EARNINGS RELEASE 2Q22

Fortaleza, Ceará, August 1, 2022. Empreendimentos Pague Menos SA ("Company" or "Pague Menos"), the first pharmaceutical retail chain present in every state in Brazil, bringing health care products and services to over 350 Brazilian municipalities, announces its results for the second quarter of 2022.

Since 2019, our financial statements have been prepared in accordance with IFRS 16, which changed the criteria for recognizing rental contracts. To demonstrate the effects of implementing this standard and facilitate comparisons between periods, we present on page 15 of this release the Income Statement for the Year excluding the effects of IFRS 16.

2Q22 HIGHLIGHTS

- **Organic expansion:** 28 stores openings, totaling 1,193 points of sale
- **Inorganic expansion:** CADE's approval of Extrafarma acquisition
- **Digital**: 41.3% growth in sales, reaching 9.6% of total sales
- **Sales**: total growth of 8.6% (11.3% ex-covid tests) and same stores of 4.6% (7.3% ex-covid tests)
- **Consultations:** 8.9% growth, reaching 15.8 million active customers
- **Gross Profit**: 10.5% growth and gross margin expansion of 0.5 p.p.
- **Contribution Margin**: expansion of 0.4 p.p., with 0.6 p.p. in same stores
- **Adjusted EBITDA**: growth of 9.5% and EBITDA margin expansion of 0.1 p.p.

FINANCIAL HIGHLIGHTS (BRL million)	2Q21	2Q22	Δ	1S21	1H22	Δ
Gross Revenue	**2,035.8**	**2,210.4**	**8.6%**	**3,946.0**	**4,321.9**	**9.5%**
Gross Profit	**630.3**	**696.3**	**10.5%**	**1,199.3**	**1,321.5**	**10.2%**
% Gross Margin	*31.0%*	*31.5%*	*0.5 p.p.*	*30.4 %*	*30.6%*	*0.2 p.p.*
Contribution Margin	**250.2**	**280.9**	**12.2%**	**459.3**	**507.9**	**10.6%**
Contribution Margin %	*12.3%*	*12.7%*	*0.4 p.p.*	*11.6%*	*11.8%*	*0.2 p.p.*
Adjusted EBITDA	**192.3**	**210.5**	**9.5%**	**351.6**	**372.9**	**6.1%**
Adjusted EBITDA Margin %	*9.4%*	*9.5%*	*0.1 p.p.*	*8.9%*	*8.6%*	*(0.3 p.p.)*
Adjusted Net Income	**70.8**	**56.7**	**(20.0%)**	**115.0**	**81.0**	**(29.5%)**
Adjusted Net Margin %	*3,5%*	*2.6%*	*(0.9 p.p.)*	*2,9%*	*1.9%*	*(1.0 p.p.)*

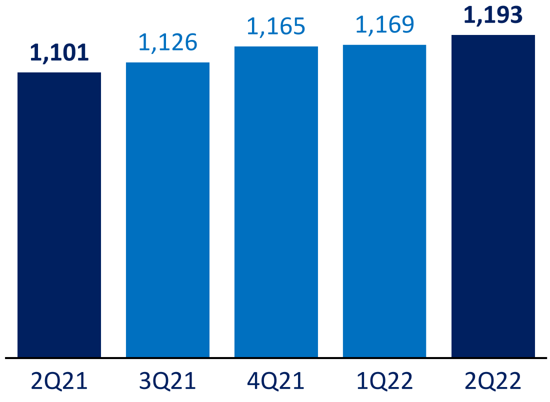
OPERATING HIGHLIGHTS	2Q21	2Q22	Δ	1S21	1H22	Δ
# of stores	1,101	1,193	8.4%	1,101	1,193	8.4%
# of Stores with Clinic Farma	830	915	10.2%	830	915	10.2%
Avg. Sale/store/month (BRL thousand)	616	624	1,2%	596	611	2.5%
# of Consultations (thousand)	26,846	29,222	8.9%	52,913	58,247	10.1%
Average Ticket (BRL)	75.83	75.64	(0.3%)	74.57	74.20	(0.5%)
# of Employees	19,642	19,653	0.1%	19,642	19,653	0.1%
# of Employees/store	17.8	16.5	(1.4)	17.8	16.5	(1.4)
Avg. Sale/employee/month (BRL thousand)	35.0	37.1	6.0%	34.1	36.3	6.6%
% of Digital Channel Sales	7.4%	9.6%	2.2 p.p.	6.8%	9.3%	2.5 p.p.

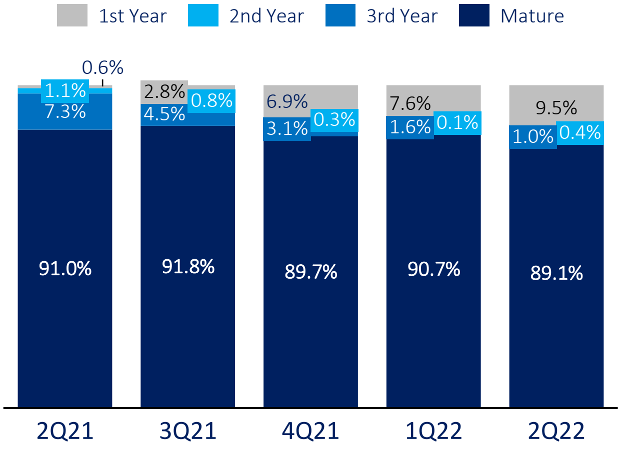
STORE PORTFOLIO

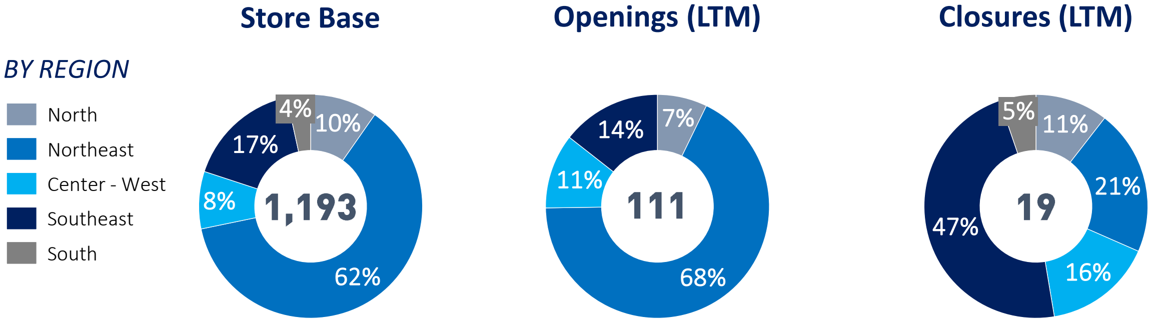
We ended 2Q22 with 1,193 stores, with 28 openings and 4 closures in the quarter.

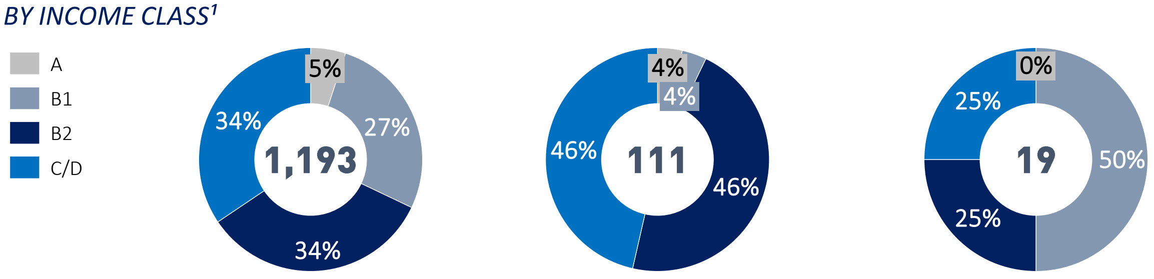
In the last 12 months, we have accumulated 111 gross openings, of which 75% were in the North and Northeast regions and 92% positioned in micro-regions with a predominance of the expanded middle class (income classes[1] B2/C/D). The current expansion cycle consolidates our DNA of serving the middle and lower-income segments of the population, an important strategic differential in our business model.

We continue to strengthen the capillarity of the network, reaching the presence in 356 different municipalities at the end of 2Q22 (+31 vs 2Q21). 65% of the stores opened in the last 18 months are located in inland cities.





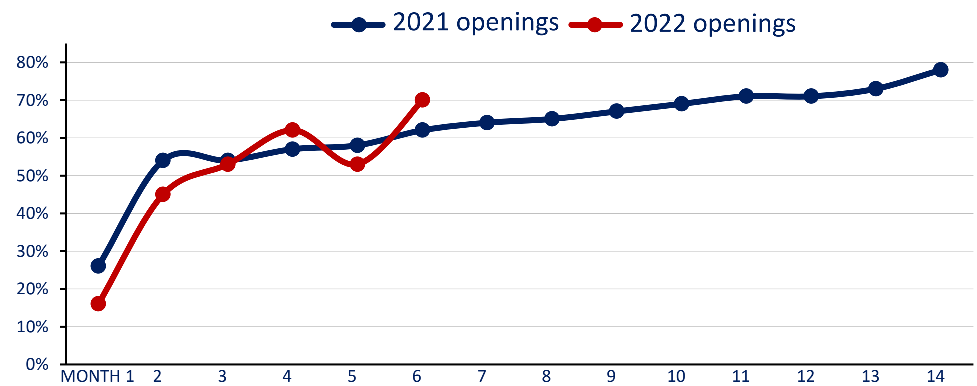




¹ Predominant social class in area each store (isochronous for 5 minutes travelling by car). Segmentation follows the IBGE criteria, where Class A comprises households with an average monthly family income above BRL 16.6 thousand, B1 above BRL 7.9 thousand, B2 above BRL 4.2 thousand and C and D below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

The performance of the new stores continues to evolve as planned, with maturation curves consistently rising. Below we present the maturation curves of the stores opened in 2021 (80 stores) and 2022 (17 stores – considering only those with more than one full month of sales). In addition to the good performance observed in the curves, we highlight the good economics presented by these stores, with breakeven and margins above those initially planned.

Sales Maturity Curve
(in % of potential sales)

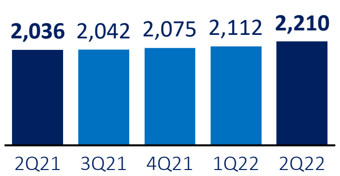


SALES

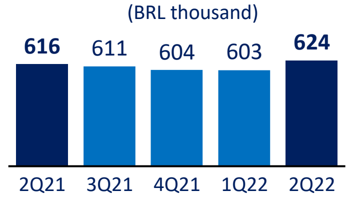
Gross revenue in 2Q22 totaled BRL 2.2 billion, an increase of 8.6% compared to 1Q21. The growth in sales in the same stores reached 4.6%, negatively impacted by the drop in demand for covid-19 tests which in 2Q21 represented 3.4p.p. sales growth in that period. Excluding this line of revenue, same store sales grew by 7.3% in 2Q22. The average sale per store reached R$624 thousand, considering the total portfolio, and R$652 thousand considering only mature stores.

We observed an upward trend in sales over the quarter. In April, sales dynamics were weaker, due to the anticipation of demand in March caused by the price adjustment of medicines in April. From the month of May, the growth in sales "ex-covid" intensified. This indicator for April, May and June was 4.0%, 7.8% and 10.0%, respectively.

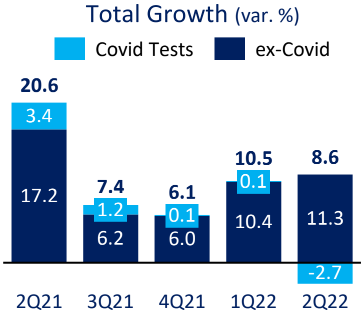
Gross Revenue
(BRL million)



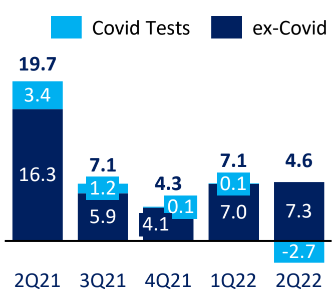
Average Sale per store/month
(BRL thousand)



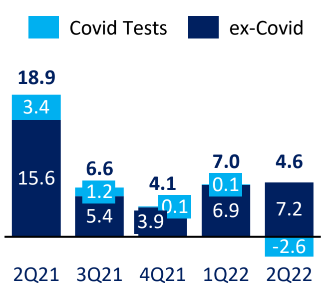
Total Growth (var. %)



Growth.: Same Stores (var. %)



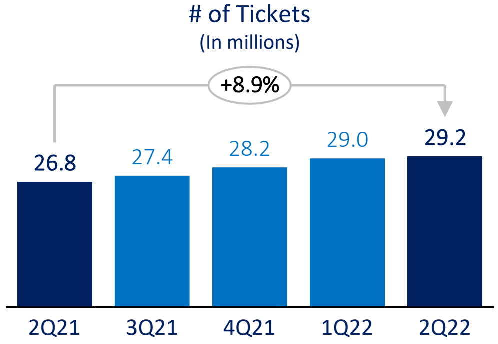
Growth.: Mature Stores (var. %)

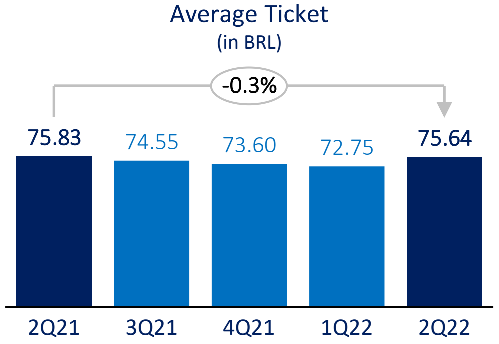


On a regional basis, we observed different behaviors, with mature stores in the South and Southeast growing approximately twice as much as the ones in the North and Northeast. The dynamics is potentially explained by the flu outbreak observed in the country, with a higher incidence in the colder regions with the approach of winter.

The volume of tickets increased 8.9% in 2Q22, due to the organic expansion and an assertive strategy in CRM and Marketing. At the end of the quarter, our active customer base (with purchases in the last 12 months) reached 15.8 million, an increase of 5.8% over the previous year.

The average ticket in 2Q22 was stable compared to 2Q21, with the reduction of items per basket and mix effect offsetting inflation in the period. The average number of items per basket retracted 6.9%. The average price increased by 8.2%, due to the readjustment of medicines and inflation of non-medicines, while the mix effect calculated on the average ticket was -1.5%, due to the drop in covid tests and the growth of categories with lower added value, but higher cash margins, such as generics and private label brands.

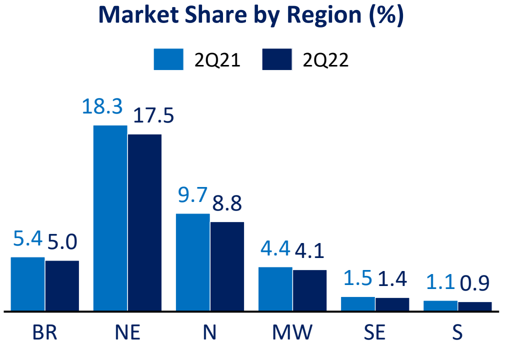


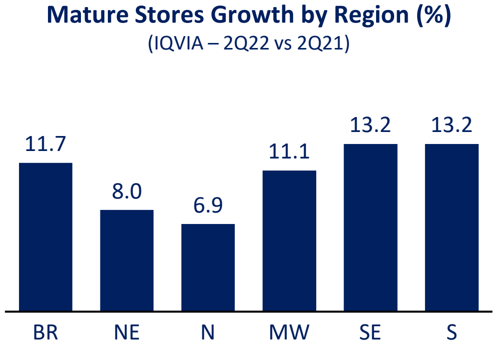


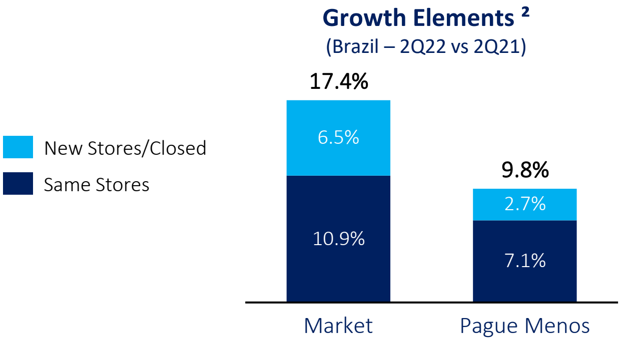
MARKET SHARE

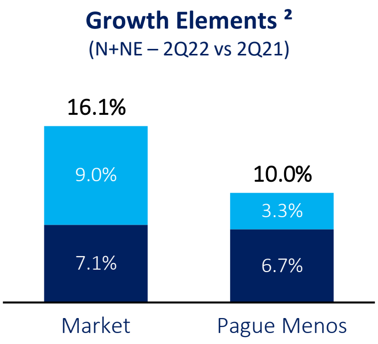
Our market share on 2Q22 was impacted by the proportion of stores opened being smaller than the total market, especially in North and Northeast. The total store base in the North and Northeast regions grew 9.8%, more than double the growth rate in the other regions, which was 3.8%. Of the total of more than 4,700 new pharmacies opened in Brazil in the last 12 months, 56% were concentrated in the North and Northeast regions. This contributed to a reduction in our market share by 0.8 p.p. in Northeast and 1.1 p.p in North. Excluding the contribution of new stores in growth, our growth rate was close to the market in this regions, which can be seen on the chart "Growth Elements - N/NE".

2Q22 was also impacted by strongest growth in the Southeast and South regions, approximately twice the growth observed in the regions North and Northeast, due to the flu outbreak and respiratory problems in the regions which suffer the greatest impact of the Brazilian winter which can be seen on the chart "Mature Stores Growth by Region" below. In consequence of our geographic exposure focus on regions North and Northeast, we recorded a decline of 0.4p.p. of national market share in the quarter.









EXTRAFARMA ACQUISITION

On the date of this release, Pague Menos closed the acquisition of Extrafarma, which is an important strategic step that places us in a privileged position in the market, with outstanding leadership in the North and Northeast regions, increasing scale in the development of our Health Hub and significant potential for synergies.

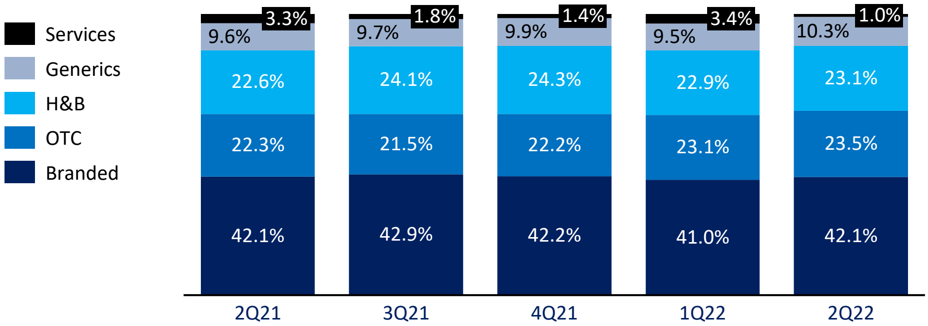
With the incorporation of Extrafarma's portfolio of stores, we reached the position of second largest player in pharmaceutical retail, also becoming one of the 10 largest national retail chains in number of stores, with capillarity in 368 municipalities in all states of the federation. Our combined market share[3] reaches 22.2% in the Northeast and 18.0% in the North, consolidating our leadership in the two most important regions for our growth strategy.

The transaction also accelerates our plans to consolidate our position as the main Health Hub for national pharmaceutical retail, as we will use Extrafarma stores as a platform for the growth of strategic initiatives such as Clinic Farma, digital channels and our own brands.

In addition to all the strategic rationale, the transaction is highly attractive in terms of generating synergies, which should be increasingly reflected in cash generation. We estimate a potential of R$180 million to R$275 million of incremental EBITDA per year, generated by sales and gross margin synergies[4], logistics optimization and organizational structure, to be captured in a 2.5-year horizon.

SALES MIX

Our category management strategy continues to deliver consistent results, driving the sales mix in an increasingly profitable direction. In 2Q22, the growth of generic drugs stood out, expanding 16.5%, above the Abrafarma average, reflecting the expanding efforts of the assortment, pricing and in-store communication.

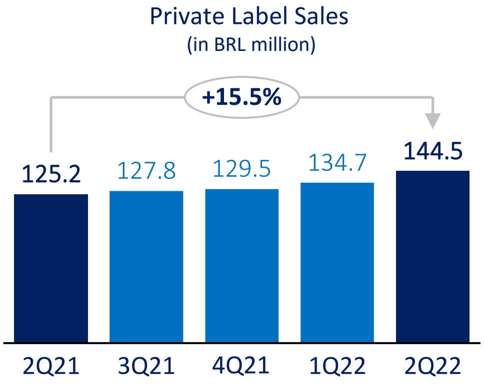


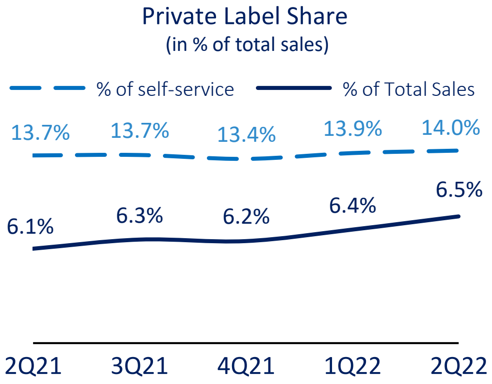
[2] Considers sales growth in BRL CPP (*Consumer Purchase Price*), which normalizes sales prices among players. Due to the methodology, the percentages of growth may differ from those effectively achieved.
[3] Source IQVIA. Data refers to the 2021 full year.
[4] Estimated synergies, should not be interpreted as projections or promise of performance

The OTC category showed an increase of 14.4%, mainly driven by items related to influenza, cold and antiallergics, reflecting an increase in cases of influenza throughout the country. The share of service revenues fell significantly in the quarter due to the reduction in demand for covid tests, with the normalization of the pandemic situation.

PRIVATE LABEL

Once again, our own brands were one of the highlights of the quarter. Reaching a record BRL 144.5 million in sales, the category grew 15.5% compared to 2Q21, despite strong negative impact due to the drop in demand for items related to Covid-19, such as disposable masks and hand sanitizer. In the quarter, private label products reached the expressive mark of 14% of self-service sales, an increase of 0.3 p.p. compared to 2Q21.



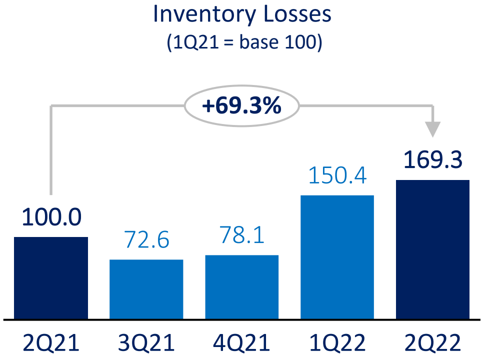


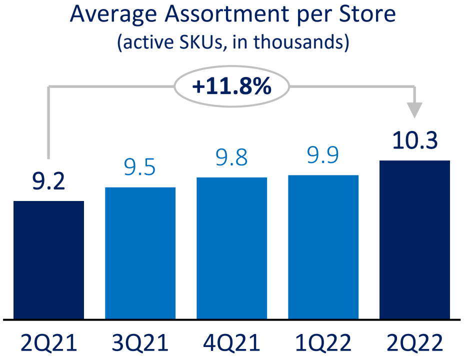
ASSORTMENT AND STOCKOUT

As in the previous quarter, we observed throughout 2Q22 a challenging scenario in the global supply chain. Factors such as increases in freight costs, currency devaluation, inflation of raw materials and successive lockdowns in China, the main supplier of the pharmaceutical industry in Brazil, have impacted the inventory levels and lead times of the industry, affecting product availability.

Our stock-out rate in stores grew by 69.3% in 2Q22, reaching the highest level since 2019. Despite the direct impact on sales dynamics, the increase in stock out did not negatively impact our market share, since the problem of lack of products was widespread in the sector.

We expanded the active in-store assortment by 11.8% compared to 2Q21, reaching an average of 10.3 thousand items per store.

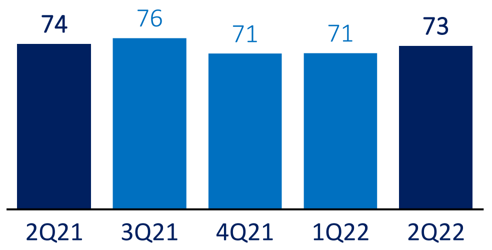




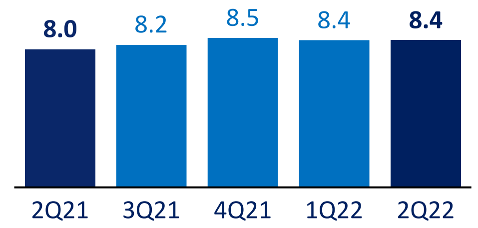
SERVICE LEVEL

Throughout the quarter, we maintained the level of excellence in the main service level indicators. Our NPS reached 73 points, an increase of 2 points compared to 1Q21 and a decrease of 1 point compared to 2Q21. On the *ReclameAqui* customer complaint site, we maintained the 8.4 score achieved in the previous quarter, consolidating the brand as having one of the best reputations among national retailers on the platform.

NPS



Reclame Aqui
(cumulative 6 months)



HEALTH HUB

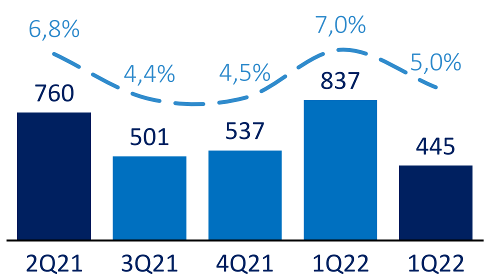
The Pague Menos Health Hub has the proposal to enhance our value proposition through a comprehensive offering of health services to our customers, leveraging the growing capillarity of the network, digital channels and network of agreements and partnerships. Throughout 2Q22, we advanced with the expansion of the reach and scope of our Hub through new partnerships and strategic initiatives.

One of the growth vectors for our Health Hub will be a progressive approach with health insurance operators, in the areas of patient screening, offering in-store telemedicine and support for the monitoring of chronic patients, preventing hospitalizations, reducing accidents and increasing resolution through treatment. In 2Q22, we took an important step in this direction with a partnership signed with LIV Saúde, an operator present in the states of Ceará and Rio de Janeiro, where the beneficiaries of the plans will have access to pharmaceutical services and telemedicine in Pague Menos stores with Clinic Farma facilities.

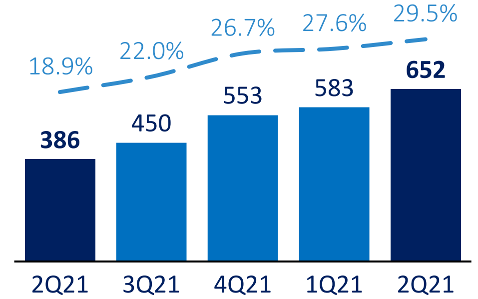
Initiatives with multiple PBM operators were also expanded, with the targeting of POCT (point-of-care-testing) for chronic patients, discounts on service packages and telemedicine offerings, thus increasing synergies between the programs and Clinic Farma, leading to increased customer loyalty.

In 2Q22, we expanded the footprint of Clinic Farma to 915 stores, consolidating our position as the main player offering health services in pharmacies in Brazil. In the quarter, 445 thousand consultations were made in our clinics, a 41.5% reduction compared to the same period of the previous year, due to the drop in demand for Covid-19 tests with the slowing of the pandemic.

Clinic Farma Consultations and Adherence
(in thousands and % of total customers)



Sales from Partnerships Agreements
(BRL million and % of the total sales)



Sales through agreements (*Convênios*) and partnerships reached 29.5% of total sales in 2Q22 (+10.6 p.p. vs 2Q21). In addition to contributing to increased customer loyalty and lifetime value, the area of agreements and partnerships has generated incremental sales by also attracting new customers. In the year, 1.9% of the Company's total sales came from activated or recovered customers (inactive in the last twelve months) through agreements and partnerships.

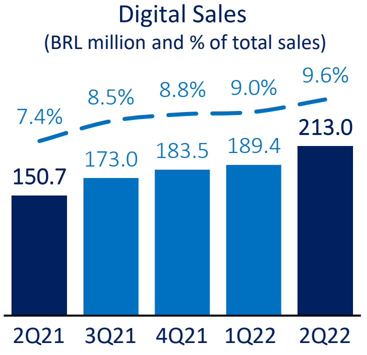
Complementary channels such as *AME* (specialty drugs) and *Pague Menos Manipulação* (compounding pharmacies) grew 85% and 8%, respectively, in 2Q22. Together, these areas currently account for more than 1% of the Company's total sales, doubling compared to the 2020 level and tripling compared to 2019.

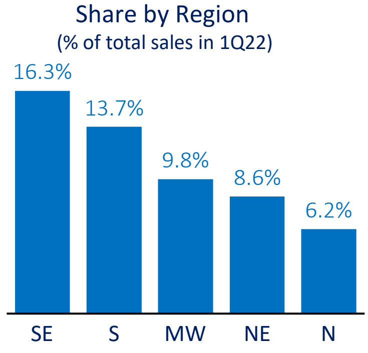
OMNICHANNEL *PLATFORM*

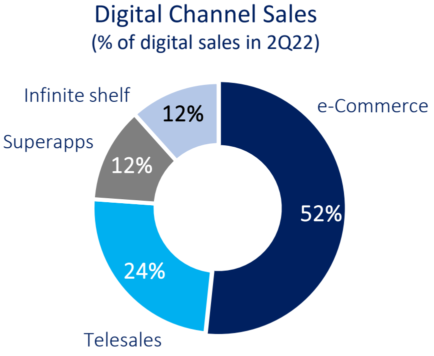
In 2Q22, our digital channels reached sales of BRL 213.0 million, an increase of 41.3% compared to 2Q21, totaling 9.6% of total sales. The consistency of good results is due to the maturation of the channels, new initiatives and an increasing level of service accompanied by improvements in the customer experience.

In a scenario of increasing complexity in supply chains, our omnicanality proposal has been put to the test, with the integration of multiple sales channels minimizing problems related to inventory stockouts. Through the infinite shelf, a relevant number of customers who did not find the desired products in the physical store were served from the stock of other stores or the DC, with the option of fast delivery or store pick-up.

In fact, items of therapeutic classes such as respiratory and anti-infection drugs, which had the highest rates of stockout in the period, showed growth rates above 90% in digital channels, indicating that unmet demand in stores was captured online. As a result of this omnichannel strategy, the infinite shelf sales modality was the one with the highest growth rate among digital channels in the quarter, increasing by 142% compared to 2Q21.







Our market share in digital channels reached 11.6% in 2Q22, more than double the market share considering only physical store retail.

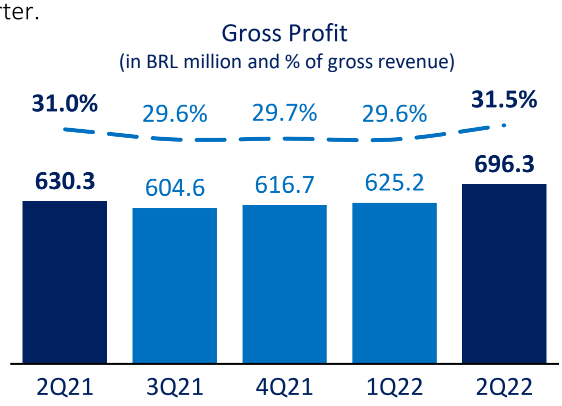
The Pague Menos App has surpassed the mark of 900 thousand downloads since its launch in late 2021. With frequent updates and development of new features, the new App has proven to be an important customer loyalty tool. In 2Q22, features such as PIX payment, geolocation navigation and shopping basket sharing were launched, with good customer adhesion.

In 2Q22, we launched our social commerce platform, *Minha Pague Menos (*My Pague Menos*)*. Through the platform, the general public will be able to create custom stores within the Pague Menos e-commerce environment, promoting sales and receiving commissions. In only three months after launch, the *Minha Pague Menos* already accounts more than 7 thousand "sellers", representing approximately 5% of total e-commerce sales.

GROSS PROFIT

Gross profit totaled BRL 696.3 million in 2Q22, an increase of 10.5% year-over-year. Gross margin in the quarter was 31.5%, an expansion of 0.5 p.p. compared to 2Q21, despite the strong comparison base.

We have been executing a successful "pre-price increase" strategy since the beginning of 2022, reinforcing the inventory of price-controlled items, even in the face of a more complex supply chain scenario compared to 2021. In addition to the effects of pre increase strategy, the increase in participation in strategic categories such as generics and private label products contributed positively to the good performance in the quarter. On the other hand, the growth of digital channels, agreements and partnerships and reduction in the volume of sales of covid tests put pressure on margins in the quarter.

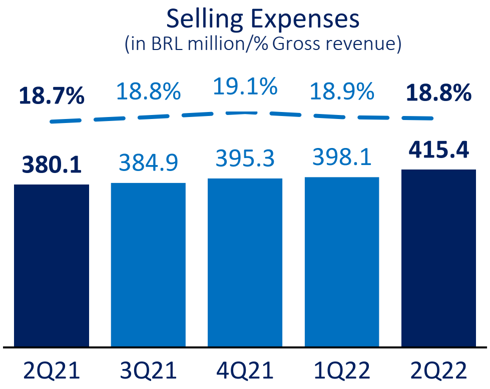


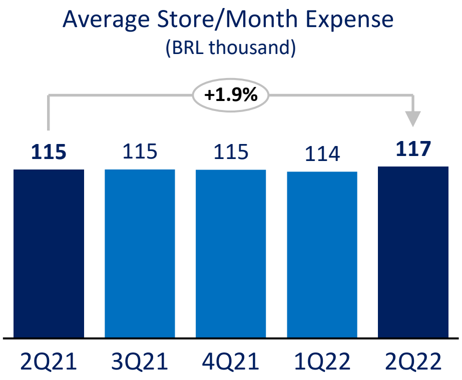
SELLING EXPENSES

Selling expenses totaled BRL 415.4 million in 2Q22, an increase of 9.3% compared to 2Q21. As a percentage of gross revenue, this group of expenses reached 18.8%, an increase of 0.1 p.p. compared to 2Q21 and a decrease of 0.1 p.p. compared to 1Q22.

The growth in the annual comparison is mainly due to the expansion of the store base. Normalizing this effect, average expenditure per store grew 1.9% in the last twelve months, a variation well below the inflation accumulated in the period. The good result is a reflection of an effort made by the Company to optimize operating expenses, with a reduction in the number of store employees (from 14.7 in 2Q21 to 13.4 in 2Q22) and concerted efforts in the rationalization of indirect expenses, which should continue to generate results throughout the year.

In addition, the characteristics of the cohort of newly opened stores, with a focus on serving the expanded middle class in our core regions, allow for a below-average level of operating expenses. The new stores opened in the last 18 months have fixed operating expenses around 20% below the average of the current portfolio.

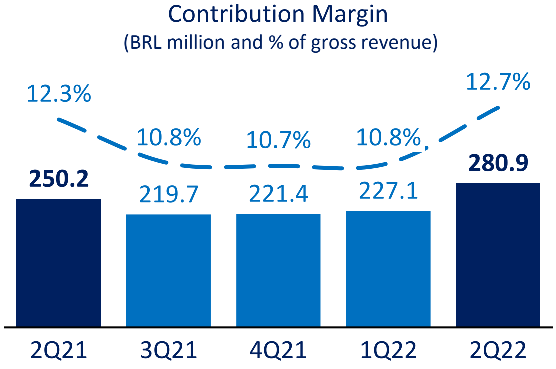




CONTRIBUTION MARGIN

The stores' contribution margin reached 12.7% in 2Q22, an increase of 0.4 p.p. compared to 2Q21 and an increase of 0.9 p.p. compared to 1Q22, due to the good performance in gross margin in the period and efforts in controlling operating expenses.

In 2Q22, we continued to have a relevant effect of the basis for comparison due to the resumption of organic expansion (9.5% of stores less than one year old, versus 0.6% in 2Q21). Thus, it is natural that there is margin pressure due to the maturation curve of the new stores, as already observed in previous quarters. Excluding the effect of new stores, the contribution margin in 2Q22 was 12.9%, an increase of 0.6 p.p. over 2Q21.



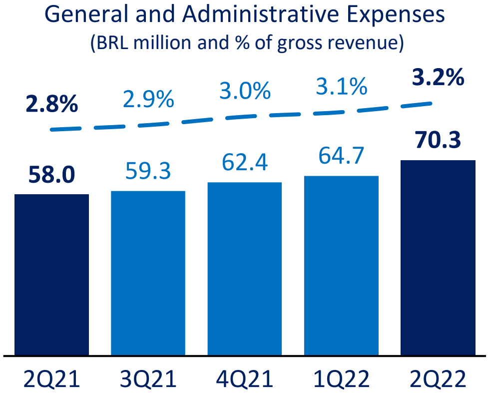
GENERAL AND ADMINISTRATIVE EXPENSES

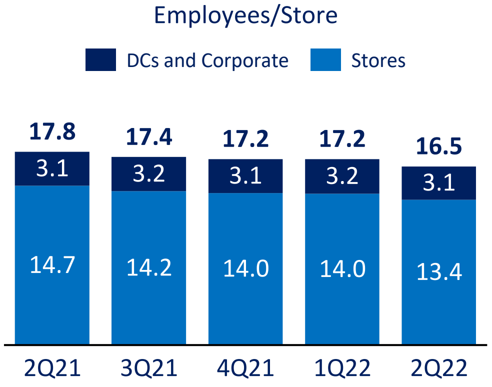
General and administrative expenses (G&A) totaled R$70.3 million in 2Q22, reaching 3.2% of gross revenue (+0.3 p.p. vs. 2Q21).

The growth rate of these expenses in 2Q22 was 21.3%, slowing down from the 30.2% level observed in the previous quarter, but still above revenue inflation, putting pressure on our profitability. The growth is a consequence of the reinforcement in the Company's corporate structure to face our growth plan, with acceleration of organic expansion, digital channels and integration with Extrafarma. The main G&A expenses showing increases in the period were technological infrastructure and the people and benefits area.

Compared to 1Q22, the nominal growth of R$6.8 million is related to provisions with the new cycle of the restricted stock unit, paid to the Company's management annually in April, and expenses with strategic consultancies.

Over the coming quarters, G&A expenses should start a dilution trajectory, as cohorts of new stores advance in their maturation and Extrafarma is consolidated.

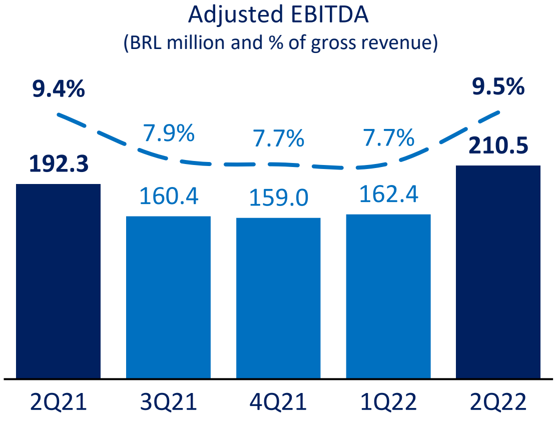




ADJUSTED EBITDA

Adjusted EBITDA totaled BRL 210.5 million in 2Q22, an increase of 9.5% year-on-year. Adjusted EBITDA margin reached 9.5% of gross revenue, an increase of 0.1 p.p. compared to 2Q21.

We consider that the margin pressure observed over the last four quarters, due to the resumption of organic expansion, inflationary mismatch between revenues and expenses and increments in G&A expenses should be normalized as of 3Q22. As a result, we believe that this quarter will be an inflection point for the Company towards growth in profitability, similar to the growth curve observed in previous years.



EBITDA RECONCILIATION

In 2Q22, we recorded R$4.7 million of non-recurring expenses related to the acquisition and planning of the integration of Extrafarma, approved on June 22, 2022, by the CADE (the Brazilian anti-trust authority). These expenses are related to legal fees, consultancies, counting of inventory and the team allocated in the integration planning.

Below is the EBITDA reconciliation table and non-recurring adjustments in the reported earnings.

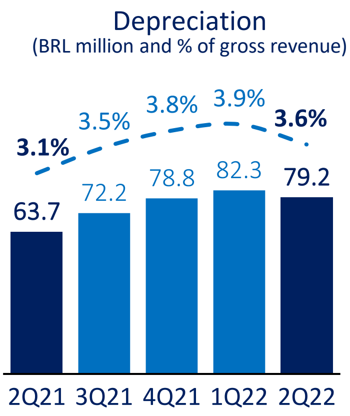
Adjusted EBITDA Reconciliation (BRL million)	2Q21	3Q21	4Q21	1Q22	2Q22
Net Accounting Income	69.4	29.9	21.1	23.4	53.6
(+) Net financial income	45.3	51.1	57.4	74.8	80.3
(+) Income Tax and Social Contribution	11.6	(1.4)	(5.8)	(19.6)	(7.2)
(+) Depreciation and Amortization	63.7	72.2	78.8	82.3	79.2
EBITDA	190.0	151.8	151,5	161.0	205.8
(+) Expenses with the Extrafarma acquisition and integration planning	2.2	8.7	7.5	1.4	4.7
Total adjustments	2.2	8.7	7.5	1.4	4.7
Adjusted EBITDA	192.3	160.4	159.0	162.4	210.5
Total adjustments (after Income Tax)	1.5	5.7	4.9	0.9	3.1
Adjusted Net Income	70.8	35.6	26.0	24.4	56.7

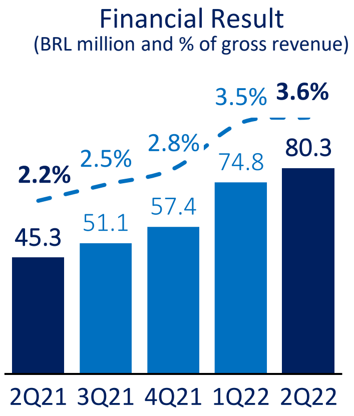
DEPRECIATION, NET FINANCIAL EXPENSES AND INCOME TAX

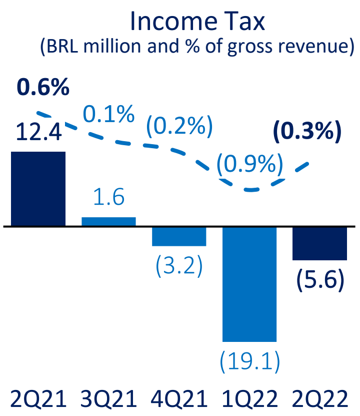
Depreciation totaled R$79.2 million in 2Q22, an increase of 24.2% compared to 2Q21, following the growth of fixed assets in the period, inflation in lease agreements and investments in projects and technological infrastructure.

The financial result recorded in the quarter a net expense of R$80.3 million, an increase of 77.1% compared to 2Q21. As a percentage of revenues, the financial result reached 3.6%, an increase of 1.4 p.p. compared to 2Q21. The increase is mainly due to the increase in debt service expenses in the period, due to the increase in the basic interest rate (from 4.25% at the end of 2Q21 to 13.25% at the end of 2Q22) and an increase in the Company's gross debt. In addition, non-cash effects such as AVP and IFRS16, sensitive to changes in interest rates, negatively impacted financial results by 0.6 p.p., as a percentage of the gross revenue.

Deferred income tax reached a total BRL 5.6 million in the period, adding up to 0.3% of the gross revenue. Credit is related to the reduction of taxable income in the period and investment subsidies.

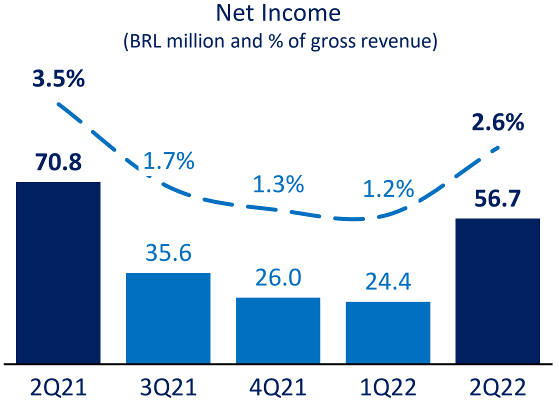






ADJUSTED NET INCOME

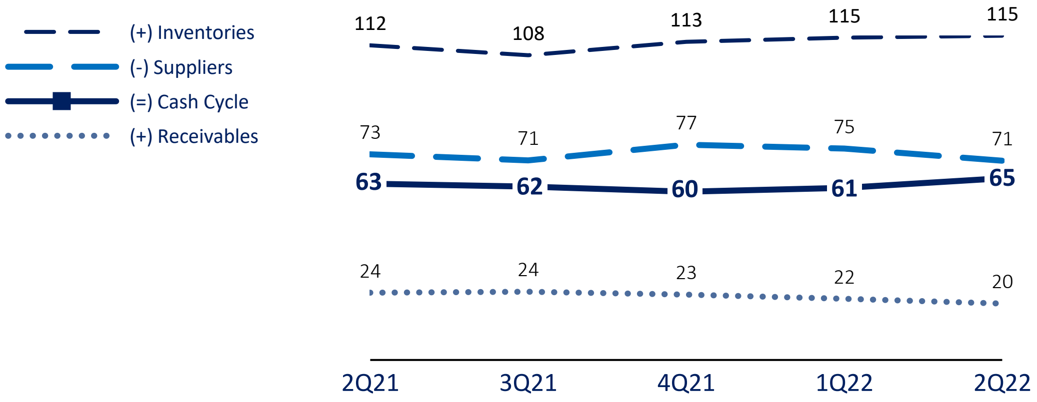
Adjusted net income totaled R$56.7 million in 2Q22, down 20.0% year-over-year. Net margin reached 2.6% quarter-over-quarter, down 0.9 p.p. year-over-year, due to growth in depreciation and financial expenses.



OPERATING CASH CYCLE

In 2Q22, the operating cash cycle was 65 days, an increase of 2 days compared to 2Q21. The increase is related to the payment of suppliers for orders related to pre-high and maintaining the level of inventories at a high level. Due to the scenario of derangement in the sector's supply chain, we chose to reinforce inventories in key categories for the 2nd semester.

Cash Cycle[5]
(in days of CMV and days of Gross Revenue)



INVESTMENTS

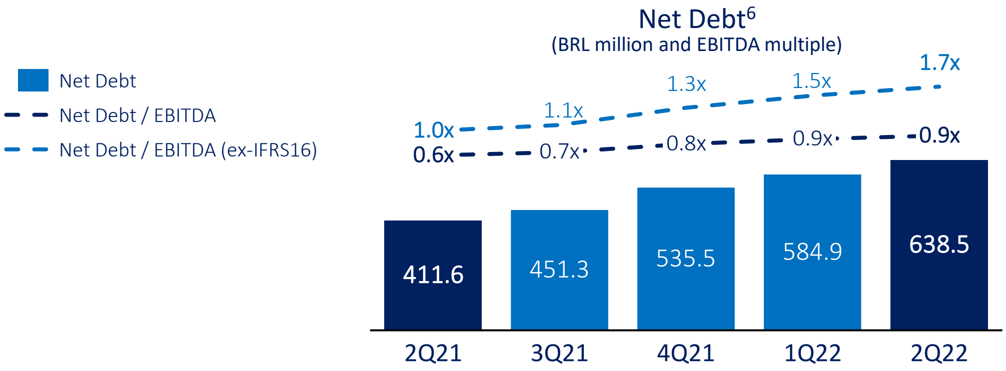
In the accumulated of 2022, R$131.5 million have already been made in investments, an increase of 93% compared to the same period of the previous year. In addition to the resumption of the organic expansion cycle, the increase in the volume of investments has been directed to strategic projects for the improvement of technological infrastructure, acceleration of digital channels and efficiency gains in our logistics network.

Capex (BRL million)	1H21	%	1H22	%
Expansion	18.2	27%	73.7	56%
Store renovations	22.5	33%	19.9	15%
Technology	13.2	20%	28.9	22%
Infrastructure of stores, DCs and offices	13.9	21%	9.0	7%
Total	**67.9**	**100%**	**131.5**	**100%**

INDEBTNESS

Net debt totaled R$638.5 million, an increase of R$226.9 million compared to 2Q21. The net debt/EBITDA ratio (ex-IFRS16) totaled 1.7 times, an increase of 0.7 times compared to 2Q21 and 0.2 times compared to 1Q21.

[5] The calculation of the Average Inventory Period and the Average Payment Terms of Suppliers does not consider the effects of the APV, trade agreements and recoverable taxes.



CASH FLOW

In 2Q22, we recorded a negative free cash flow of R$20.3 million, an improvement of 56% year-over-year. Year-to-date, cash consumption reached R$42.9 million, a result of R$81.5 million better than the same period of the previous year, even with the volume of investments increasing by 93% in the period.

Management Cash Flow (BRL million)	2Q21	2Q22	1H21	1H22
EBITDA	**190.0**	**205.8**	**349.4**	**366.8**
(-) Lease payments (IFRS 16)	60 7	(78.5)	(121)	(157.5)
(Δ) Accounts receivable	48.7	18.8	(18.5)	33.3
(Δ) Inventories	(47.4)	(90.5)	(141.4)	(101.5)
(Δ) Suppliers	(77.5)	(28.7)	(72.1)	(81.5)
(Δ) Recoverable taxes	(16.2)	(1.0)	7.4	(16.3)
(+/-) Change in other assets and liabilities/Non-cash effects	(37.6)	29.6	(60.1)	45.2
(=) Cash flow from operations	**(0.6)**	**55.6**	**(56.4)**	**88.6**
(-) Capital investments	(45.3)	(75.8)	(67.9)	(131.5)
(=) Investment Cash Flow	**(45.3)**	**(75.8)**	**(67.9)**	**(131.5)**
Free cash flow	**(46.0)**	**(20.3)**	**(124.4)**	**(42.9)**
(+) Gross debt raising	-	-	160.0	-
(-) Payment of gross debt	(29.8)	(76.7)	(229.3)	(200.0)
(-) Debt service	(10.4)	(44.4)	(23.9)	(60.7)
Derivative operations	-	-	-	-
(-) Share buyback	-	-	(10.4)	(5.4)
(+) Net funds raised in the IPO		-	-	-
(=) Financing Cash Flow	**(40.3)**	**(121.1)**	**(103.6)**	**(266.2)**
Opening balance of cash, cash equivalents and financial investments	478.2	486.5	620	654.1
Closing balance of cash, cash equivalents and financial investments	392	345.1	392	345.1
Change in cash and cash equivalents	**(86.2)**	**(141.4)**	**(228)**	**(309.0)**

[6] Includes financial investments

INCOME STATEMENT

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

Income Statement for the Year (BRL million)	IAS 17			IFRS16		
	2Q21	2Q22	Δ	2Q21	2Q22	Δ
Gross Revenue	**2035.8**	**2,210.4**	**8.6%**	**2035.8**	**2,210.4**	**8.6%**
Deductions	(139)	(140.0)	0.7%	(139)	(140.0)	0.7%
Net Revenue	**1,896.7**	**2,070.3**	**9.2%**	**1,896.7**	**2,070.3**	**9.2%**
Cost of Goods Sold	(1,266.4)	(1,374.0)	8.5%	(1,266.4)	(1,374.0)	8.5%
Gross Margin	**630.3**	**696.3**	**10.5%**	**630.3**	**696.3**	**10.5%**
Gross Margin	*31.0%*	*31.5%*	*0.5p.p.*	*31.0%*	*31.5%*	*0.5p.p.*
Selling Expenses	(440.8)	(493.9)	12.1%	(380.1)	(415.4)	9.3%
Contribution Margin	**189.5**	**202.4**	**6.8%**	**250.2**	**280.9**	**12.2%**
Contribution Margin (%)	*9.3%*	*9.2%*	*(0.1p.p.)*	*12.3%*	*12.7%*	*0.4p.p.*
General and Administrative Expenses	(58)	(70.3)	21.4%	(58)	(70.3)	21.4%
Adjusted EBITDA	**131.5**	**132.1**	**0.4%**	**192.3**	**210.5**	**9.5%**
Adjusted EBITDA Margin	*6.5%*	*6.0%*	*(0.5p.p.)*	*9.4%*	*9.5%*	*0.1p.p.*
Depreciation and amortization	(22.3)	(25.7)	15.0%	(63.7)	(79.2)	24.2%
Financial Earnings	(18.3)	(45.8)	150.4%	(45.3)	(80.3)	77.1%
Earnings before Income Tax	**90.9**	**60.5**	**(33.4%)**	**83.2**	**51.1**	**(38.6%)**
Income Tax and Social Contribution	(15.0)	2.4	-	(12.4)	5.6	-
Adjusted Net Income	**75.9**	**62.9**	**(17.1%)**	**70.8**	**56.7**	**(20.0%)**
Adjusted Net margin	*3.7%*	*2.8%*	*(0.9p.p.)*	*3,5%*	*2.6%*	*(0.9p.p.)*

Income Statement for the Year (BRL million)	IAS 17			IFRS16		
	1S21	1H22	Δ	1H21	1H22	Δ
Gross Revenue	**3,946.0**	**4,321.9**	**9.5%**	**3,946**	**4,321.9**	**9.5%**
Deductions	(272.9)	(278.7)	2.1%	(272.9)	(278.7)	2.1%
Net Revenue	**3,673.0**	**4,043.2**	**10.1%**	**3,673.0**	**4,043.2**	**10.1%**
Cost of Goods Sold	(2,473.7)	(2,721.7)	10.0%	(2,473.7)	(2,721.7)	10.0%
Gross Margin	**1,199.3**	**1,321.5**	**10.2%**	**1,199.3**	**1,321.5**	**10.2%**
Gross Margin	*30.4 %*	*30.6%*	*0.2 p.p.*	*30.4 %*	*30.6%*	*0.2 p.p.*
Selling Expenses	(861.0)	(971.0)	12.8%	(740.0)	(813.6)	9.9%
Contribution Margin	**338.3**	**350.5**	**3.6%**	**459.3**	**507.9**	**10,6%**
Contribution Margin (%)	*8.6%*	*8.1%*	*(0.5 p.p.)*	*11.6%*	*11.8%*	*0.2 p.p.*
General and Administrative Expenses	(107.6)	(135.0)	25.5%	(107.6)	(135.0)	25.5%
Adjusted EBITDA	**230.6**	**215.4**	**(6.6%)**	**351.6**	**372.9**	**6.1%**
Adjusted EBITDA Margin	*5.8%*	*5.0%*	*(0.8 p.p.)*	*8.9%*	*8.6%*	*(0.3 p.p.)*
Depreciation and amortization	(44.7)	(53.9)	20.6%	(127.6)	(161.5)	26.5%
Financial Earnings	(37.7)	(86.4)	129%	(92.2)	(155.1)	68.2%
Earnings before Income Tax	**148.2**	**75.2**	**(49.3%)**	**131,8**	**56.3**	**(57.2%)**
Income Tax and Social Contribution	(22.4)	18.3	-	(16.8)	24.7	-
Adjusted Net Income	**125.8**	**93.4**	**(25.7%)**	**115.0**	**81.0**	**(29.5%)**
Adjusted Net margin	*3.2%*	*2.2%*	*(1.0 p.p.)*	*2,9%*	*1.9%*	*(1.0 p.p.)*

BALANCE SHEET

Balance Sheet (R$ millions)	IFRS16		
	12/31/21	06/30/22	Δ
Total Assets	6,573.3	6,442.4	(2.0%)
Current Assets	3,512.5	3,261.0	(7.2%)
Cash and Cash Equivalents	654.1	345.1	(47.2%)
Financial Investments	-	-	-
Clients Accounts Receivable	530.3	495.6	(6.5%)
Inventory	1,957.0	2,056.6	5.1%
Taxes to Recover	232.4	216.1	(7.0%)
Other Current Assets	138.7	147.6	6.4%
Non-Current Assets	3,060.8	3,181.4	3.9%
Long-Term Realizable Assets	648.7	712.7	9.9%
Investiments	72.6	73.6	1.4%
Fixed Assets	665.6	732.9	10.1%
Rights of use under lease	1,615.6	1,594.1	(1.3%)
Intangible Assets	58.2	68.1	17.0%
Total Liabilities	6,573.3	6,442.4	(2.0%)
Current Liabilities	2,191.4	2,099.0	(4.2%)
Social and Labor Obligations	103.4	138.0	33.4%
Suppliers	1,306.5	1,226.7	(6.1%)
Tax Obligations	94.1	107.8	14.6%
Loans and Financing	435.7	358.2	(17.8%)
Other Obligations	29.6	38.2	29.1%
Leasing	222.1	230.1	3.6%
Long Term Liabilities	2,291.6	2,170.8	(5.3%)
Loans and Financing	753.9	634.4	(15.8%)
Other Obligations	7.2	6.5	(9.6%)
Leasing	1,508.0	1,497.3	(0.7%)
Provisions	22.6	19.1	(15.3%)
Other Accounts Payable	-	13.5	-
Shareholder's Equity	2,090.2	2,172.6	3.9%
Realized Share Capital	1,199.2	1,199.2	0.0%
Capital Reserves	369.7	375.1	1.5%
Profit Reserves	521.3	521.3	0.0%
Treasury Stock	-	-	-
Accumulated Profits/Losses	-	77.0	-
Equity Valuation Adjustments	-	-	-

ANNEX: DISTRIBUTION OF STORES BY STATE

State / Region (# Stores)	2Q21	Openings	Closings	2Q22
Total	1,101	111	19	1,193
Northeast Region	669	75	4	740
Alagoas	30	4	-	34
Bahia	115	19	1	133
Ceará	181	7	2	186
Maranhão	60	12	-	72
Paraíba	52	3	1	54
Pernambuco	117	14	-	131
Piauí	36	5	-	41
Rio Grande Do Norte	43	9	-	52
Sergipe	35	2	-	37
North Region	110	8	2	116
Acre	12	2	-	14
Amapá	6	1	-	7
Amazonas	22	-	-	22
Pará	34	3	2	35
Rondônia	13	-	-	13
Roraima	9	2	-	11
Tocantins	14	-	-	14
Southeast Region	190	16	9	197
Espírito Santo	26	-	1	25
Minas Gerais	60	7	3	64
Rio De Janeiro	19	2	2	19
São Paulo	85	7	3	89
Center-West Region	90	12	3	99
Distrito Federal	17	-	2	15
Goiás	27	2	1	28
Mato Grosso	23	6	-	29
Mato Grosso do Sul	23	4	-	27
South Region	42	-	1	41
Paraná	15	-	-	15
Rio Grande Do Sul	7	-	-	7
Santa Catarina	20	-	1	19

GLOSSARY

- Abrafarma : association of the 26 largest pharmacy chains in the country.
- AME (Special Medicines Service): line of special medicines sold by Pague Menos. They are produced with high technology and used in complex and expensive treatments, usually in the fertility, oncology, and hormones verticals.
- B2B2C : A business model where a service or product is offered to another company, and later to an end customer.
- Expanded Middle Class: public from social classes B2/C/D, with an average monthly family income of less than BRL 5.7 thousand.
- EBITDA : operating income before interest, taxes, depreciation, and amortization.
- HNB (Hygiene, Nutrition and Beauty) : classification of non-drug products belonging to the categories of personal hygiene, nutrition, and beauty.
- Mature stores : stores open for more than three years. These are stores that have already gone through the maturation period and therefore tend to have a less accentuated sales growth curve than those in maturation.
- Market Share : Estimated market share in the Brazilian pharmaceutical retail market, based on data from IQVIA, a global data intelligence company applied to the healthcare industry.
- NPS (*Net Promoter Score*) : metric of customer satisfaction and loyalty to the Company.
- *Omnichannel*: the concept illustrates the approach of integrating different retail channels, such as physical stores, e-commerce, telephone sales, and social media, allowing the customer to have multiple purchase journeys.
- OTC (*Over-The-Counter*) : classification of products sold via self-service, which includes over-the-counter medicines and convenience, health, and wellness items.
- PBM : drug benefit program. These are discount programs created and administered by the pharmaceutical industries (laboratories) in order to facilitate, encourage and promote adherence to treatments for patients and physicians.
- PME : Average storage period. It refers to the average period that a good remains in stock before being sold, being calculated by the quotient between the balance of inventories and the COGS for the quarter, multiplied by 90 days.
- PMP : Average payment period. Refers to the average supplier payment term, calculated by the ratio between the balance of suppliers and the COGS for the quarter, multiplied by 90 days.
- PMR : Average term of receivables. Refers to the average customer payment term, calculated as the ratio between the balance of accounts receivable and gross revenue for the quarter, multiplied by 90 days.
- Pre-increase : period prior to the annual medication readjustment, which occurs in the month of April according to current legislation.
- Stock Out : metric used to measure the lack of products in-store.
- SKU : acronym for *Stock Keeping Unit* (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 carried out by stores open for more than twelve months in the current period compared to same-store sales in the same period of the previous year.

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 independently verified the competitive 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 their 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 states that its independent auditors, Ernst & Young Auditores Independentes S.S., did not provide services unrelated to the audit during the period which ended on March 31, 2022.

EARNINGS CALL

Videoconference em português

2 de agosto, 2022
10:00 (BRT) | 09:00 am (US ET)

Access in Portuguese

Dial-in:

+55 (11) 3181-8565
+55 (11) 4090-1621
Code: Pague Menos

Videoconference in English (simultaneous translation)

August 2, 2022
10:00 (BRT) | 09:00 am (US ET)

Access in English

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+1 844 204-8942
+1 412 717-9627
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PagueMenos

CBF BRASIL

Farmácia oficial da Seleção e da torcida brasileira.