Financial Statements

Empreendimentos Pague Menos S.A.

December 31, de 2022
With the Independent Auditor’s Report

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December 31, 2022 and 2021

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EARNINGS

RELEASE

4Q22 / 2022

PagueMenos

extrafarma

Fortaleza, Ceará, March 6, 2023.
Empreendimentos Pague Menos S.A. ("the Company" or "Pague Menos"), the main Health Hub serving the Brazilian middle class, present in every state and in more than 380 municipalities, announces its results for the 4th quarter of 2022 and the 12 months ending December 31, 2022.

HIGHLIGHTS **4Q22 / 2022**

STORE BASE EXPANSION
+500 added stores in the year, being 399 from Extrafarma acquisition and 118 openings (61 in 4Q22)

OMNICHANNEL SALES
11.4% of total Pague Menos sales in 4Q22 (+2.6 p.p. vs 4Q21)

HEALTH HUB
+2 million health care services rendered during the year (+417 thousand in 4Q22)

ACTIVE CUSTOMERS
19 million clients active in the last 12 months (+26% vs 2021)

GROSS REVENUE
Consolidated growth of 21.8% for the year (37.0% in 4Q22), and 10.5% in standalone Pague Menos sales (11.4% in 4Q22)

ADJUSTED EBITDA
Consolidated growth of 19.9% for the year (46.2% in 4Q22), and 16.4% in standalone Pague Menos sales (34.1% in 4Q22)

EXTRAFARMA SYNERGIES
Contracted actions resulted in BRL 8.5 million in 4Q22 (BRL 34 million on an annualized basis)

NET INCOME
BRL 192.0 million standalone Pague Menos for the year (+8.7% vs. 2021) and BRL 73.7 million in 4Q22 (+183.5% vs. 4Q21)

REPORTING CRITERIA

On August 1, 2022, the acquisition process of Imifarma Produtos Farmacêuticos e Cosméticos S.A. (Extrafarma) with Ultrapar Participações S.A. (Ultrapar) was completed. With the completion of the precedent conditions and incorporation of the equity balances, Extrafarma was consolidated and became part of the consolidated financial statements of Empreendimentos Pague Menos S.A. (the Company) that same month. Therefore, the Company's consolidated financial Statements for the 12 months ending December 31, 2022 include five months of Extrafarma's operations.

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

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 comparison between periods, we present on pages 23 and 24 of this release the Income Statement for the Year excluding the effects of IFRS 16.

FINANCIAL HIGHLIGHTS PAGUE MENOS STANDALONE

in BRL million and % of Gross Revenue	4Q21	4Q22	Δ	2021	2022	Δ
Gross Revenue	**2,074.8**	**2,310.4**	**11.4%**	**8,062.9**	**8,911.3**	**10.5%**
Gross Profit	**616.7**	**688.5**	**11.6%**	**2,420.6**	**2,687.4**	**11.0%**
% Gross Margin	*29.7%*	*29.8%*	*0.1 p.p.*	*30.0%*	*30.2%*	*0.1 p.p.*
Contribution Margin	**221.4**	**265.9**	**20.1%**	**900.4**	**1,029.7**	**14.4%**
Contribution Margin %	*10.7%*	*11.5 %*	*0.8 pp*	*11.2%*	*11.6%*	*0.4 p.p.*
Adjusted EBITDA	**159.0**	**213.1**	**34.1%**	**671**	**781**	**16.4%**
Adjusted EBITDA Margin %	*7.7%*	*9.2%*	*1.6 p.p.*	*8.3%*	*8.8%*	*0.4 p.p.*
Adjusted Net Income	**26.0**	**73.7**	**183.5%**	**176.6**	**192.0**	**8.7%**
Adjusted Net Margin %	*1.3%*	*3.2%*	*1.9 p.p.*	*2.2%*	*2.2%*	*0.0 pp*

CONSOLIDATED FINANCIAL HIGHLIGHTS

in BRL million and % of G.R.	4Q21	4Q22	Δ	2021	2022	Δ
Gross Revenue	**2,074.8**	**2,843.4**	**37.0%**	**8,062.9**	**9,818.7**	**21.8%**
Gross Profit	**616.7**	**854.6**	**38.6%**	**2,420.6**	**2,955.5**	**22.1%**
% Gross Margin	*29.7%*	*30.1 %*	*0.4 p.p.*	*30.0%*	*30.1%*	*0.1 pp*
Contribution Margin	**221.4**	**319.7**	**44.4%**	**900.4**	**1,110.3**	**23.3%**
Contribution Margin %	*10.7%*	*11.2%*	*0.6 p.p.*	*11.2%*	*11.3%*	*0.1 p.p.*
Adjusted EBITDA	**159.0**	**232.5**	**46.2%**	**671**	**804.8**	**19.9%**
Adjusted EBITDA Margin %	*7.7%*	*8.2%*	*0.5 p.p.*	*8.3%*	*8.2%*	*(0.1 p.p.)*
Adjusted Net Income	**26.0**	**46.5**	**78.9%**	**176.6**	**134.8**	**(23.6%)**
Adjusted Net Margin %	*1.3%*	*1.6%*	*0.4 p.p.*	*2.2%*	*1.4%*	*(0.8 p.p.)*

OPERATIONAL HIGHLIGHTS

Indicator / Operation	PagueMenos 4Q21	PagueMenos 4Q22	PagueMenos Δ	extrafarma 4Q22
Stores (units)	1,165	1,270	9.0%	376
Average Sale/store/month (BRL thousand)	604	621	2.9%	468
Average Ticket (BRL)	73.60	77.20	4.9%	67.88
Employees (quantity)	19,988	20,099	0.6%	5,602
Employees/store (quantity)	17.2	15.8	(7.8%)	14.9
Average Sale/Employee/month (R$ thousand)	35.0	38.5	10.1%	31.8
Omnichannel Share (% retail revenue)	8.8%	11.4%	2.6p.p.	3.4%
Private Label (% retail revenue)	6.2%	7.1%	0.9 p.p.	2.9%
Pharmaceutical Clinics (units)	879	988	12.4%	68

MESSAGE FROM THE MANAGEMENT

2022 was the third consecutive year of relevant growth, increased profitability and development of our strategy to expand our presence in the health chain, positioning Pague Menos as an important participant in primary care in the Brazilian health ecosystem.

Despite the context of strong acceleration in organic expansion, with the opening of 118 stores, and the challenging macroeconomic scenario, with unfavorable inflationary pressures and an increase in basic interest rates and borrowing costs, Pague Menos standalone revenue grew by 10.5% (a 9.5% CAGR for the last 3 years), with EBITDA expansion of 16.4% (a 15.9% in the CAGR for the last 3 years) and record net income of BRL 192 million (almost BRL 200 million above 2019). In the last 3 years, we increased the Company's EBITDA margin by 1.4 p.p. and net margin by 2.3 p.p..

In addition, we have completed the acquisition process of Extrafarma, significantly expanding our presence in the North and Northeast regions. Starting in August 2022, we initiated a complex integration process, involving almost 400 stores and 5 Distribution Centers. The start of this integration has been extremely promising, with important milestones already achieved, such as unification of the corporate organizational structures, logistics integration and migration of the technology systems being completed ahead of the original schedule. In 4Q22, we already observed a significant improvement in Extrafarma margins. Just five months after the closing of the transaction, we have recognized synergies of R$34 million on an annualized basis, equivalent to approximately 15% of the potential gains mapped out in our planning.

We have evolved and matured in our Health Hub value proposition. Even with the control of the pandemic and the drop in demand for Covid-19 rapid testing, the main health service offered on *Clinic Farma* in recent years, we have invested heavily in telemedicine and teleconsultation services, which we believe are innovations with the potential to change the level of health services in Brazil, in the medium term. We launched a health benefits club focused on telemedicine, *Sempre Bem Saúde*, which has gained traction throughout the year, and which is in the "improvements" phase. In 2023, we have already started to offer health care and services as the main tools to strengthen our bond with customers, with the relaunch of our loyalty program, *Sempre Bem* (Always Well).

Our digital channels have once again registered records in both growth and share of total sales, showing that our business undergoes a rapid transformation and increasingly fluid interface between our multiple complementary channels. In 4Q22, these channels represented an 11.4% share of Pague Menos sales, 2.6 p.p. above the level of the previous year and five times higher than in 2019. Our rapid growth in digital channels is accompanied by good levels of profitability and consistent improvements in the level of service, attributes that we consider non-negotiable for the long-term sustainability of these channels.

In 2022, we officially integrated the ESG Journey into our Strategic Plan, with the launch of a robust agenda with short, medium and long-term commitments and goals to increase our positive impact on society. In the first year, we reached 20% of the goals contemplated in the planning, four which had been planned for 2022 and two which had only been scheduled for 2025. Among them, we highlight the fact that 100% of mature Pague Menos stores are already supplied by solar energy, effectively contributing to a reduction in our carbon footprint.

We begin 2023, with great enthusiasm, but without exaggerated expectations, with the conviction that we are on the right path. The year holds a series of challenges for us. Our focus will be on capturing synergies with Extrafarma.

We thank our employees, suppliers, and all our partners who have contributed to these 2022 results!

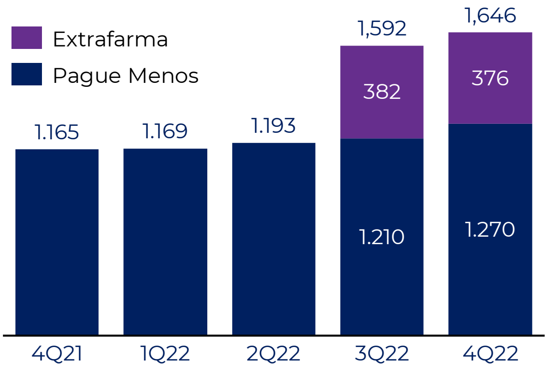
STORE PORTFOLIO

2022 saw the largest annual expansion in the Company's store base, which ended the year with 1,646 points of sale (+41% vs. 2021). The growth of the chain combined the incorporation of 399 Extrafarma stores and with organic expansion of 118 store openings during the year (+47% vs 2021). In 4Q22, 61 new stores were opened.

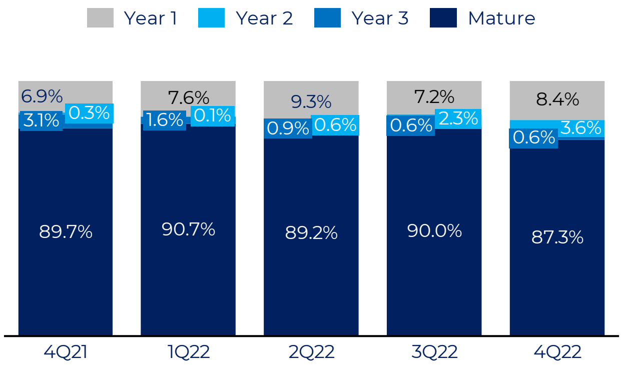
Of the 118 stores opened in the year, 66% are located in the Northeast region and 87% in regions with demographic predominance of the expanded middle class (social classes[1] B2/C/D). The new discount store format, more economical and with a more popular profile, represented 75% of the total stores opened in the period. 2022 also marked the entry of Pague Menos in 41 new municipalities, expanding our reach to 389 cities in every state in Brazil.

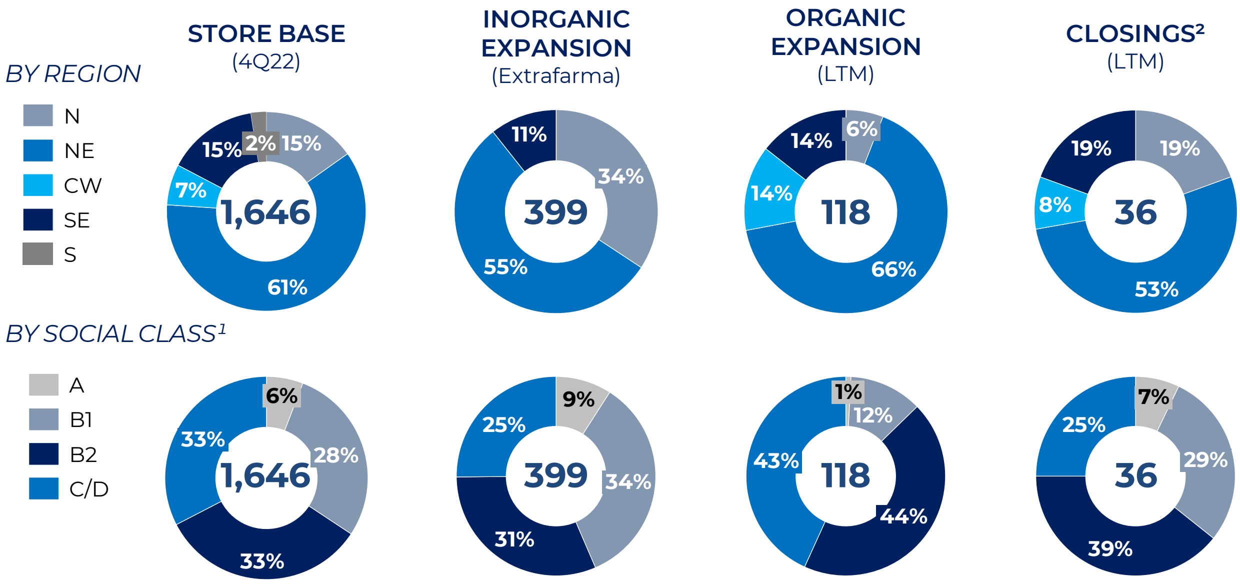
In line with the portfolio optimization process, seven stores were closed in 4Q22, six of them from the Extrafarma brand and one from the Pague Menos brand. In addition, five Extrafarma stores underwent brand conversions to Pague Menos. Managerially, these stores will continue to be considered as part of the Extrafarma portfolio, for the purpose of monitoring the indicators of integration and capture of synergies.

STORE BASE EVOLUTION



PROFILE OF STORES BY AGE





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

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

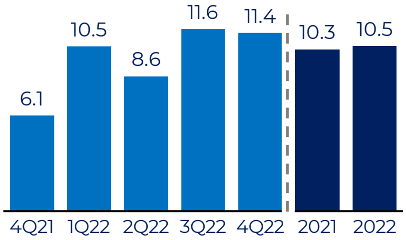
SALES PERFORMANCE

In 4Q22, we recorded a sales growth rate similar to that of the previous quarter in Pague Menos (11.4%), important growth in the Extrafarma same stores sales (12.0%) as well as the good performance of new Pague Menos stores, increasingly contributing to the Company's total growth.

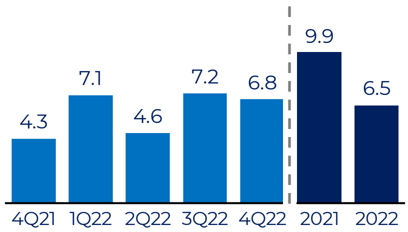
In Pague Menos, the total growth recorded in the quarter was 11.4%, with 6.3% expansion in mature stores and 5.1 p.p. contribution from maturing stores. Purging the effect of Covid-19 testing from the base, same stores sales in the period was 7.6%. For the year, the same store sales was 6.5%, 7.6% of which were ex-Covid tests.

In Extrafarma, the total growth of 2.5% in 4Q22 was negatively impacted by the lower store base (23 closings in the last 12 months) and the closing of the wholesale operation. Mature stores continue to grow above inflation and above the market average, with good prospects, since an important part of sales synergies are projected to be captured throughout 2023.

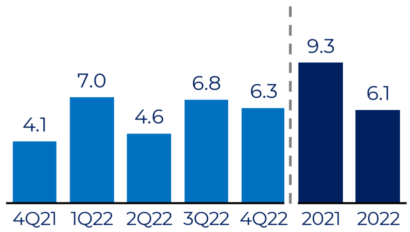
TOTAL GROWTH (%)



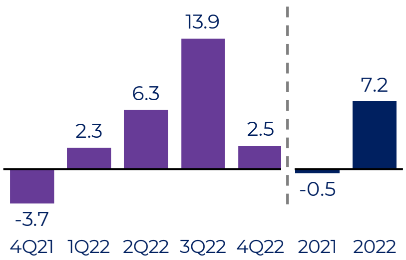
SAME STORES SALES (%)



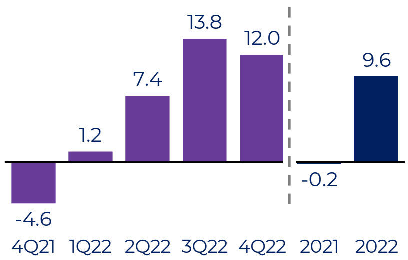
MATURE STORES (%)



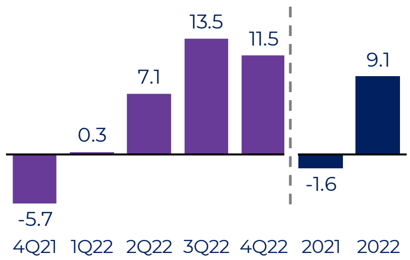
TOTAL GROWTH (%)



SAME STORES SALES (%)



MATURE STORES (%)

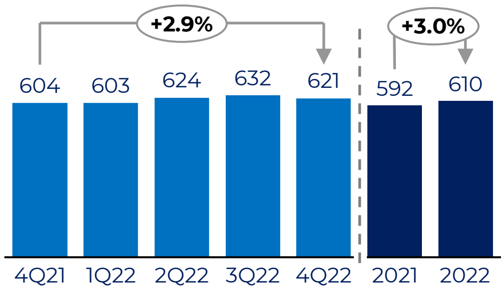


During 4Q22, we observed an important variation in sales performance between the months, with the month of December weaker than the others, caused by: i) the effect of the World Cup, which negatively impacted customer traffic in store on Brazil's match days; and ii) the strong comparison base of the previous year, due to the omicron variant and influenza outbreak, generating peak demand for Covid-19 tests and medicines at the time. The same pace of growth recorded between October and November was 9.5% in Pague Menos and 17.6% in Extrafarma, dropping to about 2% in both brands in December.

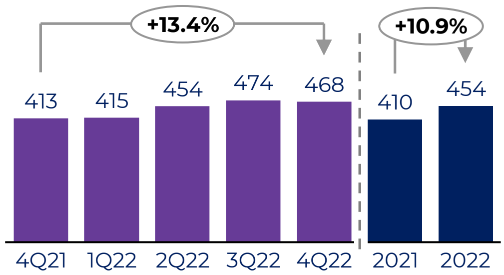
In 4Q22, we again observed different behavior in sales performance by region. In the North and Northeast, growth rates were below other regions, similar to what occurred throughout the year, caused by the atypical winter and the outbreak of more acute respiratory syndromes in the coldest regions of the country. In Pague Menos, the same stores sales in the North and Northeast was 5.8% in the quarter, while the South and Southeast regions showed growth of 14.8%.

In 4Q22, the average monthly sales per store reached BRL 621 thousand in Pague Menos, an increase of 2.9% compared to the same period of the previous year, impacted by the 118 stores opened throughout the year, which have sales volume in the first months of operation below the level of mature stores. Considering only the portfolio of mature stores, the average sales number was BRL 663 thousand per month, an increase of 6.6% compared to 4Q21. For Extrafarma, average monthly sales reached BRL 468 thousand, an increase of 13.4% compared to 4Q21.

AVERAGE SALES/STORE/MONTH
(BRL thousands)



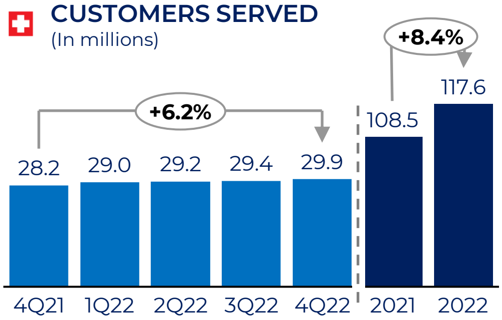
AVERAGE SALES/STORE/MONTH
(BRL thousands)



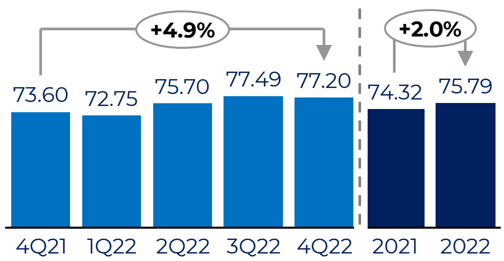
In 4Q22, the sales growth in Pague Menos was a result of 6.2% increase in the volume of customers served, combined with an increase in average ticket of 4.9%. The increase in volume is related to the expansion in the store base and the good management of marketing and CRM, contributing to an increase in the customer base even in the same stores concept. The average ticket was positively impacted by product inflation of 9.6% and negatively impacted by the reduction of 3.5% in items per basket and sales mix of 0.9%.

In Extrafarma, the volume of customers served decreased 0.8% in 4Q22 compared to 4Q21, impacted by the reduction in the store base in the period. Considering only same stores, the volume increase was 3.3%. The average ticket recorded 8.6% increase, reflecting the approximate inflation of product prices accumulated in the last 12 months.

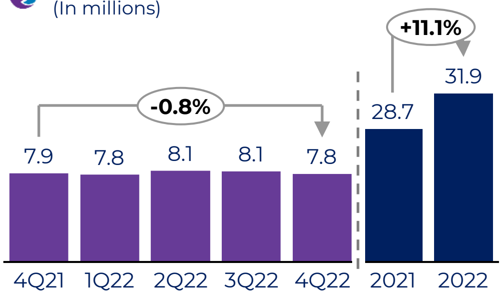
CUSTOMERS SERVED
(In millions)



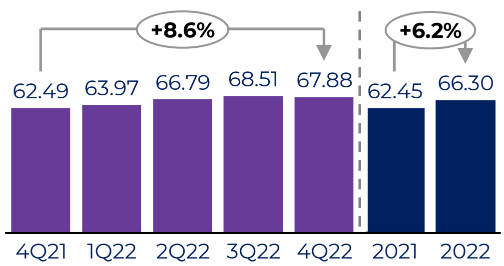
AVERAGE TICKET
(in BRL)



CUSTOMERS SERVED
(In millions)



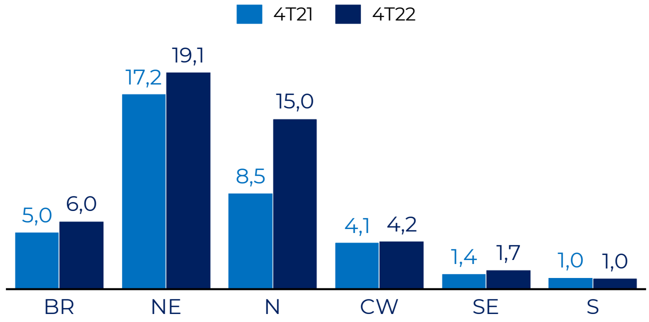
AVERAGE TICKET
(in BRL)



MARKET **SHARE**

In 4Q22, we recorded an increase in market share in every region in which we operate, reaching a 6.0% market share nationally. In the North and Northeast regions, the acquisition of Extrafarma consolidated our leading position, while in the Center West, Southeast and South regions we recorded organic growth above the overall market.

MARKET SHARE BY REGION (%)



Source: IQVIA

Pharmaceutical retailing recorded another quarter of solid growth, proving its resilience in challenging economic times. According to IQVIA data, the market grew[3] by 14.3% in 4Q22 compared to the same period in the previous year, while Pague Menos and Extrafarma grew by 12.3% and 8.3%, respectively. As observed in previous quarters, the growth gap between our brands and the market is related to the contribution of new stores in total growth, due to being in the initial stage of the resumption of the Pague Menos organic expansion plan in and the reduction in Extrafarma store base. Disregarding the effect of new stores[4], market growth was 7.1%, while Pague Menos and Extrafarma grew by 6.8% and 8.3%, respectively.

According to IQVIA, the store base installed in the North and Northeast regions grew 7.3% in 2022 versus an average growth of 3.0% in other regions, putting pressure on our market share in these regions. However, in recent quarters we have observed a slowdown in the pace of expansion, especially of independent and associative pharmacies, while Pague Menos, in the other hand, is accelerating the store openings.

CATEGORY AND SUPPLY MANAGEMENT

Our commercial execution continues to contribute to positive sales and margin results, through an assertive strategy of assortment expansion, mix optimization and competitive pricing. Throughout 2022, we have consistently evolved on each of these attributes despite the challenging scenario in the pharmaceutical industry's supply chain.

In line with our focus on the expanded middle-class, low-ticket categories with attractive margins have been gaining relevance in our sales mix. Throughout 2022, the generics category registered growth of 21.0% in Pague Menos, more than double the Company's average, and above overall market growth. These results are a consequence of assortment expansion, competitive pricing and store layouts more adapted to this category.

[3] IQVIA methodology normalizes sales prices between players, as such the calculated growth may differ from that effectively realized
[4] considers stores opened in the last 24 months

In 4Q22, the generics category reached 10.8% of total revenue, up 0.9 p.p. year-over-year. Hygiene, nutrition and beauty items were another positive highlight in the quarter, reaching 26.1% of sales.

Pague Menos private-label brands posted another quarter of consistent results, reaching a record share of 7.1% of total sales and 14.7% in self-service categories. In 4Q22, the category reached BRL 164.6 million in sales, up 27.1% year-over-year. In the year, there private label totaled BRL 594.2 million in sales, an increase of 19.1% compared to 2021. It is important to highlight that this good growth performance occurs despite the drop in demand for items related to Covid-19 (masks, alcohol gel, etc.), where our private label had great relevance in the most acute moments of the pandemic.

In Extrafarma, private-label brands accounted for 2.9% of total sales, still well below the participation observed in Pague Menos. However, with logistics integration and expansion of offerings of products in stores progresses, this share has increased. In December of 2022, with approximately 50% of Extrafarma stores already being supplied by Pague Menos Distribution Centers, the share of private label brands in Extrafarma reached 3.2% of sales, with a strong growth trend.

	PagueMenos					extrafarma	
Indicator / Operation	4Q21	3Q22	4Q22	△YoY	△QoQ	4Q22	△ vs PM
SALES MIX							
Branded Drug	42.2%	41.3%	**40.1%**	*-2.1 p.p.*	*-1.2 p.p.*	**35.2%**	*-4.9p.p.*
Generic Medication	9.9%	10.8%	**10.7%**	*08 p.p.*	*-0.1 p.p.*	**13.1%**	*2.4 p.p.*
Hygiene, Nutrition and Beauty	24.3%	25.0%	**26.1%**	*1.8 p.p.*	*1.1 p.p.*	**29.5%**	*3.4p.p.*
Over the Counter (OTC)	22.2%	22.2%	**22.4%**	*0.2 p.p.*	*0.2 p.p.*	**21.9%**	*-0.5p.p.*
Services	1.4%	0.7%	**0.6%**	*-0.8 p.p.*	*-0.1 p.p.*	**0.2%**	*-0.4 p.p.*
PRIVATE LABEL							
Total Sales (BRL million)	129.5	150.3	**164.6**	*27.1%*	*9.5%*	**15.6**	*-90,5%*
Total Sale Share (% of Gross Revenue)	6.2%	6.6%	**7.1%**	*0.9 p.p.*	*0.5 p.p.*	**2.9%**	*-4.2 p.p.*
Self-Service Participation (% of G.R.)	13.4%	14.0%	**14.7%**	*1.3 p.p.*	*0.7 p.p.*	**5.7%**	*-9.0 p.p.*
SUPPLY CHAIN							
Average SKUs/store (#thousands)	9.8	10.4	**10.6**	*8.0%*	*1.7%*	**10.5**	*(0.9%)*
Stockout (4Q21 = base 100)	100	232	**249**	*149.4%*	*7.3%*	**321**	*29%*
Availability (4Q21 = base 100)	100	103	**104**	*3.5%*	*1.0%*	**101**	*(2.5%)*

We continue to observe a challenging scenario in the pharmaceutical supply chain, with higher than normal medicine shortages, which, combined with the movement of logistics integration and reinforcement of Extrafarma inventories, led to a worsening in the levels of in store stockouts in 4Q22. The industry service level, measured by the percentage of orders placed and delivered within the requested deadline (OTIF), reached the lowest level in the last 2 years during this quarter.

Despite this, the level of availability of products in store has increased, due to the assortment expansion carried out by the Company over the last years. At the end of 2022, we had an average of 10.6k items per store in Pague Menos, an 8.0% growth compared to the end of 2021. Despite the increase in the stockout rate, the greater scope of the assortment caused the availability of products to increase by 3.5% in 4Q22.

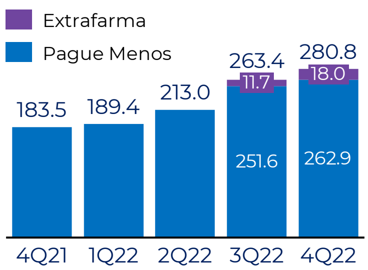
At Extrafarma, inventory balancing efforts and efficiencies in the logistics network begin to be reflected in a reduction in stock-out levels. In 4Q22, the brand had a stock-out rate 11% lower than in 3Q22, and the gap in relation to the same Pague Menos indicator, which was 56% in the previous quarter, fell to 29%.

OMNICHANNEL PLATFORM

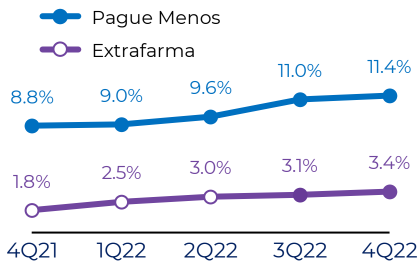
We ended the year with BRL 946 million in sales via digital channels, an increase of 51.8% compared to 2021. The accelerated pace of growth, above the market average, coincided with consistent improvement in the level of service (reflected in the reduction in delivery time and customer evaluations) and healthy profitability (reflected in EBITDA margin). The results achieved throughout the year reinforce the success in executing our strategy of building a robust omnichannel platform, allowing customers multiple purchase journeys.

In 4Q22, omnichannel sales reached 11.4% in Pague Menos, up 2.6 p.p. year-over-year. Among the digital channels, e-commerce (website and app) stood out once again, reaching 54% of the total and registering sales growth of 72% compared to 4Q21. The good performance is due to the relevant increase in traffic combined with an increase in the conversion rate, due to the improvements in UX implemented throughout the year and the launch of new app features.

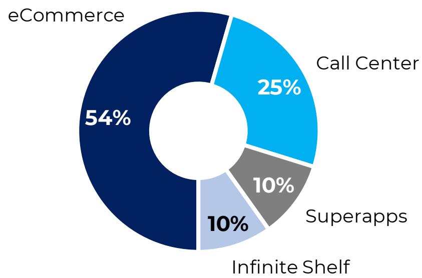
OMNICHANNEL SALES
(in BRL million)



OMNICHANNEL SALES
(% of retail revenue)



SALES BY CHANNEL
(% of digital sales 4Q22)



At Extrafarma, the technological integration of digital channels with Pague Menos was initiated, which will enable a significant gain of scale in operations. By the end of 4Q22, 224 Extrafarma stores were prepared to use "click and collect" and 78 stores had migrated delivery services to the Call Center. Throughout 2023, there is an extensive pipeline of initiatives that will be implemented with the objective of reducing the omnichannel sales share gap in relation to Pague Menos. In 4Q22, Extrafarma recorded 3.4% of sales via digital channels, 8.0 p.p. below the Pague Menos level.

Our market-share in digital channels, measured by IQVIA, reached 10.6% in 4Q22. In 2022, our market share was 10.9%, 0.6 p.p. higher than in 2021. The pace of growth in digital channels, stronger than the market average, is greatly influenced by the greater geographical exposure in the North and Northeast regions, which are still in the early stages of using digital channels. Still, by purging the effect of the regional mix, we continue to grow above the market average in all regions of the country, with the exception of the Center-West.

In 4Q22 we continued to sustain a good level of customer service. The Pague Menos app has more than 2 million downloads since its relaunch in 4Q21, with scores of 4.6 and 4.4 in the Apple and Google app stores, respectively. On the Reclame Aqui platform, both Pague Menos and Extrafarma brands ended the year with a score of 8.3, among the best in Brazilian pharmaceutical retailing. The good level of customer evaluation is due to a continuous improvement in delivery and availability indicators.

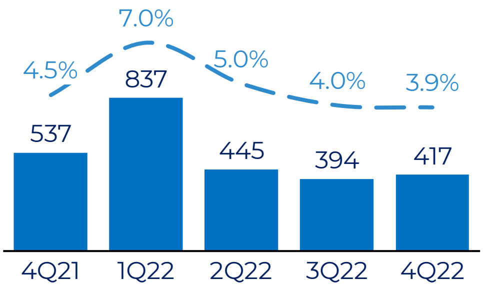
In 2022, we advanced the proposition of integrating our Health Hub with our digital channels, making our omnichannel approach an integral part of our plan to be a reference in primary health care. We currently have the entire portfolio of services available for purchase and scheduling on the website as well as the app. Over the course of the year, more than 200 thousand appointments were made using digital channels.

HEALTH HUB

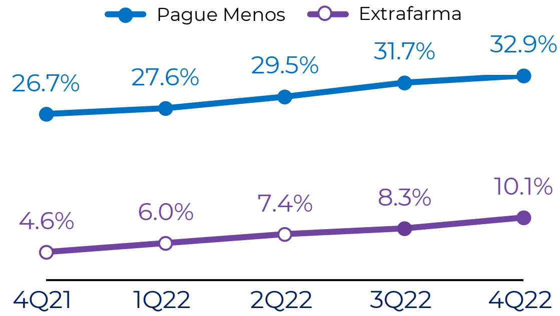
In 2022, we advanced the value proposition of positioning Pague Menos as a reference in primary care in the health ecosystem, increasingly coupling solutions and enabling a one-stop-care customer journey. With the control of the pandemic and the consequent drop in demand for Covid-19 tests, there was a natural reduction in the rate of customer adherence to health services, but stabilizing well above pre-pandemic levels. Throughout the year, approximately 2 million visits were made to our *Clinic Farma*, which we estimate to have represented 25% of the total market for pharmacy-based health services performed in the country.

We ended the year with 1,056 stores equipped with pharmaceutical clinics, 988 in Pague Menos stores and 68 in Extrafarma locations. In 4Q22, 417 thousand consultations were made, with 3.9% adhesion of the total customer base. By way of comparison, in 4Q19, the last quarter of the pre-pandemic period, 237 thousand visits were made, with 1.6% adhesion of the customer base.

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



PARTICIPATION AGREEMENTS (*CONVÊNIOS*) AND PARTNERSHIPS
(% of total sale)



Pague Menos was the first pharmacy chain to scale up teleconsultation services in stores nationally, with the launch of the *Sempre Bem Saúde* (Always Well Health) program. Throughout 2022, important regulatory and technological advances have helped the program to gain traction, with more than 70k memberships, more than 50k consultations carried out and more than 600 clinics adapted for the different types of teleconsultations. In 2023, the program will be repackaged and included as an important piece of the *Sempre Bem* loyalty program, the Pague Menos and Extrafarma new and rebranded loyalty initiative. In the program, "gold" customers, (those with high shopping behavior), are rewarded with benefits such as discounts on generic drugs and private label products, basic health services, and free shipping for e-commerce purchases. With the inclusion in the teleconsultation program, the client now has the option of making a monthly subscription of BRL 19.90 and having access to all of the "gold" benefits plus unlimited general practitioner care, 2 psychological consultations per month and 1 nutritional consultation per month. With this change, health services, especially telemedicine, become more integrated into our business, with special emphasis on reaching "high value" customers.

In 4Q22, we continued to expand our network of agreements and partnerships *(convênios)*, which reached 32.9% of sales in Pague Menos and 10.1% in Extrafarma. Throughout 2022, this initiative contributed positively to the acquisition of new customers and an increase in average revenue per customer. 20% of the total of new customers in the base made their first purchase on the network through some form of partnership.

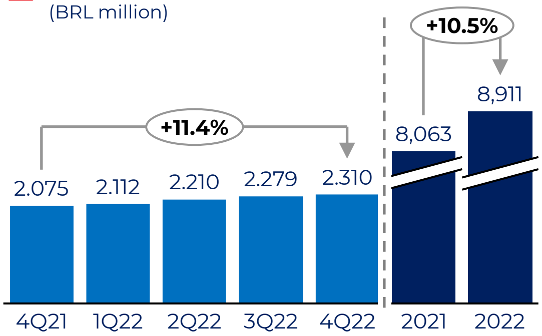
The Specialty Drugs Service continues to present consistent results, reaching approximately 1.0% of the total Pague Menos sales, growing 45% compared to the same period of the previous year. Throughout the year, innovative products were activated in different therapeutic areas, bringing the assortment of high complexity treatments to more than 500 SKUs.

GROSS REVENUE

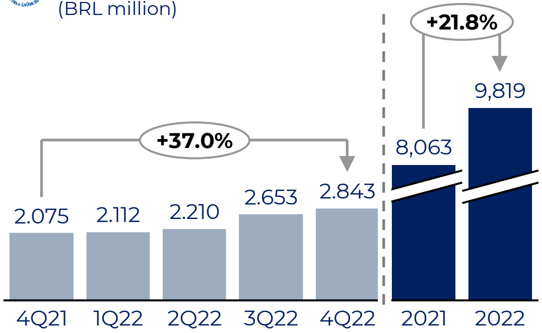
In 2022, consolidated gross revenue reached BRL 9.8 billion, an increase of 21.8% compared to the previous year, combining a healthy pace of growth in the same stores, acceleration of organic expansion and the acquisition of Extrafarma. In Pague Menos standalone, gross revenue totaled BRL 8.9 billion, an increase of 10.5% compared to 2021. In the last 3 years, compound annual growth was 9.5%.

In 4Q22, we recorded 37.0% growth in consolidated gross revenue and 11.4% growth in Pague Menos standalone. With advances in logistics integration between Pague Menos and Extrafarma, cross-supply intercompany sales increased in the quarter, totaling BRL 39.8 million in the quarter. These sales have been eliminated in the numbers reported in this release.

STANDALONE GROSS REVENUE
(BRL million)



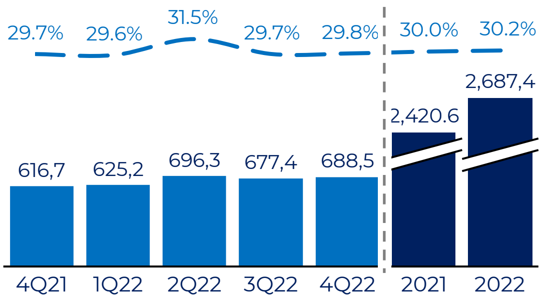
CONSOLIDATED GROSS REVENUE
(BRL million)



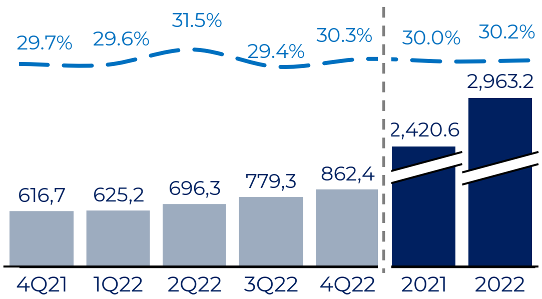
GROSS **PROFIT**

Consolidated gross profit totaled BRL 3.0 billion in 2022, a 22.1% increase compared to 2021. The Company's gross margin was 30.1%, an increase of 0.1 p.p. compared to the previous year. The relative stability of margin is related to a good balance in price competitiveness (with about 0.7 p.p. investment via differentiated pricing in e-commerce, agreements and partnerships – *convênios* - and commercial campaigns), partially offset by favorable evolution in sales mix (growth of generics and private label brands), inflationary gains on inventories, and reduction in the inventory losses rate. The annual gross margin was 30.2% for Pague Menos and 29.5% for Extrafarma.

STANDALONE GROSS PROFIT
(BRL million and % of Gross Revenue)



CONSOLIDATED GROSS PROFIT
(BRL million and % of Gross Revenue)



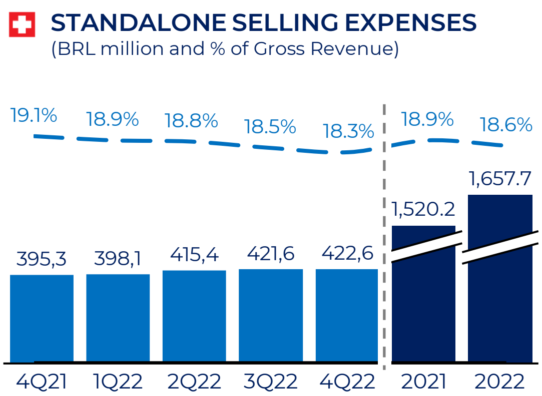
In 4Q22, consolidated gross profit reached BRL 854.6 million, up 38.6% year-on-year. The consolidated gross margin was 30.1%, an increase of 0.4 p.p. compared to 4Q21. At Pague Menos, we registered relatively stable margins, with compression of 0.7 p.p. due to the strategic growth of e-commerce and sales via partnerships and agreements (*convênios*) gaining in share in total sales, which was more than offset by the favorable evolution in the sales mix (generics, private labels and hygiene and beauty items), commercial agreements in partnership with the industry, in addition to a positive effect of APV (adjustment to present value).

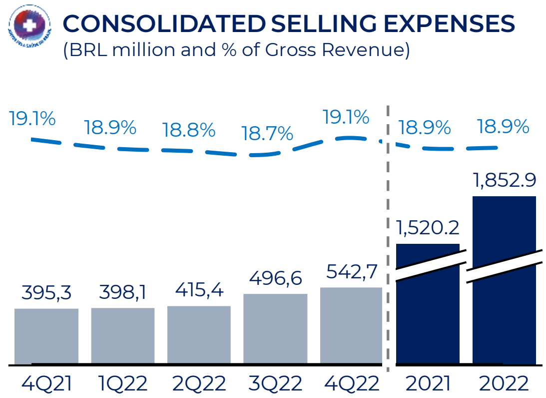
SELLING EXPENSES

Throughout 2022, due to the inflationary scenario and high interest rates, we intensified actions to reduce expenses, reflecting greater operational efficiency and dilution of the principal expenses under the Company's direct management.

As a result, selling expenses at Pague Menos standalone totaled BRL 1.7 billion for the full year, an increase of 9.2% compared to 2021. Normalizing spending by the number of stores, the growth was only 1.7%, well below the inflation recorded in the period. As a percentage of revenue, there was a 0.3 p.p. dilution during the year, directly contributing to the growth of the contribution margin and EBITDA in the period.

In 4Q22, selling expenses in Pague Menos standalone represented 18.3% of revenue, a decrease of 0.8 p.p. compared to the same period of the previous year and 0.2 p.p. lower than the previous quarter. The efficiency gain is mainly a result of the reduction in the average number of employees per store (from 14.0 in 4Q21, to 13.3 in 3Q22 and 12.8 in 4Q22). In addition, projects to reduce expenses, including bidding processes with suppliers and spending rationalization, generated savings of 0.4 p.p. in the categories of services, utilities, supplies, security and maintenance. Positive inflationary dynamics also contributed to results in the quarter, with the average increase in product prices (calculated at 9.6% in 4Q22) being higher than the expense indexes, generally linked to the IPCA or IGP-M indicators.





It is important to highlight that the dilution of expenses occurs at a time of significant acceleration in organic expansion, which tends to pressure margins due to the initial stage of maturation of the new stores. The profile of the new stores opened, however, should contribute positively to the profitability of the overall portfolio as they progress in their maturation, as they are stores with more attractive expense structures than the overall portfolio average.

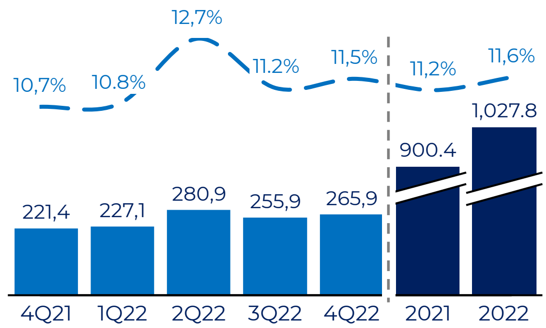
On a consolidated basis, sales expenses totaled 18.9% of revenue for the year, stable compared to 2021. Extrafarma's stores are still at a level of expenses as a percentage of revenue far above Pague Menos (21.1% vs 18.3% for 4Q22), as a direct result of the average sales gap per store between the two brands. As sales and expense synergies are captured this gap tends to narrow, or even, be eliminated.

CONTRIBUTION MARGIN

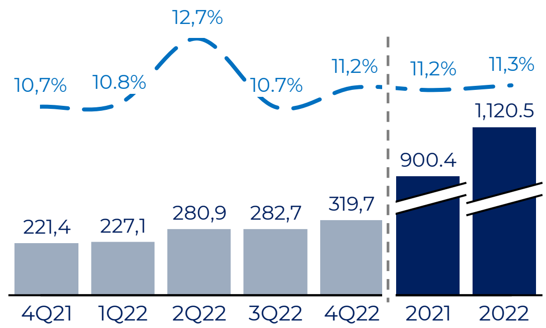
As a result of gross margin growth and expense dilution, the consolidated contribution margin grew 0.1 p.p. in 2022, ending the year at 11.3%. Broken down by brand, the contribution margin was 11.6% in Pague Menos and 8.8% in Extrafarma (accumulated from August to December).

In 4Q22, the contribution margin in Pague Menos standalone was 11.5%, growing 0.8 p.p. compared to the same period of the previous year and 0.3 p.p. compared to the previous quarter. This growth rate is especially strong, considering that the company ended the year with 198 stores still in the maturation stage (less than 3 years of operation), which means that mature stores are “financing” the temporary pressure from new store margins.

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



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

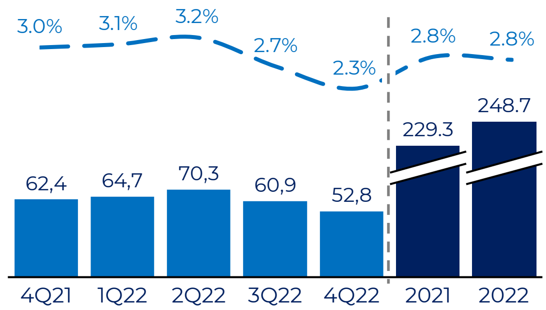


GENERAL AND ADMINISTRATIVE (G&A) EXPENSES

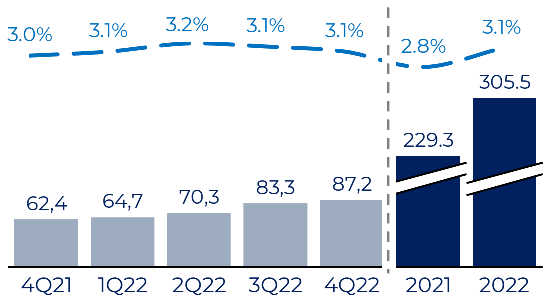
Consolidated general and administrative expenses (G&A) totaled BRL 305.5 million in 2022, equivalent to 3.1% of gross revenue (+0.3 p.p. vs 2021). The increase is related to the integration of Extrafarma's corporate structure, which currently has a proportion of G&A expenses relative to revenue well above Pague Menos, due to the smaller store base and lower average sales per store.

Excluding the cost centers related to Extrafarma, G&A expenses in 2022 totaled BRL 248.7 million, representing 2.8% of gross revenue, stable compared to 2021. Despite the increase in G&A observed throughout the first half of the year, with inflationary pressures and an increase in corporate structure, we executed a successful expense rationalization program throughout the second half, which combined with the redesign of the organizational structure resulting from the integration with Extrafarma and the maturation of the new expansion cycle, allowed for stability in G&A when calculated for the full year.

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



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

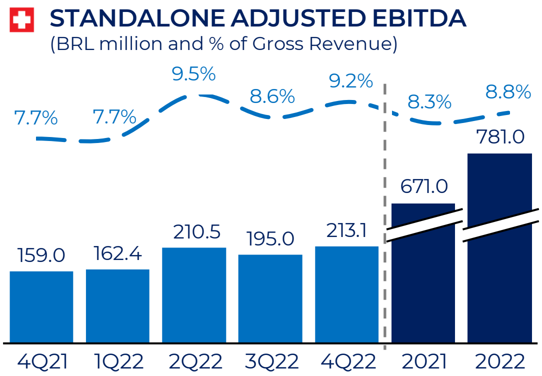


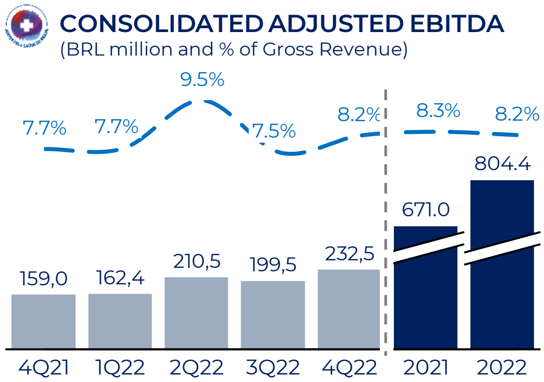
In 4Q22, consolidated G&A totaled BRL 87.2 million, equivalent to 3.1% of gross revenue, stable compared to 3Q22 and slightly above 4Q21. Thus, the pressures resulting from the integration of Extrafarma's corporate structure, which at an early stage contributed negatively to the dynamics of expense dilution, were offset by organizational synergies and discipline in controlling spending. In the consulting and third-party services line alone, there was a reduction of 0.3 p.p. when compared to the same period of the previous year.

ADJUSTED **EBITDA**

Consolidated adjusted EBITDA for 2022 was BRL 804.8 million, up 19.9% year-over-year. The adjusted EBITDA margin ended the year at 8.2%, down 0.1% compared to 2021, due to the consolidation of Extrafarma. Excluding the effects of the acquisition, the adjusted EBITDA margin stood at 8.8% in the year, registering a significant growth of 0.5 p.p. compared to the previous year.

It is important to highlight that, with this result, we accumulated **an increase of 1.4 p.p. of EBITDA margin in the last 3 years** in Pague Menos, evidencing the success in our sustainable growth strategy combined with profitability gains.





In 4Q22, consolidated adjusted EBITDA reached BRL 232.5 million, a robust growth of 46.2% year-over-year. The adjusted margin was 8.2%, an increase of 0.5 p.p. compared to 4Q21, even considering the incorporation of Extrafarma's results, which pressured the margin by 1.0 p.p. due to the lower level of profitability in that operation. Despite this, we have already seen a sequential improvement in performance in 4Q22 compared to the previous quarter. The improvement is related to the beginning of synergy capture, as presented below.

EXTRAFARMA INTEGRATION AND SYNERGY CAPTURE

The Company's main focus in the short term has been to successfully complete the Extrafarma integration, accelerating the capture of the mapped synergies of between BRL 180 million to BRL 275 million in incremental EBITDA per year, as detailed in our Reference Form. Over the past few months, we have made significant progress in the integration plan.

In January 2023, just five months after the start of the Integration process, the migration of systems and processes in all Distribution Centers affected by the project was completed, thus allowing the unification of the logistics network between the two brands. The process was completed ahead of the original schedule. The logistics integration will allow an important optimization in the supplying of stores, with a reduction in the cost of freight, reduction in lead-times, increase in the frequency of re-supply and reduction in stock-outs.

Stores located in the states Bahia (BA), Pernambuco (PE) and Tocantins (TO), which were part of the first phase of supply migration, have shown important advances in operational indicators since December. In these states, before the beginning of the integration process, there was a gross margin gap of approximately 6 p.p. between the Pague Menos and Extrafarma brands. By December 2022, this margin gap had already been completely closed. In addition, we observed a reduction of approximately 50% in the stock-out rate of these stores, following the changes in the logistics network.

In February 2023 we completed the migration of all legacy Extrafarma systems to the Pague Menos technological infrastructure. The process was completed 3 months before the maximum deadline agreed with Ultra Group for maintenance of servers and licenses of the systems involved. With this migration, we will save BRL 1.5 million in technology expenses per month starting in April, in addition to accelerating the capture of other operational synergies.

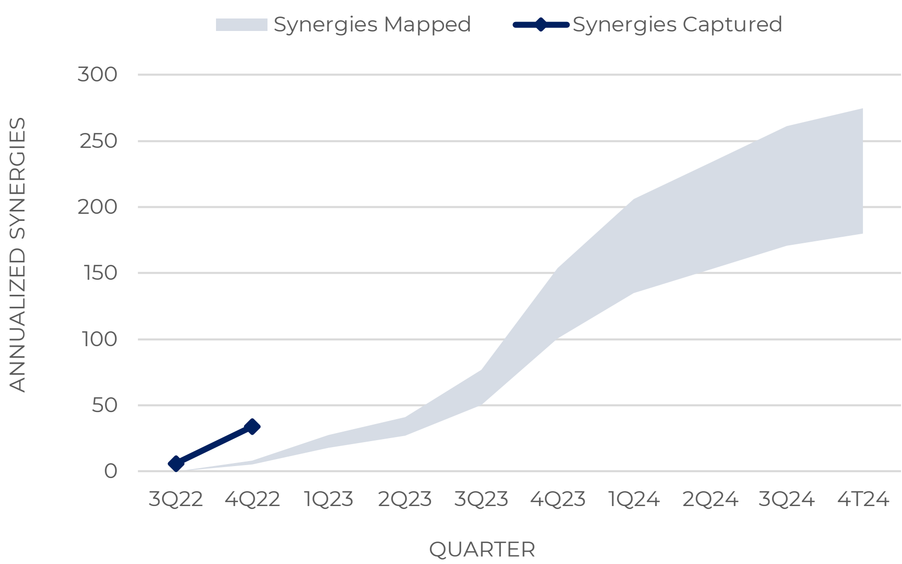
We also advanced in organizational restructuring, with the unification of the corporate organizational structure starting in October 2022. In addition, operational and third-party service redundancies have started to be eliminated, already contributing to the dilution of general and administrative expenses in 4Q22.

On the commercial front, there was also a significant advance in the vendor management strategy. Payment terms, generally longer for Pague Menos, were replicated for virtually all Extrafarma purchase orders by the end of 4Q22. The leveling of the purchase price conditions was partially executed in 4Q22 and will be finalized in 1Q23, already impacting gross margin for the quarter.

As a result of the multiple initiatives, we observed an increase of 0.8 p.p. in Extrafarma's adjusted EBITDA Margin compared to the previous quarter (2.9% versus 2.2%), which considers only the months of August and September (post-closing of the transaction).

In 4Q22, we recorded a volume of BRL 14.0 million in synergies, mainly due to organizational changes (BRL 3.7 million), logistics efficiencies (BRL 2.0 million), vendor management and private labels (BRL 2.1 million), assortment expansion (BRL 1.8 million), among others. The amount was partially offset by dis-synergies estimated at BRL 5.5 million, related to i) the closure of the wholesale operation and disinvestment of stores imposed by CADE (BRL 2.2 million); and ii) adaptation time and impacts of the changes in DC systems on store supply, normal in logistics integration processes of this scale (BRL 3.3 million). In addition, we recognized in the quarter a volume of BRL 9.1 million in non-recurring expenses related to the initial stage of integration, already disregarded in the adjusted result presented in this release. On an annualized basis, the synergies captured in 4Q22, net of dis-synergies, already represent R$34 million, equivalent to 15% of the potential mapped in the transaction.

SYNERGY CAPTURE CURVE
(BRL million)



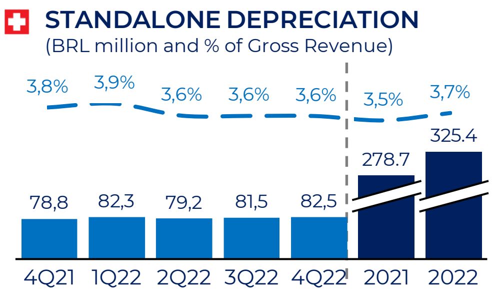
[5] considers only the months after the closing of the transaction (August and September 2022). Adjusted to include the accounting of the adjustment to present value (APV), recorded in 4Q22.

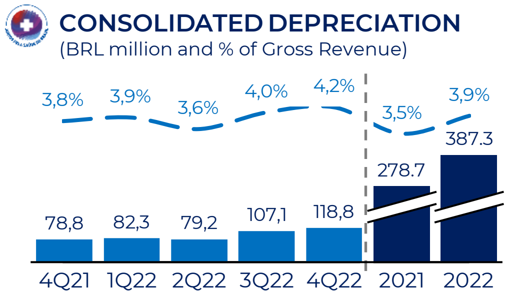
DEPRECIATION, FINANCIAL RESULTS AND INCOME TAX/SOCIAL CONTRIBUTION

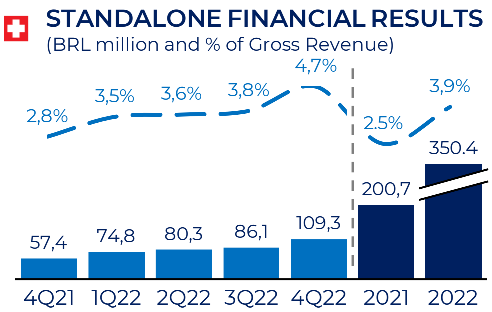
Depreciation and amortization totaled BRL 387.3 million on a consolidated basis in 2022, equivalent to 3.9% of gross revenue. Compared to 2021, there was an increase of 39.0% (+16.8% in Pague Menos standalone), due to the growth in the Company's store base and relevant investment in Capex in the period. In 4Q22, depreciation and amortization totaled BRL 118.8 million (BRL 82.5 million standalone), equivalent to 4.2% of gross revenue (3.6% standalone).

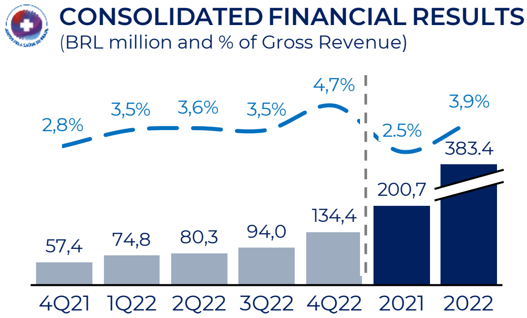
In 4Q22, financial expenses grew, due to the increase in interest rates and their effects on borrowing and financing costs. The consolidated financial result totaled BRL 134.4 million, equivalent to 4.7% of consolidated gross revenue. In Pague Menos standalone growth of 90.4%, reaching BRL 109.3 million, equivalent to 4.7% of gross revenue. For the year-to-date, BRL 383.4 million in consolidated and BRL 350.4 million in Pague Menos standalone.

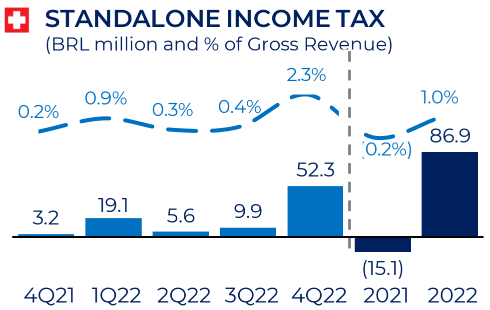
Compensating for part of the negative effect of the financial result in the year, we recorded a positive deferred income tax of BRL 100.2 million in 2022, resulting from: i) deliberation of Interest on Shareholder's Equity (*ISE*), ii) credits resulting from the exclusion of monetary correction using the SELIC rate on fiscal refunds due, iii) reduction in taxable income in the period and tax incentives recognized under the *Lei do Bem* "the Good Law"; e iv) reduction of taxable income for the period and consolidation of Extrafarma losses.

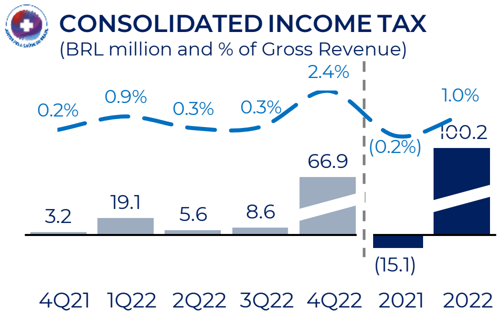










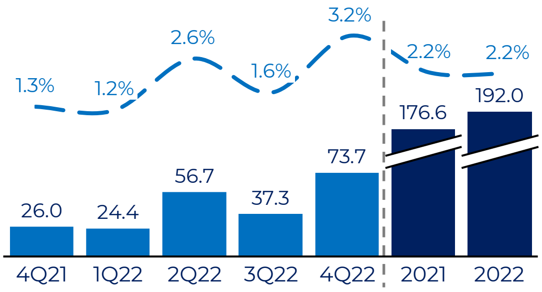


ADJUSTED **NET INCOME**

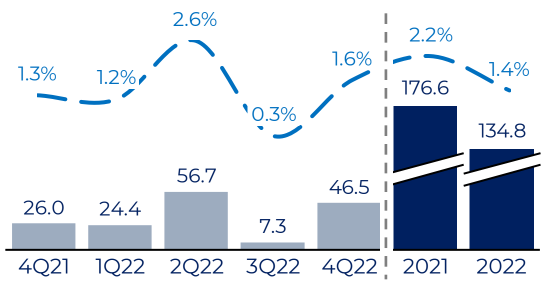
We recorded adjusted net income of BRL 134.8 million in 2022, impacted by the incorporation of negative results from Extrafarma, which totalled BRL 57.5 million in the period between August and December. In Pague Menos standalone, we recorded adjusted net income of BRL 192.0 million, an increase of 8.7% compared to 2021. Consolidated net margin was 1.4% of gross revenue (2.2% in Pague Menos standalone unchanged compared to the previous year).

In 4Q22, consolidated adjusted net income was BRL 46.0 million (BRL 73.7 million in Pague Menos standalone), an increase of 76.8% compared to the same period of the previous year (+183.5% standalone), due to the important growth in the adjusted EBITDA margin and the effect of the resolution of Equity Interest (JCP) of BRL 28 million.

STANDALONE NET INCOME
(BRL million and % of Gross Revenue)



CONSOLIDATED NET INCOME
(R$ million and % of Gross Revenue)



ADJUSTED INCOME **RECONCILIATION**

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

Adjustment Description	Net effect on profit or loss				Net effect on profit or loss			
	4Q21	4Q22	2021	2022	4Q21	4Q22	2021	2022
Net Accounting Income	**21.1**	**101.9**	**164.5**	**263.7**	**21.1**	**101.9**	**164.5**	**263.7**
Non-recurring expenses related to closing the transaction	7.5	6.0	18.4	16.1	7.5	7.1	18.4	18.6
Revenue from Advantageous purchase	-	(115.0)	-	(252.8)	-	(115.0)	-	(252.8)
Elimination of intercompany sales	-	4.6	-	4.6	-	4.6	-	4.6
Organizational restructuring	-	-	-	-	-	4.5	-	4.5
Provisions for interest on installments payable for the transaction	-	11.4	-	24.2	-	11.4	-	24.2
Divestments and closings of Extrafarma stores	-	-	-	-	-	3.5	-	5.7
Exclusion of equity method of Extrafarma in standalone results	-	33.2	-	65.6	-	-	-	-
Effect of adjustments on IRPJ (Corporate Income tax) and CSLL (Social Contributions on Net Profit)	(2.5)	31.6	(6.2)	70.7	(2.5)	28.6	(6.2)	66.4
Total - Effect on Net Income	**4.9**	**(28.2)**	**12.1**	**(71.6)**	**4.9**	**(55.4)**	**12.1**	**(128.8)**
Adjusted Net Income	**26.0**	**73.7**	**176.6**	**192.0**	**26.0**	**46.5**	**176.6**	**134.8**

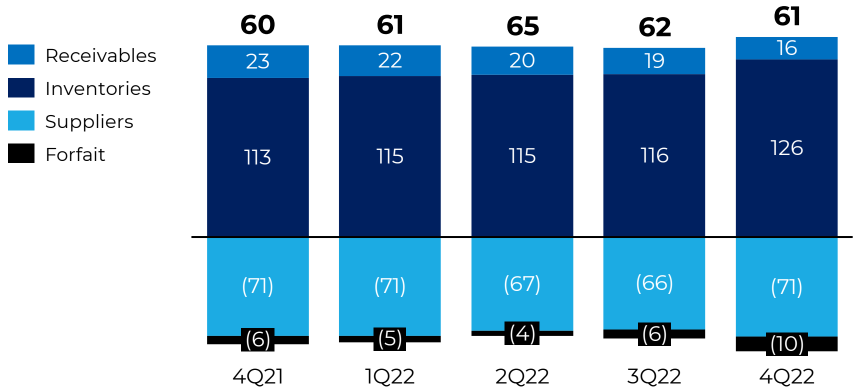
CASH CYCLE

At the end of 2022, the Company's operating cash cycle was 61 days, a reduction of 1 day compared to the previous quarter, and an increase of 1 day compared to the end of 2021. In line with the Extrafarma integration plan, a significant investment is being made in inventories, with a focus on reducing the stockout rates and expanding the assortment. This impact on the cash cycle has been financed by discounting receivables and increasing payment terms to suppliers.

It is important to highlight that, as of 4Q22, forfeit operations, in which suppliers advance the company's receivables with banks, were reclassified in the Financial Statements from Suppliers to Loans and Financing. However, for the purposes of this release, we continue to consider these transactions in Suppliers account.

These operations take place on the initiative of suppliers, due to their working capital management needs, and result in financial income for banking institutions, which is shared with the Company in the form of payment terms extension. In 4Q22, these operations extended the average payment terms originally for invoices subject to transactions by 34 days (24 days in 4Q21).

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

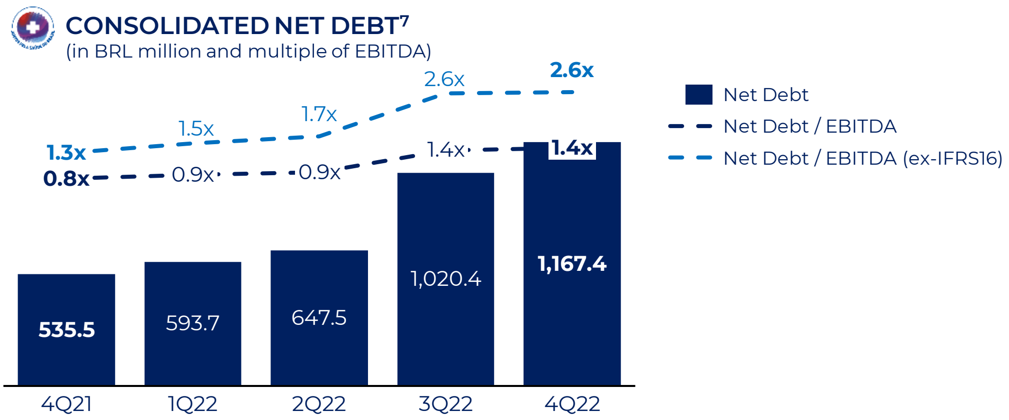


INDEBTEDNESS

Consolidated net debt totaled BRL 1,167.4 million at the end of 2022, equivalent to 1.4x the adjusted EBITDA of the last twelve months (2.6x when the effects of IFRS 16 are not considered). Compared to the same period of the previous year, we recorded an increase of BRL 631.9 million, mainly related to the payment of the first installment of the acquisition of Extrafarma (BRL 365 million), operating cash cycle (BRL 119 million, mostly related to investment in Extrafarma inventory) and debt service in the period (BRL 123 million).

The debt profile remains healthy, with an average duration of 2.7 years and more than 80% of maturities occurring during or after 2024.

[6] The calculation of the Average Inventory Term and the Average Supplier Payment Term disregards the effects of the APV, commercial agreements and recoverable taxes. [7] Drawn risk operations, shown in Explanatory Note 15 to the Financial Statements, are being considered as suppliers and disregarded from the debt calculations, for the purposes of this release



CASH FLOW

In 2022, we recorded negative free cash flow of BRL 462.4 million, impacted by the payment of the 1st installment related to the acquisition of Extrafarma (BRL 365.4 million) and the other initiatives related to the beginning of the integration. Disregarding the effect of Extrafarma on cash generation (operating result, capex and cash cycle normalization), free cash flow reached the breakeven point for the year, which compares to the cash consumption of BRL 200.1 million registered on 2021.

Managerial Cash Flow (R$ million)	4Q21	4Q22	2021	2022
Consolidated EBITDA	**151.5**	**327.8**	**652.6**	**1,024.2**
(-) Lease payments (IFRS 16)	(78.9)	(104.7)	(270.4)	(359.9)
(-) Revenue from advantageous purchase	-	(115.0)	-	(252.8)
(Δ) Accounts receivable	26.4	76.3	(7.3)	149.0
(Δ) Inventories	(98.6)	(255.4)	(250.8)	(585.2)
(Δ) Suppliers	93.2	85.9	39.5	168.1
(Δ) Forfait operations	30.5	101.0	27.8	138.9
(Δ) Recoverable taxes	(56.6)	(23.4)	(83.2)	(49.5)
(+/-) Change in other assets and liabilities/Non-cash effects	(15.5)	(80.3)	(66.8)	(24.5)
(=) Cash flow from operations	**51.9**	**12.1**	**41.4**	**208.5**
(-) Investments	(100.9)	(109.3)	(241.5)	(325.6)
(-) Company Acquisitions	-	-	-	(365.4)
(+) Cash from business combination	-	-	-	20.1
(=) Investment Cash Flow	**(100.9)**	**(109.3)**	**(241.5)**	**(670.9)**
Free cash flow	**(49.0)**	**(97.1)**	**(200.1)**	**(462.4)**
(+) Gross new debt	450.0	149.8	610.0	649.8
(-) Payment of gross debt	(39.0)	(83.3)	(300.8)	(531.4)
(-) Debt service	(15.7)	(47.8)	(50.8)	(123.4)
(-) Repurchase of shares / Payment of capital	(15.0)	(6.4)	(24.2)	(20.0)
(+) Dividends and Interest on Equity Capital paid (received)	-	0.2	-	1.5
(=) Financing Cash Flow	**380.3**	**12.4**	**234.3**	**(23.6)**
Opening balance of cash and cash equivalentes	322.8	252.8	620.0	654.1
Closing balance of cash and cash equivalents	654.1	168.1	654.1	168.1
Change in cash and cash equivalents	**331.3**	**(84.7)**	**34.2**	**(486.0)**

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

INVESTMENTS

In 2022, BRL 324.7 million were invested, mainly directed to organic expansion. Of this amount, approximately BRL 25.0 million was directed to Extrafarma, of which BRL 19.1 million was related to technological integration projects and BRL 5.9 million was for store renovations and brand conversions.

Capex (BRL million)	2021	%	2022	%
Expansion	116.3	48%	213.4	66%
Store rennovations	69.1	29%	28.2	9%
Technology,	25.4	11%	55.7	17%
Infrastructure of stores, DCs and offices	30.7	13%	28.4	9%
Total	**241.5**	**100%**	**325.6**	**100%**

ESG JOURNEY

In 2022, we took significant steps in our ESG Journey. We officially launched our ESG Agenda, with 9 commitments and 32 public goals with short, medium and long-term horizons, including best practices in the three dimensions of sustainability: environmental, social and governance. Already, in the first year, we have delivered 20% of the goals set out in the Agenda, in important initiatives that today are integrated into our operation and business strategy.

In the **Health for People** dimension, we progressed in generating value for society and expanding access to health, through the initiatives of our Volunteer Program, the *Programa Gigantes Solidários (*Giants of Solidarity Program). In addition to encouraging the practice of corporate volunteering, with the adherence of more than 6,400 employees throughout Brazil, the Program directly contributed to the main purpose of our ESG Agenda, to reduce inequalities in access to a healthy life, through the *Jornada da Saúde* (Health Journey) project. In this project, we impact communities near our stores with awareness campaigns in health care and free provision of basic services such as blood pressure measurement, bioimpedance and oxygen saturation testing.

In the **Health for the Environment** dimension, we have advanced in the renewal of our energy matrix, reaching the important mark of having the energy needs of 100% of stores, supplied by solar energy within 2 years of opening. In addition, we carried out our first Emissions Inventory, covering scope 1 and 2. With this, we initiated a more structured blueprint for our climate strategy for the coming years, defining the main areas for improvement.

In **the Health for Business** dimension, we continue to invest in the personal and professional development of our employees, in addition to expanding access to quality education for society. We had 15 hours of training per employee during the year. Full-time undergraduate and postgraduate scholarships were also made available to 12.5% of the Company's leadership, in addition to scholarships of up to 60% for other employees and dependents, two goals which had been planned for 2025.

We also strive to promote diversity and inclusion across our business units. Five Inclusion Programs were implemented throughout 2022: the Operations Trainee Program (with affirmative vacancies for the priority positions), the Accelerated Individual Development Program (also for the priority positions), Representativeness Program (composed of our affinity groups and the Diversity and Inclusion Committee), Inclusive Attraction and Selection Program, in which we reviewed our Attraction and Selection Policy, reshaping the process with a focus on promoting the inclusion of our priority areas and, finally, the Accessibility Program, in which we implemented an Inclusion Best Practices Manual. It is important to note that, for the second consecutive year, we are included in the B3's GPTW index portfolio.

For more information about our ESG journey, visit https://esg.paguemenos.com.br/en

APPENDIX 1: **INCOME STATEMENT**

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

PAGUE MENOS STANDALONE FINANCIAL STATEMENT

Income Statement (BRL million)	IAS 17			IFRS16		
	4Q21	4Q22	Δ	4Q21	4Q22	Δ
Gross Revenue	**2,074.8**	**2,310.4**	**11.4%**	**2,074.8**	**2,310.4**	**11.4%**
Deductions	(131.1)	(149.9)	14.3%	(131.1)	(149.9)	14.3%
Net Revenue	**1,943.6**	**2,160.6**	**11.2%**	**1,943.6**	**2,160.6**	**11.2%**
Cost of Goods Sold	(1,327.0)	(1,472.1)	10.9%	(1,327.0)	(1,472.1)	10.9%
Gross Profit	**616.7**	**688.5**	**11.6%**	**616.7**	**688.5**	**11.6%**
Gross Margin	*29.7%*	*29.8%*	*0.1 p.p.*	*29.7%*	*29.8%*	*0.1 p.p.*
Sales Expenses	(474.2)	(501.3)	5.7%	(395.3)	(422.6)	6.9%
Contribution Margin	**142.4**	**187.2**	**31.4%**	**221.4**	**265.9**	**20.1%%**
Contribution Margin (%)	*6.9%*	*8.1%*	*1.2p.p.*	*10.7%*	*11.5%*	*0.8p.p.*
General and administrative expenses	(62.4)	(52.8)	(15.4%)	(62.4)	(52.8)	(15.4%)
Adjusted EBITDA	**80.0**	**134.4**	**68.0%**	**159.0**	**213.1**	**34.1%**
Adjusted EBITDA Margin	*3.9%*	*5.8%*	*1.9p.p.*	*7.7%*	*9.2%*	*1.5 p.p.*
Depreciation and amortization	(24.9)	(29.7)	19.7%	(78.8)	(82.5)	4.7%
Financial Earnings	(22.4)	(74.5)	232.6%	(57.4)	(109.3)	90.4%
Earnings before Income Tax	**32.8**	**30.2**	**(7.8%)**	**22.8**	**21.4**	**(6.1%)**
Income Tax and Social Contribution	(0.2)	49.3	-	3.2	52.3	1,517.2%
Adjusted Net Income	**32.6**	**79.5**	**143.8%**	**26.0**	**73.7**	**183.5%**
Adjusted Net margin	*1.6%*	*3.4%*	*1.8 p.p.*	*1.3%*	*3.2%*	*1.9 p.p.*

Income Statement (BRL million)	IAS 17			IFRS16		
	2021	2022	Δ	2021	2022	Δ
Gross Revenue	**8,062.9**	**8,911.3**	**10.5%**	**8,062.9**	**8,911.3**	**10.5%**
Deductions	(534.2)	(577.4)	8.1%	(534.2)	(577.4)	8.1%
Net Revenue	**7,528.7**	**8,333.9**	**10.7%**	**7,528.7**	**8,333.9**	**10.7%**
Cost of Goods Sold	(5,108.1)	(5,646.5)	10.5%	(5,108.1)	(5,646.5)	10.5%
Gross Profit	**2,420.6**	**2,687.4**	**11.0%**	**2,420.6**	**2,687.4**	**11.0%**
Gross Margin	*30.0%*	*30.2%*	*0.2 p.p.*	*30.0%*	*30.2%*	*0.2 p.p.*
Selling Expenses	(1,790.6)	(1,973.8)	10.2%	(1,520.2)	(1,657.7)	9.0%
Contribution Margin	**629.9**	**713.7**	**13.3%**	**900.4**	**1,029.7**	**14.4%**
Contribution Margin (%)	*7.8%*	*8.0%*	*0.2 p.p.*	*11.2%*	*11.6%*	*0.4p.p.*
General and administrative expenses	(229.3)	(248.7)	8.4%	(229.3)	(248.7)	8.4%
Adjusted EBITDA	**400.6**	**465.0**	**16.1%**	**671.0**	**781.0**	**16.4%**
Adjusted EBITDA Margin	*5.0%*	*5.2%*	*0.2 p.p.*	*8.3%*	*8.8%*	*0.5 p.p.*
Depreciation and amortization	(92.8)	(111.0)	19,5%	(278.7)	(325.4)	16.8%
Financial Earnings	(80.4)	(211.5)	163.0%	(200.7)	(350.4)	74.6%
Earnings before Income Tax	**227.4**	**142.5**	**(37.3%)**	**191.7**	**105.2**	**(45.1%)**
Income Tax and Social Contribution	(27.2)	74.1	-	(15.1)	86.9	-
Adjusted Net Income	**200.1**	**216.6**	**8.3%**	**176.6**	**192.0**	**8.7%**
Adjusted Net margin	*2.5%*	*2.4%*	*(0.1 p.p.)*	*2.2%*	*2.2%*	-

PAGUE MENOS CONSOLIDATED FINANCIAL STATEMENT

Income Statement (BRL million)	IAS 17			IFRS16		
	4Q21	4Q22	Δ	4Q21	4Q22	Δ
Gross Revenue	**2,074.8**	**2,843.4**	**37.0%**	**2,074.8**	**2,843.4**	**37.0%**
Deductions	(131.1)	(183.2)	39.7%	(131.1)	(183.2)	39.7%
Net Revenue	**1,943.6**	**2,660.3**	**36.9%**	**1,943.6**	**2,660.3**	**36.9%**
Cost of Goods Sold	(1,327.0)	(1,805.6)	36.1%	(1,327.0)	(1,805.6)	36.1%
Gross Profit	**616.7**	**854.6**	**38.6%**	**616.7**	**854.6**	**38.6%**
Gross Margin	*29.7%*	*30.1 %*	*0.4 p.p.*	*29.7%*	*30.1 %*	*0.4 p.p.*
Selling Expenses	(474.2)	(639.6)	34.9%	(395.3)	(535.0)	35.3%
Contribution Margin	**142.4**	**215.0**	**50.9%**	**221.4**	**319.7**	**44.4%**
Contribution Margin (%)	*6.9%*	*7.6%*	*0.7p.p.*	*10.7%*	*11.2%*	*0.5 p.p.*
General and administrative expenses	(62.4)	(87.2)	39.7%	(62.4)	(87.2)	39.7%
Adjusted EBITDA	**80.0**	**127.8**	**59.7%**	**159.0**	**232.5**	**46.2%**
Adjusted EBITDA Margin	*3.9%*	*4.5%*	*0.6 p.p.*	*7.7%*	*8.2%*	*0.5 p.p.*
Depreciation and amortization	(24.9)	(45.5)	83.1%	(78.8)	(118.8)	50.7 %
Financial Earnings	(22.4)	(92.0)	310.5%	(57.4)	(134.4)	134.1%
Earnings before Income Tax	**32.8**	**(9.7)**	**-**	**22.8**	**(20.7)**	**-**
Income Tax and Social Contribution	(0.2)	63.2	-	3.2	66.9	1967.9%
Minority Interest	0.0	0.3	-	0.0	0.3	-
Adjusted Net Income	**32.6**	**53.2**	**65.0%**	**26.0**	**46.5**	**78.9%**
Adjusted Net margin	*1.6%*	*1.9%*	*0.3 p.p.*	*1.3%*	*1.6%*	*0.3 p.p.*

Income Statement for the Year (BRL million)	IAS 17			IFRS16		
	2021	2022	Δ	2021	2022	Δ
Gross Revenue	**8,062.9**	**9,818.7**	**21.8%**	**8,062.9**	**9,818.7**	**21.8%**
Deductions	(534.2)	(630.8)	18.1%	(534.2)	(630.8)	18.1%
Net Revenue	**7,528.7**	**9,187.9**	**22.0%**	**7,528.7**	**9,187.9**	**22.0%**
Cost of Goods Sold	(5,108.1)	(6,232.4)	22%	(5,108.1)	(6,232.4)	22.0%
Gross Profit	**2,420.6**	**2,955.5**	**22.1%**	**2,420.6**	**2,955.5**	**22.1%**
Gross Margin	*30.0%*	*30.1%*	*0.1 p.p.*	*30.0%*	*30.1%*	*0.1 p.p.*
Selling Expenses	(1,790.6)	(2,205.0)	23.1%	(1,520.2)	(1,845.1)	21.4%
Contribution Margin	**629.9**	**750.5**	**19.1%**	**900.4**	**1,110.3**	**23.3%**
Contribution Margin (%)	*7.8%*	*7.6%*	*(0.2 p.p.)*	*11.2%*	*11.3%*	*0.1 p.p.*
General and Administrative Expenses	(229.3)	(305.5)	33.2%	(229.3)	(305.5)	33.2%
Adjusted EBITDA	**400.6**	**444.9**	**11.1%**	**671.0**	**804.8**	**19.9%**
Adjusted EBITDA Margin	*5.0%*	*4.5%*	*(0.5 p.p.)*	*8.3%*	*8.2%*	*(0.1 p.p.)*
Depreciation and amortization	(92.8)	(139.2)	49.9%	(278.7)	(387.3)	39.0%
Financial Earnings	(80.4)	(231.5)	187.9%	(200.7)	(383.4)	91.1%
Earnings before Income Tax	**227.4**	**74.2**	**(67.3%)**	**191.7**	**34.0**	**(82.2%)**
Income Tax and Social Contribution	(27.2)	86.8	-	(15.1)	100.2	-
Minority Interest	0.0	0.6	-	0.0	0.6	-
Adjusted Net Income	**200.1**	**161.6**	**(19.2%)**	**176.6**	**134.8**	**(23.6%)**
Adjusted Net margin	*2.5%*	*1.6%*	*(0.9 p.p.)*	*2.2%*	*1.4%*	*(0.8 p.p.)*

APPENDIX 2: **BALANCE SHEET**

CONSOLIDATED BALANCE SHEET

Balance (BRL million)	IFRS16 12/31/2021	IFRS16 12/31/2022	Δ
Total Assets	**6,573.3**	**8,597.4**	**30.8%**
Current Assets	**3,512.5**	**4,127.9**	**17.5%**
Cash and Cash Equivalents	654.1	168.1	-74.3%
Accounts receivable from Clients	530.3	505.5	-4.7%
Inventory	1,957.0	3,029.2	54.8%
Recoverable Taxes	232.4	244.0	5.0%
Other Current Assets	138.7	181.1	30.5%
Non-Current Assets	**3,060.8**	**4,469.5**	**46.0%**
Long-term receivables	648.7	1,073.7	65.5%
Investments	72.6	76.3	5.1%
Fixed Assets	665.6	1,044.8	57.0%
Rights of use under lease	1,615.6	2,054.5	27.2%
Intangible	58.2	220.2	278.3%
Total Liabilities	**6,573.3**	**8,597.4**	**30.8%**
Current Liabilities	**2,191.4**	**2,935.8**	**34.0%**
Social and Labor Obligations	103.4	158.5	53.2%
Suppliers	1,202.4	1,590.4	32.3%
Forfait Operations	104.1	237.9	128.6%
Tax Obligations	94.1	167.2	77.7%
Loans, financing and debentures	435.7	234.9	-46.1%
Other Obligations	29.6	233.6	690.1%
Commercial leasing	222.1	313.3	41.0%
Non-Current Liabilities	**2,291.6**	**3,318.6**	**44.8%**
Loans, financing and debentures	753.9	1,100.6	46.0%
Tax Obligations	0.0	6.0	-
Commercial leasing	1,508.0	1,926.2	27.7%
Provisions	22.6	90.9	302.9%
Other Bills Payable	7.2	194.9	2616.0%
Equity	**2,090.2**	**2,343.0**	**12.1%**
Paid-up Share Capital	1,199.2	1,199.2	0.0%
Capital Reserves	369.7	391.9	6.0%
Profit Reserves	521.3	764.4	46.6%
Treasury Shares	0.0	-21.0	-
Non-controlling interests	0.0	8.4	-

APPENDIX 3: **RECONCILIATION OF ADJUSTED EARNINGS**

Adjusted Financial Statement Reconciliation (BRL million)	STANDALONE			CONSOLIDATED		
	4Q22 Accounting	Non Recurring Charges	4Q22 Adjusted	4Q22 Accounting	Non Recurring Charges	4Q22 Adjusted
Gross Revenue	**2,350.2**	**(39.8)**	**2,310.4**	**2,843.4**	**-**	**2,843.4**
Deductions	(154.4)	4.6	(149.9)	(187.8)	4.6	(183.2)
Net Revenue	**2,195.7**	**(35.2)**	**2,160.6**	**2,655.7**	**4.6**	**2,660.3**
Cost of Goods Sold	(1,511.8)	39.8	(1,472.1)	(1,805.6)	-	(1,805.6)
Gross Profit	**683.9**	**4.6**	**688.5**	**850.0**	**4.6**	**854.6**
Selling Expenses	(307.6)	(115.0)	(422.6)	(420.0)	(115.0)	(535.0)
General and Administrative Expenses	(91.9)	39.1	(52.8)	(102.2)	15.0	(87.2)
Depreciation and amortization	(82.5)	-	(82.5)	(118.8)	-	(118.8)
Operating Results	**201.9**	**(71.3)**	**130.6**	**209.0**	**(95.4)**	**113.7**
Financial Earnings	(120.6)	11.4	(109.3)	(145.8)	11.4	(134.4)
Income Before Income Tax	**81.2**	**(59.9)**	**21.4**	**63.3**	**(84.0)**	**(20.7)**
Income Tax and Social Contribution Tax	20.7	31.6	52.3	38.3	28.6	66.9
Minority Interest	-	-	-	0.3	-	0.3
Net Income	**101.9**	**(28.2)**	**73.7**	**101.9**	**(55.4)**	**46.5**

APPENDIX 4: **EBITDA RECONCILIATION**

Adjusted Financial Statement Reconciliation (BRL million)	STANDALONE			CONSOLIDATED		
	4Q22 Accounting	Non Recurring Charges	4Q22 Adjusted	4Q22 Accounting	Non Recurring Charges	4Q22 Adjusted
Net Income	**101.9**	**(28.2)**	**73.7**	**101.9**	**(55.4)**	**46.5**
(+) Financial Earnings	120.6	(11.4)	109.3	145.8	(11.4)	134.4
(+) Income Tax and Social Contribution Tax	(20.7)	(31.6)	(52.3)	(38.3)	(28.6)	(66.9)
(+) Depreciation and Amortization	82.5	-	82.5	118.8	-	118.8
Minority Interest	-	-	-	(0.3)	-	(0.3)
EBITDA	**284.4**	**(71.3)**	**213.1**	**327.8**	**(95.4)**	**232.5**

APPENDIX 5: REGIONAL **DISTRIBUTION OF STORES**

State / Region (# Stores)	4Q21	Organic expansion	Inorganic expansion	Closings	4Q22
Total	**1,165**	**118**	**399**	**36**	**1,646**
Northeast	**720**	**78**	**222**	**19**	**1,001**
Alagoas	31	5	-	-	36
Bahia	130	10	20	2	158
Ceará	184	17	91	10	282
Maranhão	69	10	57	3	133
Paraíba	55	5	4	1	63
Pernambuco	126	17	34	1	176
Piauí	38	5	-	-	43
Rio Grande Do Norte	50	4	16	2	68
Sergipe	37	5	-	-	42
North	**115**	**7**	**135**	**7**	**250**
Acre	13	2	-	-	15
Amapá	7	-	11	-	18
Amazonas	22	-	-	-	22
Pará	35	2	121	7	151
Rondônia	13	-	-	-	13
Roraima	11	1	-	-	12
Tocantins	14	2	3	-	19
Southeast	**193**	**17**	**42**	**7**	**245**
Espírito Santo	25	-	-	-	25
Minas Gerais	59	10	-	1	68
Rio De Janeiro	20	-	-	1	19
São Paulo	89	7	42	5	133
Center-West	**96**	**16**	**-**	**3**	**109**
Distrito Federal	16	-	-	1	15
Goiás	28	2	-	1	29
Mato Grosso	28	11	-	-	39
Mato Grosso do Sul	24	3	-	1	26
South	**41**	**-**	**-**	**-**	**41**
Paraná	15	-	-	-	15
Rio Grande Do Sul	7	-	-	-	7
Santa Catarina	19	-	-	-	19

CONFERENCE CALL
March 07, 2023
10:00 (BRT) | 08:00 (US-EST)
In Portuguese, with simultaneous translation into English,
To access, click here

Empreendimentos Pague Menos S.A.
Consolidated balance sheet
December 31, 2022 and 2021
(In thousand Reais)

Assets	Note	2022 Parent	2022 Consolidated	2021 (Restatement)
Current				
Cash and cash equivalent	4	153.139	163.742	654.121
Marketable securities		4.362	4.362	-
Trade receivable	5	508.359	505.519	530.268
Inventories	6	2.348.130	3.029.159	1.956.957
Commercial agreements		110.018	144.953	100.970
Recoverable taxes	7	225.820	244.028	232.407
Prepaid expenses		11.296	15.253	5.965
Other		46.583	20.896	31.812
Total current asset		**3.407.707**	**4.127.912**	**3.512.500**
Non-current				
Long term achievable				
Financial investments		5.147	5.147	8.639
Recoverable taxes	7	478.910	741.001	414.418
Deferred taxes	8	220.182	237.845	204.018
		63.706	63.706	-
Legal deposits		22.336	26.035	21.617
		790.281	**1.073.734**	**648.692**
Investments	10	975.507	76.284	72.596
Property, plant, and equipment	11	829.371	1.044.838	665.611
Intangible	12	101.580	220.204	58.210
Right of use	15	1.737.999	2.054.454	1.615.645
Total non-current asset		**3.644.457**	**3.395.780**	**2.412.062**
Total asset		**7.842.445**	**8.597.426**	**6.573.254**

Empreendimentos Pague Menos S.A.
Consolidated blance sheet
December 31, 2022 and 2021
(In thousand Reais)

		2022		2021
Liabilties	**Note**	**Parent**	**Consolidated**	**(Restatement)**
Current				
Trade payable	13	1.320.086	1.590.364	1.204.104
Loans, finance and debentures	14	472.810	472.810	538.090
Forfait Operations		237.929	237.929	102.388
Loans and financing		174.282	174.282	435.702
Debentures		60.599	60.599	-
Derivatives		863	863	-
Leases liabilities	15	259.326	313.299	222.147
Taxes and contribuition payables	16	110.215	167.248	94.095
Salaries and social charges		111.065	158.468	103.425
Other accounts payable		221.753	232.768	29.571
Total current liability		**2.496.118**	**2.935.820**	**2.191.432**
Non-current				
Loans, finance and debentures	14	1.100.597	1.100.597	753.909
Loans and financing		156.056	156.056	169.672
Debentures		944.541	944.541	584.237
Leases liabilities	15	1.630.471	1.926.193	1.507.974
Taxes and contribuition payables	16	5.986	5.986	7.177
Contingency provisions	17	16.091	27.206	22.565
Indemnity liability		63.706	63.706	-
Other accounts payable		194.925	194.925	-
Total non-current liability		**3.011.776**	**3.318.613**	**2.291.625**
Total liability		**5.507.894**	**6.254.433**	**4.483.057**
Shareholders' equity	18			
Capital stock		1.199.219	1.199.219	1.199.219
Capital reserves		391.878	391.878	369.696
Profit reserves		500.782	500.783	356.825
Stocks in treasury		(20.993)	(20.993)	-
Accumulated profits		263.665	263.665	164.456
Minotity participation		-	8.441	-
Total shareholders' equity		**2.334.551**	**2.342.993**	**2.090.196**
Minotity participation			8.442	
Total liability and shareholders' equity		**7.842.445**	**8.597.426**	**6.573.253**

Empreendimentos Pague Menos S.A.
Consolidated income statement
December 31, 2022 and 2021
(In thousand Reais, except for the result per share)

Income statement	Note	2022 Parent	2022 Consolidated	2021
Gross sales		8.951.497	9.824.617	8.062.873
		581.981	635.542	534.163
Net revenue	22	**8.369.516**	**9.189.075**	**7.528.710**
Cost of sales	23	(5.686.664)	(6.238.300)	(5.108.147)
Gross profit		**2.682.852**	**2.950.775**	**2.420.563**
(Expenses) operating revenues		**(2.060.754)**	**(2.313.940)**	**(2.046.574)**
Other operating revenues		256.934	260.979	1.367
Sales expenses	23	(1.997.410)	(2.257.817)	(1.777.245)
General and administrative expenses	23	(259.257)	(321.419)	(271.820)
Depreciation and amortization		-	-	-
Equity in the results of investees		(60.473)	5.144	2.231
Other operating expenses		(548)	(827)	(1.107)
Result before net financial revenues (expenses)		**622.098**	**636.835**	**373.989**
Financial revenues	24	80.935	83.407	79.561
Financial expenses	24	(455.532)	(491.020)	(280.221)
Financial, net expenses		**(374.597)**	**(407.613)**	**(200.660)**
Result before taxes		**247.501**	**229.222**	**173.329**
Income tax current	8	-	-	(20.335)
Income tax deferred	8	16.164	33.827	11.463
Net income		**263.665**	**263.049**	**164.457**
		-	**(615)**	**-**
		263.665	**263.664**	**164.457**
Share result				
Basic and diluted share result (in R$)		0,59	0,59	0,37

Empreendimentos Pague Menos S.A.
Consolidated comprehensive income statement
December 31, 2022 and 2021
(In thousand Reais)

Comprehensive income statement	**2022**		**2021**
	Parent	**Consolidated**	
Net income	**263.665**	**263.049**	**164.457**
Comprehensive income of the year	**263.665**	**263.049**	**164.457**
Attributed to non-controlling shareholders	-	(615)	-
Attributed to shareholders of the Parent Company	**263.665**	**263.664**	**-**

Empreendimentos Pague Menos S.A.
Consolidated statements of changes in shareholders' equity
December 31, 2022 and 2021
(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**	**Non-controlling participation**	**Total shareholders' Equity**
Balances on January 1, 2021	1.200.666	383.432	356.825	-	-	**1.940.923**	-	**1.940.923**
Capital transactions with the partners	-	(20.040)	-	-	-	**(20.040)**	-	**(20.040)**
				-		**-**		**-**
Stocks in treasury	-	(20.040)	-	-	-	**(20.040)**	**-**	**(20.040)**
Total Comprehensive Income	-	-	-	164.457	-	**164.457**	-	**164.457**
Net Profit in the Period	-	-	-	164.457	-	**164.457**	**-**	**164.457**
Internal Changes of the shareholders' equity	(1.447)	6.304	164.457	(164.457)	-	4.857	-	4.857
Tax Incentive Reserve	-	-	164.457	(164.457)	-	**-**		**-**
Costs in stocks issuance	(1.447)	-	-	-	-	**(1.447)**		**(1.447)**
Restricted stocks plan	-	6.304	-	-	-	**6.304**		**6.304**
Balances on December 31, 2021	**1.199.219**	**369.696**	**521.282**	**-**	**-**	**2.090.197**	**-**	**2.090.197**
Balances on January 1, 2022	1.199.219	369.696	521.282	-	-	**2.090.197**	-	**2.090.197**
Capital transactions with the partners	-	(953)	-	-	-	**(953)**	-	**(953)**
Interest on Shareholder's Equity				-		**-**		**-**
Stocks in treasury	-	(953)	-	-	-	**(953)**	**-**	**(953)**
Addition of non-controlling interests by business combination							**9.057**	**9.057**
Total Comprehensive Income	-	-	-	263.665	-	**263.665**	(615)	**263.050**
Net Profit in the Period	-	-	-	263.665	-	**263.665**	**(615)**	**263.050**
Internal Changes of the shareholders' equity	(0)	2.142	243.165	(263.665)	-	**(18.358)**	-	(18.358)
Tax Incentive Reserve	-	-	177.349	(177.349)	-	**-**	-	**-**
Legal reserve	-	-	4.316	(4.316)	-	**-**	-	**-**
Stocks granted	(0)	(20.797)	-	-	-	**(20.797)**	-	**(20.797)**
Restricted stocks plan	-	22.939	-	-	-	**22.939**	-	**22.939**
Interest on Shareholder's Equity – Minimum dividend	-	-	-	(20.500)	-	**(20.500)**	-	**(20.500)**
Interest on Shareholder's Equity – Additional	-	-	61.500	(61.500)	-	**-**		**-**
Balances on December 31, 2022	**1.199.219**	**370.885**	**764.447**	**-**	**-**	**2.334.551**	**8.442**	**2.342.993**

Empreendimentos Pague Menos S.A.
Consolidated cash flow statements
December 31, 2022 and 2021
(In thousand Reais)

	2022		2021
Cash flow statements	**Parent**	**Consolidated**	**(Restatement)**
Cash flows from operating activities			
Net profit (loss) from the fiscal year	**263.665**	**263.049**	**164.457**
Cash Generated from Operations			
Depreciation and amortization	325.429	387.328	278.654
Assets and liabilities present value adjustment	1.196	5.423	(3.934)
Interests on loans, financing, and debentures	157.700	157.700	56.373
Derivative financial instruments fair value changes	863	863	5.737
Exchange variation on loans and financing	(1.090)	(1.090)	908
Interests on lease with purchase option	138.858	146.518	120.238
Establishement (reversal) of contingency provisions	4.760	5.132	2.212
Equity accounting	60.473	(5.143)	(2.231)
Current taxes	-	-	20.335
Deferred taxes	(16.164)	(33.827)	(11.463)
Appropriation of transaction costs in debts issuance	(5.663)	(5.663)	(4.531)
Other adjustments to profit	(4.241)	(4.896)	(3.509)
Gain from advantageous purchase	(252.806)	(252.806)	-
Provision for closure of shops	(1.249)	(1.594)	(1.107)
Residual value on write-down of fixed and intangible assets	2.876	8.371	5.104
Provision for bad and doubtful debts	2.415	2.559	5.745
Provision for losses in inventories	4.720	5.188	(5.184)
	681.742	**677.112**	**627.804**
Operating assets and liabilities variations			
Third party fundraising	-	-	(3.974)
Accounts receivable	21.805	149.038	(7.337)
Inventories	(408.547)	(585.152)	(250.754)
Recoverable taxes	(62.022)	(49.479)	(83.225)
Other credits	(23.351)	15.086	(25.688)
Prepaid expenses	(5.331)	(9.288)	2.237
Suppliers	124.657	168.118	67.251
Taxes and contributions recoverable	2.629	20.470	(33.676)
Salaries and vacation payable	28.815	8.595	23.175
Other accounts payable	21.070	21.661	(8.410)
	(300.275)	**(260.951)**	**(320.401)**
Others			
Payment of loans - Interests	(44.157)	(44.157)	(36.085)
Payment of debentures - Interests	(79.225)	(79.225)	(14.678)
Payment of leases - Interests	(138.858)	(146.518)	(120.238)
	(262.240)	**(269.900)**	**(171.001)**
		-	
Net Cash Operating Activities	119.227	146.261	**136.402**
Cash flows from investment activities			
	-	20.125	-
Acquisition in other investments	(870)	(870)	31.758
Mergers and acquisitions	(365.428)	(365.428)	-
Acquisition of property, plant, and equipment	(268.093)	(273.970)	(211.874)
Acquisition of intangible	(51.629)	(51.629)	(29.615)
Net cash generated in investment activities	**(686.020)**	**- 671.772**	(209.731)
Cash flows from financing activities			
Loans and Financing	149.750	149.750	160.000
Payment of loans and financing	(299.511)	(299.510)	(267.603)
Payment of lease with purchase option	(172.901)	(203.786)	(146.668)
Issuance of debentures	500.000	500.000	450.000
Payment of debentures	(231.938)	(231.937)	(33.198)
Derivative operations settlement	-	-	-
Funds from stock option granted	138.943	138.943	-
Dividends and interests over own capital received	1.455	1.455	-
Costs in stocks issuance	-	-	(1.447)
Stocks in treasury	(19.987)	(19.988)	(22.720)
Net cash (used in) from financing activities	**65.811**	**34.927**	**138.364**
Increase (Decrease) of Cash and Equivalents	**(500.982)**	**(490.379)**	65.035
Decrease of cash and cash equivalent statements			
At the beginning of the fiscal year	654.121	654.121	589.086
At the end of the fiscal year	153.139	163.742	654.121
Decrease of Cash and Equivalents	**(500.982)**	**(490.379)**	**65.035**

Empreendimentos Pague Menos S.A.
Consolidated value added statement
December 31, 2022 and 2021
(In thousand Reais)

	2022		2021
Value added statement	**Parent**	**Consolidated**	
Revenues			
Sales of merchandises, products and services	8.851.768	9.719.221	7.968.063
Other revenues	256.934	259.785	13.736
	9.108.702	**9.979.006**	**7.981.799**
Inputs acquired from third parties (includes ICMS and IPI)			
Costs of sold merchandises, products and services	(5.238.138)	(5.788.596)	(4.734.672)
Third parties' materials, energy, services and others	(871.688)	(988.112)	(815.046)
	(6.109.826)	**(6.776.708)**	**(5.549.718)**
Gross added value	**2.998.876**	**3.202.298**	**2.432.081**
Depreciation and amortization	(325.416)	(387.328)	(278.657)
Net added value generated by Company	**2.673.460**	**2.814.970**	**2.153.424**
Added value received from transfer			
Equity pick-up	(60.473)	5.144	2.231
Financial income	98.431	100.903	68.522
Total added value to distribute	**2.711.418**	**2.921.017**	**2.224.177**
Added value distribution			
Personnel	**1.045.055**	**1.179.241**	**917.165**
Direct compensation	896.488	1.006.691	778.116
Benefits	84.069	96.704	82.944
FGTS	64.498	75.846	56.105
Taxes, Rates and Contributions	**1.017.297**	**1.071.351**	**924.989**
Federal	229.058	254.985	139.313
State	774.309	800.554	770.267
Municipal	13.930	15.812	15.409
Compensation of third parties capital	**385.401**	**407.376**	**217.566**
Interests	344.723	360.019	180.170
Rentals	40.678	47.357	37.396
Compensation of own capital	**263.665**	**263.049**	**164.457**
Profit (loss) of the year	263.665	263.049	164.457
Distributed added value	**2.711.418**	**2.921.017**	**2.224.177**

1. OPERATIONAL CONTEXT

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

The Company and its subsidiary Imifarma Produtos Farmacêuticos e Cosméticos S.A., owner of the “Extrafarma” brand, (together “Consolidated” or “Group”) have as their main activity the retail sale of medicines, cosmetics, personal care and beauty products, selling through 1,270 Pague Menos stores (1,165 as of December 31, 2021) and 376 Extrafarma stores, distributed in every state in Brazil. The stores are supplied by 9 distribution centers located in the states of Ceará, Pernambuco, Bahia, Goiás, Minas Gerais, São Paulo, Pará and Maranhão.

Extrafarma Transaction

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

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

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

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

Detailed information on the business combination is disclosed in Note 4. The accounting impacts of the transaction are reflected in these financial statements, in accordance with the accounting standards applicable to the matter.

2. STATEMENT OF COMPLIANCE AND BASIS OF PREPARATION

2.1 Statement of compliance

These individual and consolidated financial statements were prepared and are being presented in accordance with the International Financial Reporting Standards (IFRS) and in accordance with accounting practices adopted in Brazil that conform with the standards of the *Comissão de Valores Mobiliários* - CVM, the Brazilian Securities and Exchange Commission, and the Brazilian Accounting Standards (NBC's) of the *Conselho Federal de Contabilidade* (Federal Accounting Council - CFC).

The issuance of these individual and consolidated financial statements was approved by the Company's Board of Directors on March 2, 2023.

2.2 Basis of preparation

The individual and consolidated financial statements were prepared based on historical cost, except for the share-based compensation plan and derivative financial instruments and the effects of business combinations, which were measured at fair value through profit or loss. These individual and consolidated financial statements are presented in Brazilian Reals, which is the working currency of the Company and its subsidiary.

In addition, the Company considers the guidance issued by Technical Guidance OCPC 07, issued by the *CPC -Comitê de Pronunciamentos Contábeis* (Accounting Declarations Committee of the Federal Accounting Council) in November of 2014, in the preparation of its financial statements. Therefore, the Company declares that all relevant information specific to the financial statements themselves are supported by evidence, and that they correspond to the information used by the company for management purposes.

Management assessed the Company's ability to continue operating normally and is convinced that it has the resources to continue doing business in the future. In addition, the Company´s Management is not aware of any material uncertainties that could generate significant doubts about its ability to continue as a going concern. As such, these individual and consolidated financial statements were prepared on a going concern basis.

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

2.3 Basis for consolidation

The consolidated financial statements comprise the financial information of the Company and its subsidiary as of December 31, 2022. Control is obtained when the Company is exposed or entitled to variable returns based on its involvement with the investee and has the ability to affect those returns through the power exercised in relation to the investee.

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

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

(Amounts in thousands of Reais)

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

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

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

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

In the consolidated financial statements, the Company's investment in its subsidiary is accounted for based on the equity method.

Consolidation basis as of August 1, 2022

The Company's consolidated financial statements include:

		Ownership Share %	
	Country	2022	2021
Direct controlled			
Imifarma Produtos Farmacêuticos e Cosméticos S.A. ("Extrafarma")	Brazil	**99.07%**	-

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

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

2.4 Restatement of corresponding amounts

The Company's Management is restating the corresponding amounts of the balance sheet as of December 31, 2021, and the statement of cash flows for the year ended on that date due to the reclassification of the balances and transactions of drawn risk operations. The reclassification aims to reflect even more transparently the nature of the Company's credit assignment operations and to bring greater clarity to users of the financial statements about the effects of such operations on the balance sheet and cash flow statement. These adjustments are being presented retroactively in accordance with NBC TG 23 (R3) – Accounting Policies, Change of Estimate and Error Rectification/ IAS 8 — Accounting Policies, Changes in Accounting Estimates and Errors and have produced the following impacts on the balance sheet and statement of cash flows in relation to the amounts previously presented:

(Amounts in thousands of Reais)

	12/31/2021		
	As originally presented	Adjustments	Resubmitted
Balance Sheet			
Suppliers			
Suppliers	1,330,499	(104,064)	1,226,435
APV – Suppliers	(24,007)	1,676	(22,331)
	1,306,492	(102,388)	1,204,104
Loans, financing and debentures			
Drawn Risk operations (a)	-	102,388	102,388
Cash Flow Statement			
Variations in Operating Assets and Liabilities			
Suppliers	67,251	(27,768)	39,483
Cash flows from financing activities			
Risk operations drawn (a)	-	27,768	27,768

3. PRINCIPAL ACCOUNTING POLICIES

The Group has applied the accounting policies described below consistently to all years presented in these Financial Statements.

Cash and cash equivalents

The cash and cash equivalent balances are maintained for the purpose of meeting short-term cash commitments. The Company considers cash equivalents to be a financial investment that can be immediately converted into cash and are subject to an insignificant risk in value changes. Therefore, normally, an investment is qualified as cash equivalent when it has a short maturity, e.g., three months or less from the date when it was contracted.

Financial instruments - Initial recognition and subsequent measurement

A financial instrument is a contract that creates a financial asset for one entity and a financial liability or equity instrument for another entity.

Financial assets

Initial recognition and measurement

Financial assets are classified, upon initial recognition, as subsequently measured according to the amortized cost, at fair value through other comprehensive income and at fair value through income.

The classification of financial assets in the initial recognition depends on the characteristics of the contractual cash flows of the financial assets and the Group's business model for the management of these financial assets. Except for accounts receivable from clients that do not contain a significant financing component or to which the Group has applied the practical procedure, the Group initially measures a financial asset at its fair value plus transaction costs in the case of an asset not measured at fair value through profit or loss. Accounts receivable from customers that do not contain a significant financing component or for which the Company has applied the practical expedient are measured at the transaction price determined according to NBC TG 47 / IFRS 15.

For a financial asset to be classified and measured at amortized cost or at fair value through other comprehensive income, it must generate cash flows that are "Solely Payment of Principal and Interest" (also referred to as the "SPPI" test) calculated according to the principal amount outstanding. This evaluation occurs at the instrument level. Financial assets with cash flows that are not solely payments of principal and interest are classified and measured at fair value through income or loss, regardless of the business model.

The Company's business model for managing financial assets refers to how it manages its financial assets to generate cash flows. The business model determines whether cash flows will result from collecting contractual cash flows, selling of financial assets, or both. Financial assets classified and measured at amortized cost are maintained in a business plan with the objective of maintaining financial assets in order to obtain contractual cash flows.

Purchases or sales of financial assets that require delivery of assets within a time frame established by regulation or convention in the marketplace (regular trades) are recognized on the trade date, i.e., the date that the Group commits to purchase or sell the asset.

Subsequent measurement

For subsequent measurement purposes, financial assets are classified into four categories:

i) Financial assets at amortized cost (debt instruments);
ii) Financial assets at fair value through other comprehensive income, with reclassification of accrued gains and losses (debt instruments);
iii) Financial assets designated at fair value through other comprehensive income, without the reclassification of accrued gains and losses at the time of the derecognition (equity instruments); and
iv) Financial assets at fair value through profit or loss.

The "financial assets at amortized cost" (debt instruments) category is the most relevant for the Company. The Group measures financial assets at amortized cost if both of the following conditions are met:

i) The financial asset is maintained within a business model whose objective is to maintain financial assets in order to receive contractual cash flows; and
ii) The contractual terms of the financial asset give rise, on specified dates, to cash flows that are solely payments of the principal amount and interest based on the principal amount outstanding.

Financial assets at amortized cost are subsequently measured using the effective interest method and are subject to impairment. Gains and losses are recognized as income or losses when the asset is written off, modified or subject to impairment.

Financial assets at fair value through profit or loss

Financial assets at fair value through the results are presented in the balance sheet at fair value, with the net changes in fair value recognized in the income statement.

This category includes financial investments.

Derecognition

A financial asset (or, where applicable, a part of a financial asset or part of a group of similar financial assets) is derecognized when:

i) The rights to receive cash flows from the asset have expired.

ii) The Group transferred its rights to receive cash flows from the asset or assumed an obligation to pay in full the cash flows received without significant delay to a third party under a transfer agreement and (a) the Group has transferred substantially all the risks and benefits of the asset, or (b) the Group neither transferred nor substantially retained all the risks and benefits of the asset, but transferred control of the asset.

Impairment of Financial Assets

The Group recognizes a provision for expected credit losses for all debt instruments not held at fair value through profit or loss.

Financial liabilities

Initial recognition and measurement

Financial liabilities are classified, upon initial recognition, as financial liabilities at fair value through profit or loss, financial liabilities at amortized cost or as derivatives designated as hedge instruments in an effective hedge, as appropriate. All financial liabilities are initially measured at fair value, more or less, and in cases were a financial liability that is not based on its fair value through the results, transaction costs that are directly attributable to the issuance of the financial liability.

The Group's financial liabilities include suppliers, loans and financing, related parties and lease liabilities and are classified in the category of financial liabilities at amortized cost, in addition to derivative financial instruments at fair value through profit or loss.

Subsequent measurement

For subsequent measurement purposes, financial liabilities are classified according to two categories: (i) financial liabilities at fair value through profit or loss; and (ii) Financial liabilities at amortized cost.

Financial liabilities at fair value through profit or loss

Financial liabilities at fair value through profit or loss include financial liabilities for trading and financial liabilities designated at initial recognition at fair value through profit or loss.

Financial liabilities designated at the initial recognition at fair value through profit or loss are designated on the initial recognition date and only if the NBC TG 48 / IFRS 9 criteria are met.

Financial liabilities at the amortized cost

This is the most relevant category for the Group. After the initial recognition, the Company's financial liabilities are subsequently measured at amortized cost, using the effective interest rate method, when subject to interest. Gains and losses are recognized in the income statement when the liabilities are written off, as well as through the effective interest rate amortization process.

The amortized cost is calculated considering any negative goodwill or goodwill on the acquisition and fees or costs that are an integral part of the effective interest rate method. Amortization using the effective interest rate method is included as a financial expense in the income statement.

The Group's financial liabilities at amortized cost include loans and financing (including drawn risk operations), accounts payable to suppliers, lease liabilities and accounts payable to related parties.

Derecognition

A financial liability is written off when the obligation under the liability is extinguished, that is, when the obligation specified in the contract is settled, canceled or expires. When an existing financial liability is replaced by another liability from the same creditor on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as the derecognition of the original liability and recognition of a new liability. The difference in the respective book values is recognized in the income statement.

Compensation of financial instruments

Financial assets and liabilities are offset, and the net amount is reported in the balance sheet whenever there is any legal right to offset such recognized amounts and there is an intention to liquidate them on a net basis or perform the realization of the asset and liquidate the liability simultaneously.

Accounts receivable from customers and other credits

Accounts receivable from customers are valued at the original sale amount deducting the credit card fees, when applicable, and the provision for expected credit losses. The expected credit losses are based on the difference between the contractual cash flows due under the contract and all the cash flows that the Company expects to receive.

Credit sales were brought to present value on the date of the transactions, based on the weighted average cost of capital rate at 10.18% p.a.

Inventory

Inventories are stated at cost or the net realizable value, whichever is smaller. The inventory cost includes all acquisition costs, including non-recoverable taxes. The net realizable value corresponds to the selling price in the normal course of business, subtracting the estimated costs of completion and the estimated costs necessary for the realization of the sale. Inventories are valued monthly using the weighted average cost criterion. Inventory balances are presented less estimated losses and adjustment to present value on the date of transactions when applicable. The discount rate used to adjust inventory balances to their present value is the weighted average cost of capital rate (10.18% p.a.).

Management expects its inventories to be recovered in less than 12 months. When necessary, inventories are deducted from a provision for losses, established in cases where there is a reduction in value, obsolescence of products and losses in physical inventory.

Provision for losses in inventories

The Company recognizes a provision for inventory losses whenever the net realizable value is less than the book value. This assessment considers products with low turnover as well as damaged or expired goods.

In addition, a provision for losses on inventory adjustments is recognized based on the inventory plans for each store or distribution center. This estimate is calculated based on the historical percentage of differences identified in previous physical inventories.

Trade discounts and trade negotiations on the purchase of goods

The Company's variable consideration is substantially represented by commercial agreements in which certain goods can be sold along with other goods or at discounts which are, basically, negotiations promoted by suppliers at the Company's points of sale through various forms. These negotiations are on a case by case basis and differ from one supplier to another and may have complex characteristics and conditions. The main categories of trade agreements are:

i. financial discounts granted by laboratories when performing the sale to the consumer and associated with Benefit Programs: These are benefits granted by the Company's suppliers to the final consumer with the objective of establishing consumer loyalty to a product or drug. In most cases, from the moment the final consumer is registered in the supplier's system, the final consumer benefits from a discount granted by the Company's supplier, paying a price for merchandise that is not the same as the applicable price if it was not associated to a benefits program. This discount offered by the supplier to the Company's customer is calculated in real time and recognizes, when the goods are sold to the consumer, an amount receivable from the supplier that is equivalent to the amount of the discount granted. For these types of transactions, the Company recognizes the discount as a reduction in the cost of the goods sold, with an amount receivable from agreements or a reduction in a contractual liability.

ii. Marketing and advertising funds, such as in-store displays and announcement of offers in their own catalog: These are the Group's sales programs which are planned together with suppliers. The supplier is interested in promoting its products in the Group's network of stores and points of sale. In order to do this, the supplier negotiates different forms of payment with the Company so that the final price of the goods to the consumer is advantageous, not harming the gross sales margins for these same goods when sold under normal, without these special offers. These negotiations normally take place with the Company's purchasing department along with the sales department in order to establish sales strategies. From the moment the performance obligation is satisfied , the Group recognizes the result of these commercial arrangements as a credit to the cost of goods sold against an amount receivable or reduction of a liability.

In the above cases, these are different forms of negotiation which have the main objective the purchasing of goods at the lowest cost offered by the supplier, regardless of how the purchase transaction was originally proposed.

Investments in affiliates

The Company's investments in affiliates are accounted for using the equity method. An an affiliate is an entity over which the Group has significant influence. Significant influence is the power to participate in decisions about the investee's operating policies, but it is not, however, joint control or control over these policies. The Group holds a 26.12% interest in e-Pharma PBM do Brasil S.A. (26.18% in 2021). For more details, see Note 11.

Fixed Assets

These assets are presented at the historical acquisition cost, net of accumulated depreciation and/or accumulated impairment losses, when applicable. Depreciation is calculated using the straight-line method over the useful life of the asset, in accordance with the rates published in Note 11. The residual value and useful life of assets and the depreciation methods are reviewed at the end of each financial year, and adjusted prospectively, when applicable.

Repair and maintenance costs are recognized through profit or loss, when incurred. The present value of the expected cost of discontinuing an asset after its use is included in the cost of the respective asset if the recognition criteria for a provision is met.

A fixed asset is written off when sold or when there is no future economic benefit expected from its use or sale. Any gain or loss resulting from the write-off of the asset (calculated as the difference between the net sales value and the book value of the asset) is included in the income statement in the year in which the asset is written off.

Intangible assets

Intangible assets acquired separately are measured at cost upon initial recognition. The cost of intangible assets acquired in a business combination corresponds to the fair value on the acquisition date. After initial recognition, intangible assets are stated as cost, minus the accumulated amortization and accumulated losses of recoverable amounts. Intangible assets generated internally, excluding capitalized development costs, are not capitalized and the expense is reflected in the income statement in the year in which it is incurred.

The useful lives of intangible assets are assessed as either defined or indefinite.

Intangible assets with a defined life are amortized over their useful-economic life and evaluated in relation to the loss by reduction to recoverable value when there is indication of loss of economic value of the asset. The period and the amortization method for intangible assets with defined lives are reviewed at least at the end of each fiscal year. Changes in the estimated useful life or the expected consumption of the future economic benefits of these assets are accounted through changes in the amortization period or method, as appropriate, and addressed as changes in accounting estimates. Amortization of intangible assets with defined lives is recognized in the income statement in the expense category that is consistent with the use of the intangible asset.

Intangible assets with an indefinite useful life are not subject to amortization and are tested annually against impairment losses, either individually or at the cash generating unit level, in accordance with the analysis used by management. Non-financial assets, except goodwill, that have been adjusted by impairment are subsequently reviewed to assess possible reversal of impairment on the date of presentation of the Financial Statements.

The assessment of indefinite useful life is reviewed annually to determine whether this evaluation is still justifiable. Otherwise, the change in the useful life from indefinite to finite will occur prospectively.

Gains and losses arising from the write-off of an intangible asset are measured as the difference between the net sales value and the book value of the asset, and are recognized in the income statement at the time of write-off the asset.

Leases

The Company assesses, on the contract start date, whether this contract is or contains a lease. That is, if the contract transfers the right to control the use of an identified asset for a period of time in exchange for a specified amount.

The Company as a lessee

The Group applies a single recognition and measurement approach to all leases, except for short-term leases and leases of low-value assets. The Group recognizes lease liabilities to make lease payments and right-of-use assets that represent the right to use the underlying assets.

Right-of-use assets

The Group recognizes the right-of-use assets on the lease start date (that is, on the date on which the underlying asset is available for use). Right-of-use assets are measured at cost, minus any accumulated depreciation and impairment losses, and adjusted for any new measurement of lease liabilities. The cost of right-of-use assets includes the amount of recognized lease liabilities, initial direct costs incurred, and lease payments made until to the start date, minus any lease incentives received. Right-of-use assets are depreciated on a straight-line basis over the shortest period between the lease term and the estimated useful lives of the assets.

Right-of-use assets are also subject to impairment. See accounting policies for the impairment of non-financial assets.

Lease liabilities

On the lease start date, the Group recognizes lease liabilities measured at the present value of lease payments to be made during the lease term. Lease payments include fixed payments (including, basically, fixed payments) minus any lease incentives receivable, variable lease payments that depend on an index or rate, and expected amounts to be paid under the guaranteed residual value. Lease payments also include the exercise price of a purchase option reasonably certain to be exercised by the Company and payments of fines for terminating the lease, if the lease term reflects the Company exercising the option to terminate the lease.

Variable lease payments that do not depend on an index or rate are recognized as expenses (unless they are incurred to increase inventories) in the period in which the event or condition that generates these payments occurs.

When calculating the present value of lease payments, the Company uses its incremental borrowing rate at the start date because the interest rate implied by the lease is not easily determinable. After the start date, the amount of the lease liability is increased to reflect the increase in interest and reduced by the amount paid in lease payments. In addition, the book value of these lease liabilities is remeasured if there is a modification, a change in the lease term, a change in lease payments (for example, changes in future payments resulting from a change in an index or rate used to determine such lease payments), or a modification in the value of a purchase option for an underlying asset.

Short-term leases and low-value assets

The Group applies the exemption from recognition of short-term leases to its short-term leases of machinery and equipment (that is, leases whose lease term is equal to or less than 12 months from the start date and which do not contain a purchase option). The exemption from recognition of low value assets also applies to leases of office equipment considered to be of low value.

Short-term lease and low-value lease payments are recognized as an expense using the straight-line method over the life of the lease.

The Company as lessor

The Group does not operate in lease agreements as a lessor.

Losses due to impairment of non-financial assets

Management annually reviews the net book value of assets with the purpose of evaluating events or changes in economic, operational or technological circumstances that may indicate deterioration or loss of their recoverable amount. If such evidence is identified and the net book value exceeds the recoverable value, a provision for impairment is recorded, adjusting the net book value to the recoverable value.

The recoverable value of an asset or a specific cash-generating unit is defined as the higher between the value in use and the net sale value.

When estimating the value applicable for the asset, the estimated future cash flows are discounted to their present value using a Pre-Tax discount rate that reflects the weighted average cost of capital for the industry where the cash-generating unit operates. The net sale value is determined, whenever possible, based on a firm sale agreement in a transaction with a commutative basis, between knowledgeable and interested parties, adjusted by expenses attributable to the sale of the asset, or, when there is no firm sales contract, based on the market price in an active market, or the price of the most recent transaction with similar assets.

The following criteria are also applied to assess impairment losses on specific assets:

Goodwill paid for expected future profitability

A Goodwill impairment test is performed annually or when circumstances indicate a loss due to losses in the book value.

Intangible assets

Intangible assets with undefined useful lives are tested for impairment annually on December 31, individually or at the cash-generating unit level, as applicable, or when circumstances indicate a loss due to impairment of their book value.

Provisions

Provisions are recognized when the Company has a (legal or informal) present obligation as a result of a past event and it is probable that economic benefits will be required to settle the obligation and a reliable estimate of the amount of the obligation can be made. When the Company expects the value of a provision to be reimbursed, wholly or in part, for example, under an insurance contract, the reimbursement is recognized as a separate asset but only when the reimbursement is virtually certain. The expense relating to any provision is presented in the income statement, net of any reimbursement.

If the effect of the time value of money is significant, the provisions are discounted using a current pretax rate that reflects, when applicable, the risks specifically related to the liability. When a discount is adopted, the increase in the provision due to the passage of time is recognized as a financing cost.

Provisions for tax, civil and labor risks

The Group is a party in several judicial and administrative lawsuits. Provisions are incorporated for all contingencies related to legal proceedings for which it is likely that an outflow of resources will be made to liquidate the contingency/obligation and a reasonable estimate can be made. The assessment of the probability of losses includes assessing the available evidence, the hierarchy of laws, available jurisprudence, recent court decisions and their relevance in the legal system, as well as the evaluation of outside attorneys.

Provisions are reviewed and adjusted to consider changes in circumstances, such as applicable statute of limitations periods, conclusions of tax examinations or additional risks identified based on new matters or court decisions.

Employee benefits

Profit sharing plan

The Company has a profit sharing plan with the main objective of enhancing employee performance during the year. Monthly, a liability and an expense for profit sharing are recognized based on the estimates regarding the achievement of operational goals and specific objectives established and approved by Management. The liability is recognized in the group of salaries and social charges and in the income statement, it is recorded under selling expenses and general and administrative expenses.

Share-based payment agreements (Restricted Share Units)

Part of the benefits aimed at the Group's executives includes the restricted stock plan, classified as an equity instrument. The fair value of share-based payments is recognized in the income statement for the appropriate concession period, based on equity, since the program was designed and provides for payments in restricted shares of the Company.

The fair value received on the date when the share-based payment agreements granted to employees was recognized with a corresponding increase in net equity, during the period in which employees acquired the right to such incentives, unconditionally.

The fair value on the date when the share-based payment incentives are measured to reflect these conditions and no further adjustments are made to the differences between expected and actual results.

Government grants

Government grants are recognized when there is reasonable certainty that the grant will be received and that all relevant conditions are met. When the benefit refers to an expense item, it is recognized as income over the benefit period, systematically, in relation to costs which the benefit intends to offset. When the benefit is related to an asset, it is recognized as deferred income and released in the profits or losses in equal amounts over the expected useful life of the corresponding asset. The Company receives the tax benefits detailed in Note 22.

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Recognition of revenue

NBC TG 47 / IFRS 15 establishes a comprehensive framework for determining whether, when, and at what value revenue is recognized based on the identification of performance obligations, the transfer of control of the product or service to the customer and the determination of the sales price.

This standard establishes a model that aims to identify whether the criteria for accounting for revenue has been met and comprises the following aspects: (i) Identification of a contract with the client; (ii) Determination of performance obligations; (iii) Determination of the transaction price; (iv) Allocation of the transaction price; and (v) Revenue recognition at a given time or over a period of time, depending on compliance with performance obligations.

Sales of goods (medicines, cosmetics and self-service products)

The Company's revenues come mainly from the sale of drugs, cosmetic products and a series of self-service products (drugs that do not require a medical prescription, nutritional products, etc.) to the final consumer. Since the company is a retail drugstore chain where consumers generally purchase goods in stores and where information concerning prices and discounts is provided by the Company's employees or obtained in the places where the goods are displayed and the transfer of control occurs when they are delivered directly to the final consumer at the points of sale, the transaction therefore represents a single performance obligation and, therefore, there is no complexity in defining the performance obligations and transferring control of goods and services to consumers.

Even so, other transactions of the Company subject to evaluation according to NBC TG 47 / IFRS 15 are represented by variable considerations associated with commercial agreements in which certain goods can be traded together with other goods or with discounts which are, substantially, negotiations promoted by suppliers at the Company's points of sale. The sales revenue recognized in the financial statements includes the fair values of the transactions that occurred, which, depending on the nature of the negotiations, consider sales and amounts received from consumers in addition to amounts received from suppliers.

As in physical retail operations, transactions carried out via e-commerce are only recognized when all performance obligations are fulfilled (transfer of control). As we operate in the “ship from store” model, in our e-commerce, the delivery time on orders is greatly reduced.

Returns and cancellation

For contracts that allow the customer to return an item, in accordance with NBC TG 47 / IFRS 15, revenue is recognized to the extent that it is likely that a significant reversal will not occur. The amount of recognized revenue is recorded net of expected returns and cancellations.

Significant financing component

According to NBC TG 47 / IFRS 15, when determining the price of the transaction, the Company must adjust the promised amount of the consideration by the effects of the time value of money if the timing of payments agreed upon by the parties in the contract (explicitly or implicitly) provide the customer or the Company with a significant benefit from financing the transfer of goods or services to the customer. In these circumstances, the contract contains a significant financing component. A significant financing component may exist regardless of whether the financing promise is explicitly stated in the contract or implied in the payment terms agreed upon by the parties in the contract.

The elements of assets and liabilities arising from long-term or short-term operations, when there are material effects, are adjusted to present value based on discount rates that reflect the best current market valuations.

Income tax and social contributions

Current taxes

Current tax assets and liabilities are measured at the expected amount recoverable or amount payable to the tax authorities. The tax rates and tax laws used to calculate the amount are those that are in force or substantively in force on the date of elaboration of the balance sheet.

Deferred taxes

Deferred tax is generated by temporary differences in the tax bases of assets and liabilities and their book value on the date of the balance. Deferred tax liabilities are recognized for all temporary tax differences, except:

- when the deferred tax liability arises from the initial recognition of goodwill or an asset or liability in a transaction that is not a business combination and, on the date of the transaction, it does not affect the accounting profit or tax profit or loss; and

- upon temporary tax differences related to investments in subsidiaries, in which the period for reversing temporary differences can be controlled and temporary differences are not likely to be reversed in the near future.

Deferred tax assets are recognized for all deductible temporary differences, unused tax credits and losses, to the extent that it is probable that taxable profit will be available so that deductible temporary differences can be realized, and unused tax credits and losses can be utilized, except:

- When the deferred tax asset related to the deductible temporary difference is generated during the initial recognition of the asset or liability in a transaction that is not a business combination and, on the date of the transaction, does not affect the accounting profit or the tax profit or loss; and

- Upon deductible temporary differences associated with investments in subsidiaries, deferred tax assets are recognized only to the extent that it is probable that the temporary differences will be reversed in the near future and the taxable profit will be available so that the temporary differences can be utilized.

The book value of deferred tax assets is reviewed at each balance sheet date and written off to the extent that it is no longer probable that taxable profit will be available to allow all or part of the tax asset to be used.

Deferred tax assets and liabilities are measured at the tax rate that is expected to be applicable in the year in which the asset will be realized and the liability settled, based on the tax rates (and tax law) in force on the date of the balance sheet.

Deferred tax assets and liabilities are presented net if there is a legal or contractual right to offset tax assets based on the tax liabilities and the deferred taxes are related to the same taxable entity and subject to the same tax authority.

Transaction cost in the issuance of securities

Transaction costs incurred and directly attributable to the activities necessary exclusively to achieve the initial y public distribution of shares are recorded as reducers of shareholders' equity, net of tax effects. The transaction costs incurred and directly attributable to the issuance of the Company's debentures are recorded in a liability reduction account and their realization is carried out on a straight-line basis over the term of the contract for profit or loss.

Present value adjustment

Long-term monetary assets and liabilities are updated monetarily and are therefore adjusted to their present value. The present value adjustment of short-term monetary assets and liabilities is calculated and registered only if it is considered material in relation to the financial statements as a whole. For the purposes of registering and determining materiality, the adjustment to present value is calculated considering contractual cash flows and the explicit interest rates, and in some cases implicit interest rates on the respective assets and liabilities.

The adjusted present value related to purchase operations for goods is recorded in the "Suppliers" category, with a corresponding entry in the "Inventory" category. The reversal of the adjustment to inventories is recorded in the cost of goods sold according to the sale of these inventories and the increase in liabilities with suppliers derived from the benefits of payment terms and is offset under financial expenses.

The adjusted present value of sale operations for goods is offset in the "Accounts receivable" item. Its realization is recorded in the financial income account, due to the use of the payment terms for the receivables.

Borrowing costs

Borrowing costs directly related to the acquisition, construction or production of an asset that necessarily requires significant time to be completed for use or sale purposes are capitalized as part of the cost of the corresponding asset. All other borrowing costs are recorded as an expense during the period in which they are incurred. Borrowing costs comprise interest and other costs incurred by an entity which are related to the loan.

Information per segment

The Company develops its business activities considering a single operating segment that is used as a basis for the management of the entity and for decision making.

New or revised statements applied for the first time in 2020

The Company applied certain rules and amendments for the first time, which are valid for annual periods beginning on or after January 1, 2020. The Group has decided not to adopt in advance any other standard, interpretation or amendment that has been issued but is not yet in effect.

Amendments to IFRS 3/CPC 15 (R1) References to Conceptual Framework

The amendments update IFRS 3 (CPC 15 (R1)) so that it refers to the 2018 Conceptual Framework rather than the 1989 Framework. They also include in IFRS 3 the requirement that, for obligations within the scope of IAS 37 (CPC 25) Provisions, Liabilities and Contingent Assets, the buyer adopts IAS 37 (CPC 25) to determine whether there is an obligation present at the acquisition date due to past events. For a tax within the scope of IFRIC 21 (ICPC 21) – Taxes, the purchaser adopts IFRIC 21 (ICPC 21) to determine whether the event that resulted in the obligation to pay the tax occurred up to the acquisition date. This change had no impact on the Group's individual and consolidated financial statements.

Amendment to IAS 16 /CPC 27 – Fixed Assets: Resources before intended use

The amendments prohibit deducting from the cost of an item of property, plant and equipment any resource arising from the sale of items produced before the asset is available for use, that is, resources to bring the asset to the location and in the condition necessary for it to be able to operate in the manner intended by Management. Consequently, the entity recognizes these proceeds from the sale and corresponding costs in profit or loss.

The Company measures the cost of these items in accordance with IAS 2 – Inventories (CPC 16). The changes further clarify the meaning of 'testing whether an asset is functioning properly'. Currently, IAS 16 determines this as assessing whether the technical and physical performance of the asset is such that it can be used in the production or supply of goods or services, for rent to third parties, or for administrative purposes.

This change had no impact on the Group's individual and consolidated financial statements.

<u>Amendment to IAS 37/ NBC TG 25 – Onerous Contracts: Cost of Fulfilling a Contract</u>

This amendment to IAS 37 / NBC TG 25 entered into force as of January 1, 2022, the main amendments of which are intended to specify that the 'cost of performance' of a contract comprises the '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. Management already periodically evaluates its contracts and already recognizes possible provisions when identified, thus this change had no impact on the Group's individual and consolidated financial statements.

<u>Amendments to IFRS 9/CPC 48 - Financial Instruments</u>

The amendment clarifies that when applying the '10%' test to assess whether the financial liability should be written off, the entity includes only fees paid or received between the entity (debtor) and the creditor, including fees paid or received by the entity or creditor on behalf of the other party. This change had no impact on the Group's individual and consolidated financial statements.

<u>Amendments to IFRS 16/CPC 06 (R2) – Leases</u>

The amendment excludes the concept of reimbursement of improvements in third-party properties. This change had no impact on the Group's individual and consolidated financial statements.

<u>Standards issued but not yet in effect</u>

The new and amended standards and interpretations issued by the IASB, but not yet in force as of the date of issuance of the Company's financial statements, are described below. The Company intends to adopt these new and amended standards and interpretations, if applicable, when they enter go into effect.

<u>IFRS 17 - Insurance contracts</u>

IFRS 17 is effective for periods beginning on or after January 1, 2023, requiring the presentation of comparative figures. Early adoption is allowed if the entity also adopts IFRS 9 and IFRS 15 on the same date or before the initial adoption of IFRS 17. This standard does not apply to the Group.

<u>Amendments to IAS 1: Classification of liabilities as current or non-current</u>

Amendments to IAS 1 only affect the presentation of liabilities as current or non-current on the balance sheet and not the amount or timing of recognition of any asset, liability, income or expense, or the information disclosed about those items.

The amendments clarify that the classification of liabilities as current or non-current is based on existing rights on the date of the balance sheet, specify that the classification is not affected by expectations about whether an entity will exercise its right to postpone settlement of the liability, explain that rights exist if restrictive covenants are met at the balance sheet date, and introduce the definition of 'settlement' to clarify that settlement refers to the transfer, to a counterpart; a cash value, equity instruments, or other assets or services.

The changes are valid for periods beginning on or after January 1, 2023, and must be applied retroactively. The IASB is currently considering further changes to the requirements of IAS 1 regarding the classification of liabilities as current or non-current, including postponing the application of the January 2020 amendments. The Group assessed the effects of the changes on its financial statements and no effect would be expected if the standard were in effect.

Changes to IAS 8: Definition of accounting estimates

In February 2021, the IASB issued amendments to IAS 8 (standard related to CPC 23), in which it introduces the definition of 'accounting estimates'. The amendment replaces the definition of change in accounting estimates with the definition of accounting estimates. According to the new definition, accounting estimates are "monetary amounts in the financial statements subject to measurement uncertainty."

The definition of change in accounting estimates was excluded. However, the Board maintained the concept of changes in accounting estimates in the Standard with the following clarifications:

- A change in the accounting estimate that results from new information or new events does not mean the rectification of an error;
- The effects of the change in measurement data or technique used to develop an accounting estimate correspond to changes in accounting estimates if they do not result from the rectification of previous period errors.

The IASB added two examples (Examples 4-5) in the orientation on the implementation of IAS 8, which accompanies the Standard. The IASB deleted one example (Example 3) as it could cause confusion in light of the changes. Changes are applicable for annual periods beginning on or after January 1, 2023, with respect to changes in accounting policies and changes in accounting estimates occurring on or after the beginning of that period, and early adoption is permitted.

The Group assessed the impact of the changes on its financial statements and no effect would be expected if the standard were in place.

Amendments to IAS 1 – Presentation of Financial Statements (CPC 26 (R1)) and Statement of IFRS Practice 2 – Exercising Materiality Judgments - Disclosure of Accounting Policies

The amendments modify the requirements contained in IAS 1 with respect to the disclosure of accounting policies. The amendments replace all examples of the term "significant accounting policies" with "material accounting policy information." Accounting policy information is material if, when considered together with other information included in an entity's financial statements, it can reasonably influence the decisions of key users of general purpose financial statements taken on the basis of those financial statements.

The supporting paragraphs in IAS 1 have also been amended to clarify that accounting policy information relating to irrelevant transactions, other events or conditions is irrelevant and does not need to be disclosed. Accounting policy information may be relevant due to the nature of the related transactions, other events or conditions, even if the amounts are irrelevant. However, not all information in the accounting policy relating to transactions, other relevant events or conditions is relevant in its own right.

The IASB also prepared orientation and examples to explain and demonstrate the application of the "four-step materiality process" described in IFRS Practical Statement 2.

Amendments to IAS 1 apply prospectively for annual periods beginning on or after January 1, 2023, and early adoption is permitted. Amendments to IFRS Practice Statement 2 do not present an effective date or transition requirements. The Group assessed the impact of the changes on its financial statements and no effect would be expected if the standard were in effect.

Amendments to IAS 12: Deferred Taxes related to Assets and Liabilities arising from a Single Transaction

The amendments introduce an additional exception to the initial recognition exemption. Under the amendments, an entity does not apply the initial recognition exemption for transactions that result in similar taxable and deductible temporary differences.

Depending on applicable tax law, similar taxable and deductible temporary differences may arise at the initial recognition of an asset and liability in a transaction that is not a business combination and that does not affect either accounting profit or taxable profit. For example, this may occur on the recognition of the lease liability and corresponding right-of-use asset applying IFRS 16 on the date of the initiation of the lease.

After amendments to IAS 12, an entity shall recognize the corresponding deferred tax asset and liability, and the recognition of any deferred tax asset is subject to the recoverability criteria in IAS 12.

The IASB further adds an illustrative example in IAS 12 that explains how the changes are applied. The changes shall apply to transactions occurring on or after the beginning of the first comparative period presented. Additionally, at the beginning of the first comparative period, an entity recognizes:

- A deferred tax asset (where it is probable that the entity will present taxable income in an amount sufficient for such deductible temporary differences to be used) and a deferred tax liability for all deductible and taxable temporary differences associated with:
  - Measurement of right-of-use assets and lease liabilities
  - Liabilities for Deactivation, Restoration and Other Similar Liabilities and corresponding amounts recognized as part of the cost of the respective asset
- The cumulative effect of the initial application of the changes as an adjustment to the initial balance of retained earnings (or other component of equity, as applicable) on that date.

The changes are applicable for annual periods beginning on or after January 1, 2023, and early adoption is permitted. The Group assessed the impact of the changes on its financial statements and no effect would be expected if the standard were in place.

4. BUSINESS COMBINATIONS

Business combinations are accounted for using the acquisition method. The cost of an acquisition is measured by the sum of the consideration transferred, which is valued based on the fair value at the acquisition date, and the value of any non-controlling interest in the acquired company. For each business combination, the acquirer must measure the non-controlling interest in the acquiree at fair value or based on its share in the net assets identified in the acquiree. Costs directly attributable to the acquisition are recorded as an expense when incurred.

The Company determines that it acquired a business when the acquired set of activities and assets includes, at least, an input and a substantive process that together contribute significantly to the ability to generate output. The acquired process is considered substantive if it is essential to the ability to develop or convert the acquired input into outputs, and the acquired inputs include both the organized workforce with the skills, knowledge, or experience necessary to perform that process; or is critical to the ability to continue producing outputs and is considered unique or scarce or cannot be replaced without significant cost, effort, or delay in the ability to continue producing outputs.

When acquiring a business, the Company evaluates the financial assets and liabilities assumed for the purpose of classifying and allocating them in accordance with the contractual terms, economic circumstances and relevant conditions on the acquisition date.

Any contingent consideration to be transferred by the acquirer will be recognized at fair value on the date of acquisition. Subsequent changes in the fair value of the contingent consideration considered as an asset or as a liability shall be recognized in accordance with NBC TG 48 (CPC 48) in the statement of profit or loss. If the consideration is less than the fair value of the net assets acquired, the difference should be recognized as a gain in the statement of profit and loss.

Acquisition of control of Extrafarma

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

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

The first installment of the transferred consideration was made by the Company on August 1, 2022 in the amount of R$ 365,428. The two remaining equal installments in the amount of R$ 173,303 will be disbursed by the Company in August 2023 and August 2024. These installments are adjusted by the positive variation of the CDI plus 0.5% p.a., calculated between the closing date and the dates of the respective payments. As of December 31, 2022, the balance of the consideration payable, in the amount of R$ 183,699 and R$ 183,699, is classified in the balance sheet in the group of "Other obligations" accounts in current and non-current liabilities, respectively.

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

Calculation of the Fair Value of the Business Combination:

The acquisition of Extrafarma's assets and liabilities was recorded using the acquisition method, considering the fair value of the assets and liabilities acquired at the acquisition date. The Company contracted a specialized consulting firm to support the measurement of the fair value of tangible and intangible assets, with the objective of allocating the purchase price allocation (PPA). Due to the geographical dispersion and number of stores, on December 31, 2022, the work of evaluating the fair value of improvements to third-party properties is ongoing and its effects are expected to be definitively recognized in the interim accounting information for the quarter ending March 31, 2023. The Company, supported by its consultants, has already completed the evaluation of brands, customer portfolio, fixed assets – machinery and equipment, which are recorded at their definitive fair values, and is completing the evaluation of the fair value of improvements to third party properties, which is recorded at its preliminary value, which represents Management's best estimate given the facts and circumstances on December 31, 2022.

(Amounts in thousands of Reais)

Calculation of gain on bargain purchase	08/01/2022
Net assets acquired	
Cash and cash equivalents	20.125
Accounts receivable from clients	124.630
Inventory	514.313
Recoverable taxes	269.725
Trade agreements	23.707
Other accounts receivable	27.676
Fixed Assets	188.210
Intangible	49.447
Rights-of-use	350.261
Suppliers	(232.104)
Leases	(380.580)
Taxes payable	(16.075)
Social and labor obligations	(67.623)
Other accounts payable	(9.880)
Provision for contingencies	(11.284)
Net assets acquired	**850.548**
Fair value from fixed assets and brand	
Indemnifiable assets	63.706
Intangible assets – Brand	80.594
Improvements in third-party owned properties	8.343
Fixed assets - equipment	4.311
Fixed assets – vehicles	9.133
Fixed assets - furniture and utensils	20.268
Fixed assets computer equipment	699
Contingent business combination liability	(63.706)
Fair value from fixed assets and brand [B]	**123.348**
Total net identifiable assets at fair value [C] = [A] + [B]	**973.896**
Non-controlling interest measured at fair value (0.93%) [D]	(9.057)
Gain on bargain purchase [E]	(252.806)
Total consideration [F] = [C] – [D] – [E]	**712.033**

Before recognizing the gain on bargain purchase, the Company undertook a review to make sure that all assets acquired, and liabilities assumed were correctly identified. Following this review, Management concluded that the measurements adequately reflect consideration of all information available at the acquisition date and that the procedures and measurements are adequate. The calculation of the gain on bargain purchase is related to the seller's need to rationalize his portfolio and focus his efforts on more complementary and synergistic businesses. The record of the gain on bargain purchase was carried out in the income statement in the line of "Other operating income (expenses)". The tax effects in the amount of R$ 85,954 were recorded in the line of deferred income tax and social contribution. From August 1 to December 31, 2022, Extrafarma contributed a net revenue of R$ 860,464 and generated a loss of R$ 66,233 to the consolidated financial statements. If the acquisition had occurred on January 1, 2022, Management estimates that the subsidiary's revenue would have been R$ 2,193,188 and the respective loss would have been R$ 181,789.

5. CASH AND CASH EQUIVALENTS

	Company		Consolidated
	12/31/2022	12/31/2021	12/31/2022
Cash and banks	51,215	54,436	61,818
Cash Equivalents	101,924	599,685	101,924
Matching transactions	41,578	70,514	41,578
Certificates of Bank Deposits - *CDB*	5,071	487,488	5,071
Financial securities - *LF*	34,490	30,798	34,490
Automatic investments	20,785	10,885	20,785
Total	153,139	654,121	163,742

(Amounts in thousands of Reais)

Short-term financial investments are held in sound financial institutions and have low credit risk. They are remunerated by the variation of the Interbank Deposit Certificate (*CDI*) and are available for immediate use without loss of income, being distributed among *CDB*, with average returns of 99.0% (104.6% in 2021), repurchase agreements, with average returns of 94.6% (97.2% in 2021) and commercial paper, with average returns of 114.0% (114.0% in 2021). These operations have a maturity period that is less than three months from the contracting date and because they meet the NBC TG 03 (R3) / IAS 7 requirements, were classified as cash equivalents.

6. RECEIVABLES

	Company		Consolidated
	12/31/2022	12/31/2021	12/31/2022
Card Administrators	450,337	508,492	472,344
Agreements and partnerships (*convênios*) (a)	20,358	26,476	26,780
Accounts receivable – Wholesale	-	-	6,565
Intercompany accounts receivable (Note 10)	41,176	-	-
Others	1,378	86	4,957
Subtotal	513,249	535,054	510,646
(-) Adjustment to present value	(4,641)	(4,022)	(4,734)
(-) Expected credit losses	(249)	(764)	(393)
	508,359	530,268	505,519

a) Refers to amounts receivable from the Federal Government for sales made under the *Programa Farmácia Popular* (People's 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 receivable related to partnerships with delivery apps.

The balances were adjusted to present value considering an average receipt period between 37 and 49 days (45 and 58 days in 2021) and discounted by the weighted average cost of capital equivalent to 10.18% p.a.

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

	Company		Consolidated
	12/31/2022	12/31/2021	12/31/2022
Due between 1 and 30 days	217,105	273,115	197,028
Due between 31 and 60 days	124,329	121,388	132,201
Due between 61 and 90 days	88,193	76,693	90.206
Due over 90 days	83,028	63,033	84,211
	512,655	534,229	503,646
1 to 30 days past due	436	628	2,445
Past due from 31 to 90 days	13	53	3,099
More than 90 days past due	144	144	1,456
	593	825	7,000
	513,248	535,054	510,646

(Amounts in thousands of Reais)

a) *Transactions related to expected credit losses:*

	Company		Consolidated
	12/31/2022	12/31/2021	12/31/2022
Initial balance	(764)	(994)	(764)
Additions	(396)	(1,064)	(543)
Reversals	911	1,294	914
Final Balance	(249)	(764)	(393)

7. INVENTORY

	Company		Consolidated
	12/31/2022	12/31/2021	12/31/2022
Goods for resale	2,364,427	1,974,467	3,052,264
Material for use and consumption	12,131	6,198	15,260
(-) Expected inventory losses	(28,428)	(23,708)	(38,365)
	2,348,130	1,956,957	3,029,159

a) *Changes in expected inventory losses:*

	Company		Consolidated
	12/31/2022	12/31/2021	12/31/2022
Initial balance	(23,708)	(28,892)	(23,708)
Acquisitions (a)	-	-	(57,024)
Losses (B)	-	-	47,555
Additions	(15,295)	(10,843)	(17,280)
Reversals	10,575	16,027	12,092
Final Balance	(28,428)	(23,708)	(38,365)

(a) Refers to amounts arising from the business combination as disclosed in Note 4.
(b) Refers to products that had already been provisioned in Extrafarma in periods prior to the date of the business combination and that were incinerated in the period.

8. RECOVERABLE TAXES

	Company		Consolidated
	12/31/2022	12/31/2021	12/31/2022
ICMS (a)	480,076	424,743	711,000
IRPJ / CSLL (b)	5,628	2.927	5,628
PIS and COFINS (c)	210,980	207,262	259,103
Withheld Income Tax - IRRF	7,154	1,279	7,330
Others	892	10,614	1,968
	704,730	646,825	985,029
Current	225,820	232,407	244,028
Non-current	478,910	414,418	741,001

(Amounts in thousands of Reais)

(a) Balance resulting from the normal *ICMS* calculation regime and balances referring to non-definitive *ICMS ST* credits, where the presumed tax bases were higher than the effective margins. Since September of 2018 these 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 paid *ICMS ST* in advance based on calculation bases that are higher than those actually realized. Tax credits from periods prior to the *STF* decision were not recognized. The amounts are compensated administratively after compliance with the requirements as 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 obtained a final and unappealable favorable decision in a lawsuit in which the right to exclude ICMS from the PIS and COFINS calculation basis was discussed, in the total amount of R$ 214,096 of which R$ 54,378 refer to monetary correction. In March 2022, these credits were authorized by the Internal Revenue Service and are in the process of administrative compensation. In addition, the Company recognizes credits arising from the non-cumulative regime, mainly arising from the acquisition of goods, services and inputs considered relevant and essential to the sale of products and provision of services.

9. DEFERRED TAXES

	Company		Consolidated
	12/31/2022	12/31/2021	12/31/2022
Tax losses	207,824	113,789	220,526
Commercial leasing	51,611	38.922	51,819
Provision for increasing inventories	9,665	8,061	9,665
Expected credit losses	5,597	6,001	5,597
Provision for goodwill impairment	6,543	6,543	6,543
Provisions for legal risks	5,471	7,672	5,471
Adjustment to current value	4,052	3,075	8 805
Profit sharing	3,507	3,508	3,507
Provision for store closings	1,662	2 204	1,662
Capitalization of Interest	12,145)	(5,909)	12,145).
Gain on bargain purchase (Note 4)	(85,954)	-	(85,954)
Other provisions	22,349	20,152	22,349
Total	220,182	204,018	237,845

a) Expectation of recognition

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

(Amounts in thousands of Reais)

	Company		Consolidated
	12/31/2022	12/31/2021	12/31/2022
2022	-	26,089	-
2023	-	16,384	-
2024	-	24,752	16,369
2025	10,215	38,949	29,917
2025 to 2029	209,967	97,844	191,559
	220,182	204,018	237,845

b) *Reconciliation of the effective tax rate*

	Company		Consolidated
	12/31/2022	12/31/2021	12/31/2022
Net income before Income Tax and Social Contribution	247,501	173,329	229,222
Combined tax rate [B]	34%	34%	34%
IR / CSLL at the combined tax rate [A] * [B] = [C]	84,150	58,932	77,935
Effect of permanent additions: [D]	1,359	861	1,359
Effect of permanent exclusions: [E]	296,401	148,096	330,071
Investment subsidies (Note 22)	123,576	117,204	123,576
Interest on net equity	82,000	-	82,000
Monetary correction of recoverable taxes (Note 8)	54,378	-	54,378
Tax losses and negative calculation basis	96,920	26,124	64,973
Equity income (note 11)	(60,473)	2,231	5,144
IPO Costs	-	1,447	-
Other permanent exclusions	-	1,090	-
Current tax profit (loss) [A] + [D] - [E] = [F]	(47,540)	26,094	(99,490)
IR / CSLL on profits and losses [F] * 34% + [G] = [H]	16,164	(8,872)	33,827
Effective rate [G]/[A]	6.5%	-5.1%	14.8%

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.

(Amounts in thousands of Reais)

10. RELATED PARTIES

		Company					
		12/31/2022			12/31/2021		
Related Parties	Nature of operation	Assets	Liabilities	Result	Assets	Liabilities	Result
Receivables							
Extrafarma(a)	Sale of goods	41,176	-	40,156	-	-	-
	Purchase of goods	-	784	(749)	-	-	-
Other accounts receivable							
Dupar Participações S.A.	Other credits	1	-	-	1	-	-
e-Pharma PBM do Brasil S.A.	Service provider	2,264	720	-	915	-	-
	Advances	29,500	-	-	-	-	-
Suppliers							
Biomatika Ind. E Com. Prod. Naturais S.A. (c)	Purchase of products	238	252	-	-	511	-
L’auto Cargo Transportes Rodoviário S.A. (c)	Merchandise Transport	-	7,483	(111,379)	-	8,672	(105,039)
Leases							
Renda Participações S.A. (d)	Property rentals	4	769	(9,778)	-	801	(9,174)
Dupar Participações S.A.	Property rentals	1	6,169	(74,456)	-	6,105	(70,645)
Prospar Participações S.A. (d)	Property rentals	-	137	(1,677)	-	134	(1,452)
Total		73,184	16,314	(157,883)	916	16,223	(186,310)

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

(b) e-Pharma PBM do Brasil S.A. - Programa de Benefícios de Medicina da Saúde, a Company investee. Its main objective is the development and commercialization of pharmaceutical and health care management services, providing knowledge 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) Biomatika Indústria e Comércio de Produtos Naturais S.A., a company belonging to the same controlling shareholders of the Company. Its main objective is the manufacture of cosmetics, perfumes and personal hygiene products. The contract between the parties establishes the production of products with the Pague Menos brand.

(d) L´auto Cargo Transportes Rodoviário S.A., a company belonging to the same controlling shareholders of the Company. Its main objective is the transport of cargo by road in general. All freight transportation contracts go through a bidding process and are selected according to the best technical (service level) and commercial proposal. In April 2021, the Company approved, within the scope of its Board of Directors, a contract for the provision of freight transport services with L'auto, with a term of 2 (two) years. The prices for these services are established according to percentage rates calculated on the basis of the tax invoice value of the goods transported and vary according to the rates established, by each individual state.

(e) Renda Participações S.A., Dupar Participações S.A. and Prospar Participações S.A., companies belonging to the same controlling shareholders of the Company. They operate in the management of their own and third party properties. 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.

(Amounts in thousands of Reais)

Management compensation

Management compensation totaled R$ 30,917 in the year ended December 31, 2022 (R$ 21,304 in 2021). The Company does not have a post-employment benefits policy. Additionally, since 2020, the Company has established a share-based compensation program, as disclosed in Note 21.

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:

	Company	
Related party guarantor	12/31/2022	12/31/2021
Guarantee / endorsement and joint and several debtors (Note 15)	61,224	337,383
Individuals (shareholders)	42,525	102,182
Dupar Participações S.A.	18,699	235,201
Real Estate (Note 15)	52,183	52,183
Dupar Participações S.A.	52,183	52,183

11. INVESTMENTS

Breakdown of the balance

	Company		Consolidated
	12/31/2022	12/31/2021	12/31/2022
Investment in subsidiary:			
Extrafarma			
Book value of the investment	899,223	-	-
	899,223	-	-
Investment in affiliates			
e-Pharma PBM do Brasil S.A.			
Book value of the investment	13,689	10,001	13,689
Goodwill on investment acquisition (e-Pharma)	81,838	81,838	81,838
(-) impairments	(19,243)	(19,243)	(19,243)
	76,284	72,596	76,284
	975,507	72,596	76,284

Balance transactions

	Company				
	12/31/2021	Acquisitions (a)	Equity income	Dividends and interest on equity received	12/31/2022
Extrafarma	-	964,839	(65,616)	-	899,223
e-Pharma	72,596	-	5,142	(1,454)	76,284
Total	72,956	964,839	(60,474)	(1,454)	975,507

(Amounts in thousands of Reais)

	Consolidated				
	12/31/2021	Acquisitions	Equity income	Dividends and interest on equity received	12/31/2022
e-Pharma	72,596	-	5,142	(1,454)	76,284
Total	72,956	-	5,142	(1,454)	76,284

(a) refers to the initial balances arising from the acquisition of Extrafarma, including the identified asset gains, as disclosed in Note 4.

Information of investees

On December 28, 2015, the Company acquired 26.21% of the shares of e-Pharma PBM do Brasil SA, at a total cost of R$ 90,000, with a net equity of R$ 8,162, consequently, goodwill based on the expected future profitability was calculated to be R$ 81,838. The principal business of e-Pharma PBM do Brasil SA is managing drug benefit programs. As of December 31, 2022, the Company holds 26.18% (26.18% in 2021) of the investee's shares.

On August 1, 2022, the Company acquired 99.07% of the shares of Imifarma Produtos Farmacêuticos e Cosméticos S.A., as described in Note 4.

Investment in subsidiary – summarized financial information

	Extrafarma	E-Pharma*
	12/31/2022	
Current assets	1,052,607	111,786
Non-Current assets	549,673	37,564
Current liabilities	(511,120)	(71,638)
Non-current liabilities	(306,837)	(25,424)
Equity	784,323	52,288
Capital gain from net assets acquired:	123,348	-
Brand	80,594	-
Capital gain from fixed assets	42,754	-
Equity - %	99.07%	26,18%
Investment Value	899,223	13,689
	12/31/2022	
Income Statement		
Net revenue	860,464	109,303
Loss for the fiscal year	(66,232)	19,649
% interest	99.07%	27,18%
Equity income	(65,616)	5,144
Amortization of the capital gain of the acquired net assets	-	-
Equity Income	(65,616)	5,144

** Amounts on November 30, 2022.*

Impairment of goodwill – e-Pharma PBM do Brasil S.A.

The Company assessed, based on December 31, 2022, 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 cash flow projections, was 17.31% before taxes (17.50% in 2021). Discount rates represent the risk assessment in the current market, specific to the investee, considering the time value of money and the individual risks of related assets that were not incorporated in the assumptions included in the cash flow model.

The discount rate calculation is based on specific circumstances of the investee, resulting from the weighted average costs of capital (WACC). The WACC considers debt and equity. The cost of equity results from the expected return on investment made by investors. The cost of debt is based on interest-bearing financing that the Company is required to fulfill. The specific risk of the investee is incorporated through the application of individual beta factors. Beta factors are assessed annually based on 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, forecast for the next 5 years, is more sensitive to the following assumptions:

Sales revenue and expenses

Adjustments in drug prices and inflation of other traded goods and selling expenses are calculated according to the forecast for overall inflation or index rates established in contracts. The assumptions adopted in the impairment tests comply with internal forecasts for the five-year period. After the five year period, extrapolation is applied using a perpetuity growth rate of 5,62% based on the nominal model (3% in 2021).

Gross margin

The gross margin is based on the value of the most recent month, in order to avoid seasonal variations or market conditions.

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 pretax discount rate (WACC) by 1.5 p.p., bringing the rate to 18.81%, would result in a recoverable amount of R$ 263,360, compared to the assessment of the base scenario in the Discounted Cash Flow Model of R$ 293,107. A reduction from 1.5 p.p. in the Perpetual Growth Rate (g) to 4.12% would result in a recoverable amount of R$ 273,408. In the worst case scenario of the current model, the valuation would be R$ 248.459, which would not result in an additional loss.

(Amounts in thousands of Reais)

12. FIXED

		Company					
		12/31/2022			12/31/2021		
	Annual Rate	Cost	Accumulated Depreciation	Net Balance	Cost	Accumulated Depreciation	Net Balance
Improvements in third-party owned properties	(i)	1,048,730	(463,923)	584,807	854,942	(405,596)	449,346
Installations	10%	108,254	(58,288)	49,966	106,492	(48,696)	57,796
Machines and equipment	10%	122,202	(75,154)	47,048	108,414	(65,925)	42,489
Furniture and fixtures	10%	155,525	(65,514)	90,011	120,681	(52,893)	67,788
IT Equipment	20%	72,248	(55,815)	16,433	65,797	(51,220)	14,577
Construction work in progress	-	45,995	-	45,995	39,620	-	39,620
Advance payments to suppliers		-	-	-	133	-	133
Provision for store closings		(4,889)	-	(4,889)	(16,383)	10,245	(6,138)
		1,548,065	(718,694)	829,371	1,279,696	(614,085)	665,611

(i) The depreciation of improvements is calculated according to the term of each rental agreement, which varies between 5 and 25 years, generating an average depreciation rate of 8,6% per year.

		Consolidated		
		12/31/2022		
	Annual Rate	Cost	Accumulated Depreciation	Net Balance
Improvements in third-party owned properties	(i)	1,324,260	(645,963)	678,297
Installations	10%	108,254	(58,288)	49,966
Machines and equipment	10%	157,350	(95,159)	62,191
Furniture and fixtures	10%	272,167	(130,599)	141,568
Vehicles	20%	13,005	(8,364)	4,641
IT Equipment	20%	131,139.	(107,339)	23,800
Capital gain from fixed assets (i)	-	42,754	-	42,754
Construction Work in progress	-	46,510	-	46,510
Provision for store closings	-	(4,889)	-	(4,889)
Total		2,090,550	(1,045,712)	1,044,838

(i) Refers to the capital gain identified in assets acquired in a business combination, as disclosed in note 4.

	Consolidated						
	12/31/2021	Acquisitions	Additions	Write-offs	Depreciation	Transfers (ii)	12/31/2022
Improvements in third-party owned properties	449,346	104,453	177,282	(5,569)	(69,426)	22,211	678,297
Installations	57,796	-	1,964	(345)	(9,657)	208	49,966
Machines and equipment	42,489	15,709	13,799	(78)	(10,285)	557	62,191
Furniture and fixtures	67,788	54,133	31,845	(786)	(16,525)	5,113	141,568
IT Equipment	14,577	8,946	6,811	(827)	(5,481)	(226)	23,800
Construction Work in progress	39,620	-	42,269	-	-	(35,378)	46,510
Advance payments to suppliers	133	-	-	(133)	-	-	-
Provision for store closings	(6,138)	-	-	1,249	-	-	(4,889)
Vehicles	-	4.969	-	(98)	(230)	-	4,641
Capital gain from fixed assets (i)	-	42,754	-	-	-	-	42,754
Total	665,611	230,964	273,970	(6,587)	(111,604)	(7,515)	1,044,838

(Amounts in thousands of Reais)

a) Changes in the 2022 fiscal year

	Company					
	12/31/2021	Additions	Write-offs	Depreciation	Transfers (i)	12/31/2022
Improvements in third-party owned properties	449,346	174,244	(1,932)	(59,065)	22,214	584,807
Installations	57,796	1,964	(345)	(9,657)	208	49,966
Machines and equipment	42,489	13,384	(76)	(9,306)	557	47,048
Furniture and fixtures	67,788	30,002	(200)	(12,691)	5112	90,011
IT Equipment	14,577	6,745	-	(4,662)	(227)	16,433
Construction Work in progress	39,620	41,754	-	-	(35,379)	45,995
Advance payments to suppliers	133	-	(133)	-	-	-
Provision for store closings	(6,138)	-	1,249	-	-	(4,889)
Total	665,611	268,093	(1,437)	(95,381)	(7,515)	829,371

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

(i) Refers to the capital gain identified in assets acquired in a business combination, as disclosed in note 4.
(ii) The residual values of transfers refer to the reclassifications between intangible and fixed assets.

b) Changes in fiscal year 2021

	01/01/2021	Additions	Write-offs	Depreciation	Transfers	12/31/2021
Improvements in third-party owned properties	383,676	118:131.	(4,609)	(50,767)	2,915	449,346
Installations	52,107	13,887	(296)	(8,784)	882	57,796
Machines and equipment	39,873	11,332	(24)	(8,752)	60	42,489
Furniture and fixtures	54,253	22,923	(50)	(10,107)	769	67,788
IT Equipment	9,345	9,492	(2)	(4,326)	68	14,577
Construction Work in progress	9,051	36,109	-	-	(5,540)	39,620
Advance payments to suppliers	127	-	6	-	-	133
Provision for store closings	(7,143)	1,005	-	-	-	(6,138)
Total	541,289	212,879	(4,975)	(82,736)	(846)	665,611

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

Provision for store closings

The Company recognized a provision for store closures in the amount of R$ 4,888 (R$ 6,138 in 2021). The analysis considers the individual result of the stores and expectation of recovery of investments. Stores that do not present sufficient results to recover the investment are subject to the recognition of a provision for closing their operations.

13. INTANGIBLE

		Company					
		12/31/2022			12/31/2021		
	Annual Rate	Cost	Accumulated Depreciation	Net Balance	Cost	ılated Depreciation	Net Balance
Brands	(i)	4,289	-	4,289	4,289	-	4,289
Trade Fund	(ii)	19,658	(18,091)	1,567	19,805	(16,751)	3,054
Software	20%	150,218	(60,628)	89,590	94,720	(47,052)	47,668
Websites	10%	125	(75)	50	111	(61)	50
Intangible assets in progress	-	6,084	-	6,084	3,494	-	3,494
Provision for store closings	-	-	-	-	(983)	638	(345)
Total		180,374	(78,794)	101,580	121,436	(63,226)	58,210

(Amounts in thousands of Reais)

i. Balance related to the cost of acquiring brands. As an intangible asset of indefinite useful life, the Company annually evaluates the recoverability of the asset. Estimates indicate that the recoverable amount of the asset is greater than its carrying amount and no loss is expected.
ii. The amortization of the trade 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.

		Consolidated		
	Annual Rate	12/31/2022		
		Cost	Amortization	Net
Brands	(i)	4,289	-	4,289
Trade Fund	(ii)	19,658	(18,091)	1,567
Software	20%	297,477	(169,857)	127,620
Websites	10%	125	(75)	50
Intangible assets in progress	-	6,084	-	6,084
Brand Gain (III)	-	80,594	-	80,594
		408,227	(188,023)	220,204

iii. Refers to brand surplus value, identified in the business combination with Extrafarma, as disclosed in Note 4.

a) *Changes in the 2022 fiscal year*

	Company					
	12/31/2021	Additions	Write-offs	Amortization	Transfers (i)	12/31/2022
Brands	4,289	-	-	-	-	4,289
Trade Fund	3,054	-	-	(1,487)	-	1,567
Software	47,668	45,242	(227)	(14,097)	11,004	89,590
Websites	50	303	(308)	-	5	50
Intangible assets in progress	3,494	6,084	-	-	(3,494)	6,084
Provision for store closings	(345)	-	345	-	-	-
Total	58,210	51,629	(190)	(15,584)	7,515	101,580

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

	Consolidated						
	12/31/2021	Acquisitions (i)	Additions	Write-offs	Amortization	Transfers (ii)	12/31/2022
Brands	4,289	-	-	-	-	-	4,289
Trade Fund	3,054	-	-	-	(1,487)	-	1,567
Software	47,668	49,448	45,242	(227)	(25,515)	11,004	127,620
Websites	50	-	303	(308)	-	5	50
Intangible assets in progress	3,494	-	6,084	-	-	(3,494)	6,084
Provision for store closings	(345)	-	-	345	-	-	-
Capital Gains for Brand	-	80,594	-	-	-	-	80,594
Total	58,210	130,042	51,629	(190)	(27,002)	7,515	220,204

(i) Assets acquired in the business combination with Extrafarma, as disclosed in Note 4.
(ii) The residual values of transfers refer to the reclassifications between intangible and fixed assets.

b) *Changes in fiscal year 2021*

	Company					
	12/31/2020	Acquisitions	Write-offs	Amortization	Transfers (i)	12/31/2021
Brands	4,289	-	-	-	-	4,289
Trade Fund	5,025	80	(28)	(2,023)	-	3,054
Software	20,743	26,022	(77)	(8,060)	9,040	47,668
Websites	23	19	(24)	(6)	38	50
Intangible assets in progress	8,232	3,494	-	-	(8,232)	3,494
Provision for store closings	(447)	102	-	-	-	(345)
Total	37,865	29,717	(129)	(10,089)	846	58,210

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

(Amounts in thousands of Reais)

14. SUPPLIERS

	Company		Consolidated
	12/31/2022	12/31/2021	12/31/2022
		(Restated)	
Suppliers	1,351,092	1,226,435	1,626,657
Adjustment to present value (i)	(31,006)	(22,331)	(36,293)
Total	1,320,086	1,204,104	1,590,364

i) Supplier balances suffer the effect of adjusting the balance to present value considering an average payment term between 69 and 79 days and an average fundraising rate (70 to 78 days in 2021) equivalent to 10.18% p.a. The consideration for the adjustment to present value is in the inventory account, being recognized in the result in the cost account of the goods sold at the time of sale. The recovery of the liability balance related to interest over time is recognized as financial expense.

a) Balances by maturity

	Company		Consolidated
	12/31/2022	12/31/2021	12/31/2022
		(Restated)	
Coming due:			
Between 1 and 30 days	405,510	427,453	508,789
Between 31 and 60 days	474,434	396,752	543,233
Between 61 and 90 days	205,034	142,803	247,173
Over 91 days	266,114	259,427	327,462
Total	1,351,092	1,226,435	1,626,657

b) Balance concentration

	Company	
	12/31/2022	12/31/2021
		(Restated)
Largest supplier	10%	12%
from the 2nd to 25th	55%	50%
from the 26th to 50th	14%	15%
Other suppliers	21%	23%
Total	100%	100%

(Amounts in thousands of Reais)

15. LOANS, FINANCING AND DEBENTURES

			Company and Consolidated	
Bank	Type	Average interest rate	12/31/2022	12/31/2021
Bank loans in national currency				(Resubmitted)
Banco do Brasil	Working capital	115% of the CDI.	49.058	63,643
Banco do Brasil	Working capital	120% of the CDI rate.	54,004	71,544
Itaú	Working capital	CDI + 2.50% p.a.	-	101,893
Santander	Working capital	CDI + 2.30% p.a.	32,997	162,595
Santander	Working capital	CDI + 1.69% p.a.	101,558	-
Foreign Currency Loans				
Safra (ii)	4131 – US$	USD + 6.28% p.a.	49,203	-
			286,820	399,675
Financing				
Banco do Brasil	FCO	4.12% p.a.	12,761	16,925
Banco do Nordeste do Brasil	FNE	4.12% p.a.	12,132	24,264
Banco do Nordeste do Brasil	FNE	TLP_IPCA + 2.18%	7,663	10,562
Banco do Nordeste do Brasil	FNE	TLP_IPCA + 2.98%	7,947	23,906
Banco do Nordeste do Brasil	FNE	10.69% p.a.	3,015	9,043
			43,518	84,700
Debentures				
4th Issuance of Debentures	Unsecured	CDI + 1.95%	-	200,765
5th Issuance of Debentures	Unsecured	CDI + 1.51%	17,751	51,692
6th Issuance of Debentures	Unsecured	CDI + 1.75%	99,560	99,065
6th Issuance of Debentures	Unsecured	CDI + 2.20%	357,290	353,714
7th Issuance of Debentures	Unsecured	CDI + 1.70%	530,539	-
			1,005,140	705,236
Total loans, financing and debentures			1,335,478	1,189,611
Drawn risk operations (i)				
Banco ABC		-	36,982	31,352
BTG		-	121,755	-
Bradesco		-	82,594	72,712
			241,331	104,064
AVP (Adjustment to present value)			(3,402)	(1,676)
Total Drawn Risk Operations			237,929	102,388
total amount of the debt			1,573,407	1,291,999
Current			472,810	538,090
Non-current			1,100,597	753,909
Financial instruments Swap Safra x US$ (ii)			863	-
Total net of loans, financing, debentures and drawn risk			1,574,270	1,291,999

(Amounts in thousands of Reais)

(i) Refers to the balance anticipated by the Company's suppliers with financial agents. As of December 31, 2022, these operations extend the average payment term of the amounts payable originally signed with suppliers by 34 days (24 days in 2021). The accounting transfer of the amounts from the account of suppliers to this item, upon assignment of credit from the supplier to the banks, consists of a transaction that does not involve cash, and is not presented in the cash flow statement. The settlement of the balance, in turn, is classified in financing activities, due to the financing nature of this transaction. Balances are adjusted to present value at an average rate of 10.18% (8.44% in 2021). The counterpart of the adjustment to present value is recorded in inventories, being appropriated to the financial result on a pro rata basis.

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

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

	Company and Consolidated	
	12/31/2022	12/31/2021
		(Restated)
Opening balances	1,291,999	878,476
Loans and financing	649,750	610,000
Drawn Risk operations	138,943	104,064
Accrued interest	157,700	56,373
Principal repayment	(531,448)	(300,801)
Interest Amortization	(123,382)	(50,763)
Exchange rate variation	(1,090)	908
Adjustment to present value – Drawn risk	(3,402)	(1,676)
Adjustment at Market Value	-	(51)
Change in the value of financial liabilities measured at fair value	863	-
Settlement of transaction costs	(5,663)	(4,531)
Final Balances on December 31, 2017	1,574,270	1,291,999

b) *Characteristics of Debentures*

The 4th issue of simple debentures was carried out on February 11, 2019, in the amount of R$ 200,000 and was remunerated by the variation of the CDI + 1.95% p.a. This operation was settled on September 12, 2022. The 5th issue of simple debentures was offered on July 21, 2019, in the amount of R$ 100,000, maturing on January 21, 2023, and is remunerated by the variation of CDI + 1.51% p.a. The 6th issue of simple debentures was offered on November 5, 2021, in the amount of R$ 450,000, and is remunerated by the variation of CDI +1.75% p.a. and matures on November 5, 2026, and the second series is remunerated by the variation of CDI + 2.20% p.a. and matures on November 5, 2028. The 7th issue was held on July 15, 2022 in the amount of R$ 500,000, maturing on July 15, 2026 and is remunerated by the variation of CDI +1.70% p.a.

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

(Amounts in thousands of Reais)

c) Disbursement schedule of loans, financing and debentures

	12/31/2022	12/31/2021
01/01/2023 - 12/31/2023	-	189,542
01/01/2024 - 12/31/2024	182,249	130,340
01/01/2025 – 12/31/2025	286,757	44,686
01/01/2026 – 12/31/2028	631,591	389,341
Total	1,100,597	753,909

d) Coverage

	12/31/2022	12/31/2021
Guarantee / Endorsement (Related parties - Note 10)	61,224	337,383
Fiduciary assignment of credit rights	40,521	117,707
Bank guarantees	52,831	40,831
Real Estate (Related Parties - Note 10)	52,183	52,183
	206,759	548,104

e) 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 December 31, 2020, the indexes were within the contractually defined limits. The Company is also in compliance with the other non-financial *covenants* .

16. RIGHT-OF-USE AND LEASES

a) Composition of right of use assets

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

(i) Balance related to the acquisition of Extrafarma, business combination disclosed in Note 4.

b) Lease liabilities

	Properties	IT equipment	Machines and equipment	Company	Consolidated
Balances on January 1, 2022	1,650,794	58,866	20,461	1,730,121	1,730,121
Acquisition (i)	-	-	-	-	380,580
Additions and remeasurements	320,607	34,157	4,765	359,529	359,554
Write off	(25,607)	(1,218)	(127)	(26,952)	(26,977)
Accrued interest	132,322	5,247	1.289	138,858	146,518
Payments	(268,746)	(30,025)	(12,988)	(311,759)	(350,304)
Balance on December 31, 2022	1,809,370	67,027	13,400	1,889,797	2,239,492
Current	216,863	32,136	10,327	259,326	313,299
Non-current	1,592,507	34,891	3,073	1,630,471	1,926,193

(Amounts in thousands of Reais)

(i) Balance related to the acquisition of Extrafarma, business combination disclosed in Note 4.

c) *Lease liability maturity schedule*

	Company		Consolidated
	12/31/2022	12/31/2021	12/31/2022
01/01/2023 - 12/31/2023	-	208,765 -	-
01/01/2024 - 12/31/2024	223,434	172,589	286,347
01/01/2025 – 12/31/2025	209,291	156,214	262,660
01/01/2026 – 12/31/2026	194,381	176,588	240,287
After 01/01/2020	1,003,365	793,818	1,136,899
Total	1,630,471	1,507,974	1,926,193

d) Potential PIS and COFINS credit

The Company is entitled to PIS and COFINS credit in the rental agreements in which it was included at the time of its payments. The potential for these tax credits is shown below. Some of the real estate lease agreements do not generate the right to PIS and COFINS credits, as they are signed with individual lessors, therefore these credits are not permitted according to tax legislation.

	Company		Consolidated
	12/31/2022	12/31/2021	12/31/2022
Lease consideration	2,857,072	2,300,082	3,193,211
Potential recoverable PIS and COFINS (9.25%)	194,370	138,635	209,092

e) *Inflated cash flows and nominal rates*

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 rights 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).

	Company			
	Real cash flow		Cash flow with inflation	
	12/31/2022	12/31/2021	12/31/2022	12/31/2021
Properties	1.809.370	1.650.794	1.907.981	1.944.306
IT Equipment	67.027	58.866	70.908	64.788
Machines and equipment	13.400	20.461	14.176	22.519
Total	1.889.797	1.730.121	1.993.065	2.031.613

	Consolidated	
	12/31/2022	
	Real Cash Flow	Cash Flow with Inflation
Properties	2.159.065	2.276.734
IT Equipment	67.027	70.908
Machines and equipment	13.400	14.176
Total	2.239.492	2.361.818

(Amounts in thousands of Reais)

Other assumptions, such as the maturity schedule of the liabilities and interest rates used in the calculation, are disclosed in other items of these explanatory notes, 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.

17. TAXES TO BE COLLECTED

	Company		Consolidated
	12/31/2022	12/31/2021	12/31/2022
VAT (ICMS)	57,851	60,442	98,454
INSS/FGTS	11,136	11,038	23,232
ISS	16,442	12,149	16,532
PERT	7,642	8,513	7,642
IRPJ / CSLL	22,776	8.761	27,020
Others	354	369	354
Total	116,201	101,272	173,234
Current	110,215	94,095	167,248
Non-current	5,986	7,177	5,986

18. PROVISION FOR LEGAL CLAIMS

a) Breakdown by type

	Company		Consolidated
	12/31/2022	12/31/2021	12/31/2022
Administrative	766	517	766
Civil	3,349	3,207	3,802
Labor	11,674	18,596	17,460
Taxes	302	245	5,178
Subtotal	16,091	22,565	27,206
Contingent liabilities in the business combination	63,706	-	63,706
Total	79,797	22,565	90,912

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

Labor contingencies consider lawsuits whose individual values are also fragmented and refer principally 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.

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

(Amounts in thousands of Reais)

Contingent liabilities in business combination

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

b) Changes in cases in fiscal year 2022

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

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

(i) Refers to the acquired balances (opening balance sheet) of Extrafarma, according to the business combination disclosed in Note 4.

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

(Amounts in thousands of Reais)

c) *Changes in cases in fiscal year 2021*

	Company				
	12/31/2020	Additions	Reversals	Payments	12/31/2021
Administrative	868	453	(434)	(370)	517
Civil	2,819	708	(243)	(77)	3,207
Labor	23,215	5,063	(3,378)	(6,304)	18,596
Tax	339	238	(195)	(137)	245
Total	27,241	6,462	(4,250)	(6,888)	22,565

d) *Contingent liabilities - Possible risk of loss*

As of December 31, 2022, the Company was a party to lawsuits classified by its legal counsel with a possible risk of loss in the amount of R$ 411,951 (R$ 377,294 in 2021) by the Company, Consolidated: R$ 475,657 of which R$ 63,706 are contingent liabilities assumed in the business combination.

The type and estimates are shown below:

	Company		Consolidated
	12/31/2022	12/31/2021	12/31/2022
Administrative	9,678	638	9,678
Civil	3,288	2,410	12,634
Contingencies	48,837	42,564	56,214
Tax	350,148	331,682	397,131
Total	411,951	377,294	475,657

Tax: Refers to notifications, mostly tax related, that the Company and its legal advisors do not consider as having merit, and therefore are subject to cancellation. The principal cases are listed below:

i) Action for annulment of ICMS debts (Company)

A lawsuit aimed at canceling a penalty in the amount of R$ 144,083 on December 31, 2022 (R$ 139.834 in 2021), which was brought due to calculation of ICMS amounts due caused by the recording of credits considering amounts higher than those highlighted in the invoices for the provision of products intended for sale, which, according to the inspectors, would have caused the non-payment of the ICMS tax from March 2014 to December 2018.

(Amounts in thousands of Reais)

ii) PIS and COFINS - Credits relative to supplies for consumption (Company)

Penalty notification issued in December 2020, in the amount of R$ 132,123, requiring the payment of PIS and COFINS arising from tax credits recorded in the period from December 2015 to December 2016, related to expenses with goods and services used as inputs (examples: cleaning services, payment card administration fees, freight, among others), in which the Federal Revenue Service, based on a restrictive interpretation of art. 3º, item II, of Laws 10.637 / 02 and 10.833 / 03 and due to the fact that the Company is primarily engaged in retail trade, does not consider this possible.

Labor Law: These refer to claims arising from severance pay disputes that, in the Company's opinion, were fully settled at the time of the dismissal, for which reason they are not considered admissible.

Administrative: These refer to notifications arising from the procedures adopted in the stores themselves, considered, in most cases, to be mere misinterpretations of the rule.

Civil: These refer to the provocation of moral and/or material damages, in the opinion of the plaintiff, suffered inside our stores. As the Company's service policy is one of complete respect towards consumers, this interpretation is considered to be without merit.

19. NET WORTH

a) Capital stock

On December 31, 2022, and 2021, the Company's capital stock, fully subscribed and paid in the amount of R$ 1,241,689, from which the amount of R$ 42,470 related to the costs of issuing shares in the IPO is deducted, totaling R$ 1,199,219. As of December 31, 2022, and 2021, the 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, increase its share capital, regardless of amendments to the bylaws, through the issuance of up to 150,000,000 (one hundred and fifty million) new common shares.

b) Capital reserve

	12/31/2022	12/31/2021
Goodwill on the issuance of shares (i)	386,650	386,650
Share issuance costs (ii)	(11,390)	(11,390)
Restricted Stock Plan (iii)	16,288	14.146
Treasury shares (Note 19(e))	(20,993)	(20,040)
Incorporation reserve	330	330
Total	370,885	369,696

i. According to the Investment Agreement between the Company and General Atlantic Brasil Investimentos SA, a goodwill reserve for the issuance of shares in the amount of R$ 397,357, as in 2017 and 2018 reversions of R$ 6,527 and R$ 4,180 respectively, were made, due to an indemnity paid to the subscribing shareholders.

ii. Amount referring to the share issuance cost of R$ 11,390 in the investment operation by General Atlantic Brasil Investimentos SA in 2015.

iii. In 2020, the creation of a Restricted Stock Plan was approved, the details of that plan and the grants granted are disclosed in Note 20.

(Amounts in thousands of Reais)

c) *Withheld Profits*

This reserve is funded from 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 reserves.

The Fiscal incentive reserve comes from a portion of the profit resulting from investment subsidies received by the Company, as detailed in Note 22 - Government subsidies.

d) *Allocation of profits*

The accrued losses, if any, and the provision for income tax and social contributions calculated upon profit, will be deducted from the fiscal year results before any profit sharing.

The net profit for the year will be allocated as follows:

- 5% (five percent) will be applied, after the allocation of the tax incentive reserve, to establish the legal reserve, which will not exceed 20% (twenty percent) of the subscribed share capital. In the fiscal year where the balance of the legal reserve plus the amount of the capital reserves referred to in paragraph 1 of article 182 of the Brazilian Corporation Law exceeds 30% (thirty percent) of the share capital, it will not mandatory to allocate part of the net income for the year to the legal reserve;

- A portion allocated for the payment of the minimum mandatory annual dividend to shareholders, not less than 25% (twenty-five percent) of the net income for the year, in compliance with the provisions of Article 35 of the Bylaws and Article 202 of the Brazilian Corporation Law;

- Management may present a proposal to retain a portion based on a previously approved capital budget, pursuant to article 196 of the Brazilian S.A. Corporation Law;

- The balance will be allocated by the General Shareholder´s Meeting, in compliance with the legal requirements and provisions of the Bylaws.

As of December 31, 2020, the allocation of net income for the year was:

	12/31/2022	12/31/2021
Net income for the year	263,665	164,457
(-) Reserve for fiscal incentives	(177,349)	(164,457)
(-) Legal reserve	(4,316)	-
Basis for calculation for mandatory minimum dividend	82,000	-
Minimum Dividend Percentage	25%	25%
Annual dividend – mandatory minimum	20,500	-
Interest on shareholders' equity – attributed to minimum dividends	20,500	-
Interest on own capital	61,500	-
Interest on declared equity	82,000	-

On December 14, 2022, at the Board of Directors' Meeting, the distribution of interest on equity in the amount of R$ 82,000 was approved, corresponding to the gross amount of R$ 0.1861258851 per common share (not considering, for the purposes of this calculation, the shares held in treasury), whose net amount of R$ 69,700 is provisioned for payment on December 31, 2022, corresponding to the net amount of R$ 0.1582070023 per share, being as required for the mandatory minimum dividend for the current year, pursuant to article 35 of the Company's bylaws.

In accordance with note 22, the amounts received through government subsidies must be fully allocated to the tax incentive reserve. If the profit available after the establishment of the legal reserve is not sufficient to fully allocate the subsidy received during the year, the Company must replace the reserve with profits from subsequent periods. As of December 31, 2022, the Company is allocating the amount of R$ 53,773, referring to grants received in previous periods.

e) Treasury shares

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

Under these Programs, the Company acquired, from their inception, until the closing date, the amount of 6,056,600 common shares in the total amount of R$ 43,078, at an average cost of R$ 7.11, of which 3,735,620 shares remain in treasury at an average cost of R$ 5.62, totaling R$ 20,993.

20. STOCK-BASED COMPENSATION PLANS

The Company's Long-Term Incentive Plan with Restricted Shares was approved at the Extraordinary General Meeting held on June 25, 2020, with the objective of creating the possibility of granting 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, interest and alignment with the Company's objectives; and (iii) to develop the corporate purposes of the Company and interests of shareholders. During the term of the Restricted Share Plan, shares representing up to 1.5% of the Company's share capital may be delivered to the participants. The balance of the Restricted Stock Plan as of December 31, 2022, is R$ 16,288 (R$ 14,146 in 2021).

The Board of Directors is responsible for selecting the directors, independent members of the Board of Directors, managers and top level employees to whom the Company may grant one or more common, registered, book-entry shares with no par value, subject to the restrictions in the Restricted Stock Plan, program and / or in the related grant agreement.

21. 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 years ended December 31, 2022, and 2021 is presented below:

(Amounts in thousands of Reais)

	12/31/2022	12/31/2021
Earnings per share, attributable to shareholders, for the period	263,665	164,457
Weighted number of shares during the period (thousands of shares)	443,781	443,781
Earnings per basic and diluted share - R$	0.59	0.37

On December 31, 2022, and 2021, there were no restricted shares or other convertible instruments with dilutive potential, since the potential shares of the Restricted Share Plan commented on in Note 20, when issued, will be with the use of treasury shares acquired for this purpose, without causing any dilution.

22. GOVERNMENT SUBSIDIES

The Company has special taxation regimes, related to the ICMS tax, granted by the States of Ceará, Goiás, Pernambuco, and Bahia, which imply a reduction in the tax burden in these States, in exchange for various commitments the Company agreed to. The Company has systematically met these requirements. The Company recognized in its result for the year ended December 31, 2022, as a reduction in the cost of goods sold, the amount of R$ 123,576 (R$ 117,204 in 2021).

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

23. NET OPERATING REVENUE

	Company		Consolidated
	12/31/2022	12/31/2021	12/31/2022
Sale of goods	8,828,201	7,871,897	9,701,116
Services provided	123,296	190,976	123,501
Gross revenue	8,951,497	8,062,873	9,824,617
Taxes levied on sales	(483,026)	(439,355)	(528,800)
Returns and Rebates	(48,964)	(53,482)	(54,602)
Adjustment to present value	(49,991)	(41,326)	(52,140)
Sales deductions	(581,981)	(534,163)	(635,542)
Net revenue	8,369,516	7,528,710	9,189,075

(Amounts in thousands of Reais)

24. COSTS AND EXPENSES

By account:

	Company		Consolidated
	12/31/2022	12/31/2021	12/31/2022
Cost of goods sold	(5,686,664)	(5,108,147)	(6,238,300)
Sales expenses	(1,997,409)	(1,777,245)	(2,257,816)
General and administrative expenses	(259,257)	(271,820)	(321,420)
Total costs and expenses	(7,943,330)	(7,157,212)	(8,817,536)

By type:

	Company		Consolidated
	12/31/2022	12/31/2021	12/31/2022
Cost of Goods	(5,686,664)	(5,108,147)	(6,238,300)
Personnel expenses	(1,246,713)	(1,093,008)	(1,407,839)
Rental expenses	(70,876)	(64,663)	(82,890)
General expenses	(613,661)	(612,770)	(700,890)
Depreciation and amortization	(325,416)	(278,654)	(387,617)
Total costs and expenses	(7,943,330)	(7,157,212)	(8,817,536)

25. FINANCIAL RESULTS

	Company		Consolidated
	12/31/2022	12/31/2021	12/31/2022
Financial income			
Revenue from financial investments	28,467	14,383	28,646
Fair value adjustment of derivative instruments	455	8,403	455
Fair value adjustment of financial liabilities	-	51	-
Adjustment to present value	49,372	41,087	51,427
Exchange rate variation	1,095	4,725	1,095
Other financial revenue	1,546	10.912	1,784
Total financial revenue	80,935	79,561	83,407
Financial expenses			
Provisioned interest	(158,024)	(53,678)	(158,024)
Lease interest	(138,886)	(120,238)	(151,893)
Fair value adjustment of derivative instruments	(1,318)	(7,422)	(1,318)
Adjustment to present value	(120,515)	(83,859)	(135,549)
Exchange rate variation	(7)	(5,638)	(7)
Other financial expenses	(36,782)	(9,386)	(44,229)
Total financial expenses	(455,532)	(280,221)	(491,020)
Financial Result	(374,597)	(200,660)	(407,613)

(Amounts in thousands of Reais)

26. FINANCIAL INSTRUMENTS

a) Composition of financial instruments

The accounting balances of financial instruments as to their valuation included in the balance sheet as of December 31, 2022, and 2021 are identified below according to their measurement:

	Company		Consolidated
Description	12/31/2022	12/31/2021	12/31/2022
Measured at amortized cost		(Restated)	
Cash and cash equivalents	153,139	654,121	163,742
Financial investments	9,509	8,639	9,509
Accounts receivable from clients	508,359	530,268	505,519
Suppliers	(1,320,086)	(1,204,104)	(1,590,364)
Financing and loans	(330,338)	(484,375)	(330,338)
Debentures	(1,005,140)	(705,236)	(1,005,140)
Drawn Risk operations	(237,929)	(102,838)	(237,929)
Lease liabilities	(1,889,797)	(1,730,121)	(2,239,492)
Financial assets measured at fair value through profit and loss			
Derivative financial instruments (passive balance of foreign currency *swaps*)	(863)	-	(863)

b) Financial risk structure and management

<u>Credit risk</u>

Credit risk is the risk that the Company will incur with losses from customers or 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 related to cash and cash equivalents and financial investments in the amount of R$ 162,648 on December 31, 2022 (R$ 662,760 in 2021), which represent its maximum credit exposure (R$ 173,251 – Consolidated). Credit risk with financial institutions is managed by the Company's Treasury in accordance with their established policies. Such resources are dispersed in certain financial institutions in order to minimize the concentration of risk and thus mitigate the financial loss in the event of potential default by the counterpart.

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 relevant 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 management and market leaders; therefore, Management believes that such risk is low.

(Amounts in thousands of Reais)

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

	Company		Consolidated
	12/31/2022	12/31/2021	12/31/2022
Coming due			
From 1 to 30 days	162,158	259,468	176,393
31 to 60 days	116,958	109,297	121,536
61 to 90 days	88,193	76,693	90.206
Over 90 days	83,028	63,034	84,209
	450,337	508,492	472,344

There are no overdue balances held with credit card companies.

Liquidity risk

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

The Company carefully monitors its cash flow through periodic stress tests, which enables it, in addition to the fulfillment of financial obligations, to perform 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:

(Amounts in thousands of Reais)

Company

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

On December 31, 2021	Book Value	Contract Value	1 year or less	Between 1 and 2 years	Between 2 and and 5 years	Over 5 years
	(Restated)	(Restated)	(Restated)			
Cash and cash equivalents (Note 5)	654,121	654,121	654,121	-	-	-
Accounts receivable from customers (Note 6)	530,268	530,268	530,268	-	-	-
Suppliers (Note 14)	(1,204,104)	(1,204,104)	(1,204,104)	-	-	-
Leases (Note 16)	(1,730,121)	(1,730,121)	(222,147)	(208,765)	(328,803)	(970,406)
Financing and loans (Note 15)	(484,375)	(484,375)	(314,703)	(93,426)	(76,246)	-
Drawn risk operations (Note 15)	(102,388)	(102,388)	(102,388)	-	-	-
Debentures (Note 15)	(705,236)	(705,236)	(120,999)	(96,116)	(138,707)	(349,414)

Consolidated

As of December 31, 2022	Book Value	Contract Value	1 Year or less	Between 1 and 2 years	Between 2 and 5 years	Over 5 years
Cash and cash equivalents (Note 5)	163,742	163,742	163,742	-	-	-
Accounts receivable from customers (Note 6)	505,519	505,519	505,519	-	-	-
Suppliers (Note 14)	(1,590,364)	(1,590,364)	(1,590,364)	-	-	-
Leases (Note 16)	(2,239,492)	(2,239,492)	(313,299)	(286,347)	(666,109)	(973,737)
Financing and loans (Note 15)	(330,338)	(331,338)	(175,145)	(150,601)	(5,455)	-
Debentures (Note 15)	(1,005,140)	(1,005,140)	(60,598)	(31,648)	(738,304)	(174,590)
Drawn risk operations (Note 15)	(237,929)	(237,929)	(237,929)	-	-	-
Derivative financial instruments (Swaps)	(863)	(863)	(863)	-	-	-

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

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

We present a scenario with nominal rates verified on December 31, 2020 (book balance based on the 13.65% p.a. closing CDI) and the probable scenario considered by Management, which corresponds to the forecast of the CDI curve considering the base closing on December 31, 2020, according to the BM&F Bovespa interest curve for CDI (between December 2020 and January 2026) and two more scenarios with a 25% appreciation (Scenario I) and 50% (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 December 31, 2022, and December, 31, 2021 approach market values. The risks linked to the Company's operations are related to the CDI variation (Interbank Deposit Certificate).

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

In order to verify the sensitivity of the index to which the Company was exposed on the base date of December 31, 2022, three different scenarios were defined. The likely scenario considers the current interest rate curve projected by the Central Bank. From this, variations of 25% (Scenario II) and 50% (Scenario III) were calculated, sensitizing the rise and fall of the indexes. For each scenario, the net position (financial income minus financial expenses) was calculated, without considering any tax effects. The base date used for the portfolio was December 31, 2022, with a one year forecast and verifying the sensitivity of the CDI index in each scenario.

(Amounts in thousands of Reais)

December 31, 2022

Company

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

Consolidated

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

December 31, 2021

Financial institutions and types	Risk (rate)	Book balance	Probable scenario	Scenario I - 25%	Scenario II - 50%
Financing and loans	CDI Increase	(484,375)	(6,638)	(8,058)	(9,479)
Debentures	CDI Increase	(705,236)	(10,532)	(12,756)	(14,979)
Financial investments	CDI Increase	599,685	6,162	7,702	9,243
Net exposure (financial expense)			(11,008)	(13,112)	(15,215)

Foreign exchange risk

The Company has a policy of contracting derivative financial instruments to protect financial operations carried out in foreign currency in the amount of USD 9,430. Such transactions are carried out with the same counterparts that granted the original credit operations and at the same notional value in order to avoid any mismatch in positions. As of December 31, 2022, the value of derivative financial instruments was R$ 863.

To measure the estimated impact resulting from the risks of currency fluctuation, an analysis of the sensitivity of the Company's exposure to the risk of the foreign currency loan exchange rate was prepared considering the three scenarios below. The probable scenario considers the closing dollar rate as of December 31, 2022, scenario I and II consider an increase of 25% and 50%, respectively, in the closing exchange rate.

(Amounts in thousands of Reais)

December 31, 2022

Transaction	Risk (Currency)	Exposure	Probable scenario	Scenario I	Scenario II
Foreign Currency Loans	U.S. Dollar appreciation	49,203	-	(12,554)	(25,108)

Capital management

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

The leverage ratio is presented below:

	Company		Consolidated
	12/31/2022	12/31/2021	12/31/2022
		(Restated)	
Loans, financing, debentures and drawn risk	1,573,407	1,291,999	1,573,407
Derivative financial instruments (Foreign currency swaps)	863	-	863
(-) Cash and cash equivalents	(153,139)	(654,121)	(163,742)
(-)Financial investments	(9,509)	(8,639)	(9,509)
Net debt	1,411,622	629,239	1,401,019
Equity	2,334,551	2,090,197	2,342,993
Leverage ratio	0.60	0.30	0.60

Fair value hierarchy

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

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

	12/31/2021		
Description	Level 1	Level 2	Level 3
Share-based compensation plan	-	-	14.146

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.

(Amounts in thousands of Reais)

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 NBC TG 48 - Financial Instruments: Recognition and Measurement.

The fair value of these liabilities is based on the discount of estimated future cash flows based on the conditions and maturity of each contract and using the exchange coupon plus a spread, which is obtained in the quotation with financial institutions to reflect the change in the Company's risk scenario in the discount period. As of December 31, 2022, the Company does not have financing and loans measured at fair value through profit or loss.

27. INSURANCE COVERAGE

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

Modality	12/31/2022	12/31/2021
Maximum Insurance Coverage Limit	465,000	405,000
Civil Liability Limit	30,000	15,000
Material Damage Limit	30,000	46,400
Civil Liability for Directors, Officers and / or Administrators	30,000	15,000

28. SUBSEQUENT EVENTS

STF decision on ‘res judicata’ in tax matters

The Federal Supreme Court (“STF”) concluded, on February 8, 2023, the judgment on ‘res judicata‘ in taxes collected on a continuous basis, in the sense of the loss of effects of individual decisions that became unappealable when a new judgment was rendered, in a different sense, in tax matters. The STF also rejected the request for modulation of the effects of said decision, determining the collection of past values, as long as the statute of limitations did not yet apply.

The Company evaluated the effects of the decision on unappealable lawsuits and concluded that there are no impacts on the financial statements, as no case was identified in which there has been a modification of the understanding by the STF later, in constitutional questions.

Capital Increase

On December 14, 2022, the Board of Directors decided on a capital increase, by private subscription, of at least R$ 52,480 but no more than R$ 82,000, at a price of R$ 3.68 per share, representing a discount of 15% in relation to the last 20 trading sessions prior to the date of the resolution. All shareholders holding common shares issued by the Company at the end of the trading session on January 27, 2023, were entitled to the JCP and the preemptive right to subscribe to the new shares could be exercised between January 30 and February 28. The specific procedures and deadlines for payment will be detailed in a notice to the market to be disclosed by the Company in a timely manner.

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

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

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

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

We present below the comments on the behavior of the projections for the period ended December 31, 2022.

I) STORE OPENINGS

In the fourth quarter of 2022, 61 stores were opened, totaling 118 stores opened in the year, two less than projected. The two remaining stores, originally scheduled to open in December 2022, had their openings postponed to January 2023.

Ano	Projeção	Realizado
2021	80 openings	80 openings
2022	120 openings	118 openings

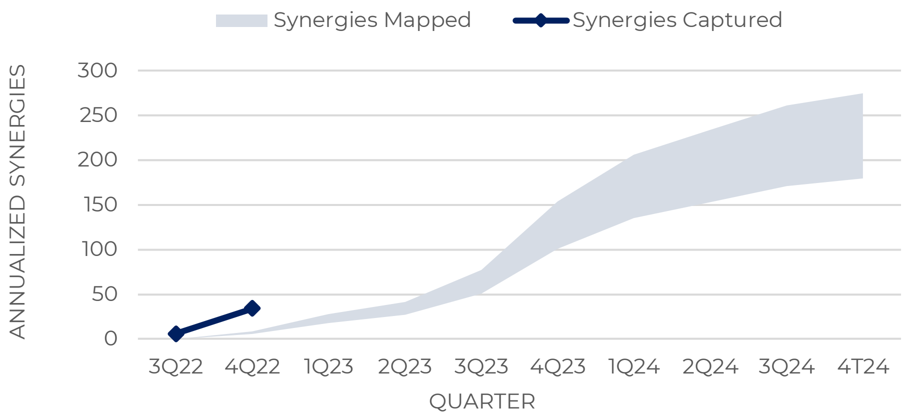
II) CAPTURING OF EXTRAFARMA SYNERGIES

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

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

In 4Q22, we recorded a volume of BRL 14.0 million in synergies, mainly due to organizational changes (BRL 3.7 million), logistics efficiencies (BRL 2.0 million), vendor management and private labels (BRL 2.1 million), assortment expansion (BRL 1.8 million), among others. The amount was partially offset by dis-synergies estimated at BRL 5.5 million, related to i) the closure of the wholesale operation and disinvestment of stores imposed by CADE (BRL 2.2 million); and ii) adaptation time and impacts of the changes in DC systems on store supply, normal in logistics integration processes of this scale (BRL 3.3 million). In addition, we recognized in the quarter a volume of BRL 9.1 million in non-recurring expenses related to the initial stage of integration, already disregarded in the adjusted result presented in this release. On an annualized basis, the synergies captured in 4Q22, net of dis-synergies, already represent R$34 million, equivalent to 15% of the potential mapped in the transaction.

SYNERGY CAPTURE CURVE
(BRL million)



III) NET DEBT RATIO

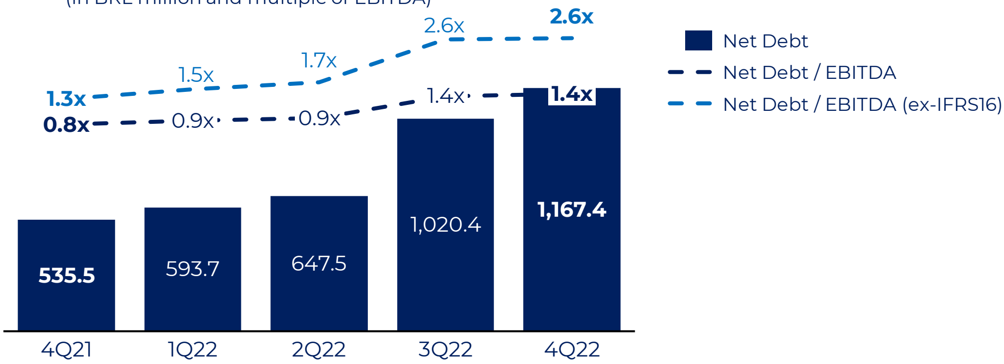
With the closing of the acquisition of Extrafarma and in order to incorporate the mapped synergies, the projection disclosed concerns the net debt position on December 31, 2024, when the integration process will be concluded, and the adjusted EBITDA, ex-IFRS16, accumulated in the previous 12 (twelve)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

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

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

Consolidated net debt totaled BRL 1,167.4 million at the end of 2022, equivalent to 2.6x the adjusted EBITDA of the last twelve months ex-IFRS 16. Compared to the same period of the previous year, we recorded an increase of 1.3x, mainly related to the payment of the first installment of the acquisition of Extrafarma (BRL 365 million), operating cash cycle (BRL 119 million, mostly related to investment in Extrafarma inventory) and debt service in the period (BRL 123 million).

CONSOLIDATED NET DEBT[1]
(in BRL million and multiple of EBITDA)



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

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A free translation from Portuguese into English of Independent Auditor's Report on the Individual and Consolidated Financial Statements, originally issued in Portuguese

Independent auditor's report on the individual and consolidated financial statements

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

Opinion

We have audited the individual and consolidated financial statements of Empreendimentos Pague Menos S.A. (the "Company"), identified as Individual and Consolidated, respectively, which comprise the statement of financial position as at December 31, 2022 and the statements of profit or loss, of comprehensive income, of changes in equity and of cash flows for the year then ended, and a summary of significant accounting policies.

In our opinion, the accompanying financial statements present fairly, in all material respects, the individual and consolidated financial position of the Company as at December 31, 2022, its individual and consolidated financial performance and cash flows for the year then ended in accordance with the accounting practices adopted in Brazil and with the International Financial Reporting Standards (IFRS) issued by the International Accounting Standards Board (IASB).

Basis for opinion

We conducted our audit in accordance with the Brazilian and International Standards on Auditing. Our responsibilities under those standards are further described in the Auditor's responsibilities for the audit of the individual and consolidated financial statements section of our report. We are independent of the Company and its subsidiary in accordance with the relevant ethical principles set forth in the Code of Professional Ethics for Accountants, the professional standards issued by Brazil's National Association of State Boards of Accountancy (CFC), and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Key audit matters

Key audit matters are those that, in our professional judgment, were of most significance in our audit of the financial statements of the current period. These matters were addressed in the context of our audit of the individual and consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters. For each matter below, our description of how our audit addressed the matter, including any commentary on the findings or outcome of our procedures, is provided in that context.

We have fulfilled the responsibilities described in the Auditor’s responsibilities for the audit of the individual and consolidated financial statements section of our report, including in relation to these matters. Accordingly, our audit included the performance of procedures designed to respond to our assessment of the risks of material misstatement of the financial statements. The results of our audit procedures, including the procedures performed to address the matters below, provide the basis for our audit opinion on the accompanying financial statements.

Information Technology General Controls (ITGCs)

The Company, impacted by the high number of transactions it carries out and its geographical dispersion, has a complex structure of computerized and integrated management systems. Therefore, the effectiveness of the design and operation of the ITGCs is of significant for the accounting records and, consequently, the individual and consolidated financial statements to be free from material misstatements. This complex structure, which involves several stores in all states of Brazil and nine distribution centers, is at different levels of maturity and the risks related to the information technology processes relevant to the transactions processed in the different systems may result in incorrect critical information, including that used in the preparation of individual and consolidated financial statements. Due to the importance of the ITGCs for the Company, we considered this matter a key audit matter.

How our audit addressed this matter

Our procedures included, among others, the involvement of IT specialists to assist us in understanding the key information system environments that affect the Company’s entire business structure. Inconsistencies found in the design and/or operation of ITGCs related to logical access and change management impacted our assessment of the nature, timing and extent of our planned substantive procedures to obtain sufficient appropriate audit evidence. Due to the identification of these inconsistencies, our additional procedures also included the substantive assessment of the integrity of the reports produced by the related systems and used in our audit procedures.

Based on the results of the procedures described above, we consider that the information extracted from the Company’s systems for planning and performing our audit procedures is acceptable in the context of the individual and consolidated financial statements taken as a whole.

Bonuses received from suppliers

Bonuses received from suppliers and promotional contributions are regular business practices in the retail industry. The Company and its subsidiary receive various types of bonuses, as disclosed in Note 3, which are a significant component in determining the cost of goods sold.

This matter was considered significant for our audit in view of the amounts involved, in addition to the fact that the recognition of the benefit and its consequent recording in inventories require judgments by the Company’s management in relation to the nature, compliance with the obligations described in the agreements, the estimates used to determine the amounts and the accrual period for recognizing the bonus as a reduction to the costs of goods sold, in the statement of profit or loss for the year.

How our audit addressed this matter

Our audit procedures included, among other: (i) the evaluation and understanding of the process for identifying, measuring and accounting for bonuses; (ii) selection of a sample of agreements for analysis of their terms, recalculation of bonus amounts and crosscheck with accounting records; (iii) analysis of the assumptions used to determine compliance with obligations with suppliers and the respective accrual period for recognizing the bonuses in the statement of profit or loss for the year; and (iv) examination of subsequent receipts.

Based on the results of the audit procedures performed, which are consistent with the management’s assessment, we consider that the criteria and assumptions adopted for timely recognition and disclosure of revenues from bonus granted by suppliers are acceptable in the context of the financial statements taken as a whole.

Business combination

On August 1, 2022, the Company acquired control over Imifarma Produtos Farmacêuticos e Cosméticos S.A., as disclosed in Notes 1 and 4. The transaction was accounted for applying the acquisition method, which requires, among various procedures, that the Company determines the effective acquisition date of control, the fair value of the consideration transferred, the fair value of the assets acquired and the liabilities assumed, and the calculation of goodwill based on expected future profitability or gain on bargain purchase in the transaction. These procedures usually involve a high degree of judgment and require that complex fair value estimates be prepared based on calculations and assumptions relating to the future performance of the business acquired, which are subject to a high degree of uncertainty and judgement. The evaluation and measurement of assets and liabilities at fair value was conducted by the Company’s management and even involved the engagement of external valuation specialists. This process, although at a preliminary stage, resulted in the calculation of gain on bargain purchase amounting to R$252,806 thousand, in addition to the identification of a capital gain on property and equipment and intangible assets in the amounts of R$42,754 thousand and R$80,594 thousand, respectively.

Due to the relevance of balances, complexity of estimates and the high degree of judgment involved in determining the fair value of assets acquired and liabilities assumed, we consider the business combinations to be one of the key audit matters.

How our audit addressed this matter

Our audit procedures included, among others: (i) analyzing the financial information of the acquiree and discussing with management about the consistency of accounting practices and estimates; (ii) using professionals specialized in business valuation to assist us in reviewing the assumptions and methodology used by the Company related to the measurement of fair values and allocations, on the acquisition date, to the assets acquired and liabilities assumed; (iii) evaluating the objectivity, independence and technical skills of external specialists involved in the measurement of assets acquired and liabilities assumed at fair value; (iv) assessing the date of acquisition and attainment of control and the amount of the price actually paid for purposes of calculating the gain on bargain purchase; (v) evaluating the fairness of the disclosures made by the Company in the related notes.

Based on the result of the audit procedures performed on the business combination, which is consistent with the management's assessment, we consider that the criteria, judgments and assumptions adopted by the Company in the business combination as well as the related disclosures are acceptable, in the context of the financial statements taken as a whole.

Other matters

Statements of value added

The individual and consolidated statements of value added for the year ended December 31, 2022, prepared under the responsibility of Company's management, and presented as supplementary information for purposes of IFRS, were submitted to audit procedures conducted together with the audit of the audit of the Company's financial statements. To form our opinion, we evaluated if these statements are reconciled to the financial statements and accounting records, as applicable, and if their form and content comply with the criteria defined by NBC TG 09 - Statement of Value Added. In our opinion, these statements of value added were prepared fairly, in all material respects, in accordance with the criteria defined in abovementioned accounting pronouncement, and are consistent in relation to the overall individual and consolidated financial statements.

Other information accompanying the individual and consolidated financial statements and the auditor's report

Management is responsible for such other information, which comprise the Management Report.

Our opinion on the individual and consolidated financial statements does not cover the Management Report and we do not express any form of assurance conclusion thereon.

In connection with our audit of the individual and consolidated financial statements, our responsibility is to read the Management Report and, in doing so, consider whether this report is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If, based on the work we have performed, we conclude that there is a material misstatement of the Management Report, we are required to report that fact. We have nothing to report in this regard.

Responsibilities of management and those charged with governance for the individual and consolidated financial statements

Management is responsible for the preparation and fair presentation of the individual and consolidated financial statements in accordance with the accounting practices adopted in Brazil and with the International Financial Reporting Standards (IFRS) issued by the International Accounting Standards Board (IASB), and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the individual and consolidated financial statements, management is responsible for assessing the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Company or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Company and its subsidiary's financial reporting process.

Auditor's responsibilities for the audit of the individual and consolidated financial statements

Our objectives are to obtain reasonable assurance about whether the individual and consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that the audit conducted in accordance with the Brazilian and International Standards on Auditing will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of an audit in accordance with Brazilian and International Standards on Auditing, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identified and assessed risks of material misstatements of the individual and consolidated financial statements, whether due to fraud or error, designed and performed audit procedures responsive to those risks, and obtained audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- Obtained an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company’s and its subsidiary’s internal control.

- Evaluated the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.

- Concluded on the appropriateness of management’s use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company’s ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor’s report to the related disclosures in the individual and consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor’s report. However, future events or future conditions may cause the Company to cease to continue as a going concern.

- Evaluated the overall presentation, structure and content of the financial statements, including the disclosures, and whether the individual and consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

We communicate with those charged with governance regarding, among other matters, the scope and timing of the planned audit procedures and significant audit findings, including deficiencies in internal control that we may have identified during our audit.

We also provided those charged with governance with a statement that we have complied with relevant ethical requirements, including applicable independence requirements, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with those charged with governance, we determined those matters that were of most significance in the audit of the financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor’s report, unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

Recife, March 6, 2023

ERNST & YOUNG
Auditores Independentes S.S. Ltda.
CRC SP015199/O

Henrique Piereck de Sá
Accountant CRC PE 023398/O

In accordance with article 25, paragraph 1, items V and VI, of CVM Instruction 480/09, the Company’s Officers declare that they have reviewed, discussed and agreed with the release of the statements for the year ended December 31, 2022.

Fortaleza, March 6, 2023

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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 and Director of Category Management and Marketing

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

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Joaquim Dias Garcia Neto
Vice President of Information Technology

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Afro José Campos de Vasconcelos
Director of Infrastructure and Technology

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

Rafael Lima e Silva
Director of Expansion

Jadson Antonio Santos de Almeida
Directors of Technology Applications

Gianni Dias Gill
Director of Operations

Andre Albuquerque Ferreira Pinto Bandeira
Director of Operations

Renan Vieira Barbosa

Director of Supply Chain

In accordance with article 25, paragraph 1, items V and VI, of CVM Instruction 480/09, the Company's Officers declare that they have reviewed, discussed and agreed with the opinions expressed in the favorable Special Review Report without exceptions by the independent auditors, on the statements for the year ended December 31, 2022.

Fortaleza, March 6, 2023.

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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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