Quarterly Information

Empreendimentos Pague Menos S.A.

March 31, de 2023
With Independent Auditor’s Report on Review of Quarterly Information

Empreendimentos Pague Menos S.A.

Quarterly information - ITR

March 31, 2023 and 2022

Table of Contents

EARNINGS

RELEASE 1Q23

PagueMenos

extrafarma

Fortaleza, Ceará, May 8, 2023.

Empreendimentos Pague Menos S.A. (“Company” or “Pague Menos”), the main Health Hub of the Brazilian middle class, present in every state in Brazil and more than 380 municipalities, announces its results for the 1st quarter of 2023.

HIGHLIGHTS **1Q23**

SALES GROWTH
Gross revenue expansion of 9.7% in Pague Menos standalone

SAME STORE SALES
SSS of 7.2% for Pague Menos and 6.5% for Extrafarma (ex-Covid tests)

OMNICHANNEL SALES
Growth of 66.0%, reaching 12.5% of Pague Menos sales and 5.0% for Extrafarma

CUSTOMER BASE
Consolidated active base of 19.9 million customers, 28.4% increase

MARKET SHARE
Organic growth above the market in all regions except North

PRODUCTIVITY
Growth in average sales per employee of 10.2% in Pague Menos standalone

EXTRAFARMA SYNERGIES
Actions already executed resulted in BRL 12.2 million in 1Q23 (BRL 48.6 million on an annualized basis)

ADJUSTED EBITDA
Consolidated growth of 3.8% and reduction of 5.9% in Pague Menos standalone

DISCLOSURE CRITERIA

On August 1, 2022, the acquisition process of Imifarma Produtos Farmacêuticos e Cosméticos S.A. (Extrafarma) with Ultrapar Participações S.A. (Ultrapar) was completed. With the completion of the precedent conditions and incorporation of the equity balances, Extrafarma was consolidated and became part of the consolidated financial statements of Empreendimentos Pague Menos S.A. (The Company) that same month.

In order to facilitate the analysis of the results, we will present the segregated operational data of Pague Menos and Extrafarma in this release, while the financial information is presented as Pague Menos "standalone" (ex-Extrafarma) and Consolidated (Pague Menos plus Extrafarma).

Since 2019, our financial statements have been prepared in accordance with IFRS 16, which changed the criteria for recognition of rental contracts. To demonstrate the effects of implementing this standard and facilitate comparability between periods, we present on page 18 of this release the Income Statement for the Year excluding the effects of IFRS 16.

FINANCIAL HIGHLIGHTS PAGUE MENOS STANDALONE

in BRL million and % of Gross Revenue	1Q22	1Q23	Δ
Gross Revenue	**2,111.5**	**2,315.9**	**9.7%**
Gross profit	**625.2**	**669.4**	**7.1%**
% Gross Margin	*29.6%*	*28.9%*	*(0.7 p.p.)*
Contribution Margin	**227.1**	**218.7**	**(3.7%)**
Contribution Margin %	*10.8%*	*9.4%*	*(1.4 p.p.)*
Adjusted EBITDA	**162.4**	**152.8**	**(5.9%)**
Adjusted EBITDA Margin %	*7.7%*	*6.6%*	*(1.1 p.p.)*
Adjusted Net Profit	**24.4**	**(43.2)**	**-**
Adjusted Net Margin %	*1.2%*	*(1.9%)*	*(3.1 p.p)*

CONSOLIDATED FINANCIAL HIGHLIGHTS

in BRL million and % of Gross Revenue	1Q22	1Q23	Δ
Gross Revenue	**2,111.5**	**2,813.2**	**33.2%**
Gross profit	**625.2**	**817.5**	**30.8%**
% Gross Margin	*29.6%*	*29.1%*	*(0.5 p.p.)*
Contribution Margin	**227.1**	**256.5**	**13.0%**
Contribution Margin %	*10.8%*	*9.1%*	*(1.7 p.p.)*
Adjusted EBITDA	**162.4**	**168.5**	**3.8%**
Adjusted EBITDA Margin %	*7.7%*	*6.0%*	*(1.7 p.p.)*
Adjusted Net Profit	**24.4**	**(55.3)**	**-**
Adjusted Net Margin %	*1.2%*	*(2.0%)*	*(3.2 p.p.)*

OPERATIONAL HIGHLIGHTS

Operation / Indicator	PagueMenos 1Q22	PagueMenos 1Q23	PagueMenos Δ	extrafarma 1Q23
Stores (units)	1,169	1,271	8.7%	376
Average Sale/store/month (BRL thousand)	603	608	0.8%	441
Average Ticket (BRL)	72.75	78.49	7.9%	69.16
Employees (quantity)	20,055	19,673	(1.9%)	5,700
Employees/store (quantity)	17.2	15.5	(9.8%)	15.2
Avg. Sale/Employee/Month (BRL thousand)	35.2	38.7	10.2%	29.6
Omnichannel Share (% revenue)	9.0%	12.5%	*3.5 p.p.*	5.0%
Private Labels (% revenue)	6.4%	6.7%	*0.3 p.p.*	4.5%
Pharmaceutical Clinics (units)	893	991	11.0%	68

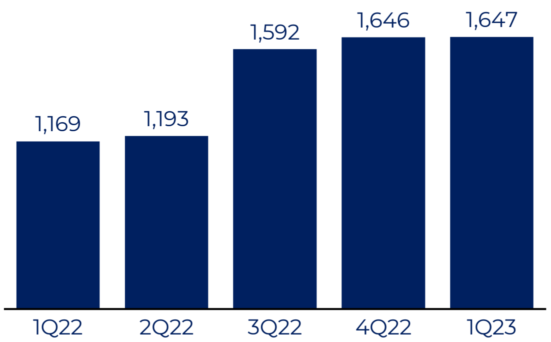
STORE PORTFOLIO

We closed 1Q23 with 1,647 stores, 4 of which opened and 3 closed in the quarter. As planned, we will concentrate the company's capital allocation in the first half of the year on inventory building, principally for the stocking of Extrafarma stores.

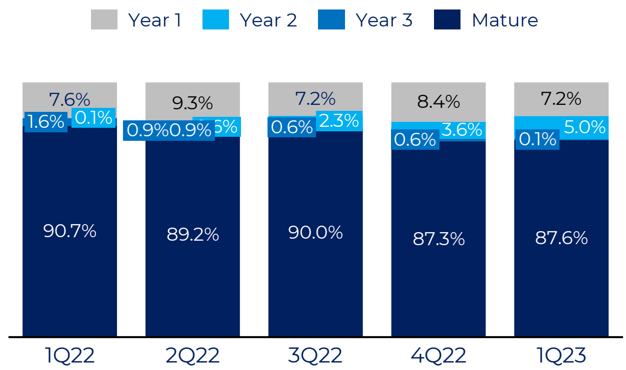
The maturation of the new stores has advanced in a very promising way. The 2022 openings have achieved higher than planned sales performance, with monthly average sales above the new 2021 stores. In addition, they have shown good profitability performance, signaling a potential for 4-wall margins, when mature, above the current portfolio.

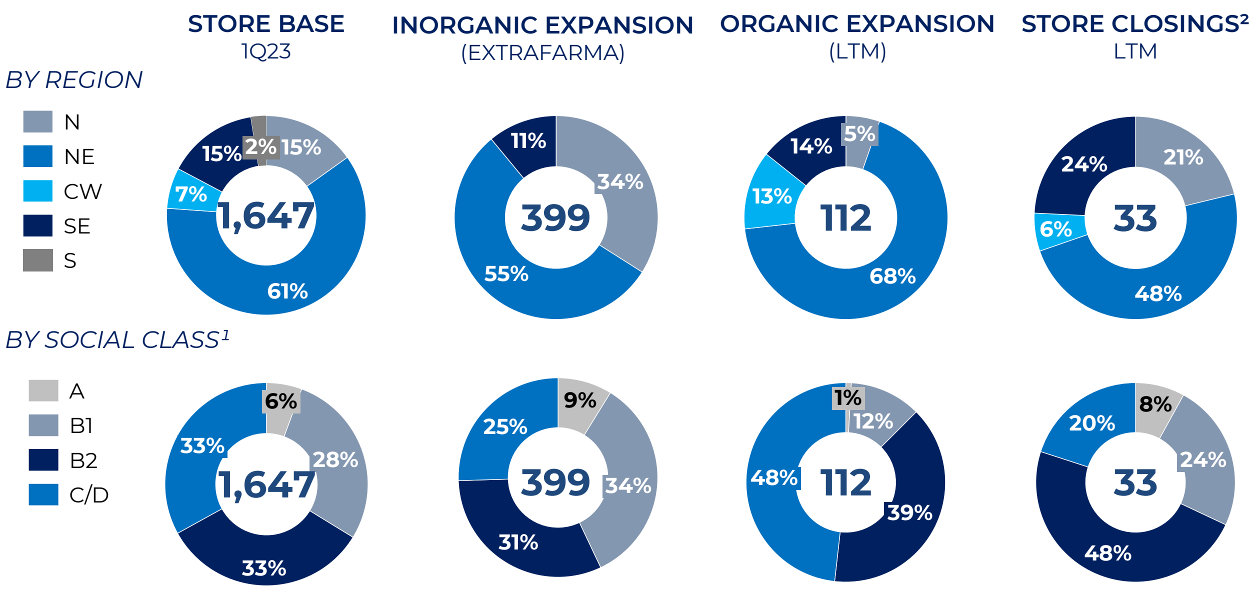
At the end of 1Q23, we converted 11 Extrafarma stores to the Pague Menos brand. The initial performance of these converted stores has been very promising, with growth in average sales twice as high as that observed in the control group. These stores will continue to be considered as part of the Extrafarma portfolio, for the purpose of monitoring integration indicators and capturing synergies.

EVOLUTION OF STORE BASE



AGE PROFILE OF STORES





[1] Predominant social class in the vicinity of each store (isochronous for 5 minutes travelling by car). Segmentation follows the IBGE criteria, where Class A comprises households with an average monthly family income above BRL 16.6 thousand, B1 above BRL 7.9 thousand, B2 above BRL 4.2 thousand and C and D below BRL 4.2 thousand

[2] Includes the divestment of 8 stores as part of the pre conditions defined by CADE regarding the acquisition of Extrafarma.

For the year 2023, we reduced the initial projection of 60 new stores to 20 openings, due to high interest rates scenario and capital allocation beyond what was planned in inventories at Extrafarma. Considering the organic and inorganic expansion carried out in 2021 and 2022 and the new projection for 2023, we will add 617 stores to the portfolio, representing growth of 56% over the 2020 store base (1,105 stores) and 59% higher than the growth planned at the time of the IPO of the company for the three-year period (388 stores). Therefore, we continue with a healthy pace of growth and good prospects for creating value for shareholders.

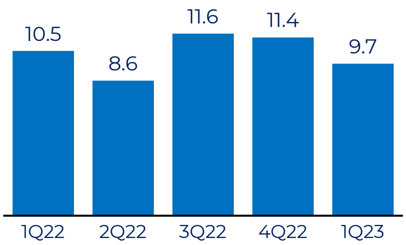
SALES PERFORMANCE

The dynamics of sales growth in 1Q23 was directly impacted by the strong base of comparison of the previous year, when there was the peak demand for Covid-19 tests throughout the pandemic, concentrated in January 2022, with the advancement of the omicron variant and influenza outbreak at that time.

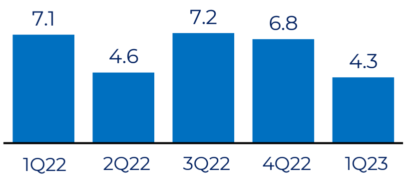
For Pague Menos, we recorded same stores growth of 4.3% in the quarter and 7.2% ex covid tests, with strong acceleration between months, being 2.1% negative in January and 16.0% positive in March. Total sales grew 9.7%, with a contribution of 3.6% from mature stores, 6.7% from maturing stores and 0.6% negative from stores closed in the period.

For Extrafarma, total sales decreased by 4.6% in the period, mainly due to the closing of the wholesale operation (5.5%) and the reduction in the store base due to closings and CADE's imposed remedies (3.8%). Same-store growth was 4.7% in the quarter and 6.5%, excluding covid tests. In Extrafarma, 1Q23 was also impacted by system migrations and changes in the logistics network caused by integration. It is important to note that the process of logistics and technological integration of Extrafarma stores and CDs was completed in 1Q23, so that from 2Q23 onwards the operation and pace of growth will be normalized.

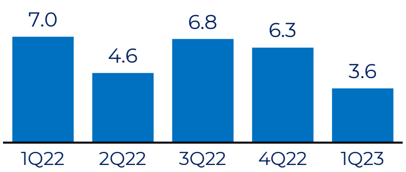
TOTAL INCREASE (%)



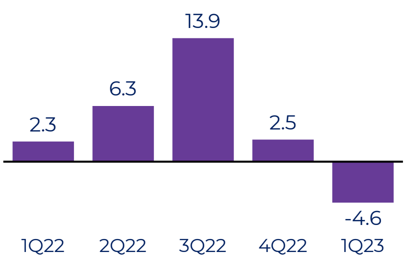
SAME STORES (%)



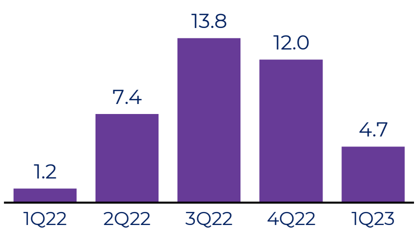
MATURE STORES (%)



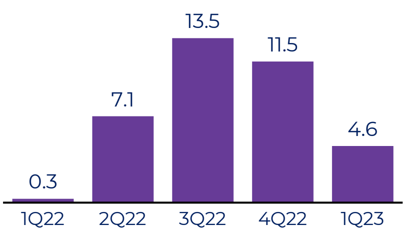
TOTAL INCREASE (%)



SAME STORES (%)



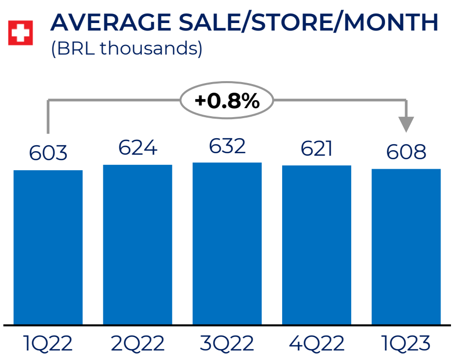
MATURE STORES (%)

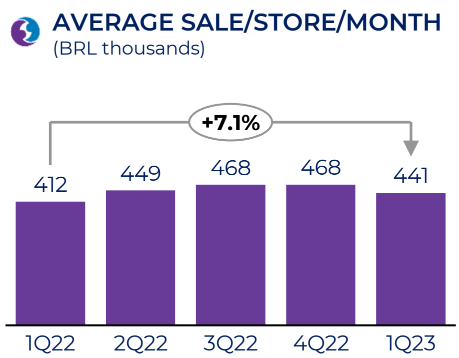


We continue to observe a discrepancy in the pace of growth between regions. For the Pague Menos brand, we registered growth in the same stores, excluding the effect of covid-19 tests, of 16.3% in the South/Southeast, and of 5.1% in the North/Northeast.

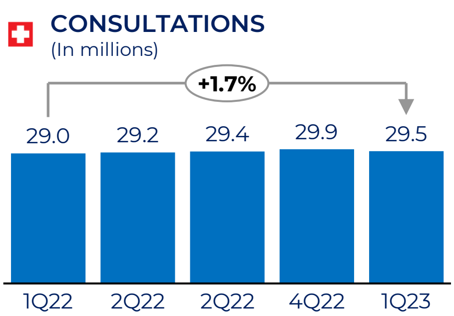
The average monthly sale per store in the Pague Menos portfolio was BRL 608 thousand in 1Q23, BRL 651 thousand when considering only mature stores, representing growth of 3.4% compared to the same period of the previous year. Compared to 4Q22, the average monthly sales of mature stores decreased by 2.2%, due to the "calendar effect" (fewer business days).

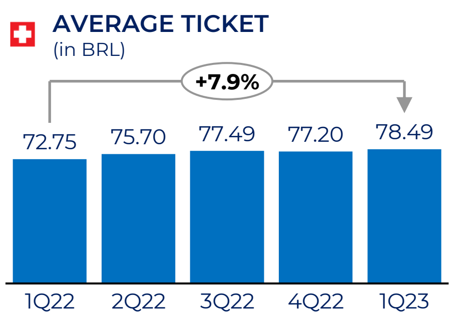
For Extrafarma, the average monthly sales per store was BRL 441 in 1Q23, growing 7.1% compared to the same period of the previous year. As mentioned above, system migrations and store Inventories impacted 1Q23 sales performance. In March, when these effects were practically complete, the average sale per store was BRL 495 thousand, an increase of 18.0% compared to the same period of the previous year.

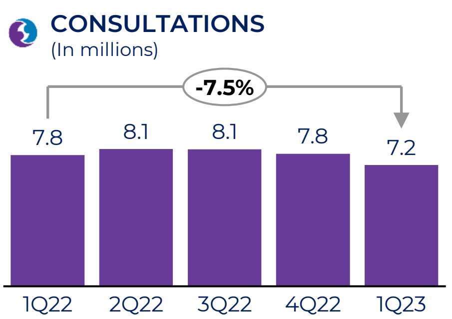


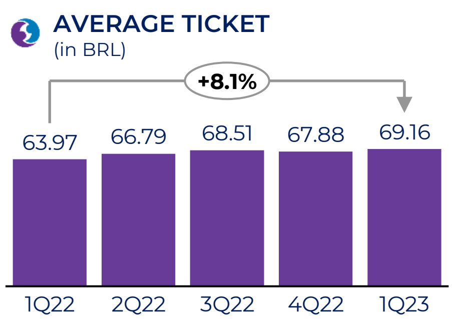


The 9.7% growth in sales in Pague Menos is traceable to an increase of 1.7% in the volume of services and 7.9% in the average ticket. The growth dynamics in volume of consultations illustrate well the impact of how the basis of comparison was distorted due to the influenza outbreak and advancement of the Omicron variant, which generated strong in-store customer traffic in January 2022. Considering only the months of February and March, with a more "normalized" base, the volume growth was 10.4%, 6.7% due to the growth in the store base and 4.0% in the "same stores" concept. The 7.9% growth in the average ticket, in turn, reflects the positive impact of weighted product inflation of 8.9% partially offset by a reduction in the customer basket and mix effect.









For Extrafarma, we observed similar behavior in the average ticket, which grew 8.1% in the quarter, while the volume of consultations decreased 7.5% compared to the previous period, mainly due to the reduction in the store base in the period and the negative impacts of migration in the system of store inventory supply.

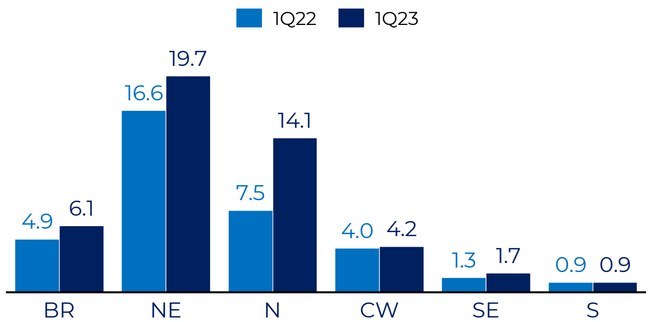
In 1Q23, we presented superlative numbers in the acquisition of new customers, boosted by the growth of digital channels and CRM and marketing actions. At the end of 1Q23, the Pague Menos brand had 17.5 million active customers, an increase of 9.8% compared to the same period of the previous year. Considering both brands, the Company reached the mark of 19.9 million active customers.

MARKET **SHARE**

We recorded gains in market share in 1Q23 in all regions of the country. Our organic growth, not considering the acquisition of Extrafarma, exceeded the market average by 2.5 p.p., with an increase in market share in all regions, except the North. We ended the quarter with a market share of 6.1% nationally, an increase of 1.2 p.p. compared to 1Q22.

The market share dynamic in the quarter was the most positive since 3Q21 and is the result of a more favorable competitive scenario, especially in relation to smaller players. While the contribution of new stores in our growth rate is increasing, with the maturation of new stores opened in recent years, the number of store openings by competitors has decreased and the number of competitor store closings has increased.

MARKET SHARE BY REGION



Source: IQVIA

CATEGORY AND SUPPLY MANAGEMENT

We continue to improve category assortment and management, with consistent growth in share for focus categories such as generics, private labels, and hygiene, nutrition and beauty items.

For the Pague Menos brand – standalone, generic drugs reached a record level of 10.9% of sales in 1Q23, growing 25.9% compared to the same period in the previous year, a growth of more than double the market average. The category of hygiene, nutrition and beauty reached 26.7% of sales, growing by 27.8% When compared to the same period of the previous year, with emphasis on the subcategories of children's world and dermocosmetics, which grew 41% and 26% respectively compared to the same period of the previous year, leveraged by actions in e-commerce.

Private label items grew by 14.5% in 1Q23, reaching 6.7% of total sales, an increase of 0.3 p.p. compared to the same period of the previous year.

The stock out rate for Pague Menos stores improved When compared to the previous period (4Q22), despite remaining at a high level when compared to 1Q22. For Extrafarma, we continue to increase the availability of products, with the rebalancing of inventories and relevant reduction in the stock out rate. At the end of 1Q23, the gap between the stock out rates of the two brands was 19.9%, well below pre-acquisition levels, when Extrafarma operated with a rate twice as high as that of Pague Menos.

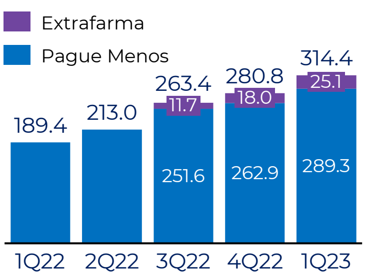
Operation / Indicator	1Q22	4Q22	1Q23	YoY	△QoQ	1Q23	△ vs PM
SALES MIX							
Branded Drugs	41.0%	40.1%	**40.0%**	*(1.0 p.p.)*	*(0.1 p.p.)*	**36.0%**	*(4.1 p.p.)*
Generic Medications	9.5%	10.7%	**10.9%**	*1.4 p.p.*	*0.2 p.p.*	**12.7%**	*1.8 p.p.*
Hygiene, Nutrition and Beauty	22.9%	26.1%	**26.7%**	*3.8 p.p.*	*0.6 p.p.*	**29.0%**	*2.3p.p.*
Over the Counter (OTC)	23.1%	22.4%	**21.9%**	*(1.2 p.p.)*	*(0.6 p.p.)*	**22.2%**	*0.4 p.p.*
Services	3.4%	0.6%	**0.4%**	*(3.0 p.p.)*	*(0.2 p.p.)*	**0.1%**	*(0.3 p.p.)*
PRIVATE LABELS							
Total Sales (BRL million)	134.7	164.6	**154.2**	*14.5%*	*-6.3%*	**22.6**	*-85.4%*
Total Sales Share (% of Gross Revenue)	6.4%	7.1%	**6.7%**	*0.3 p.p.*	*(0.5 p.p.)*	**4.5%**	*(2.1 p.p.)*
Self-Service Participation (% of Gross Revenue)	13.9%	14.7%	**13.7%**	*(0.2 p.p.)*	*(1.0 p.p.)*	**8.9%**	*(4.8 p.p.)*
SUPPLY CHAIN							
Average SKUs/store (#thousands)	9.8	10.4	**10.6**	*8.0%*	*1.7%*	**10.5**	*(0.9%)*
Stock Out (4Q21 = base 100)	100	130	**128**	*28.1%*	*(1.1%)*	**154**	*19.9%*
Availability (4Q21 = base 100)	100	106	**107**	*6.8%*	*0.6%*	**104**	*(2.4%)*

OMNICHANNEL PLATFORM

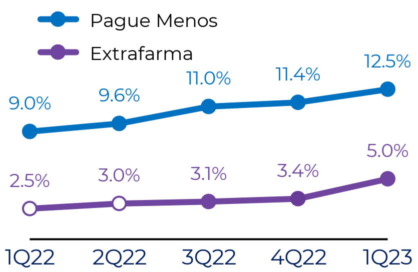
We significantly accelerated our growth in digital channels in 1Q23, following the successful activation of new customers, sponsorship campaigns and integration with Extrafarma, which significantly expands the service capillarity of our omnichannel platform.

In 1Q23, digital channels recorded growth of 66.0%, totaling revenue of BRL 314.4 million, with a 12.5% share in Pague Menos sales (+3.5 p.p. vs. 1Q22) and 5.0% in Extrafarma (+1.6 p.p. vs. 4Q22). The outstanding channel in the quarter was e-commerce, reaching 58% of digital sales in the period, and growing 95% when compared to 1Q22 (considering the Pague Menos site/app only). The good performance was the result of a significant increase in organic traffic, generated by commercial actions carried out on Big Brother Brazil and the acceleration of the social commerce channel.

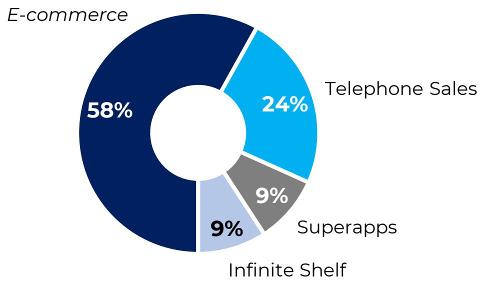
OMNICHANNEL SALES
(BRL million)



OMNICHANNEL SALES
(% of retail revenue)



SALES BY CHANNEL
(% of digital sales 1Q23)



As a result of the strong pace of growth, we expanded our market share of sales among digital pharma channels closing 1Q23 with 12.1% market share. According to IQVIA measurements, the Pague Menos growth rate reached 67% in the quarter, almost double the market average of 36%.

The increased share of e-commerce puts pressure on gross margins, due to the promotional nature of the channel, more dependent on large commercial actions, and its mix of categories. However, the channel has proven to be an efficient lever to increase the customer base, especially in the South and Southeast regions. Given that the retention rate of new customers historically fluctuates at aproximately 60% and that digitized customers in general have a high rate of omnichannel usage, that is, they consume in more than one channel, we consider the growth of e-commerce to be strategic in order to enhance the lifetime value of customers while increasing the active customer base and brand relevance.

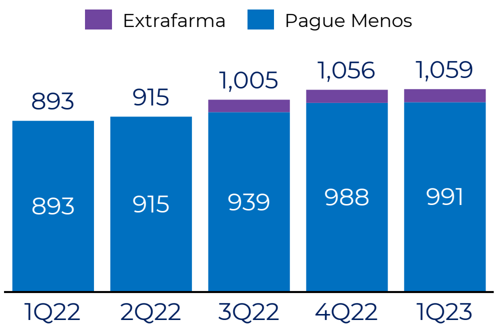
The digital channel participation gap between Pague Menos and Extrafarma was reduced in the quarter, in line with integration planning. The Click and Collect functionality was 100% integrated between the brands in the quarter, so that orders placed on the Pague Menos site/app can already be picked up in Extrafarma stores, and vice versa. In addition, we launched the new Extrafarma website, enabling a convergent user experience for both brands. Within a few weeks after launch, we have already seen a significant increase in order conversion.

HEALTH HUB

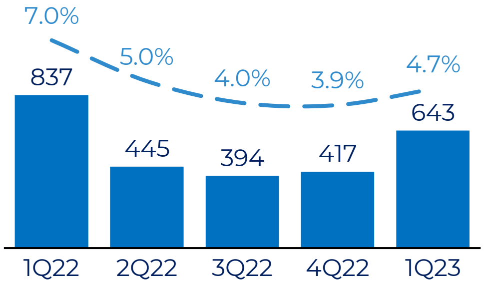
We finished 1Q23 with 1,059 Clinic Farma units, 991 Pague Menos and 68 Extrafarma, which is consolidated as one of the basic health services in Brazil with the greatest capillarity. With the control of the Covid-19 pandemic, Clinic Farma gradually returns to its original purpose of being an important complement to our core business, ceasing to contribute directly to revenue as a business unit and becoming an important lever for loyalty and na increase in average customer spending.

In the quarter, more than 643 thousand visits were made at Clinic Farma, a significant 54% increase compared to 4Q22. The increase is related to the inclusion of low complexity services (blood pressure measurement, blood glucose test, bioimpedance and application of injectables) as benefits for “gold” customers of the *Sempre Bem* (Always Well) loyalty program. Thus, the increase in the volume of services does not generate direct growth in service revenues, but contributes to strengthen our business model. It is important to highlight that, in 1Q23, the average spending of customers who moved through Clinic Farma was approximately 4 times higher than that of other customers, and the conversion rate, measured by the percentage that customers who consumed products on the same day they made came in for visits, reached 80%.

PHARMACEUTICAL CLINICS

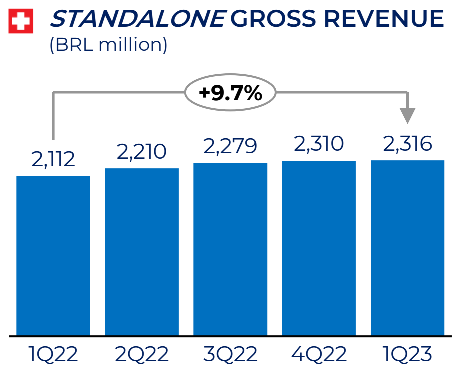


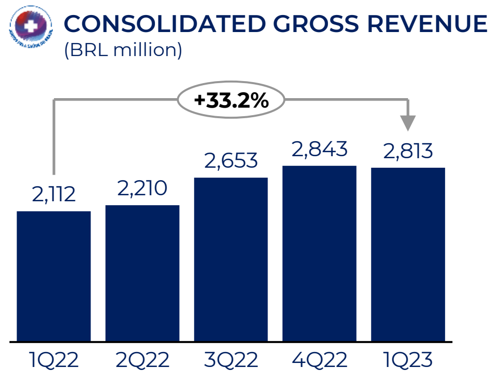
ADHESION TO HEALTH SERVICES
(in thousands of visits
and % of total customers)



GROSS **REVENUE**

Consolidated gross revenue reached R$2.8 billion in 1Q23. For Pague Menos standalone, revenue was R$2.3 billion, an increase of 9.7% compared to 1Q22.



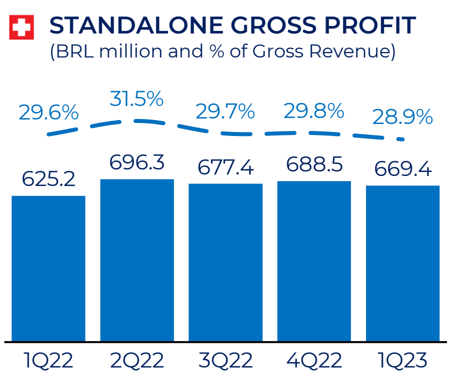


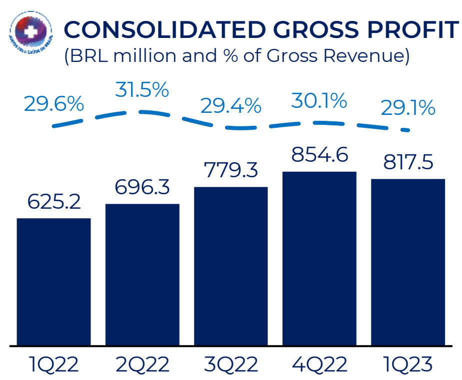
GROSS **PROFIT**

Consolidated gross income totaled BRL 817.5 million in 1Q23. Consolidated gross margin was 29.1%, down 0.5 p.p. year-over-year. In the quarter, we observed distinct margin dynamics in the two brands, with pressure on Pague Menos and improvement for Extrafarma.

The gross margin of Pague Menos standalone was 28.9% in 1Q23, a reduction of 0.7 p.p. compared to 1Q22, the main effects were: 1) a reduction of 0.8 p.p. caused by the reduction in the sale of products and services related to the pandemic, 2) a reduction of 0.4 p.p. caused by the increased participation of digital channels, 3) a growth of 0.2 p.p. due to the increase in the share of generic categories and private labels, and 4) the positive impact of a 0.4 p.p. APV – Adjusted Present Value.

Compared to 4Q22, the gross margin for 1Q23 decreased 0.9 p.p., the main effects were: 1) an increase in the rate of inventory losses of 0.4 p.p. as a result of the concentration of physical inventories in all distribution centers in the period, 2) reduction of 0.3 p.p. due to product mix, and 3) reduction of 0.1 p.p. due to the growth of the participation of the digital channels.





Extrafarma reached a gross margin of 29.8%, up 0.3 p.p. compared to 1Q22. Compared to 4Q22, there was a decrease of 0.7 p.p., the main effects were: 1) reduction of 0.4 p.p. caused by the increase in the participation of the partnerships and agreements *(Convênios)* channel, 2) reduction of 0.3 p.p. due to the growth in participation of the digital channel, 3) increase in the inventory loss rate of 0.3 p.p. due to the seasonal effect of the concentration of physical inventories in distribution centers in the period; and 4) positive effect of the capture of synergies of 0.4 p.p.

The positive signs of margin growth at Extrafarma reinforce our conviction that the brand should stabilize at a level of gross profitability above that of Pague Menos, mainly due to its geographical exposure in regions with better margins.

SELLING EXPENSES

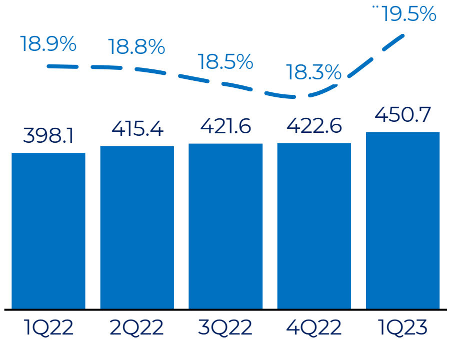
Consolidated selling expenses in the totaled BRL 560.9 million in 1Q23, reflecting the growth in the store base in the period (41.3%) and accumulated inflation. As a percentage of revenue, selling expenses reached 19.9%, an increase of 1.0 p.p. compared to the previous year.

For Pague Menos standalone, selling expenses totaled BRL 450.7 million for the quarter, 13.2% increase compared to 1Q22. As a percentage of revenue, they reached 19.5%, an increase of 0.6 p.p. compared to 1Q22. The growth The growth is mainly related to i) concentration of marketing expenses in 1Q23 due to campaigns carried out in Big Brother Brasil, the main sponsorship event in the current year, contributing with 0.3p.p. compared to 1Q22, which will be compensated over the next quarters; ii) a significant increase in the base of stores in maturation, and iii) partially offset by the significant improvement in store productivity, with an increase in average expenses per store of only 4.3%, below the accumulated inflation in the period.

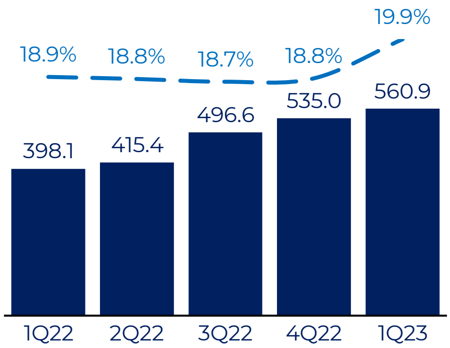
Compared to 4Q22, the growth in selling expenses was 1.2pp. caused by i) calendar effect of 0.2p.p. with fewer working days of sales; ii) higher investments in marketing; iii) opening of 65 stores in 4Q22 and 1Q23; iv) wage readjustments in relevant locations, especially in Fortaleza, where a significant part of the store portfolio and the Company's main distribution center are concentrated; and v) positive effects with improved productivity and reduced expenses with in-store services.

For Extrafarma, selling expenses were 22.2% of revenue, impacted by sales performance pressured by the logistics and technology integration mentioned above. In March, sales expenses represented 19.3% of revenue, a level that should decrease in the coming quarters with the progressive capture of sales synergies and expense optimization.

STANDALONE SELLING EXPENSES
(BRL million and % of Gross Revenue)



CONSOLIDATED SELLING EXPENSES
(BRL million and % of Gross Revenue)

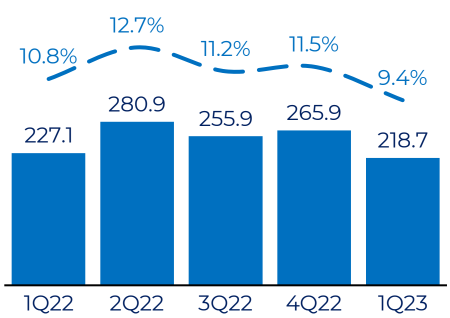


CONTRIBUTION MARGIN

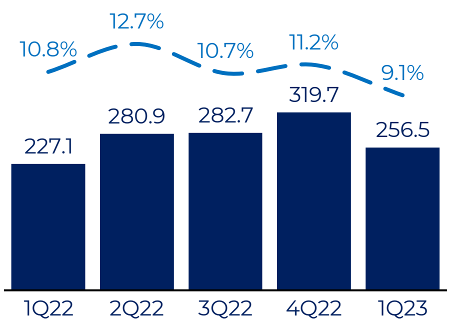
The consolidated contribution margin was 9.1% in the period, down 1.7 p.p. compared to 1Q22 due to pressures on gross margins and selling expenses. For Pague Menos, this margin was 9.4%, while in Extrafarma it was 7.6%.

Aside from seasonality, we consider that the level of operational profitability was impacted by other non-recurring events in the quarter, such as the technological and logistical integration with Extrafarma, mismatch of marketing expenses and the strong growth of digital channels, which should slow down in the coming quarters. As a result, in 2Q23 the operation is expected to return to profitability levels more aligned with our recent track-record.

STANDALONE CONTRIBUTION MARGIN
(BRL million and % of Gross Revenue)



CONSOLIDATED CONTRIBUTION MARGIN
(BRL million and % of Gross Revenue)

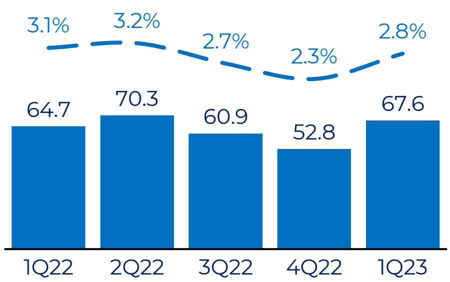


GENERAL AND ADMINISTRATIVE (G&A) EXPENSES

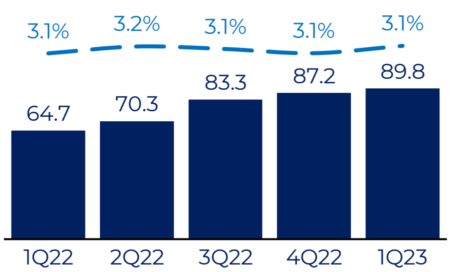
Consolidated general and administrative expenses (G&A) totaled BRL 88.0 million in 1Q23, equivalent to 3.1% of gross revenue, stable when compared to 1Q22. In 1Q23, we recognized a volume of BRL 6.2 million in G&A synergies within the scope of the integration with Extrafarma, related to the integration of Extrafarma's corporate structure, Restructuring of teams and renegotiation of some contracts with suppliers of indirect expenses.

For Pague Menos standalone, G&A expenses totaled BRL 65.8 million in the quarter, equivalent to 2.8% of gross revenue, a reduction of 0.3p.p. compared to 1Q22. The efficiency gain reflects efforts in controlling expenses, intensified since the second half of 2022, partially offset by increasing spending on technological infrastructure, supporting the strong digitalization of our business. Compared to 4Q22, growth of 0.5p.p. is related to the annual wages adjustment in the headquarters, increases with IT expenses and the calendar effect, with fewer working days in the quarter.

STANDALONE G&A EXPENSES
(BRL million and % of Gross Revenue)



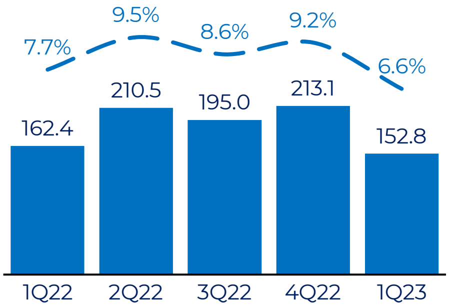
CONSOLIDATED G&A EXPENSES
(BRL million and % of Gross Revenue)



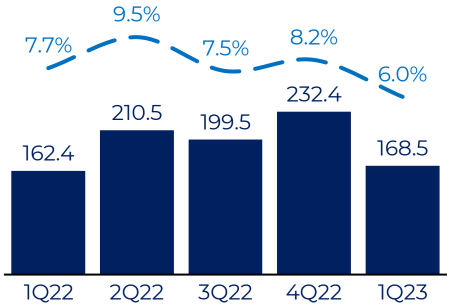
ADJUSTED **EBITDA**

Consolidated adjusted EBITDA in 1Q23 totaled BRL 168.5 million. Adjusted EBITDA margin reached 6.0%, down 1.7 p.p. compared to 1Q22. Excluding the effects of the Extrafarma integration, the standalone adjusted EBITDA margin was 6.6%, down 1.1 p.p. compared to 1Q22.

STANDALONE ADJUSTED EBITDA
(BRL million and % of Gross Revenue)



CONSOLIDATED ADJUSTED EBITDA
(BRL million and % of Gross Revenue)



EXTRAFARMA INTEGRATION AND CAPTURE OF SYNERGIES

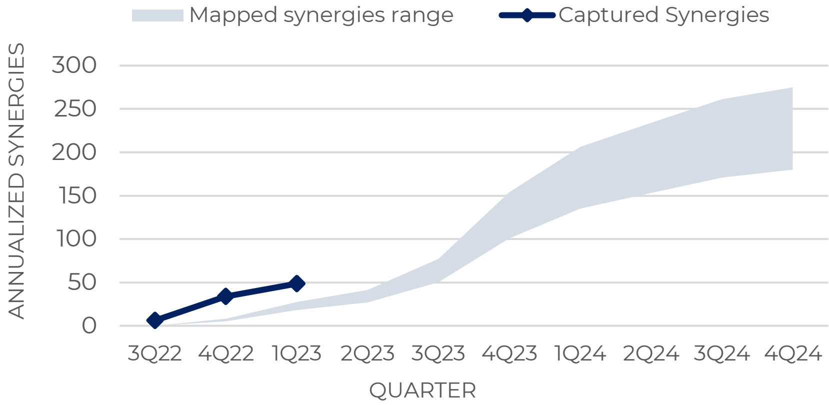
The integration process with Extrafarma has evolved ahead of projections, with the capture of synergies and operational results of the brand surprising positively.

In 1Q23, we concluded the most critical and complex phase of the integration plan, which involved the migration of systems (takeovers), the redesign of the logistics network for supplying stores and the reorganization of corporate organizational structures. As with any M&A process, the most acute phase of technological transition generates one-off impacts on the operational performance of the business. Considering supply interruptions, learning curves and adaptation of teams and inventory replacement algorithms, we estimate a negative impact on EBITDA for the quarter of BRL 6.4 million caused by integration.

Despite this, Extrafarma's adjusted EBITDA continued to improve, totaling BRL 15.7 million in 1Q23, with a margin of 3.2% of revenue, up 0.2p.p. compared to 4Q22. In the quarter, we recorded a volume of R$ 19.2 million in synergies, partially offset by dyssynergies of BRL 7.1 million, which tend to be substantially reduced from 2Q23 onwards with the post-takeover operational stabilization.

It is also important to highlight that, in March, Extrafarma presented first-time positive EBITDA ex-IFRS16, thus reaching its operational breakeven point.

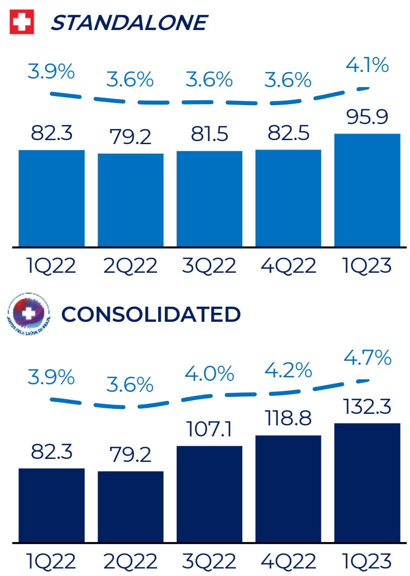
SYNERGY CAPTURE CURVE
(BRL million)



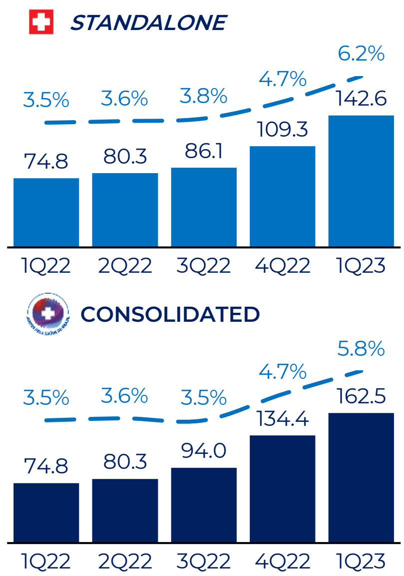
DEPRECIATION, FINANCIAL RESULTS AND INCOME TAX / SOCIAL CONTRIBUTION

Depreciation and amortization totaled BRL 132.3 million in 1Q23, an increase of 60.7% compared to the same period of the previous year (16.5% for Pague Menos standalone), following the growth in the store base due to the acquisition of Extrafarma and the acceleration of investments made throughout 2022. As a percentage of revenue, this expense group reached 4.7% in 1Q23 (4.1% in Pague Menos standalone), pressuring the net margin by 0.8 p.p. in the period (0.2 p.p. in Pague Menos standalone).

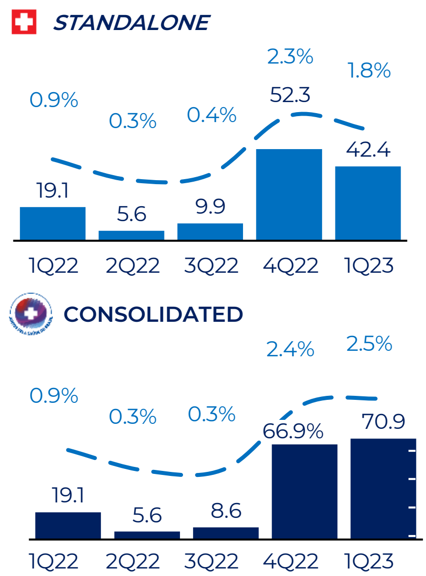
DEPRECIATION AND AMORTIZATION
(BRL million and % of Gross Revenue)



FINANCIAL RESULT
(BRL million and % of Gross Revenue)



INCOME TAX
(BRL million and % of Gross Revenue)



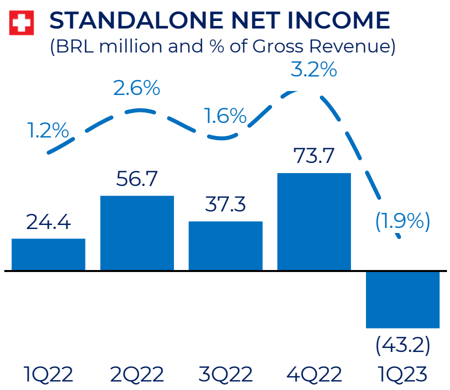
Financial results reached BRL 162.5 million in 1Q23, equivalent to 5.8% of consolidated gross revenue. In relation to the previous year, there was important growth of R$ 87.7 million, due to the increase in financial leverage and the basic interest rate in the period, higher volume of expenses with anticipation of receivables to finance investments in inventories, adjustment to present value of assets and liabilities and increases in recognition of lease interest, in line with the growth of the store base in the period. Starting in 2Q23, we project the beginning of the financial deleveraging cycle, with a significant reduction in the average days of inventory, a decrease in the volume of anticipations of receivables and the beginning of the process of reducing gross debt.

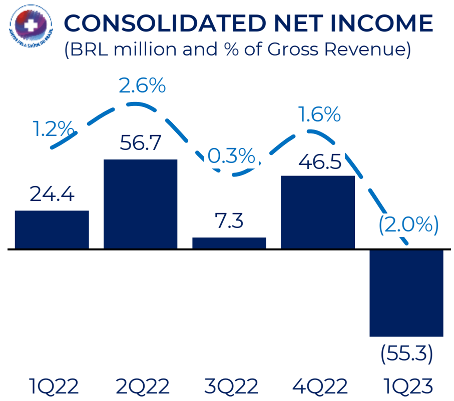
In 1Q23, we recorded a deferred income tax of BRL 70.9 million, due to the Reduction of taxable income recorded by Pague Menos in the period and the eginning of recognition of deferred taxes for Extrafarma, due to the improvement in the Company's future income prospects.

ADJUSTED NET **INCOME**

In 1Q23, we recorded an adjusted negative net result of BRL 55.3 million, with a negative net margin of 2.0%, which represents a decrease of 3.2 p.p. When compared to 1Q22.

As previously mentioned, we consider the operating result for the quarter as atypical due to events concentrated in the weakest seasonal period of the year, that tend to be compensated in coming quarters. Starting in 2Q23 we expect a normalization of the cash cycle, with important reductions in inventories and the beginning of a Cycle of financial deleveraging, which should continue to reduce the pressure of financial expenses on earnings.





ADJUSTED INCOME **RECONCILIATION**

For a better understanding and comparability with previous periods, the results for 4Q22 were adjusted in order to purge non-recurring events related to the acquisition of Extrafarma. We present below the details of the adjustments made, as well as their respective impacts on earnings. The complete reconciliation of the accounting and adjusted result is presented in Annex 1 of this release.

Description of Adjustment	Net effect on standalone result		Net effect on consolidated result	
	1Q22	1Q23	1Q22	1Q23
Net Accounting Income	**23.4**	**(62.8)**	**23.4**	**(62.8)**
Non-recurring expenses related to closing of the transaction	1.4	1.8	1.4	2.9
Organizational restructuring	-	-	-	1.6
Provisions for interest on installments payable for the transaction	-	12.4	-	12.4
Revenue from the sale owned fleet of vehicles	-	-	-	(5.6)
Exclusion of Extrafarma equity method from standalone result	-	10.2	-	-
Effect on IRPJ and CSLL taxes of adjustments	(0.5)	(4.8)	(0.5)	(3.9)
Total - Effect on Net Income	**0.9**	**19.6**	**0.9**	**7.5**
Adjusted Net Income	**24.4**	**(43.2)**	**24.4**	**(55.3)**

CASH CYCLE

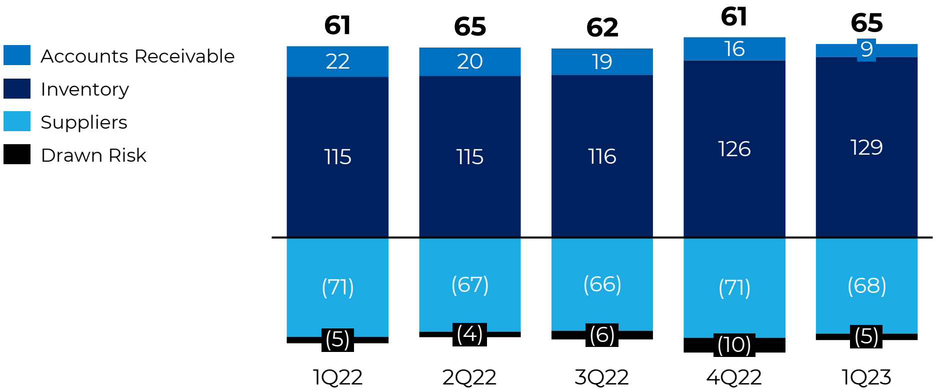
In 1Q23, the Company's operating cash cycle stood at 65 days, an increase of 4 days when compared to both 1Q22 and 4Q22. The level of inventories reached 129 days, as a result of the logistics integration process with Extrafarma. During the past few quarters, approximately 340 stores in 10 different states have undergone supply network changes, which have led to "temporary doubling" of guaranteed inventories among the DCs involved. In addition, the logistics transition process occasionally affects inventory turnover, which tends to normalize in subsequent months.

Considering that the logistics integration process was completed in March, the expectation is that starting in the second quarter there will be a relevant normalization in the level of inventories, contributing to the deleveraging of the cash cycle. It is important to note that the temporary pressure on working capital in 4Q22 and 1Q23 had been foreseen in the integration schedule.

Another important movement in 1Q23 was the significant reduction in the share of drawn risk operations by suppliers, a reduction from 10 days of participation in 4Q22 to 5 days in 1Q23.

The increase of 2 days in the inventories and the reduction of 8 days in the PMP/ Drawn Risk operations was financed with the reduction of 7 days in the PMR, through anticipation of receivables. As mentioned above, we project a reduction in the SME staring in 2Q23 and the consequent partial recomposition of the receivables balance.

CONSOLIDATED CASH CYCLE [6]
(in days of COGS and days of Gross Revenue)

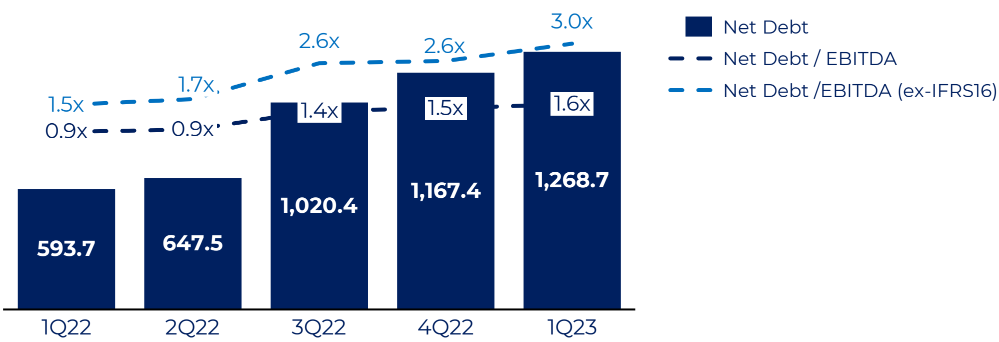


DEBT

Consolidated net debt totaled BRL 1,268.7 million at the end of 1Q23, equivalent to 1.6x the adjusted EBITDA of the last 12 months (3.0x when the effects of IFRS 16 are disregarded). Within the context of the integration with Extrafarma, the increase in leverage in the period was already planned and should be gradually reduced starting in 2Q23.

Over the coming quarters, multiple levers will be worked to contribute to the generation of cash and consequent reduction in the debt ratio, here we highlight: i) normalization of the operating cash cycle; ii) capture of Extrafarma synergies; iii) monetization of tax credits; and iv) reduction in capex investments.

CONSOLIDATED NET DEBT [7]
(in BRL million and multiple of EBITDA)



[6] The calculation of the Average Term of Inventories and the Average Term of Payment of Suppliers disregards the effects of Adjustment to Current Value, commercial agreements and recoverable taxes.

[7] Forfait operations, shown in Note 15 to the Financial Statements, are being considered as suppliers and disregarded from the debt calculations, for the purposes of this release

CASH FLOW

In 1Q23, we recorded negative free cash flow of BRL 17.2 million, due to the reduction in operating cash generation and maintenance of the high level of inventories. As of 2Q23, with the normalization of the operating cash cycle, we project a progressive growth in cash generation and, consequently, financial deleveraging.

Cash Flow Management (BRL milhões)	1Q22	1Q23
Consolidated EBITDA	**161.0**	**169.3**
(-) Lease Payments (IFRS 16)	(79.0)	(113.9)
(Δ) Accounts receivable	14.5	220.6
(Δ) Inventory	(11.0)	(15.0)
(Δ) Suppliers	(26.3)	0.8
(Δ) Drawn Risk Operations	(26.5)	(130.9)
(Δ) Recoverable Taxes	(15.3)	(44.0)
(+/-) Variation of other Assets and Liabilities / Non Cash	15.6	(66.2)
(=) Cash Flow from Operations	**33.0**	**20.8**
(-) Capital Investiments	(55.6)	(38.0)
(=) Cash Flow from Investments	**(55.6)**	**(38.0)**
Free Cash Flow	**(22.6)**	**(17.2)**
(+) Gross debt raised	-	123.1
(-) Payment on Gross Debt	(123.4)	(58.2)
(-) Debt Service	(16.3)	(75.1)
(-) Share Repurchases / Payment of capital	(5.4)	68.6
(+) Dividends and JCP (Interest on Capital) paid (received)	-	(79.1)
(=) Cash Flow from Financing	**(145.1)**	**(20.7)**
Opening Balance, Cash, Equivalents and Financial Investments	654.1	168.1
Closing Balance, Cash, Equivalents and Financial Investments	486.5	130.2
Variation of Cash and Equivalents	**(167.7)**	**(37.9)**

INVESTMENTS

In 1Q23, we recorded capex of BRL 38 million, mainly destined to investment needs related to stores opened at the end of the previous quarter. The volume of investments represented a reduction of 32% compared to the same period of the previous year, reflecting the prioritization of capital allocation for integration with Extrafarma, especially investments in inventories.

Capex (BRL million)	1Q22	%	1Q23	%
Expansion	22.1	40%	20.0	53%
Store Renovations	10.8	19%	6.6	17%
Technology	18.8	34%	5.4	14%
Store Infrastructure, DCs and offices	3.9	7%	6.0	16%
Total	**55.6**	**100%**	**38.0**	**100%**

APPENDIX 1: **INCOME STATEMENT**

On January 1, 2019, CPC 6-R2 (IFRS 16), which changed the accounting recognition model of lease agreements, went into effect. To preserve historical comparability, below is the reconciliation according to the previous standard (IAS 17/CPC 06).

PAGUE MENOS STANDALONE FINANCIAL STATEMENT

Income Statement (BRL million)	IAS 17			IFRS16		
	1Q22	1Q23	Δ	1Q22	1Q23	Δ
Gross Revenue	**2,111.5**	**2,315.9**	**9.7%**	**2,111.5**	**2,315.9**	**9.7%**
Deductions	(138.7)	(149.4)	7.7%	(138.7)	(149.4)	7.7%
Net Revenue	**1,972.9**	**2,166.5**	**9.8%**	**1,972.9**	**2,166.5**	**9.8%**
Cost of Goods Sold	(1,347.7)	(1,497.1)	11.1%	(1,347.7)	(1,497.1)	11.1%
Gross Profit	**625.2**	**669.4**	**7.1%**	**625.2**	**669.4**	**7.1%**
Gross Margin	*29.6%*	*28.9%*	*(0.7p.p.)*	*29.6%*	*28.9%*	*(0.7p.p.)*
Sales Expenses	(477.1)	(538.1)	12.8%	(398.1)	(450.7)	13.2%
Contribution Margin	**148.1**	**131.3**	**(11.4%)**	**227.1**	**218.7**	**(3.7%)**
Contribution Margin (%)	*7.0%*	*5.7%*	*(1.3p.p.)*	*10.8%*	*9.4%*	*(1.4p.p.)*
General and administrative expenses	(64.7)	(65.8)	1.8%	(64.7)	(65.8)	1.8%
Adjusted EBITDA	**83.4**	**65.4**	**(21.5%)**	**162.4**	**152.8**	**(5.9%)**
Adjusted EBITDA Margin	*3.9%*	*2.8%*	*(1.1p.p.)*	*7.7%*	*6.6%*	*(1.1p.p.)*
Depreciation and amortization	(28.2)	(33.9)	20.0%	(82.3)	(95.9)	16.5%
Financial Earnings	(40.5)	(103.7)	156.0%	(74.8)	(142.6)	90.7%
Earnings before Income Tax	**14.6**	**(72.2)**	**-**	**5.2**	**(85.7)**	**-**
Income Tax and Social Contribution	15.9	37.9	137.7%	19.1	42.4	122.0%
Adjusted Net Income	**30.5**	**(34.4)**	**-**	**24.4**	**(43.2)**	**-**
Adjusted Net margin	*1.4%*	*(1.5%)*	*(2.9p.p.)*	*1.2%*	*(1.9%)*	*(3.1p.p.)*

PAGUE MENOS CONSOLIDATED FINANCIAL STATEMENT

Income Statement (BRL million)	IAS 17			IFRS16		
	1Q22	1Q23	Δ	1Q22	1Q23	Δ
Gross Revenue	**2,111.5**	**2,813.2**	**33.2%**	**2,111.5**	**2,813.2**	**33.2%**
Deductions	(138.7)	(177.2)	27.8%	(138.7)	(177.2)	27.8%
Net Revenue	**1,972.9**	**2,636.1**	**33.6%**	**1,972.9**	**2,636.1**	**33.6%**
Cost of Goods Sold	(1,347.7)	(1,818.6)	34.9%	(1,347.7)	(1,818.6)	34.9%
Gross Profit	**625.2**	**817.5**	**30.8%**	**625.2**	**817.5**	**30.8%**
Gross Margin	*29.6%*	*29.1%*	*(0.5p.p.)*	*29.6%*	*29.1%*	*(0.5p.p.)*
Selling Expenses	(477.1)	(674.8)	41.4%	(398.1)	(560.9)	40.9%
Contribution Margin	**148.1**	**142.6**	**(3.7%)**	**227.1**	**256.5**	**13.0%**
Contribution Margin (%)	*7.0%*	*5.1%*	*(1.9p.p.)*	*10.8%*	*9.1%*	*(1.7p.p.)*
General and administrative expenses	(64.7)	(88.0)	36.0%	(64.7)	(88.0)	36.0%
Adjusted EBITDA	**83.4**	**54.6**	**(34.5%)**	**162.4**	**168.5**	**3.8%**
Adjusted EBITDA Margin	*3.9%*	*1.9%*	*(2.0p.p.)*	*7.7%*	*6.0%*	*(1.7p.p.)*
Depreciation and amortization	(28.2)	(50.6)	79.3%	(82.3)	(132.3)	60.7%
Financial Earnings	(40.5)	(115.0)	183.9%	(74.8)	(162.5)	117.3%
Earnings before Income Tax	**14.6**	**(111.1)**	**-**	**5.2**	**(126.3)**	**-**
Income Tax and Social Contribution	15.9	65.7	312.8%	19.1	70.9	271.0%
Minority Interest	0.0	0.1	-	0.0	0.1	-
Adjusted Net Income	**30.5**	**(45.3)**	**-**	**24.4**	**(55.3)**	**-**
Adjusted Net margin	*1.4%*	*(1.6%)*	*(3.0p.p.)*	*1.2%*	*(2.0%)*	*(3.2p.p.)*

APPENDIX 2: **BALANCE SHEET**

CONSOLIDATED BALANCE SHEET

Balance	IFRS16		
(BRL million)	12/31/2022	12/31/2023	Δ
Total Assets	**8,597.4**	**8,439.1**	**-1.8%**
Current Assets	**4,127.9**	**3,959.5**	**-4.1%**
Cash and Cash Equivalents	168.1	130.2	-22.6%
Accounts receivable from Clients	505.5	288.5	-42.9%
Inventory	3,029.2	3,029.6	0.0%
Recoverable Taxes	244.0	264.2	8.3%
Other Current Assets	181.1	246.9	36.3%
Non-Current Assets	**4,469.5**	**4,479.7**	**0.2%**
Long-term receivables	1,073.7	1,174.8	9.4%
Investments	76.3	75.1	-1.5%
Fixed Assets	1,044.8	1,032.7	-1.2%
Rights of use under lease	2,054.5	1,981.3	-3.6%
Intangible	220.2	215.8	-2.0%
Total Liabilities	**8,597.4**	**8,439.1**	**-1.8%**
Current Liabilities	**2,935.8**	**2,798.0**	**-4.7%**
Social and Labor Obligations	158.5	171.0	7.9%
Suppliers	1,590.4	1,590.9	0.0%
Forfait Operations	237.9	107.0	-55.0%
Tax Obligations	167.2	172.7	3.2%
Loans, financing and debentures	234.9	224.0	-4.6%
Other Obligations	233.6	234.6	0.4%
Commercial leasing	313.3	297.9	-4.9%
Non-Current Liabilities	**3,318.6**	**3,354.7**	**1.1%**
Loans, financing and debentures	1,100.6	1,174.9	6.8%
Tax Obligations	6.0	5.7	-4.7%
Commercial leasing	1,926.2	1,883.5	-2.2%
Provisions	90.9	89.9	-1.1%
Other Bills Payable	194.9	200.6	2.9%
Equity	**2,343.0**	**2,286.4**	**-2.4%**
Paid-up Share Capital	1,199.2	1,199.2	0.0%
Capital Reserves	391.9	456.0	16.4%
Profit Reserves	764.4	702.9	-8.0%
Treasury Shares	-21.0	-17.3	-17.7%
Non-controlling interests	8.4	8.3	-1.1%

APPENDIX 3: **RECONCILIATION OF ADJUSTED EARNINGS**

Adjusted Financial Statement Reconciliation (BRL million)	STANDALONE			CONSOLIDATED		
	1Q23 Accounting	Non-Recurring Adjustments	1Q23 Adjusted	1Q23 Accounting	Non-Recurring Adjustments	1Q23 Adjusted
Gross Revenue	**2,376.7**	**(60.8)**	**2,315.9**	**2,813.2**	**-**	**2,813.2**
Deductions	(155.6)	6.3	(149.4)	(192.9)	15.7	(177.2)
Net Revenue	**2,221.0**	**(54.5)**	**2,166.5**	**2,620.4**	**15.7**	**2,636.1**
Cost of Goods Sold	(1,551.7)	54.5	(1,497.1)	(1,803.0)	(15.6)	(1,818.6)
Gross Profit	**669.4**	**0.0**	**669.4**	**817.4**	**0.0**	**817.5**
Selling Expenses	(449.3)	(1.4)	(450.7)	(555.2)	(5.7)	(560.9)
General and Administrative Expenses	(79.5)	13.6	(65.8)	(92.9)	4.9	(88.0)
Depreciation and amortization	(95.9)	-	(95.9)	(132.3)	-	(132.3)
Operating Results	**44.7**	**12.2**	**57.0**	**37.0**	**(0.8)**	**36.3**
Financial Earnings	(154.8)	12.2	(142.6)	(174.7)	12.2	(162.5)
Income Before Income Tax	**(110.1)**	**24.4**	**(85.7)**	**(137.7)**	**11.4**	**(126.3)**
Income Tax and Social Contribution Tax	47.3	(4.8)	42.4	74.8	(3.9)	70.9
Minority Interest	-	-	-	0.1	-	0.1
Net Income	**(62.8)**	**19.6**	**(43.2)**	**(62.8)**	**7.6**	**(55.3)**

APPENDIX 4: **EBITDA RECONCILIATION**

Adjusted Financial Statement Reconciliation (BRL million)	STANDALONE			CONSOLIDATED		
	1Q23 Accounting	Non-Recurring Adjustments	1Q23 Adjusted	1Q23 Accounting	Non-Recurring Adjustments	1Q23 Adjusted
Net Income	**(62.8)**	**19.6**	**(43.2)**	**(62.8)**	**7.6**	**(55.3)**
(+) Financial Earnings	154.8	(12.2)	142.6	174.7	(12.2)	162.5
(+) Income Tax and Social Contribution Tax	(47.3)	4.8	(42.4)	(74.8)	3.9	(70.9)
(+) Depreciation and Amortization	95.9	-	95.9	132.3	-	132.3
Minority Interest	-	-	-	(0.1)	-	(0.1)
EBITDA	**140.6**	**12.2**	**152.8**	**169.3**	**(0.8)**	**168.5**

APPENDIX 5: REGIONAL **DISTRIBUTION OF STORES**

State / Region (# Stores)	1Q22	Organic expansion	Inorganic expansion	Closings	1Q23
Total	**1,169**	**112**	**399**	**33**	**1,647**
Northeast	**723**	**76**	**222**	**16**	**1,005**
Alagoas	33	4	-	-	37
Bahia	129	12	20	1	160
Ceará	184	17	91	9	283
Maranhão	70	9	57	3	133
Paraíba	54	5	4	-	63
Pernambuco	127	16	34	1	176
Piauí	39	4	-	-	43
Rio Grande Do Norte	50	4	16	2	68
Sergipe	37	5	-	-	42
North	**115**	**6**	**135**	**7**	**249**
Acre	14	1	-	-	15
Amapá	7	-	11	-	18
Amazonas	22	-	-	1	21
Pará	34	2	121	6	151
Rondônia	13	-	-	-	13
Roraima	11	1	-	-	12
Tocantins	14	2	3	-	19
Southeast	**193**	**16**	**42**	**8**	**243**
Espírito Santo	25	-	-	1	24
Minas Gerais	61	8	-	1	68
Rio De Janeiro	19	-	-	1	18
São Paulo	88	8	42	5	133
Center-West	**97**	**14**	**-**	**2**	**109**
Distrito Federal	16	-	-	1	15
Goiás	28	1	-	-	29
Mato Grosso	25	10	-	-	35
Mato Grosso do Sul	28	3	-	1	30
South	**41**	**-**	**-**	**-**	**41**
Paraná	15	-	-	-	15
Rio Grande Do Sul	7	-	-	-	7
Santa Catarina	19	-	-	-	19

CONFERENCE CALL
May 09, 2023
10:00 (BRT) | 09:00 (US-EST)
In Portuguese, with simultaneous translation into English,
To access, click here

Empreendimentos Pague Menos S.A.

Balance sheet
Statements of financial position at March 31, 2023 and December 31, 2022
(Amounts stated in thousand of Reais)

		Parent Company		Consolidated	
Assets	**Note**	**03/31/2023**	**12/31/2022**	**03/31/2023**	**12/31/2022**
Current					
Cash and cash equivalent	4	116.521	153.139	125.699	163.742
Short-term investments		4.475	4.362	4.475	4.362
Trade receivables	5	338.565	508.358	288.523	505.518
Inventories	6	2.178.300	2.348.130	3.029.639	3.029.159
Commercial agreements		118.125	110.018	173.015	144.953
Recoverable taxes	7	230.878	225.820	264.225	244.028
Prepaid expenses		23.557	11.296	30.125	15.253
Other		68.664	46.584	43.758	20.895
Total current asset		**3.079.085**	**3.407.707**	**3.959.459**	**4.127.910**
Non-current					
Long term achievable					
Long-term investments		5.289	5.147	5.289	5.147
Recoverable taxes	7	496.340	478.910	764.848	741.001
Deferred taxes	8	267.443	220.182	312.597	237.845
Contingent assets		63.706	63.706	63.706	63.706
Legal deposits		22.589	22.336	28.344	26.035
		855.367	**790.281**	**1.174.784**	**1.073.734**
Investments	10	964.229	975.507	75.131	76.284
Property, plant, and equipment	11	823.750	829.371	1.032.670	1.044.838
Intangible	12	103.186	101.580	215.829	220.204
Right of use	15	1.684.461	1.737.999	1.981.260	2.054.454
Total non-current asset		**3.575.626**	**3.644.457**	**3.304.890**	**3.395.780**
Total asset		**7.510.078**	**7.842.445**	**8.439.133**	**8.597.424**

Empreendimentos Pague Menos S.A.

Balance sheet
Statements of financial position at March 31, 2023 and December 31, 2022
(Amounts stated in thousand of Reais)

		Parent Company		Consolidated	
Liabilties	**Note**	**03/31/2023**	**12/31/2022**	**03/31/2023**	**12/31/2022**
Current					
Suppliers	13	1.137.771	1.320.086	1.590.853	1.590.364
Loans, finance and debentures	14	330.996	472.810	330.996	472.810
Forfait operations		107.014	237.929	107.014	237.929
Loans and financing		182.868	174.282	182.868	174.282
Debentures		41.114	60.599	41.114	60.599
Derivative operations		3.934	863	3.934	863
Leases liabilities	15	257.053	259.326	297.928	313.299
Taxes and contribuition payables	16	92.823	110.215	172.664	167.248
Salaries and social charges		136.499	111.065	171.021	158.468
Other accounts payable		219.485	221.753	230.649	232.767
Total current liability		**2.178.561**	**2.496.118**	**2.798.045**	**2.935.819**
Non-current					
Loans, finance and debentures	14	1.174.907	1.100.597	1.174.907	1.100.597
Loans and financing		229.944	156.056	229.944	156.056
Debentures		944.963	944.541	944.963	944.541
Leases liabilities	15	1.592.646	1.630.471	1.883.545	1.926.193
Taxes and contribuition payables	16	5.704	5.986	5.704	5.986
Contingency provisions	17	15.867	16.091	26.191	27.206
Contingent liabilities	17	63.706	63.706	63.706	63.706
Accounts payable - Acquisition of companies		200.605	194.925	200.604	194.925
Total non-current liability		**3.053.435**	**3.011.776**	**3.354.657**	**3.318.613**
Total liability		**5.231.995**	**5.507.894**	**6.152.702**	**6.254.432**
Shareholders' equity	18				
Capital stock		1.199.219	1.199.219	1.199.219	1.199.219
Capital reserves		456.036	391.878	456.036	391.878
Profit reserves		702.946	500.782	702.947	500.782
Stocks in treasury		(17.276)	(20.993)	(17.276)	(20.993)
Retained earnings		(62.842)	263.665	(62.842)	263.665
Total shareholders' equity		**2.278.083**	**2.334.551**	**2.278.084**	**2.334.551**
Non-controlling interest		0	0	8.347	8.441
Total liability and shareholders' equity		**7.510.078**	**7.842.445**	**8.439.133**	**8.597.424**

Empreendimentos Pague Menos S.A.

Statements of profit or loss
Periods ended March 31, 2023 and 2022
(Amounts stated in thousands of Reais, except for the result per share)

		Parent Company		Consolidated	
Income statement	**Note**	**Quarter 03/31/2023**	**Quarter 03/31/2022**	**Quarter 03/31/2023**	**Quarter 03/31/2022**
Net revenue	**22**	**2.221.031**	**1.972.879**	**2.620.371**	**1.972.879**
Cost of sales	**23**	(1.551.660)	(1.347.688)	(1.802.952)	(1.347.688)
Gross profit		**669.371**	**625.191**	**817.419**	**625.191**
(Expenses) operating revenues		(624.634)	(546.542)	(780.375)	(546.542)
Other operating revenues		995	352	11.036	352
Sales expenses	**23**	(547.172)	(474.834)	(698.102)	(474.834)
General and administrative expenses	**23**	(69.582)	(72.827)	(94.490)	(72.827)
Equity in the results of investees		(8.330)	839	1.795	839
Other operating expenses		(545)	(72)	(614)	(72)
Result before net financial revenues (expenses) and taxes		**44.737**	**78.649**	**37.044**	**78.649**
Financial revenues	**24**	14.215	20.587	14.735	20.587
Financial expenses	**24**	(169.055)	(95.388)	(189.468)	(95.388)
Financial, net expenses		**(154.840)**	**(74.801)**	**(174.733)**	**(74.801)**
Result before taxes		**(110.103)**	**3.848**	**(137.689)**	**3.848**
Income tax current	**8**	-	(378)	-	(378)
Income tax deferred	**8**	47.261	19.964	74.752	19.964
Net income		**(62.842)**	**23.434**	**(62.937)**	**23.434**
Attributable to:					
Non-controlling interest		-	-	(95)	-
Controlling shareholders		(62.842)	23.434	(62.842)	23.434
Earnings (losses) per share - Basic and diluted		(0,14)	0,05	(0,14)	0,05

Empreendimentos Pague Menos S.A.

Statements of comprehensive income
Periods ended March 31, 2023 and 2022
(Amounts stated in thousand of Reais)

	Parent Company		Consolidated	
Comprehensive income statement	**Quarter 03/31/2023**	**Quarter 03/31/2022**	**Quarter 03/31/2023**	**Quarter 03/31/2022**
Net income	**(62.842)**	**23.434**	**(62.937)**	**23.434**
Other comprehensive income	-	-	-	-
Comprehensive income of the year	**(62.842)**	**23.434**	**(62.937)**	**23.434**

Empreendimentos Pague Menos S.A.

Statements of cash flows - Indirect method
Periods ended March 31, 2023 and 2022
(Amounts stated in thousand of Reais)

	Parent Company		Consolidated	
Cash flow statements	**03/31/2023**	**03/31/2022**	**03/31/2023**	**03/31/2022**
Cash flows from operating activities				
Net profit (loss) from the fiscal year	**(62.842)**	**23.434**	**(62.937)**	**23.434**
Cash Generated from Operations				
Depreciation and amortization	95.859	82.305	132.256	82.305
Assets and liabilities present value adjustment	6.014	3.971	15.289	3.971
Interests on loans, financing, and debentures	45.688	31.481	45.688	31.481
Derivative financial instruments fair value changes	3.071	-	3.071	-
Exchange variation on loans and financing	(1.301)	-	(1.301)	-
Interests on lease with purchase option	38.882	34.278	47.482	34.278
Establishement (reversal) of contingency provisions	1.678	1.021	887	1.021
Equity accounting	8.330	(839)	(1.795)	(839)
Current taxes	-	378	-	378
Deferred taxes	(47.261)	(19.964)	(74.752)	(19.964)
Appropriation of transaction costs in debts issuance	-	(1.267)	-	(1.267)
Other adjustments to profit	-	(744)	-	(744)
Provision for closure of shops	-	(2.118)	-	(2.118)
Residual value on write-down of fixed and intangible assets	355	1.096	3.890	1.096
Provision for bad and doubtful debts	-	555	82	555
Provision for losses in inventories	3.593	6.445	(404)	6.445
	92.066	**160.032**	**107.456**	**160.032**
Operating assets and liabilities variations				
Third party fundraising	-	5	-	5
Accounts receivable	173.611	14.510	220.638	14.510
Inventories	156.402	(11.040)	(14.959)	(11.040)
Recoverable taxes	(22.488)	(15.269)	(44.044)	(15.269)
Other credits	(30.441)	(11.536)	(54.252)	(11.536)
Prepaid expenses	(12.261)	(14.183)	(14.872)	(14.183)
Suppliers	(182.309)	(52.780)	827	(52.780)
Taxes and contributions recoverable	(17.674)	12.336	(8.259)	12.336
Salaries and vacation payable	24.687	28.924	26.049	28.924
Other accounts payable	21.913	420	17.766	420
	111.440	**(48.613)**	**128.894**	**(48.613)**
Others				
Payment of loans - Interests	(6.833)	(8.994)	(6.833)	(8.994)
Payment of debentures - Interests	(38.975)	(7.303)	(38.975)	(7.303)
Payment of leases - Interests	(38.882)	(34.278)	(47.482)	(34.278)
	(84.690)	**(50.575)**	**(93.290)**	**(50.575)**
Net Cash Operating Activities	**118.816**	**60.844**	**143.060**	**60.844**
Cash flows from investment activities				
Acquisition in other investments	(255)	(169)	(255)	(169)
Acquisition of property, plant, and equipment	(24.422)	(49.563)	(31.601)	(49.563)
Acquisition of intangible	(5.825)	(6.043)	(6.395)	(6.043)
Net cash generated in investment activities	**(30.502)**	**(55.775)**	**(38.251)**	**(55.775)**
Cash flows from financing activities				
Loans and Financing	123.078	-	123.078	-
Payment of loans and financing	(42.006)	(66.849)	(42.005)	(66.849)
Payment of debentures	(16.239)	(56.510)	(16.239)	(56.510)
Forfait operations	(130.915)	-	(130.915)	-
Payment of lease with purchase option	(48.516)	(43.949)	(66.437)	(43.949)
Dividends and interests over own capital paid	(81.901)	-	(81.901)	-
Issuance of debentures	-	-	-	-
Capital increase	73.780	-	73.780	-
Dividends and interests over own capital received	2.948	-	2.948	-
Stocks in treasury	(5.161)	(5.411)	(5.161)	(5.411)
Net cash (used in) from financing activities	**(124.932)**	**(172.719)**	**(142.852)**	**(172.719)**
Increase (Decrease) of Cash and Equivalents	**(36.618)**	**(167.650)**	**(38.043)**	**(167.650)**
Decrease of cash and cash equivalent statements				
At the beginning of the fiscal year	153.139	654.121	163.742	654.121
At the end of the fiscal year	116.521	486.471	125.699	486.471
Decrease of Cash and Equivalents	**(36.618)**	**(167.650)**	**(38.043)**	**(167.650)**

Empreendimentos Pague Menos S.A.

Statements of changes in shareholders’ equity
Periods ended March 31, 2023 and 2022
(In thousand Reais)

Shareholders' equity changes statements	Prepaid capital stock	Capital reserve, options granted and stocks in Treasury	Profit reserves	Retained earnings	Total	Non-controlling participation	Total shareholders' Equity
	Attributable to controlling shareholders						
Balances on January 1, 2022	**1.199.219**	**369.696**	**521.282**	**-**	**2.090.197**	**-**	**2.090.197**
Capital transactions with the partners	-	(953)	-	-	(953)	-	(953)
				-	-		-
Stocks in treasury		(953)					
Capital increase	-	-	-	-	-	-	-
Total Comprehensive Income	-	-	-	263.665	263.665	8.442	272.107
Net Profit in the Period	-	-	-	263.665	263.665	(615)	263.050
Addition of non-controlling interests by business combination						9.057	9.057
Internal Changes of the shareholders' equity	-	2.142	243.165	(263.665)	(18.358)	-	(18.358)
Recognized options granted	-	-	177.349	(177.349)	-		-
Tax Incentive Reserve			4.316	(4.316)	-		-
Costs in stocks issuance	-	-	-	-	-		-
Stocks granted		(20.797)			(20.797)		(20.797)
Restricted stocks plan	-	22.939	-	-	22.939		22.939
Interest on Shareholder's Equity – Minimum dividend			-	20.500	(20.500)		(20.500)
Interest on Shareholder's Equity – Additional			61.500	(61.500)			
Balances on March 31, 2022	**1.199.219**	**370.885**	**764.447**	**-**	**2.334.551**	**8.442**	**2.342.993**
Balances on January 1, 2023	**1.199.219**	**370.885**	**764.447**	**-**	**2.334.551**	**-**	**2.334.551**
Capital transactions with the partners	-	77.496	-	-	77.496	-	77.496
Interest on Shareholder's Equity					-		-
Capital increase		73.780	-		73.780		73.780
Stocks in treasury	-	3.716	-	-	3.716	-	3.716
Total Comprehensive Income	-	-	-	(62.842)	(62.842)	(95)	(62.937)
Net Profit in the Period	-	-	-	(62.842)	(62.842)	(95)	(62.937)
Internal Changes of the shareholders' equity	(0)	(9.622)	(61.500)	-	(71.122)	-	(71.122)
Tax Incentive Reserve	-	-	-		-		-
Legal reserve	-	-	-		-		-
Dividends payment	-	-	(61.500)	-	(61.500)		(61.500)
Stocks granted	(0)	2.915	-	-	2.915		2.915
Restricted stocks plan	-	(12.537)	-	-	(12.537)		(12.537)
Balances on March 31, 2023	**1.199.219**	**438.759**	**702.947**	**(62.842)**	**2.278.083**	**(95)**	**2.277.988**

Empreendimentos Pague Menos S.A.

Statements of value added
Periods ended March 31, 2023 and 2022
(Amounts stated in thousand of Reais)

	Parent Company		Consolidated	
Value added statement	**03/31/2023**	**03/31/2022**	**03/31/2023**	**03/31/2022**
Revenues				
Sales of merchandises, products and services	2.351.445	2.088.084	2.776.086	2.088.084
Other revenues	973	352	7.481	352
	2.352.418	**2.088.436**	**2.783.567**	**2.088.436**
Inputs acquired from third parties (includes ICMS and IPI)				
Costs of sold merchandises, products and services	(1.423.746)	(1.244.799)	(1.657.560)	(1.244.799)
Third parties' materials, energy, services and others	(254.386)	(200.308)	(316.493)	(200.308)
	(1.678.132)	**(1.445.107)**	**(1.974.053)**	**(1.445.107)**
Gross added value	**674.286**	**643.329**	**809.514**	**643.329**
Depreciation and amortization	(95.859)	(82.305)	(132.256)	(82.305)
Net added value generated by Company	**578.427**	**561.024**	**677.258**	**561.024**
Added value received from transfer				
Equity pick-up	(8.330)	839	1.795	839
Financial income	12.298	21.151	12.818	21.151
Total added value to distribute	**582.395**	**583.014**	**691.871**	**583.014**
Added value distribution				
Personnel	**265.264**	**263.196**	**338.918**	**263.196**
Direct compensation	227.172	224.849	289.396	224.849
Benefits	21.651	21.429	28.434	21.429
FGTS	16.441	16.918	21.088	16.918
Taxes, Rates and Contributions	**245.200**	**222.201**	**270.742**	**222.201**
Federal	4.935	19.392	(18.441)	19.392
State	237.588	198.179	285.612	198.179
Municipal	2.677	4.630	3.571	4.630
Compensation of third parties capital	**134.773**	**74.183**	**145.148**	**74.183**
Interests	125.853	68.412	134.635	68.412
Rentals	8.920	5.771	10.513	5.771
Compensation of own capital	**(62.842)**	**23.434**	**(62.937)**	**23.434**
Profit (loss) of the year	(62.842)	23.434	(62.937)	23.434
Distributed added value	**582.395**	**583.014**	**691.871**	**583.014**

OPERATIONAL CONTEXT

Empreendimentos Pague Menos S.A. (“Pague Menos” or “The Company”) is a publicly traded corporation, registered on the B3 S.A. - Brasil, Bolsa, Balcão exchange - in the Novo Mercado segment, with headquarters in the capital of Ceará, trading under the code PGMN3.

The Company and its subsidiary Imifarma Produtos Farmacêuticos e Cosméticos S.A., owner of the brand “Extrafarma”, (together “Consolidated” or “Group”) have as their main activity the retail sale of medicines, perfumes, personal hygiene and beauty products, selling through 1,271 Pague Menos stores (1,270 as of December 31, 2022) and 376 Extrafarma stores, distributed in every state in Brazil, as well as Brasília, the Federal Capital. The stores are supplied by 9 distribution centers located in the states of Ceará, Pernambuco, Bahia, Goiás, Minas Gerais, São Paulo, Pará and Maranhão.

<u>Extrafarma Transaction</u>

On May 18, 2021, the Company disclosed to the market that it entered into a share purchase and sale agreement with Ipiranga Produtos de Petróleo S.A., a company controlled by Ultrapar Participações S.A., for the acquisition of 100% of the share capital of Imifarma Produtos Farmacêuticos e Cosméticos S.A. (“Extrafarma”).

On June 22, 2022, the CADE General Superintendence (the Brazilian antitrust regulator) approved the acquisition of Extrafarma subject to the execution of a Merger Control Agreement (ACC), which determined the divestment of eight Extrafarma stores. With the approval, the parties continued with the closing of the transaction, under the terms of the ACC, and on August 1, 2022, the Company acquired 99.07% of the shares of Extrafarma. The remaining shares are still subject to the exercise of preemptive rights by the minority shareholders of Ultrapar Participações S.A. (former indirect controllers of Extrafarma), as provided for under article 253, item I, of Law No. 6.404/76.

As agreed in the purchase and sale agreement, the total amount of BRL 700,000, referring to enterprise value, was adjusted for net indebtedness as of December 31, 2020, the transaction reference date, resulting in an equity value in the amount of BRL 600,001. On August 1, 2022, the closing date of the transaction, the preliminary equity value was adjusted for the variation between (i) the net indebtedness and working capital calculated on December 31, 2020 and the net indebtedness and working capital estimated for July 31, 2022, the reference date for the closing of the transaction, resulting in an adjusted equity value in the amount of BRL 737,752, of which BRL 730,856 refer to the 99.07% of Extrafarma's shares acquired by Pague Menos. Of the adjusted equity *value,* a portion of 50%, equivalent to BRL 365,428, was paid on the closing date.

Also, in accordance with the contract, the amount of the final equity value to be paid to the seller would be subject to a final price adjustment resulting from the due to the final calculation of the variations in Extrafarma's working capital and indebtedness on July 31, 2022. On January 13, 2023, a final acquisition price adjustment term was signed at BRL 19,000, resulting in an acquisition value of BRL 718,752, of which BRL 712,033 refer to the 99.07% of Extrafarma's shares acquired by Pague Menos. The remaining consideration, 50%, will be paid in two equal installments with maturities in August 2023 and August 2024. These installments will be adjusted by the positive variation of the CDI plus 0.5% p.a., calculated from the closing date until the dates of the respective payments.

Detailed information on the business combination is disclosed in Note 3. The accounting impacts of the transaction are reflected in this interim financial information, in accordance with the accounting standards applicable to the matter.

1. DECLARATION OF CONFORMITY AND BASIS OF PREPARATION

1.1 Declaration of conformity

The individual and consolidated quarterly information has been prepared and is being presented in accordance with international accounting standards (International Financial Reporting Standards - IFRS) and in accordance with accounting practices adopted in Brazil that attend the standards of the Comissão de Valores Mobiliários (CVM - Brazilian securities regulator) and the *Normas Brasileiras de Contabilidade* (NBC - Brazilian Accounting Standards) of the *Conselho Federal de Contabilidade* (CFC - Federal Accounting Council).

The issuance of this individual and consolidated quarterly information was authorized by the Company's Board of Directors on May 4, 2023.

1.2 Basis of preparation

The individual and consolidated quarterly information was prepared based on historical cost, except for the stock-based compensation plan and derivative financial instruments and the effects of the business combination, which were measured at fair value through profit or loss. This individual and consolidated interim accounting information is presented using the Brazilian Real, which is the working currency of the Company and its subsidiary.

In addition, the Company's Management considered the considerations contained in Technical Guideline OCPC 07, issued by the *Comitê de Pronunciamentos Contábeis* (Committee for Accounting Pronouncements - CPC) in November 2014, in the preparation of its individual and consolidated interim financial information. Thus, it states that all relevant information specific to the interim financial information is supported by evidence, and that it corresponds to that used by the Company in its management.

Management has evaluated the Company's ability to continue operating normally and is convinced that it has the resources to continue doing business in the future. In addition, Management is not aware of any material uncertainty that may generate significant doubts about its ability to continue operating. Thus, this individual and consolidated interim accounting information was prepared based on the assumption that it is a going concern.

The presentation of the Statement of Value Added (DVA), although not required by IFRS, is mandatory for publicly held companies in Brazil. As a consequence, this statement is presented as supplementary information for IFRS purposes, without prejudice to the body of individual and consolidated interim accounting information.

1.3 Basis of consolidation

The consolidated interim financial information comprises the accounting information of the Company and its subsidiary as of March 31, 2023. Control is obtained when the Company is exposed to or entitled to variable returns based on its involvement with the investee and has the ability to affect those returns through the power exercised in relation to the investee.

Specifically, the Company controls an investee if, and only if, it has:

- Power in relation to the investee (i.e., existing rights that guarantee to it the current ability to direct the relevant activities of the investee);
- Exposure or right to variable returns arising from its involvement with the investee; and

- The ability to use its power in relation to the investee to affect the value of its returns.

Generally, it is presumed that a majority of voting rights results in control. The Company owns 99.07% of the shares of its subsidiary.

The consolidation of a subsidiary begins when the Company obtains control over the subsidiary and ends when the Company ceases to exercise said control. Assets, liabilities and results of a subsidiary acquired or disposed of during the year are included in the individual and consolidated quarterly information from the date on which the Company obtains control until the date on which the Company ceases to exercise control over the subsidiary. In the specific case of Extrafarma, the Company began to consolidate its results as of August 1, 2022.

The result and each component of the other comprehensive income are attributed to the controlling and non-controlling shareholders of the Group, even if this results in a loss to the non-controlling shareholders. When necessary, adjustments are made to the subsidiary's quarterly information to align its accounting policies with the accounting policies of the Group. All assets and liabilities, results, revenues, expenses and cash flows of the same group related to transactions between members of the Group are fully eliminated in the consolidation.

If the Company loses control over a subsidiary, the corresponding assets (including any goodwill) and liabilities of the subsidiary are written off at their book value on the date control is lost and the book value of any non-controlling interests is written off on the date control is lost (including any components of other comprehensive income attributed to them). Any resulting difference as gain or loss is accounted for in profit or loss. Any retained investment is recognized at its fair value on the date control is lost.

In the consolidated quarterly information, the Company's investment in its subsidiary is accounted for using the equity method.

Consolidation basis as of August 1, 2022

The Company's consolidated quarterly information includes:

		% of shareholder participation	
	Country	2023	2022
Direct subsidiary:			
Imifarma Produtos Farmacêuticos e Cosméticos S.A. (“Extrafarma”)	Brazil	99.07%	99.07%

The accounting practices adopted by the subsidiary were applied in a manner uniform and consistent with those adopted by the Company. When applicable, all transactions, balances, revenues and expenses between the subsidiary and the Company are eliminated in full in the consolidated quarterly information.

The Group's parent company is Pague Menos, headquartered in Brazil, where it's shares are traded.

2. PRINCIPAL ACCOUNTING POLICIES

The individual and consolidated interim financial information is being presented in accordance with NBC TG 21 (R1), IAS 34 and the standards issued by the CVM. The practices, policies and principal accounting judgments and sources of uncertainty about estimates adopted in the preparation of the individual and consolidated quarterly information are consistent with those adopted and disclosed in the financial statements for the year ended December 31, 2022, which were disclosed on March 6, 2023 and should be read together with this interim financial information.

Standards, amendments and interpretations of standards

In the quarter ended March 31, 2023, no new standards, amendments and interpretations of standards were issued.

3. BUSINESS COMBINATION

Acquisition of control of Extrafarma

On August 1, 2022, after meeting all the conditions precedent, the acquisition of 99.07% of the shares of Imifarma Produtos Farmacêuticos e Cosméticos S.A. (“Extrafarma”) was completed.

Extrafarma acts as a pharmaceutical retail chain, with 376 stores and 4 distribution centers, targeting the expanded middle class, with relevant synergies with the Pague Menos operation. In addition to pharmaceutical retail operations, Extrafarma also sells products to small pharmaceutical retail chains.

The first installment of the consideration transferred was made by the Company on August 1, 2022 in the amount of BRL 365,428. The two remaining equal installments in the amount of BRL 173,303 will be disbursed by the Company in August 2023 and August 2024. These installments are adjusted by the positive variation of the CDI plus 0.5% p.a., calculated from the closing date until the dates of the respective payments. As of March 31, 2023, the balance of the consideration payable, in the amount of BRL 188,858 and BRL 188,858, is classified on the balance sheet in the group of accounts of "Other accounts payable" in current and non-current liabilities, respectively.

The acquisition of Extrafarma has as its main economic and strategic drivers the potential to capture synergies through the combination of complementary assets, in addition to accelerating the Company's expansion plan, reinforcing its leadership position in the North and Northeast regions and expanding the reach and scale of its health platform. With Extrafarma, the Company will become the second largest pharmacy chain in the country and advance its proposal to support the population of the expanded middle class with a comprehensive healthcare solution.

(Amounts expressed in thousands of Reais)

Calculation of the Fair Value of the Business Combination:

The acquisition of Extrafarma's assets and liabilities was recorded using the acquisition method, considering the fair value of the assets and liabilities acquired on the date of acquisition. The Company hired specialized consultants to support the measurement of the fair value of tangible and intangible assets, with the objective of allocating the Purchase Price Allocation (PPA). The Company, supported by its consultants, has already completed the evaluation of the brands, customer portfolio, fixed assets – machinery and equipment, which are recorded at their definitive fair values, and is completing the evaluation of the fair value of improvements to third-party properties, which is recorded at its preliminary value, which represents the Management's best estimate given the facts and circumstances on March 31, 2023.

Calculation of gain from advantageous purchase	08/01/2022
Net assets acquired	
Cash and cash equivalents	20,125
Accounts receivable from customers	124,630
Inventories	514,313
Recoverable taxes	269,725
Trade agreements	23,707
Other accounts receivable	27,676
Fixed Assets	188,210
Intangible assets	49,447
Right of use	350,261
Suppliers	(232,104)
Leases	(380,580)
Taxes owed	(16,075)
Social and labor obligations	(67,623)
Other accounts payable	(9,880)
Provision for contingencies	(11,284)
Acquired net assets [A]	**850,548**
Capital gain from fixed assets and brand	
Indemnifiable assets	63,706
Intangible assets – Brand	80,594
Fixed assets – improvements in third party properties	8,343
Fixed assets – machinery and equipment	4,311
Fixed assets – vehicles	9,133
Fixed assets – furniture and utensils	20,268
Fixed assets – Computer equipment	699
Contingent liabilities of the business combination	(63,706)
Capital gain from fixed assets and brand [B]	**123,348**
Total net identifiable assets at fair value [C] = [A] + [B]	**973,896**
Non-controlling interest measured at fair value (0.93%) **[D]**	(9,057)
Gain from advantageous purchase **[E]**	(252,806)
Total consideration [F] = [C] – [D] – [E]	712,033

(Amounts expressed in thousands of Reais)

Before recognizing the gain from advantageous purchase, the Company undertook a review to make sure that all assets acquired, and liabilities assumed were correctly identified. Following this review, Management concluded that the measurements adequately reflect consideration of all information available as of the acquisition date and that the procedures and measurements are adequate. The calculation of the gain from advantageous purchase is related to the seller's need to rationalize his portfolio and focus his efforts on more complementary and synergistic businesses. The record of the gain by advantageous purchase was reported on the 2022 income statement, in the "Other operating income (expenses)" line. The tax effects in the amount of BRL 85,954 were recorded in the deferred income tax and social contribution line.

4. CASH AND CASH EQUIVALENTS

	Parent company		Consolidated	
	03/31/2023	12/31/2022	03/31/2023	12/31/2022
Cash and banks	37,608	51,215	46,786	61,818
Cash Equivalents	78,913	101,924	78,913	101,924
Repurchase operations	9,025	41,578	9,025	41,578
Bank deposit certificates – CDB	5,198	5,071	5,198	5,071
Financial bills – LF	35,576	34,490	35,576	34,490
Automatic applications	29,114	20,785	29,114	20,785
Total	116,521	153,139	125,699	163,742

Short-term financial investments are held in financial institutions and have low credit risk. They are remunerated by the variation of the Interbank Deposit Certificate (CDI) and are available for immediate use without loss of income, being distributed among CDBs, with average profitability 99.0% (99.0% on 12/31/2022), repurchase agreements, with average profitability 96.0% (94.6% on 12/31/2022) and financial securities with average profitability 114.0% (114.0% on 12/31/2022). These operations have a maturity of less than three months from the date of contracting and because they meet the requirements of NBC TG 03 (R3) / IAS 7, they were classified as cash equivalents.

(Amounts expressed in thousands of Reais)

5. ACCOUNTS RECEIVABLE

	Parent company		Consolidated	
	03/31/2023	12/31/2022	03/31/2023	12/31/2022
Credit Card Administrators	234,122	450,337	242,501	472,344
Agreements and partnerships (*convênios*) (b)	30,208	20,358	40,564	26,780
Accounts receivable – Wholesale	-	-	5,997	6,565
Intercompany accounts receivable (Note 10)	74,458	41,176	-	-
Commissions receivable	850	1,377	850	4,956
Subtotal	339,638	513,248	289,912	510,645
(-) Adjustment to present value	(824)	(4,641)	(842)	(4,734)
(-) Expected credit losses	(249)	(249)	(548)	(393)
	338,565	508,358	288,523	505,518

a) The company anticipates receivables from credit card administrators, as part of its cash management strategy, causing a reduction in the balance of receivables and the average term of receipt.
b) This refers to the amounts receivable from the Federal Government for sales made under the Popular Pharmacy Program and balances with commercial partnered companies. Such agreements have as their main objective the granting of discounts, as well as enabling customers to pay for purchases by means of a payroll discount. In addition, there are amounts related to partnerships with delivery Apps.

The balances were adjusted to present value considering an average term of receipt between 4 and 12 days (37 and 49 days on 12/31/2022) and discounted by the weighted average cost of capital equivalent to 10.18% p.a.

The following are the receivables balances by maturity, before provisions for expected credit losses and adjustment to present value:

	Parent company		Consolidated	
	03/31/2023	12/31/2022	03/31/2023	12/31/2022
Due between 1 and 30 days	186,970	217,105	126,988	197,028
Due between 31 and 60 days	78,560	124,329	85,347	132,201
Due between 61 and 90 days	26,190	88,193	27,263	90,206
Due after 90 days	44,823	83,028	46,413	84,211
	336,543	512,655	286,011	503,646
Overdue between 1 and 30 days	1,535	436	1,668	2,445
Overdue between 31 and 90 days	1,454	13	2,095	3,099
Overdue over 90 days	105	144	138	1,456
	3,094	593	3,901	7,000
	339,637	513,248	289,912	510,646

(Amounts expressed in thousands of Reais)

a) Changes in expected credit losses:

	Parent company		Consolidated	
	03/31/2023	12/31/2022	03/31/2023	12/31/2022
Opening balance	(249)	(764)	(393)	(764)
Additions	-	(396)	(155)	(543)
Reversals	-	911	-	914
Closing balance	(249)	(249)	(548)	(393)

6. INVENTORIES

	Parent company		Consolidated	
	03/31/2023	12/31/2022	03/31/2023	12/31/2022
Goods for resale	2,188,220	2,364,427	3,050,224	3,052,264
Materials for use and consumption	14,915	12,131	18,184	15,260
(-) Expected inventory losses	(24,835)	(28,428)	(38,769)	(38,365)
	2,178,300	2,348,130	3,029,639	3,029,159

a) Transactions in expected inventory losses:

	Parent company		Consolidated	
	03/31/2023	12/31/2022	03/31/2023	12/31/2022
Opening balance	(28,428)	(23,708)	(38,365)	(23,708)
Acquisitions (a)	-	-	-	(57,024)
Losses (b)	-	-	-	47,555
Additions	(1,166)	(15,295)	(12,728)	(17,280)
Reversals	4,759	10,575	12,324	12,092
Closing balance	(24,835)	(28,428)	(38,769)	(38,365)

(a) Refers to amounts accruing from the business combination as disclosed in Note 3
(b) Refers to products that had already been provisioned in Extrafarma in periods prior to the date of the business combination and that were incinerated in the period.

(Amounts expressed in thousands of Reais)

7. RECOVERABLE TAXES

	Parent company		Consolidated	
	03/31/2023	12/31/2022	03/31/2023	12/31/2022
ICMS (a)	497,605	480,076	742,730	711,000
IRPJ/CSLL (b)	5,640	5,628	5,674	5,628
PIS and COFINS (c)	214,184	210,980	269,656	259,103
IRRF	8,897	7,154	9,073	7,330
PERT	892	892	1,940	1,968
	727,218	704,730	1,029,073	985,029
Current	230,878	225,820	264,225	244,028
Non-current	496,340	478,910	764,848	741,001

(a) Balance resulting from the normal formula for calculation of ICMS and balances related to non-definitive ICMS ST credits when the presumed tax bases were higher than the effective margins. As of September 2018, the credits are recognized according to the decision of the STF (Federal Supreme Court), which in a decision with general repercussion guaranteed the right of reimbursement to the taxpayer who collected the ICMS ST in advance on calculation bases higher than those actually realized. Tax credits from periods prior to the STF decision were not recognized. The amounts are compensated administratively after compliance with the requirements defined by each State.

(b) Overpayment of IRPJ (Corporate Income Tax) and negative balance of CSLL (Social Contribution on Net Profit Tax) in the calculation of the taxable income of the previous year.

(c) In August 2019, the Company obtained a final and unappealable favorable decision in a lawsuit in which it argued for the right to exclude ICMS from the basis of calculation for the PIS and COFINS contributions, in the total amount of BRL 219,960 of which BRL 54,376 refers to monetary correction. In March 2022, the credits were recognized by the Federal Revenue Service and are in the process of administrative compensation. In addition, the Company recognizes the credits arising from the non-cumulative regime, arising mainly from the acquisition of goods, services and inputs considered relevant and essential to the commercialization of products and provision of services.

8. DEFERRED TAXES

	Parent company		Consolidated	
	03/31/2023	12/31/2022	03/31/2023	12/31/2022
Tax losses	251,753	207,824	279,340	220,526
Leasing	56,217	51,611	68,107	51,819
Provision for acquisition of inventories	8,444	9,665	8,444	9,665
Expected credit losses	4,782	5,597	4,782	5,597
Goodwill Impairment	6,543	6,543	6,543	6,543
Provisions for judicial risks	5,395	5,471	5,395	5,471
Adjustment to present value	5,331	4,052	11,008	8,805
Profit sharing	4,819	3,507	4,819	3,507
Provision for store closings	1,662	1,662	1,662	1,662
Capitalization of interest	(12,228)	(12,145)	(12,228)	(12,145)
Gain from advantageous purchase (Note 3)	(85,954)	(85,954)	(85,954)	(85,954)
Fair value of financial instruments	1,337	-	1,337	-
Other provisions	19,342	22,349	19,342	22,349

(Amounts expressed in thousands of Reais)

Total	267,443	220,182	312,597	237,845

a) Expectation of realization

The Company, based on projections made by the executive board and approved by the Board of Directors, related to the estimate of future taxable profits, recognized deferred tax credits on deductible and taxable temporary differences and on the balance of income tax loss and negative basis of social contribution, which have no statute of limitations and whose compensation is limited to 30% of annual taxable profits. The recovery of the amount of deferred taxes is reviewed annually, or upon the occurrence of indications that the balances will not be recovered. The estimates are related to the Company's ability to obtain the expected results, considering certain economic and market aspects in which it operates. The results may differ from the estimates if the projected conditions do not occur. According to the projections made, the balances of deferred taxes will be recovered according to the following schedule.

	Parent company		Consolidated	
	03/31/2023	12/31/2022	03/31/2023	12/31/2022
2024	-	-	16,368	16,369
2025	10,214	10,215	29,917	29,917
2026 to 2030	257,229	209,967	266,312	191,559
	267,443	220,182	312,597	237,845

b) Reconciliation of the effective rate

	Parent company		Consolidated	
	03/31/2023	12/31/2022	03/31/2023	12/31/2022
Profit (loss) before IR and CSLL[A]	(110,093)	247,501	(137,689)	229,222
Combined tax rate [B]	34%	34%	34%	34%
IR/CSLL at the combined tax rate [A]*[B]=[C]	(37,432)	84,150	(46,814)	77,935
Effect of permanent additions: [D]	752	1,359	720	1,359
Effect of permanent exclusions: [E]	(29,662)	(296,401)	(82,992)	(330,071)
Investment subsidies (Note 22)	(27,366)	(123,576)	(27,366)	(123,576)
Interest on shareholders' equity (Note 19)	-	(82,000)	-	(82,000)
Monetary adjustment of tax overpayments (Note 8)	-	(54,378)	-	(54,378)
Tax loss and negative basis	(10,626)	(96,920)	(53,729)	(64,973)
Results by equity method (Note 11)	8,330	60,473	(1,795)	(5,144)
Other permanent exclusions	-	-		-
Current tax profit (loss) [A] + [D] + [E] = [F]	(139,003)	(47,540)	(219,859)	(99,493)
IR/CSLL in result [F]*34% =[G]	47,261	16,164	74,752	33,827

(Amounts expressed in thousands of Reais)

Effective rate [G]/[A]	-42.9%	6.5%	-54.3%	14.8%

The Company assessed the impacts of IFRIC 23 (ITG 22) - Uncertainties related to the treatment of taxes on profit, concluding that its effects are not relevant at present.

9. RELATED PARTIES

		Parent company					
		03/31/2023			12/31/2022		
Related parties	Nature of the transaction	Asset	Liabilities	Results	Asset	Liabilities	Results
Accounts receivable							
Extrafarma(a)	Sale of goods	74,458	-	60,774	41,176	-	40,156
Other accounts receivable							
Dupar Participações S.A. (e)	Other credits	1	-	-	1	-	-
e-Pharma PBM do Brasil S.A. (b)	Provision of services	1,102	337	-	2,264	720	-
Extrafarma(a)	Advances	30,518	-	-	29,500	-	-
Suppliers							
Biomatika Indústria e Comércio Prod. Naturais S.A. (c)	Purchase of products	261	277	-	238	252	-
L'Auto Cargo Transportes Rodoviário S.A. (d)	Freight services	16	8,660	(28,064)	-	7,483	(111,379)
Extrafarma (a)	Purchase of goods	-	14,933	(138,833)	-	784	(749)
Leases							
Renda Participações S.A. (e)	Property Rentals	4	862	(2,453)	4	769	(9,778)
Dupar Participações S.A. (e)	Property Rentals	-	6,644	(18,969)	1	6,169	(74,456)
Prospar Participações S.A. (e)	Property Rentals	-	152	(427)	-	137	(1,677)
Total		106,360	31,865	(127,972)	73,184	16,314	(157,883)

		Consolidated					
		03/31/2023			12/31/2022		
Related parties	Nature of the transaction	Asset	Liability	Results	Asset	Liability	Results
Other accounts receivable							
Dupar Participações S.A.	Other credits	1	-	-	1	-	-
e-Pharma PBM do Brasil S.A. (b)	Provision of services	2,608	512	-	2,264	720	-
Suppliers							
Biomatika Indústria e Comércio Prod. Naturais S.A. (c)	Purchase of products	265	668	-	238	252	-
L'Auto Cargo Transportes Rodoviário S.A. (d)	Freight	317	10,711	(32,624)	-	7,483	(111,379)
Leases							
Renda Participações S.A. (e)	Real Estate Rentals	4	862	(2,453)	4	769	(9,778)
Dupar Participações S.A. (e)	Real Estate Rentals	-	6,644	(18,969)	1	6,169	(74,456)
Prospar Participações S.A. (e)	Real Estate Rentals	-	152	(427)	-	137	(1,677)
Total		3,195	19,549	(54,473)	2,508	15,530	(197,290)

(a) Imifarma Produtos Farmacêuticos e Cosméticos S.A., a subsidiary company, holder of the Extrafarma brand. The balances refer to purchases and sales of goods between the Company and Extrafarma, as well as advances to Extrafarma that will be settled with accounts payable for goods acquired by the Company from the Subsidiary.

(Amounts expressed in thousands of Reais)

(b) e-Pharma PBM do Brasil S.A. - Health Medicine Benefits Program, investee of the Company. e-Pharma's principal objective is the development and commercialization of pharmaceutical and health care management services, providing know-how and technological tools for their implementation and operation. The Company has significant influence on this investee, but does not have control (see Note 10).

(c) Biomatika Indústria e Comércio de Produtos Naturais S.A., a company belonging to the same controlling shareholders as the Company. Biomática's principal objective is the manufacture of cosmetics, perfumery and personal hygiene products. The contract between the parties establishes the production of products under the Pague Menos brand.

(d) L'auto Cargo Transportes Rodoviário S.A., a company belonging to the same controlling shareholders as the Company. L'auto's principal objective is the transport of cargo by truck. All contracts for the transport of goods go through a bidding process and the best technical (service level) and commercial proposal wins. In April 2021, the Company's Board of Directors approved a contract for the provision of freight transport services with L'auto, for a 2 (two) year term. The prices of the services are established in percentage rates based on the invoice value of transfer of goods and vary according to ranges established on a state by state basis.

(e) Renda Participações S.A., Dupar Participações S.A. and Prospar Participações S.A., companies belonging to the same controlling shareholders as the Company. They operate in the management of their own and third party properties. The Company is the lessee of 356 properties of these companies, where it operates some of its stores. Rental amounts are calculated based on the monthly sales of each store. For properties occupied by the administration and distribution centers, rents are defined in fixed amounts.

Management Compensation

Management compensation totaled BRL 7,824 in the period ended March 31, 2023 (BRL 8,003 on March 31, 2022). The Company does not have a post-employment benefit policy. Additionally, since 2020, the Company has established a share-based compensation program, as disclosed in Note 21.

Guarantees, sureties and warranties with related parties

The Company also has transactions in which related parties provide guarantees, sureties or warranties in financing contracts and loans for the Company, as follows:

	Parent company	
Guarantor related party	03/31/2023	12/31/2022
Guarantee/surety and joint debtor (Note 14)	44,948	61,224
Individuals (shareholders)	33,204	42,525
Dupar Participações S.A.	11,744	18,699
Real Estate (Note 14)	52,183	52,183
Dupar Participações S.A.	52,183	52,183

(Amounts expressed in thousands of Reais)

10. INVESTMENTS

Breakdown of the balance

	Parent company		Consolidated	
	03/31/2023	12/31/2022	03/31/2023	12/31/2022
Investment in subsidiary:				
Extrafarma:				
Book value of the investment	889,098	899,223	-	-
	889,098	899,223	-	-
Investment in associated companies:				
E-Pharma PBM do Brasil S.A.				
Book value of the investment	12,536	13,689	12,536	13,689
Goodwill on investment acquisition (e-Pharma)	81,838	81,838	81,838	81,838
(-) Losses due to impairment of goodwill	(19,243)	(19,243)	(19,243)	(19,243)
	75,131	76,284	75,131	76,284
	964,229	975,507	75,131	76,284

Balance sheet transactions

	12/31/2022	Result by Equity method	Dividends and interest on equity received	03/31/2023
Extrafarma	899,223	(10,125)	-	889,098
e-Pharma	76,284	1,795	(2,948)	75,131
Total	975,507	(8,330)	(2,948)	964,229

Information of investees

On December 28, 2015, the Company acquired 26.21% of the e-Pharma PBM do Brasil S.A. shares, for a total of BRL 90,000, whose shareholders' equity corresponded to BRL 8,162, consequently, goodwill based on the expectation of future profitability of BRL 81,838 was calculated. The main business of e-Pharma PBM do Brasil S.A. is the management of drug benefit programs. As of March 31, 2023, the Company holds 26.12% (26.18% as of December 31, 2022) of the investee's shares.

On August 1, 2022, the Company acquired 99.07% of the shares of Imifarma Produtos Farmacêuticos e Cosméticos S.A., as described in Note 3.

(Amounts expressed in thousands of Reais)

Investment in subsidiary – summary financial information

	Extrafarma	
	03/31/2023	12/31/2022
Current assets	1,000,283	1,052,607
Non-current assets	814,425	549,673
Current liabilities	(739,389)	(511,120)
Non-current liabilities	(301,223)	(306,837)
Shareholders' equity	774,096	784,323
Capital gain from net assets acquired:	123,348	123,348
Brand	80,594	80,594
Capital gain from fixed assets	42,754	42,754
Participation - %	99.07%	99.07%
Investment value	889,098	899,223

	03/31/2023	08/01/2022 to
Income statement		
Net revenue	598,947	860,464
Loss for the period	(10,220)	(66,232)
% of participation	99.07%	99.07%
Equity method result	(10,125)	(65,616)

11. FIXED ASSETS

		Parent company					
		03/31/2023			12/31/2022		
	Annual rate	Cost	Depreciation Accumulated	Balance Net	Cost	Depreciation Accumulated	Balance Net
Construction work in progress	-	34,323	-	34,323	45,995	-	45,995
Improvements to third party properties	(i)	1,076,403	(481,782)	594,621	1,048,730	(463,923)	584,807
Installations	10%	108,101	(60,414)	47,687	108,254	(58,288)	49,966
Machinery and equipment	10%	123,191	(77,366)	45,825	122,202	(75,154)	47,048
Furniture and utensils	10%	159,324	(69,125)	90,199	155,525	(65,514)	90,011
Computer equipment	20%	72,837	(56,853)	15,984	72,248	(55,815)	16,433
Provision for store closings	-	(4,889)	-	(4,889)	(4,889)	-	(4,889)
		1,569,290	(745,540)	823,750	1,548,065	(718,694)	829,371

(i) The depreciation of improvements is calculated according to the term of each lease, which varies between 5 and 25 years, reaching an average depreciation rate of 8.6% p.a. (8.6% on December 31, 2022).

(Amounts expressed in thousands of Reais)

		Consolidated			Consolidated		
		03/31/2023			12/31/2022		
	Rate a.a.	Cost	Depreciation Accumulated	Balance Net	Cost	Depreciation Accumulated	Balance Net
Construction work in progress	-	34,323	-	34,323	46,510	-	46,510
Improvements to third party properties	(i)	1,356,920	(669,980)	686,940	1,324,260	(645,963)	678,297
Installations	10%	108,108	(60,414)	47,694	108,254	(58,288)	49,966
Machinery and equipment	10%	159,520	(97,944)	61,576	157,350	(95,159)	62,191
Furniture and utensils	10%	277,184	(136,642)	140,542	272,167	(130,599)	141,568
Vehicles	20%	9,471	(8,514)	957	13,005	(8,364)	4,641
Computer equipment	20%	132,028	(109,255)	22,773	131,139	(107,339)	23,800
Capital gain from fixed assets (i)	-	42,754	-	42,754	42,754	-	42,754
Provision for store closings	-	(4,889)	-	(4,889)	(4,889)	-	(4,889)
Total		2,115,419	(1,082,749)	1,032,670	2,090,550	(1,045,712)	1,044,838

(i) Refers to capital gains identified in assets acquired in a business combination, as disclosed in note 3.

a) *Transactions in the quarter ended March 31, 2023*

	Parent company					
	12/31/2022	Additions	Write-offs	Depreciation	Transfers (i)	03/31/2023
Improvements to third party properties	584,807	11,595	(317)	(17,878)	16,414	594,621
Installations	49,966	145	-	(2,424)	(0)	47,687
Machinery and equipment	47,048	1,067	(20)	(2,398)	127	45,824
Furniture and utensils	90,011	2,394	(9)	(3,647)	1,450	90,199
Computer equipment	16,433	799	-	(1,350)	103	15,985
Construction work in progress	45,995	8,422	-	-	(20,094)	34,323
Provision for store closings	(4,889)	-	-	-	-	(4,889)
Total	829,371	24,422	(346)	(27,697)	(2,000)	823,750

	Consolidated					
	12/31/2022	Additions	Write-offs	Depreciation	Transfers (i)	03/31/2023
Improvements to third party properties	678,300	16,068	(317)	(24,037)	16,926	686,940
Installations	49,966	152	-	(2,424)	(0)	47,694
Machinery and equipment	62,191	2,248	(20)	(2,970)	127	61,576
Furniture and utensils	141,567	3,613	(3,544)	(6,078)	1,451	137,009
Computer equipment	23,799	1,098	-	(2,228)	104	22,773
Construction work in progress	46,509	8,422	-	-	(20,608)	34,323
Provision for store closings	(4,889)	-	-	-	-	(4,889)
Vehicles	4,641	-	-	(151)	-	4,490
Capital gain from fixed assets (i)	42,754	-	-	-	-	42,754
Total	1,044,838	31,601	(3,881)	(37,888)	(2,000)	1,032,670

(i) The residual values of transfers refer to reclassifications between intangible assets and fixed assets.
(ii) Refers to capital gains identified in assets acquired in a business combination, as disclosed in note 3.

(Amounts expressed in thousands of Reais)

b) 2022 fiscal year transactions

	Parent company					
	12/31/2021	Additions	Write-offs	Depreciation	Transfers (i)	12/31/2022
Construction work in progress	39,620	41,755	-	-	(35,380)	45,995
Improvements to third party properties	449,346	174,244	(1,932)	(59,065)	22,214	584,807
Installations	57,796	1,964	(346)	(9,657)	208	49,966
Machinery and equipment	42,489	13,384	(74)	(9,306)	557	47,048
Furniture and utensils	67,788	30,002	(200)	(12,691)	5,112	90,011
Computer equipment	14,577	6,745	(1)	(4,662)	(227)	16,433
Advances to suppliers	133	-	(133)	-	-	-
Provision for store closings	(6,138)	-	1,249	-	-	(4,889)
Vehicles	-	-	-	-	-	-
Total	665,611	268,094	(1,437)	(95,381)	(7,516)	829,371

(i) the residual values of transfers refer to reclassifications between intangible assets and fixed assets.

	Consolidated						
	12/31/2021	Acquisitions (i)	Additions	Write-offs	Depreciation	Transfers (i)	12/31/2022
Construction work in progress	39,620	-	47,128	-	-	(40,238)	46,510
Improvements to third party properties	449,346	102,488	172,302	(5,558)	(65,132)	24,851	678,297
Installations	57,796	-	1,964	(346)	(9,657)	208	49,966
Machinery and equipment	42,489	15,508	13,206	(76)	(9,854)	920	62,191
Furniture and utensils	67,788	53,276	29,174	(785)	(14,806)	6,922	141,567
Computer equipment	14,577	8,543	6,346	(828)	(4,662)	(177)	23,800
Advances to suppliers	133	-	-	(133)	-	-	-
Provision for store closings	(6,138)	-	-	1,249	-	-	(4,889)
Vehicle	-	4,901	(69)	-	(191)	-	4,642
	665,611	184,716	270,052	(6,478)	(104,302)	(7,515)	1,002,084

(ii) Refers to assets acquired in the business combination with Extrafarma, as detailed in note 3.
(iii) The residual values of transfers refer to reclassifications between intangible assets and fixed assets.

Provision for store closings

The Company recognized a provision for closing stores in the amount of BRL 4,889, this analysis considers the individual result of the stores and the expectation of the recovery of investments. Stores that do not have sufficient results to recover the investment are subject to the recognition of a provision for closing their operations.

(Amounts expressed in thousands of Reais)

12. INTANGIBLE ASSETS

		Parent company					
		03/31/2023			12/31/2022		
	ınual ra	Cost	Amortization Accumulated	Balance Net	Cost	Amortization Accumulated	Balance Net
Brands	(i)	4,289	-	4,289	4,289	-	4,289
Goodwill	(ii)	19,658	(18,344)	1,314	19,658	(18,091)	1,567
Software	20%	159,100	(66,582)	92,518	150,218	(60,628)	89,590
Websites	10%	232	(76)	156	125	(75)	50
Intangible assets in progress	-	4,909	-	4,909	6,084	-	6,084
Total		188,188	(85,002)	103,186	180,374	(78,794)	101,580

i. Balance related to the cost of brand acquisitions. As an intangible asset of indefinite useful life, the Company annually evaluates the recoverability of the asset. Estimates indicate that the recoverable amount of the asset is greater than its book value and no loss is expected.

ii. The amortization of goodwill is calculated over the term of each store rental agreement, which varies between 5 and 25 years, reaching an average amortization rate of 8.6% p.a.

		Consolidated					
	Annual rate	03/31/2023			12/31/2022		
		Cost	Amortization	Net	Cost	Amortization	Net
Brands	(i)	4,289	-	4,289	4,289	-	4,289
Goodwill	(ii)	19,658	(18,344)	1,314	19,658	(18,091)	1,567
Software	20%	306,927	(182,360)	124,567	297,477	(169,857)	127,620
Websites	10%	232	(76)	156	125	(75)	50
Intangible assets in progress	-	4,909	-	4,909	6,084	-	6,084
Capital gain on brand (III)	-	80,594	-	80,594	80,594	-	80,594
		416,609	(200,780)	215,829	408,227	(188,023)	220,204

iii. Refers to capital gain on brand value, identified in the business combination with Extrafarma, as disclosed in Note 3.

a) Changes in the period ended March 31, 2023

	Parent company					
	12/31/2022	Additions	Write-offs	Amortization	Transfers (i)	03/31/2023
Brands	4,289	-	-	-	-	4,289
Goodwill	1,567	-	-	(253)	-	1,314
Software	89,590	5,694	-	(5,956)	3,190	92,518
Websites	50	-	(9)	(1)	116	156
Intangible assets in progress	6,084	131	-	-	(1,306)	4,909
Total	101,580	5,825	(9)	(6,210)	2,000	103,186

(i) The residual values of transfers refer to reclassifications between intangible assets and fixed assets.

(Amounts expressed in thousands of Reais)

	Consolidated					
	12/31/2022	Additions	Write-offs	Amortization	Transfers (i)	03/31/2023
Brands	4,289	-	-	-	-	4,289
Goodwill	1,567	-	-	(253)	-	1,314
Software	127,620	6,264	-	(12,507)	3,190	124,567
Websites	50	-	(9)	(1)	116	156
Intangible assets in progress	6,084	131	-	-	(1,306)	4,909
Capital gain on brand value	80,594	-	-	-	-	80,594
Total	220,204	6,395	(9)	(12,761)	2,000	215,829

(i) The residual values of transfers refer to reclassifications between intangible assets and fixed assets.

a. *Changes in fiscal year 2022*

	Parent company					
	12/31/2021	Additions	Write-offs	Amortization	Transfers (i)	12/31/2022
Brands	4,289	-	-	-	-	4,289
Goodwill	3,054	-	-	(1,486)	-	1,567
Software	47,668	45,242	(227)	(14,097)	11,004	89,590
Websites	50	303	(308)	-	5	50
Intangible assets in progress	3,494	6,084	-	-	(3,494)	6,084
Provision for store closings	(345)		345			-
Total	58,210	51,629	(190)	(15,583)	7,515	101,580

(ii) The residual values of transfers refer to reclassifications between intangible assets and fixed assets.

	Consolidated						
	12/31/2021	Acquisitions (i)	Additions	Write-offs	Amortization	Transfers (ii)	12/31/2022
Brands	4,289		-	-	-	-	4,289
Goodwill	3,054		-	-	(1,486)	-	1,567
Software	47,668	49,448	45,242	(227)	(25,515)	11,004	127,620
Websites	50		303	(308)	-	5	50
Intangible assets in progress	3,494		6,084	-	-	(3,494)	6,084
Provision for store closings	(345)		-	345	-	-	-
Capital gain on brand value	-	80,594	-	-	-	-	80,594
Total	58,210	130,042	51,629	(190)	(27,001)	7,515	220,204

(ii) Assets acquired in business combination with Extrafarma, as detailed in Note 3.
(iii) The residual values of transfers refer to the reclassifications between intangible assets and fixed assets.

(Amounts expressed in thousands of Reais)

13. SUPPLIERS

	Parent company		Consolidated	
	03/31/2023	12/31/2022	03/31/2023	12/31/2022
Suppliers	1,136,842	1,343,357	1,612,690	1,618,138
Suppliers – Related parties	23,870	7,735	11,379	8,519
Adjustment to present value (i)	(22,941)	(31,006)	(33,216)	(36,293)
Total	1,137,771	1,320,086	1,590,853	1,590,364

i) The balances of suppliers are affected by the adjustment to present value considering an average payment term between 63 and 71 days (69 and 79 days on December 31, 2022) and an average fundraising cost equivalent to 10.18% p.a. The effect of the adjustment to present value is registered in the inventory account, being recognized at profit or loss at the time of sale, in the cost of goods sold account. Recomposition of the balance of liabilities related to interest over time is recognized as financial expense.

a) Balances by maturity

	Parent company		Consolidated	
Due	03/31/2023	12/31/2022	03/31/2023	12/31/2022
Between 1 to 30 days	475,383	405,510	648,155	508,789
Between 31 to 60 days	349,322	474,434	474,792	543,233
Between 61 to 90 days	181,102	205,034	237,293	247,173
More than 91 days	154,905	266,114	263,829	327,462
Total	1,160,712	1,351,092	1,624,069	1,626,657

b) Balance concentration

	Parent company	
	03/31/2023	12/31/2022
Largest supplier	11%	10%
from the 2nd to the 25th	53%	55%
from 26th to 50th	15%	14%
Other suppliers	21%	21%
Total	100%	100%

(Amounts expressed in thousands of Reais)

14. LOANS, FINANCING AND DEBENTURES

Bank	Type	Average interest rate	Parent Company and Consolidated 03/31/2023	12/31/2022
Loans – in local currency				
Banco do Brasil	Working capital	115% of the CDI.	49,637	49,058
Banco do Brasil	Working capital	120% of the CDI.	56,184	54,004
Santander	Working capital	CDI + 2.30% p.a.	-	32,997
Santander	Working capital	CDI + 1.69% p.a.	101,525	101,558
Santander	Working capital	CDI + 2.65% p.a.	100,440	-
Loans – in foreign currency				
Loans (ii)	USD 4131	USD + 6.28% p.a.	48,636	49,203
			356,422	286,820
Financing				
Banco do Brasil	FCO (Fund for the Center West)	4.12% p.a.	11,729	12,761
Banco do Nordeste do Brasil	FNE (Fund for the Northeast)	4.12% p.a.	9,099	12,132
Banco do Nordeste do Brasil	FNE (Fund for the Northeast)	TLP_IPCA + 2.18%	6,921	7,663
Banco do Nordeste do Brasil	FNE (Fund for the Northeast)	TLP_IPCA + 2.98%	3,973	7,947
Banco do Nordeste do Brasil	FNE (Fund for the Northeast)	10.69% p.a.	1,509	3,015
Banco do Nordeste do Brasil	FINAME (Industrial Finance Agency of the BNDES)	TLP IPCA + 8.77%	23,152	-
			56,383	43,518
Debentures				
5th issue of Debentures	Unsecured	CDI + 1.51%	-	17,751
6th issue of Debentures	Unsecured	CDI + 1.75%	105,340	99,560
6th issue of Debentures	Unsecured	CDI + 2.20%	369,109	357,290
7th issue of Debentures	Unsecured	CDI + 1.70%	511,635	530,539
			986,084	1,005,140
Total loans, financing and debentures			1,398,889	1,335,478
Drawn Risk Operations (i)				
Banco ABC		-	19,360	36,982
BTG		-	-	121,755
Bradesco		-	65,239	82,594
Santander		-	9,531	-
Sofisa		-	13,957	-
			108,087	241,331
APV - Adjustment to present value			(1,073)	(3,402)
Total Drawn Risk Operations			107,014	237,929
Total debt			1,506,903	1,573,407
Current			330,996	472,810
Non-current			1,174,907	1,100,597

(Amounts expressed in thousands of Reais)

Financial instruments Swap Safra x USD (ii)	3,934	863
Net total of loans, financing, debentures and drawn risk	**1,509,837**	**1,574,270**

(i) Refers to the balance the Company's suppliers have anticipated with financial agents. As of March 31, 2023, these operations extend the average payment term of the amounts payable originally entered into with suppliers by 37 days (34 days as of December 31, 2022). The accounting transfer of the amounts from the suppliers account to this item, upon assignment of credit from the supplier to the banks, consists of a noncash transaction and is not presented in the cash flow statement. The flow settlements of the balance are, in turn, classified in financing activities, depending on the nature of financing of this transaction. Balances are adjusted to present value at an average rate of 10.18% (10.18% as of December 31, 2022). The effect of the adjustment to present value is recorded in inventories, being appropriated to the financial result on a pro rata basis.

(ii) The Company raised these funds in foreign currency in the modality "4131", exempt from the IOF tax. In order to hedge the foreign exchange exposure of these operations, the Company contracted a swap with the same term, rate and value.

a) *Transactions in the balance of loans, financing, debentures and drawn risk*

	Parent Company and Consolidated	
	03/31/2023	12/31/2022
Opening balances	1,574,270	1,291,999
Borrowing and financing	123,078	649,750
Drawn Risk Operations	(133,245)	138,943
Accrued Interest	45,688	157,700
Amortization of principal	(58,905)	(531,448)
Amortization of interest	(45,808)	(123,382)
Exchange rate variation	(1,301)	(1,090)
Adjustment to present value – Drawn risk	2,329	(3,402)
Changes in the value of financial liabilities measured at fair value	3,071	863
Appropriation of transaction costs to results	660	(5,663)
Closing balances on March 31	1,509,837	1,574,270

b) *Characteristics of debentures*

The 5th issue of simple debentures was realized on July 21, 2019 in the amount of BRL 100,000, maturing on January 21, 2023, and is remunerated by the variation of CDI + 1.51% p.a. The 6th issue of simple debentures was realized on November 5, 2021 in the amount of BRL 450,000, with the first series being remunerated by the variation of CDI +1.75% p.a. and maturing on November 5, 2026, and the second series being remunerated by the variation of CDI + 2.20% p.a. and maturing on November 5, 2028. The 7th issue was realized on July 15, 2022 in the amount of BRL 500,000, maturing on July 15, 2026 being remunerated by the variation of CDI +1.70% p.a.

Issues are “non-convertible” into shares, unsecured, with additional personal guarantee for public distribution with restricted distribution efforts, under the terms of Instruction No. 476 of the Brazilian Securities Commission (“CVM”). The debentures do not have renegotiation clauses. The funds raised were used to reinforce working capital.

c) *Disbursement schedule* of loans, financing and debentures

	03/31/2023	12/31/2022
04/01/2024 – 12/31/2024	249,912	182,249
01/01/2025 – 12/31/2025	293,326	286,757

(Amounts expressed in thousands of Reais)

01/01/2026 – 12/31/2028	631,669	631,591
Total	1,174,907	1,100,597

d) Guarantees

	03/31/2023	12/31/2022
Guarantee/surety (Related parties – Note 10)	44,948	61,224
Fiduciary sale of credit rights	40,038	40,521
Bank guarantees	55,031	52,831
Real estate (Related parties – Note 10)	52,183	52,183
	192,200	206,759

e) Restrictive clauses (covenants)

The financial indexes and limits are verified quarterly based on the Company's quarterly information until payment in full of the amounts owed. As of March 31, 2023, the indices were within the contractually defined limits. The Company is also in compliance with other *non-financial covenants*.

15. RIGHT OF USE AND LEASES

a) Composition of the right-of-use asset

	Real estate	Computer equipment	Machinery and equipment	Parent company	Consolidated
Balances on January 1, 2023	1,662,610	62,955	12,434	1,737,999	2,054,454
Additions and remeasurements	4,057	-	4,361	8,418	8,418
Depreciation	(51,079)	(7,365)	(3,512)	(61,956)	(81,612)
Balances on March 31, 2023	1,615,588	55,590	13,283	1,684,461	1,981,260

	Real estate	Computer equipment	Machinery and equipment	Parent company	Consolidated
Balances on January 1, 2022	1,541,629	54,821	19,195	1,615,645	1,615,645
Acquisition (i)	-	-	-	-	350,261
Additions and remeasurements	320,607	34,157	4,765	359,529	359,529
Write-offs	(21,878)	(686)	(147)	(22,711)	(22,258)
Depreciation	(177,748)	(25,337)	(11,379)	(214,464)	(248,723)
Balances on December 31, 2022	1,662,610	62,955	12,434	1,737,999	2,054,454

(i) Balance related to the acquisition of Extrafarma, business combination disclosed in Note 3.

(Amounts expressed in thousands of Reais)

b) Lease Liabilities

	Real estate	Computer equipment	Machinery and equipment	Parent company	Consolidated
Balances on January 1, 2023	1,809,370	67,027	13,400	1,889,797	2,239,493
Additions and remeasurements	4,296	-	4,122	8,418	8,418
Write-offs	-	-	-	-	-
Interest incurred	36,859	1,590	433	38,882	47,482
Payments	(74,495)	(9,047)	(3,856)	(87,398)	(113,920)
Balances on March 31, 2023	1,776,030	59,570	14,099	1,849,699	2,181,473
Current	220,868	27,553	8,632	257,053	297,928
Non-current	1,555,162	32,017	5,467	1,592,646	1,883,545

	Real estate	Computer equipment	Machinery and equipment	Parent company	Consolidated
Balances on January 1, 2022	1,650,794	58,866	20,461	1,730,121	1,730,121
Acquisition (i)	-	-	-	-	380,580
Additions and remeasurements	320,607	34,153	4,794	359,554	359,554
Write-offs	(25,607)	(1,214)	(156)	(26,977)	(26,977)
Interest incurred	132,322	5,247	1,289	138,858	146,518
Payments	(268,746)	(30,025)	(12,988)	(311,759)	(350,304)
Balances on December 31, 2022	1,809,370	67,027	13,400	1,889,797	2,239,492
Current	216,863	32,136	10,327	259,326	313,299
Non-current	1,592,507	34,891	3,073	1,630,471	1,926,193

(i) Balance related to the acquisition of Extrafarma, business combination disclosed in Note 3.

c) Lease liability maturity schedule

	Parent company		Consolidated	
	03/31/2023	12/31/2022	03/31/2023	12/31/2022
04/01/2024 – 12/31/2024	297,990	223,434	360,903	286,147
01/01/2025 – 12/31/2025	282,055	209,291	335,424	262,660
01/01/2026 – 12/31/2026	234,495	194,381	280,403	240,287
After 01/01/2027	778,105	1,003,365	906,215	1,136,899
Total	1,592,645	1,630,471	1,882,945	1,926,193

d) Potential PIS and COFINS credits

The Company is entitled to PIS and COFINS credits for the rental agreements registered at the time of their payments. These potential tax credits are presented below. Part of the real estate lease agreements do not generate the right to PIS and COFINS credits, as they are signed with individual lessors, in which cases the credit is not allowed under tax legislation.

	Parent company		Consolidated	
	03/31/2023	12/31/2022	03/31/2023	12/31/2022
Consideration for the lease	2,884,179	2,857,072	3,215,952	3,193,211
Potential PIS and COFINS credits (9.25%)	194,816	194,370	225,505	209,092

(Amounts expressed in thousands of Reais)

e) Flows considering inflation and nominal rates

In accordance with CIRCULAR LETTER/CVM/SNC/SEP/Nº.02/2019, the Company adopted the requirements of CPC 06 (R2) as its accounting policy in the measurement and remeasurement of its rights of use, proceeding with the use of the discounted cash flow technique without considering inflation. To safeguard the reliable representation of the information in view of the requirements of CPC 06 (R2) and to meet the guidelines of the CVM technical areas, the liability balances are presented without inflation, effectively accounted for (real flow x nominal rate), and the estimate of balances with inflation (nominal flow x nominal rate) are provided for the comparison periods.

	Parent company			
	Actual flow		Flow considering inflation	
	03/31/2023	12/31/2022	03/31/2023	12/31/2022
Real estate	1,776,029	1,809,370	1,779,048	1,907,981
Computer equipment	59,570	67,027	62,340	70,908
Machinery and equipment	14,099	13,400	14,755	14,176
Total	1,849,698	1,889,797	1,856,143	1,993,065

	Consolidated			
	Actual Flow		Flow considering inflation	
	03/31/2023	12/31/2022	03/31/2023	12/31/2022
Real estate	2,107,802	2,159,065	2,111,385	2,276,734
Computer equipment	59,570	67,027	62,340	70,908
Machinery and equipment	14,099	13,400	14,755	14,176
Total	2,181,471	2,239,492	2,188,480	2,361,818

Other assumptions, such as the maturity schedule of the liabilities and interest rates used in the calculation are disclosed in other items of this same explanatory note, as well as the inflation rates observable in the market, so that the nominal flows can be calculated by the users of the financial statements.

(Amounts expressed in thousands of Reais)

16. TAXES DUE

	Parent company		Consolidated	
	03/31/2023	12/31/2022	03/31/2023	12/31/2022
ICMS	58,423	57,851	123,683	98,454
INSS/FGTS	8,763	11,136	19,936	23,232
ISS	16,761	16,442	16,956	16,532
PERT	7,399	7,642	7,399	7,642
IRPJ/CSLL	6,790	22,776	10,008	27,020
Others	391	354	386	354
Total	98,527	116,201	178,368	173,234
Current	92,823	110,215	172,664	167,248
Non-current	5,704	5,986	5,704	5,986

17. CONTINGENCY PROVISIONS

a) Account composition

	Parent company		Consolidated	
	03/31/2023	12/31/2022	03/31/2023	12/31/2022
Administrative	752	766	752	766
Civil	3,409	3,349	3,820	3,802
Labor	11,380	11,674	16,410	17,460
Tax	326	302	5,209	5,178
Subtotal	15,867	16,091	26,191	27,206
Contingent liabilities in the business combination	63,706	63,706	63,706	63,706
Total	79,573	79,797	89,897	90,912

Provisions for civil lawsuits are made up of lawsuits with individual amounts that are pulverized and arising mainly from awards of moral and/or material damages that occurred in two situations: consumer relations and the occurrence of robberies inside our stores.

Provisions for labor claims consist of lawsuits whose individual amounts are also pulverized and basically refer to severance payments, related to overtime or salary differences and which may impact adjustments in other amounts such as vacation pay, FGTS and advance notice.

The provisions for tax claims are principally related to accounting disputes and the respective calculation of ICMS tax substitution related to operations carried out in the state of Ceará.

(Amounts expressed in thousands of Reais)

Contingent liabilities in the business combination

Balance referring to the fair value of contingent liabilities existing on the date of acquisition and assumed in the business combination with Extrafarma. As these are contingent liabilities prior to the acquisition of the Subsidiary, the contract provides that any disbursements will be indemnified by the seller, so that the Company has an indemnifiable asset registered in the same amount as the balance of the provision for contingent liabilities in the business combination.

b) *Cases in fiscal year 2023*

	Parent company				
	12/31/2022	Additions	Reversal	Payments	03/31/2023
Administrative	766	105	(5)	(114)	752
Civil	3,349	336	(3)	(273)	3,409
Labor	11,674	1,053	(0)	(1,347)	11,380
Tax	302	194	(2)	(168)	326
Contingent liabilities from the business combination (ii)	63,706	-	-	-	63,706
Total	79,797	1,688	(10)	(1,902)	79,573

	Consolidated				
	12/31/2022	Additions	Reversal	Payments	03/31/2023
Administrative	766	105	(5)	(114)	752
Civil	3,802	356	(10)	(302)	3,846
Labor	17,460	1,247	(7)	(2,317)	16,383
Tax	5,178	203	(2)	(168)	5,211
Contingent liabilities from the business combination (ii)	63,706	-	-	-	63,706
Total	90,912	1,911	(24)	(2,901)	89,898

(i) Refers to the acquired balances (opening balance) of Extrafarma, in accordance with the business combination disclosed in Note 3.

(ii) According to the agreement, the selling shareholders agreed to indemnify the Company to the maximum limit of 75% of the acquisition price for contingencies existing up to the closing date. To this end, the Company constituted a provision for contingent liabilities in a business combination in return for an indemnity asset, equivalent to the fair value of the indemnified liability, as above.

(Amounts expressed in thousands of Reais)

c) *Lawsuit activity during fiscal year 2022*

	Parent company				
	12/31/2021	Additions	Reversal	Payments	12/31/2022
Administrative	517	635	(31)	(355)	766
Civil	3,207	964	(67)	(755)	3,349
Labor	18,596	3,185	(181)	(9,926)	11,674
Tax	245	286	(31)	(198)	302
Contingent liabilities from the business combination (ii)	-	63,706	-	-	63,706
Total	22,565	68,776	(310)	(11,234)	79,797

	Consolidated					
	12/31/2021	Acquisitions (i)	Additions	Reversal	Payments	12/31/2022
Administrative	517	-	635	(31)	(355)	766
Civil	3,207	495	1,062	(149)	(813)	3,802
Labor	18,596	6,028	3,386	(181)	(10,369)	17,460
Tax	245	4,761	441	(31)	(238)	5,178
Contingent liabilities from the business combination (ii)	-	63,706	-	-	-	63,706
Total	22,565	74,990	5,524	(392)	(11,775)	90,912

d) *Contingent liabilities – Risk of possible loss*

On March 31, 2023, the Company was a party to lawsuits classified by its legal advisors with a possible risk of loss in the amount of BRL 414,518 (BRL 411,950 on December 31, 2022) by the Parent Company and in the Consolidated in the amount of BRL 479,410 (BRL 475,657 on 12/31/2022) of which BRL 63,706 are contingent liabilities assumed in the business combination.

The nature of these cases and their estimates are shown below:

	Parent company		Consolidated	
	03/31/2023	12/31/2022	03/31/2023	12/31/2022
Administrative	9,097	9,678	9,097	9,678
Civil	3,558	3,288	13,361	12,634
Labor	48,877	48,837	56,709	56,214
Tax	352,986	350,148	400,543	397,131
Total	414,518	411,951	479,710	475,657

Tax: These refer to notifications, mostly tax related, of debits, which in the opinion of the Company and its legal advisors, are devoid of factual basis, therefore having strong possibilities of annulment, among which we describe the principal cases:

i) Action for annulment of ICMS debts (parent company)

Action for annulment seeking the cancellation of the tax assessment notice in the amount of BRL 145,367 of March 31, 2023 (BRL 144,083 on December 31, 2022), which was drawn up to demand amounts of ICMS resulting from the accounting of credits in amounts higher than those highlighted in the invoices of products purchased, intended for sale, which, according to the auditors, would have (in the opinion of the tax authorities) caused an omission of payment of ICMS in the period from March 2014 to December 2018.

ii) PIS and COFINS credits on inputs (parent company)

Notice of infraction served in December 2020, in the amount of BRL 132,123, requiring amounts due for PIS and COFINS arising from tax credits recorded in the period from December 2015 to December 2016, related to expenses with goods and services used as inputs for consumption (examples: cleaning services, card administration fees, freight, among others), in which the Federal Revenue Service, based on a restrictive interpretation of art. 3, item II, of Laws 10.637/02 and 10.833/03 and due to the fact that the Company's activity is retail trade, it does not understand this to be possible.

Labor: These refer to claims arising from severance pay that, in the Company's opinion, were fully settled at the time of termination, thus generating confidence in their inadmissibility.

Administrative: These refer to notifications originating in procedures adopted at the store level, which are, in the majority of cases, mere misunderstandings in the interpretation of the rule.

Civil: These refer to the provocation of moral and/or material damages, in the opinion of the plaintiff, suffered inside our stores. As the Company's policy is of service to and total respect for the consuming public, it is understood that the interpretation is unfounded.

18. SHAREHOLDERS' EQUITY

a) Share capital

On March 31, 2023 and December 31, 2022, the Company's capital stock, fully subscribed and paid in the amount of BRL 1,241,689, from which the amount of BRL 42,470 related to the costs of issuing shares in the IPO is deducted, leaving a total of BRL 1,199,219. On March 31, 2023 and December 31, 2022, the value of the Company's capital stock is represented by 443,781,062 common shares, all registered, book-entry and without par value.

(Amounts expressed in thousands of Reais)

b) Capital reserve

	03/31/2023	12/31/2022
Goodwill on the issuance of shares (i)	386,650	386,650
Cost of issuance of shares (ii)	(11,390)	(11,390)
Restricted stock plan (iii)	6,666	16,288
Treasury shares (Note 19(e))	(17,276)	(20,993)
Share subscription receipts (iv)	73,780	-
Incorporation reserve	330	330
Total	438,760	370,885

i. In accordance with the Investment Agreement between the Company and General Atlantic Brasil Investimentos S.A., a goodwill reserve was established upon the issuance of shares in the amount of BRL 397,357, and in 2017 and 2018 a reversal of BRL 6,527 and BRL 4,180 was made, respectively, due to indemnities paid to the subscribing shareholders.
ii. Amount referring to the cost of BRL 11,390 for the issuance of new shares in the investment operation by General Atlantic Brasil Investimentos S.A. in 2015.
iii. In 2020, the creation of a Restricted Stock Plan was approved, the details of that plan and the grants ceded are disclosed in Note 20.
iv. These refer to the capital increase approved on April 4, 2023, as detailed in the letter in item a).

c) Profit reserves

The Legal Reserve is constituted using 5% of the net income calculated in each fiscal year, up to the limit of 20% of the share capital, after the allocation of the tax incentive reserve.

The Tax Incentive Reserve is constituted from the portion of profit arising from investment subsidies received by the Company, as detailed in Note 21 – Government Subsidies.

d) Treasury shares

On December 9, 2020, the Company's Board of Directors approved the opening of a Repurchase Program for up to 1,100,000 common shares. Additionally, on December 1, 2021, a new Repurchase Program for up to 2,000,000 shares was approved, ending on March 1, 2022 and on August 1, 2022, a new Repurchase Program for up to 5,000,000 shares, lasting 6 months, ended on February 1, 2023, was approved.

Under these Programs, the Company acquired from its launch thru the closing date, the amount of 7,106,600 common shares in the total amount of BRL 47,593, at an average cost of BRL 6.70, of which 2,749,085 shares remain in treasury at an average cost of BRL 6.28, totaling BRL 17,276.

(Amounts expressed in thousands of Reais)

19. STOCK-BASED COMPENSATION PLANS

The Company's Long-Term Incentive Plan with Restricted Shares was approved at an Extraordinary General Meeting held on June 25, 2020 with the objective of the granting of restricted shares to participants selected by the Board of Directors, with a view to: (i) attracting and retaining the Company's directors, managers and high-level employees; (ii) granting participants the opportunity to become shareholders of the Company, thus obtaining a greater alignment of their interests with the interests of the Company; and (iii) developing the Company's corporate purposes and the interests of shareholders. During the term of the Restricted Share Plan, shares representing up to 1.5% of the Company's capital stock may be delivered to the participants. The balance of the Restricted Stock Plan as of March 31, 2023 is BRL 6,666 (BRL 16,288 as of December 31, 2022).

The Board of Directors is responsible for selecting the Directors, independent Board of Directors members, managers and high-level employees of the Company, in favor of which the Company grants one or more common, registered, book-entry shares without par value, issued by the Company and subject to the restrictions provided for in the Restricted Share Plan, program and/or in the respective grant agreement.

20. EARNINGS PER SHARE

Basic earnings per share are calculated by dividing the profit attributable to the Company's shareholders by the weighted average number of common shares outstanding during the period. The calculation of earnings per share for the periods ended March 31, 2023 and 2022 is shown below:

	03/31/2023	03/31/2022
Result for the period attributable to shareholders	(62,842)	23,434
Weighted number of shares during the period (lots of one thousand shares)	443,781	443,781
Basic and diluted earnings per share - R$	(0.14)	0.05

As of March 31, 2023 and 2022, there were no restricted shares or other convertible instruments with potential dilutive effect, since the potential shares of the Restricted Share Plan commented on in Note 20, when issued, will be covered with the use of treasury shares acquired for this purpose, without dilution.

(Amounts expressed in thousands of Reais)

21. GOVERNMENT SUBSIDIES

The Company has special tax regimes, related to ICMS, granted by the States of Ceará, Goiás, Pernambuco, and Bahia, which imply the reduction of the tax burden in these States, in return for several commitments assumed by the Company. The Company has consistently met these requirements. The Company recognized in its result for the period ended March 31, 2023, as a reduction in the cost of goods sold, the amount of BRL 27,366 (BRL 27,704 on March 31, 2022).

The amounts calculated from government subsidies are treated as tax incentives and properly allocated, annually, to the tax incentive reserve.

22. NET OPERATING REVENUE

	Parent company		Consolidated
	03/31/2023	03/31/2022	03/31/2023
Sale of goods	2,367,189	2,039,114	2,803,535
Services provided	9,477	72,419	9,689
Gross revenue	2,376,666	2,111,533	2,813,224
Taxes on sales	(136,700)	(115,206)	(170,992)
Returns and rebates	(14,052)	(12,663)	(16,572)
Adjustment to present value	(4,883)	(10,785)	(5,289)
Deductions from sales	(155,635)	(138,654)	(192,853)
Net revenue	2,221,031	1,972,879	2,620,371

23. COSTS AND EXPENSES

Classified by account:

	Parent company		Consolidated
	03/31/2023	03/31/2022	03/31/2023
Cost of goods sold	(1,551,660)	(1,347,688)	(1,802,952)
Selling expenses	(546,331)	(474,834)	(697,895)
General and administrative expenses	(70,423)	(72,827)	(94,697)
Total costs and expenses	(2,168,414)	(1,895,349)	(2,595,544)

(Amounts expressed in thousands of Reais)

Classified by type:

	Parent company		Consolidated
	03/31/2023	03/31/2022	03/31/2023
Cost of acquisition of goods	(1,551,660)	(1,347,688)	(1,802,952)
Expenses with people	(365,108)	(307,877)	(453,829)
Rental expenses	(17,713)	(13,555)	(22,346)
General expenses	(138,073)	(143,924)	(184,161)
Depreciation and amortization	(95,859)	(82,305)	(132,256)
Total costs and expenses	(2,168,414)	(1,895,349)	(2,595,544)

24. FINANCIAL RESULTS

	Parent company		Consolidated
	03/31/2023	03/31/2022	03/31/2023
Financial income			
Revenue from financial investments	2,167	10,841	2,194
Adjustment to fair value of derivative instruments	779	-	779
Adjustment to present value	8,701	9,490	9,182
Exchange rate variation	2,330	-	2,330
Other financial income	238	256	250
Total financial revenue	14,215	20,587	14,735
Financial expenses			
Accrued interest	(56,816)	(30,813)	(56,816)
Lease interest	(38,881)	(34,278)	(47,481)
Adjustment to fair value of derivative instruments	(3,849)	-	(3,849)
Adjustment to present value of suppliers	(39,619)	(26,391)	(46,569)
Exchange rate variation	(1,029)	-	(1,029)
Interest on anticipation of receivables	(24,673)	(2,545)	(29,296)
Other financial expenses	(4,188)	(1,361)	(4,428)
Total financial expense	(169,055)	(95,388)	(189,468)
Financial results	(154,840)	(74,801)	(174,733)

(Amounts expressed in thousands of Reais)

25. FINANCIAL INSTRUMENTS

a) Composition of financial instruments

The accounting balances of financial instruments as to their valuation included on the balance sheet of March 31, 2023 and December 31, 2022 are identified below according to their measurement:

	Parent company		Consolidated	
Description	03/31/2023	12/31/2022	03/31/2023	12/31/2022
Measured at amortized cost				
Cash and cash equivalents	116,521	153,139	125,699	163,742
Financial investments	9,764	9,509	9,764	9,509
Accounts receivable from customers	338,564	508,358	288,522	505,518
Suppliers	(1,137,771)	(1,320,086)	(1,590,853)	(1,590,364)
Financing and loans	(412,812)	(330,338)	(412,812)	(330,338)
Debentures	(986,077)	(1,005,140)	(986,077)	(1,005,140)
Drawn risk operations	(107,014)	(237,929)	(107,014)	(237,929)
Lease liabilities	(1,849,699)	(1,889,797)	(2,181,473)	(2,239,492)
Financial liabilities measured at fair value through profit or loss				
Derivative financial instruments (passive balance of foreign currency *swaps*)	(3,934)	(863)	(3,934)	(863)

b) Structure and management of financial risks

<u>Credit risk</u>

Credit risk is the risk of the Company incurring losses with customers or counterparts in a financial instrument, due to their failure to comply with their contractual obligations.

The Company is exposed to credit risk for cash and cash equivalents, financial investments, accounts receivable with credit card administrators and derivative instruments.

Cash and cash equivalents, financial investments and derivative instruments.

The Company has balances receivable from financial institutions related to cash and cash equivalents and financial investments in the amount of BRL 126,285 (BRL 135,463 – Consolidated) on March 31, 2023 (BRL 162,648 – Parent Company and BRL 173,251 – Consolidated on December 31, 2022), which represent its maximum credit exposure. Credit risk with financial institutions is managed by the Company's Treasury in accordance with established Company policy. Such resources are dispersed in certain financial institutions in order to minimize the concentration of risk and thus mitigate financial losses in the event of a potential default by any one institution.

Accounts receivable from credit card companies

For accounts receivable balances, credit risk is mitigated by the fact that a large part of the Company's sales are made using a credit card as the means of payment, which are substantially guaranteed by credit card administrators. The balance receivable from customers is diversified, with no individual amounts representing major risk.

Considering possible risk arising from transfer from credit card companies, this is controlled through a rigorous daily process of reconciliation between billings and receipts. The Company operates with top Card

(Amounts expressed in thousands of Reais)

Administrators and market leaders. Management therefore understands that such risk is low.

The following are the balances of credit and debit card administrators receivable, by age of maturity:

	Parent company		Consolidated	
	03/31/2023	12/31/2022	03/31/2023	12/31/2022
Due				
1 to 30 days	96,626	162,158	99,674	176,393
31 to 60 days	66,156	116,958	69,196	121,536
61 to 90 days	26,190	88,193	27,263	90,206
over 90 days	45,149	83,028	46,368	84,209
Total	234,121	450,337	242,501	472,344

There are no overdue balances held with credit card companies.

Liquidity risk

Liquidity risk is the risk that the Company will find it difficult to meet the obligations associated with its financial liabilities, which are settled with cash payments or use of another financial asset. The Company's approach to liquidity management is to ensure that there is always sufficient liquidity to meet its obligations at maturity, under normal and stressful conditions, without causing unacceptable losses or damaging the Company's reputation.

The Company closely monitors its cash flow through periodic stress tests, which allows, in addition to the fulfillment of financial obligations, the realization of short-term operations in the financial markets to monetize any cash surpluses.

The contractual maturities of the principal financial instruments, both assets and liabilities are shown below:

	Parent company					
On March 31, 2023	Amount accounting	Amount Contractual	1 year or less	Between 1 and 2 years	Between 2 and 5 years	Above 5 years
Cash and cash equivalents (Note 5)	116,521	116,521	116,521	-	-	-
Accounts receivable from customers (Note 6)	338,564	338,564	338,564	-	-	-
Suppliers (Note 14)	(1,137,771)	(1,137,771)	(1,137,771)	-	-	-
Leasing (Note 16)	(1,849,699)	(1,849,699)	(257,054)	(580,044)	(717,758)	(294,843)
Financing and loans (Note 15)	(412,812)	(412,812)	(182,868)	(218,265)	(11,679)	-
Debentures (Note 15)	(986,077)	(986,077)	(41,114)	(31,647)	(738,614)	(174,702)
Drawn risk operations (Note 15)	(107,014)	(107,014)	(107,014)	-	-	-
Derivative financial instruments (Foreign currency swaps)	(3,934)	(3,934)	(3,934)	-	-	-

(Amounts expressed in thousands of Reais)

Consolidated

On March 31, 2023	Amount accounting	Amount Contractual	1 year or less	Between 1 and 2 years	Between 2 and 5 years	Above 5 years
Cash and cash equivalents (Note 5)	125,699	125,699	125,699	-	-	-
Accounts receivable from customers (Note 6)	288,522	288,522	288,522	-	-	-
Suppliers (Note 14)	(1,590,853)	(1,590,853)	(1,590,853)	-	-	-
Leasing (Note 16)	(2,181,473)	(2,181,473)	(297,928)	(696,327)	(763,664)	(423,554)
Financing and loans (Note 15)	(412,812)	(412,812)	(182,868)	(218,265)	(11,679)	-
Debentures (Note 15)	(986,077)	(986,077)	(41,114)	(31,647)	(738,614)	(174,702)
Drawn risk operations (Note 15)	(107,014)	(107,014)	(107,014)	-	-	-
Derivative financial instruments (Foreign currency swaps)	(3,934)	(3,934)	(3,934)	-	-	-

Parent company

On December 31, 2022	Amount accounting	Amount Contractual	1 year or less	Between 1 and 2 years	Between 2 and 5 years	Above 5 years
Cash and cash equivalents (Note 5)	153,139	153,139	153,139	-	-	-
Accounts receivable from customers (Note 6)	508,359	508,359	508,359	-	-	-
Suppliers (Note 14)	(1,320,086)	(1,320,086)	(1,320,086)	-	-	-
Leasing (Note 16)	(1,889,797)	(1,889,797)	(259,326)	(223,434)	(566,834)	(840,203)
Financing and loans (Note 15)	(330,338)	(330,338)	(174,282)	(150,601)	(5,455)	-
Debentures (Note 15)	(1,005,140)	(1,005,140)	(60,598)	(31,648)	(738,304)	(174,590)
Drawn risk operations (Note 15)	(237,939)	(237,939)	(237,939)	-	-	-
Derivative financial instruments (Foreign currency swaps)	(863)	(863)	(863)	-	-	-

Consolidated

On December 31, 2022	Amount accounting	Amount Contractual	1 year or less	Between 1 and 2 years	Between 2 and 5 years	Above 5 years
Cash and cash equivalents (Note 5)	163,742	163,742	163,742	-	-	-
Accounts receivable from customers (Note 6)	505,519	505,519	505,519	-	-	-
Suppliers (Note 14)	(1,590,364)	(1,590,364)	(1,590,364)	-	-	-
Leasing (Note 16)	(2,239,492)	(2,239,492)	(313,299)	(286,347)	(666,109)	(973,737)
Financing and loans (Note 15)	(330,338)	(330,338)	(174,282)	(150,601)	(5,455)	-
Debentures (Note 15)	(1,005,140)	(1,005,140)	(60,598)	(31,648)	(738,304)	(174,590)
Drawn risk operations (Note 15)	(237,929)	(237,929)	(237,929)	-	-	-
Derivative financial instruments (Foreign currency swaps)	(863)	(863)	(863)	-	-	-

Market risk

This is the risk that changes in market prices, such as exchange rates, interest rates and product prices, have an impact on the Company's earnings or the value of its positions in financial instruments.

Management understands that, in the context of the Company, all market risks mentioned above are mitigated and refer mainly to fluctuations in interest and exchange rates.

(Amounts expressed in thousands of Reais)

Interest rate risk

The Company seeks to diversify fundraising in terms of pre-fixed or post-fixed interest rates and, in certain circumstances, operations are carried out with derivative financial instruments to protect the financial cost of operations.

Changes in interest rates affect both the Company's financial assets and liabilities. Below we demonstrate the impacts of these variations on the profitability of financial investments and indebtedness in the Company's national currency, the Brazilian Real, linked to the CDI. The sensitivity of the Company's financial assets and liabilities was demonstrated in two improbable scenarios.

We present a scenario with the nominal rates verified on March 31, 2023 (accounting balance based on the closing CDI 13.65% p.a.) and the probable scenario considered by Management, which corresponds to the projection of the CDI curve considering the base closing of March 31, 2023, according to the BM&F Bovespa interest curve for the CDI (between December 2020 and January 2026) and two other scenarios considering an increase in the indexes of 25% (Scenario I) and 50% (Scenario II).

Additional sensitivity analysis

The Company's financial instruments are represented by cash and cash equivalents, financial investments, accounts receivable, suppliers, loans and financing, debentures and leases, and are recorded at cost, plus any income or charges incurred, which on March 31, 2023 and December 31, 2022 are close to market prices. The risks linked to the Company's operations are linked to the variation of the CDI (Interbank Deposit Certificate).

With respect to loans, financing and debentures, they refer to operations whose registered value is close to the market value of these financial instruments. Investments using the CDI are recorded at market value, according to quotations disclosed by the respective financial institutions, the others refer, principally, to bank deposit certificates, repurchase agreements and investment funds, therefore, the registered value of these securities does not differ from their market value.

In order to verify the sensitivity of the index to which the Company was exposed on the base date of March 31, 2023, three different scenarios were defined. The likely scenario considers the current interest rate curve projected by the Central Bank. From this, variations of 25% (Scenario II) and 50% (Scenario III) were calculated, sensitizing the rise and fall of the indices. For each scenario, the net position (financial revenues minus financial expenses) was calculated, not considering any tax effect. The base date used for the portfolio was March 31, 2023, projecting a year forward and verifying the sensitivity of the CDI index in each scenario.

March 31, 2022

		Parent company			
Financial institutions and others	Risk (rate)	Accounting Balance	Probable scenario	Scenario II 25%	Scenario III 50%
Loans	CDI Increase	(364,176)	(7,041)	(9,582)	(11,367)
Debentures	CDI Increase	(986,084)	(17,769)	(23,146)	(27,304)
Financial investments	CDI decrease	78,913	1,155	1,443	1,732
Net exposure (financial expense)			(23,656)	(31,285)	(36,939)

(Amounts expressed in thousands of Reais)

Consolidated

Financial institutions and others	Risk (rate)	Accounting Balance	Probable scenario	Scenario I 25%	Scenario II 50%
Loans	CDI Increase	(364,176)	(7,041)	(9,582)	(11,367)
Debentures	CDI Increase	(986,084)	(17,769)	(23,146)	(27,304)
Financial investments	CDI decrease	78,913	1,155	1,443	1,732
Net exposure (financial expense)			(23,655)	(31,285)	(36,939)

December 31, 2022

Parent company

Financial institutions and others	Risk (rate)	Accounting Balance	Probable scenario	Scenario I 25%	Scenario II 50%
Loans	CDI Increase	(569,130)	(2,923)	(3,632)	(4,336)
Debentures	CDI Increase	(1,005,140)	(9,403)	(11,449)	(13,475)
Financial investments	CDI decrease	101,924	1,547	1,933	2,320
Net exposure (financial expense)			(10,779)	(13,148)	(15,491)

Consolidated

Financial institutions and others	Risk (rate)	Accounting	Probable scenario	Scenario I 25%	Scenario II 50%
Loans	CDI Increase	(569,130)	(2,923)	(3,632)	(4,336)
Debentures	CDI Increase	(1,005,140)	(9,403)	(11,449)	(13,475)
Financial investments	CDI decrease	101,924	1,547	1,933	2,320
Net exposure (financial expense)			(10,779)	(13,148)	(15,491)

Foreign exchange risk

The Company has a policy of contracting derivative financial instruments to protect financial transactions carried out in foreign currency in the amount of USD 9,430. Such transactions are carried out with the same counterparts that granted the original credit operations and at the same notional value in order to avoid any mismatch in positions. As of March 31, 2023, the value of derivative financial instruments was BRL 3,934.

To measure the estimated impact on the result due to risks from currency fluctuations, a sensitivity analysis of the Company's exposure to the foreign currency loan exchange rate risk was prepared considering the three scenarios below. The probable scenario considers the closing dollar rate on March 31, 2023, scenarios I and II consider an increase of 25% and 50%, respectively, in the closing exchange rate.

March 31, 2022

Financial institutions and others	Risk (rate)	Exposure	Probable scenario	Scenario I	Scenario II

				25%	50%
Loans in foreign currency	USD Appreciation	(48,636)	-	(12,159)	(24,318)

December 31, 2022

Financial institutions and others	Risk (rate)	Exposure	Probable scenario	Scenario I 25%	Scenario II 50%
Loans in foreign currency	USD Appreciation	(49,203)	-	(12,554)	(25,108)

Capital management

Management's policy is to maintain a solid capital base to maintain investor, lender and market confidence and to maintain the future development of the business. The Executive Board monitors the return on capital, which is defined as the results of operating activities divided by total equity.

The leverage ratio is as shown below:

	Parent company		Consolidated	
	03/31/2023	12/31/2022	03/31/2023	12/31/2022
Loans, financing, debentures and drawn risk	1,505,903	1,573,407	1,505,903	1,573,407
Derivative financial instruments (Foreign currency swaps)	3,934	863	3,934	863
(-) Cash and cash equivalents	(116,521)	(153,139)	(125,699)	(163,742)
(-) Financial investments	(9,764)	(9,509)	(9,764)	(9,509)
Net debt	1,383,552	1,411,622	1,374,374	1,401,019
Shareholders' equity	2,278,083	2,334,551	2,286,430	2,342,992
Leverage ratio	0.61	0.60	0.60	0.60

Fair value hierarchy

The following table presents the financial instruments whose values were recorded at fair value and their respective hierarchies.

	12/31/2023		
Description	Level 1	Level 2	Level 3
Share-based compensation plan (Note 19)	-	-	6,665

(Amounts expressed in thousands of Reais)

Description	12/31/2022 Level 1	Level 2	Level 3
Share-based compensation plan (Note 19)	-	-	16,288

The various levels were defined as follows:

Level 1 - Prices quoted in active markets for identical assets and liabilities;
Level 2 - Inputs, except quoted prices, included in Level 1, whose prices are directly (prices) or indirectly (derived from prices) observable for the asset or liability;
Level 3 - Assumptions, for the asset or liability, which are not based on observable market data (unobservable inputs).

Fair value measurement

Below the valuation techniques used in the measurement of Level 2 and 3 fair values are detailed, as well as significant unobservable *inputs* used.

Financing and loans and debentures – measured at amortized cost

This category includes financing, loans and debentures linked to TJLP and CDI, as well as those with pre-fixed rates. Fair value was determined based on the present value of the principal and future cash flows, discounted by the average future CDI rate, corresponding to all loans, maturing between 2020 and 2026, calculated on the date of presentation of the financial statements.

Financing and loans - financial liabilities measured at fair value through profit or loss

This category includes financing and loans designated since their initial contracting as financial liabilities measured at fair value through profit or loss, which meet the classification criteria defined by NBC TG 48 - Financial Instruments: Recognition and Measurement.

The fair value of these liabilities is based on the discount of estimated future cash flows based on the conditions and maturity of each contract and using the exchange coupon plus a spread, which is obtained in quotation with financial institutions to reflect any change in the Company's risk scenario in the discounted period. As of March 31, 2023, the Company does not have financing and loans measured at fair value through profit or loss.

26. INSURANCE COVERAGE

The Company maintains the following insurance coverage for its stores, distribution centers and headquarters:

Type	03/31/2023	12/31/2022
Maximum Contracted Warranty Limit	385,000	465,000
Sub-limit for Civil Liability	30,000	30,000
Property Damage Sub-limit	40,000	30,000
Civil Liability for Directors, Officers and/or Managers	40,000	30,000

27. SUBSEQUENT EVENTS

Capital increase

On December 14, 2022, the Board of Directors resolved to increase capital, by private subscription, by at least BRL 52,480 and at most BRL 82,000, at a price of BRL 3.68 per share, representing a discount of 15% in relation to the last 20 trading sessions prior to the date of the resolution.

The transaction was concluded on April 4, 2023, with the issuance of 20,049,023 new common shares, at a price of BRL 3.68 each, causing the Company to have a paid-up share capital of BRL 1,315,470, composed of 463,830,085 common shares, registered, book-entry and without par value.

As provided in Item 11 of our Reference Form, the Company discloses projections of three business variables, as follows:

i) Total number of stores to be opened over the calendar year, considering only gross openings, not taking into account eventual store closings. Therefore, the net increase in stores may differ from the sum of initial stores and gross openings in the period;

ii) Capture of operational synergies resulting from the acquisition of Imifarma Produtos Farmacêuticos e Cosméticos S.A. ("Extrafarma"), measured by the increase in the Company's Consolidated EBITDA generated by these synergies, on an annual recurring basis;

iii) The Company's net debt ratio, measured by the ratio between consolidated net debt and consolidated EBITDA, adjusted for non-recurring effects, accumulated in 12 (twelve) months, disregarding the effects of accounting standard IFRS16 (ex-IFRS16).

We present below the comments on the behavior of the projections for the period ended March 31, 2023.

I) STORE OPENINGS

We ended 1Q23 with 1,647 stores, 4 of which opened and 3 closed in the quarter. As planned, we will concentrate the allocation of the company's capital on inventories in the first half of the year, mainly to supply Extrafarma stores.

For the year 2023, we reduced the initial projection of 60 new stores to 20 openings. We continue to believe in the significant potential for organic growth, but the current scenario with high interest rates imposes a more conservative view on cash management. In this context, we decided to reduce the volume of investments in the year and maintain the allocation of capital for the integration with Extrafarma, mainly in inventories, where we believe there is significant potential to generate value for shareholders.

Year	Prior projection	Current Projection	Actual
2021	-	80 openings	80 openings
2022	-	120 openings	118 openings
2023	60 openings	20 openings	4 openings until 03/31/2023

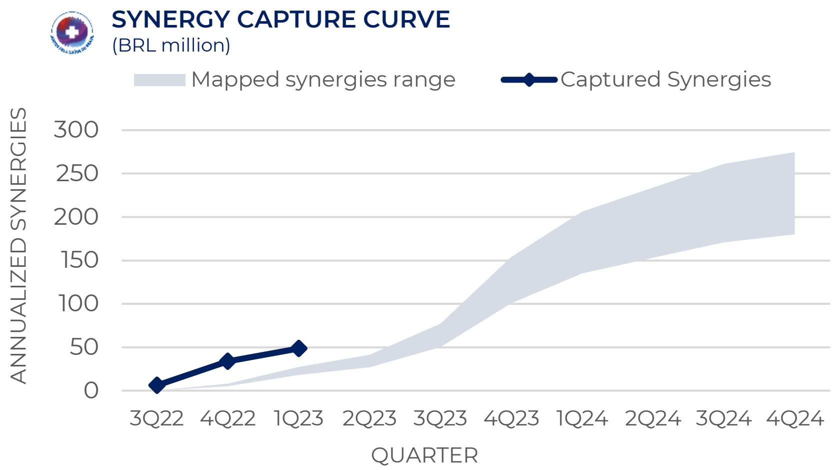
II) CAPTURING OF EXTRAFARMA SYNERGIES

As disclosed in a Material Fact published on August 1, 2022, Empreendimentos Pague Menos S.A. ("Company") announced the closing of the transaction for the acquisition of Imifarma Produtos Farmacêuticos e Cosméticos S.A. ("Extrafarma") with Ultrapar Participações S.A ("Ultrapar").

Projections for capturing operational synergies resulting from the acquisition of Imifarma Produtos Farmacêuticos e Cosméticos S.A. ("Extrafarma"), will be measured by the increase in the Company's Consolidated EBITDA generated by these synergies, on an annual recurring basis, extending over approximately 30 (thirty) months, counted from the closing date of the operation, that is, until the fiscal year ended December 31, 2024.

In 1Q23, we concluded the most critical and most complex phase in the integration plan, which involved the migration of systems (takeovers), redesign of the logistics network for supplying stores and the reorganization of corporate organizational structures. As with any M&A process, the most acute phase of technological transition generates specific impacts on the business's operational performance. Considering supply interruptions, learning curves and adaptation of replacement teams and algorithms, we estimate a negative impact on the quarter's EBITDA of R$6.4 million caused by the integration.

We recorded a volume of R$19.2 million in synergies in the quarter, partially offset by dissynergies of R$7.1 million, which tend to be substantially reduced from 2Q23 onwards with the post-takeover operational stabilization.



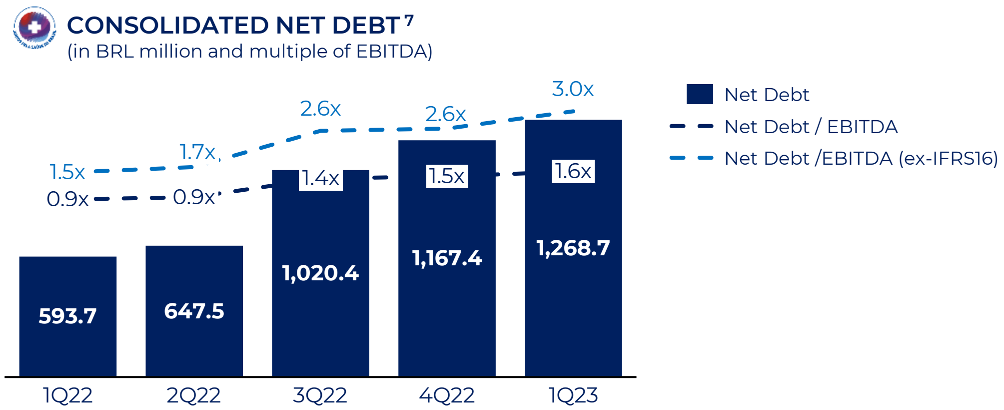
III) NET DEBT RATIO

With the closing of the acquisition of Extrafarma and in order to incorporate the mapped synergies, the projection disclosed concerns the net debt position on December 31, 2024, when the integration process will be concluded, and the adjusted EBITDA, ex-IFRS16, accumulated in the previous 12 (twelve) months.

Net debt projections were prepared taking into account the budget planning and cash flow from operations, in addition to incorporating the capture of synergies mapped with the acquisition of Extrafarma. It is important to highlight that the calculation of the debt considers only obligations related to Loans, Financing and Debentures, excluding obligations of leasing contracts and installments payable for acquisitions. The Company's objective is to demonstrate that the debt payment capacity will be increased by the impact of the mapped synergies, object of the projection (ii).

Year	Projection
Until 12/31/2024	Up to 1.7x adjusted EBITDA ex-IFRS16 accumulated in 12 (twelve) months)

Consolidated net debt totaled BRL 1,268.7 million at the end of 1Q23, equivalent to 1.6x the adjusted EBITDA of the last 12 months (3.0x when the effects of IFRS 16 are disregarded). Within the context of the integration with Extrafarma, the increase in leverage in the period was already planned and should be gradually reduced starting in 2Q23.



[1] Forfait operations, presented in Explanatory Note 15 to the Financial Statements, are being considered as suppliers and disregarded from the debt calculations, for the purposes of this release

Empreendimentos Pague Menos S.A

Report on Review of Quarterly Financial Information – ITR on March 31, 2023

(A free translation of the original report in Portuguese, prepared in accordance with Brazilian and international standards on reviews of interim information)

KPMG Auditores Independentes Ltda.
Ed. BS Design - Avenida Desembargador Moreira, 1300
SC 1001 - 10º Andar - Torre Sul - Aldeota
60170-002 - Fortaleza/CE - Brasil
Telefone +55 (85) 3457-9500
kpmg.com.br

Report on Review of Quarterly Financial Information - ITR

To the shareholders, directors and officers of the
Empreendimentos Pague Menos S.A
Fortaleza- Ceará

Introduction
We have reviewed the interim, individual and consolidated quarterly financial information of Empreendimentos Pague Menos S.A. ("Company"), contained in the Quarterly Information Form - ITR for the quarter ended March 31, 2023, which comprises the balance sheet on March 31, 2023 and the related statements of income, the comprehensive statements of income, the statement of changes in shareholders' equity and statements of cash flows for the three months period then ended, in addition to the notes to the financial statements.

Company´s Management is responsible for the preparation of the interim financial statements in accordance with CPC 21 (R1) and with IAS 34 - Interim Financial Reporting, issued by the International Accounting Standards Board - IASB as well as for the presentation of this information in a manner consistent with the standards issued by the Brazilian Securities Commission applicable to the preparation of Quarterly Information - ITR. Our responsibility is to express a conclusion on this quarterly financial information based on our review.

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

Conclusion about the individual and consolidated interim information
Based on our review we are not aware of any facts that lead us to believe the individual and consolidated interim financial information included in the aforesaid quarterly information has not been prepared, in all material respects, in accordance with CPC 21 (R1) and IAS 34 applicable to the preparation of Quarterly Information - ITR, presented in a manner consistent with the requirements set forth by the Brazilian Securities Commission - CVM.

Other matters - Statements of added value

The interim individual and consolidated statements of added value (DVA) for the three-month period ended March 31, 2023, prepared under the responsibility of the Company´s Management, and presented herein as supplementary information for purposes of the IAS 34, have been subject to review procedures jointly performed with the review of Company´s interim financial statements. In order to form our conclusion, we assessed whether those statements are reconciled with the financial statements and accounting records, as applicable, and whether their format and content are in accordance with criteria determined in the Technical Pronouncement 09 (CPC 09) - Statement of Value Added issued by the Committee for Accounting Pronouncements (CPC). Based on our review, nothing has come to our attention that causes us to believe that the statements of value added were not prepared, in all material respects, in accordance with the criteria determined by the aforementioned Technical Pronouncement and are consistent with the overall individual and consolidated financial statements.

Other matters – Corresponding figures

The audit of the individual and consolidated balance sheet as at December 31, 2022 was conducted under the responsibility of the independent auditors, who issued an unmodified audit report thereon, dated March 06, 2021. The individual and consolidated interim financial information, related to the statement of income (loss)
and the comprehensive income for the three month period ended March 31, 2022 and the statement of changes in equity and cash flows for the three-month period then ended was reviewed by other independent auditors who issued an unmodified report thereon, dated May 2, 2022. The corresponding figures related to the individual and consolidated statements of added value (DVA), for the three-month period ended
March 31, 2022, were submitted to the same review procedures by those independent auditors and, based on their review, those auditors issued a report reporting that they were not aware of any fact that would lead them to believe that the DVA was not prepared, in all material respects, in a manner consistent with the individual and consolidated interim financial information taken as a whole.

Fortaleza, May 08, 2023

KPMG Auditores Independentes Ltda.
CRC SP-014428/O-6 S-CE

Original report in Portuguese signed by
Marcelo Pereira Gonçalves
Accountant CRC 1SP220026/O-3

In accordance with article 25, paragraph 1, items V and VI, of CVM Instruction 480/09, the Company’s Officers declare that they have reviewed, discussed and agreed with the release of the quaterly statements (ITR) for the quarter ended March 31, 2023.

Fortaleza, May 8, 2023

____

Mario Henrique Alves de Queirós
Chief Executive Officer

____

Luiz Renato Novais
Chief Financial and Investor Relations Officer

____

Marcos Ricardo Colares
Vice President of Commercial and Supply and Director of Category Management and Marketing

____

José Carlos Rafael de Assis Vasquez
Vice President of Operations, Digital and Expansion

____

Joaquim Dias Garcia Neto
Vice President of Information Technology

____

Renato Camargo Nascimento Junior
Vice President of Marketing and Customer Relations and Director of Digital

____

Afro José Campos de Vasconcelos
Director of Infrastructure and Technology

Rafael Lima e Silva
Director of Expansion

Jadson Antonio Santos de Almeida
Directors of Technology Applications

Gianni Dias Gill
Director of Operations

Andre Albuquerque Ferreira Pinto Bandeira
Director of Operations

Renan Vieira Barbosa

Director of Supply Chain

In accordance with article 25, paragraph 1, items V and VI, of CVM Instruction 480/09, the Company's Officers declare that they have reviewed, discussed and agreed with the opinions expressed in the favorable Special Review Report without exceptions by the independent auditors, referring the quarter ended March 31, 2023.

Fortaleza, May 8, 2023

Mario Henrique Alves de Queirós
Chief Executive Officer

Luiz Renato Novais
Chief Financial and Investor Relations Officer

Marcos Ricardo Colares
Vice President of Commercial and Supply and Director of Category Management and Marketing

José Carlos Rafael de Assis Vasquez
Vice President of Operations, Digital and Expansion

Joaquim Dias Garcia Neto
Vice President of Information Technology

Renato Camargo Nascimento Junior
Vice President of Marketing and Customer Relations and Director of Digital

Afro José Campos de Vasconcelos
Director of Infrastructure and Technology

Rafael Lima e Silva
Director of Expansion

Jadson Antonio Santos de Almeida
Directors of Technology Applications

Gianni Dias Gill
Director of Operations

Andre Albuquerque Ferreira Pinto Bandeira
Director of Operations

Renan Vieira Barbosa

Director of Supply Chain