Quarterly Information - ITR

Empreendimentos Pague Menos S.A.

June 30, 2021.
With quarterly information review Report

Empreendimentos Pague Menos S.A.

Quarterly information - ITR

June 30, 2021 and 2020

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EARNINGS RELEASE 2Q21

PagueMenos

Fortaleza, Ceará, August 2, 2021. Empreendimentos Pague Menos S.A. (“Company" or "Pague Menos"), since 2009, the only Brazilian pharmaceutical retail chain present in every states in Brazil, bringing health to more than 300 Brazilian municipalities, announces its results for the second quarter of 2021.

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

HIGHLIGHTS 2Q21

- **Same Stores Sales**: Growth of 19.7% and 18.9% in mature stores
- **Average Monthly Store Sales**: R$ 616 thousand with growth of 21.8%
- **Digital**: Growth of 71.1%, representing 7.4% of total sales (+2.2p.p. vs 2Q20)
- **Clinic Farma**: Record 760 thousand consultations and adoption by 6.8% of customer base
- **EBITDA**: R$ 192.3 million (+37.7% vs 2Q20) and EBITDA Margin of 9.4% (+1.1p.p. vs 2Q20)
- **Net Income:** 71.6 million (+683.2% vs 2Q20) and Net margin of 3.5% (+3.0p.p. vs 2Q20)
- **Capital Markets**: Cumulative share price appreciation since the IPO of 40.6% (as of July 30, 2021)

FINANCIAL HIGHLIGHTS (R$ million)	2Q20	2Q21	Δ	1H20	1H21	Δ
Gross Revenue	1,688.3	2,035.8	20.6%	3,451.5	3,946.0	14.3%
Gross Profit	494.9	630.3	27.4%	1,002.4	1,199.3	19.6%
% Gross Profit Margin	*29.3%*	*31.0%*	*1.7 p.p.*	*29.0%*	*30.4%*	*1.4 p.p.*
Contribution Margin	181.5	250.2	37.9%	348.9	459.3	31.6%
% Contribution Margin	*10.7%*	*12.3%*	*1.6 p.p.*	*10.1%*	*11.6%*	*1.5 p.p.*
Adjusted EBITDA	139.7	192.3	37.7%	265.1	351.6	32.7%
% Adjusted EBITDA Margin	*8.3%*	*9.4%*	*1.1 p.p.*	*7.7%*	*8.9%*	*1.2 p.p.*
Adjusted Net Income	9.1	71.6	683.2%	18.3	115.8	531.0%
% Adjusted Net Margin	*0.5%*	*3.5%*	*3.0 p.p.*	*0.5%*	*2.9%*	*2.4 p.p.*

OPERATIONAL HIGHLIGHTS	2Q20	2Q21	Δ	1H20	1H21	Δ
# of Stores	1,112	1,101	(1.0%)	1,112	1,101	(1.0%)
# of Stores with Clinic Farma	798	830	4.0%	798	830	4.0%
Avg. Sales/store/month (R$ thousand)	506	616	21.8%	517	597	15.5%
# of consultations (thousand)	24,286	26,846	10.5%	53,822	52,913	(1.7%)
Average Ticket (R$)	69.52	75.83	9.1%	64.13	74.57	16.3%
# of Employees	19,489	19,642	0.8%	19,489	19,642	0.8%
# Employees/Store	17.5	17.8	1.8%	17.5	17.8	1.8%
Avg. Sales/employee (R$ thousand)	28.9	34.5	19.6%	29.5	33.5	13.4%
% Sales via Digital Channels	5.2%	7.4%	2.2p.p.	3.9%	6.8%	2.9p.p.

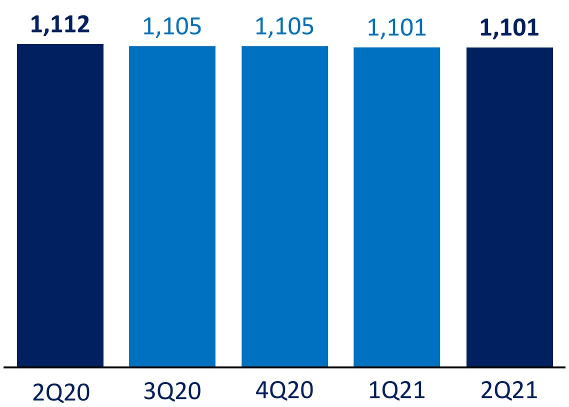
STORE PORTFOLIO

We closed 2Q21 with 1,101 stores distributed in 325 municipalities, 91% of which were mature stores.

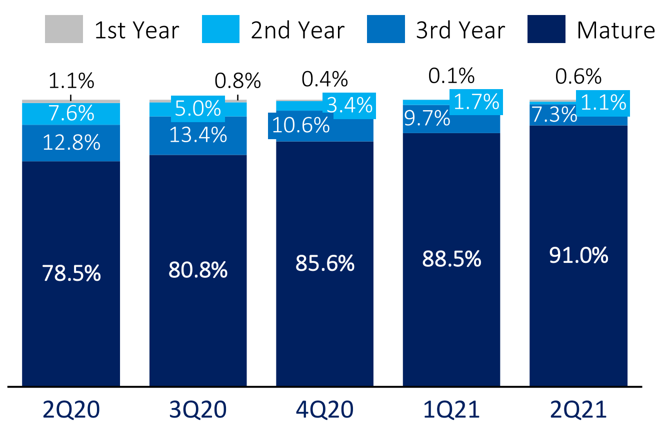
The new cycle of organic expansion evolves as planned, 6 stores were inaugurated in the quarter, and are located mostly in the Northeast region. The initial performance of these branches is encouraging, with average sales higher than planned. In 2Q21, 6 stores were closed, and 48 others refurbished.

The pace of openings will gain traction in 3Q21. We have more than 130 new locations approved in committee, of which 80 already have contracts signed and are in the implementation phase, scheduled to open in the coming quarters. It is important to note that, even with the acquisition of Extrafarma's portfolio of stores, we continue with many opportunities mapped out for organic expansion, and therefore the pace of store openings will not be affected.

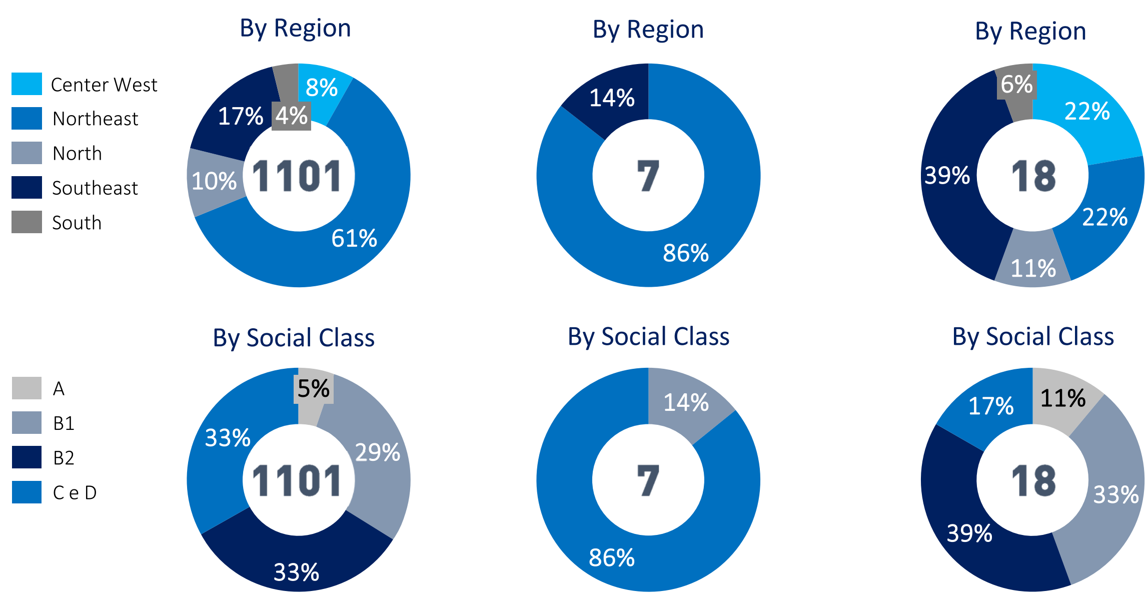
Evolution of Store Base



Store Age Profile



Store Base (2Q21) | **LTM Openings¹** | **LTM Closures¹**



¹LTM: Last twelve months

Note: Predominant social class near each store (within 5 minutes). Segmentation follows IBGE criteria, where Class A comprises households with an average monthly family income of R$ 22.7 thousand, Class B1 of R$ 10.7 thousand, Class B2 of R$ 5.5 thousand, and C/D of up to R$ 3.0 thousand.

EXTRAFARMA ACQUISITION

On May 18, 2021, Pague Menos formalized the acquisition of Imifarma Produtos Farmacêuticos e Cosméticos S.A. (Extrafarma) for R$700 million (Enterprise Value). The transaction is an important milestone in our recent history, consolidating the beginning of a new phase of growth for the Company. Extrafarma ended the first quarter of 2021 with 402 stores, distributed over 10 states, with total revenues of R$ 2.1 billion in 2020. With the acquisition, which is under review by *CADE* (Brazilian Anti-Trust Agency), Pague Menos will become the second largest pharmacy chain in the country in number of stores.

The strategic rationale of the transaction was based on the following pillars:

1. <u>Growth Acceleration:</u> The acquisition of Extrafarma takes place at a very opportune time. In addition to finalizing the company's transformation process, with progress in corporate governance, strengthening of the management team, implementation of new processes and systems and optimization of the portfolio of products and stores, we resumed the organic expansion plan and the acceleration in our pace of growth. The portfolio of stores acquired is well aligned with the ongoing organic expansion plan, with 212 stores positioned in neighborhoods where we already wanted to open at least one store, with a target audience mostly concentrated in the expanded middle class and located mainly in the North and Northeast regions, where we have great expertise in the operation.

2. <u>Strengthening Strategic Positioning</u>: The presence of Pague Menos in the North and Northeast regions, responsible for a quarter of the Brazilian pharmaceutical market, has always been one of our competitive advantages. With the acquisition of Extrafarma, which has 90% of its stores located in these regions, we strategically reinforce our positioning in these markets. We estimate[1] that our market share will double in the North and advance by 20% in the Northeast region, consolidating our leadership in 12 of the 16 states in these regions.

3. <u>Expansion of Our Health Hub</u>: Pague Menos' business model goes far beyond pharmaceutical retailing, offering a holistic and comprehensive health and wellness solution to our customers. Our Health Hub has multiple fronts, which will be enhanced with this acquisition. We intend to use Extrafarma's more than 400 stores as a platform to expand our digital channels, expand the supply of pharmaceutical services, increase the participation of private label products, increase the reach of the network of agreements (*convênios*) and partnerships and strengthen our CRM ecosystem. The gain in scale obtained by the acquisition, will enhance all fronts of our Health Hub.

4. <u>Logistics Optimization:</u> On our investment roadmap for the next 3 years, we had already contemplated at least two new Distribution Centers, one in the North and another in the state of São Paulo. With the acquisition, we incorporate two CDs aligned with this plan, in addition to a third, also complementary, in the state of Maranhão. With the reinforcement of the logistics network, we estimate a relevant reduction in the average Distribution Centers - Store distance, leading to a reduction in the cost of freight and increased frequency of supply, which we expect to contribute to a lower level of stockouts in the stores.

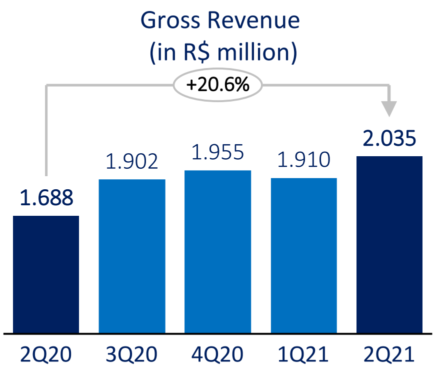
5. <u>Potential for Relevant Synergies</u>: We have mapped out a series of operational synergies for capture over the initial 2 ½ years of integration. Several levers related to increased store productivity, leveling of commercial conditions, logistics optimization and organizational restructuring, which could generate from R$150 million to R$250 million annually in increased EBITDA, after the complete implementation of the initiatives.

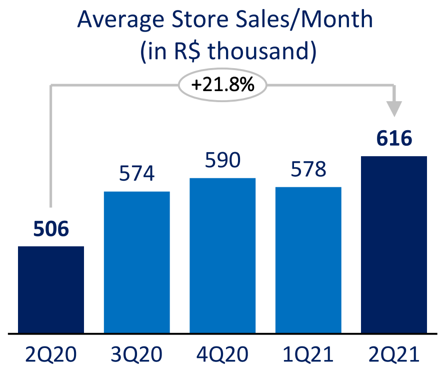
Currently, we are planning the process of future integration of Extrafarma assets, in order to maximize the capture of synergies as soon as possible after the approval of the *CADE* and finalization of the operation. Respecting the conditions imposed by Brazilian competition defense legislation, we have structured an integration office, which has a team of senior executives dedicated full time to the project, as well as specialized consulting and working groups in the main business areas. By the time of the the closing of the operation we intend to complete the mapping and detailed planning of the integration for the generation of value mentioned above, once *CADE* approval has been granted.

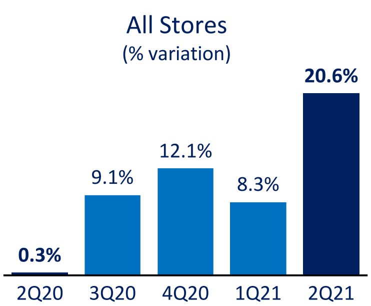
[1] Market share estimation based on IQVIA's data for Pague Menos in 2020 and for Extrafarma, considering sales per region.

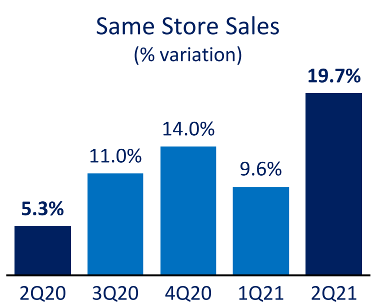
SALES

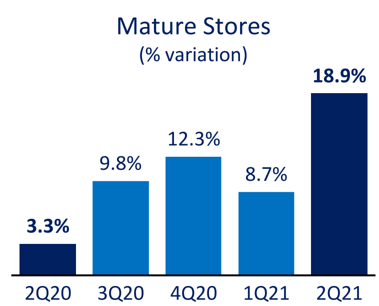
In 2Q21 we accelerated the sales growth observed in recent quarters in all different metrics. We achieved record gross revenue of R$ 2.0 billion, up 20.6% from 2Q20, same-store growth of 19.7% and mature store sales of 18.9%.







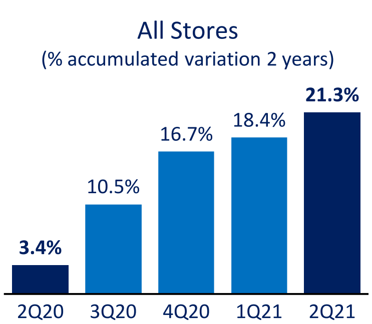


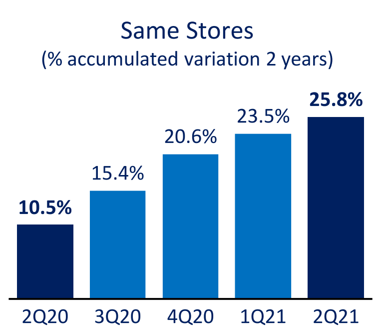


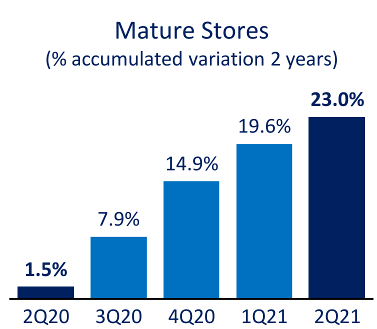
The positive sales performance is the result of the continuous improvement of operational indicators, with emphasis on: i) a 40% reduction in the stockout rate; ii) a 6.6% increase in the assortment of items sold; iii) increase in the NPS of customers by 8 p.p., reaching 74 points; iv) increase in the participation of digital channels by 2.2 p.p., reaching 7.4% of total sales; v) increasing customer adoption of Clinic Farma, reaching 6.8% of the total customer base; vi) growth in the volume of unique customers by 14.3% and vii) incremental sales, generated by CRM actions, representing 2.7% of sales.

The sales performance of 2Q21 was also positively influenced by two factors: i) the annual adjustment in the price of medicines, which in 2021 occurred on April 1st, while in 2020, it took effect on June 1st, and ii) by the basis of comparison with April 2020, which had been negatively impacted by the beginning of the Covid-19 pandemic. These two effects made the comparison basis (2Q20) weaker.

In order to minimize the effects of the pandemic and price adjustments on different dates and provide a better view of Pague Menos's sales evolution, we present below the accumulated growth over 2 years, where the evolution of sales quarter after quarter is clear.

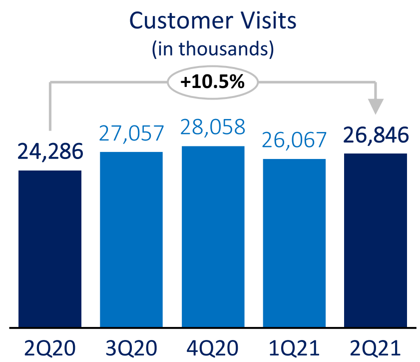


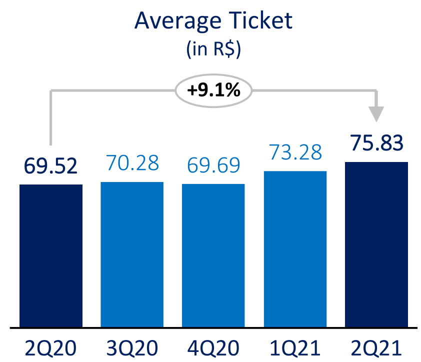




Note: The same store concept does not consider temporarily closed stores, when lasting more than seven calendar days. Including those stores that were temporarily closed on that basis, the same store growth of 2Q20, 3Q20, 4Q20, 1Q21 and 2Q21 was 1.7%, 10.9%, 13.5%, 9.3% and 20.6% respectively.

For the first time since the beginning of the pandemic, we observed an increase in the number of in-store visits, both in comparison with the previous year (+10.5%) as well as with the previous quarter (+3.0%), signaling the beginning of the resumption in the flow of customers in stores. However, this metric remains below the pre-pandemic level, indicating room for growth in the coming quarters. The average ticket grew 9.1%, 6.9% due to price inflation and 2.2% due to changes in the mix of products sold and the number of items per ticket, positively influenced by the expansion of assortment offered in stores, which has been improving since 2018.

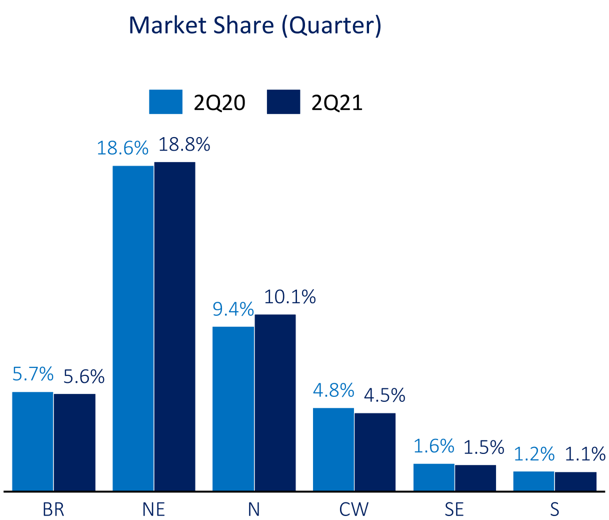


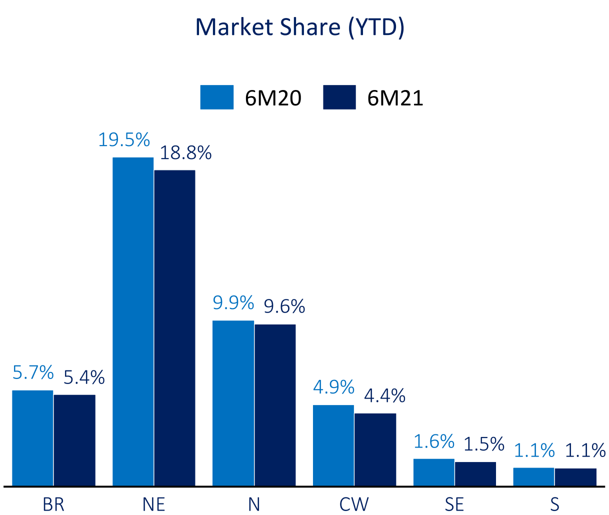


MARKET SHARE

Our national market share was 5.6% in the quarter, a slight decline of 0.1p.p. compared to 2Q20. In the regional cut, we resumed the path of market share growth in the North and Northeast, with growth of 0.7p.p. and 0.2p.p., respectively, in relation to 2Q20. The indicator is especially positive because it reinforces the robustness of our same store growth, since in the period we maintained the same number of stores in those regions, while large chains and independent/associative chains expanded by 8.1% and 8.9%, respectively. In the Center West, Southeast and South regions, the decline is related to the 1.8% reduction in the store base, while large chains expanded their portfolio by 7.8%.

In the year-on-year measurement, we reached a national market share of 5.4%, a reduction of 0.3p.p. compared to the same period of the previous year. As we accelerate our pace of organic expansion and the new stores advance in the maturation process, we expect a resumption of the market share growth trajectory.



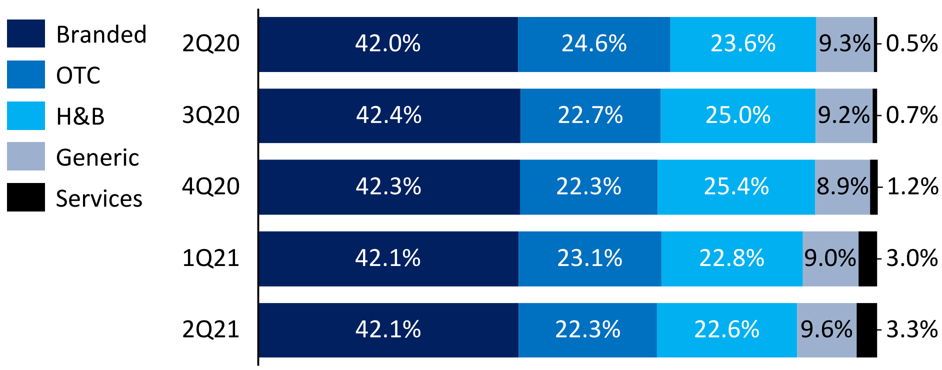


Source: IQVIA

SALES MIX

In 2Q21 we observed an increase in the participation of generic drugs, due to more intense promotional activity, commercial negotiations and optimized CRM actions, always focusing on the target audience, respecting the medical prescription and preference of our customers. This category reached 9.6% of sales, with growth of 0.6p.p. vs. 1Q21 and 0.3p.p. vs. the 2Q20.

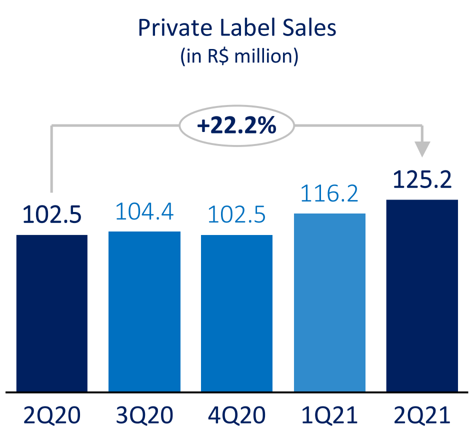
Services revenues continue to gain participation, reaching 3.3% of total sales, mainly leveraged by revenue from Covid-19 tests, demonstrating the strength of the Clinic Farma channel as an agent of public health. The non-drug category represented 32.7% of total sales in 2Q21 vs. 34.2% in 2Q20.

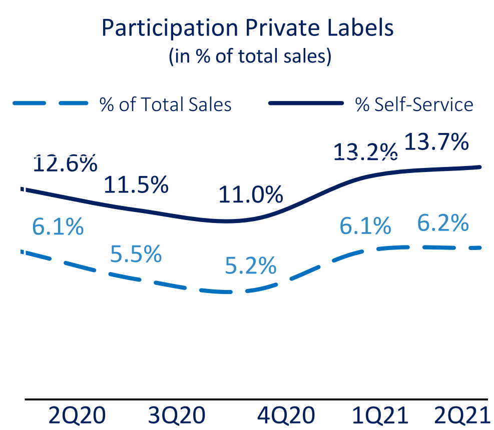


PRIVATE LABEL

The category of private label products totaled R$125.2 million in sales in the quarter, a growth of 22.2% compared to 2Q20. The category share in total sales reached 6.2%, an increase of 0.1p.p. compared to 2Q20 and 1Q21. The total share of self-service was 13.7%, an increase of 1.1p.p. compared to 2Q20 and 0.5p.p. compared to 1Q21.

We continue to expand and diversify the product portfolio. The items released in the last 2 years concentrated more than 30% of total sales of private label brands in the quarter, signaling a high level of success in launches.



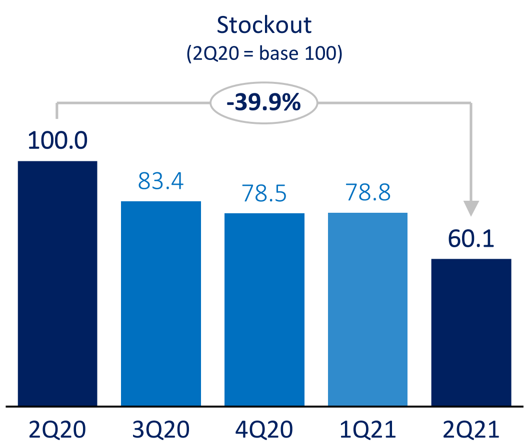


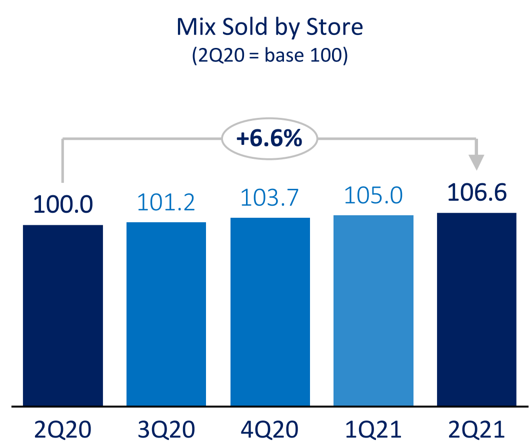
PRODUCT AVAILABILITY

2Q21 was an emblematic quarter in terms of the efficiency of our supply chain, with assortment metrics, stockouts and in-store product availability reaching the best levels of recent years and contributing directly to good sales performance.

The stockout rate decreased by 40% compared to 2Q20, reaching the lowest level in 3 years. The result of the continuous improvement of the product replacement algorithm and increase in the frequency of supply of stores, in addition to the diversification of the supplier and distributor base. We continue to see room for improvement in this indicator, especially considering the optimization of our logistics network designed for the coming years, with the incorporation of the Extrafarma distribution centers.

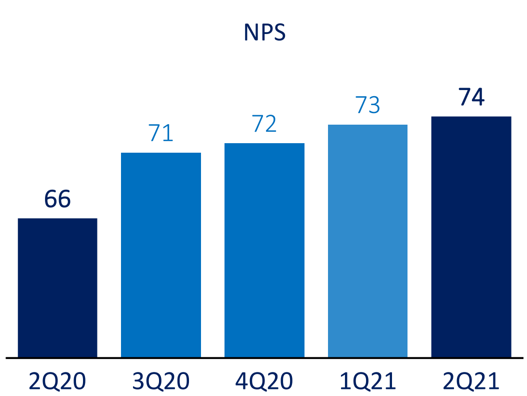
We continue to expand the assortment of products offered in stores, activating new items and allowing an increasingly complete shopping journey. We averaged 9.2 thousand SKUs per store, an increase of 14% over 2Q20. The number of different items sold per store increased by 6.6%, evidencing the correctness of these activations.

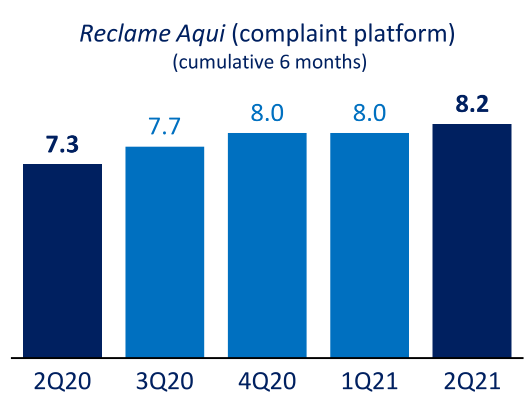




CUSTOMER SATISFACTION

With the implementation of an increasingly customer-centric culture, we continue to see consistent improvements in in-store service level indicators. The NPS, the main and most comprehensive customer satisfaction metric, remained at the level of excellence, reaching 74 points, an increase of 8 points compared to 2Q20. On the *Reclame Aqui* platform, we continue to improve our reputation, achieving a score of 8.2, one of the best among national retailers.





HEALTH HUB

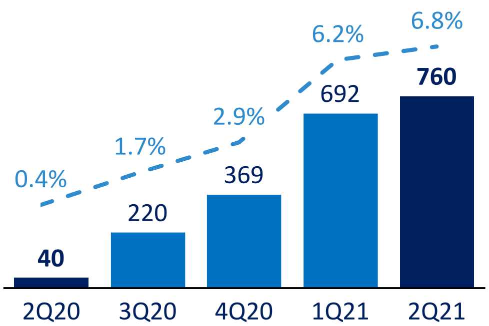
The Pague Menos Health Hub continues to develop, becoming an increasingly comprehensive solution for promoting health and well-being for our customers. In 2Q21, we made important advances in the proposal to consolidate our stores as primary care stations, with the Point of Care Testing (POCT) concept, offering a growing list of low complexity diagnostic services and monitoring of chronic pathologies in store.

Clinic Farma reached a new record, 760 thousand consultations in 2Q21, reaching 6.8% of the total customer base. In the first half of the year, we exceeded 1.4 million visits, a 74% increase over the number recorded in all of 2020. The portfolio of services was expanded to include 46 health protocols, with the inclusion of new rapid tests of influenza, anemia, and cardiovascular parameters, among others. We also expanded our offering of Home Care services, with home application of injectable drugs and rapid tests, from 2 to 8 states.

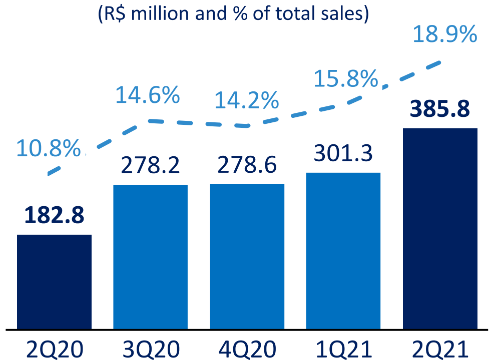
The offer of rapid tests for Covid-19 was expanded, with the inclusion of the RT-PCR test in the portfolio, making Pague Menos the first pharmacy chain in the North and Northeast regions to offer this type of in-store examination. We reached the mark of more than 600 thousand Covid-19 tests applied in the quarter, with an 18% share among the chains that are Abrafarma members. The application of Covid-19 tests has contributed greatly as an attraction for new customers.

Clients who used our clinics had an average spend of 2.8x higher than other clients, evidencing the importance of this line of services to our business.

Clinic Farma Consultations and Services
(thousands and % of total customers)



Sales via Agreements and Partnerships
(R$ million and % of total sales)



We continue to leverage our Health Hub through agreements *(convênios)* and partnerships with companies, health plans, class entities and sports fans group programs, increasingly expanding the scope of contracts beyond drug discounts. In 2021, more than 100 new partnerships were signed, expanding the beneficiary customer base to 8.9 million. In 2Q21, this channel concentrated 18.9% of total sales, an increase of 8.1 p.p. compared to 2Q20.

AME, our specialty drugs channel, continues to develop at a healthy pace. In 2Q21, we began to offer in our stores, in a pioneering initiative among national pharmaceutical retailers, the botulinum toxin, directed exclusively to health professionals and medical clinics, in a B2B format. Thus, the medical class now has the capillarity of Pague Menos for the distribution of this product that has increasing demand. This and other launches led the channel to record growth of 273% vs. 2Q20. In the quarter, we also expanded the reach of the Patient Support Program (PSP AME), doubling the number of customers with treatment monitoring and personalized service in this channel.

The offer of telemedicine in our stores and website was expanded in 2Q21, with the inclusion of new modalities of tele-consultation, such as tele-counseling, tele-nutrition and pharmaceutical teleservice on our platforms. In addition, we have partnered with Saúde ID, a subsidiary of Fleury group, for the use of TytoCare technology in telemonitoring, assisted by the store pharmacist. The technology allows physicians access to high quality images and sounds, in addition to the use of complementary equipment to measure physiological parameters, facilitating the clinical outcomes sought by the doctor. For now, this modality is in a pilot program in the state of São Paulo.

OMNICHANNEL PLATFORM

In 2Q21, our omnichannel platform continued to reach new records, advancing the proposal to offer our customers increasingly agile and convenient solutions in their shopping journeys, with a complete integration between our multiple sales channels.

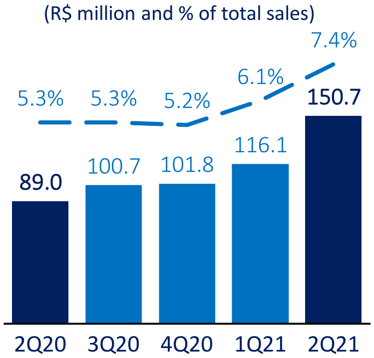
Sales of digital channels expanded 71.1% in the quarter, reaching 7.4% of total sales, an increase of 2.2p.p. compared to 2Q20. In the South and Southeast regions, where e-commerce is in a more mature stage, digital sales participation reached 13.2% and 14.4%, respectively. It is important to note that the strong growth is accompanied by consistent improvement in the service level, being reflected mainly in our reputation on the *Reclame Aqui* (Complain Here) consumer complaint platform. In June 2021, we reached a score of 8.2 on the platform, maintaining the RA1000 seal of excellence.

We have expanded our express delivery network to 225 stores in 158 municipalities, allowing the delivery of orders online from stores within 4 hours. With this, we were able to reduce delivery times, increasing the level of service and making the Ship From Store modality the most relevant among digital channels, concentrating 29% of sales.

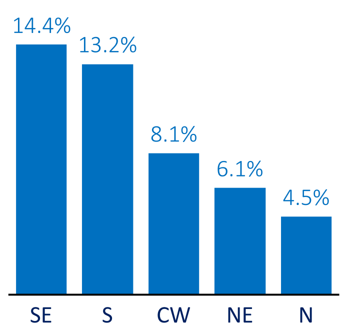
The Infinite Shelf, an innovation launched in 2020, continues to grow and gain participation in sales. With this initiative, the store operation now can work not only the inventory of its own unit, but with the integrated inventory of an entire city or state. This expanded mix even includes special medicines. In 2Q21, we incorporated new features into this sales channel, such as the sale of prescription drugs and the possibility of buying in one store and picking up your purchase in another store.

The Telephone Sales Center, implemented in 4Q20, was expanded to 169 stores, and has been contributing to the growth of digital sales mainly in the North and Northeast regions. The initiative has generated great productivity gains for stores and improvement in the service level of this channel, helping the rate of lost calls reach a historic low in 2Q21. In the quarter, we started a pilot program using artificial intelligence, in partnership with Google and BlueLab, further improving the experience on our digital journey.

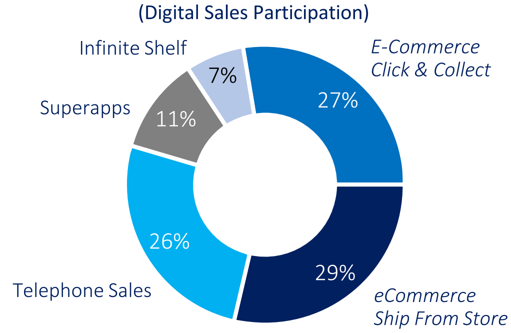
Digital Sales
(R$ million and % of total sales)



Participation by Region
(% of total sales in 2Q21)



Sales by Digital Channel
(Digital Sales Participation)



Our locker program is being expanded. Through partnerships and our network, we currently use more than 190 locker installations located in five states, allowing customers to withdraw products with agility and discretion, in addition to optimizing the operation of stores.

In online traffic metrics, we registered records for sessions and unique users. In addition, the improvements implemented on our website in recent months related to user experience (UX) have been reflected in consistently improved results in the quality of navigation. We recorded better recurrence and duration of visits, pages visited and bounce rate indicators when compared to our main competitors[1], according to SimilarWeb data. In addition, we continue to record an improvement in the conversion rate, with an increase of 1.5p.p. compared to 2Q20.

[1] Considering e-commerce sites of Abrafarma's 5 principal chains. Data collected from April/21 to June/21.

CONTENT PLATFORM AND CRM

One of the drivers of sales growth in the quarter was the expansion of the customer base, leveraged by the increasingly accurate CRM and targeted marketing strategy. The active customer base, with purchases in the last 12 months, reached 14.8 million, of which 7.5 million made purchases in the quarter, a growth of 14.3% compared to 2Q20. In the year-to-date, incremental sales generated by CRM actions totaled 2.7% of sales, more than doubling compared to the same period a year earlier. We also started using CRM strategies in an increasingly integrated way with category management, through communications segmented by customer and by SKU, contributing to the expansion of strategic categories such as generics and Clinic Farma services.

In addition to attracting new customers, we were also able to increase the retention rate of high-value customers, those with recurring purchase profiles and high average ticket. Through campaigns focused on customers who presented disengagement, aggressive offers and increasingly granular monitoring of NPS, we were able to increase the retention rate of this group of customers significantly, when compared to the same period in 2020.

In 2Q21, we increased investments in marketing, mainly due to institutional campaigns related to the 40th anniversary of Pague Menos and activities related to the sponsorship of the Brazilian national football team, enhanced by the realization of the Copa América 2021. Through the RCQ (Reach-Cost-Quality) methodology, we calculated an increase of 36% in the quality of expenditures compared to the previous quarter, which contributed directly to the acquisition of new customers.

TECHNOLOGY AND TRANSFORMATION

In 2Q21 we carried out the 1st Pague Menos Hackathon, coordinated by *PmenosLab*, our digital innovation and transformation arm. The event brought together 7 teams that, over the course of a weekend, developed solutions aimed at improving customer loyalty. The jury, made up of executives from the technical and business areas, gave awards to the two teams that developed the best innovative solutions, which will soon be implemented in the CRM strategy.

We also promoted the 3rd FastDating, meeting between executives of the business areas with 10 startups, selected from the more than 200 registered in our platform. Six of them were chosen to move forward with different areas of the business, and with one of them – the Analytics solution – we have already started a pilot project.

We have successfully and quickly implemented the new version of SAP - S/4 Hana - in just 5 months . The project, started in February 2021, had strong planning and was based on modern methodologies such as the use of Artificial Intelligence to reduce the total migration time and training period. We have already closed our accounts for the month of June 2021 using this new platform. This technical migration is strategic because it opens a range of possibilities for us to use the full potential of the tool.

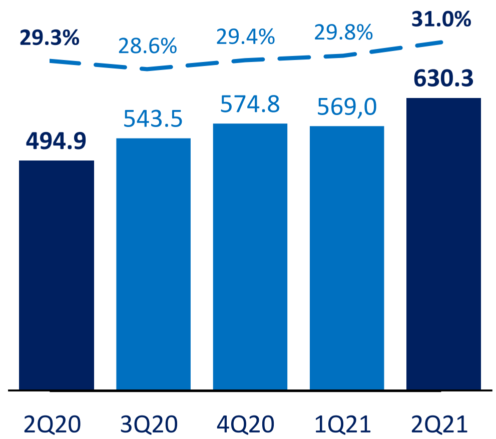
In this quarter we also completed another important stage of the transformation journey - Data Driven Journey. It started with the implementation of the new platform - SAP S/4 Hana and SAP Data Intelligence - that modernized and increased processing capacity through a new, more robust data model. New sources of information were incorporated, which expanded analytical capacity and ensure greater information integrity, a determining factor in decision making and data-based management.

GROSS PROFIT

In 2Q21, gross profit reached R$630.3 million, an increase of 27.4% when compared to 2Q20. Gross margin reached 31.0%, an increase of 1.7p.p. compared to 2Q20 and 1.2p.p. compared to 1Q21. In addition to the margin increase associated with the impact of the drug price adjustment on inventories (pre-increase strategy), we continue to capitalize on the positive effects related to gross margin increment projects, among which we highlight: i) vendor management project (new format for the negotiation of commercial conditions with suppliers); ii) increased participation of generic drugs; iii) sales growth of private label items; and iv) reduction of the rate of inventory losses.

It is important to highlight that the strong margin increase occurs despite the negative effect of the Present Value Adjustment (AVP), which due to reduced interest rates pressured gross margin.

Gross Profit
(R$ million and % of gross revenue)



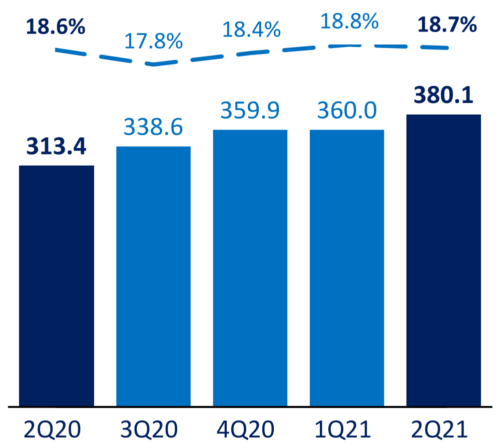
SELLING EXPENSES

In 2Q21, selling expenses totaled R$380.1 million, equivalent to 18.7% of gross revenue, representing a dilution of 0.1p.p. vs. 1Q21 and an increase of 0.1p.p. vs the 2Q20.

Compared to the previous year, the increase in expenditures is mainly related to the spending reduction measures implemented in 2020 because of the pandemic, such as suspension of employment contracts and anticipation of paid-leaves.

Compared to the previous quarter, the dilution of expenses is related to operational leverage, partially offset by increased investments in marketing and increased variable expenses with sales, such as rents and payment systems. Personnel expenses and average employees per store remained stable.

Selling Expenses
(R$ million and % of gross revenue)

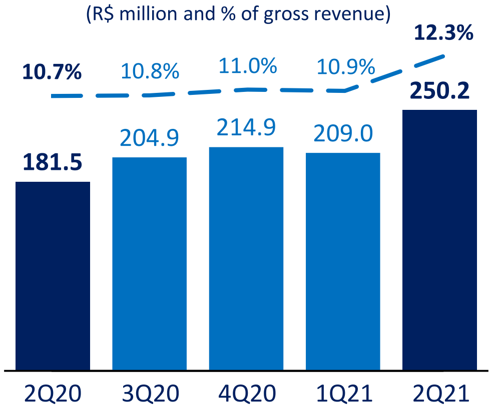


CONTRIBUTION MARGIN

The contribution margin, measured by the difference between gross profit and selling expenses, reached 12.3%, an increase of 1.6p.p. compared to 2Q20 and 1.4p.p. when compared to 1Q21. In nominal terms, the contribution margin reached R$250.2 million, an increase of 38.1% compared to 2Q20.

The result reflects sales growth combined with gross margin gains and operational efficiency.

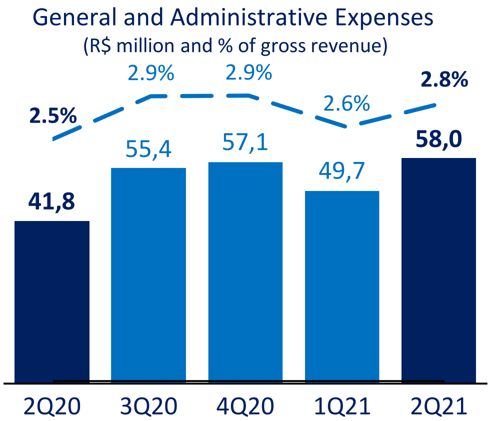
Contribution Margin
(R$ million and % of gross revenue)



GENERAL AND ADMINISTRATIVE EXPENSES

In 2Q21, general and administrative expenses totaled R$58.0 million, representing 2.8% of gross revenue. The increase in expenses is related to improvements in the organizational structure, hiring of strategic consultants, restricted stock plans for management and reinforcements for the technology team.

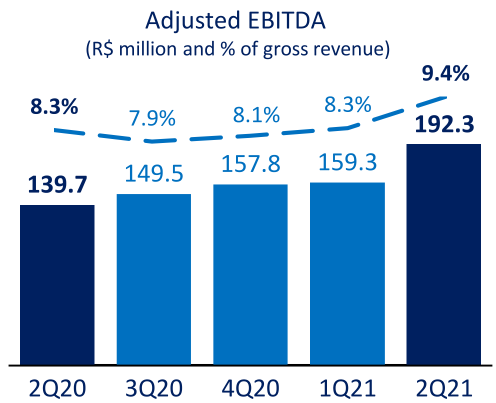
The increase in staff observed in the quarter was concentrated in administrative areas, mainly related to the expansion of the Call Center and the hiring of developers allocated in new technology projects.



ADJUSTED EBITDA

We ended 2Q21 with an adjusted EBITDA of R$192.3 million, an increase of 37.7% compared to 2Q20. The EBITDA margin was 9.4%, an increase of 1.1p.p. compared to 2Q20 and 1Q21.

The consistent profitability growth observed in the quarter reinforces the trend observed since 2019, of a healthy combination of accelerated sales growth and EBITDA margin.

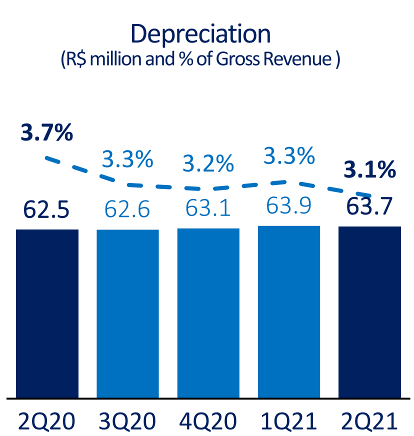


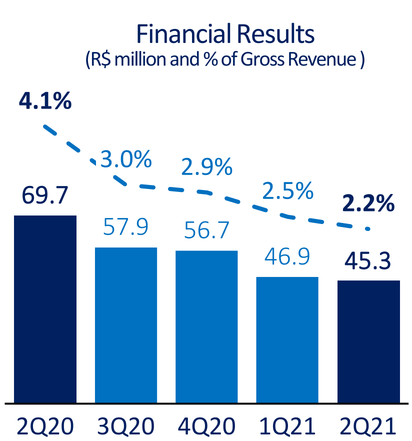
DEPRECIATION, NET FINANCIAL EXPENSES AND INCOME TAX

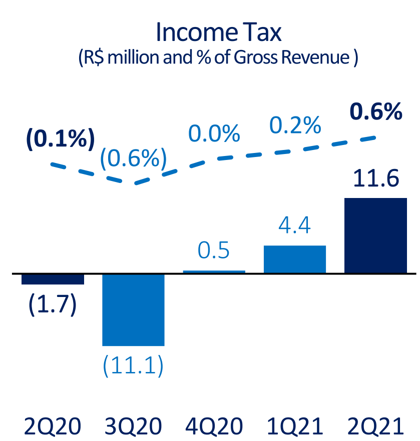
In 2Q21 depreciation totaled R$ 63.7 million, an increase of 1.9% compared to 2Q20.

Financial results totaled net expenses of R$ 45.3 million in the quarter, down 34.9% from 2Q20 and 3.3% compared to 1Q21. The savings were generated as a result of the optimization of the capital structure and re-profiling debt, in addition to the accounting effect of the Present Value Adjustment *(AVP).*

Income tax expenses were R$ 11.6 million in 2Q21, an increase of R$ 13.3 million compared to 2Q20, due to the increase in taxable profit in the period.

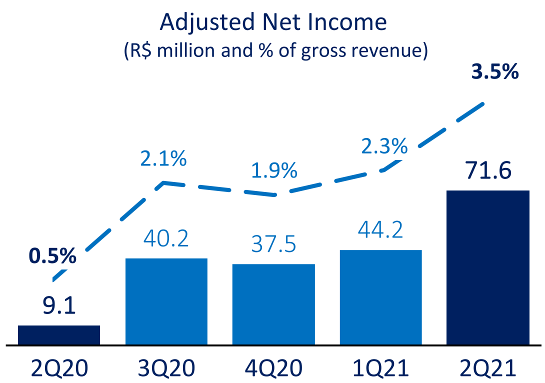






ADJUSTED NET INCOME

We ended 2Q21 with an adjusted net income of R$ 71.6 million, the largest quarterly profit in the Company's history. The result represented a significant growth of 683% compared to 2Q20, with net margin growing by 3.0p.p., reaching 3.5%. In the year, net income reached R$ 115.8 million, 20.6% higher than in the whole of 2020, showing the increase in the level of profitability achieved by the Company in recent quarters.



RECONCILIATION OF EBITDA AND NON-RECURRING ADJUSTMENTS

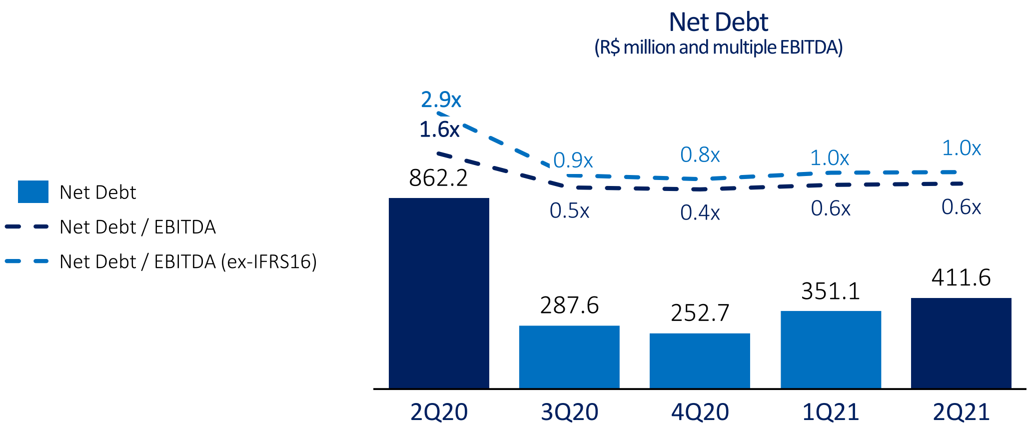
In 2Q21, we recorded R$ 2.2 million in non-recurring expenses related to consultant and advisory expenses related to the acquisition of Imifarma Produtos Farmacêuticos e Cosméticos S.A. (Extrafarma). Below is presented the EBITDA reconciliation table and non-recurring adjustments to reported results.

Adjusted EBITDA Reconciliation (R$ millions)	2Q20	3Q20	4Q20	1Q21	2Q21
Net Accounting Income	9.1	40.2	37.5	44.2	69.4
(+) Net Financial Results	69.7	57.9	56.7	46.9	45.3
(+) Income Tax and Social Contribution	(1.7)	(11.1)	0.5	4.4	11.6
(+) Depreciation and Amortization	62.5	62.6	63.1	63.9	63.7
EBITDA	139.7	149.5	157.8	159.3	190.0
(+) Expenses related to Extrafarma acquisition	-	-	-	-	2.2
Total adjustments	-	-	-	-	2.2
Adjusted EBITDA	139.7	149.5	157.8	159.3	192.3
Adjusted Net Income	9.1	40.2	37.5	44.2	71.6

INDEBTEDNESS

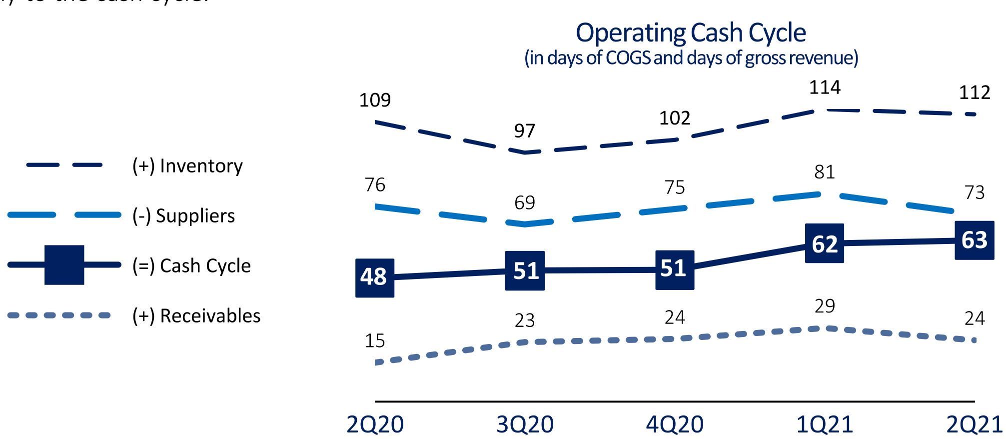
Gross debt at the end of 2Q21 totaled R$803.6 million, down 3.1% from 1Q21 and 16.5% compared to 2Q20. In addition to the reduction in debt, we continue to optimize funding, with reduced average cost of debt and lengthening of repayment terms, which directly reflected in savings in financial expenses in recent quarters.

We ended 2Q21 with net debt of R$411.6 million, keeping the multiple of net debt/EBITDA stable at 0.6x and 1.0x in the ex-IFRS16 and IFRS16 views, respectively.



CASH CYCLE

In 2Q21, the cash cycle was 63 days, an increase of 15 days compared to 2Q20, of which 9 days are related to the volume of receivables and 6 days are related to assortment expansion and costs for part of the inventory purchased in 1Q21, with the strategy of capturing the benefits related to pre-price increase purchases, directly reflected in the positive dynamics of gross margin of the quarter. In 3Q21, the level of inventories should be normalized, contributing positively to the cash cycle.



Notes:
The calculation of the Average Inventory Days and the Average Payment Terms of Suppliers does not consider the effects of the PVA.
The calculation of the Average Period for Receivables considers the effects of advances of receivables.

INVESTMENTS

In 1H21, R$67.9 million was invested, as shown in the table below, with most of the investment directed to our organic expansion strategy and store renovations.

Capex (R$ million)	1H20	%	1H21	%
Expansion	-	0%	18.2	27%
Store Refurbishment	5.3	65%	22.5	33%
Technology	1.9	24%	13.2	20%
Infrastructure of stores, DCs and offices	0.9	11%	13.9	21%
Total	8.1	100%	67.9	100%

CASH FLOW

In 2Q21 we recorded negative free cash flow of R$ 45.3 million. Cash consumption is mainly explained by the variation in the operating cycle, related to the investment in inventory made in 1Q21, increased investments in the opening of new stores and variation in the balance of current asset accounts, accompanying the pace of sales growth.

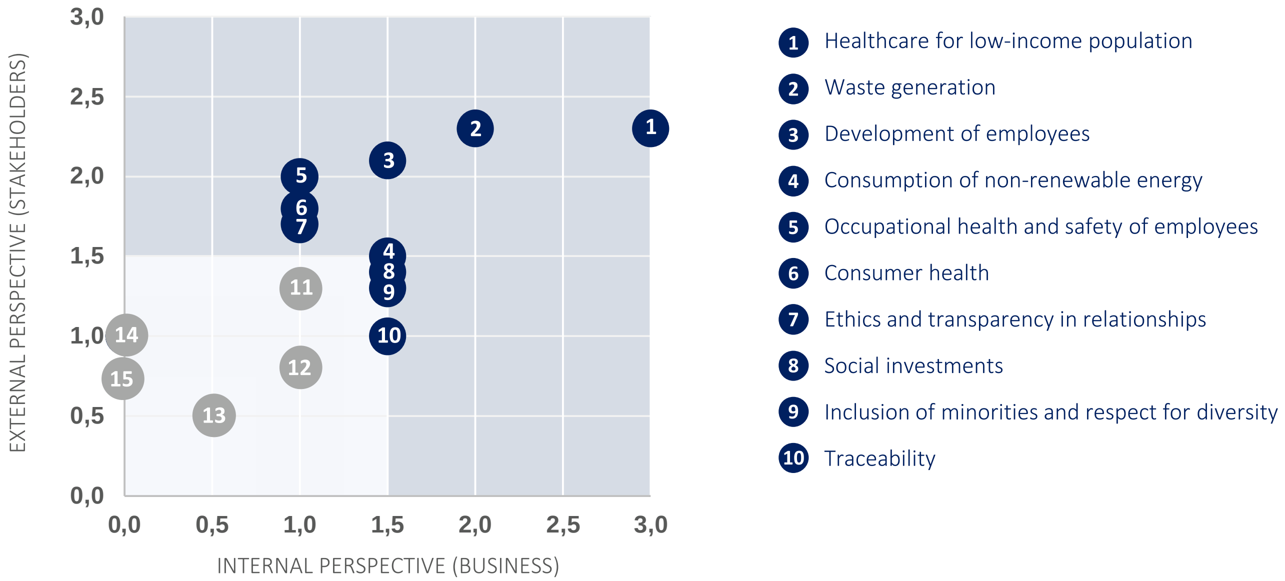
Managerial Cash Flow (R$ millions)	2Q20	2Q21	1H20	1H21
EBITDA	**139.7**	**192.3**	**265.1**	**351.6**
(-) Rental payments (IFRS 16)	(61.6)	(60.7)	(122.4)	(121.0)
(Δ) Accounts Receivable	32.1	48.7	11.4	(18.5)
(Δ) Inventory	(62.6)	(47.4)	(92.1)	(141.4)
(Δ) Suppliers	(65.7)	(77.5)	(54.0)	(72.1)
(Δ) Taxes - recoverable	(37.6)	(16.2)	(57.7)	7.4
(+/-) Changes in other assets and liabilities/Non-cash effects	31.0	(39.8)	28.8	(62.3)
(=) Cash flow from operations	**(24.8)**	**(0.6)**	**(21.0)**	**(56.4)**
(-) Capital investments	(3.0)	(45.3)	(8.1)	(67.9)
(=) Investment cash flow	**(3.0)**	**(45.3)**	**(8.1)**	**(67.9)**
Free cash flow	**(27.8)**	**(46.0)**	**(29.1)**	**(124.4)**
(+) Gross debt funded	219.0	-	219.0	160.0
(-) Gross debt payments	(219.2)	(29.8)	(247.3)	(229.3)
(-) Debt service	(8.5)	(10.4)	(20.6)	(23.9)
(-) Derivative transactions	53.7	-	56.7	-
(-) Share repurchases	-	-	-	(10.4)
(+) Net funds raised in the IPO	-	-	-	-
(=) Cash flow from Financing	**45.1**	**(40.3)**	**7.8**	**(103.6)**
Initial cash balance, equivalents and financial investments	85.9	478.2	124.5	620.0
Final cash balance, equivalents and financial investments	103.2	392.0	103.2	392.0
Variation in Cash and Cash Equivalents	**17.3**	**(86.2)**	**(21.3)**	**(228.0)**

INDEPENDENT AUDITORS

The Company informs that it's independent auditors, Ernst & Young Auditores Independentes S.S., did not provide non-audit services in the period ended June 30, 2021.

CORPORATE, SOCIAL AND ENVIRONMENTAL RESPONSIBILITY (ESG)

We continue to advance in our ESG "journey". In 2Q21, we finished the Company's ESG materiality matrix. Through sector studies, interviews and consultations with thousands of stakeholders, we mapped out the topics of greatest impacts to the business below.



Our ESG agenda is being built based on three pillars: i) Health for People, ii) Health for the Environment and iii) Health for the Business. We present below the major themes in each pillar and the advances implemented in 2Q21.

Health for People

Major issues: Health of the low-income population, consumer health, occupational safety of employees and social investment.

Health promotion for the low-income population is directly connected with our proposal to increase the provision of health and well-being services to the expanded middle class through our Health Hub. In 2Q21 the number of health protocols offered in stores grew to 46. We intend to progressively advance in supporting the Brazilian population in primary health care and contribute to reducing pressure on the public health system.

Health for the Environment

Major issues: Generation of residues, traceability and consumption of renewable energy.

We are moving forward in the readjustment of our energy matrix. In 2Q21, we expanded the supply of solar energy to our stores in the states of Roraima, Piauí and Pernambuco. By the end of the quarter, stores in 11 states, representing 55% of the total store portfolio were already supplied by renewable energy generated from 28 solar farms. Another 31 solar farms are contracted and under construction with the capacity to increase power generation to 100% of stores by the end of the first quarter of 2022.

Health for the Business

Major issues: development of employees, inclusion of minorities and respect for diversity, ethics and transparency in relationships.

With the help of specialized consultants, we reassessed our corporate risk matrix in 2Q21, resulting in the improvement of our instruments of control. In addition, we have included anti-corruption training on our Distance Learning platform (UP Farma), expanding mandatory training for all employees.

PEOPLE: DEVELOPMENT, PRODUCTIVITY, CULTURE AND CORPORATE ENVIRONMENT

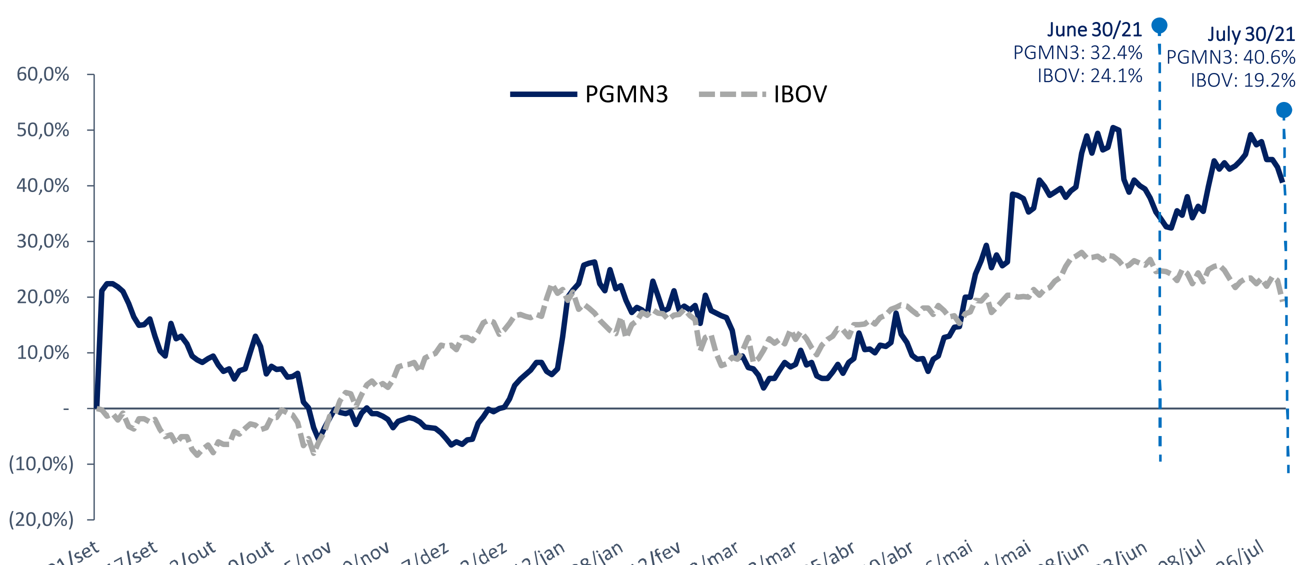
In 2Q21, we received for the second consecutive year the national certification GPTW as one of the best companies to work.

We also achieved more than 171 thousand training hours in methods of sale and technical product training for our team. Additionally, we provided to 20% of our store managers full scholarships from Kroton, where 100 store managers who are not pharmacists joined the pharmacy degree and another 100 pharmaceutical managers joined the commercial management postgraduate degree. Adding up, another 35 scholarships were distributed among the operations and warehousing team, totaling 235 scholarships. Another milestone was the beginning of our classes, through UP Farma, our Corporate University, of our first group of system developers, which 30 young people were selected, 10 internal and 20 external, vacancies filled by young people in a situation of social vulnerability.

In the productivity pillar, we evolved with the implementation of the Work Force Management project, which seeks, through customer flow data, average ticket, store size, among other, to identify the best allocation of people and the ideal staff per store and role, to each weekday and time slot, thus allowing for intelligent schedules that provides better productivity and greater availability to further improve the service provided to our customers. We currently have 253 stores implemented and, by the end of the third quarter, all our stores will have this process in progress.

CAPITAL MARKETS

At the end of 2Q21, Pague Menos's common shares (PGMN3) recorded accumulated appreciation since the IPO of 32.4%. As of July 30, 2021, the accumulated appreciation was 40.6%, more than 2 times higher than Ibovespa index, which appreciated 19,2% in the same period. The liquidity of the stock continues an upward trajectory. In 2Q21, the average daily volume traded was R$12.8 million, 66.2% above the 1Q21 average



INCOME STATEMENT

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

Statement of Income for the Year (R$million)	IAS 17			IFRS16		
	2Q20	2Q21	Δ	2Q20	2Q21	Δ
Gross Revenue	**1,688.3**	**2,035.8**	**20.6%**	**1,688.3**	**2,035.8**	**20.6%**
Deductions	(104.8)	(139.0)	32.6%	(104.8)	(139.0)	32.6%
Net Revenue	**1,583.5**	**1,896.7**	**19.8%**	**1,583.5**	**1,896.7**	**19.8%**
Cost of Goods Sold	(1,088.6)	(1,266.4)	16.3%	(1,088.6)	(1,266.4)	16.3%
Gross Profit	**494.9**	**630.3**	**27.4%**	**494.9**	**630.3**	**27.4%**
Gross Margin	*29.3%*	*31.0%*	*1.7p.p.*	*29.3%*	*31.0%*	*1.7p.p.*
Selling Expenses	(375.0)	(440.8)	17.6%	(313.4)	(380.1)	21.3%
Contribution Margin	**119.9**	**189.5**	**58.1%**	**181.5**	**250.2**	**37.9%**
Contribution Margin (%)	*7.1%*	*9.3%*	*2.2p.p.*	*10.7%*	*12.3%*	*1.6p.p.*
General and Administrative Expenses	(41.8)	(58.0)	38.7%	(41.8)	(58.0)	38.7%
Adjusted EBITDA	**78.1**	**131.5**	**68.4%**	**139.7**	**192.3**	**37.7%**
Adjusted EBITDA Margin	*4.6%*	*6.5%*	*1.9p.p.*	*8.3%*	*9.4%*	*1.1p.p.*
Depreciation and Amortization	(21.9)	(22.3)	2.0%	(62.5)	(63.7)	1.9%
Financial Results	(40.5)	(18.3)	(54.8%)	(69.7)	(45.3)	(34.9%)
Pre-Tax Profit	**15.7**	**90.9**	**479.7%**	**7.5**	**83.2**	**1,014.7%**
Income Tax and Social Contribution	(1.1)	(14.2)	1,175.6%	1.7	(11.6)	-
Adjusted Net Income	**14.6**	**76.7**	**426.4%**	**9.1**	**71.6**	**683.1%**
Adjusted Net Margin	*0.9%*	*3.8%*	*2.9p.p.*	*0.5%*	*3.5%*	*3.0p.p.*

Statement of Income for the Year (R$million)	IAS 17			IFRS16		
	1H20	1H21	Δ	1H20	1H21	Δ
Gross Revenue	**3,451.5**	**3,946.0**	**14.3%**	**3,451.5**	**3,946.0**	**14.3%**
Deductions	(204.2)	(272.9)	33.7%	(204.2)	(272.9)	33.7%
Net Revenue	**3,247.4**	**3,673.0**	**13.1%**	**3,247.4**	**3,673.0**	**13.1%**
Cost of Goods Sold	(2,245.0)	(2,473.7)	10.2%	(2,245.0)	(2,473.7)	10.2%
Gross Profit	**1,002.4**	**1,199.3**	**19.6%**	**1,002.4**	**1,199.3**	**19.6%**
Gross Margin	*29.0%*	*30.4%*	*1.4p.p.*	*29.0%*	*30.4%*	*1.4p.p.*
Selling Expenses	(775.9)	(861.0)	11.0%	(653.5)	(740.0)	13.2%
Contribution Margin	**226.5**	**338.3**	**49.3%**	**348.9**	**459.3**	**31.6%**
Contribution Margin (%)	*6.6%*	*8.6%*	*2.0 p.p.*	*10.1%*	*11.6%*	*1.5p.p.*
General and Administrative Expenses	(83.8)	(107.6)	28.4%	(83.8)	(107.6)	28.4%
Adjusted EBITDA	**142.7**	**230.6**	**61.6%**	**265.1**	**351.6**	**32.7%**
Adjusted EBITDA Margin	*4.1%*	*5.8%*	*1.7p.p.*	*7.7%*	*8.9%*	*1.2p.p.*
Depreciation and Amortization	(44.0)	(44.7)	1.7%	(124.9)	(127.6)	2.1%
Financial Results	(80.0)	(37.7)	(52.9%)	(138.6)	(92.2)	(33.5%)
Pre-Tax Profit	**18.7**	**148.2**	**692.4%**	**1.5**	**131.8**	**639.6%**
Income Tax and Social Contribution	11.0	(21.6)	(296.5%)	16.8	(16.0)	-
Adjusted Net Income	**29.7**	**126.6**	**326.3%**	**18.3**	**115.8**	**531.0%**
Adjusted Net Margin	*0.9%*	*3.2%*	*2.3p.p.*	*0.5%*	*2.9%*	*2.4p.p.*

BALANCE SHEET

Balance Sheet (R$ millions)	IFRS16		
	12/31/20	6/30/21	Δ
Total Assets	**5,753.8**	**5,696.3**	**(1.0%)**
Current Assets	**3,147.4**	**3,130.4**	**(0.5%)**
Cash and Cash Equivalents	589.1	392.0	(33.5%)
Financial Investments	30.9	-	-
Clients Accounts Receivable	522.9	541.5	3.6%
Inventory	1,702.1	1,853.5	8.9%
Taxes to Recover	198.3	187.5	(5.5%)
Other Current Assets	104.1	155.9	49.8%
Non-Current Assets	**2,606.4**	**2,565.9**	**(1.6%)**
Long-Term Realizable Assets	611.5	613.3	0.3%
Investiments	70.8	71.3	0.7%
Fixed Assets	541.3	560.1	3.5%
Rights of use under lease	1,344.9	1,279.7	(4.9%)
Intangible Assets	37.9	41.6	9.9%
Total Liabilities	**5,753.8**	**5,696.3**	**(1.0%)**
Current Liabilities	1,889.1	1,893.5	0.2%
Social and Labor Obligations	89.2	126.1	41.3%
Suppliers	1,244.5	1,174.5	(5.6%)
Tax Obligations	106.4	105.7	(0.7%)
Loans and Financing	241.6	280.7	16.2%
Other Obligations	35.1	31.6	(9.8%)
Leasing	172.3	174.9	1.5%
Long Term Liabilities	**1,923.8**	**1,759.1**	**(8.6%)**
Loans and Financing	636.8	523.0	(17.9%)
Other Obligations	8.2	7.9	(3.2%)
Leasing	1,251.5	1,200.0	(4.1%)
Provisions	27.2	28.2	3.4%
Shareholder's Equity	**1,940.9**	**2,043.8**	**5.3%**
Realized Share Capital	1,200.7	1,199.6	(0.1%)
Capital Reserves	383.4	381.6	(0.5%)
Profit Reserves	356.8	356.8	0.0%
Treasury Stock	-	(7.7)	-
Accumulated Profits/Losses	-	113.5	-

ANNEX: DISTRIBUTION OF STORES BY STATE

State / Region (# Stores)	2Q20	Openings	Closings	2Q21
Total	**1,112**	**7**	**(18)**	**1,101**
Northeast	**667**	**6**	**(4)**	**669**
Alagoas	30	-	-	30
Bahia	113	3	(1)	115
Ceará	181	1	(1)	181
Maranhão	60	-	-	60
Paraíba	51	1	-	52
Pernambuco	117	-	-	117
Piauí	35	1	-	36
Rio Grande Do Norte	43	-	-	43
Sergipe	37	-	(2)	35
North	**112**	**-**	**(2)**	**110**
Acre	12	-	-	12
Amapá	6	-	-	6
Amazonas	22	-	-	22
Pará	35	-	(1)	34
Rondônia	13	-	-	13
Roraima	9	-	-	9
Tocantins	15	-	(1)	14
Southeast	**196**	**1**	**(7)**	**190**
Espírito Santo	27	-	(1)	26
Minas Gerais	64	-	(4)	60
Rio De Janeiro	20	-	(1)	19
São Paulo	85	1	(1)	85
Center West	**94**	**-**	**(4)**	**90**
Distrito Federal	18	-	(1)	17
Goiás	30	-	(3)	27
Mato Grosso	23	-	-	23
Mato Grosso Do Sul	23	-	-	23
South	**43**	**-**	**(1)**	**42**
Paraná	15	-	-	15
Rio Grande Do Sul	8	-	(1)	7
Santa Catarina	20	-	-	20

GLOSSARY

- **Abrafarma**: association of the 26 largest pharmacy chains in the country.
- **AME (Special Medicine Service):** line of special medicines marketed by *Pague Menos*. They are produced with high technology and used in complex and high-cost treatments, usually in the fields of fertility, oncology and hormones.
- **Classe Média Expandida:** social class of B2/C/D consumers, with average monthly family income below 4.5 thousand reals.
- **EBITDA**: operating income before interest, taxes, depreciation and amortization.
- **HNB (Hygiene, Nutrition and Beauty)**: classification of non-drug products belonging to the categories of personal hygiene, nutrition and beauty.
- **Mature Stores**: stores opened for more than three years. They are stores that have already gone through the maturation period and therefore tend to have a less inclined sales growth curve than those in maturation.
- **Market-share:** market share, based on data from IQVIA, a global data intelligence company applied to the healthcare industry.
- **NPS (Net Promoter Score)**: metric used for measuring satisfaction and loyalty of customers to the Company.
- **Omnichannel**: the concept describing the integration of different channels in retailing, such as physical stores, e-commerce, telephone sales and social media sales, allowing the customer multiple shopping journeys.
- **OTC (Over-The-Counter)**: classification of products sold via self-service, which includes nonprescription medications as well as convenience, health and well-being items.
- **PBM**: *Programa de Benefício em Medicamentos*. Discount programs created and administered by the pharmaceutical industry (laboratories) in order to facilitate, stimulate and promote use of treatments by patients and physicians.
- **PME**: *Prazo médio de estocagem*. Refers to the average storage time of goods, being calculated by the quotient between inventory balance and CMV of the quarter, multiplied by 90.
- **PMP**: *Prazo médio de pagamento*. It refers to the average payment period for suppliers, being calculated by the quotient between supplier balance and CMV of the quarter, multiplied by 90 days.
- **Pré-alta**: Pre-Increase. period prior to the annual price adjustment of medicines, which usually occurs in April.
- **Stockout**: metric used to measure the lack of specific products in the store.
- **SSS (Same Store Sales)**: sales growth in the "same stores" concept. Refers to the relationship of sales of goods and services carried out by stores opened for more than twelve months of the current period compared to the same stores' sales in the same period of the previous year. Excludes stores temporarily closed for longer than seven calendar days and considers digital sales dispensed through stores.

DISCLAIMER

This document may contain certain forward-looking statements and information related to the Company that reflect the current views and/or expectations of the Company and its management with respect to its performance, business and future events. Forward-looking statements include, without limitation, any statement that has forecasts, indications or estimates and projections about future results, performance or objectives, as well as words such as "we believe," "anticipate," "expect," "estimate," ”project" among other words with similar meaning. Although the Company and its management believe that such estimates and forward-looking statements are based on reasonable assumptions, they are subject to risks, uncertainties and future events and are issued considering information that is currently available. Any forward-looking statements refer only to the date on which they were issued, and the Company is not responsible for updating or reviewing them publicly after the distribution of this document due to new information, future events or other factors. Investors should be aware that several important factors cause actual results to differ materially from such plans, objectives, expectations, projections and intentions expressed in this document.

In view of the above-mentioned risks and uncertainties, the prospective circumstances and events discussed herein may not occur, and the Company's future results may differ significantly from those expressed or suggested in these forward-looking statements. Forward-looking statements involve risks and uncertainties and are not guarantees of future events. Therefore, investors should not make any investment decisions based on any forward-looking statements contained herein.

The market and competitive position information, including any market projections cited throughout this document, were obtained through internal surveys, market research, public domain information and business publications. Although we have no reason to believe that any of this information or reports is inaccurate in any material respect, we do not verify regardless of competitive position, market position, growth rate or any other data provided by third parties or other industry publications. The Company is not responsible for the veracity of such information.

Certain percentages and other values included in this document have been rounded to facilitate its presentation. The scales of the graphs of the results may appear in different proportions, to optimize their visualization. Thus, the numbers and graphs presented may not represent the arithmetic sum and the appropriate scale of the numbers that precede them and may differ from those presented in the financial statements.

The financial information was prepared in accordance with the International Financial Reporting Standards (IFRS), in accordance with the accounting practices adopted in Brazil (BR GAAP) and were reviewed by the independent auditors in accordance with Brazilian and international auditing standards.

EARNINGS VIDEO CONFERENCE

Video Conference in Portuguese

August 3, 2021
10:00 (BRT) | 09:00 (US ET)

Access in Portuguese

Numbers for Connection:
+55 (11) 3181-8565
+55 (11) 4210-1803
Code: Pague Menos

Video Conference in English (simultaneous translation)

August 3, 2021
10:00 (BRT) | 09:00am (US ET)

Access in English

Numbers for Connection:
+1 844 204-8942
+1 412 717-9627
Code: Pague Menos

PagueMenos 40 anos

Empreendimentos Pague Menos S.A.

Balance sheet
June 30
(In thousand Reais)

Assets	Note	6/30/2021	12/31/2020
Current			
Cash and cash equivalent	4	392.012	589.086
Marketable securities		-	30.880
Trade receivable	5	541.509	522.940
Inventories	6	1.853.466	1.702.095
Commercial agreements		110.921	66.346
Recoverable taxes	7	187.504	198.318
Derivatives		-	5.788
Prepaid expenses		15.962	8.202
Other		29.009	23.735
Total current asset		**3.130.383**	**3.147.390**
Non-current			
Long term achievable			
Financial investments		8.435	9.517
Recoverable taxes	7	368.967	370.810
Deferred taxes	8	193.614	192.555
Legal deposits		42.238	38.645
		613.254	**611.527**
Investments	10	71.314	70.797
Property, plant, and equipment	11	560.070	541.289
Intangible	12	41.605	37.865
Right of use	15	1.279.676	1.344.910
Total non-current asset		**1.952.665**	**1.994.861**
Total asset		**5.696.302**	**5.753.778**

Empreendimentos Pague Menos S.A.

Balance sheet
June 30
(In thousand Reais)

Liabilties	Note	6/30/2021	12/31/2020
Current			
Trade payable	13	1.174.460	1.244.490
Loans, finance and debentures	14	280.671	241.629
Leases liabilities	15	174.948	172.280
Taxes and contribuition payables	16	105.683	106.399
Salaries and social charges		126.099	89.234
Other accounts payable		31.635	35.067
Total current liability		**1.893.496**	**1.889.099**
Non-current			
Loans, finance and debentures	14	522.974	636.847
Leases liabilities	15	1.199.962	1.251.454
Taxes and contribuition payables	16	7.949	8.214
Contingency provisions	17	28.170	27.241
Total non-current liability		**1.759.055**	**1.923.756**
Total liability		**3.652.551**	**3.812.855**
Shareholders' equity	18		
Capital stock		1.199.569	1.200.666
Capital reserves		381.578	383.432
Profit reserves		356.823	356.825
Stocks in treasury		(7.743)	-
Retained earnings		113.524	-
Total shareholders' equity		**2.043.751**	**1.940.923**
Total liability and shareholders' equity		**5.696.302**	**5.753.778**

Empreendimentos Pague Menos S.A.

Income statement
June 30
(In thousand Reais, except for the result per share)

Income statement	Note	04/01/2021 to 06/30/2021	6/30/2021	04/01/2020 to 06/30/2020	6/30/2020
Net revenue	22	**1.896.723**	**3.673.043**	**1.583.467**	**3.247.354**
Cost of sales	23	(1.266.428)	(2.473.735)	(1.088.595)	(2.244.996)
Gross profit		**630.295**	**1.199.308**	**494.872**	**1.002.358**
(Expenses) operating revenues		(503.986)	(977.550)	(417.745)	(862.224)
Other operating revenues		447	765	329	2.060
Sales expenses	23	(438.943)	(857.343)	(370.298)	(768.519)
General and administrative expenses	23	(65.543)	(121.121)	(47.519)	(94.644)
Equity in the results of investees		314	685	182	(371)
Other operating expenses		(261)	(536)	(439)	(750)
Result before net financial revenues (expenses		**126.309**	**221.758**	**77.127**	**140.134**
Financial revenues	24	17.659	39.096	80.396	158.779
Financial expenses	24	(62.985)	(131.309)	(150.057)	(297.406)
Financial, net expenses		**(45.326)**	**(92.213)**	**(69.661)**	**(138.627)**
Result before taxes		**80.983**	**129.545**	**7.466**	**1.507**
Income tax current	8	(16.205)	(17.080)	-	-
Income tax deferred	8	4.578	1.059	1.677	16.840
Net income		**69.356**	**113.524**	**9.143**	**18.347**
Share result					
Basic and diluted share result (in R$)		0,16	0,26	0,03	0,05

Empreendimentos Pague Menos S.A.

Comprehensive income statement
June 30
(In thousand Reais)

Comprehensive income statement	04/01/2021 to 06/30/2021	6/30/2021	04/01/2020 to 06/30/2020	6/30/2020
Net income	69.356	113.524	9.143	18.347
Comprehensive income of the year	**69.356**	**113.524**	**9.143**	**18.347**

Empreendimentos Pague Menos S.A.

Shareholders' equity changes statements
June 30
(In thousand Reais)

Shareholders' equity changes statements	**Paid capital stock**	**Capital reserve options granted and stocks in Treasury**	**Profit reserves**	**Accrued Profits and Losses**	**Other comprehensive income**	**Total shareholders' equity**
Balances on January 1, 2020	382.727	381.001	260.792	-	-	**1.024.520**
Total Comprehensive Income	-	-	-	18.347	-	**18.347**
Net Profit in the Period	-	-	-	18.347	-	**18.347**
Internal Changes of the shareholders' equity	-	421	-	-	-	**421**
Recognized options granted	-	421	-	-	-	**421**
Balances on June 30, 2020	**382.727**	**381.422**	**260.792**	**18.347**	**-**	**1.043.288**
Balances on January 1, 2021	1.200.666	383.432	356.825	-	-	**1.940.923**
Capital transactions with the partners	-	(7.743)	-	-	-	**(7.743)**
Stocks in treasury	-	(7.743)	-	-	-	**(7.743)**
Total Comprehensive Income	-	-	-	113.524	-	**113.524**
Net Profit in the Period	-	-	-	113.524	-	**113.524**
Internal Changes of the shareholders' equity	(1.097)	(1.856)	-	-	-	**(2.953)**
Costs in stocks issuance	(1.097)	-	-	-	-	**(1.097)**
Others transactions	-	(2)	-	-	-	**(2)**
Restricted stocks plan	-	(1.854)	-	-	-	**(1.854)**
Balances on June 30, 2021	**1.199.569**	**373.833**	**356.825**	**113.524**	**-**	**2.043.751**

Empreendimentos Pague Menos S.A.

Cash flow statements
June 30
(In thousand Reais)

Cash flow statements	6/30/2021	6/30/2020
Cash flows from operating activities		
Net profit (loss) from the fiscal year	**113.524**	**18.347**
Cash Generated from Operations		
Depreciation and amortization	127.617	124.934
Assets and liabilities present value adjustment	399	4.471
Interests on loans, financing, and debentures	19.174	21.921
Derivative financial instruments fair value changes	5.737	(58.335)
Exchange variation on loans and financing	962	61.064
Interests on lease with purchase option	54.501	58.633
Establishement (reversal) of contingency provisions	1.395	4.376
Equity accounting	(685)	371
Current taxes	17.080	-
Deferred taxes	(1.059)	(16.840)
Appropriation of transaction costs in debts issuance	(1.751)	(177)
Other adjustments to profit	(848)	(1.022)
Provision for closure of shops	(1.360)	(1.856)
Residual value on write-down of fixed and intangible assets	2.079	1.902
Provision for bad and doubtful debts	7.373	(1.184)
Provision for losses in inventories	(8.207)	13.232
	335.931	**229.837**
Operating assets and liabilities variations		
Third party fundraising	(3.970)	3.981
Accounts receivable	(18.549)	11.365
Inventories	(141.380)	(92.137)
Recoverable taxes	7.355	(57.659)
Other credits	(55.454)	2.938
Prepaid expenses	(7.760)	(11.941)
Suppliers	(72.124)	(54.016)
Taxes and contributions recoverable	(18.061)	43.519
Salaries and vacation payable	35.009	5.111
Other accounts payable	72	13.965
	(274.862)	**(134.874)**
Others		
Payment of loans - Interests	(18.236)	(11.661)
Payment of debentures - Interests	(5.677)	(8.956)
Payment of leases - Interests	(54.501)	(58.633)
	(78.414)	**(79.250)**
Net Cash Operating Activities	**(17.345)**	**15.713**
Cash flows from investment activities		
Acquisition in other investments	31.962	2.323
Acquisition of property, plant, and equipment	(58.989)	(6.207)
Acquisition of intangible	(8.958)	(1.907)
Net cash generated in investment activities	**(35.985)**	**(5.791)**
Cash flows from financing activities		
Loans and Financing	160.000	219.000
Payment of loans and financing	(212.586)	(247.285)
Payment of lease with purchase option	(65.652)	(60.006)
Payment of debentures	(16.666)	-
Derivative operations settlement	-	56.660
Funds from stock option granted	-	421
Costs in stocks issuance	(1.097)	-
Stocks in treasury	(7.743)	-
Net cash (used in) from financing activities	**(143.744)**	**(31.210)**
Increase (Decrease) of Cash and Equivalents	**(197.074)**	**(21.288)**
Decrease of cash and cash equivalent statements		
At the beginning of the fiscal year	589.086	121.040
At the end of the fiscal year	392.012	99.752
Decrease of Cash and Equivalents	**(197.074)**	**(21.288)**

Empreendimentos Pague Menos S.A.

Value added statement
June 30
(In thousand Reais)

Value added statement	6/30/2021	6/30/2020
Revenues		
Sales of merchandises, products and services	3.899.659	3.357.711
Other revenues	766	2.060
	3.900.425	**3.359.771**
Inputs acquired from third parties (includes ICMS and IPI)		
Costs of sold merchandises, products and services	(2.284.679)	(2.019.225)
Third parties' materials, energy, services and others	(365.388)	(324.122)
	(2.650.067)	**(2.343.347)**
Gross added value	**1.250.358**	**1.016.424**
Depreciation and amortization	(127.617)	(124.934)
Net added value generated by Company	**1.122.741**	**891.490**
Added value received from transfer		
Equity pick-up	685	(371)
Financial income	26.286	13.696
Total added value to distribute	**1.149.712**	**904.815**
Added value distribution		
Personnel	**443.376**	**398.894**
Direct compensation	375.578	333.150
Benefits	40.551	41.069
FGTS	27.247	24.675
Taxes, Rates and Contributions	**494.213**	**377.954**
Federal	98.872	54.355
State	385.454	319.491
Municipal	9.887	4.108
Compensation of third parties capital	**98.599**	**109.620**
Interests	74.930	97.149
Rentals	23.669	12.471
Compensation of own capital	**113.524**	**18.347**
Profit (loss) of the year	113.524	18.347
Distributed added value	**1.149.712**	**904.815**

1. INFORMATION ABOUT THE COMPANY

Empreendimentos Pague Menos SA ("Company") is a publicly-held corporation, registered at B3 SA - Brasil, Bolsa, Balcão - in the Novo Mercado segment, headquartered in the capital of Ceará, and has as its ticker symbol: PGMN3.

The Company's main commercial retail activity is selling medications, cosmetics, personal care and beauty products, with 1,101 stores (1,105 on December 31, 2020), located in every state in Brazil. The stores are supplied by five distribution centers located in Ceará, Pernambuco, Bahia, Goiás and Minas Gerais.

Extrafarma Transaction

On May 18, 2021, by means of a Material Fact, the Company disclosed to the market that it had entered into a share purchase agreement for the acquisition of up to 100% of the capital stock of Imifarma Produtos Farmacêuticos e Cosméticos SA, holder of the operations of "Extrafarma ". This operation is still awaiting *CADE* (Brazilian antitrust regulator) authorization, in addition to other conditions which must precede its conclusion. Thus, there is no accounting impact to be considered in the interim financial statements as of June 30, 2021.

2. PREPARATION AND PRESENTATION OF THE INFORMATION ABOUT THE QUARTER

This information about the quarter has been prepared and is presented according to international accounting standards (International Financial Reporting Standards - IFRS) and based on accounting practices adopted in Brazil that follow the rules set by the Brazilian Securities and Exchange Commission (CVM) and Brazilian Accounting Standards - NBC's from the Federal Accounting Council (CFC).

The information about the quarter was prepared based on the historical cost, except for derivative financial instruments and certain financial liabilities, which were measured at fair value. The information herein is presented in Reais, which is the Company's operational currency.

The Company's management stated that all relevant interim financial statements disclosed herein matches the information considered for management purposes.

The presentation of the Statement of Added Value (DVA), although not required by IFRS, is mandatory for publicly-held companies in Brazil. As a consequence, this statement is presented as additional information for IFRS purposes, notwithstanding the overall financial statements.

The issuance of this quarterly report was authorized by the Company's Board of Directors on July 29,2021

During the preparation of the information concerning this quarter, the possible effects of the COVID -19 pandemic were considered, as described below:

Analysis of the effects of COVID-19

On March 10, 2020, the Brazilian Securities and Exchange Commission - CVM issued a notice, CVM / SNC / SEP No. 02/20, advising publicly-held companies to carefully assess the impacts of COVID-19 on their businesses and report in their financial statements and quarterly reports, any information about the main risks and uncertainties arising from this analysis, observing the applicable accounting standards.

In this sense, Management paid special attention to the economic events related to business continuity and / or to the accounting estimates established, such as: recoverability of financial and non-financial assets, taxes on profit, measurement of assets and liabilities related to leases, fair value measurement, provisions and contingent liabilities, revenue and liquidity recognition and fulfillment of financial commitments.

So far the following situations have not occurred systematically:

i) Interruption in the supply chain, except for a shortage of products with a demand that, at that moment exceeded the production capacity of suppliers;
ii) Significant reduction in revenue, due to the drop in customer demand in the domestic market;
iii) Financial default by the Company or its debtors;
iv) Credit downgrades, which could adversely affect the Company's ability to access adequate financing.

Following are detailed assessments and conclusions about the impacts of the pandemic regarding the Company's main transactions.

<u>Recoverability of financial assets</u>

<u>Financial investments, bank deposits and derivative financial instruments.</u>

The Company has receivable balances from financial institutions, referring to cash and cash equivalents, financial investments and derivative financial instruments, totalling BRL 440,447 thousand on June 30, 2021 (BRL 635,271 thousand on December 31, 2020). Such assets are held in solid financial institutions and although in the current scenario there is a possibility of an increase in customer default, there are no indications of a significant increase in the credit risk of these parties. In addition, it is worth mentioning that the Central Bank has implemented several measures to increase the liquidity of financial institutions, and losses caused by the pandemic are not expected in this scenario.

<u>Trade receivable from customers (provision for expected losses)</u>

The credit risk of accounts receivable balances is mitigated by the fact that 32% of the Company's sales are made in cash and 68% using credit and debit cards. The operations are extremely fragmented, with an average ticket of BRL 75,83 (not revised), however they are concentrated in large credit card operators, normally linked to solid financial institutions. The Company considers the risk of default by credit card administrators to be extremely low and that the effects of the pandemic on such counterparts is not significant, so no additional loss is expected.

<u>Recoverability of financial assets</u>

<u>Inventory</u>

Considering that the Company´s primary activity is the sale of medications and personal hygiene products, among other health products, the Company's operations were considered essential by the public authorities, with normal store operations being authorized.

Along with the stores, the distribution centers and transport companies were allowed to operate normally, adopting measures to contain the spread of the virus. Purchase orders with suppliers were not compromised and continued to be delivered normally, with no interruptions in the supply chain. After the emergence of the first cases and confirmation of the first deaths by COVID-19, the demand for health-related products, as well as personal hygiene, showed significant growth, reaching levels that were higher than those observed before the pandemic. Accordingly, the Company verified that the risks of carrying inventories for less than the net realizable value are already included within the current estimates of losses and additional losses are not expected due to the pandemic.

Property, plant and equipament and intangible assets

As previously reported, the Company's operations did not suffer a general interruption, so that, as of June 30, 2021, all physical stores continue to operate normally. The Company individually monitors the future cash flow generation capacity of each store, in order to identify in a timely manner cases in which the discounted cash flows at present value are lower than the investments made. Management reviewed the main estimates used while calculating the recoverability of assets (inflation, growth rate, capex, discount rate, among others), but no need to set up additional provisions, beyond those already recognized in the financial statements, was identified.

Deferred taxes on profits

The Company reviewed the main estimates used in the forecasts and analyses of the recoverability of deferred taxes on profit, considering the possible impacts of COVID-19 on the business, and the need to reduce the balances recognized in these financial statements, was not identified.

Measurement of right-of-use assets and lease liabilities

As mentioned previously, there were no generalized store closings, considering the reduced number of contracts under negotiation and the unlikely prospect of the termination of such contracts, no significant effects were observed on lease liabilities due to the COVID-19 pandemic.

Provisions and contingent liabilities

The Company assessed the nature of provisions and contingent liabilities and found that COVID-19 had no impact on the accounting measurements of such transactions.

Revenue recognition

Management assessed the Company's revenue recognition criteria, as well as the existence of any changes in the return policies or other performance obligations towards customers and found that no changes occurred in the Company's revenue recognition practices.

Liquidity and fulfillment of financial commitments

The Company continues to fulfill all financial and non-financial indicators, defined in its loan agreements, in fact seeing an improvement in these indicators. On May 20, 2021, the Company's debt rating was reevaluated by Fitch Ratings and was upgraded to 'A (bra)', with a Positive Outlook. The Company is committed to austerity and cash preservation measures, in order to guarantee its operational continuity. There were no employee dismissals beyond those ocurring in the normal course of operations.

3. MAIN ACCOUNTING POLICIES

The interim financial statements are being presented according to NBC TG 21 (R1), IAS 34 and the rules issued by CVM. The practices, policies and main accounting judgments and sources of uncertainties about estimates adopted during the preparation of the quarterly report are consistent with those adopted and disclosed in the financial statements for the year which ended on December 31, 2020, which were disclosed on March 1, 2021 and should be interpreted along with the information in this quarterly report.

a) Standards, amendments and interpretations of standards

The changes to standards issued, but not yet in effect by the date of the issuance of the Company's financial statements, are described below:

Changes to NBC TG 15 - Conceptual Framework Reference

This amendment to IFRS 3 – Business Combinations, takes effect on January 1, 2022, and aims to clarify some changes related to the conceptual framework, without significant changes. The Company is evaluating possible impacts.

Changes to NBC TG 25 - Onerous Contracts: costs of contract fulfillment

On January 1, 2022, the amendment to CPC 25/IAS 37 enters into force, and the amendments specify that the "cost of performance" of a contract comprises "costs that relate directly to the contract". Costs that directly relate to a contract can be incremental costs of fulfilling that contract or an allocation of other costs that directly relate to fulfilling contracts. The Company is evaluating possible impacts.

Amendments to NBC TG 26: Classification of liabilities as current or non-current

In January 2020, the IASB issued amendments to paragraphs 69 - 76 in IAS 1, related to NBC TG 26, in order to specify the requirements for classifying the liability as current or non-current. The changes state the following:

- What the right to postpone liquidation means;
- That the right to postponement must exist on the base date of the report;
- That this classification is not affected by the likelihood that an entity will exercise its right to postponement;
- That only if a derivative embedded in a convertible liability is an equity instrument would the liability terms not affect its classification.

The changes are valid for periods beginning on or after January 1, 2023 and must be applied retrospectively. The Company currently assesses the impact that the changes will have on its current practice and whether existing loan agreements may require renegotiation.

(All amounts in thousands of Reais)

4. CASH AND CASH EQUIVALENTS

	06/30/2021	12/31/2020
Cash and banks	36,057	48,674
Short-term investments	355,955	540,412
Repo operations	39,736	45,670
Certificates of Bank Deposits - CDB	304,529	377,348
Financial securities - LF	-	108,707
Automatic investments	11,690	8,687
Total	392,012	589,086

Short-term financial investments are held in sound financial institutions and have low credit risk. They are remunerated by the variation of Interbank Deposit Certificates (CDI) and are available for immediate use without loss of income, being distributed between CDB, with an average yield of 106.0% (106.2% on 12/31/2020) and Repurchase Agreements , with an average profitability of 98.5% (90.5% on 12/31/2020). These operations have a maturity period that is less than three months from the contracting date and because they meet the CPC 03 (R3) requirements, were classified as cash equivalents.

5. TRADE RECEIVABLE

	06/30/2021	12/31/2020
Credit and debit card companies	518,950	511,516
Agreements and partnerships (*convênios*) (a)	26,653	9,732
Drug Benefit Program - PBM (b)	-	6,249
Commissions Receivable	663	220
Subtotal	546,266	527,717
(-) Adjusted present value	(3,872)	(3,783)
(-) Expected credit losses	(885)	(994)
Total	541,509	522,940

a) Refers to amounts receivable from the Federal Government for sales made under the *Programa Farmácia Popular* (Popular Drugstore Program) and balances with partner companies (*convênios*). The main purpose of these agreements (*convênios*) is to grant discounts to employees, as well as to enable customers to pay for purchases made by means of payroll deductions. In addition, there are values related to partnerships with delivery apps.

b) The Drug Benefits Program - PBM records the balance receivable from sales of drugs via benefit programs, the discounts of which are subsidized by the respective laboratories.

The balances were adjusted to present value, considering an average payment collection period between 47 and 51 days (2020: 33 and 40 days) and discounted at the rate of the average cost of capital.

The balances of receivables by maturity are shown below, before the provision for expected credit losses and adjusted to present value:

(All amounts in thousands of Reais)

	06/30/2021	12/31/2020
Reaching maturity	545,787	525,789
1 to 30 days overdue	65	369
31 to 60 days overdue	65	94
61 to 90 days overdue	2	82
More than 90 days overdue	347	1,383
	546,266	527,717

a) *Transactions related to expected credit losses:*

	06/30/2021	12/31/2020
Opening balance	(994)	(5,604)
Additions	(953)	(425)
Reversals	1,062	5,035
Closing balance	(885)	(994)

6. INVENTORIES

	06/30/2021	12/31/2020
Merchandise for Resale	1,867,975	1,725,500
Materials for use and consumption	6,176	5,487
(-) Expected inventory losses	(20,685)	(28,892)
	1,853,466	1,702,095

a) *Changes in expected inventory losses:*

	06/30/2021	12/31/2020
Opening balance	(28,892)	(27,792)
Additions	(992)	(17,634)
Reversals	9,199	16,534
Closing balance	(20,685)	(28,892)

7. RECOVERABLE TAXES

	06/30/2021	12/31/2020
ICMS (a)	373,318	347,442
IRPJ / CSLL (b)	2,882	2,891
PIS and COFINS (c)	166,816	172,371
INSS (d)	-	33,028
IRRF (Witheld Income Taxes)	12,491	12,412
Others	964	984
	556,471	569,128
Current Liabilities	187,504	198,318
Non-current	368,967	370,810

(All amounts in thousands of Reais)

(a) Balance resulting from the normal ICMS calculation regime and balances referring to non-definite ICMS ST credits, where the presumed tax bases were higher than the effective margins. The credits were recognized as a result of the decision by the STF (Brazilian Supreme Court), with generalized effects, which guaranteed the right of reimbursement to the taxpayer who paid ICMS ST in advance based on calculation of values higher than those actually received. 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 and negative CSLL balance when calculating the real profit for the previous year.

(c) In August 2019, the Company received favorable decision, not subject to appeal, in a lawsuit which discussed the right to the exclusion of the ICMS from the calculation basis for the PIS and COFINS taxes. The Company is currently waiting for the final refund of the amounts unduly paid, among which BRL 32,263, refers to monetary correction. In addition, the Company recognizes credits arising from the non-cumulative regime, mainly arising from the acquisition of goods, the acquisition of services and inputs considered relevant and essential to the sale of products and provision of services.

(d) On June 30, 2021, the amount of BRL 33,028 was received in full, referring to credits arising from a final and unappealable court decision, on October 1, 2020 , which eliminated the levy of social security contributions on certain labor costs.

The Company, together with its legal advisors, evaluated the requirements for registering tax credits and considers that it met the criteria for asset recognition, including the ability to properly measure the amounts and ability to realize said credits.

8. DEFERRED TAXES

	06/30/2021	12/31/2020
Tax losses	113,789	113,789
Capitalization of Interest	(5,644)	(5,796)
Fair Value of derivative financial instruments	-	(1,968)
Fair value of financial liabilities	-	15
Provision for store closings	2,118	2,581
Provision for building inventories	7.033	9,823
Provision for goodwill impairment	6,543	6,543
Profit sharing	1,477	3,825
Commercial leasing	32,380	26,800
Expected credit losses	4,766	4,806
Provisions for contingencies	9,578	9,262
Adjustment to present value	4,549	4,413
Other provisions	17,025	18,462
Total	193,614	192,555

a) *Expected realization*

The Company, based on forecasts made and approved by Management, related to the estimate of future taxable profits, recognized the deferred tax credits on tax losses, negative bases of social contributions and temporary differences, up to the limit of its offsetting capacity, which do not have a limitation period with a compensation that is limited to 30% of annual taxable profits. The recovery of the amount of deferred taxes is reviewed annually. The estimates are related to the Company's ability to obtain the expected results, considering certain economic factors and the market in which it operates. The results may differ from the estimates if the forecasted conditions are not confirmed. According to the forecasts made, the balances of deferred taxes will be recovered according to the following schedule.

(All amounts in thousands of Reais)

	06/30/2021	12/31/2020
2021	8,002	6,943
2022	7,683	7,683
2023	16,384	16,384
2024	24,752	24,752
2025	38,949	38,949
2025 onward	97,844	97,844
	193,614	192,555

b) *Reconciliation of the effective tax rate*

	06/30/2021	06/30/2020
Net income before Income Tax and Social Contribution on Net Income	129,545	1,507
Combined tax rate [B]	34%	34%
IR / CSLL at the combined tax rate [A] * [B] = [C]	44,045	(512)
Effect of permanent additions: [D]	369	(266)
Other permanent additions	369	(266)
Effect of permanent exclusions: [E]	(60,841)	(51,302)
Investment subsidy	(58,065)	(51,673)
Results of equity equivalence	(685)	371
Other permanent exclusions	(994)	-
IPO expenses	(1,097)	-
Offset of tax loss and negative basis [F]	(21,952)	-
Current tax profit (loss) [A] + [D] - [E] - [F] = [G]	47,121	(50,061)
Current income tax and social contributions	(17,080)	-
Deferred income and social contribution taxes	1,059	16,840
IR/CSLL on earnings [G]*34% + [H] = [I]	(16,021)	16,840
Effective rate [I]/[A]	12.4%	(1,117)%

The Company assessed the impacts of IFRIC 23 (ITG 22) - Uncertainties related to how taxes on profit will be considered, concluding that its effects to date are not relevant.

(All amounts in thousands of Reais)

9. RELATED PARTIES

Related parties	Type of operation	06/30/2021 Asset	Liabilities	Result	12/31/2020 Asset	Liabilities	Result
Suppliers							
Biomatika Ind. E Com. Prod. Naturais S.A. (a)	Purchase of products	-	541	-	-	842	-
ePharma PBM do Brasil S.A (b)	Service provision	1,007	-	-	1,048	-	(1,999)
L'auto Cargo Transportes Rodoviário S.A. (c)	Transportation of goods	-	8,728	(42,043)	-	4,647	(110,283)
Leases							
Renda Participações S.A. (d)	Property rentals	-	753	(3,726)	-	690	(8,232)
Dupar Participações S.A. (d)	Property rentals	-	5,814	(28,852)	-	8,169	(64,255)
Prospar Participações S.A. (d)	Property rentals	-	114	(555)	-	104	(1,190)
Total		1,007	15,950	(75,176)	1,048	14,452	(185,959)

a) Biomatika Indústria e Comércio de Produtos Naturais SA, a company under joint control, is focused on manufacturing cosmetics, perfumes and personal hygiene products. The contract between the parties establishes the production of products under the Pague Menos brand. The margins obtained on these products is higher than those obtained from other suppliers due to the lower level of advertising and bonuses, among other factors.

b) e-Pharma PBM do Brasil – S.A. - Programa de Benefícios de Medicina da Saúde, invested in by the Company, is primarily focused on the development and commercialization of pharmaceutical and health care management services, providing the know-how and technological tools for their implementation and operation. The Company has significant influence on this invested firm, but not control. Thus, the commercial practices carried out are comparable to those practiced by other market players.

c) L'auto Cargo Transportes Rodoviário SA, a company under joint control, is focused on cargo transport by truck. All freight transportation contracts go through a bidding process and are selected according to the best technical (service level) and commercial proposal. The Company´s Board of Directors approved a contract for the provision of transport services for merchandise with L'auto, with a total estimated value of BRL 200,000 for a 2 (two) year period. The prices for these services are established according to percentage rates calculated on the basis of the tax invoice value of the goods transported and vary according to the rates established, by each individual state.

d) Renda Participações SA, Dupar Participações SA and Prospar Participações SA, companies under joint control, manage their own properties as well as properties of third parties. The Company leases 360 of these properties, where it operates some of its stores. Rents are calculated based on the monthly sales of the stores. For properties occupied by Management and distribution centers, rents are defined as fixed amounts.

Transactions with related parties were carried out, considering analyses made by Management for each operation, in line with normal market practices.

Management compensation

Management compensation totaled BRL 13,754 for the period ended June 30, 2021 (it was BRL 8,533 on June 30, 2020). The Company does not have a post-employment benefits policy.

Warranties, endorsements and guarantees with related parties

The Company also has transactions in which related parties provide warranties, endorsements or guarantees for financing and loan agreements made to the Company, as follows:

Related party garantor	06/30/2021	12/31/2020
Guarantee / endorsement and joint and several debtor (Note 14)	510,718	727,295
Individuals (shareholders)	131,059	477,270

(All amounts in thousands of Reais)

Related party garantor	06/30/2021	12/31/2020
Dupar Participações S.A.	379,659	250,025
Properties	52,183	52,183
Dupar Participações S.A.	52,183	52,183

10. INVESTMENTS

	06/30/2021	12/31/2020
e-Pharma PBM do Brasil S.A.	8,719	8,202
Goodwill on investment acquisitions	81,838	81,838
(-) impairments	(19,243)	(19,243)
	71,314	70,797

The movement in the quarter which ended on June 30

	2021	2020
Opening balance January 1	70,797	70,290
Earnings - equity equivalence	685	(371)
Dividends and Interest on Equity received	(168)	-
Closing balance on June 30	71,314	69,919

Information - invested company

On December 28, 2015, the Company acquired 26.21% of the shares of e-Pharma PBM do Brasil SA, at a total cost of BRL 90,000, with a net equity of BRL 8,162, consequently, goodwill based on the expected future profitability was calculated to be BRL 81,838. The principal business of e-Pharma PBM do Brasil SA is managing drug benefit programs. As of June 30, 2021, the Company holds 26.18% (2020: 26.18%) of the shares of the invested company.

Goodwill Impairment

The Company assessed, based on December 31, 2020, the recovery of the book value of the remaining goodwill associated with the acquisition of e-Pharma PBM do Brasil SA, using the discounted cash flow method allocated to the cash generating unit that generated the related goodwill.

The recoverable amount of sales made by the cash-generating unit whose acquisition was determined through a calculation based on the value in use from cash forecasts for financial budgets approved by Management over a period of five years. The forecasted cash flow has been updated to reflect changes in the demand for products and services. The discount rate applied to the cash flow forecasts was 11.46% before taxes. Discount rates represent the risk assessment in the current market, specificallly for the investee, considering the time value of money and the individual risks of related assets that were not incorporated in the assumptions included in the cash flow model. The discount rate calculation is based on specific circumstances of the investee, resulting from the weighted average costs of capital (WACC). The WACC considers debt and equity. The cost of equity results from the expected return on investment made by investors. The cost of debt is based on interest-bearing financing that the Company is required to fulfill. The specific risk of the investee is incorporated through the application of individual beta factors. Beta factors are assessed annually based on publically available market data.

(All amounts in thousands of Reais)

Principal assumptions used in calculations are based on value-in-use

The calculation of the value-in-use for the related cash generating units, forecast for the next 5 years, is more sensitive to the following assumptions:

Sales revenue and expenses

Adjustments in drug prices and inflation of other traded goods and selling expenses are calculated according to the forecast for overall inflation or index rates established in contracts. The assumptions adopted in the impairment tests comply with the internal forecasts for the five-year period. After the five year period, extrapolation is applied using a perpetuity growth rate of 3.3% based on the nominal model.

Gross margin

The recovery test did not identify the need for additional recognition of a new provision to reduce the recoverable amount of goodwill, in addition to the amount that was already accounted for. An increase in the discount rate before taxes (WACC) of 10% would bring the rate to 12.6%, resulting in a recoverable amount of BRL 288,900, compared to the assessment of the base scenario in the Discounted Cash Flow Model which considered BRL 334,000. A reduction of 10% in the Perpetual Growth Rate (g) to 1.80% would result in the recoverable amount of BRL 330,000. In the worst case scenario of the current model, the valuation would be BRL 286,000, which would not result in an additional loss.

11. PROPERTY, PLANT AND EQUIPMENT

		06/30/2021			12/31/2020		
	Annual Rate	Cost	Depreciation	Net	Cost	Depreciation	Net
Construction work in progress	-	29,845	-	29,845	9,051	-	9,051
Improvements in third-party owned properties	(i)	765,777	(381,508)	384,269	743,462	(359,786)	383,676
Installations	10%	95,938	(44,631)	51,307	93,844	(41,737)	52,107
Machines and equipment	10%	100,715	(61,718)	38,997	98,332	(58,459)	39,873
Furniture and appliances	10%	102,188	(47,817)	54,371	97,916	(43,663)	54,253
Vehicles	20%	350	(350)	-	350	(350)	-
IT equipment	20%	56,535	(49,392)	7,143	59,068	(49,723)	9,345
Advance payments to suppliers	-	29	-	29	127	-	127
Provision for store closings	-	(17,587)	11,696	(5,891)	(23,565)	16,422	(7,143)
Total		1,133,790	(573,720)	560,070	1,078,585	(537,296)	541,289

(i) The depreciation of improvements is calculated according to the term of each rental agreement, which varies between 5 and 25 years, reaching an average depreciation rate of 6% per year.

(All amounts in thousands of Reais)

a) Half-year ending June 30, 2021

	12/31/2020	Additions	Write-offs	Depreciation	Transfers (i)	06/30/2021
Construction work in progress	9,051	24,422	-	-	(3,628)	29,845
Improvements in third-party owned properties	383,676	24,367	(1,850)	(23,552)	1,628	384,269
Installations	52,107	2,448	(59)	(4,326)	1,137	51,307
Machines and equipment	39,873	3,414	(5)	(4,307)	22	38,997
Furniture and appliances	54,253	4,190	-	(4,830)	758	54,371
IT equipment	9,345	148	-	(2,396)	46	7,143
Advance payments to suppliers	127	-	(98)	-	-	29
Provision for store closings	(7,143)	-	1,252	-	-	(5,891)
Total	541,289	58,989	(760)	(39,411)	(37)	560,070

(i) The residual values of transfers refer to the reclassification of assets from intangible to fixed.

b) Half-year ending June 30, 2021

	12/31/2019	Additions	Write-offs	Depreciation	Transfers	06/30/2020
Construction work in progress	4,290	548	-	-	(3,272)	1,566
Improvements in third-party owned properties	417,600	1,790	(964)	(22,967)	2,788	398,247
Installations	55,024	1,727	(429)	(4,125)	-	52,197
Machines and equipment	46,261	737	(2)	(4,367)	184	42,813
Furniture and appliances	60,970	494	(21)	(4,669)	163	56,937
Vehicles	9	-	-	(9)	-	-
IT equipment	10,524	865	(1)	(2,147)	-	9,241
Advance payments to suppliers	-	46	-	-	-	46
Provision for store closings	(12,524)	(3,505)	5,309	-	-	(10,720)
Total	582,154	2,702	3,892	(38,284)	(137)	550,327

Provision for store closings

The Company has recognized a provision for closing stores, which totals BRL 5,891 as of June 30, 2021 (BRL 7,143 as of December 31, 2020). The recoverability analysis considers the individualized result of each store and the expected recovery of investments. Stores that do not have sufficient results to recover investments are subject to the recognition of a provision for store closings.

12. INTANGIBLE

		06/30/2021			12/31/2020		
	Annual Rate	Cost	Amortization	Net	Cost	Amortization	Net
Brands	(i)	4,289	-	4,289	4,289	-	4,289
Goodwill	(ii)	19,805	(15,954)	3,851	19,905	(14,880)	5,025
Software	20%	59,949	(43,138)	16,811	59,888	(39,145)	20,743
Websites	10%	68	(58)	10	78	(55)	23
Intangible assets under development	-	16,983	-	16,983	8,232	-	8,232
Provision for store closings	-	934	595	(339)	(1,427)	980	(447)
Total		100,160	(58,555)	41,605	90,965	(53,100)	37,865

i. Balance related to the acquisition cost for the “Pague Menos” brand in the State of Paraíba. As it is considered an intangible asset with no defined useful life, the Company assesses the need to recognize impairment losses. Considering Management's concept of materiality, previous calculations indicated that the recoverable value of this asset is significantly higher than its book value and there were no events that eliminated this difference, so the Company did not estimate the recoverable value of the referred asset again and the assumptions previously used remain valid.

ii. The amortization of the commercial fund is calculated over the term of each store rental contract, which vary between 5 and 25 years, reaching an average amortization rate of 8.6% per year.

(All amounts in thousands of Reais)

a) Half-year ending June 30, 2021

	12/31/2020	Additions	Write-offs	Amortization	Transfers (iii)	06/30/2021
Brands	4,289	-	-	-	-	4,289
Goodwill	5,025	-	(28)	(1,146)	-	3,851
Software	20,743	207	-	(4,146)	7	16,811
Websites	23	-	(39)	(4)	30	10
Intangible assets under development	8,232	8,751	-	-	-	16,983
Provision for store closings	(447)	-	108	-	-	(339)
Total	37,865	8958	41	(5,296)	37	41,605

b) Half-year ending June 30, 2020

	12/31/2019	Acquisitions	Write-offs	Amortization	Transfers (iii)	06/30/2020
Brands	4,289	-	-	-	-	4,289
Goodwill	7,562	-	(128)	(1,246)	136	6,324
Software	23,685	1,907	(313)	(4,449)	1	20,831
Websites	65	-	(44)	(4)	-	17
Provision for store closings	(454)	(148)	200	-	-	(402)
Total	35,147	1,759	(285)	(5,699)	137	31,059

(iii) The residual values of transfers refer to the reclassification of intangible and fixed assets.

(All amounts in thousands of Reais)

13. TRADE PAYABLES

	06/30/2021	12/31/2020
Suppliers	1,124,383	1,186,970
Anticipations to suppliers (i)	66,741	76,278
Subtotal	1,191,124	1,263,248
Adjustment to present value (ii)	(16,664)	(18,758)
Total	1,174,460	1,244,490

i) The anticipations of payments to suppliers (*operações de risco sacado*) by the Company do not materially modify the purchasing conditions (payments, prices and negotiated terms) with suppliers, which continue as the usual market practices. These operations enable suppliers to better manage their cash flow needs, intensifying commercial relations with the Company. In addition, in these transactions there is no obligation that generates an expense for the Company or interest earned that is shared with the financial institution.

ii) Supplier balances suffer the effects of adjustments to present value considering an average payment term between 78 and 84 days and an average rate of payment (2020: 59 to 78 days). The exchange for the adjusted present value is based on inventory, being recognized in the income statement as part of the cost of goods sold at the time of sale. The recovery of the liability balance related to interest over time is recognized as financial expense.

a) *Per maturity*

	06/30/2021	12/31/2020
From 1 to 30 days	463,213	452,140
From 31 to 60 days	280,456	329,343
From 61 to 90 days	164,171	170,360
Over 91 days	283,284	311,405
Total	1,191,124	1,263,248

b) *Balance concentration*

	06/30/2021	12/31/2020
Largest supplier	12%	13%
from the 2nd to 25th	50%	51%
from the 26th to 50th	14%	14%
Other suppliers	24%	22%
Total	100%	100%

14. LOANS, FINANCING AND DEBENTURES

Bank	Type	Average interest rate	06/30/2021	12/31/2020
Loans				
Banco do Brasil	Working capital	120% of the CDI rate.	88,003	87,216
Safra	Working capital swap USD x CDI	CDI + 4.46% pa	-	20,666
Santander	Working capital	CDI + 2.30% pa	160,614	-
Santander	FRN	CDI + 5.30% pa	-	105,385
Santander	Working capital	CDI + 1.80% pa	-	63,287
Itaú	Working capital	CDI + 2.50% pa	101,064	100,420
Banco do Brasil	Working capital	115% of the CDI.	67,461	77,770
Banco da Amazônia	Working capital	CDI + 3.04% pa	13,294	14,564
			430,436	469,308

(All amounts in thousands of Reais)

Bank	Type	Average interest rate	06/30/2021	12/31/2020
Financing				
Banco do Brasil	FCO	4.12% pa	19,283	21,389
Banco do Nordeste do Brasil	FNE	TLP IPCA + 2.98%	43,900	54,871
Banco do Nordeste do Brasil	FNE	4.12% pa	30,327	36,376
Banco do Nordeste do Brasil	FNE	TLP IPCA + 2.18%	11,726	12,095
			105,236	124,731
Debentures				
4th Issuance of Debentures	Unsecured	CDI + 1.95%	200,200	199,962
5th Issuance of Debentures	Unsecured	CDI + 1.51%	67,773	84,475
			267,973	284,437
Gross total of loans, financing and debentures			803,645	878,476
Current Liabilities			280,671	241,629
Non-current			522,974	636,847
Derivative instruments - Safra swap x USD (i)			-	(5,788)
Total net loans, financing and debentures			803,645	872,688

(i) The Company carried out funding in foreign currency under the "4131" modality, which are exempt from IOF tax, which were settled by June 30, 2021. In order to protect the foreign exchange exposure of these operations, the Company contracted *swaps* in the same terms, rates and amounts. The Company measured these liabilities at their fair value based of results, avoiding accounting mismatches. Further details are disclosed in Item 25.

a) *Balance transactions*

	06/30/2021	12/31/2020
Opening balances	878,476	938,988
Loans and financing	160,000	324,000
Accrued Interest	19,174	45,229
Amortization of principal	(229,252)	(454,432)
Interest Amortization	(23,913)	(38,047)
Exchange rate variations	962	60,220
Change in the value of financial liabilities measured at fair value	(51)	2,555
Settlement of transaction costs	(1,751)	(37)
Closing balance	803,645	878,476

b) *Characteristics of Debentures*

On February 11, 2019, the 4th issuance of simple debentures occurred, in the amount of BRL 200,000, reaching maturity on February 11, 2024, compensated according to the CDI variation + 1.95% pa and on July 21, 2019, the 5th issuance of simple debentures was completed, in the amount of BRL 100,000, maturing on January 21, 2023 and compensated according to the CDI variation + 1.51% pa.

Both issues are not convertible into shares, unsecured, with an additional personal guarantee, in a single series, for public distribution with restricted distribution efforts, under the terms of the Brazilian securities regulator (*Comissão de Valores Mobiliarios "CVM"*) Instruction 476. The debentures do not have renegotiation clauses. The funds raised were used to reinforce working capital.

(All amounts in thousands of Reais)

c) *Disbursement schedule*

	06/30/2021	12/31/2020
06/30/2022 - 12/31/2022	219,551	365,450
01/01/2023 - 12/31/2023	198,739	166,770
01/01/2024 - 12/31/2024	96,871	96,835
After 12/31/2024	7,813	7,792
Total	522,974	636,847

d) *Composition by currency*

	06/30/2021	12/31/2020
In Brazilian reais - BRL	803,645	857,810
In U.S. dollars - USD	-	20,666
Total	803,645	878,476

e) *Guarantees*

	06/30/2021	12/31/2020
Guarantee / Endorsement (Related parties - Note 9)	510,718	727,295
Fiduciary assignment of credit rights	128,833	142,115
Bank guarantees	92,517	78,620
Real Estate (Related Parties - Note 9)	52,183	52,183
	784,251	1,000,213

f) *Restrictive contractual clauses (covenants)*

Financial ratios and limits are verified on a quarterly basis based on the Company's financial information until the full repayment of the amounts due. As of June 30, 2021, the indexes were within the contractually defined limits. The Company is also in compliance with the other non-financial covenants .

15. RIGHT-OF-USE AND LEASES

a) *Composition of right of use assets*

	Properties	IT equipment	Machines and equipment	Total
Balances on January 1, 2021	1,263,421	53,735	27,754	1,344,910
Additions	24,493	4,995	398	29,886
Write-offs	(12,153)	(13)	(44)	(12,210)
Depreciation	(68,984)	(9,044)	(4,882)	(82,910)
Balances on June 30, 2021	1,206,777	49,673	23,226	1,279,676

(All amounts in thousands of Reais)

b) Lease liabilities

Cost	Properties	IT equipment	Machines and equipment	Total
Balances on January 1, 2021	1,337,653	57,360	28,721	1,423,734
Additions	24,493	4,995	398	29,886
Write-offs	(12,988)	(13)	(57)	(13,058)
Accrued Interest	51,420	2,166	915	54,501
Payments	(103,680)	(10,902)	(5,571)	(120,153)
Balances on June 30, 2021	1,296,898	53,606	24,406	1,374,910
Current Liabilities				174,948
Non-current				1,199,962

c) Lease liability maturity schedule

	2021	2020
01/01/2022 - 12/31/2022	140,646	167,036
01/01/2023 - 12/31/2023	147,234	152,098
01/01/2024 - 12/31/2024	119,831	121,299
After 01/01/2025	792,251	811,021
Total	1,199,962	1,251,454

d) Potential PIS and COFINS credit

The Company is entitled to *PIS* and *COFINS* credits on rental contracts registered according to NBC TG 06 (R3), when these payments occur. The potential for these tax credits is shown below. Some of the real estate lease agreements do not generate the right to PIS and COFINS credits, as they are signed with individual lessors, therefore these credits are not permitted according to tax legislation.

	06/30/2021	12/31/2020
Lease consideration	2,206,039	2,246,562
Potential PIS and COFINS (9.25%)	132,556	113,379

e) "Misleading" caused by the full application of CPCNBC TG 06 (R2)

In accordance with OFFICIAL NOTICE / CVM / SNC / SEP / N°02/2019, the Company adopted the requirements of NBC TG 06 (R2) as its accounting policy for the measurement and re-measurement of its right of use, using the discounted cash flow procedure, without considering inflation.

In order to safeguard the reliable representation of the information based on the requirementes in NBC TG 06 (R2) and to comply with the guidelines from the CVM's technical area, the liability balances are presented without inflation, effectively accounted for by (real cash flow x nominal rate), and the estimate of the balances with inflation are provided in the comparison periods (nominal flow x nominal rate).

	Real cash flow	Cash flow with inflation

	06/30/2021	12/31/2020	06/30/2021	12/31/2020
Properties	1,296,898	1,337,653	1,760,539	1,669,707
IT equipment	53,606	57,360	58,082	61,004
Machines and equipment	24,406	28,721	26,444	30,411
Total	1,374,910	1,423,734	1,845,065	1,761,122

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

16. TAXES AND CONTRIBUTIONS PAYABLES

	06/30/2021	12/31/2020
ICMS	63,369	67,174
INSS/FGTS	23,556	27,917
ISS	10,421	3,531
Installment payments	8,712	8,970
IRPJ / CSLL	6,763	6,834
Others	811	187
Total	113,632	114,613
Current Liabilities	105,683	106,399
Non-current	7,949	8,214

17. PROVISION FOR LEGAL PROCEEDINGS

a) *Account composition*

	06/30/2021	12/31/2020
Administrative	632	868
Civil	3,110	2,819
Labor	24,284	23,215
Fiscal	144	339
Total	28,170	27,241

Provisions for civil contingencies consider lawsuits with individual values that are fragmented, mainly due to punitive and / or material damages that have occurred in two situations: consumer relations and robberies ocurring inside our stores.

Labor contingencies consider lawsuits whose individual values are also fragmented and refer principally to cases resulting from severance pay disputes, related to overtime or salary differences and which may impact adjustments in other amounts such as vacation pay, FGTS and prior notice.

b) *Half-year ending June 30, 2021*

(All amounts in thousands of Reais)

	12/31/2020	Additions	Reversals	Payments	06/30/2021
Administrative	868	180	(313)	(103)	632
Civil	2,819	520	(218)	(11)	3,110
Labor	23,215	2,657	(1,236)	(352)	24,284
Fiscal	339	-	(195)	-	144
Total	27,241	3,357	(1,962)	(466)	28,170

c) *Half-year ending June 30, 2021*

	12/31/2019	Additions	Reversals	Payments	06/30/2020
Administrative	712	160	(86)	(134)	652
Civil	4,929	1,020	(1,603)	(24)	4,322
Labor	15,115	5,327	(279)	(338)	19,825
Fiscal	492	69	(232)	(3)	326
Total	21,248	6,576	(2,200)	(499)	25,125

d) *Contingent liabilities - Possible loss risk*

As of June 30, 2021, the Company was a party in lawsuits classified by its legal advisors as a possible risk of loss in the amount of BRL 264,780 (BRL 298.676 in 2020), for which no provisions were made.

The type and estimates are shown below:

	06/30/2021	12/31/2020
Administrative	637	8,602
Civil	1,952	5,043
Labor	10,255	6,207
Fiscal	251,936	278,824
Total	264,780	298,676

Fiscal: Refers to notifications, mostly tax related, that the Company and its legal advisors do not consider to have a factual basis, and therefore are subject to cancellation. The principal cases are listed below:

(All amounts in thousands of Reais)

i) ICMS debt cancellation lawsuit

A lawsuit aimed at canceling the penalty in the amount of BRL 86,001 (BRL 84,040 in 2020), which was charged due to ICMS amounts due to the recording of credits considering amounts higher than those highlighted in the invoices for the provision of products intended for sale, which, according to the fiscal auditors, would have (according to the tax authorities) caused a failure to pay the ICMS tax from March 2014 to December 2018.

ii) PIS and COFINS credits on inputs

Penalty notification issued in December 2020, in the amount of BRL 116,350, requiring PIS and COFINS amounts arising from tax credits recorded in the period from December 2015 to December 2016, related to expenses with goods and services used as inputs (examples: cleaning services, payment 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 is primarily engaged in retail trade, does not consider this to be possible.

Labor: Refers to claims arising from severance pay which, in the opinion of the Company, were fully settled at the time of dismissal, thus leading to a position of confidence in their inadmissibility.

Administrative: Refer to notifications arising from the procedures adopted at the stores, in most cases due to mere errors in the interpretation of a regulation.

Civil: Refers to the causes with punitive and / or material damages, in the plaintiff's opinion, incurred inside of our stores. As the Company's service policy is one of complete respect for consumers, this interpretation is considered to be without merit.

18. SHAREHOLDER EQUITY

a) Share Capital

As of June 30, 2021, the Company's capital stock, fully subscribed and paid up totalling BRL 1,241,689, from which the amount of BRL 42,120 is deducted (As of December 31, 2020: BRL 41,023) referring to costs with the issuance of shares arising from the IPO held in September of 2020, totaling BRL 1,199,569 (As of December 31, 2020: BRL 1,200,666). This amount of the Company's capital stock is represented by 443,781,062 common shares, all nominal, book-entry and without par value (As of December 31, 2020: 443,781,062 common shares and without par value).

The Company is authorized to, upon a decision by the Board of Directors, increase its share capital, regardless of ammendments to the bylaws, with the issuance of up to 110,000,000 (one hundred and ten million) new common shares.

b) Capital reserves

	06/30/2021	12/31/2020
Goodwill on the issuance of shares (i)	386,650	386,650
Share issuance costs	(11,390)	(11,390)
Restricted Stock Plan (iii)	5,988	7,842
Incorporation reserve	330	330
Total	381,578	383,432

i. According to the Investment Agreement between the Company and General Atlantic Brasil Investimentos SA, a goodwill reserve for the issuance of shares in the amount of BRL 397,357, and in 2017 and 2018 reversions of BRL 6,527 and BRL 4,180 respectively, were made, due to the indemnity paid to the subscribing shareholders.
ii. Amount referring to the share issue cost of BRL 11,390 in the investment operation by General Atlantic Brasil Investimentos SA in 2015.
iii. As disclosed in Note 19, in 2020, the creation of a Restricted Stock Plan was approved. See Note 19 for details about the Plan and grants.

c) Profit Reserves

Legal reserves

Established with 5% of the net income determined in each fiscal year, up to the limit of 20% of the share capital, after the allocation of the tax incentive reserve.

Tax incentive reserve

Established with a portion of the profit resulting 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 a Buyback Program of up to 1,100,000 common shares, during a 3 month period, with March 10, 2021 set as the final date. Within the scope of the Program, the Company acquired, between launch date and closing date, the amount of 1,040,000 (one million and forty thousand) common shares, in the total amount of BRL 10,424, at the average cost of BRL 10,02, of which 874,589 (eight hundred and seventy-four thousand, five hundred and eighty-nine) shares remain in treasury at an average cost of BRL 8,85, in the total amount of BRL 7,743 thousand on June 30, 2021.

19. RESTRICTED STOCK UNITS

Restricted Stock Unit

The Company's Long-Term Incentive Plan with Restricted Shares was approved at the Extraordinary General Meeting held on June 25, 2020, it aims to enable granting restricted shares to the participants selected by the Board of Directors, in order to: (i) attract and retain directors, managers and high-level employees of the Company and its subsidiaries; (ii) grant participants the opportunity to become shareholders of the Company, obtaining, as a consequence, a greater participation and interest alligned with the Company's objectives; and (iii) to develop the corporate purposes of the Company and interests of shareholders. During the term of the Restricted Share Plan, shares representing up to 1.5% of the Company's share capital may be delivered to the participants. The balance of the Restricted Shares Plan on June 30, 2021 is BRL 5,988 thousand (BRL 7,842 thousand on December 31, 2020).

The Board of Directors is responsible for selecting the directors, independent members of the Board of Directors, managers and top level employees to whom the Company may grant one or more common, registered, book-entry shares without par value, subject to the restrictions provided for in the Restricted Stock Plan, program and/ or the related grant agreement.

(All amounts in thousands of Reais)

20. EARNINGS PER SHARE

Basic earnings per share are calculated by dividing the net profit attributable to the Company's shareholders by the weighted average number of outstanding common shares during the year.

The calculation of earnings per share for the half-years ending June 30, 2021 and 2020 is shown below:

	06/30/2021	06/30/2020
Earnings per share, attributable to shareholders, for the period	113,524	18,347
Weighted number of shares during the period (thousands of shares)	443,781	342,726
Basic and diluted earnings per share - BRL	0,256	0,054

As of June 30, 2021 and 2020, there were no restricted shares with a potential dilutive effect.

21. GOVERNMENT SUBSIDIES

The Company has special taxation regimes, related to the ICMS, granted by the States of Ceará, Goiás, Pernambuco, and Bahia, which imply a reduction in the tax burden in these States, in exchange for various commitments agreed to by the Company. The Company has systematically met these requirements.

The Company recognized in its income for the half-year ending June 30, 2021, as a reduction in the cost of goods sold, the amount of BRL 58,065 (BRL 51,673 on June 30, 2020).

The amounts obtained from government subsidies are treated as tax incentives and duly allocated annually to the tax incentive reserve.

22. NET REVENUE

	04/01/2021 to 06/30/2021	01/01/2021 to 06/30/2021	04/01/2020 to 06/30/2020	01/01/2020 to 06/30/2020
Sale of goods	1,968,214	3,820,682	1,679,321	3,436,115
Services provided	67,547	125,292	8,987	15,416
Gross revenue	2,035,761	3,945,974	1,688,308	3,451,531
Taxes levied on sales	(114,896)	(226,616)	(88,129)	(171,657)
Returns and Rebates	(14,442)	(26,942)	(10,735)	(19,916)
Adjustment to present value	(9,700)	(19.373)	(5,977)	(12,604)
Sales deductions and rebates	(139,038)	(272,931)	(104,841)	(204.177)
Net revenue	1,896,723	3,673,043	1,583,467	3,247,354

(All amounts in thousands of Reais)

23. EXPENSES BY NATURE

a) By account:

	04/01/2021 to 06/30/2021	01/01/2021 to 06/30/2021	04/01/2020 to 06/30/2020	01/01/2020 to 06/30/2020
Cost of goods sold	(1,266,428)	(2,473,735)	(1,088,595)	(2,244,996)
Selling expenses	(438,943)	(857,343)	(370,298)	(768,519)
General and administrative expenses	(65,543)	(121,121)	47,519	(94,644)
Total costs and expenses	(1,770,914)	(3,452,199)	(1,506,412)	(3,108.159)

b) By type:

	04/01/2021 to 06/30/2021	01/01/2021 to 06/30/2021	04/01/2020 to 06/30/2020	01/01/2020 to 06/30/2020
Cost of Goods	(1,266,428)	(2,473,735)	(1,088,595)	(2,244,996)
Personnel expenses	(277,480)	(541,176)	(231,690)	(484,629)
Rental expenses	(12,653)	(22,239)	(3,624)	(10,016)
General expenses	(150,629)	(287,432)	(119,974)	(243,584)
Depreciation and amortization	(63,724)	(127,617)	(62,529)	(124,934)
Total costs and expenses	(1,770,914)	(3,452,199)	(1,506,412)	(3,108.159)

24. INCOME STATEMENT

	04/01/2021 to 06/30/2021	01/01/2021 to 06/30/2021	04/01/2020 to 06/30/2020	01/01/2020 to 06/30/2020
Financial revenue				
Revenue from financial investments	2,466	4,822	56	227
Fair value adjustment of derivative instruments	3,340	8,403	58,548	125,630
Fair value adjustment of financial liabilities	(686)	51	232	1,049
Adjustment to present value	10,053	19,284	6,230	12,644
Exchange rate variation	892	4,725	14,991	18,433
Other financial revenue	1,594	1,811	339	796
Total financial revenue	(17,659)	39,096	80,396	158,779
Financial expenses				
Provisioned interest	(9,001)	(18,558)	(11,404)	(22,385)
Lease interest	(27,021)	(54,500)	(29,142)	(58,633)
Fair value adjustment of derivative instruments	(3,961)	(7,422)	(60,164)	(67,295)
Fair value adjustment of financial liabilities	-	-	372	(3,775)
Other financial expenses	(2,330)	(3,599)	(7,585)	(15,337)
Adjustment to present value	(19,174)	(41,597)	(26,089)	(50,484)
Exchange rate variation	(1,498)	(5,633)	(16,045)	(79,497)
Total financial expenses	(62,985)	(131,309)	(150,057)	(297,406)
Financial results	(45,326)	(92,213)	(69,661)	(138,627)

(All amounts in thousands of Reais)

25. FINANCIAL INSTRUMENTS

a) Composition of financial instruments

The accounting balance and fair values of the financial instruments included in the balance sheet as of June 30, 2021 and December 31, 2020 are persented below:

	06/30/2021		12/31/2020	
Description	Accounting	Fair value	Accounting	Fair value
Measured at amortized cost				
Cash and cash equivalents	392,012	392,012	589,086	589,086
Financial investments	8,435	8,435	40,397	40,397
Accounts receivable from customers	541,509	541,509	522,940	522,940
Suppliers	(1,174,460)	(1,174,460)	(1,244,490)	(1,244,490)
Financing and loans	(535,672)	(559,034)	(510,086)	(615,775)
Debentures	(267,973)	(279,291)	(284,437)	(296,730)
Lease liabilities	(1,374,910)	(1,374,910)	(1,423,734)	(1,665,378)
Financial assets measured at fair value through profit and loss				
Financing and loans	-	-	(20,666)	(20,666)
Derivative financial instruments (foreign currency swaps)	-	-	5,788	5,788

b) Financial risk structure and management

<u>Credit risk</u>

Credit risk is the risk that the Company will incur with losses from customers or counterparts in a financial instrument, resulting from their failure to comply with contractual obligations.

The Company is exposed to credit risk for cash and cash equivalents, short-term investments, accounts receivable from credit card companies and derivative instruments.

Cash and cash equivalents, short-term investments and derivative instruments.

The Company has balances receivable from financial institutions, referring to cash and cash equivalents, financial investments and active derivative instruments totaling BRL 400,447 as of June 30, 2021 (BRL 606,902 on December 31, 2020), which represent the maximum exposure to credit risks. Credit risk with financial institutions is managed by the Company's Treasury according to their established policy. Such funds are maintained in solid, well rated financial institutions. These balances are spread over these institutions in order to minimize risk concentration and, thus, mitigate risk of a financial loss due to a potential default by these institutions.

Accounts receivable from credit cards

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

Considering the possible risk arising from transfers from credit card companies, this is controlled through a rigorous reconciliation process between daily billing and receipt processes. The Company operates with top credit card administrators and market leaders; therefore, Management believes that such risk is low.

(All amounts in thousands of Reais)

The balances of credit card receivables, by maturity, are shown below:

	06/30/2021	12/31/2020
Coming due:		
From 1 to 30 days	284,141	268,275
31 to 60 days	109,532	130,738
61 to 90 days	68,324	63,959
Over 90 days	56,953	48,544
Total	518,950	511,516

There are no overdue balances held with credit card companies.

Liquidity risk

Liquidity risk refers to the Company possibly having difficulty in meeting obligations associated with its financial liabilities, which are settled with cash payments or another financial asset. The Company's approach to liquidity management is to ensure that there is always sufficient liquidity to meet its obligations upon maturity, under normal and stress conditions, without causing unacceptable losses or damaging the Company's reputation.

The Company carefully monitors its cash flow through periodic stress tests, which enable, in addition to the fulfillment of financial obligations, short-term operations in the financial markets, in order to monetize surplus cash.

The contractual maturities of the main financial instruments owed are shown below:

On June 30, 2021	Amount accounting	Amount contractual	1 year or less	Between 1 and 2 years	Between 2 and and 5 years	Over 5 years
Suppliers (Note 13)	1,174,460	1,174,460	1,174,460	-	-	-
Leasing (Note 15)	1,374,910	1,374,910	174,948	140,644	267,065	792,251
Loans, net of derivative financial instruments (Note 14)	535,672	535,672	205,795	226,651	103,226	-
Debentures (Note 14)	267,973	267,973	74,876	113,177	79,920	-

As of December 31, 2020	Amount accounting	Amount Contractual	1 year or less	Between 1 and 2 years	Between 2 and and 5 years	Over 5 years
Cash and cash equivalents (Note 4)	589,086	589,086	616,527	-	-	-
Accounts receivable from customers (Note 5)	522,940	522,940	522,940	-	-	-
Suppliers (Note 13)	1,244,490	1,244,490	1,244,490	-	-	-
Leases	1,423,734	1,423,734	172,280	167,037	381,900	702,517
Financing and loans, net of derivative transactions (Note 14)	588,251	588,251	201,331	252,185	134,386	349
Debentures (Note 14)	284,437	284,437	34,510	113,265	136,662	-

Market risk

The risk that changes in market prices, such as exchange rates, interest rates and merchandise prices, may have an impact on the Company's earnings or on the value of its stake in financial instruments.

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

Interest rate risk

(All amounts in thousands of Reais)

The Company seeks to diversify its funding using fixed or floating rates, and, in certain circumstances, hedge operations are carried out to lock in the financial cost of the operations.

Changes in interest rates affect both the Company's financial assets and liabilities. Below we show the impacts of these variations on the profitability of financial investments and the indebtedness in the Company's local currency, 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 nominal rates verified on June 30,2021 (book balance based on the 4.15% pa closing CDI rate) and the probable scenario considered by Management, which corresponds to the forecast of the CDI curve considering the base closing on June 30, 2021, according to the BM&F Bovespa interest curve for CDI (between December 2020 and January 2026) and two other scenarios with a 25% increase (Scenario I) and 50% increase (Scenario II) of these rates.

Additional sensitivity analysis

The Company's financial instruments are composed of cash and cash equivalents, short-term investments, accounts receivable, suppliers, loans and financing, debentures and leases, and are recorded at cost, plus earnings or charges incurred, which on June 30, 2021, and December 31, 2020 are close to market values. The risks linked to the Company's operations are related to variations in the CDI (Interbank Deposit Certificate) rate.

Loans, financing and debentures refer to operations with a registered value that is close to the market value of these financial instruments. Investments with CDI indexing are recorded at market value, according to values published by the respective financial institutions and others refer mostly to bank deposit certificates, repo operations and investment funds, therefore, the registered value of these securities is in line with their market value.

In order to verify the sensitivity of the index the Company was exposed to on the base date of June 30, 2021, different scenarios were defined, using the latest interest rates accrued in the last twelve months (Scenario I), and based on this, variations of 25% (Scenario II) and 50% (Scenario III) were calculated, affecting the increase and reduction of these indexes. For each scenario, the net position (financial income minus financial expenses) was calculated, without considering the tax effect. The base date used for the portfolio was June 30, 2021, with a one year forecast and verifying the sensitivity to the CDI index in each scenario.

June 30, 2021

Financial institutions and modalities	Risk (rate)	Accounting balance	Probable scenario	Scenario I 25%	Scenario II 50%
Financing and loans	CDI Increase	430,436	10,197	33,833	44,847
Debentures	CDI Increase	267,973	3,703	11,408	15,388
Financial investments	Reduction of CDI	346,612	(24)	(24)	(34)
Net exposure (financial expense)			13,876	45,217	60,201

December 31, 2020

(All amounts in thousands of Reais)

Financial institutions and modalities	Risk (rate)	Accounting balance	Probable scenario	Scenario I 25%	Scenario II 50%
Financing and loans	CDI Increase	469,308	1,709	6,336	9,031
Debentures	CDI Increase	284,437	934	3,328	4,744
Financial investments	Reduction of CDI	433,835	(10)	(15)	(22)
Net exposure (financial expense)			2,633	9,649	13,753

Currency exchange risk

The Company has a policy of contracting derivative financial instruments to hedge financial transactions carried out in foreign currency. Such transactions are carried out with the same parties that granted the original credit transactions and in the same notional amount in order to avoid any mismatch in the positions. The Company settled these contracts simultaneously with the respective loans up to June 30, 2021, thus zeroing the balance of derivative financial instruments (R$5,788 on December 31, 2020).

In order to measure the estimated net impact on results, resulting from currency fluctuation risks, a sensitivity analysis of the Company's exposure to foreign exchange loan risk and the CDI of the *swap* contract was prepared considering the three scenarios below .

December 31, 2020

Transaction	Risk (Currency)	Exposure	Probable scenario	Scenario I	Scenario II
Foreign Currency Loans	U.S. Dollar appreciation	3,967	-	5,166	10,333
Derivative instruments	U.S. Dollar appreciation	(3,967)	-	(5,271)	(10,541)
Net exposure (financial result)		-	-	(104)	(208)

Capital management

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

The Board also monitors the level of dividends for its shareholders.

The leverage ratio is presented below:

(All amounts in thousands of Reais)

	06/30/2021	12/31/2020
Loans, financing and debentures	803,645	878,476
Derivative operations	-	(5,788)
Loans, financing and debentures, net of derivative financial instruments	803,645	872,688
(-) Cash and cash equivalents	(392,012)	(589,086)
(-)Financial investments	(8,435)	(40,397)
Net debt	403,198	243,205
Net equity	2,043,751	1,940,923
Leverage ratio	0.20	0.13

<u>Fair value hierarchy</u>

The following table presents financial instruments recorded at fair value and their respective hierarchies.

	06/30/2021		
Description	Level 1	Level 2	Level 3
Share-based compensation plan	-	-	5,988
Financing and loans measured at fair value through profit or loss	-	-	-
Derivative financial instruments - balance active swaps	-	-	-

	12/31/2020		
Description	Level 1	Level 2	Level 3
Share-based compensation plan	-	-	7,842
Financing and loans measured at fair value through profit or loss	-	20,666	-
Derivative financial instruments - active balance swaps	-	5,788	-

The different levels were defined as follows:

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

<u>Fair value calculation</u>

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

Financing, loans and debentures - measured at amortized cost

This category includes financing, loans and debentures linked to the TJLP and the CDI, as well as those with fixed rates. The 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, due between 2020 and 2026, calculated on the date the financial statements were presented.

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

(All amounts in thousands of Reais)

This category includes financing and loans designated since they were initially contracted as financial liabilities measured at fair value through profit or loss, which meet the classification criteria defined by CPC 48 - Financial Instruments: Recognition and Measurement.

The fair value of these liabilities is based on the discounting of estimated future cash flows based on the conditions and maturity of each contract and using the exchange rate coupon plus a spread, which is obtained in the quotation with financial institutions to reflect the change in the Company's risk scenario in the discounted period.

	12/31/2020			
Description	Book value	Fair value	Adjustment (loss)	Adjustment (gains)
Financing and loans measured at fair value through profit or loss	20,666	20,666	1,461	(3,769)

26. INSURANCE COVERAGE

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

Modality	06/30/2021	12/31/2020
Maximum Insurance Coverage Limit	405,000	405,000
Civil Liability Limit	15,000	15,000
Material Damage Limit	46,400	46,400
Vehicles	-	-
Civil Liability for Directors, Officers and / or Administrators	15,000	15,000

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Independent Auditor's Report on Review of Quarterly Financial Information (ITR)

To the
Shareholders, Board of Directors and Officers
Empreendimentos Pague Menos S.A.
Fortaleza - CE

Introduction

We have reviewed the accompanying interim financial information contained in the Quarterly Information Form (ITR) of Empreendimentos Pague Menos S.A. ("Company") for the quarter ended June 30, 2021, comprising the statement of financial position as of June 30, 2021 and the related statements of profit or loss and comprehensive income for the three-month and six-month periods then ended, and changes in equity and cash flow for the six-month period then ended, including the explanatory notes.

Management is responsible for the preparation of the interim financial information in accordance with NBC TG 21 (R4) – Interim Financial Reporting and IAS 34 – Interim Financial Reporting, issued by the International Accounting Standards Board (IASB), as well as for the fair presentation of this information in conformity with specific rules issued by the Brazilian Securities and Exchange Commission (CVM) applicable to the preparation of Quarterly Financial Information (ITR). Our responsibility is to express a conclusion on this interim financial information based on our review.

Scope of review

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

Conclusion

Based on our review, nothing has come to our attention that causes us to believe that the accompanying interim financial information included in the quarterly information referred to above is not prepared, in all material respects, in accordance with NBC TG 21 (R4) and IAS 34, applicable to the preparation of Quarterly Financial Information (ITR), consistently with the rules issued by the Brazilian Securities and Exchange Commission.

AA member firm of Ernst & Young Global Limited

Other matters

Statement of value added

The abovementioned quarterly information include the statement of value added (SVA) for the six-month period ended June 30, 2021, prepared under Company's management responsibility and presented as supplementary information by IAS 34. This statement has been subject to review procedures performed together with the review of quarterly information with the objective to conclude whether it is reconciled to the interim financial information and accounting records, as applicable, and its format and content are in accordance with the criteria set forth by NBC TG 09 - Statement of Value Added. Based on our review, nothing has come to our attention that causes us to believe that it was not prepared, in all material respects, consistently with the interim financial information.

Fortaleza, August 2, 2021.

ERNST & YOUNG
Auditores Independentes S.S.
CRC 2SP015199/O-6

Henrique Piereck de Sá
Accountant CRC PE023398/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 quarterly statements (ITR) for the quarter ended June 30, 2021.

Fortaleza, August 2, 2021.

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Mario Henrique Alves de Queirós
Chief Executive Officer

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Luiz Renato Novais
Chief Financial and Investor Relations Officer

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Marcos Ricardo Colares
Vice President of Commercial and Supply

____

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

____

Jorge Alexandre Jubilato Araújo
Vice President of People, Legal and Administrative

____

Joaquim Dias Garcia Neto
Vice President of Information Technology

____

Afro José Campos de Vasconcelos
Director of Infrastructure and Technology

Emanuele de Sousa Rodrigues
Director of Category Management and Marketing

Evandro Vieira da Silva
Director of Personnel and Management

Rafael Lima e Silva
Director of Expansion

Samir Mesquita Inácio
Director of Digital

Thiago da Cunha Peixoto Ladeira
Director of Operations

Jadson Antonio Santos de Almeida
Directors of Technology Applications

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 to the quarter ended June 30, 2021.

Fortaleza, August 2, 2021.

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Mario Henrique Alves de Queirós
Chief Executive Officer

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Luiz Renato Novais
Chief Financial and Investor Relations Officer

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Marcos Ricardo Colares
Vice President of Commercial and Supply

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

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Jorge Alexandre Jubilato Araújo
Vice President of People, Legal and Administrative

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