Quarterly Information - ITR

Empreendimentos Pague Menos S.A.

September 30, 2021
with Independent Auditor’s Report on Review of Quarterly Information

Empreendimentos Pague Menos S.A.

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September 30, 2021 and 2020

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EARNINGS RELEASE 3Q21

Fortaleza, Ceará, November 3, 2021. Empreendimentos Pague Menos S.A. ("Company" or "Pague Menos"), since 2009 the only Brazilian pharmaceutical retail chain present in every Brazilian states, bringing healthcare to more than 300 Brazilian municipalities, announces its results for the 3rd quarter of 2021.

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

3Q21 HIGHLIGHTS

- **Expansion:** 25 new stores opened during the quarter
- **Sales** : 7.4% growth, 7.1% in same stores and 6.6% in mature stores
- **Market Share** : gains of 0.5 p.p. in the Northeast and 0.6 p.p. in the North
- **Digital** : 71.8% growth, representing 8.5% of total sales (+3.2pp vs 3Q20)
- **Clinic Farma** : more than 500 thousand consultations (+128% vs 3Q20), used by 4.4% of the customer base
- **Adjusted EBITDA** : R$ 160.4 million with an EBITDA margin of 7.9% (stable vs 3Q20)
- **Adjusted Net Income:** 35.6 million with a net margin of 1.7% (-0.4 pp vs 3Q20)
- **Capital markets** : Accumulated appreciation in share price since the IPO 14.0% (as of November 01, 2021)

FINANCIAL HIGHLIGHTS (R$ million)	3Q20	3Q21	Δ	9M20	9M21	Δ
Gross Revenue	**1,901.6**	**2,042.1**	**7.4%**	**5,353.2**	**5,988.1**	**11.9%**
Gross Profit	**543.5**	**604.6**	**11.2%**	**1,545.8**	**1,803.9**	**16.7%**
% Gross Margin	*28.6%*	*29.6%*	*1.0 pp*	*28.9%*	*30.1%*	*1.2 p.p.*
Contribution Margin	**204.9**	**219.7**	**7.3%**	**553.7**	**679**	**22.6%**
Contribution Margin	*10.8%*	*10.8%*	-	*10.3%*	*11.3%*	*1.0p.p.*
Adjusted EBITDA	**149.5**	**160.4**	**7.4%**	**414.5**	**512.1**	**23.5%**
Adjusted EBITDA Margin	*7.9%*	*7.9%*	-	*7.7%*	*8.6%*	*0.9 pp*
Adjusted Net Income	**40.2**	**35.6**	**(11.4%)**	**58.5**	**150.6**	**157.4%**
Adjusted net margin	*2.1%*	*1.7%*	*(0.4 p.p.)*	*1.1%*	*2.5%*	*1.4 p.p.*

OPERATING HIGHLIGHTS	3Q20	3Q21	Δ	9M20	9M21	Δ
# of stores	1,105	1,126	1.9%	1,105	1,126	1.9%
# of stores with Clinic Farma	806	845	4.8%	806	845	4.8%
Avg sales/store/month (BRL K)	574	605	5.4%	538	591	9.8%
# of Consultations (thousand)	27,057	27,391	1.2%	80,879	80,304	(0.7%)
Average Ticket (BRL)	70.28	74.55	6.1%	66.19	74.57	12.7%
# of Employees	19,217	19,561	1.8%	19,217	19,561	1.8%
# of Employees/store	17.4	17.4	-	17.4	17.4	-
Avg Sales/Employee/month (in BRL K)	33.0	34.8	5.5%	31.0	34.0	9.7%
% of Sales using Digital Channels	5.3%	8.5%	3.2 p.p.	4.4%	7.3%	2.9 p.p.

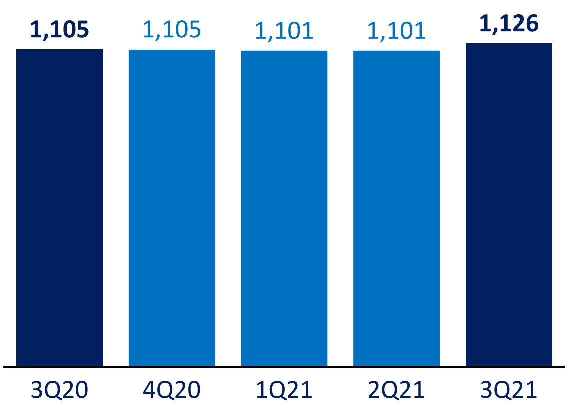
STORE PORTFOLIO

In 3Q21 we opened 25 stores, totaling 32 in the year. The portfolio reached 1,126 units distributed in 339 municipalities, of which 91.8% are mature stores.

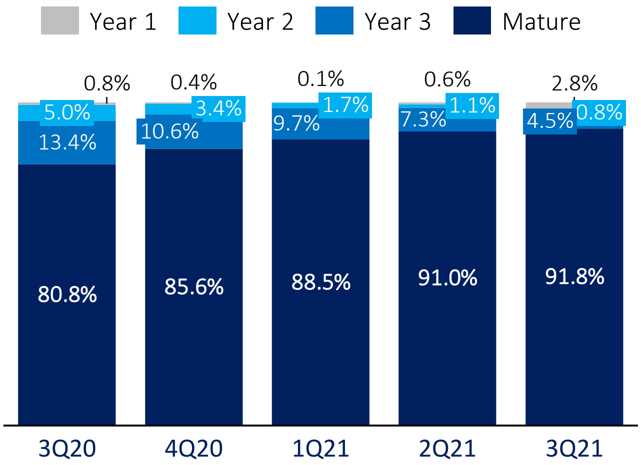
Of the 32 stores opened, 97% are located in the North and Northeast regions and 84% are located in micro-regions with a predominance of the B2, C and D class consumers. We continue with the pipeline of new store openings with characteristics similar to those already inaugurated and reiterate the projection of 80 gross store openings for 2021, with 48 store openings expected in the fourth quarter, and 120 openings in 2022.

We continue to revitalize the store portfolio with refurbishments and renovations. In 3Q21, 14 stores were renovated, totaling 66 during the year.

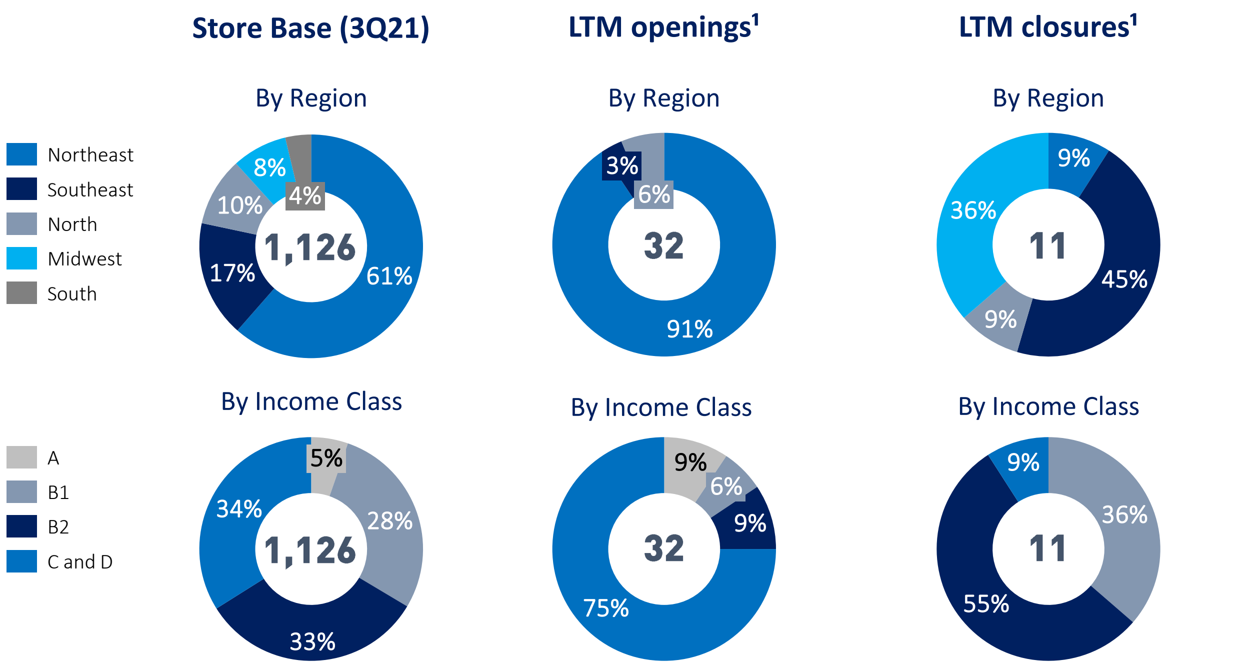
Store Base Evolution



Store Age Profile



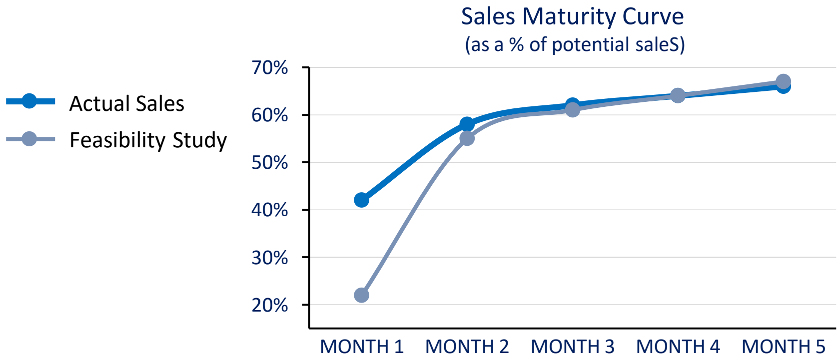
Store Base (3Q21) / LTM openings[1] / LTM closures[1]



Last Twelve Months

Note: Predominant income class around each store (5 minutes isochronous). 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$ 5.7 thousand, and C/D of up to R$3.0 thousand.

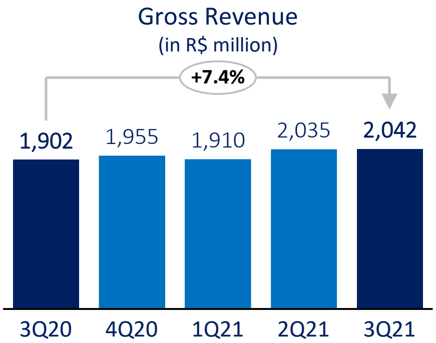
The new cohort of stores presents promising results in their first months of operation, with a sales maturation curve in line with the economic feasibility studies for these new sites, which have an average IRR above 20%. In the graph below, we present the maturation curve effectively realized, as a percentage of potential sales for these stores at maturation (in the 3rd year of operation), considering stores with at least one full month of sales.

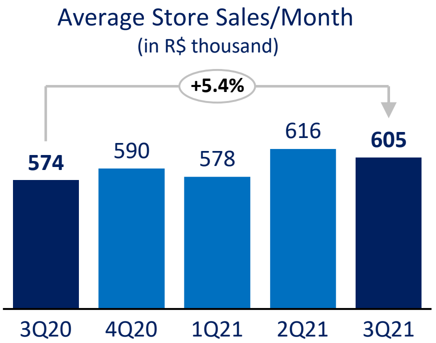


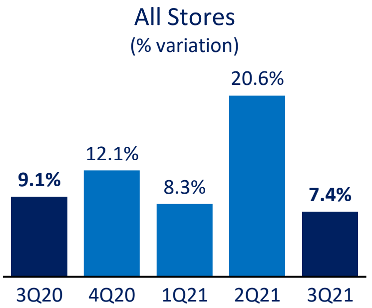
SALES

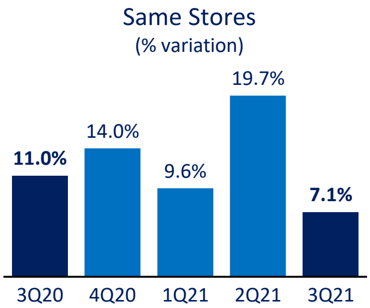
In 3Q21, we maintained a good level of sales growth, reaching gross revenue of R$2.0 billion, an increase of 7.4% compared to 3Q20. Growth was 7.1% in same stores and 6.6% in mature stores.

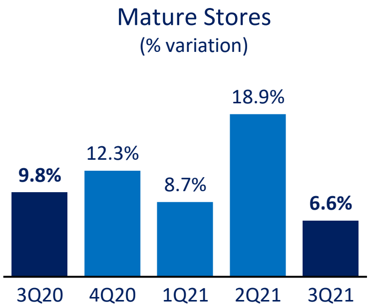
Average monthly sales per store in the quarter was R$ 605 thousand, below the level observed in the previous quarter due to the addition of 25 new stores, in their initial stage of maturation, to the portfolio. Excluding new stores, average monthly sales were R$ 617 thousand, in line with the previous quarter.







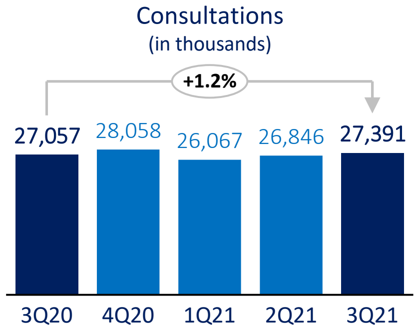


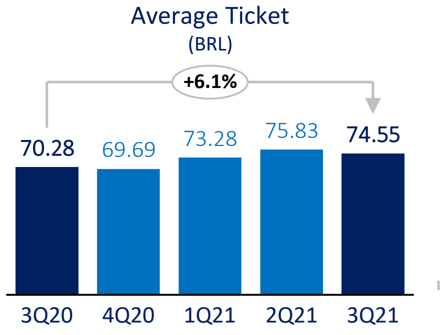


The main levers driving sales growth are: i) increased share of digital channels, reaching 8.5% of total sales in 3Q21; ii) Increased product availability in stores, with expansion of the average assortment per store reaching 9.6 thousand SKUs, an increase of 17.8% vs 3Q20 and a reduction of 45% in Stockout levels vs 3Q20); iii) increase in sales via agreements and partnerships (*convênios*), which reached 22.0% of total company sales in 3Q21; iv) growth in incremental sales through CRM actions, responsible for 2.9% of total company revenue in 3Q21; and v) improvement in the level of service, resulting in our all-time high NPS score of 76 points.

[1] The same stores concept does not consider stores temporarily closed for more than seven consecutive days. Including temporarily closed stores in the base, same store growth in 3Q20, 4Q20, 1Q21, 2Q21 and 3Q21 was 10.9%, 13.5%, 9.3%, 20.6% and 7.1%, respectively.

The growth of the quarter was compounded by an increase of 1.2% in the volume of consultations compared to 3Q20, related to the store expansion and the resumption of certain activities which had slowed during the pandemic, as well as an increase of 6.1% in average ticket compared to 3Q20, positively impacted by inflation of drugs prices and negatively impacted by a reduction in the average customer basket, caused by a gradual increase in the frequency of store visits.

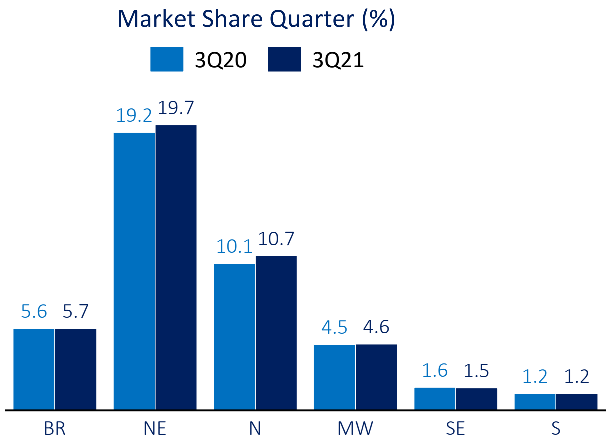


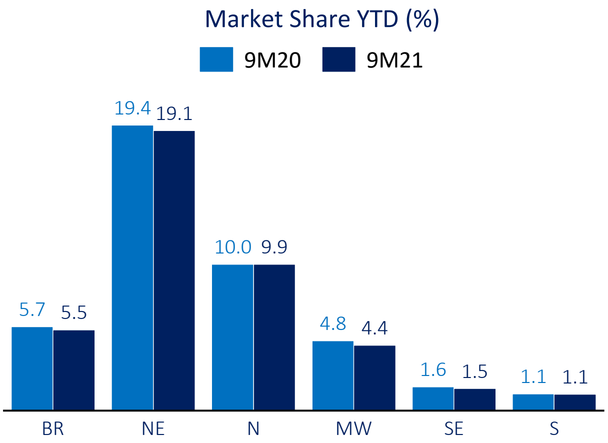


MARKET SHARE

We continue to benefit from of market share gains, especially in our core regions. In 3Q21, we reached 5.7% market share in Brazil, 0.1 p.p. growth compared to 3Q20. Regionally, we had relevant gains of share of 0.5 p.p. in the Northeast, 0.6 p.p. in the North and 0.1 p.p. in the Midwest. Market share remained stable in the South, and we lost 0.1 p.p. in the Southeast.

We continue to show growth rates of average sales per store above the market average in all regions where we operate, demonstrating that our market share increase is a result of a healthy combination of same store growth and organic expansion.

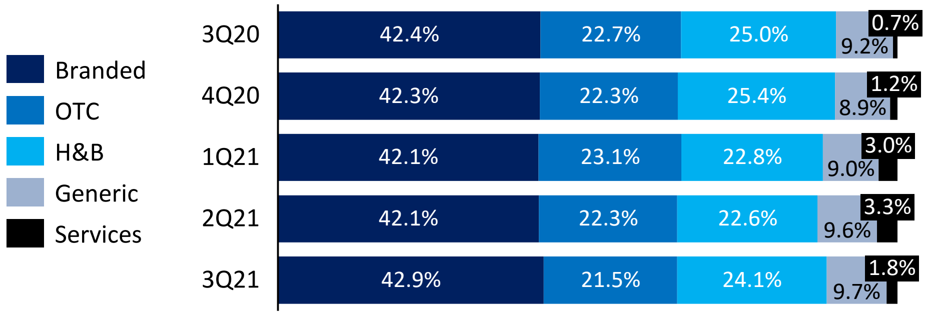




Source: IQVIA

SALES MIX

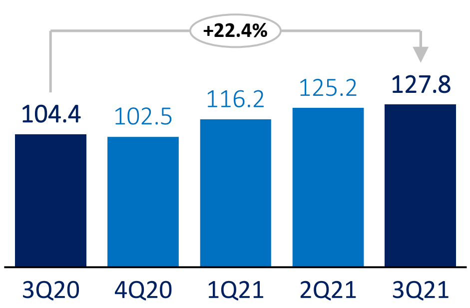
Generic drugs continue to gain share in the sales mix. This category reached 9.7% of sales in 3Q21, 0.5 p.p. above 3Q20. Services concentrated 1.8% of sales, down 1.5 p.p. compared to 2Q21, reflecting the drop in demand for Covid-19 tests as a result of the advance in vaccination throughout the country.



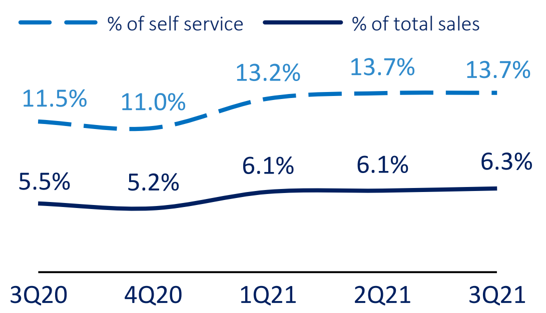
PRIVATE LABEL

The private label products category totaled R$127.8 million in sales in the quarter, 22.4% higher than 3Q20, three times the Company's overall growth rate. The share of total sales reached 6.3%, an increase of 0.8 p.p. compared to 3Q20, with their share of total self-service sales being 13.7%, an increase of 2.2 p.p. compared to 3Q20.

Private Label Sales
(in R$ million)



Private Label Participation
(in % of total sales)

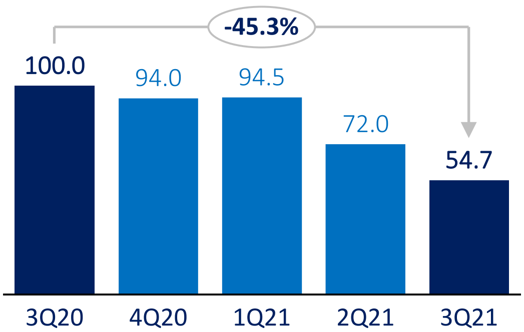


PRODUCT AVAILABILITY

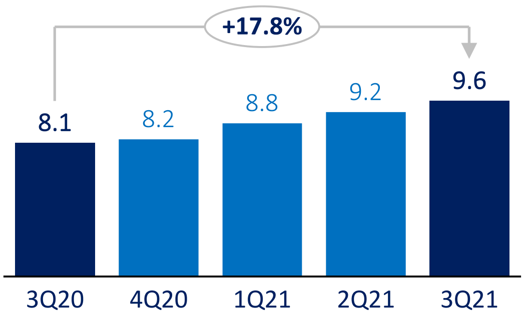
We continue working to expand the offer and availability of products in stores. In 3Q21, the stockout rate decreased 45% compared to the same period of the previous year, reaching the lowest rate in the historical series. We continued to include healthcare products in our assortment, reaching an average of 9.6 thousand items per store in 3Q21, an increase of 17.8% compared to 3Q20.

We also highlight that even with this relevant increase in product availability, the rate of inventory losses continues to decline, contributing to the growth of the gross margin.

Stock Out
(3Q20 = base 100)



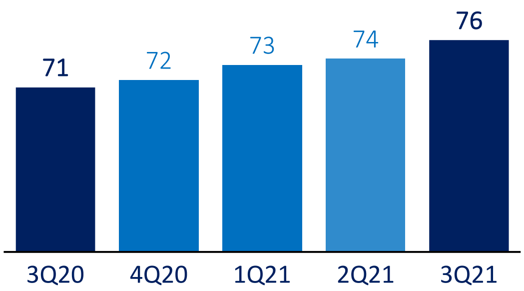
Average Assortment per Store
(active SKUs, in thousands)



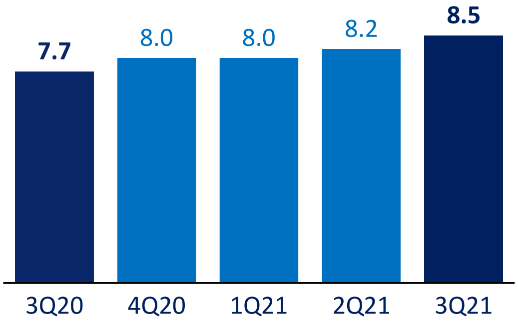
SERVICE LEVEL

We continue to see improvements in key indicators of customer satisfaction. The NPS, obtained through satisfaction surveys sent to a relevant portion of customers who visit our stores, reached an all-time high of 76 points. All store execution attributes grew, with emphasis on assessments related to assortment and store environment. We also reached our highest score in reputation in the historical series of the *Reclame Aqui* ("Complain Here", a customer satisfaction website), with a user rating of 8.5, one of the highest in the retail sector nationally. In addition, we maintained our RA1000 seal on the platform, which is granted to companies offering excellence in customer service.

NPS



Reclame Aqui
(accumulated 6 months)



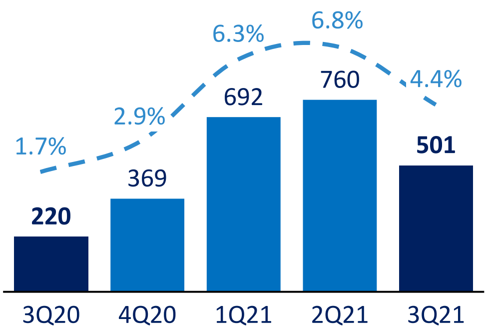
HEALTH HUB

We continue to focus on the development of an increasingly robust Health Hub, consolidating our leadership in promoting health and well-being for the expanded middle class.

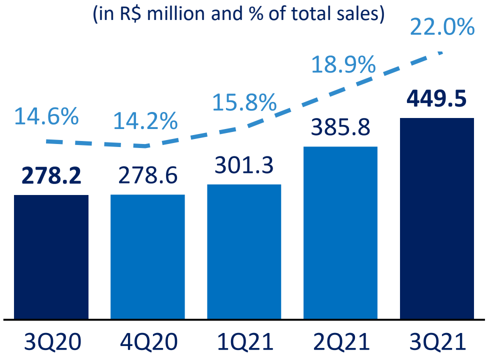
Clinic Farma reached the mark of 501 thousand consultations in 3Q21, an increase of 128% compared to the previous year. The customer adhesion rate was 4.4%, while the conversion rate, that is, customers making purchases on the same day of their consultation, reached the mark of 65%, the highest rate in the historical series. The economics of the client who uses Clinic Farma continues to be very positive, with an average spend almost 3 times greater than that of a traditional client.

Clinic Farma's portfolio of services has now grown to more than 50 health protocols in 3Q21, with the inclusion of more complex tests, such as food intolerance and atopic allergy tests, capable of detecting more than 50 types of allergies with results in as little as 30 minutes. Gradually, we position our clinics as important diagnostic test locations in the Point of Care Testing (POCT) model. Despite the drop in demand for Covid-19 tests throughout the quarter, reflecting the advance of the vaccination campaign across the country, we remain optimistic about the increasing adherence of customers to these in-store services. Excluding Covid-19 tests, the application of remote laboratory tests (RTLs) grew by 135% compared to 3Q20, of which 58% being due to the increased demand for tests offered and 77% due to new tests added to the portfolio over the last year, signaling that demand for these services should continue growing.

Clinic Farma appointments and membership
(in thousands and % of total customers)



Sales Agreements and Partnerships *(convênios)*
(in R$ million and % of total sales)



During the quarter, we signed important partnerships with healthcare companies focused on Home Care solutions, which will enhance the offer of basic services at home, such as the application of injectable drugs and rapid tests. With these new partnerships, we have expanded the offering of these services to 16 states.

The agreement and partnership *(convênios)* channel continues to gain relevance. The share of sales from this channel reached 22.0% during 3Q21, 5.4 p.p. above the level of the same period of the previous year. We are gradually increasing our network of partnerships to structure healthcare services offering in the B2B2C model. In 3Q21, we took another important step in this direction, including Clinic Farma as an accredited network within Pan Saúde, an initiative of Banco Pan as a benefits club to offer health and well-being solutions at affordable prices. In addition, we advanced with multiple partnerships with public and private entities to increase the offer of Covid-19 tests for sporting and cultural events related to the resumption of activities with participation of the public.

AME, our specialty drugs channel, grew by 171% in 3Q21, maintaining the acceleration pace of previous quarters. These good results are the outcome of multiple ongoing initiatives, such as the Patient Support Program (PSP), remote medical advertising on telemedicine platforms, flow optimization for court ordered claims and the expansion of the portfolio of products offered. We continue to consider AME as one of the most relevant levers for the future growth of our business.

OMNICHANNEL PLATFORM

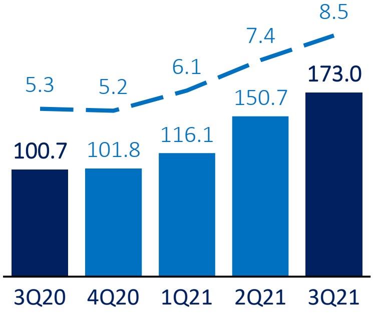
Digital channel sales grew 71.8% in 3Q21, reaching 8.5% of total sales. The good performance is a combination of growing customer demand across different channels and delivery modes with roll-outs of new tools or enhancement of existing applications.

In 3Q21, we saw an increase in the digital channel share of in all regions. We continue to present growth rates above the market, reflecting a gain in market share in the digital channels of pharmaceutical retail, as measured by IQVIA. In 3Q21, we reached a 12.8% market share in Brazil, 1.6pp. above 3Q20.

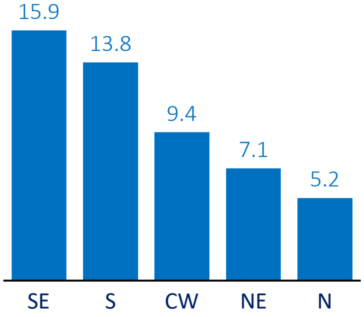
Among the initiatives developed in recent quarters, we highlight the Call Center, whose coverage was expanded to 270 stores, and the new Call&Collect feature, allowing the collection of orders made over the phone in one hour or less, with no shipping costs.

Sales made by our e-commerce (Click&Collect and Ship From Store) grew by 24.5% vs. 3Q20, reflecting improvements made in different SEO and engagement metrics, which raised the website's conversion rate to an all-time high, growing 35% compared to the end of 3Q20. In addition, we expanded the express delivery mode to 310 stores (vs. 225 in 2Q21), enabling delivery from stores in up to 4 hours.

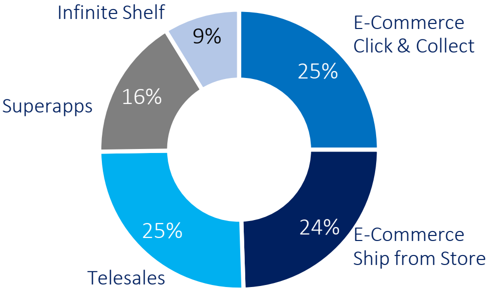
Digital sales
(in R$ million and % of total sales)



Participation by Region
(% of total sales in 3Q21)



Sale by Digital Channel
(% of 3Q21 digital sales)



On August 31, 2021, we launched the new Pague Menos app, which is gradually being made available to different user bases. The new app will be an important avenue for the growth of digital channels, also functioning as a central touchpoint with our customers for an increasingly fluid and personalized shopping journey. Right after the stabilization phase, we will start rolling out additional features.

We have continued to develop the concept of the Digital Health Hub, incorporating more and more functionalities into our digital platform. In 3Q21, we incorporated a new telemedicine partner on the website, expanding the scope of specialties offered to speech therapists, physiotherapists and nursing professionals.

Customers with the omnichannel profile , that is, those who make purchases in multiple different channels tend to have high value characteristics, resulting in an average spend up to 4 times higher than that of the “monochannel” customer. Therefore, our digital channels are becoming more and more a priority within our strategic planning.

CRM AND DATA ANALYTICS

Initiatives related to CRM and data analytics continue to make a relevant contribution to the good performance of sales. In 3Q21, we expanded our “active in last 12 months" customer base to 14.9 million, with an increase in the level of recurrence and a greater degree of retention of high-value customers.

Incremental sales, generated through segmented activations and calculated by measuring behavior vs. a control group, reached 2.9% of total sales in 3Q21, 1.6 p.p. above 3Q20. The good performance of these campaigns is the result of the development of a robust data lake and the refinement of algorithms over the last few quarters.

We continue to advance our CRM strategy towards an increasingly personalized approach. To this end we started a pilot project of Offer/Custom Pricing in this quarter, allowing the pricing of products in a segmented way to specific clusters of the customer base. Initially focusing on customers without purchases in the last 3 months, in selected locations, the project has achieved promising results, with an increase in the rate of return up to 80% above the expected levels.

TECHNOLOGY AND TRANSFORMATION

In 3Q21, we held the 4th Fast Dating Pague Menos with pitches from 10 startups, 6 of which were selected to develop solutions for different business areas. Now, the Pague Menos and Startup teams start conversations for pilots and implementations. Additionally, we now have the first trainees from UP{Code}, our DEV training school interacting with our Technology team, to accelerate learning and increase productivity.

During the quarter we launched VIDA, our AI platform for service and scheduling services, created to increase the efficiency of our telesales and e-commerce. Also, among the projects delivered are: i) the new Pague Menos app, ii) the evolution of the Infinite Shelf for deliveries from our DC and iii) the Scheduling and Benefits HUB, bringing a better experience in our customer's shopping journey and interaction. We continue to accelerate our Data-Driven journey, culminating in the delivery of the management cockpit to the operations area.

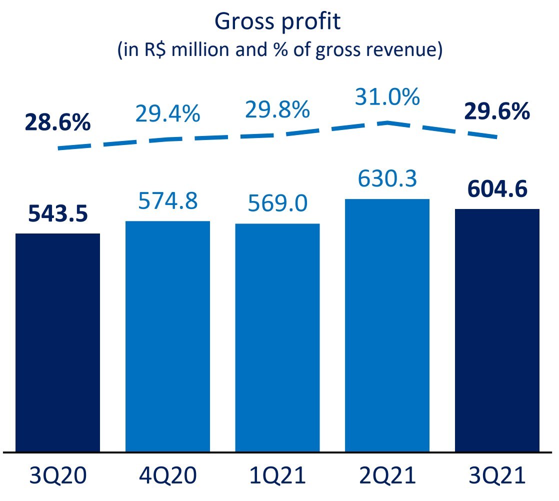
In the technological transformation journey, we implemented the Channel Integration Platform, based on a Microservice and API chassis, to enable new channels and partnerships, reducing the time-to-market for solutions for the business.

In November we will inaugurate our new IT & Transformation office, a cool and relaxed environment, in an annex to company headquarters. Based on a co-working model, which facilitates the hybrid and remote workday, this office is an important initiative in the direction of incorporating even more of the “startup mindset“ which is already very present in *pmenoslab*, our innovation and transformation arm.

GROSS PROFIT

In 3Q21, gross profit reached R$604.6 million, an increase of 11.2% compared to 3Q20. The gross margin reached 29.6%, an increase of 1.0 p.p. compared to 3Q20, mainly due to the increase in the share of generic drugs from 9.2% to 9.7% of total sales, the share of private labels from 5.5% to 6.3%, reduction in the loss rate of inventory and gains from the vendor management project, which has been improving the Company's commercial conditions since the end of 2020.

It is important to highlight that the good gross margin performance takes place in parallel with the growth of digital channels and agreements and partnerships *(convênios)*, which have a more promotional structure and, consequently, lower gross margins than the company average.



SELLING EXPENSES

In 3Q21, selling expenses totaled R$384.9 million, equivalent to 18.8% of gross revenue, an increase of 1.0 p.p. compared to 3Q20.

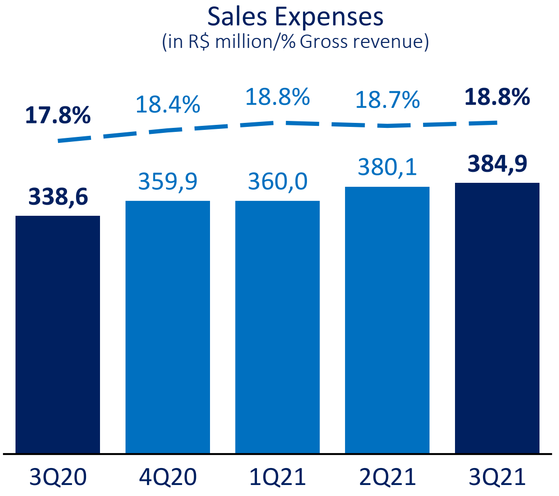
Part of the increase in expenses is a consequence of the resumption of expansion. Pre-operating expenses and the maturation curve for new stores contributed to a 0.2 p.p. increase in selling expenses.

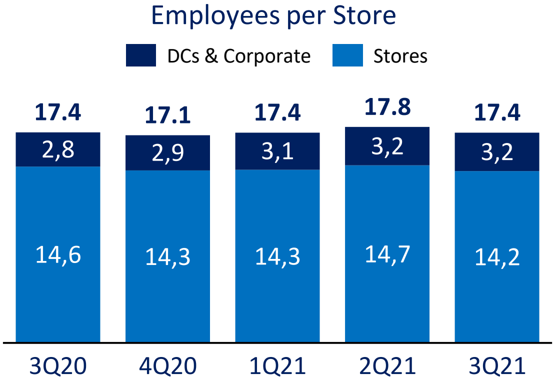
Compared to the previous year, the increase in expenses is mainly related to expense reduction measures implemented in 2020 due to the pandemic, such as suspension of employment contracts and early vacations.

Additionally, inflationary pressures contributed to an increase in occupancy, maintenance and supplies, totaling an impact of 0.6 p.p. on selling expenses.

Personnel expenditures, the main component in selling expenses, remained under control. This quarter we started to roll-out the smart scale project, which resizes the headcount needs for the store operation in accordance with peak demand and customer behavior, and the implementation of the new store system (POS), which will contribute to reducing customer service time in stores.

Considering employees from stores, corporate areas and Distribution Centers, the average number of employees per store remained stable compared to previous quarters at 17.4.

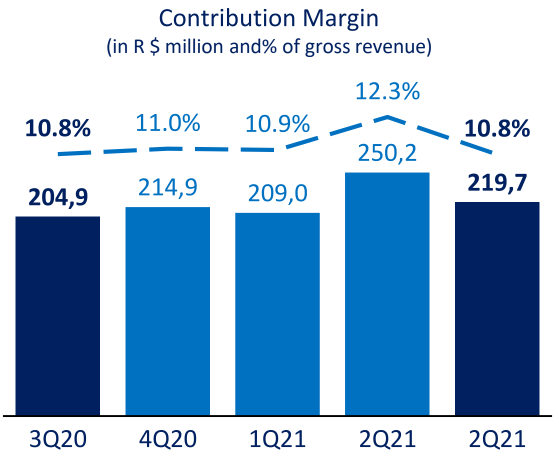




Contribution Margin

The contribution margin, result of the difference between gross profit and selling expenses, reached 10.8% of gross revenue, maintaining the level reached in 3Q20, despite pressures on selling expenses, related to the resumption of expansion, inflationary pressures and the temporary deferred spending in 2020 in as a result of the pandemic.

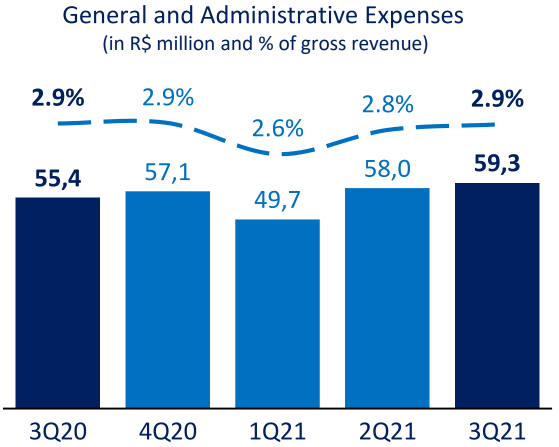
Excluding new stores, the contribution margin in 3Q21 was 10.9%, an increase of 0.2 p.p. compared to 3Q20.



GENERAL AND ADMINISTRATIVE EXPENSES

In 3Q21, general and administrative expenses totaled R$59.3 million, representing 2.9% of gross revenue. The increase in expenses is mainly related to the growth of the organizational structure related to new strategic initiatives implemented over the last quarters, such as the Call Center and UP Farma, projects such as the new POS and the new APP and the strengthening of strategic areas such as Expansion.

We continue to invest to improve our technological capabilities. We have increased our team of developers, engineers and technicians and IT by 43 % over the last few quarters, and we have invested in a new headquarter for Pmenoslab, our innovation arm.

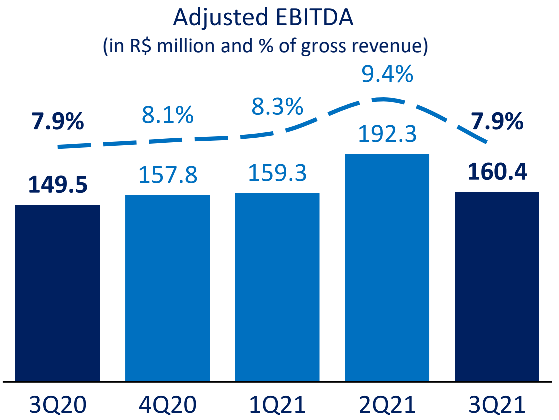


ADJUSTED EBITDA

We ended 3Q21 with adjusted EBITDA of R$160.4 million, an increase of 7.4% compared to 3Q20. The EBITDA margin was 7.9%, stable compared to 3Q20.

Disregarding the effect of new stores, the EBITDA margin was 8.1%, an improvement of 0.2 p.p. compared to the same period of the previous year.

In the ex-IFRS16 metric, the EBITDA margin reached 4.4%, decreasing 0.2 p.p. compared to 3Q20. Disregarding the effect of the new stores on the result, the EBITDA margin ex-IFRS16 would be 4.6%, in line with the 3Q20.



EBITDA RECONCILIATION AND NON-RECURRING ADJUSTMENTS

In 3Q21, we recorded R$8.7 million in non-recurring expenses related to expenses with consulting and legal advice related to the acquisition of Imifarma Produtos Farmacêuticos e Cosméticos SA (Extrafarma).

We present below the EBITDA reconciliation table and non-recurring adjustments in the reported result.

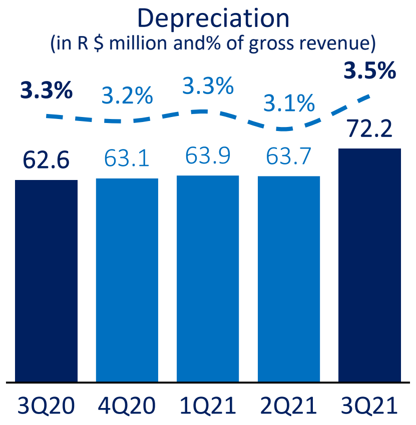
Reconciliation of Adjusted EBITDA (BRL million)	3Q20	4Q20	1Q21	2Q21	3Q21
Accounting Net Income	**40.2**	**37.5**	**44.2**	**69.4**	**29.9**
(+) Net financial result	57.9	56.7	46.9	45.3	51.1
(+) Income tax and social contribution	(11.1)	0.5	4.4	11.6	(1.4)
(+) Depreciation and Amortization	62.6	63.1	63.9	63.7	72.2
EBITDA	**149.5**	**157.8**	**159.3**	**190.0**	**151.8**
(+) Spending on Consultancy on Mergers and Acquisitions	-	-	-	2.2	8.7
Total adjustments	**-**	**-**	**-**	**2.2**	**8.7**
Adjusted EBITDA	**149.5**	**157.8**	**159.3**	**192.3**	**160.4**

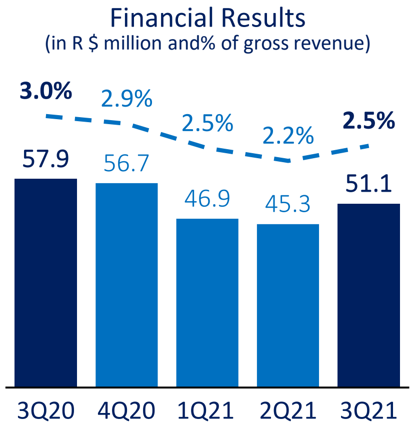
DEPRECIATION, NET FINANCIAL EXPENSES AND INCOME TAX

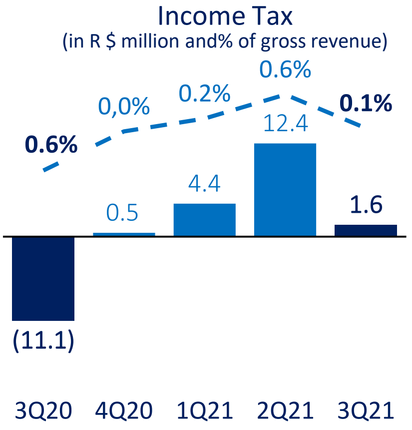
In 3Q21, depreciation totaled R$72.2 million, an increase of 15.4% vs 3Q20, as a result of the increase in the store base and increases in lease liability contracts.

The financial result totaled a net expense of R$51.1 million in the quarter, down 11.8% from 3Q20, reflecting the optimization of the capital structure and debt reprofiling carried out since the IPO.

Income tax expenses totaled 1.6 million in 3Q21, a variation of R$ 12.7 million compared to the same period of the previous year, mainly explained by the capitalization of expenses related to the IPO in 3Q20, generating tax credits at the time.

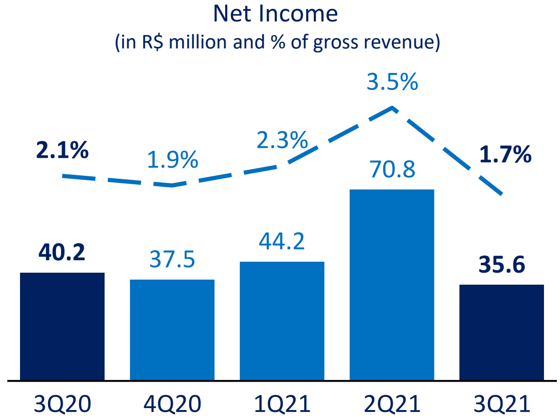






Adjusted Net Income

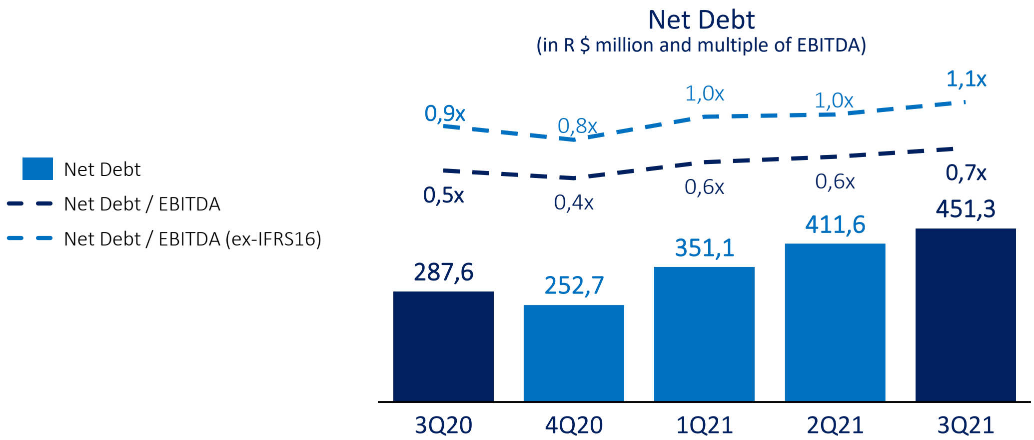
We ended 3Q21 with an adjusted net income of R$35.6 million and a net margin of 1.7%. The result represented a decrease of 11.4% in relation to the same period of the previous year, with the variation in income tax and social contribution more than offsetting the increase in the operating result and the improvement in the financial result. Excluding the effect of the capitalization of IPO costs incurred in 3Q20, which reduced the income tax base, net income in 3Q21 would have grown by 21.7%.



INDEBTEDNESS

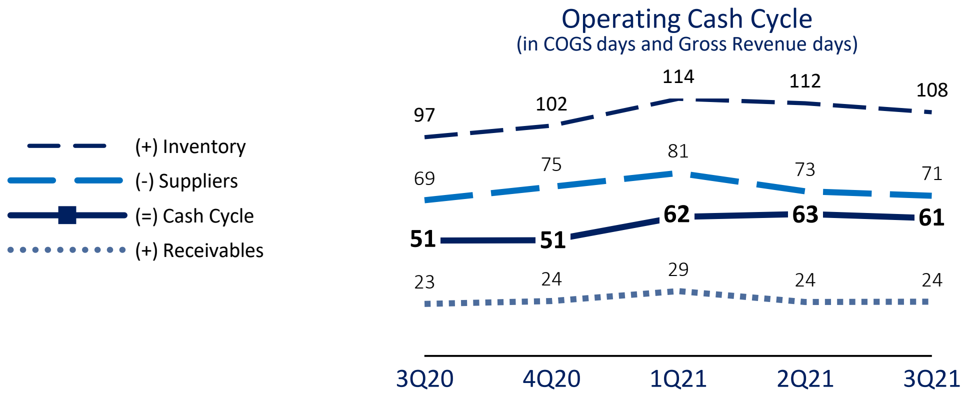
Gross debt at the end of 3Q21 totaled R$774.1 million, down 3.7% compared to 2Q21 and 18.0% compared to 3Q20. Net indebtedness ended 3Q21 at R$451.3 million, growing 9.6% compared to the immediately previous quarter, maintaining the net debt / EBITDA indicator stable.

On October 13 we announced the 6th debenture issuance by the Company, totaling R$450 million in two series with maturities of 5 and 7 years. More than 90% of the funding will be used to amortize debt maturing in 2022. With this funding, our debt profile will be substantially lengthened, optimizing the average cost of debt.



CASH CYCLE

In 3Q21, the cash cycle was 61 days, an increase of 10 days compared to 3Q20, caused by the higher investments in inventories resulting from the expansion of the product assortment and the reinforcement of coverage for new stores. Compared to 2Q21, the cash cycle was reduced by 2 days.



Note: the Calculation of Average Inventory period and Average Supplier Payment Terms disregards the effects of APV, commercial agreements and recoverable taxes.

CASH FLOW

In 3Q21, we recorded a negative free cash flow of R$25.5 million. This cash consumption is mainly explained by investments in new stores made in the quarter, consuming the cash flow generated by operations. Compared to the previous year, cash consumption was lower due to the normalization of accounts receivable in 3Q20.

Cash Flow (R$ million)	3Q20	3Q21	9M20	9M21
EBITDA	149.5	160.4	414.5	512.1
(-) Lease Payments (IFRS 16)	(62.8)	(70.5)	(185.1)	(191.5)
(Δ) Receivables	(202.1)	(16.2)	(190.7)	(34.8)
(Δ) Inventory	(27.0)	(10.8)	(119.1)	(152.2)
(Δ) Suppliers	54.3	15.7	0.2	(56.4)
(Δ) Recoverable Taxes	(24.3)	(33.9)	(81.9)	(26.6)
(+/-) Change in other assets and liabilities/Non-cash effects	(8.4)	2.4	20.4	(60.0)
(=) Cash Flow from Operations	(120.7)	47.1	(141.7)	(9.3)
(-) Capex	(10.2)	(72.6)	(18.3)	(140.6)
(=) Investment Cash Flow	(10.2)	(72.6)	(18.3)	(140.6)
Free Cash Flow	(130.9)	(25.5)	(160.0)	(149.9)
(+) New Debt	5.0	-	224.0	160.0
(-) Debt repayment	(31.5)	(32.5)	(278.8)	(261.8)
(-) Debt service	(7.8)	(11.2)	(28.4)	(35.1)
(-) Derivative Operations	3.0	-	59.6	-
(-) Stock Buyback	-	-	-	(10.4)
(+) Capital Raise - IPO	714.9	-	714.9	-
(=) Financing Cash Flow	683.5	(43.7)	691.3	(147.3)
Opening cash, cash equivalents and financial invest. balance	103.2	392.0	124.5	620.0
Closing cash, cash equivalentes and financial invest. balance	655.9	322.8	655.9	322.8
Change in Cash and Equivalents	552.7	(69.2)	531,3	(297.2)

INVESTMENTS

In 2021 to date, R$140.6 million were invested, mainly directed to organic expansion, technology projects and store renovations. We present below the breakdown of CAPEX for the period.

Capex (R$ million)S	9M20	%	9M21	%
Expansion	-	0%	62.0	44%
Renovation of stores	7.6	41%	39.6	28%
Technology	7.6	42%	18.8	13%
Stores, DCs and office Infrastructure	3.1	17%	20.1	14%
Total	18.3	100%	140.6	100%

ENVIRONMENTAL, SOCIAL, AND CORPORATE RESPONSIBILITY (ESG)

In 3Q21, we continued to build out our ESG agenda. We defined a sustainability vision for 2030, fully integrated into the Company's strategic planning and in line with the United Nations sustainable development goals.

PAGUE MENOS SUSTAINABILITY VISION 2030:

HEALTH IS FOR EVERYONE - Pague Menos will be a complete healthcare solution that will significantly contribute to reducing inequalities in access to a healthy life in Brazil.

HEALTH FOR PEOPLE

Adherence to treatment; Prevention of chronic diseases; Employee health and safety; Social impact.

HEALTH FOR THE ENVIRONMENT

Waste Management; Renewable energy consumption; Greenhouse gas emissions.

HEALTH FOR BUSINESS

Ethics and transparency in relationships; Development of employees; Inclusion of minorities and respect for diversity; Traceability.

We have structured the company's Diversity and Inclusion sector, which is working hard on 4 fronts: Gender, Racial, Disabled Persons and Over 50 equality. As for gender equality, women account for 59% of the staff and 60% of those in leadership positions. We are part of a select group of 3% of companies listed on B3's Novo Mercado with 3 or more women on both the Board of Directors and the Executive Board. Due to this representation, in 3Q21 Pague Menos was awarded the Women on Board (WOB) seal. In addition, we joined the Business Coalition for Racial and Gender Equality and UN Women movements.

We continue to advance in the use of clean energy. In 3Q21, we expanded solar energy supply to stores in the states of Rondônia, Amapá, Rio de Janeiro, Acre and Goiás. At the end of 3Q21, stores in 16 different states, representing 61.4% of the total number of stores, are already supplied by renewable energy generated from 33 solar farms. Another 26 solar farms are contracted and under construction with the capacity to expand energy generation to 100% of company stores by 1Q22, including the new stores.

PEOPLE: DEVELOPMENT, PRODUCTIVITY AND ORGANIZATIONAL CULTURE

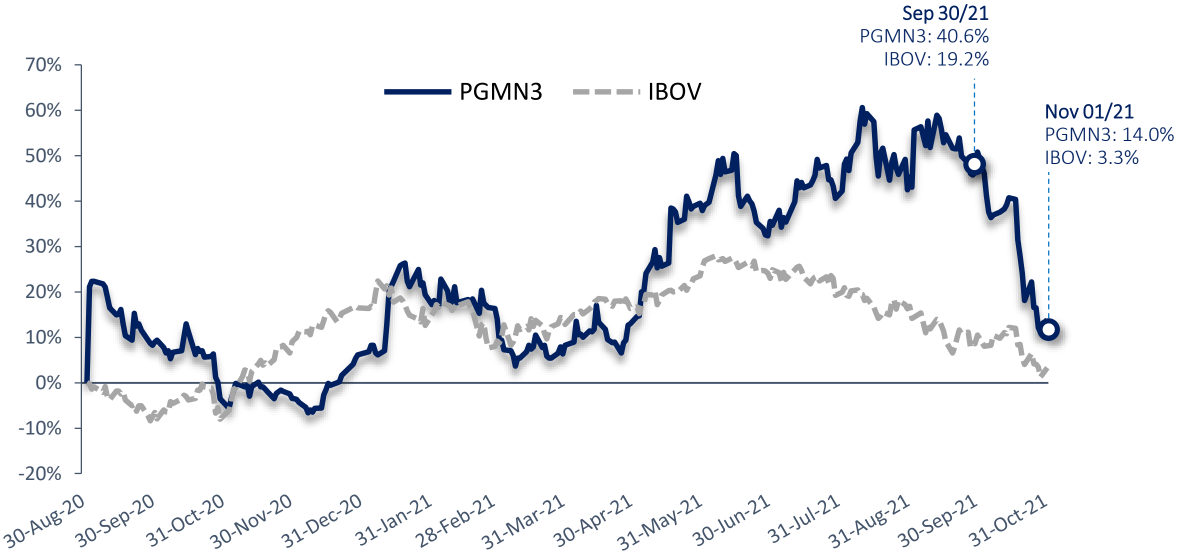
In 3Q21, we started an important project to enhance our Organizational Culture within Pague Menos, with the goal of preparing ourselves for the challenges and the organic growth that we will have in 2022. We are focusing on three fronts: i) Performance: for all of our key positions and their successors, mapping out talents and preparing development plans for the challenge of growth and training people; ii) Climate: based on workshops with the teams, we align specific action plans for each area; and iii) Culture: hiring specialized consultants to map out and diagnose our way of doing things, which will not only be preserved but enhanced.

In the development pillar, we realized more than 249 thousand hours of training for our sales team, and we have started operating our "school stores", in order to streamline the training and integration of new employees and the recycling of current ones, which will contribute to improving customer service. Through *UP Farma*, we launched a public notice for the selection of professors to elaborate content for the development of our training course in retail operation, which will be open to both internal and external audiences. It will be a 300-hour course, lasting 12 months, with the objective of training young people looking for their first job or even those looking to improve their skills in customer service and execution of store routines, to be able to start a career in any retail chain.

In the productivity pillar, we completed the implementation of the Work Force Management (Smart Scheduling) project, in all our stores, and we now have a better allocation of employees according to the demands of customer flow, thus ensuring better coverage, which has been having a positive impact on both our NPS and average ticket.

CAPITAL MARKETS

Pague Menos common shares (PGMN3) appreciated by 10.5% in 3Q21, while the Ibovespa index fell 12.2% in the same period. In accumulated numbers since the IPO, the shares total appreciation is 14,0%, 10.7p.p. above the Ibovespa. The average financial volume traded in the quarter was R$14.6 million, 14.1% above the average for 2Q21.



STATEMENT OF FINANCIAL RESULTS FOR THE PERIOD

On January 1, 2019, CPC 6-R2 (IFRS 16) came into effect, which changed the accounting recognition model for lease agreements. In order to preserve historical comparability, we present below the reconciliation with the previous standard (IAS 17/CPC 06).

Income Statement for the Period (R$ million)	IAS 17			IFRS16		
	3Q20	3Q21	Δ	3Q20	3Q21	Δ
Gross Revenue	1,901.6	2,042.1	7.4%	1,901.6	2,042.1	7.4%
Deductions	(119.9)	(130.1)	8.5%	(119.9)	(130.1)	8.5%
Net Revenue	1,781.8	1,912.0	7.3%	1,781.8	1,912.0	7.3%
Cost of Goods Sold	(1,238.3)	(1307.4)	5.6%	(1,238.3)	(1307.4)	5.6%
Gross Profit	543.5	604.6	11.2%	543.5	604.6	11.2%
Gross Margin	*28.6%*	*29.6%*	*1.0 p.p.*	*28.6%*	*29.6%*	*1.0 p.p.*
Sales Expenses	(401.4)	(455.3)	13.4%	(338.6)	(384.9)	13.7%
Contribution Margin	142.1	149.3	5.0%	204.9	219.7	7.2%
Contribution Margin	*7.5%*	*7.3%*	*(0.2p.p.)*	*10.8%*	*10.8%*	-
General and Administrative Expenses	(55.4)	(59.3)	7.0%	(55.4)	(59.3)	7.0%
Adjusted EBITDA	86.7	90.0	3.7%	149.5	160.4	7.3%
Adjusted EBITDA Margin	*4.6%*	*4.4%*	*(0.2p.p.)*	*7.9%*	*7.9%*	-
Depreciation and amortization	(21.6)	(23.3)	7.5%	(62.6)	(72.2)	15.4%
Financial Result	(29.4)	(20.3)	(30.8%)	(57.9)	(51.1)	(11.8%)
Income before Income Taxes	35.7	46.4	29.9%	29.1	37.1	27.7%
Income Tax and Social Contribution	8.9	(4.7)	-	11.1	(1.6)	-
Adjusted Net Income	44.6	41.7	(6.5%)	40,2	35.6	-11.6%
Adjusted net margin	*2.3%*	*2.0%*	*(0.3p.p.)*	*2.1%*	*1.7%*	*(0.4 p.p.)*

Income Statement for the Year to Date (R$ million)	IAS 17			IFRS16		
	9M20	9M21	Δ	9M20	9M21	Δ
Gross Revenue	5,353.2	5,988.1	11.9%	5,353.2	5,988.1	11.9%
Deductions	(324,0)	(403,0)	24.4%	(324,0)	(403,0)	24.4%
Net Revenue	5,029.1	5,585.1	11.1%	5,029.1	5,585.1	11.1%
Cost of goods sold	(3,483.3)	(3,781.2)	8.6%	(3,483.3)	(3,781.2)	8.6%
Gross Profit	1,545.8	1,803.9	16.7%	1,545.8	1,803.9	16.7%
Gross Margin	*28.9%*	*30.1%*	*1.2pp*	*28.9%*	*30.1%*	*1.2pp*
Sales Expenses	(1,177.2)	(1,316.4)	11.8%	(992.1)	(1,124.9)	13.4%
Contribution Margin	368.6	487.5	32.3%	553.7	679	22.6%
Contribution Margin	*6.9%*	*8.1%*	*1.2pp*	*10.3%*	*11.3%*	*1.0p.p.*
General and Administrative Expenses	(139.2)	(166.9)	19.9%	(139.2)	(166.9)	19.9%
Adjusted EBITDA	229.4	320.6	39.8%	414.5	512.1	23.5%
Adjusted EBITDA Margin	*4.3%*	*5.4%*	*1.1pp*	*7.7%*	*8.6%*	*0.9pp*
Depreciation and amortization	(65.6)	(68.0)	3.6%	(187.5)	(199.8)	6.6%
Financial Result	(109.4)	(58.0)	(46.9%)	(196.5)	(143.3)	(27.1%)
Income before Income Taxes	54.4	194.6	257.8%	30.5	169.0	453.4%
Income Tax and Social Contribution	19.9	(27.1)	-	28.0	(18.4)	-
Adjusted Net Income	74.3	167.5	125.6%	58.5	150.6	157.4%
Adjusted net margin	*1.4%*	*2.8%*	*1.4pp*	*1.1%*	*2.5%*	*1.4 p.p.*

BALANCE SHEET

Balance Sheet (R$ million)	IFRS16		
	12/31/20	09/30/21	Δ
Total Assets	5,753.8	5,973.2	3.8%
Current Assets	3,147.4	3,097.3	(1.6%)
Cash and Cash Equivalents	589.1	322.8	(45.2%)
Financial Investments	30.9	-	-
Accounts receivable from Clients	522.9	555.9	6.3%
Inventory	1702.1	1,865.7	9.6%
Recoverable Taxes	198,3	196.1	(1.1%)
Other Current Assets	104.1	156.8	50.6%
Non-Current Assets	2,606,4	2,875.9	10.3%
Noncurrent receivables	611.5	645.2	5.5%
Investments	70.8	72.1	1.9%
Fixed Assets	541.3	602.4	11.3%
Leases - rights-of-use	1,344.9	1,508.5	12.2%
Intangible	37.9	47.6	25.8%
Total Liability	5,753.8	5,973.2	3.8%
Current Liabilities	1,889.1	2,056.5	8.9%
Social and labor obligations	89.2	149.5	67.6%
Suppliers	1,244.5	1,188.1	(4.5%)
Tax Liabilities	106.4	104.6	(1.6%)
Loans, financing and bonds	241.6	380.6	57.5%
Other Obligations	35.1	32.3	(8,0%)
Commercial leasing	172.3	201.3	16.8%
Non-Current Liabilities	1,923.8	1,839	(4.4%)
Loans, financing and bonds	636.8	393.6	(38.2%)
Other Obligations	8,2	7.8	(4.5%)
Commercial leasing	1,251.5	1,411.6	12.8%
Provisions	27.2	26.0	(4.6%)
Net Equity	1,940.9	2,077,7	7.0%
Capital	1,200.7	1,199,2	(0.1 %)
Capital Reserves	383.4	386	0.7%
Retained Earnings	356.8	356.8	0.0%
Treasury Stock	-	143.4	-
Accumulated Profits/Losses	-	(7.7)	-

ANNEX: DISTRIBUTION OF STORES BY STATE

State / Region # of Stores	3Q20	Openings	Closings	3Q21
Total	1,105	32	(11)	1,126
Northeast	664	29	(1)	692
Alagoas	30	-	-	30
Bahia	113	10	(1)	122
Ceará	180	2	-	182
Maranhão	60	4	-	64
Paraíba	51	2	-	53
Pernambuco	117	5	-	122
Piauí	35	3	-	38
Rio Grande do Norte	43	2	-	45
Sergipe	35	1	-	36
North	111	2	(1)	112
Acre	12	1	-	13
Amapá	6	-	-	6
Amazonas	22	-	-	22
Pará	35	1	(1)	35
Rondônia	13	-	-	13
Roraima	9	-	-	9
Tocantins	14	-	-	14
Southeast	194	1	(5)	190
Espírito Santo	26	-	-	26
Minas Gerais	64	-	(4)	60
Rio De Janeiro	19	-	-	19
São Paulo	85	1	(1)	85
Center-West	94	-	(4)	90
Federal District	18	-	(1)	17
Goiás	30	-	(3)	27
Mato Grosso	23	-	-	23
Mato Grosso do Sul	23	-	-	23
South	42	-	-	42
Paraná	15	-	-	15
Rio Grande Do Sul	7	-	-	7
Santa Catarina	20	-	-	20

GLOSSARY

- Abrafarma : association of the 26 largest pharmacy chains in the country.
- AME (Special Medicines Service): line of special drugs marketed by Pague Menos. They are produced with high technology and used in complex and costly treatments, generally in the treatment of fertility, oncology and hormones.
- B2B2C : Business model where a service or product is offered to another Company, and later to an end consumer.
- Expanded Middle Class: public of social classes B2/C/D, with average monthly family income of less than R$ 4.4 thousand.
- EBITDA : operating profit before interest, taxes, depreciation and amortization.
- HNB (Hygiene, Nutrition and Beauty) : classification of non-medicinal products belonging to the categories of personal hygiene, nutrition and beauty.
- Mature Stores : stores open for over three years. These are stores that have already gone through the maturation period and therefore tend to have a sales growth curve that is less steep than those that are still maturing.
- Market Share : estimated Brazilian pharmaceutical retail market share, based on data from IQVIA, a global data intelligence company applied to the healthcare industry.
- NPS (Net Promoter Score) : metric used to measure customer satisfaction with and loyalty to the Company.
- Omnichannel : the concept illustrates the approach of integrating different retail channels, such as physical stores, e-commerce, tele-sales and social media, allowing multiple purchasing journeys for the customer.
- OTC (*Over-The-Counter*) : classification of products sold via self-service, which includes over-the-counter medications and convenience, health and well-being items.
- PBM : drug benefit program. These are discount programs created and administered by the pharmaceutical industry (laboratories) with the aim of facilitating, stimulating and promoting adherence to treatments for patients and physicians.
- PME : Average storage period. It refers to the average period that a product remains in inventory before being sold, calculated by the ratio between inventory balance and COGS for the quarter, multiplied by 90 days.
- PMP : Average payment period. Refers to the average supplier payment terms, calculated by the quotient between supplier balance and COGS for the quarter, multiplied by 90 days.
- Pre-Increase *(Pré-alta)*: period prior to the annual readjustment of prices of medications, which takes place in April, pursuant to current legislation.
- Stock-out : metric used to measure the lack of products in store.
- SKU : acronym for Stock Keeping Unit, which refers to the identifier code assigned to items in stock.
- SSS (Same Store Sales) : sales growth in the “same stores” concept. Refers to the ratio of sales of goods and services made by stores open for more than twelve months in the current period compared to sales of the same stores in the same period of the previous year. Excludes temporarily closed stores (closings lasting more than seven calendar days) and considers sales of digital channels dispensed through stores.

DISCLAIMER

This document may contain certain forward-looking statements and information related to the Company reflecting current views and/or expectations of the Company and its Management concerning its performance, businesses and future events. Forward-looking statements include, without limitation, any statement containing forecast, indication or estimates and projections regarding future results, performance or objectives, as well as words like we "believe", "anticipate", "expect", "estimate", "project", and other similar expressions. Although the Company and its management believe that such forward-looking estimates and statements are based on reasonable assumptions, they are subject to risks, uncertainties and future events and are issued in the light of 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 revising 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 as expressed in this document.

In view of the aforementioned risks and uncertainties, the prospective circumstances and events discussed in this document 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 decision based on the forward-looking statements that may be contained herein.

Market and certain competitive position information, including market projections mentioned herein were obtained from in-house surveys, market research, public information and business publications. Though we have no reason to believe that any of these reports or of this Information is imprecise in any relevant aspect, we have not independantly verified the competetive position, market position, growth rate or any other data supplied by third parties or other industry publications. The Company is not responsible for the accuracy of such information.

Certain percentages and other amounts included in this document have been rounded up to facilitate your presentation. The scales of the graphs of the results can appear in different proportions, to optimize the demonstration. Accordingly, 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 International Financial Reporting Standards (IFRS), in accordance with accounting practices adopted in Brazil (BR GAAP) and were reviewed by independent auditors in accordance with Brazilian and international auditing standards.

INDEPENDENT AUDITORS

The Company informs that its independent auditors, Ernst & Young Auditores Independentes S.S., did not provide services unrelated to the audit in the period ending September 30, 2021.

EARNINGS VIDEOCONFERENCE

Videoconferência Em Português

November 4, 2021
10:00 (BRT) | 09:00 (US ET)

Access in Portuguese

Número de Conexão
+55 (11) 3181-8565
+55 (11) 4210-1803
Código: Pague Menos

Video conference in English

(simultaneous translation)
November 4, 2021
10:00 (BRT) | 09:00 (US ET)

Access in English

Number to Connect
+1 844 204-8942
+1 412 717-9627
Code: Pague Menos

PagueMenos 40 anos

Empreendimentos Pague Menos S.A.

Balance sheet
September 30
(In thousand Reais)

Assets	Note	09/30/2021	12/31/2020
Current			
Cash and cash equivalent	4	322,801	589,086
Marketable securities		-	30,880
Trade receivable	5	555,918	522,940
Inventories	6	1,865,683	1,702,095
Commercial agreements		104,941	66,346
Recoverable taxes	7	196,123	198,318
Derivatives		-	5,788
Prepaid expenses		10,740	8,202
Other		41,083	23,735
Total current asset		**3,097,289**	**3,147,390**
Non-current			
Long term achievable			
Financial investments		8,514	9,517
Recoverable taxes	7	394,698	370,810
Deferred taxes	8	196,690	192,555
Derivatives		-	-
Legal deposits		45,319	38,645
		645,221	**611,527**
Investments	10	72,116	70,797
Property, plant, and equipment	11	602,449	541,289
Intangible	12	47,643	37,865
Right of use	15	1,508,478	1,344,910
Total non-current asset		**2,875,907**	**2,606,388**
Total asset		**5,973,196**	**5,753,778**

Empreendimentos Pague Menos S.A.

Balance sheet
September 30
(In thousand Reais)

Liabilties	Note	09/30/2021	12/31/2020
Current			
Trade payable	13	1,188,136	1,244,490
Loans, finance and debentures	14	380,571	241,629
Leases liabilities	15	201,308	172,280
Taxes and contribuition payables	16	104,648	106,399
Salaries and social charges		149,536	89,234
Other accounts payable		32,266	35,067
Total current liability		**2,056,465**	**1,889,099**
Non-current			
Loans, finance and debentures	14	393,568	636,847
Leases liabilities	15	1,411,645	1,251,454
Taxes and contribuition payables	16	7,843	8,214
Contingency provisions	17	25,976	27,241
Total non-current liability		**1,839,032**	**1,923,756**
Total liability		**3,895,497**	**3,812,855**
Shareholders' equity	18		
Capital stock		1,199,219	1,200,666
Capital reserves		385,995	383,432
Profit reserves		356,825	356,825
Stocks in treasury		(7,743)	-
Retained earnings		143,403	-
Total shareholders' equity		**2,077,699**	**1,940,923**
Total liability and shareholders' equity		**5,973,196**	**5,753,778**

Empreendimentos Pague Menos S.A.

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

Income statement	Note	07/01/2021 to 09/30/2021	09/30/2021	07/01/2020 to 09/30/2020	09/30/2020
Net revenue	22	**1,912,038**	**5,585,081**	**1,781,765**	**5,029,119**
Cost of sales	23	(1,307,448)	(3,781,183)	(1,238,291)	(3,483,287)
Gross profit		**604,590**	**1,803,898**	**543,474**	**1,545,832**
(Expenses) operating revenues	23	(525,027)	(1,502,576)	(456,593)	(1,318,817)
Other operating revenues		374	1,140	206	2,266
Sales expenses		(451,363)	(1,308,706)	(395,111)	(1,163,630)
General and administrative expenses		(74,565)	(195,686)	(62,889)	(157,533)
Depreciation and amortization		-	-	-	-
Equity in the results of investees		921	1,606	1,304	933
Other operating expenses		(394)	(930)	(103)	(853)
Result before net financial revenues (expenses)		**79,563**	**301,322**	**86,881**	**227,015**
Financial revenues	24	16,112	55,208	19,137	177,916
Financial expenses	24	(67,170)	(198,479)	(76,997)	(374,403)
Financial, net expenses		**(51,058)**	**(143,271)**	**(57,860)**	**(196,487)**
Result before taxes		**28,505**	**158,051**	**29,021**	**30,528**
Income tax current	8	(1,703)	(18,783)	-	-
Income tax deferred	8	3,077	4,135	11,132	27,972
Net income		**29,879**	**143,403**	**40,153**	**58,500**
Share result					
Basic and diluted share result (in R$)		0.07	0.32	0.11	0.17

Empreendimentos Pague Menos S.A.

Comprehensive income statement
September 30
(In thousand Reais)

Comprehensive income statement	07/01/2021 to 09/30/2021	09/30/2021	07/01/2020 to 09/30/2020	09/30/2020
Net income	29,879	143,403	40,153	58,500
Other comprehensive income	-	-	-	-
Comprehensive income of the year	**29,879**	**143,403**	**40,153**	**58,500**

Empreendimentos Pague Menos S.A.

Shareholders' equity changes statements
September 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**
Capital transactions with the partners	746,924	-	-	-	-	**746,924**
Capital increase	746,924	-	-	-	-	**746,924**
Total Comprehensive Income	-	-	-	58,500	-	**58,500**
Net Profit in the Period	-	-	-	58,500	-	**58,500**
Internal Changes of the shareholders' equity	-	421	-	-	-	**421**
Recognized options granted	-	421	-	-	-	**421**
Balances on September 30, 2020	**1,129,651**	**381,422**	**260,792**	**58,500**	**-**	**1,830,365**
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	-	-	-	143,403	-	**143,403**
Net Profit in the Period	-	-	-	143,403	-	**143,403**
Internal Changes of the shareholders' equity	(1,447)	2,563	-	-	-	**1,116**
Costs in stocks issuance	(1,447)	-	-	-	-	**(1,447)**
Restricted stocks plan	-	2,563	-	-	-	**2,563**
Balances on Semptember 30, 2021	**1,199,219**	**378,252**	**356,825**	**143,403**	**-**	**2,077,699**

Empreendimentos Pague Menos S.A.

Cash flow statements
September 30
(In thousand Reais)

Cash flow statements	09/30/2021	09/30/2020
Cash flows from operating activities		
Net profit (loss) from the fiscal year	**143,403**	**58,500**
Cash Generated from Operations		
Depreciation and amortization	199,847	187,508
Assets and liabilities present value adjustment	(467)	5,373
Interests on loans, financing, and debentures	33,421	34,854
Derivative financial instruments fair value changes	5,737	(56,474)
Exchange variation on loans and financing	908	61,713
Interests on lease with purchase option	85,250	87,128
Establishement (reversal) of contingency provisions	2,946	5,440
Equity accounting	(1,606)	(933)
Current taxes	18,783	-
Deferred taxes	(4,135)	(27,972)
Appropriation of transaction costs in debts issuance	(1,751)	18
Other adjustments to profit	(848)	(6,906)
Provision for closure of shops	(1,026)	(4,664)
Residual value on write-down of fixed and intangible assets	2,687	3,774
Provision for bad and doubtful debts	5,519	1,723
Provision for losses in inventories	(10,018)	9,990
	478,650	**359,072**
Operating assets and liabilities variations		
Third party fundraising	(3,971)	641
Accounts receivable	(33,784)	(190,724)
Inventories	(152,163)	(119,090)
Recoverable taxes	(26,576)	(81,930)
Other credits	(63,022)	(53,400)
Prepaid expenses	(2,538)	-
Suppliers	(56,432)	247
Taxes and contributions recoverable	(20,905)	39,832
Salaries and vacation payable	62,865	35,241
Other accounts payable	(3,041)	11,136
	(299,567)	**(358,047)**
Others		
Payment of loans - Interests	(24,683)	(14,996)
Payment of debentures - Interests	(10,420)	(13,419)
Payment of leases - Interests	(85,250)	(87,128)
	(120,353)	**(115,543)**
Net Cash Operating Activities	**58,730**	**(114,518)**
Cash flows from investment activities		
Acquisition in other investments	31,883	(435,538)
Acquisition of property, plant, and equipment	(123,147)	(12,673)
Acquisition of intangible	(17,419)	(5,612)
Net cash generated in investment activities	**(108,683)**	**(453,823)**
Cash flows from financing activities		
Loans and Financing	160,000	224,000
Payment of loans and financing	(228,428)	(262,140)
Payment of lease with purchase option	(105,381)	(91,107)
Payment of debentures	(33,333)	(16,667)
Derivative operations settlement	-	59,623
Capital increase	-	746,924
Funds from stock option granted	-	421
Dividends and interests over own capital received	-	805
Costs in stocks issuance	(1,447)	-
Stocks in treasury	(7,743)	-
Net cash (used in) from financing activities	**(216,332)**	**661,859**
Increase (Decrease) of Cash and Equivalents	**(266,285)**	**93,518**
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	322,801	214,558
Decrease of Cash and Equivalents	**(266,285)**	**93,518**

Empreendimentos Pague Menos S.A.

Value added statement
September 30
(In thousand Reais)

Value added statement	09/30/2021	09/30/2020
Revenues		
Sales of merchandises, products and services	5,917,218	5,299,992
Other revenues	1,139	2,266
	5,918,357	**5,302,258**
Inputs acquired from third parties (includes ICMS and IPI)		
Costs of sold merchandises, products and services	(3,495,460)	(3,200,772)
Third parties' materials, energy, services and others	(566,993)	(481,860)
	(4,062,453)	**(3,682,632)**
Gross added value	**1,855,904**	**1,619,626**
Depreciation and amortization	(199,847)	(187,511)
Net added value generated by Company	**1,656,057**	**1,432,115**
Added value received from transfer		
Equity pick-up	1,606	933
Financial income	42,399	21,398
Total added value to distribute	**1,700,062**	**1,454,446**
Added value distribution		
Personnel	**675,165**	**620,185**
Direct compensation	572,011	521,417
Benefits	61,807	60,858
FGTS	41,347	37,910
Taxes, Rates and Contributions	**728,430**	**616,055**
Federal	133,464	75,031
State	580,960	533,851
Municipal	14,006	7,173
Compensation of third parties capital	**153,064**	**159,706**
Interests	120,514	140,023
Rentals	32,550	19,683
Compensation of own capital	**143,403**	**58,500**
Profit (loss) of the year	143,403	58,500
Distributed added value	**1,700,062**	**1,454,446**

1. COMPANY INFORMATION

Empreendimentos Pague Menos S.A. ("Company") is a publicly-held corporation, registered at B3 S.A.- Brasil, Bolsa, Balcão - in the Novo Mercado segment, headquartered in the capital of the state of Ceará, having the ticker symbol: PGMN3.

The Company's main commercial activity is the retail sale of medications, cosmetics, personal care, and beauty products, with 1,126 stores (1,105 on December 31, 2020), located in every state in Brazil. The stores are supplied by five distribution centers located in the states of Ceará, Pernambuco, Bahia, Goiás and Minas Gerais.

<u>Extrafarma Transaction</u>

On May 18, 2021, through 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 S.A., owner of the operations of "Extrafarma". This operation is still awaiting CADE (Brazil anti-trust 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 September 30, 2021.

2. PREPARATION AND PRESENTATION OF THE QUARTERLY REPORT

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 *Conselho Federal de Contabilidade* (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 Brazilian Reals, which is the Company's operating currency.

The Company's management states that all relevant interim financial statements disclosed herein match 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. Therefore, 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 November 1, 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 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 observance of this notice, 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 the following situations have not occurred systematically:

i) Interruption in the supply chain, except for a shortage of products with 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 the detailed assessments and conclusions about the impacts of the pandemic regarding the Company's main transactions.

Recoverability of financial assets

Financial investments, bank deposits and derivative financial instruments.

The Company has balances of cash and cash equivalents, financial investments, and derivative financial instruments, in the amount of R$331,315 (R$635,271 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 counterparts.

Trade receivable from customers (provision for expected losses)

The credit risk of accounts receivable balances is mitigated by the fact that 32% (32% as of December 31, 2020) of Company sales are made in cash and 68% (68% as of December 31, 2020) using credit and debit cards. The operations are extremely fragmented as well as being 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 are not significant, so no additional loss is expected.

Recoverability of non-financial assets

Inventory

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 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 due to COVID-19, the demand for health-related products, as well as personal hygiene products, showed significant growth, reaching values that were higher than those observed before the pandemic. Accordingly, the Company verified that the risks of selling inventories for less than the net realizable value 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 any generalized interruption, as such, as of September 30, 2021, all physical stores continue to operate normally. The Company individually monitors the future cash flow generation capacity of each store, to identify in a timely manner any cases in which the discounted cash flow at present value is 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, in addition to 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 no need to reduce the balances recognized in these financial statements, was 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 meet all financial and non-financial indicators defined in its loan contracts. 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, to guarantee its operational continuity.

3. MAIN ACCOUNTING POLICIES

The interim financial statements are presented in accordance with NBC TG 21 (R1), IAS 34 and the rules issued by the 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, with the goal of clarifying certain 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 goes into effect, 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, IASB issued amendments to paragraphs 69 to 76 of IAS 1, related to NBC TG 26, to specify the requirements for classifying a 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 postpone;
- That only if a derivative embedded in a convertible liability is itself an equity instrument would the terms of a liability 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, debentures and other financing may require renegotiation.

(Amounts in thousands of Reais)

4. CASH AND CASH EQUIVALENTS

	09/30/2021	12/31/2020
Cash and banks	36,222	48,674
Short-term investments	286,579	540,412
Repo operations	40,306	45,670
Certificates of Bank Deposits - CDB	210,538	377,348
Financial securities - LF	30,298	108,707
Automatic investments	5,437	8,687
Total	322,801	589,086

Short-term financial investments are held in sound financial institutions and have low credit risk. They are compensated by the variation of the Interbank Deposit Certificate (CDI) and are available for immediate use without loss of income, being distributed among CDBs, with an average return rate of 105.2% (106.2% on 12/31/2020), Repo Operations, considering an average return of 93.4% (90.5% on 12/31/2020), Securities, with an average return rate of 114.0% (110.49% 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, are classified as cash equivalents.

5. TRADE RECEIVABLE

	09/30/2021	12/31/2020
Credit and debit card companies	530,391	511,516
Agreements and partnerships (*convênios*) (a)	31,033	9,732
Drug Benefit Program - PBM (b)	-	6,249
Commissions Receivable	77	220
Subtotal	561,501	527,717
(-) Adjusted present value	(4,645)	(3,783)
(-) Expected credit losses	(938)	(994)
Total	555,918	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 using payroll deductions. In addition, there are amounts related to partnerships with delivery apps.

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

The balances were adjusted to present value, considering an average payment collection period between 46 and 58 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:

(Amounts in thousands of Reais)

	09/30/2021	12/31/2020
Due between 1 to 30 days	284,698	275,103
Due between 31 to 60 days	139,265	138,184
Due between 61 to 90 days	74,942	63,959
Due over 90 days	61,654	48,543
	560,559	525,789
1 to 30 days overdue	636	369
31 to 90 days overdue	8	176
More than 90 days overdue	298	1,383
	942	1,928

a) *Transactions related to expected credit losses:*

	09/30/2021	12/31/2020
Opening balance	(994)	(5,604)
Additions	(1,064)	(425)
Reversals	1,120	5,035
Closing balance	(938)	(994)

6. INVENTORIES

	09/30/2021	12/31/2020
Merchandise for Resale	1,878,102	1,725,500
Materials for use and consumption	6,455	5,487
(-) Expected inventory losses	(18,874)	(28,892)
	1,865,683	1,702,095

a) *Changes in expected inventory losses:*

	09/30/2021	12/31/2020
Opening balance	(28,892)	(27,792)
Additions	(2,658)	(17,634)
Reversals	12,676	16,534
Closing balance	(18,874)	(28,892)

(Amounts in thousands of Reais)

7. RECOVERABLE TAXES

	09/30/2021	12/31/2020
ICMS (a)	400,337	347,442
IRPJ / CSLL (b)	2,873	2,891
PIS and COFINS (c)	174,047	172,371
INSS (d)	-	33,028
IRRF	12,564	12,412
Others	1,000	984
	590,821	569,128
Current	196,123	198,318
Non-current	394,698	370,810

(a) Balance resulting from the normal standard for ICMS calculation and balances referring to non-definitive 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 (Supreme Court in Brazil), with a general repercussion, which guaranteed the right of reimbursement to the taxpayer who prepaid ICMS ST calculated on bases that are higher than those actually required. 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 the favorable and unappealable decision in a lawsuit which discussed the right to the exclusion of the ICMS from the basis for the calculation for the PIS and COFINS taxes. The Company is currently waiting for the final refund of the amounts unduly paid, among which BRL 35,384, 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. The Company, together with its legal advisors, evaluated the requirements for registering tax credits and considers that the criteria for asset recognition were met, including the ability to properly measure the amounts and ability to realize such credits.

(d) Balance was fully offset during the first half of the current year. The amount of BRL 33,028 refers to credits arising from a final and unappealable court decision on October 1, 2020, which removed the incidence of the social security contribution for certain labor amounts.

On September 24, 2021, the Superior Federal Court – *(Superior Tribunal Federal – STF)*, unanimously ruled the exemption of the IR and CSLL taxes on the amounts related to the SELIC rate, received by the taxpayer due to the repetition of incorrect tax payments. On August 10, 2021, the Company filed a Civil Writ of Mandamus seeking recognition of the right to exemption from IRPJ and CSLL taxes on amounts arising from monetary restatement and default interest, including the SELIC rate, calculated on tax credits due repetition of undue tax payments, concentrated in the processes mentioned in items (c) and (d) above, whose estimated and unrecorded amount is BRL 13,700. The Company is awaiting the final and unappealable decision of its case for the effective tax offsetting of the amounts.

(Amounts in thousands of Reais)

8. DEFERRED TAXES

	09/30/2021	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	2,232	2,581
Provision for building inventories	6,417	9,823
Provision for goodwill impairment	6,543	6,543
Profit sharing	2,585	3,825
Commercial leasing	35,522	26,800
Expected credit losses	3,778	4,806
Provisions for contingencies	8,832	9,262
Adjustment to present value	4,254	4,413
Other provisions	18,382	18,462
Total	196,690	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 expire, and which 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.

	09/30/2021	12/31/2020
2021	11,078	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
	196,690	192,555

(Amounts in thousands of Reais)

b) Reconciliation of the effective tax rate

	09/30/2021	09/30/2020
Net income before Income Tax and Social Contribution on Net Income	158,051	30,528
Combined tax rate [B]	34%	34%
IR / CSLL at the combined tax rate [A] * [B] = [C]	(53,737)	(10,380)
Effect of permanent additions: [D]	688	385
Other permanent additions	688	385
Effect of permanent exclusions: [E]	(91,532)	(113,184)
Investment subsidy	(87,775)	(80,183)
Equity equivalence results	(1,606)	(933)
Other permanent exclusions	(704)	-
IPO expenses	(1,447)	(32,068)
Offset of tax loss and negative basis [F]	(24,124)	-
Current tax profit (loss) [A] + [D] + [E] + [F] = [G]	43,083	(82,271)
Current income tax and social contributions	(18,783)	-
Deferred income and social contribution taxes	4,135	27,972
IR/CSLL on earnings [G]*34% = [H]	(14,648)	27,972
Effective rate [H] / [A]	(9.3%)	91,6%

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.

9. RELATED PARTIES

		09/30/2021			12/31/2020		
Related parties	Nature of operation	Asset	Liability	Result	Asset	Liability	Result
Suppliers							
Biomatika Ind. E Com. Prod. Naturais S.A. (a)	Purchase of products	-	682	-	-	842	-
ePharma PBM do Brasil S.A (b)	Service provision	1,319	-	1,281	1,048	-	(1,999)
L'auto Cargo Transportes Rodoviário S.A. (c)	Transportation of goods	-	7,294	(65,166)	-	4,647	(110,283)
Leases							
Renda Participações S.A. (d)	Property rentals	-	769	(5,343)	-	690	(8,232)
Dupar Participações S.A. (d)	Property rentals	-	5,895	(41,732)	-	8,169	(64,255)
Prospar Participações S.A. (d)	Property rentals	-	131	(807)	-	104	(1,190)
Total		1,319	14,771	(111,767)	1,048	14,452	(185,959)

(Amounts in thousands of Reais)

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 with the Pague Menos brand. The margins obtained on these products are 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 via 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 term. The prices for these services are established according to percentage rates calculated based on 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 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 R$17,630 for the period ended September 30, 2021 (R$14,714 on September 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	09/30/2021	12/31/2020
Guarantee / endorsement and joint and several debtors (Note 14)	345,980	727,295
Individuals (shareholders)	110,496	477,270
Dupar Participações S.A.	235,484	250,025
Properties	52,183	52,183
Dupar Participações S.A.	52,183	52,183

10. INVESTMENTS

	09/30/2021	12/31/2020
e-Pharma PBM do Brasil S.A.	9,523	8,202
Goodwill on investment acquisitions	81,838	81,838
(-) impairments	(19,243)	(19,243)
	72,116	70,797

(Amounts in thousands of Reais)

Balance transactions

	2021	2020
Opening balance January 1	70,797	70,290
Income from equity accounting	1,606	933
Dividends and Interest on Equity received	(287)	(805)
Closing balance on September 30	72,116	70,418

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 September 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, specifically 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 honor. The specific risk of the investee is incorporated through the application of individual beta factors. Beta factors are assessed annually based on publicly available market data.

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

The calculation of the value-in-use for the related cash generating units, forecasted 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.

(Amounts in thousands of Reais)

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

		09/30/2021			12/31/2020		
	Annual Rate	Cost	Depreciation	Net	Cost	Depreciation	Net
Construction work in progress	-	54,338	-	54,338	9,051	-	9,051
Improvements in third-party owned properties	(i)	792,420	(392,879)	399,541	743,462	(359,786)	383,676
Installations	10%	96,741	(46,518)	50,223	93,844	(41,737)	52,107
Machines and equipment	10%	101,940	(63,747)	38,193	98,332	(58,459)	39,873
Furniture and instruments	10%	110,257	(50,263)	59,994	97,916	(43,663)	54,253
Vehicles	20%	350	(350)	-	350	(350)	-
IT equipment	20%	56,498	(50,236)	6,262	59,068	(49,723)	9,345
Advance payments to suppliers	-	130	-	130	127	-	127
Provision for store closings	-	(17,735)	11,503	(6,232)	(23,565)	16,422	(7,143)
Total		1,194,939	(592,490)	602,449	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.

a) *Movement in the 9-month period ending September 30, 2021*

	12/31/2020	Additions	Write-offs	Depreciation	Transfers (i)	09/30/2021
Construction work in progress	9,051	49,286	-	-	(3,999)	54,338
Improvements in third-party owned properties	383,676	52,493	(2,426)	(36,492)	2,290	399,541
Installations	52,107	3,952	(177)	(6,518)	859	50,223
Machines and equipment	39,873	4,815	(17)	(6,500)	22	38,193
Furniture and instruments	54,253	12,414	(47)	(7,384)	758	59,994
IT equipment	9,345	187	-	(3,316)	46	6,262
Advance payments to suppliers	127	-	3	-	-	130
Provision for store closings	(7,143)	911	-	-	-	(6,232)
Total	541,289	124,058	(2,664)	(60,210)	(24)	602,449

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

(Amounts in thousands of Reais)

b) Movement in the 9-month period ending September 30, 2020

	12/31/2019	Additions	Write-offs	Depreciation	Transfers	09/30/2020
Construction work in progress	4,290	4,366	-	-	(3,430)	5,226
Improvements in third-party owned properties	417,600	3,212	(2,561)	(34,217)	2,945	386,979
Installations	55,024	2,373	(637)	(6,190)	-	50,570
Machines and equipment	46,261	970	(2)	(6,526)	184	40,887
Furniture and instruments	60,970	725	(21)	(6,986)	164	54,852
Vehicles	9	-	-	(9)	-	-
IT equipment	10,524	893	(2)	(3,148)	-	8,267
Advance payments to suppliers	-	134	-	-	-	134
Provision for store closings	(12,524)	-	4,667	-	-	(7,857)
Total	582,154	12,673	1,444	(57,076)	(137)	539,058

Provision for store closings

The Company has recognized a provision for closing stores, totalling BRL 6,232 as of September 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 store closings.

12. INTANGIBLE

		09/30/2021			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	(16,403)	3,402	19,905	(14,880)	5,025
Software	20%	65,133	(45,141)	19,992	59,888	(39,145)	20,743
Websites	10%	161	(68)	93	78	(55)	23
Intangible assets under development	-	20,199	-	20,199	8,232	-	8,232
Provision for store closings	-	(1,005)	673	(332)	(1,427)	980	(447)
Total		108,582	(60,939)	47,643	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 re-estimate the recoverable value of the referred asset and the previously used assumptions 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.

a) Movement in the 9-month period ending September 30, 2021

	12/31/2020	Additions	Write-offs	Amortization	Transfers (iii)	09/30/2021
Brands	4,289	-	-	-	-	4,289
Goodwill	5,025	-	(15)	(1,595)	(13)	3,402
Software	20,743	1,599	-	(6,149)	3,799	19,992
Websites	23	61	(8)	(13)	30	93
Intangible assets under development	8,232	15,759	-	-	(3,792)	20,199
Provision for store closings	(447)	115	-	-		(332)
Total	37,865	17,534	(23)	(7,757)	24	47,643

(Amounts in thousands of Reais)

b) Movement in the 9-month period ending September 30, 2020

	12/31/2019	Acquisitions	Write-offs	Amortization	Transfers (iii)	09/30/2020
Brands	4,289	-	-	-	-	4,289
Goodwill	7,562	-	(195)	(1,861)	136	5,642
Software	23,685	5,614	(313)	(6,683)	1	22,304
Websites	65	(2)	(43)	(6)	-	14
Provision for store closings	(454)	-	(3)	-	-	(457)
Total	35,147	5,612	(554)	(8,550)	137	31,792

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

13. TRADE PAYABLES

	09/30/2021	12/31/2020
Suppliers	1,133,283	1,186,970
Anticipation of suppliers (i)	73,533	76,278
Subtotal	1,206,816	1,263,248
Adjustment to present value (ii)	(18,680)	(18,758)
Total	1,188,136	1,244,490

i) The anticipation of receivables operations by the Company do not materially modify the purchasing conditions (payments, prices and negotiated terms) with suppliers, which continue in accordance with usual market practices. These operations enable suppliers to better manage their cash flow needs, in detriment of an intensification of 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. The Company's Management also considered the guidance of the CVM circular SNC/SEP No. 01/2021, observing the qualitative aspects on this topic and concluded that there are no relevant impacts, nor does it affect the Company's leverage.

ii) Supplier balances suffer the effects of adjustments to present value considering an average payment term between 70 and 76 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

	09/30/2021	12/31/2020
From 1 to 30 days	464,408	452,140
From 31 to 60 days	311,767	329,343
From 61 to 90 days	148,419	170,360
Over 91 days	282,222	311,405
Total	1,206,816	1,263,248

(Amounts in thousands of Reais)

b) Balance concentration

	09/30/2021	12/31/2020
Largest supplier	12%	13%
from the 2nd to 25th	53%	51%
from the 26th to 50th	13%	14%
Other suppliers	22%	22%
Total	100%	100%

14. LOANS, FINANCING AND DEBENTURES

Bank	Type	Average interest rate	09/30/2021	12/31/2020
Loans				
Banco do Brasil	Working capital	120% of the CDI rate.	89,391	87,216
Safra	Working capital swap USD x CDI	CDI + 4.46% pa	-	20,666
Santander	FRN	CDI + 5.30% pa	-	105,385
Santander	Working capital	CDI + 1.80% pa	-	63,287
Santander	Working capital	CDI + 2.50% pa	161,494	-
Itaú	Working capital	CDI + 2.50% pa	101,387	100,420
Banco do Brasil	Working capital	115% of the CDI.	63,423	77,770
Banco da Amazônia	Working capital	CDI + 3.04% pa	12,712	14,564
			428,407	469,308
Financing				
Banco do Brasil	FCO	4.12% pa	17,959	21,389
Banco do Nordeste do Brasil	FNE	TLP IPCA + 2.98%	38,425	54,871
Banco do Nordeste do Brasil	FNE	4.12% pa	27,294	36,376
Banco do Nordeste do Brasil	FNE	TLP IPCA + 2.18%	11,143	12,095
			94,821	124,731
Bonds				
4th Issuance of Debentures	Unsecured	CDI + 1.95%	200,362	199,962
5th Issuance of Debentures	Unsecured	CDI + 1.51%	50,549	84,475
			250,911	284,437
Gross total of loans, financing, and debentures			774,139	878,476
Current			380,571	241,629
Non-current			393,568	636,847
Derivative instruments Safra swap x USD (i)			-	(5,788)
Total net loans, financing, and debentures			774,139	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.

(Amounts in thousands of Reais)

a) *Balance transactions*

	09/30/2021	12/31/2020
Opening balances	878,476	938,988
Loans and financing	160,000	324,000
Accrued Interest	33,421	45,229
Amortization of principal	(261,761)	(454,432)
Interest Amortization	(35,103)	(38,047)
Exchange rate variations	908	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	774,139	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% p.a. 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% p.a.

Both issuances 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 Mobiliários "CVM") Instruction 476. The debentures do not have renegotiation clauses. The funds raised were used to reinforce working capital.

c) *Disbursement schedule*

	09/30/2021	12/31/2020
09/30/2022 - 12/31/2022	90,268	365,450
01/01/2023 - 12/31/2023	198,705	166,770
01/01/2024 - 12/31/2024	96,836	96,835
After 12/31/2024	7,759	7,792
Total	393,568	636,847

d) *Composition by currency*

	09/30/2021	12/31/2020
In Brazilian reais - BRL	774,139	857,810
In U.S. dollars - USD	-	20,666
Total	774,139	878,476

(Amounts in thousands of Reais)

e) Guarantees

	09/30/2021	12/31/2020
Guarantee / Endorsement (Related parties - Note 9)	345,980	727,295
Fiduciary assignment of credit rights	123,270	142,115
Bank guarantees	82,346	78,620
Real Estate (Related Parties - Note 9)	52,183	52,183
	603,779	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 September 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	51,849	13,669	918	66,436
remeasurement	243,301	-	-	243,301
Write-offs	(14,236)	(8)	(45)	(14,289)
Depreciation	(110,552)	(13,946)	(7,382)	(131,880)
Balances as of September 30, 2021	1,433,783	53,450	21,245	1,508,478

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	51,849	13,669	918	66,436
Remeasurements	243,301	-	-	243,301
Write-offs	(15,071)	(9)	(57)	(15,137)
Accrued Interest	80,711	3,220	1,319	85,250
Payments	(165,422)	(16,788)	(8,421)	(190,631)
Balances as of September 30, 2021	1,533,021	57,452	22,480	1,612,953
Current	168,464	22,128	10,716	201,308
Non-current	1,364,557	35,324	11,764	1,411,645

(Amounts in thousands of Reais)

c) Lease liability maturity schedule

	2021	2020
01/01/2022 - 12/31/2022	138,467	167,036
01/01/2023 - 12/31/2023	150,265	152,098
01/01/2024 - 12/31/2024	126,807	121,299
After 01/01/2025	996,106	811,021
Total	1,411,645	1,251,454

d) Potential PIS and COFINS credit

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

	09/30/2021	12/31/2020
Lease consideration	2,675,619	2,246,562
Potential PIS and COFINS (9.25%)	159,736	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 method, without considering inflation.

In order to safeguard the reliable representation of the information based on the requirements in NBC TG 06 (R2) and to comply with the guidelines from 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	
	09/30/2021	12/31/2020	09/30/2021	12/31/2020
Properties	1,533,021	1,337,653	1,914,130	1,669,707
IT equipment	57,452	57,360	63,341	61,004
Machines and equipment	22,480	28,721	24,784	30,411
Total	1,612,953	1,423,734	2,002,255	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.

(Amounts in thousands of Reais)

16. TAXES AND CONTRIBUTIONS PAYABLES

	09/30/2021	12/31/2020
ICMS	60,625	67,174
INSS/FGTS	24,608	27,917
ISS	12,578	3,531
Installment payments	8,613	8,970
IRPJ / CSLL	5,779	6,834
Others	288	187
Total	112,491	114,613
Current	104,648	106,399
Non-current	7,843	8,214

17. PROVISION FOR LEGAL PROCEEDINGS

a) *Account composition*

	09/30/2021	12/31/2020
Administrative	641	868
Civil	3,224	2,819
Labor	21,856	23,215
Fiscal	255	339
Total	25,976	27,241

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

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

b) *Values related to lawsuits during the 9-month period ending September 30, 2021*

	12/31/2020	Additions	Reversals	Payments	09/30/2021
Administrative	868	382	(326)	(283)	641
Civil	2,819	655	(218)	(32)	3,224
Labor	23,215	4,188	(1,651)	(3,896}	21,856
Fiscal	339	111	(195)	-	255
Total	27,241	5,336	(2,390)	(4,211)	25,976

(Amounts in thousands of Reais)

c) *Values related to lawsuits during the 9-month period ending September 30, 2020*

	12/31/2019	Additions	Reversals	Payments	09/30/2020
Administrative	712	549	(86)	(379)	796
Civil	4,929	1,118	(1,934)	(182)	3,931
Labor	15,115	6,876	(944)	(543)	20,504
Fiscal	492	94	(233)	(16)	337
Total	21,248	8,637	(3,197)	(1,120)	25,568

d) *Contingent liabilities - Possible loss risk*

As of September 30, 2021, the Company was a party in lawsuits classified by its legal advisors as a possible risk of loss reaching an amount of BRL 317,863 (BRL 298,676 in 2020), for which no provisions were made.

The type and estimates are shown below:

	09/30/2021	12/31/2020
Administrative	479	8,602
Civil	2,300	5,043
Labor	9,960	6,207
Fiscal	305,124	278,824
Total	317,863	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:

i) ICMS debt cancellation lawsuit

A lawsuit aimed at canceling the penalty representing an amount of BRL 95,304 (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 tax inspectors, would have (in the opinion of the tax authorities) caused an omission of ICMS tax payments between 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, demanding payment of 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 the 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, it does not consider this 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 procedures adopted at the store level, in most cases due to mere errors in the interpretation of the regulation.

(Amounts in thousands of Reais)

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

18. SHAREHOLDER EQUITY

a) Share Capital

As of September 30, 2021, the Company's capital stock, fully subscribed and paid adding up to BRL 1,241,689, from which the amount of BRL 42,470 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 1,199,219 (As of December 31, 2020: BRL 1,200,666). As of September 30, 2021, and December 31, 2020, this value of the Company's capital stock is represented by 443,781,062 common shares, all registered, book-entry and without par value.

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

b) Capital reserves

	09/30/2021	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)	10,405	7,842
Incorporation reserve	330	330
Total	385,995	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 an 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

<u>Legal reserves</u>

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.

<u>Tax incentive reserve</u>

Established with a portion of the profit resulting from investment subsidies received by the Company, as detailed in Note 21 - Government subsidies.

(Amounts in thousands of Reais)

d) Treasury shares

On December 9, 2020, the Company's Board of Directors approved a Buyback Program for 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 R$ 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.

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, which enables the granting of restricted shares to the participants selected by the Board of Directors, in order to: (i) attract and retain the 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 interests more closely aligned with the Company's objectives; and (iii) to develop the corporate purposes of the Company and interests of its 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 September 30, 2021, is BRL 10,405 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 that the Company may grant one or more common, registered, book-entry shares with no par value, subject to the restrictions provided for in the Restricted Stock Plan, program and / or in the related grant agreement.

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 9-month periods ended September 30, 2021 and 2020 is shown below:

	09/30/2021	09/30/2020
Earnings per share, attributable to shareholders, for the period	143,403	58,500
Weighted number of shares during the period (thousands of shares)	443,781	352,705
Basic and diluted earnings per share - BRL	0.323	0.166

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

21. GOVERNMENT SUBSIDIES

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

(Amounts in thousands of Reais)

The Company recognized in its income for the nine-month period ended September 30, 2021, as a reduction in the cost of goods sold, the amount of R$87,775 (R$80,183 as of September 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

	07/01/2021 to 09/30/2021	01/01/2021 to 09/30/2021	07/01/2020 to 09/30/2020	01/01/2020 to 09/30/2020
Sale of goods	2,006,259	5,826,941	1,889,148	5,325,263
Services provided	35,862	161,154	12,488	27,904
Gross revenue	2,042,121	5,988,095	1,901,637	5,353,167
Taxes levied on sales	(105,520)	(332,136)	(99,217)	(270,874)
Returns and Rebates	(13,660)	(40,602)	(12,256)	(32,172)
Adjustment to present value	(10,903)	(30,276)	(8,398)	(21,002)
Sales deductions and rebates	(130,083)	(403,014)	(119,871)	(324,048)
Net revenue	1,912,038	5,585,081	1,781,765	5,029,119

23. COSTS AND EXPENSES

a) By account:

	07/01/2021 to 09/30/2021	01/01/2021 to 09/30/2021	07/01/2020 to 09/30/2020	01/01/2020 to 09/30/2020
Cost of goods sold	(1,307,448)	(3,781,183)	(1,238,291)	(3,483,287)
Selling expenses	(451,363)	(1,308,706)	(395,111)	(1,163,630)
General and administrative expenses	(74,565)	(195,686)	(62,889)	(157,533)
Total costs and expenses	(1,833,376)	(5,285,575)	(1,696,291)	(4,804,450)

(Amounts in thousands of Reais)

b) By type:

	07/01/2021 to 09/30/2021	01/01/2021 to 09/30/2021	07/01/2020 to 09/30/2020	01/01/2020 to 09/30/2020
Cost of Goods	(1,307,448)	(3,781,183)	(1,238,291)	(3,483,287)
Personnel expenses	(284,382)	(825,558)	(268,198)	(752,827)
Rental expenses	(6,335)	(28,574)	(6,711)	(16,726)
General expenses	(162,981)	(450,413)	(120,515)	(364,102)
Depreciation and amortization	(72,230)	(199,847)	(62,576)	(187,508)
Total costs and expenses	(1,833,376)	(5,285,575)	(1,696,291)	(4,804,450)

24. INCOME STATEMENT

	07/01/2021 to 09/30/2021	01/01/2021 to 09/30/2021	07/01/2020 to 09/30/2020	01/01/2020 to 09/30/2020
Financial revenue				
Revenue from financial investments	3,033	7,856	728	955
Fair value adjustment of derivative instruments	-	8,403	4,816	130,446
Fair value adjustment of financial liabilities	-	51	221	1,270
Adjustment to present value	10,130	29,414	6,671	19,315
Currency exchange rate variation	-	4,725	6,430	24,863
Other financial revenue	2,949	4,759	271	1,067
Total financial revenue	16,112	55,208	19,137	177,916
Financial expenses				
Provisioned interest	(14,054)	(32,612)	(11,961)	(34,346)
Lease interest	(30,750)	(85,250)	(28,495)	(87,128)
Fair value adjustment of derivative instruments	-	(7,422)	(4,172)	(71,467)
Fair value adjustment of financial liabilities	-	-	-	(3,775)
Adjustment to present value	(20,176)	(61,773)	(22,117)	(72,601)
Exchange rate variation	-	(5,633)	(7,079)	(86,575)
Other financial expenses	(2,190)	(5,789)	(3,173)	(18,511)
Total financial expenses	(67,170)	198,479	76,997	(374,403)
Financial results	(51,058)	(143,271)	(57,860)	(196,487)

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 September 30, 2021, and December 31, 2020, are presented below:

(Amounts in thousands of Reais)

	09/30/2021		12/31/2020	
Description	Accounting	Fair value	Accounting	Fair value
Financial assets measured at fair value through profit and loss				
Cash and cash equivalents	322,801	322,801	589,086	589,086
Financial investments	8,514	8,514	40,397	40,397
Financial liabilities 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

Credit risk

Credit risk is the risk that the Company will incur with losses from customers or counterparties 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 adding up to BRL 331,315 as of September 30, 2021 (BRL 635,271 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 and first-rate financial institutions. These balances are spread over these institutions in order to minimize risk concentration and, thus, mitigate a financial loss due to a potential default risk from the 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 concentrated 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 card administrators and market leaders, therefore, Management believes that such risk is low.

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

	09/30/2021	12/31/2020
Coming due:		
From 1 to 30 days	265,786	268,275
31 to 60 days	128,107	130,738
61 to 90 days	74,843	63,959
Over 90 days	61,655	48,544
Total	530,391	511,516

(Amounts in thousands of Reais)

There are no overdue balances from with credit card companies.

Liquidity risk

Liquidity risk refers to the Company's possible difficulty in meeting obligations associated with its financial liabilities, which are settled with payments in cash or other 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 enables, in addition to the fulfillment of financial obligations, the short-term operations in the financial market, in order to monetize surplus cash.

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

On September 30, 2021	Accounting Value	Value Contractual	1 year or less	Between 1 and 2 years	Between 2 and and 5 years	Over 5 years
Suppliers (Note 13)	1,188,136	1,188,136	1,188,136	-	-	-
Leasing (Note 15)	1,612,953	1,612,953	201,308	138,467	277,072	996,106
Loans, net of derivative financial instruments (Note 14)	523,228	523,228	266,137	164,402	92,689	-
Debentures (Note 14)	250,911	250,911	114,434	96,528	39,949	-

As of December 31, 2020	Accounting Value	Value 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 commodity prices, may have an impact on the Company's earnings or on the value of its position 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

The Company seeks to diversify its funds regarding 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.

(Amounts in thousands of Reais)

We present a scenario with nominal rates verified on September 30,2021 (book balance based on the 6.15% p.a. closing CDI rate) and the probable scenario considered by Management, which corresponds to the forecast of the CDI curve considering as a base the closing on September 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 the indexes.

Additional sensitivity analysis

The Company's financial instruments are represented by 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 September 30, 2021, and December 31, 2020 were close to market values. The risks linked to the Company's operations are related to the CDI (Interbank Deposit Certificate) rate variation.

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, in accordance with quotes published by the respective financial institutions, the 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 September 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 September 30, 2021, with a one year forecast and verifying the sensitivity of the CDI index in each scenario.

September 30, 2021

Financial institutions and modalities	Risk (rate)	Accounting balance	Probable scenario	Scenario I 25%	Scenario II 50%
Financing and loans	CDI Increase	428,407	11,683	34,380	45,850
Debentures	CDI Increase	250,911	4,441	12,044	16,308
Financial investments	Reduction of CDI	256,417	-	-	-
Net exposure (financial expense)			16,124	46,424	62,158

December 31, 2020

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

(Amounts in thousands of Reais)

Foreign 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 counterparties that granted the original credit transactions and with 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 September 30, 2021, thus eliminating the balance of derivative financial instruments (R$5,788 on December 31, 2020).

In order to measure the estimated net impact on the company's results, due to 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 continue 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:

	09/30/2021	12/31/2020
Loans, financing and debentures	774,139	878,476
Derivative operations	-	(5,788)
Loans, financing and debentures, net of derivative financial instruments	774,139	872,688
(-) Cash and cash equivalents	(322,801)	(589,086)
(-)Financial investments	(8,514)	(40,397)
Net debt	442,824	243,205
Owners' equity	2,077,699	1,940,923
Leverage ratio	0.21	0.13

(Amounts in thousands of Reais)

Fair value hierarchy

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

	09/30/2021		
Description	Level 1	Level 2	Level 3
Cash and cash equivalents	322,801	-	-
Financial investments	8,514	-	-
Share-based compensation plan	-	-	10,405

	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).

Fair value calculation

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

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 discount of estimated future cash flows based on the conditions and maturity of each contract and using the exchange coupon plus a spread, which is obtained in 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 gain
Financing and loans measured at fair value through profit or loss	20,666	20,666	1,461	(3,769)

(Amounts in thousands of Reais)

26. INSURANCE COVERAGE

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

Type	09/30/2021	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

27. SUBSEQUENT EVENTS

On October 13, 2021, the Board of Directors approved the 6th issue of simple, non-convertible, unsecured debentures, in up to two series, for public distribution with restricted efforts by the Company under the terms of the Instruction of CVM 476, with up to 450,000 (four hundred and fifty thousand) debentures being issued, with a unit face value of R$ 1 for a total amount of R$ 450,000, whose maturity terms are five years for the debentures of the first series and seven years for the second series debentures, counted from the issue date, which is estimated by Management to occur on November 5, 2021.

COMMENT ON THE BEHAVIOR OF BUSINESS PROJECTIONS

According to a material fact published by the company in September 1, 2021, Empreendimentos Pague Menos S.A. (“Company”) projects a gross opening of 80 stores for the year ended December 31,2021, and the gross opening of 120 stores for the year ended December 31, 2022.

In the third quarter of 2021, 25 stores were opened, totalling 32 openings accumulated in the year. We reiterate our projection of 80 gross opening for 2021, with 48 stores expected to be opened in the fourth quarter, and 120 for 2022.

Year	Projection	Accomplished
2021	80 openings	32 openings until 09/30/21
2022	120 openings	N/A

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Independent Auditor's Report on Review on Quarterly 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 September 30, 2021, comprising the statement of financial position as of September 30, 2021 and the related statement of profit or loss and of comprehensive income for the three and nine-month periods then ended, and of changes in equity and of cash flows for the nine-month period then ended, including other explanatory notes.

Management is responsible for the preparation of the interim financial information in accordance with Accounting Pronouncement 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 Information Form (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 Information Form (ITR) and presented consistently with the rules issued by the Brazilian Securities and Exchange Commission (CVM).

Other matters

Statement of value added

The abovementioned quarterly information includes the statement of value added (SVA) for the nine-month period ended September 30, 2021, prepared under the 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 whether 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 it was not prepared, in all material respects, consistently with the overall interim financial information.

Fortaleza, November 3, 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 September 30, 2021.

Fortaleza, November 3, 2021.

Mario Henrique Alves de Queirós
Chief Executive Officer

Luiz Renato Novais
Chief Financial and Investor Relations Officer

Marcos Ricardo Colares
Vice President of Commercial and Supply

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

Gianni Dias Gill
Director of Operations

Andre Albuquerque Ferreira Pinto Bandeira
Director of Operations

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 September 30, 2021.

Fortaleza, November 3, 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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Vice President of People, Legal and Administrative

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