for the period. The total number of participating employees on September 30, 2020 was 13,413 (15,751 on December 31, 2019), with 163 participants under care (157 on December 31, 2019).

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

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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 September 30, 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\$2,925 (R\$1,078 on December 31, 2019).

31. Earnings per share

As mentioned in Note 22, 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 Reals and fifty cents) each.

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

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

	09/30/2020	09/30/2019
Basic earnings per share		
Net income (loss) for the period	(275,654)	796,312
Weighted average of the number of common shares	308,245,068	258,930,000
Basic profit (loss) per share - in R\$	(0.8943)	3,0754
Basic diluted earnings per share		
Net income (loss) for the period	(275,654)	796,312
Weighted average of the number of common shares	308,245,068	258,930,000
Weighted average of the options granted as part of the stock-based compensation plan	217,079	-
Weighted average of the diluted number of common shares	308,462,147	258,930,000
Diluted Basic profit (loss) per share - in R\$	(0.8936)	3,0754

On September 30, 2020, the only financial instrument providing dilution is the stock-based compensation plan, described in detail in Note 9. There were no financial instruments providing dilution in previous periods.