Quarterly Information - ITR

Empreendimentos Pague Menos S.A.

March 31, 2021.
With quarterly information review Report

Empreendimentos Pague Menos S.A.

Quarterly information - ITR

March 31, 2021 and 2020

Table of Contents

EARNINGS RELEASE 1Q21

PagueMenos

Fortaleza, Ceará, May 3, 2021. Empreendimentos Pague Menos S.A. ("Companhia" or "Pague Menos"), since 2009 the only Brazilian pharmaceutical retail chain present in every state in Brazil, bringing health to more than 300 Brazilian municipalities, announces its results for the first quarter of 2021.

The financial information was prepared in accordance with the International Financial Reporting Standards (IFRS), in accordance with the accounting practices adopted in Brazil (BR GAAP) and was reviewed by the independent auditors in accordance with Brazilian and international auditing standards. Since 2019, our financial statements are prepared in accordance with IFRS 16, which has changed the criteria for the recognition of rental contracts. To demonstrate the effects of the implementation of this standard and facilitate comparability between periods, on page 15 of this release we present the Income Statement for the Year excluding the effects of IFRS 16.

TOP HIGHLIGHTS 1Q21

- **Same Store Sales:** 9.6% growth (8.7% in mature stores)
- **Average Monthly Store Sales:** R$ 578 thousand, 10.6% growth
- **Digital:** 140% growth, representing 6.1% of total sales (+3.4p.p. vs 1Q20)
- **Clinic Farma:** 180% growth in revenues, with adoption of 6.2% of total customer base
- **EBITDA :** R$ 159.3 million (+27.1% vs 1Q20), with an EBITDA margin of 8.3% (+1.2p.p. vs 1Q20)
- **Net Income :** R$ 44.2 million (+380% vs 1Q20), with net margin of 2.3% (+1.8p.p. vs 1Q20)
- **Capital Markets:** Accumulated share price appreciation since the IPO of 12.9%

FINANCIAL HIGHLIGHTS (R$ million)	1Q20	1Q21	Δ
Gross Income	**1,763.2**	**1,910.2**	**8.3%**
Gross Profit	**507.5**	**569.0**	**12.1%**
% Gross Profit Margin	*28.8%*	*29.8%*	*1.0 p.p.*
Selling, General and Administrative Expenses	**(382.1)**	**(409.7)**	**7.2%**
% Expenses	(21.7%)	(21.5%)	0.2 p.p.
EBITDA	**125.4**	**159.3**	**27.1%**
% EBITDA Margin	*7.1%*	*8.3%*	*1.2 p.p.*
Net Income (Loss)	**9.2**	**44.2**	**379.9%**
% Net Margin	*0.5%*	*2.3%*	*1.8 p.p.*

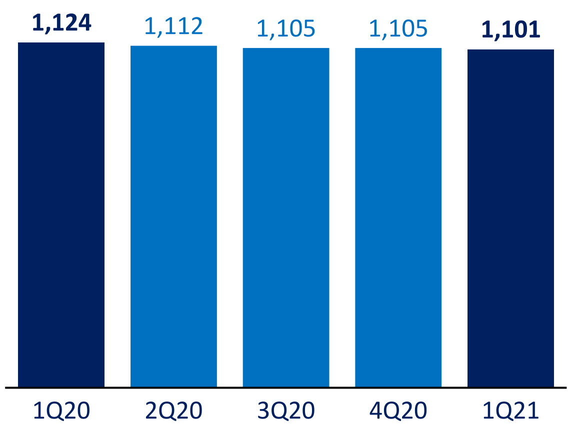
OPERATIONAL HIGHLIGHTS	1Q20	1Q21	Δ
# of Stores	1,124	1,101	(2.0%)
# of Stores with Clinic Farma	801	823	2.7%
Average Sale/store/month (R$ thousands)	523	578	10.6%
# of clients served (thousands)	29,536	26,067	(11.7%)
Average Ticket (R$)	59.70	73.28	22.8%
# of Employees	19.900	19.121	(3.9%)
# of Employees/store	17.7	17.4	(0.3)
% Sales Via Digital Channels	2.7%	6.1%	3.4 p.p.

STORE PORTFOLIO

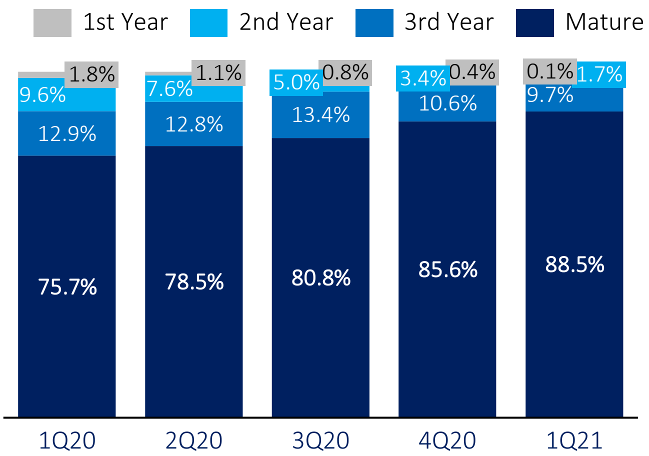
We closed 1Q21 with 1,101 stores distributed in 325 municipalities, 88.5% of which were mature stores.

In March/21, we opened the first store of the new expansion cycle, one month ahead of schedule. The schedule remains on track, with more stores expected to be inaugurates during 2Q21 and the pace of openings normalized during the second half of the year. In 1Q21, 5 stores were closed, and 7 stores were refurbished.

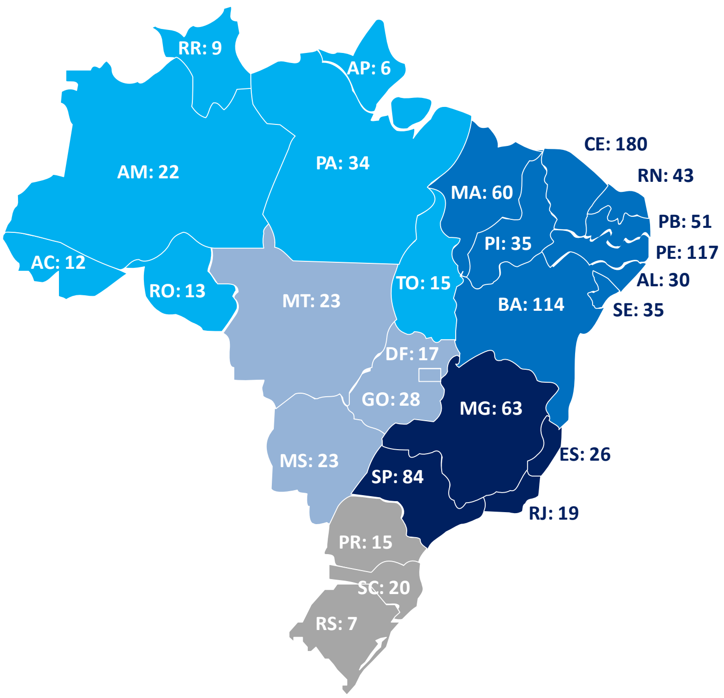
Store Base



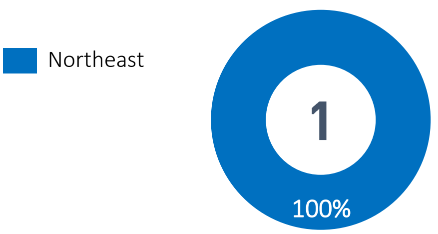
Store Age Profile



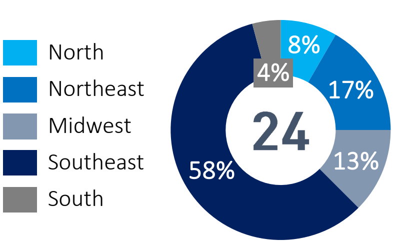
Distribution by State



Store Openings LTM*



Store Closures LTM*

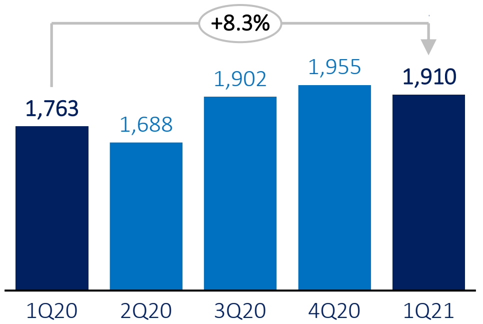


* LTM: last twelve months

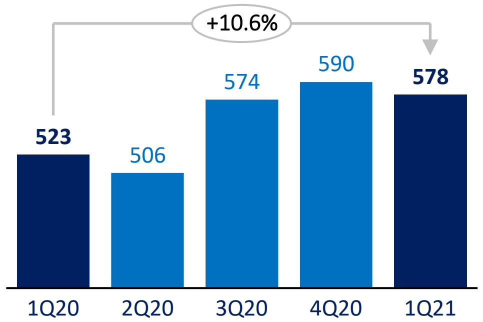
SALES

In 1Q21, gross revenue reached R$ 1.9 billion, an increase of 8.3% compared to 1Q20, with same-store sales of 9.6% and mature stores growth of 8.7%. The average monthly sales per store followed the growth trend observed in the previous quarters reaching R$578,000, growth of 10.6%. The level of growth is particularly high when considering that the 1Q20 comparison base was impacted by the anticipation of purchases related to the Covid-19 pandemic development in March 2020.

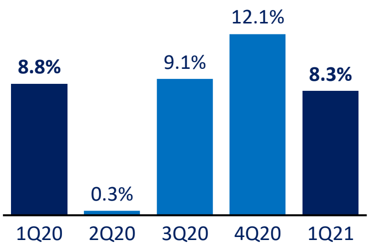
Gross Income
(in R$ millions)



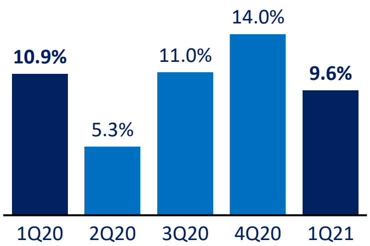
Average Store Sales/Month
(in R$ thousand)



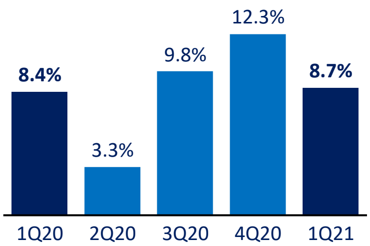
Total Growth
(vs. previous year %)



Same Store Sales
(vs. previous year %)



Growth Mature Stores
(vs. previous year %)



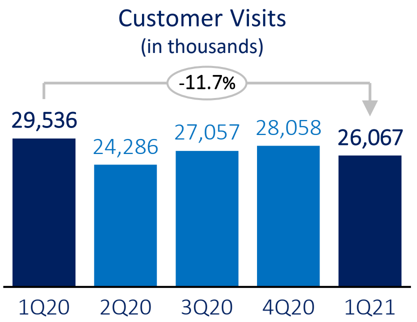
The strong pace of growth is the result of the continuous improvement of operational KPIs, channels and product categories in relation to 1Q20, such as: i) a 30% reduction in stock out; ii) increase in the assortment of items sold by 5.5%; iii) increase in the NPS of customers by 6 p.p., reaching 73 points; iv) increase of 3.4 p.p. in the participation of digital channels, to 6.1% of total sales; v) growth in Clinic Farma adoption to 6.2% of the total customer base, driven by COVID-19 testing; vi) an increase of 8p.p. in the participation of the group sales agreements and partnerships (*convênios*) channel, reaching 15.8% of total sales; vii) sales growth of private label items, reaching 6.1% of total company sales, an increase of 0.6 p.p.

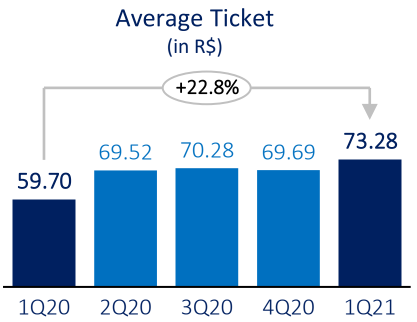
The performance of 1Q21 was negatively impacted by two effects i) the 1Q21 calendar, that had 1 day less than 1Q20 and ii) restrictions on the operation of stores located in shopping malls, related to social distancing measures adopted in many municipalities. The combined negative impact of these two effects on same-store growth was 2.7p.p.

On the other hand, revenue stemming from the application of Covid-19 tests contributed positively to the results in same store sales by 2.9 p.p. compared to 1Q21.

The dynamic of a higher average ticket and the decrease in traffic in stores, observed since the beginning of the pandemic, continues in 1Q21. We registered an average ticket of R$ 73.28 (growth of 22.8%) with 26.1 million visits (11.7% retraction). The growth of the average ticket reflects, in addition to the change in behavior on the part of customers due to social isolation measures, an increase in the penetration of digital channels and an increase in the number of distinct items per basket, reflecting accelerated movement towards assortment expansion in 2020.

Note: The same store concept does not consider temporarily closed stores lasting more than seven calendar days. Including stores temporarily closed on that basis, the same store growths of 1Q20, 2Q20, 3Q20, 4Q20 and 1Q21 were 9.9%, 1.7%, 10.9%, 13.5% and 9.3% respectively.



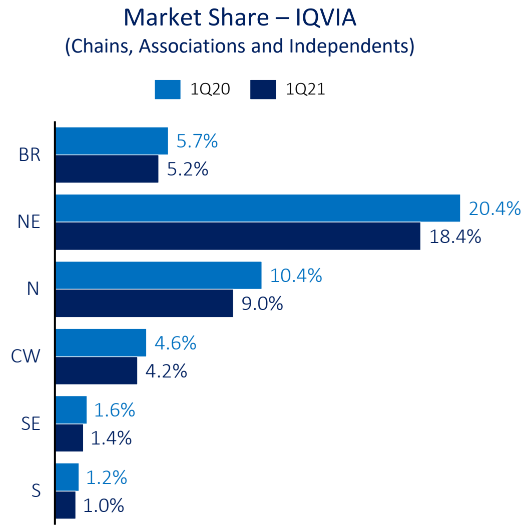


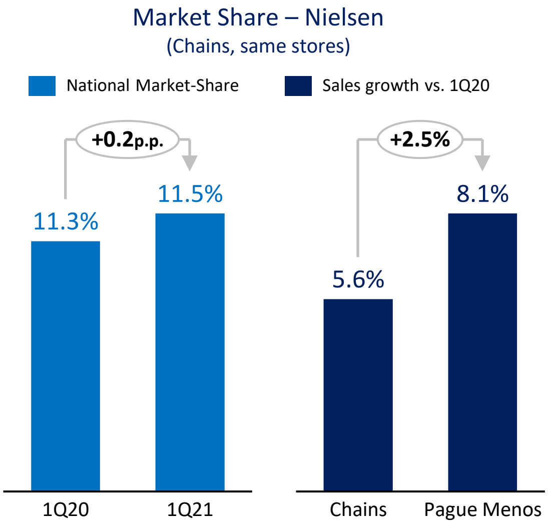
MARKET-SHARE

In 1Q21, our national market share was 5.2%, a decline of 0.5p.p. compared to 1Q20. The Northeast and North regions showed retractions of 2.0p.p. and 1.4p.p., respectively. The decline in the market share is mainly due to the sales growth of independent pharmacies and associations, which in the Northeast region alone increased their participation by 2.3 p.p. compared to 1Q20, mainly due to the higher consumption in the more peripheral neighborhoods, resulting from social isolation measures.

In addition, it is important to highlight that the market share reported by IQVIA for independent pharmacies and associations is calculated on the volume of sales reported by distributors (sell-in), differently from that of the large chains which is calculated on sales to the final consumer (sell-out). Because of a higher price adjustment for medicines in 2021 than in previous years, it is expected that the movement of "pre-high" (increase in inventories at pre-adjustment prices) was more intense than in previous years, causing a mismatch between sell-in and sell-out growth, and consequently, overestimating the market share of small chains in the period.

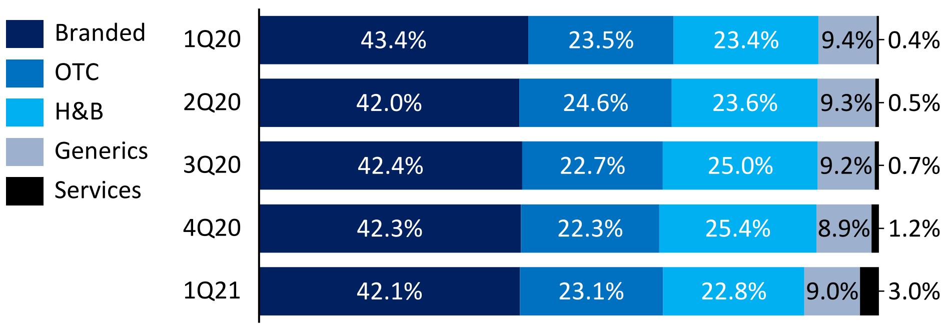
Large chains continued to expand the store portfolio, with an increase of 4.7% nationally, compared to a 2.0% reduction in Pague Menos's store portfolio, which also affected market share dynamics in the period. In order to purge the effects of store openings on market share, Nielsen discloses market share measurement in the like-for-like concept. In this measurement, which only contemplates the market comprised of large chains, Pague Menos increased its share from 11.3% to 11.5%, growing 8.1% on a same store basis, compared to 5.6% growth for the market average.





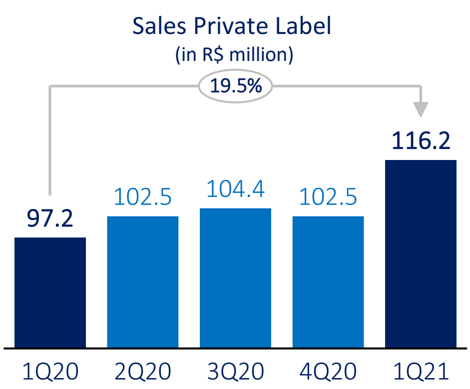
SALES MIX

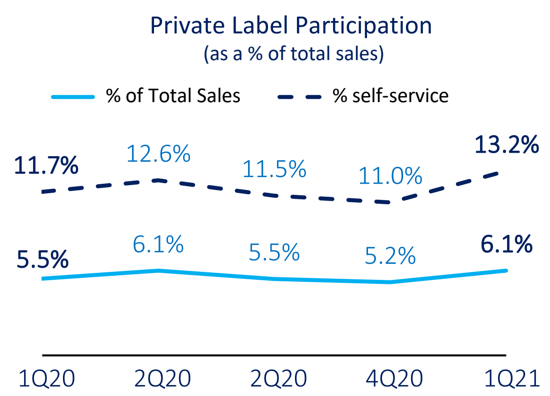
In 1Q21, the main variation in the mix was the increase in revenue from services, a 2.7 p.p. increase in relation to 1Q20, resulting from the increasing participation of Clinic Farma clients, driven by the application of Covid-19 tests. Non-medicines accounted for 34.4% of sales in 1Q21 vs. 32.4% in 1Q20.



PRIVATE LABEL

We observed excellent advances in the category of private label products in 1Q21. This category grew 19.5%, driven by major launches in diapers, nutritional products, dermo cosmetics and the ecological line, reaching 6.1% of total sales and 13.2% of self-service. We continue with a relevant pipeline of launches for 2021 and remain confident regarding this product line.



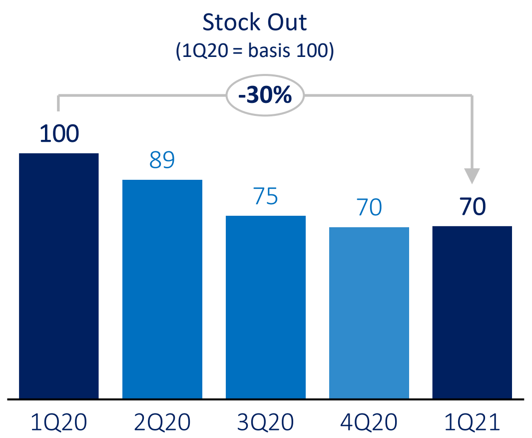


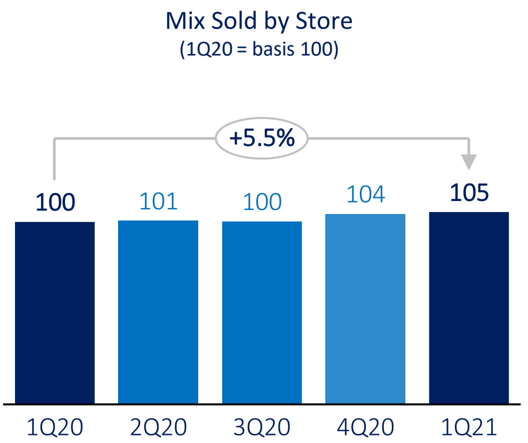
PRODUCT AVAILABILITY

We continue to improve product availability indicators in stores.

The stockout index decreased by 30% compared to 1Q20 and the number of individual products sold grew 5.5% compared to 1Q20.

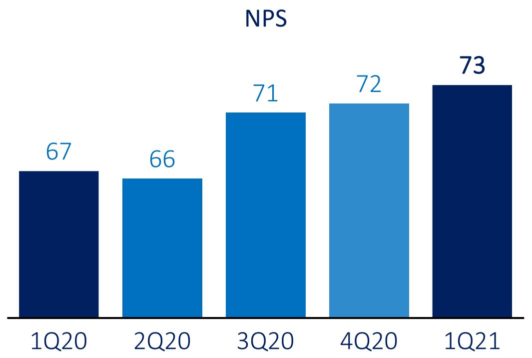
These two indicators have contributed strongly to the increase in sales, resulting from the continuous improvement in product supply algorithms in stores and distribution centers, increased frequency of delivery of products to stores and expansion of the base of suppliers and distributors.

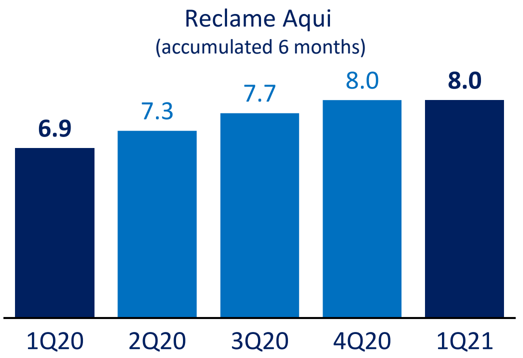




CUSTOMER SATISFACTION

The improvement in in-store execution continued to reflect growing customer satisfaction in 1Q21. In March/21, we won, for the first time ever, the RA1000 seal on the *Reclame Aqui* online complaint platform, a certification that recognizes companies with the best level of service on the platform. The NPS[1], the principal and most comprehensive metric of level of service, remained at a level of excellence, reaching 73 points in 1Q21, up 1p.p. from 4Q20 and 6p.p. in relation to 1Q20.





HEALTH HUB

We remain focused on the development of an increasingly comprehensive health platform, offering Brazilians a unique solution for the enhancement of health and well-being. In 1Q21, we further reinforced this strategic direction.

Clinic Farma, the cornerstone of our Health Hub, reached an all-time high of 692,000 clients served in the quarter, leveraged by the record application of more than 500,000 Covid-19 tests during the period. One out of every five Covid-19 tests applied in Abrafarma member pharmacies was applied by Pague Menos (a 20% market share for this service).

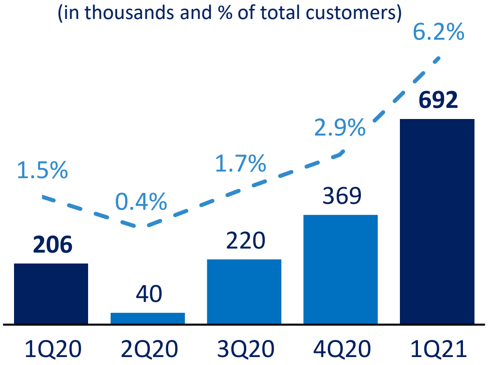
Even with this peak in client service, we were able to maintain the conversion rate for Clinic Farma clients, that is, clients who made in-store purchases on the same day of their Clinic Farma visit, at 55%. The economics of clients who attend our clinics remain very favorable, with an average spend that is 3.6x higher than the average customer, which highlights the potential of this strategic front to strengthen our business model. In 1Q21, we also reached the highest level of the historical series or NPS scores for this channel, with 93 points.

[1] Measured through research sent via SMS to the active customer base in the period. An average of 3 million SMS messages are sent per month with an average response rate of 2%.

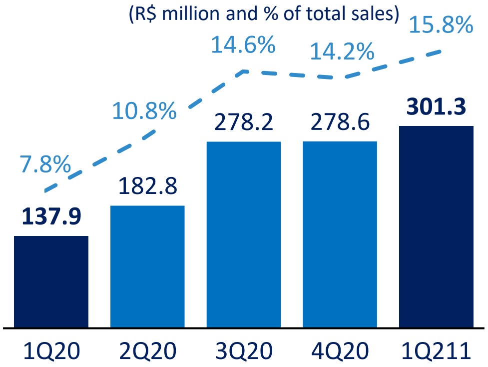
We have expanded Clinic Farma's portfolio of services to include 37 health protocols, with the inclusion of innovative services such as the rapid neutralizing antibody test, which allows covid-19 vaccinated customers to monitor their immunity periodically, and hematological screening, which enhances the assisted telemedicine offered in-store.

During 1Q21, we implemented the first special vaccination operations against Covid-19 in our stores, in partnership with the municipalities of São Paulo, Porto Alegre and Cabedelo-PB. We have also opened negotiations with a dozen more capitals and major cities for free application of vaccines in our stores. In addition, we started the annual vaccination campaign against H1N1 in the cities of São Paulo and Fortaleza.

Adoption and Utilization of Clinic Farma
(in thousands and % of total customers)



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



The channel of sales through agreements and Partnerships (*convênios*) continues to gain relevance, being an important vector for improving sales and customer loyalty and for increasing the lifetime value of customers. In 1Q21, this front reached 15.8% of the Company's total sales, an increase of 8p.p. compared to 1Q20. Customers coming from this channel have an average ticket 63% higher than that of a regular customer.

We continue to invest in our specialty drugs unit, AME, which is an important avenue of growth for the coming years. The product portfolio, focused on high complexity treatments, already includes more than 400 registered items in the areas of oncology, human reproduction and orthopedics, among others. In 1Q21, the channel recorded a growth of 190% compared to 1Q20.

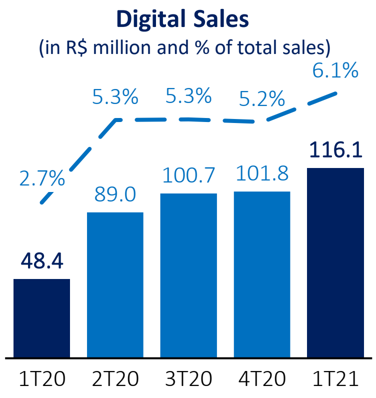
In May, our Health Hub will be enhanced with the launch of an innovative product, the *Sempre Bem* (Always Well) Club. The product is a benefits club, developed in partnership with TEM Saúde Memorial International and e-Pharma, through which our customers will have access to discount plans in an accredited network of more than 6,000 medical offices and laboratories, in addition to reimbursement for medications, annual check-ups, and the basic Clinic Farma services, among others, with monthly fees starting at R$20.90. The *Sempre Bem* Club works as a preventive health program bringing medical assistance to our customers, at affordable prices.

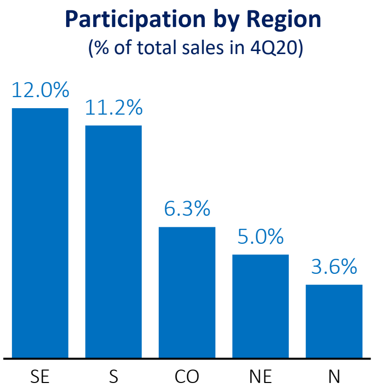
OMNICHANNEL PLATFORM

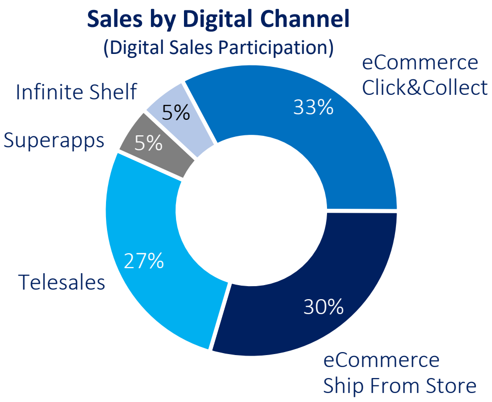
Our omnichannel platform continues to develop rapidly, promoting complete integration between physical stores, website, app, telephone sales, content platform and last-mile partners, and enabling our customers to have access to a comprehensive solution for health and wellness products and services wherever, and whenever they want.

In 1Q21, sales via digital channels grew 140%, representing 6.1% of the Company's total sales, an increase of 3.4p.p. compared to 1Q20, reaching 6.7% in March/21. In markets where e-commerce is in a more mature stage, such as the South and Southeast, digital sales participation remains at more than 10%.

Click & Collect, available in 100% of stores, remained the leading digital channel in 1Q21. The fastest growing channel was Tele-sales, which accounted for 27% of digital sales in the quarter, leveraged by the roll-out of the new Tele-sales center inaugurated in 2020.







In 1Q21, we implemented several user experience (UX) related improvements on our website, such as a geolocation search map for Click & Collect, audio descriptions on the product page, store navigation, and new PBM landing page. As a result of the improvements, our conversion rate in March reached a new record, growing by 1.6p.p. compared to 1Q20.

In 1Q21 we also launched the pilot of our marketplace, currently with 4 niche sellers, specialized in the areas of food supplements, teas, respiratory equipment and genetic testing, totaling more than 100 items available on our website. This front has an extensive pipeline of new partnerships to be developed throughout the year.

We remain committed to achieving ever better levels of service, and as such, have developed several initiatives to leverage express delivery across our digital channels. In 1Q21, 81% of deliveries were made in less than 4 hours.

PLATFORM CONTENT AND CRM

Throughout 1Q21 we reached 86% of identified purchases with an increase of 13.3% in customers' average spending. In the last 12 months, the active customer base has reached 14.3 million. Through an active strategy of promotional communication via SMS, email and coupon offers, the incremental sales generated by these levers in the quarter grew by more than 33% compared to incremental sales calculated in 1Q20. Sales via *Desconto Só Meu* (My Discount), our custom offers tool, accounted for 2.4% of total sales in the period. In addition, relationship rules have been contributing to retention of, and omnichannel usage by, the Pague Menos customer base.

A Pague Menos differential, the *Sempre Bem* (Always Well) content platform continues to increase customer engagement through an effective 360º communication strategy, which includes social media, TV program, portal and magazine. In the quarter, Pague Menos was once again recognized as the leading pharmacy chain in network engagement, according to the 2021 Social Analytics Pharmaceutical Retail survey, published by big data platform Zeeng.

TECHNOLOGY AND TRANSFORMATION

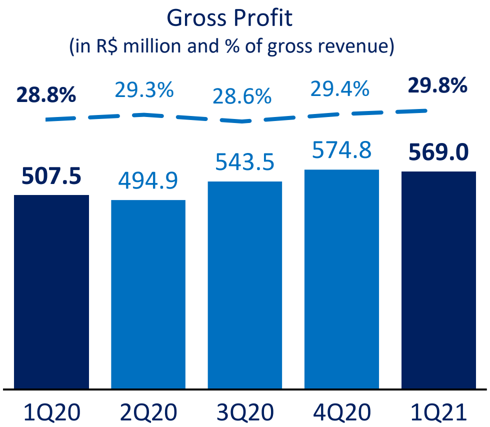
During 1Q21 we continued to develop an increasingly agile culture, with which we prepared the technology area to support the current growth of the company. Today we operate with 12 product squads - such as Infinite Shelf, Sales Panel and Click and Collect, among others - giving greater depth and agility in meeting business demands. We have matured our AMO (Agility Management Office) which today manages 42 strategic projects related to IT & Transformation.

Our Fast-Dating program, a periodic meeting of our executives with startups, organized by the Transformation Laboratory, Pmenos LAB, has enrolled more than 200 startups in the program, bringing innovative initiatives linked to pharmaceutical services or reducing energy consumption, to the day-to-day operation of our business. Also, on the question of transformation, we created the "Zero Friction" program which consists of identifying and redesigning processes and / or systems in order to minimize potential sources of friction with our customers. A practical example was the reduction of 12 days in the refund period following a purchase cancellation by the customer, improving our customer experience.

GROSS PROFIT

In 1Q21, gross profit reached R$ 569.0 million, an increase of 12.1% over 1Q20. Gross margin reached 29.8%, an increase of 1p.p. compared to 1Q20, and 0.4p.p. compared to 4Q20. The continuous improvement in margin over the last quarters is mainly the result of strategic projects such as vendor management and pricing, increased participation of private brands and growth in service revenues. In addition, we highlight the behavior of the losses from inventories indicator, with a reduction of 23% compared to 1Q20.

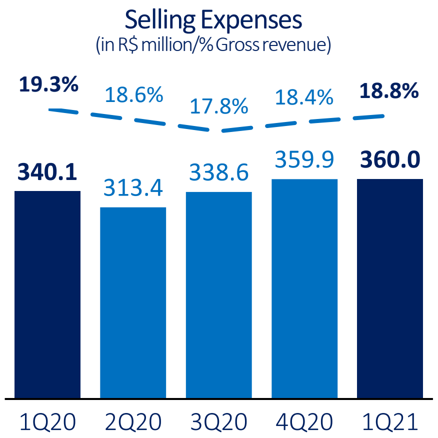
It is important to highlight that, even with the margin expansion observed in recent quarters, we continue to be leaders in price perception in the main markets in which we operate, especially in the key categories of continuous use medicines.

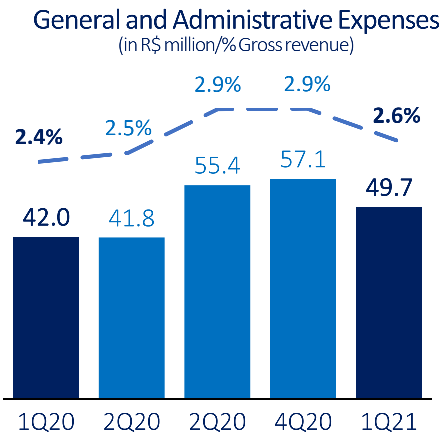


SELLING, GENERAL AND ADMINISTRATIVE EXPENSES

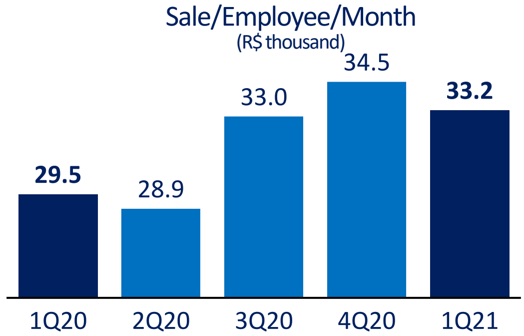
In 1Q21, selling expenses totaled R$ 360.0 million (stable in relation to 4Q20), equivalent to 18.8% of gross revenue, representing dilution of expenses of 0.5 p.p. vs. 1Q20. The improvement is mainly due to the operational leverage generated by the same store growth, combined with the productivity program, which allowed a reduction in the number of employees per store (with an increase in NPS). These effects were partially offset by increased investments in maintenance, marketing and occupancy expenses.

General and Administrative expenses totaled R$ 49.7 million in 1Q21, equivalent to 2.6% of gross revenue, an increase of 0.2 p.p. compared to 1Q20. The increase is related to the strengthening of the staff in administrative areas and IT, improvements in technological infrastructure and the restricted stock plan, non-existent in 1Q20.



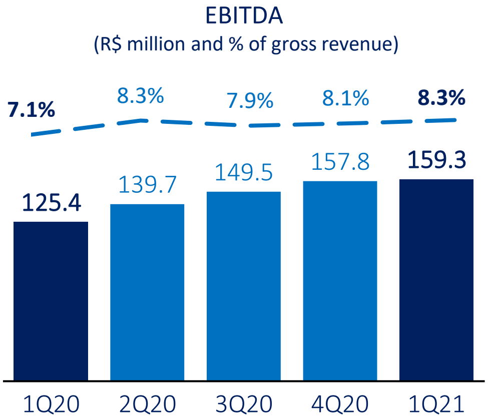


We closed 1Q21 with an average of 17.4 employees per store, 0.3 lower than 1Q20 and 0.3 higher than 4Q20. The increase over the previous quarter is justified by the increase in the number of employees in support areas for store operations, such as the Call Center. The average sales per employee remained at a high level, showing a growth of 12.5% in relation to 1Q21. It is important to highlight that the productivity gain in the quarter is, again, accompanied by an improvement in NPS rating.



EBITDA

We closed 1Q21 with EBITDA of R$ 159.3 million, an increase of 27.1% compared to 1Q20. The EBITDA margin was 8.3%, an increase of 1.2p.p. compared to 1Q20 and 0.2p.p. compared to 4Q20. The consistent margin expansion is the result of operational improvements in product availability, store execution and increased participation of channels and categories of strategic products such as digital, partnerships and agreements (*convênios*) and private label.

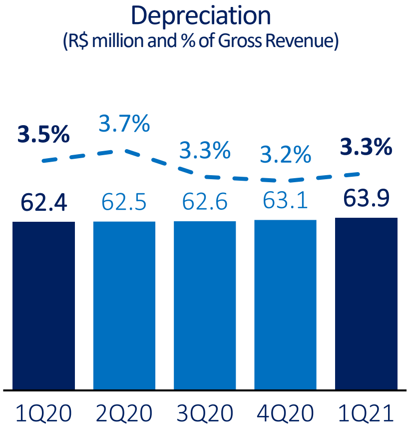


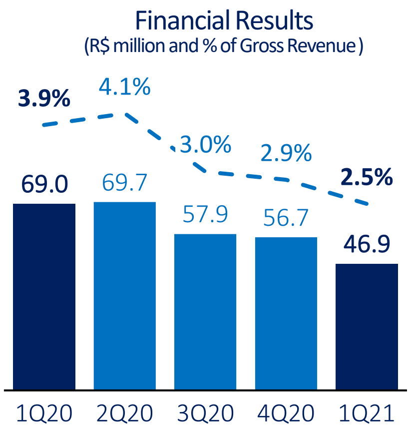
DEPRECIATION, NET FINANCIAL EXPENSES AND INCOME TAX

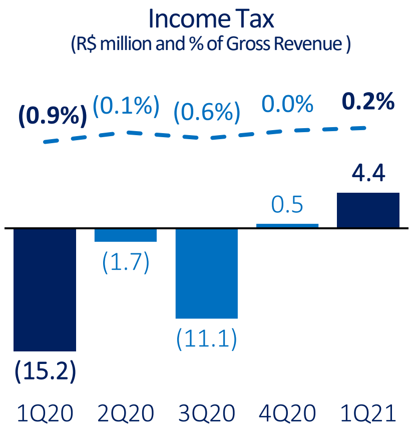
In 1Q21, depreciation totaled R$ 63.9 million, an increase of 2.4% over 1Q20.

Financial results totaled net expenses of R$ 46.9 million in the quarter, down 32.0% from 1Q20 and 17.3% compared to 4Q20. The savings were generated mainly by the reduction of gross debt, reduction in the cost of debt service and deleveraging of the Company.

Income tax expenses were R$ 4.4 million in 1Q21, an increase of R$ 19.6 million compared to 1Q20, due to the increase in taxable profit in the period.

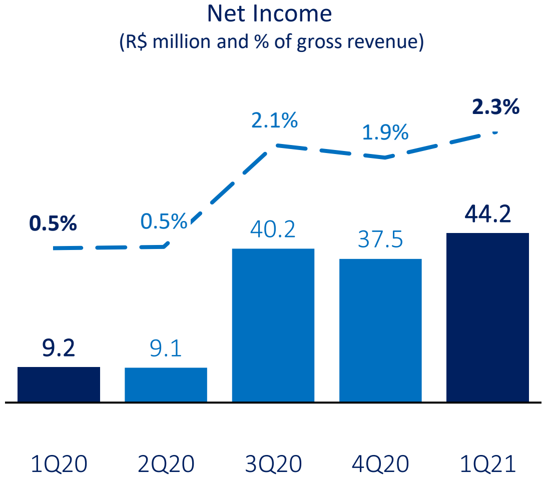






NET INCOME

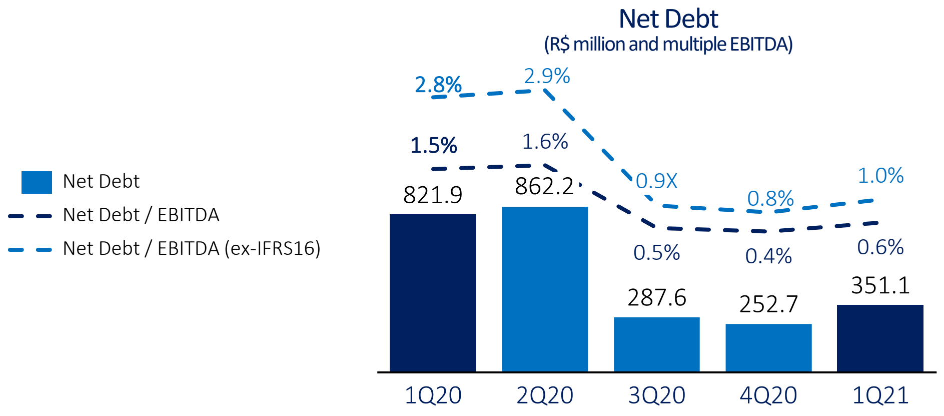
We closed 1Q21 with net income of R$ 44.2 million, a very positive result for the beginning of the year, which typically has a weaker seasonality. The result represented a significant growth of 380% in relation to 1Q20, with net margin growing 1.8p.p. and reaching 2.3%.



DEBT

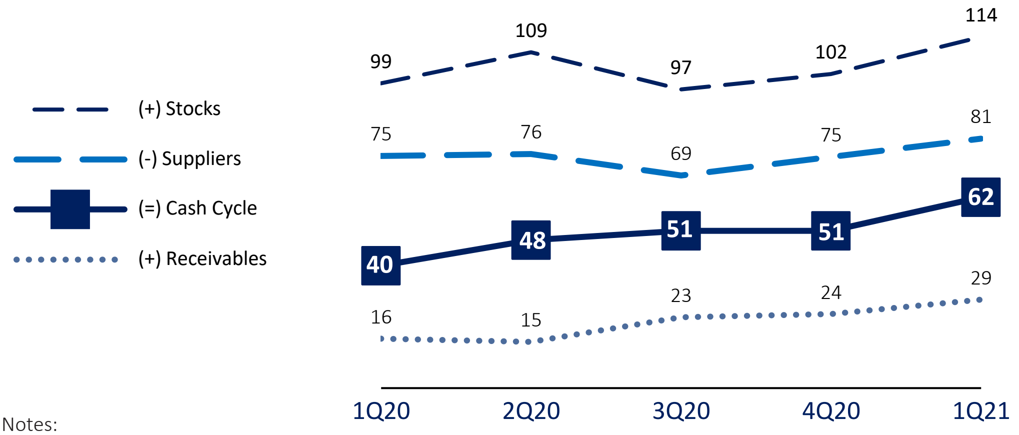
Gross debt, at the end of 1Q21, totaled R$ 829.3 million, down 5.0% from 4Q20 and 8.3% lower than 1Q20. In addition to the reduction in indebtedness, we continue to optimize financing lines, with reduced average cost of debt and lengthening of repayment terms, which directly reflected in savings in financial expenses in recent quarters.

Net debt ended 1Q21 at R$ 351.1 million, a multiple of 0.6x EBITDA with the effects of IFRS16 and 1.0x EBITDA ex-IFRS 16.



CASH CYCLE

In 1Q21 the cash cycle was 62 days (+22 days compared to 1Q20). The increase in the cash cycle is mainly a reflection of the greater investment in inventories in the period. In 2021 we invested more in stocks than in the previous year in the context of capturing opportunities pre-price increase, which precedes the period of readjustment of medications, thus contributing to improvement of gross margin in the subsequent period. In addition, the average term for receipts increased by 13 days in relation to 1Q20, due principally to the lack of anticipation of receivables and an increase in the mix of installment purchases, reflecting an increase in the average ticket and greater participation of digital channels.



Notes:
The calculation of the Average Inventory Term and the Average Payment Term of Suppliers disregards the effects of AVP.
The calculation of the Average Period of Receipts considers the effects of the advances of receivables.

INVESTMENTS

In 1Q21, R$22.6 million was invested, as shown in the table below, with most of the investments directed to store renovations and operational infrastructure.

Capex (R$ million)	1Q20	%	1Q21	%
Expansion	-	0%	4.7	21%
Store Renovations	3.5	67%	7.6	33%
Technology	0.9	17%	1.9	9%
Infrastructure	0.8	15%	8.5	37%
Total	**5.2**	**100%**	**22.6**	**100%**

CASH FLOW

In 1Q21, we recorded negative free cash flow of R$78.4 million. The variation is explained by the increase in the cash cycle, impacted temporarily by the investment made in inventories to capture margin opportunities with the readjustment of medicine prices, in addition to the no anticipation of receivables.

Cash Flow - Management (R$ million)	1Q20	1Q21
EBITDA	**125.4**	**159.3**
(-) Rental payments (IFRS 16)	(60.8)	(60.3)
(Δ) Accounts Receivable	(20.7)	(67.3)
(Δ) Inventory	(29.5)	(94.0)
(Δ) Suppliers	11.7	5.4
(Δ) Taxes to recover	(20.1)	23.5
(+/-) Variation in other assets and liabilities/Non-cash effect	0.8	(22.5)
(=) Cash flow from operations	**6.8**	**(55.8)**
(-) Capital Investments	(5.2)	(22.6)
(=) Investment cash flow	**(5.2)**	**(22.6)**
Free cash flow	**1.6**	**(78.4)**
(+) Gross debt raised	-	160.0
(-) Gross debt repayment	(28.1)	(199.4)
(-) Debt Service	(12.1)	(13.5)
(-) Share repurchases	-	(10.4)
(=) Financing cash flow	**(40.2)**	**(63.3)**
Initial cash balance, equivalents and Financial Investments	124.5	620.0
Final cash balance, equivalents and Financial Investments	85.9	478.2
Change in Cash and Cash Equivalents	**(38.6)**	**(141.7)**

EBITDA RECONCILIATION

(R$ million)	1Q20	2Q20	3Q20	4Q20	1Q21
Net Accounting Income	**9.2**	**9.1**	**40.2**	**37.5**	**44.2**
(+) Net Financial Results	69.0	69.7	57.9	56.7	46.9
(+) Income Tax and Social Contribution	(15.2)	(1.7)	(11.1)	0.5	4.4
(+) Depreciation and Amortization	62.4	62.5	62.6	63.1	63.9
EBITDA	**125.4**	**139.6**	**149.6**	**157.8**	**159.3**

INDEPENDENT AUDITORS

The Company advises that its independent auditors, Ernst & Young Auditores Independentes S.S., did not provide non-audit services in the period ended March 31, 2021.

CORPORATE, SOCIAL AND ENVIRONMENTAL RESPONSIBILITY (ESG)

In 1Q21, we advanced in the organization and addressing of ESG actions in our strategy. We created a sustainability department and started a project with a specialized consulting firm to implement an even more comprehensive ESG strategy. We conducted extensive research to map out key topics, where thousands of people from different stakeholder groups helped us define a Materiality Matrix, which will direct our efforts in the ESG agenda.

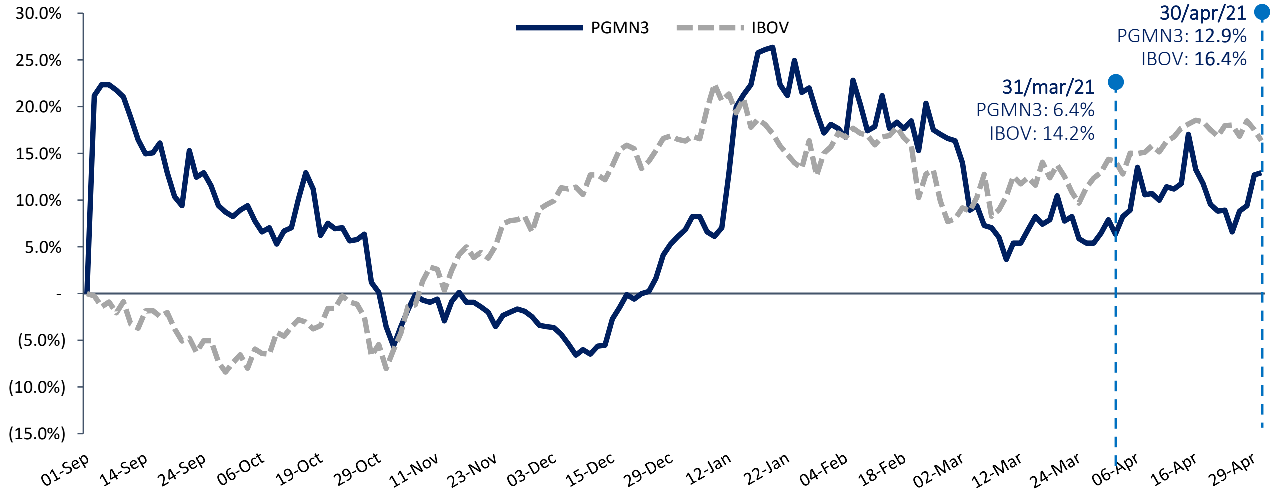
We continue to advance in the transition of our energy matrix, expanding, during the quarter, the supplying of solar energy to the stores in the states of Rio Grande do Norte and Rio Grande do Sul. At the end of 1Q21, stores in 8 different states, representing 37.5% of total stores, were supplied by renewable energy generated in 21 solar farms. Another 38 solar farms are contracted and under construction with the capacity to increase power generation to 100% of stores.

UP Farma, our corporate university, launched at the end of 2020, has partnered with Kroton, one of the largest educational groups in the world, to promote educational inclusion by offering undergraduate scholarships to 100% of our employees and their dependents. The partnership also includes training classes in several in-person, partially in-person, and EAD courses, such as an undergraduate pharmacy course aimed at helping "Store Managers" become "Manager Pharmacists", significantly increasing the retention, operational qualification and engagement of these employees. Also, in 1Q21, we launched the first DEVOPs[2] training class, which will contribute to accelerating our digital transformation process and ensure the execution of an extensive roadmap of innovation and technology projects planned for the coming years.

After the implementation of the LGPD adequacy project in 2020, in 1Q21 we started a thorough review of our Privacy and Data Protection Program, validating the processing of personal data and identifying any needed adjustments and controls in the way we store and protect this information. Additionally, new technical controls have been implemented, such as Threat Intelligence, which monitors networks (including the dark web) in real time to identify risks and vulnerabilities, minimizing the impact of a possible data leak to the company, customers, and employees.

CAPITAL MARKETS

At the end of 1Q21, Pague Menos's common shares (PGMN3) recorded accumulated appreciation since the IPO of 6.4%. As of April 30, 2021, the accumulated appreciation was 12.9%, 3.4p.p below the Ibovespa index. In the quarter, the average daily volume traded was R$ 7.7 million, 58% above the 4Q20 average.



[2] Training program of professionals who develop software, perform integrations and offer support in the activities of applications, infrastructure and digital transformation.

FINANCIAL STATEMENT FOR THE PERIOD

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

Financial Statement for the Period (R$ million)	IAS 17			IFRS16		
	1Q19	1Q20	Δ	1Q19	1Q20	Δ
Gross Revenue from the Sale of Goods and/or Services	**1,763.2**	**1,910.2**	**8.3%**	**1,763.2**	**1,910.2**	**8.3%**
Gross Profit	**507.5**	**569.0**	**12.1%**	**507.5**	**569.0**	**12.1%**
Gross Margin	*28.8%*	*29.8%*	*1.0p.p.*	*28.8%*	*29.8%*	*1.0p.p.*
Selling Expenses	(402.3)	(420.3)	4.5%	(341.5)	(360.0)	5.4%
General and Administrative Expenses	(40.6)	(49.6)	22.3%	(40.6)	(49.6)	22.3%
EBITDA	**64.6**	**99.1**	**53.4%**	**125.4**	**159.3**	**27.1%**
EBITDA Margin	*3.7%*	*5.2%*	*1.5p.p.*	*7.1%*	*8.3%*	*1.2p.p.*
Depreciation and Amortization	(22.1)	(22.4)	1.3%	(62.4)	(63.9)	2.4%
Financial Results	(39.5)	(19.4)	(50.8%)	(69.0)	(46.9)	(32.0%)
Pre-Tax Profit	**3.0**	**57.3**	**1,795.2%**	**(6.0)**	**48.6**	**-**
Income Tax and Social Contribution	12.1	(7.4)	-	15.2	(4.4)	-
Net Income for the Period	**15.1**	**49.9**	**230.0%**	**9.2**	**44.2**	**379.9%**
Net Margin	*0.9%*	*2.6%*	*1.8p.p.*	*0.5%*	*2.3%*	*1.8p.p.*

BALANCE SHEET

Balance Sheet (R$ millions)	IFRS16		
	12/31/20	03/31/21	Δ
Total Assets	**5,753.8**	**5,751.9**	**(0.0%)**
Current Assets	**3,147.4**	**3,195.4**	**1.5%**
Cash and Cash Equivalents	589.1	478.2	(18.8%)
Financial Investments	30.9	-	(100.0%)
Clients Accounts Receivable	522.9	589.5	12.7%
Inventory	1,702.1	1,799.1	5.7%
Taxes to Recover	198.3	189.6	(4.4%)
Other Current Assets	104.1	139.0	33.6%
Non-Current Assets	**2,606.4**	**2,556.6**	**(1.9%)**
Long-Term Realizable Assets	611.5	593.0	(3.0%)
Investments	70.8	71.2	0.5%
Fixed Assets	541.3	540.3	(0.2%)
Rights of use under lease	1,344.9	1,313.8	(2.3%)
Intangible Assets	37.9	38.2	1.0%
Total Liabilities	**5,753.8**	**5,751.9**	**(0.0%)**
Current Liabilities	1,889.1	1,910.5	1.1%
Social and Labor Obligations	89.2	112.3	25.8%
Suppliers	1,244.5	1,250.1	0.5%
Tax Obligations	106.4	106.1	(0.2%)
Loans and Financing	241.6	232.7	(3.7%)
Other Obligations	35.1	36.1	2.8%
Leasing	172.3	173.1	0.5%
Long Term Liabilities	**1,923.8**	**1,865.3**	**(3.0%)**
Loans and Financing	636.8	600.5	(5.7%)
Other Obligations	8.2	8.1	(1.5%)
Leasing	1,251.5	1,228.2	(1.9%)
Provisions	27.2	28.5	4.5%
Shareholder's Equity	**1,940.9**	**1,976.2**	**1.8%**
Realized Share Capital	1,200.7	1,199.5	(0.1%)
Capital Reserves	383.4	386.2	0.7%
Profit Reserves	356.8	356.8	0.0%
Treasury Stocks	-	(10.4)	-
Accumulated Profits/Losses	-	44.2	-

GLOSSÁRIO

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

EARNINGS CONFERENCE CALL

Conference Call in Portuguese

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

Conference Call in English (simultaneous translation)

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

Enter in Portuguese

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

Replay number:
+55 (11) 3193 1012
Senha Replay: 1802973#

Enter in English

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

Replay Number:
+55 (11) 3193 1012
Senha Replay: 8935551#

PagueMenos 40 anos

Empreendimentos Pague Menos S.A.
Balance sheet
March 31
(In thousand Reais)

	Note	31/03/2021	31/12/2020
Current			
Cash and cash equivalent	4	478.230	589.086
Marketable securities		-	30.880
Trade receivable	5	589.476	522.940
Inventories	6	1.799.102	1.702.095
Commercial agreements		81.456	66.346
Recoverable taxes	7	189.561	198.318
Derivatives		3.960	5.788
Prepaid expenses		21.524	8.202
Other		32.078	23.735
Total current asset		**3.195.387**	**3.147.390**
Non-current			
Long term achievable			
Financial investments		9.547	9.517
Recoverable taxes	7	354.499	370.810
Deferred taxes	8	189.036	192.555
Legal deposits		39.945	38.645
		593.027	**611.527**
Investments	10	71.168	70.797
Property, plant, and equipment	11	540.323	541.289
Intangible	12	38.246	37.865
Right of use	15	1.313.797	1.344.910
Total non-current asset		**1.963.534**	**1.994.861**
Total asset		**5.751.948**	**5.753.778**

Empreendimentos Pague Menos S.A.
Balance sheet
March 31
(In thousand Reais)

	Note	31/03/2021	31/12/2020
Current			
Trade payable	13	1.250.131	1.244.490
Loans, finance and debentures	14	232.718	241.629
Leases liabilities	15	173.149	172.280
Taxes and contribuition payables	16	106.134	106.399
Salaries and social charges		112.266	89.234
Other accounts payable		36.056	35.067
Total current liability		**1.910.454**	**1.889.099**
Non-current			
Loans, finance and debentures	14	600.524	636.847
Leases liabilities	15	1.228.203	1.251.454
Taxes and contribuition payables	16	8.089	8.214
Provision for legal proceedings	17	28.474	27.241
Total non-current liability		**1.865.290**	**1.923.756**
Total liability		**3.775.744**	**3.812.855**
Shareholders' equity	18		
Capital stock		1.199.470	1.200.666
Capital reserves		386.166	383.432
Profit reserves		356.824	356.825
Stocks in treasury		(10.424)	-
Retained earnings		44.168	-
Total shareholders' equity		**1.976.204**	**1.940.923**
Total liability and shareholders' equity		**5.751.948**	**5.753.778**

Empreendimentos Pague Menos S.A.
Income statement
March 31
(In thousand Reais, except for the result per share)

	Note	31/03/2021	31/03/2020
Net revenue	22	**1.776.320**	**1.663.887**
Cost of sales	23	(1.207.307)	(1.156.401)
Gross profit		**569.013**	**507.486**
(Expenses) operating revenues		(473.564)	(444.479)
Other operating revenues		318	1.731
Sales expenses	23	(418.400)	(398.221)
General and administrative expenses	23	(55.578)	(47.125)
Shared of profit of equity-accounted investees		371	(553)
Other operating expenses		(275)	(311)
Result before net financial revenues (expenses		**95.449**	**63.007**
Financial revenues	24	21.437	78.383
Financial expenses	24	(68.324)	(147.349)
Financial, net expenses		**(46.887)**	**(68.966)**
Result before taxes		**48.562**	**(5.959)**
Income tax current	8	(875)	-
Income tax deferred	8	(3.519)	15.163
Net income		**44.168**	**9.204**
Share result			
Basic and diluted share result (in R$)		0.100	0.0200

Empreendimentos Pague Menos S.A.
Comprehensive income statement
March 31
(In thousand Reais)

	31/03/2021	31/03/2020
Net income	44.168	9.204
Comprehensive income of the year	**44.168**	**9.204**

Empreendimentos Pague Menos S.A.
Shareholders' equity changes statements
March 31
(In thousand Reais)

	Paid capital stock	Capital reserve options granted and stocks in Treasury	Profit reserves	Accrued Profits and Losses	Other comprehensive income	Total shareholders' equity
Balances on January 1, 2020	382.727	381.001	260.792	-	-	**1.024.520**
Total Comprehensive Income	-	-	-	9.204	-	**9.204**
Net Profit in the Period	-	-	-	9.204	-	**9.204**
Internal Changes of the shareholders' equity	-	422	-	-	-	**422**
Recognized options granted	-	422	-	-	-	**422**
Balances on March 31, 2020	**382.727**	**381.423**	**260.792**	**9.204**	**-**	**1.034.146**
Balances on January 1, 2021	1.200.666	383.432	356.824	-	-	**1.940.922**
Capital transactions with the partners	-	(10.424)	-	-	-	**(10.424)**
Stocks in treasury	-	(10.424)	-	-	-	**(10.424)**
Total Comprehensive Income	-	-	-	44.168	-	**44.168**
Net Profit in the Period	-	-	-	44.168	-	**44.168**
Internal Changes of the shareholders' equity	(1.196)	2.734	-	-	-	**1.538**
Costs in stocks issuance	(1.196)	-	-	-	-	**(1.196)**
Restricted stocks plan	-	2.734	-	-	-	**2.734**
Balances on March 31, 2021	**1.199.470**	**375.742**	**356.824**	**44.168**	**-**	**1.976.204**

Empreendimentos Pague Menos S.A.
Cash flow statements
March 31
(In thousand Reais)

		31/03/2021	31/03/2020
	Cash flows from operating activities		
6.01.01.01	**Net profit (loss) from the fiscal year**	**44.168**	**9.204**
	Cash Generated from Operations		
6.01.01.02	Depreciation and amortization	63.893	62.405
6.01.01.03	Assets and liabilities present value adjustment	700	194
6.01.01.04	Interests on loans, financing, and debentures	8.614	11.091
6.01.01.05	Derivative financial instruments fair value changes	1.091	(56.623)
6.01.01.06	Exchange variation on loans and financing	1.552	60.010
6.01.01.07	Interests on lease with purchase option	27.478	29.491
6.01.01.08	Establishement (reversal) of contingency provisions	1.374	1.999
6.01.01.09	Equity accounting	(371)	553
6.01.01.10	Current taxes	875	-
6.01.01.11	Deferred taxes	3.519	(15.163)
6.01.01.13	Appropriation of transaction costs in debts issuance	(1.751)	156
6.01.01.14	Other adjustments to profit	(112)	(1.701)
6.01.01.16	Provision for closure of shops	(975)	(572)
6.01.01.17	Residual value on write-down of fixed and intangible assets	1.782	510
6.01.01.19	Provision for bad and doubtful debts	1.895	1.667
6.01.01.20	Provision for losses in inventories	(3.046)	4.136
		150.686	**107.357**
	Operating assets and liabilities variations		
6.01.02.01	Third party fundraising	(4.002)	527
6.01.02.02	Accounts receivable	(67.279)	(20.746)
6.01.02.04	Inventories	(93.970)	(29.502)
6.01.02.05	Recoverable taxes	23.511	(20.057)
6.01.02.06	Other credits	(24.789)	8.804
6.01.02.07	Prepaid expenses	(13.322)	(10.185)
6.01.02.08	Suppliers	5.391	11.705
6.01.02.09	Taxes and contributions recoverable	(1.265)	(3.793)
6.01.02.11	Salaries and vacation payable	25.766	10.064
6.01.02.13	Other accounts payable	4.849	8.387
		(145.110)	**(44.796)**
	Others		
6.01.03.02	Payment of loans - Interests	(10.203)	(5.705)
6.01.03.03	Payment of debentures - Interests	(3.261)	(6.418)
6.01.03.05	Payment of leases - Interests	(27.478)	(29.491)
		(40.942)	**(41.614)**
	Net Cash Operating Activities	**(35.366)**	**20.947**
	Cash flows from investment activities		
6.02.05	Acquisition in other investments	30.850	(10)
6.02.09	Acquisition of property, plant, and equipment	(19.596)	(4.264)
6.02.11	Acquisition of intangible	(3.010)	(898)
	Net cash generated in investment activities	**8.244**	**(5.172)**
	Cash flows from financing activities		
6.03.01	Loans and Financing	160.000	-
6.03.02	Payment of loans and financing	(182.781)	(28.106)
6.03.03	Payment of lease with purchase option	(32.666)	(29.628)
6.03.06	Payment of debentures	(16.667)	-
6.03.07	Derivative operations settlement	-	2.915
6.03.09	Funds from stock option granted	-	422
6.03.12	Costs in stocks issuance	(1.196)	-
6.03.13	Stocks in treasury	(10.424)	-
	Net cash (used in) from financing activities	**(83.734)**	**(54.397)**
	Increase (Decrease) of Cash and Equivalents	**(110.856)**	**(38.622)**
	Decrease of cash and cash equivalent statements		
6.05.01	At the beginning of the fiscal year	589.086	121.040
6.05.02	At the end of the fiscal year	478.230	82.418
	Decrease of Cash and Equivalents	**(110.856)**	**(38.622)**

Empreendimentos Pague Menos S.A.
Value added statement
March 31
(In thousand Reais)

	31/03/2021	31/03/2020
Revenues		
Sales of merchandises, products and services	1.888.040	1.747.415
Other revenues	318	1.731
	1.888.358	**1.749.146**
Inputs acquired from third parties (includes ICMS and IPI)		
Costs of sold merchandises, products and services	(1.115.121)	(1.060.506)
Third parties' materials, energy, services and others	(177.550)	(165.314)
	(1.292.671)	**(1.225.820)**
Gross added value	**595.687**	**523.326**
Depreciation and amortization	(63.893)	(62.405)
Net added value generated by Company	**531.794**	**460.921**
Added value received from transfer		
Equity pick-up	371	(553)
Financial income	11.979	7.062
Total added value to distribute	**544.144**	**467.430**
Added value distribution		
Personnel	**215.759**	**207.833**
Direct compensation	182.382	173.774
Benefits	20.055	21.436
FGTS	13.322	12.623
Taxes, Rates and Contributions	**238.116**	**194.647**
Federal	45.594	19.893
State	187.939	173.151
Municipal	4.583	1.603
Compensation of third parties capital	**46.101**	**55.746**
Interests	35.603	47.908
Rentals	10.498	7.838
Compensation of own capital	**44.168**	**9.204**
Profit (loss) of the year	44.168	9.204
Distributed added value	**544.144**	**467.430**

1. INFORMATION ABOUT THE COMPANY

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

The Company's main commercial retail activity is selling drugs, cosmetics, personal care items, and beauty products, with 1,101 stores (1,105 on December 31, 2020), distributed throughout the entire country. The stores are supplied by five distribution centers located in Ceará, Pernambuco, Bahia, Goiás and Minas Gerais.

2. PREPARATION AND PRESENTATION OF THE INFORMATION ABOUT THE QUARTER

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

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

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

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

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

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

<u>Analysis of COVID-19 effects</u>

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

In this sense, Management paid special attention to the economic events related to business continuity and / or to the accounting estimates established, such as: recoverability of financial and non-financial assets, taxes on profits, measurement of assets and liabilities related to leases, fair value measurement, provisions and contingent liabilities, revenue and liquidity recognition and fulfillment of financial commitments.
So far, the following situations have not occurred systematically:

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

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

Recoverability of financial assets

Financial investments, bank deposits and derivative financial instruments.

The Company has balances receivable from financial institutions, referring to cash and cash equivalents, financial investments, and derivative financial instruments, adding up to a total BRL 491,737 on March 31, 2021 (BRL 635,271 on December 31, 2020). Such assets are held in solid financial institutions and although in the current scenario there is a possibility of an increase in customer default, there are no indications of a significant increase in the credit risk of these institutions. In addition, it is worth mentioning that the Central Bank has implemented several measures to increase the liquidity of financial institutions, and losses caused by the pandemic are not expected in this scenario.

Trade receivable from customers (provision for expected losses)

The credit risk of accounts receivable balances is mitigated by the fact that 32% of the Company's sales are made in cash and 67% through credit and debit cards. The operations are extremely fragmented, with an average ticket of BRL 73.28 (not revised), however they are concentrated in large credit card operators, normally linked to solid financial institutions. The Company considers the risk of default by credit card administrators to be extremely low and that the effects of the pandemic on such institutions are not significant, so no additional loss is expected.

Recoverability of non-financial assets

Inventory

Considering that the Company´s primary activity is the sale of drugs, personal hygiene products, among other health products, the Company's operations were considered essential by the public authorities, with the normal store operation authorized. As of March 31, 2021, 26 stores located in malls were restricted and temporarily closed, representing only 2.3% of the total store base.

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

Property, plan and equipament and intangible assets

As previously informed, the Company's operations did not suffer a general interruption, and thus, during the quarter, only stores located in malls were restricted and temporarily closed. The Company individually monitors the future cash flow generation capacity of each store, to identify cases in a timely manner in which the discounted cash flows at present value are lower than the investments made. Management reviewed the main estimates used while calculating the recoverability of assets (inflation, growth rate, capex, discount rate, among others), but the need to set up additional provisions, in addition to those already recognized in the financial statements, was not identified.

Deferred taxes on profits

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

Measurement of right-of-use assets and lease liabilities

As previously mentioned, there was no general closure of stores and, until March 31, 2021, only operations located in malls were restricted and temporarily closed. Considering the reduced number of contracts under negotiation and the unlikelihood of such contracts being terminated, no significant effects were observed on lease liabilities due to the COVID-19 pandemic.

Fair value measurement

The Company has derivative swap contracts to hedge against the foreign exchange risk of debts in foreign currency. These operations are measured at fair value through the results. Considering the nature of these operations, and that the counterparties (financial institutions) should not suffer significant impacts on their operations, compromising the credit risk of these institutions, we consider that COVID-19 does not impact the fair value measurement of our operations.

Provisions and contingent liabilities

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

Revenue recognition

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

Liquidity and fulfillment of financial commitments

The Company continues to fulfill all financial and non-financial indicators, defined in its loan agreements, with an improvement in these indicators. On September 11, 2020, the Company's debt rating was revalued by Fitch Ratings and was upgraded to 'A (bra)', with a Positive Outlook. The Company is committed to austerity and cash preservation measures, to guarantee its operational continuity. There were no employee dismissals besides the normal course of operations.

3. MAIN ACCOUNTING POLICIES

The interim financial statements are being presented according to NBC TG 21 (R1), IAS 34 and the rules issued by the CVM. The practices, policies and main accounting judgments and sources of uncertainties about estimates adopted during the preparation of the quarterly report are consistent with those adopted and disclosed in the financial statements for the year which ended on December 31, 2020, which were disclosed on March 11, 2021 and should be interpreted along with the information in this quarterly report.

a) Standards, amendments, and interpretation of standards

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

(All amounts in thousands of Reais)

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

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

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

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

4. CASH AND CASH EQUIVALENTS

	03/31/2021	12/31/2020
Cash and banks deposits	13,100	48,674
Short-term investments	465,130	540,412
Committed debentures	63,835	45,670
Certificates of Bank Deposits - CDB	347,842	377,348
Financial Securities - LF	49,390	108,707
Automatic investments	4,063	8,687
Total	478,230	589,086

Short-term financial investments are held in prime financial institutions and have low credit risk. They are compensated by the variation of the Interbank Deposit Certificate (CDI) and are available for immediate use without loss of income, being distributed among CDBs, with an average return rate of 105.6% (106.2% on 12/31/2020), Comitted debentures, considering an average return of 95.5% (90.5% on 12/31/2020), Financial Securities (LF), with an average return rate of 113.8% (110.5% on 12/31/2020). These operations have a maturity period that is less than three months from the contracting date and because they meet the NBC TG 03 (R3) requirements, they were classified as cash equivalents.

5. TRADE RECEIVABLE

	03/31/2021	12/31/2020
Credit and debit card companies	571,376	511,516
Agreements and partnerships (a)	21,108	9,732
Drug Benefit Program - PBM (b)	2,037	6,249
Commissions Receivable	475	220
Subtotal	594,996	527,717
(-) Adjusted present value	(4,224)	(3,783)
(-) Allowance for doubtful accounts	(1,296)	(994)
Total	589,476	522,940

(All amounts in thousands of Reais)

	03/31/2021	12/31/2020

a) Refer to amounts receivable from the Federal Government for sales made under the Programa Farmácia Popular (People's Drugstore Program) and balances with affiliated companies. The main purpose of these agreements is to grant discounts to employees, as well as to enable customers to pay for purchases made through payroll discounts. In addition, there are values related to partnerships with delivery apps.

b) The Drug Benefits Program - PBM records the balance receivable from sales of drugs linked to benefit programs and the discounts subsidized by the laboratories.

The balances were adjusted to present value, considering an average payment collection period between 49 and 51 days (2020: 33 and 40 days) and discounted at the average rate for cost of capital.

The balances of receivables by maturity are shown below, before the allowance for doubtful accounts and adjusted present value:

	31/03/2021	31/12/2020
Neither past due nor impaired	594,093	525,789
1 to 30 days	540	369
31 to 60 days	9	94
61 to 90 days	45	82
More than 90 days	309	1.383
	594.996	527.717

a) The movement in the allowance for doubtful accounts:

	03/31/2021	12/31/2020
Initial balance	(994)	(5,604)
Additions	(942)	(425)
Reversals	640	5,035
Final balance	(1,296)	(994)

6. INVENTORIES

	03/31/2021	12/31/2020
Goods for Resale	1,819,454	1,725,500
Materials for Use and Consumption	5,494	5,487
(-) Expected losses on inventories	(25,846)	(28,892)
	1,799,102	1,702,095

a) The movement in the expected losses on inventories:

	03/31/2021	12/31/2020
Initial balance	(28,892)	(27,792)
Additions	(992)	(17,634)
Reversals	4,038	16,534
Final balance	(25,846)	(28,892)

(All amounts in thousands of Reais)

7. RECOVERABLE TAXES

	03/31/2021	12/31/2020
ICMS (a)	357,641	347,442
IRPJ / CSLL (b)	2,893	2,891
PIS and COFINS (c)	168,193	172,371
INSS (d)	1,571	33,028
IRRF	12,810	12,412
Others	952	984
	544,060	569,128
Current	189,561	198,318
Non-current	354,499	370,810

(a) Balance resulting from the normal ICMS calculation regime and balances referring to non-definite ICMS ST credits, where the presumed tax bases were higher than the effective margins. The credits were recognized because of the decision by the STF (Brazilian Supreme Court), 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 effectively made. Tax credits from periods prior to the STF decision were not recognized. The amounts are compensated administratively after compliance with the requirements defined by each State.

(b) Overpayment of IRPJ and negative CSLL balance when calculating the real profit for the previous year.

(c) In August 2019, the Company received a favorable final decision in a lawsuit which discussed the right to the exclusion of the ICMS from calculation basis for the PIS and COFINS taxes. The Company is currently waiting for the final refund of the amounts unduly paid, among which BRL 32,263, refers to monetary correction. In addition, the Company recognizes credits arising from the non-cumulative regime, mainly arising from the acquisition of goods, the acquisition of services and inputs considered relevant and essential to the sale of products and provision of services.

(d) As of March 31, 2021, the total BRL 1,571 (BRL 33,028 as of December 31, 2020) refers to credits arising from a final court decision issued on October 1, 2020 , which removed the levy of the social security tax on certain labor amounts.

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

8. DEFERRED TAXES

	03/31/2021	12/31/2020
Tax loss	115,241	113,789
Interest capitalization	(5,678)	(5,796)
Fair Value of derivative financial instruments	(1,347)	(1,968)
Fair value of financial liabilities	(233)	15
Allowance for closing stores	2,249	2,581
Provision for building inventories	8,788	9,823
Provision for goodwill impairment	6,543	6,543
Profit sharing	(2,368)	3,825
Commercial leasing	29,769	26,800
Allowance for doubtful accounts	4,402	4,806
Provisions for legal proceedings	9,681	9,262

(All amounts in thousands of Reais)

	03/31/2021	12/31/2020
Adjusted present value	4,651	4,413
Other provisions	17,338	18,462
Total	189,036	192,555

a) *Realization Expectation*

The Company, based on forecasts made and approved by Management, related to the estimate of future taxable profits, recognized the deferred tax credits on tax losses, negative bases of social contributions and temporary differences, up to the limit of its offsetting capacity, which do not have an expiration period with compensation that is limited to 30% of the taxable annual profits. The recovery of the amount of deferred taxes is reviewed annually.

The estimates are related to the Company's ability to obtain the expected results, considering certain economic aspects and the market it operates in. 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.

	03/31/2021	12/31/2020
2021	3,424	6,943
2022	7,683	7,683
2023	16,384	16,384
2024	24,752	24,752
2025	38,949	38,949
2025 onward	97,844	97,844
	189,036	192,555

b) *Reconciliation of the effective tax rate*

	03/31/2021	03/31/2020
Profit (loss) before income tax and social contributions (CSLL) [A]	48,562	(5,959)
Combined tax rate [B]	34%	34%
IR / CSLL at the combined tax rate [A] * [B] = [C]	16,511	(2,026)
Effect of permanent additions: [D]	227	660
Other permanent additions	227	660
Effect of permanent exclusions: [E]	35,864	(39,298)
Investment subsidy	28,829	(39,851)
Shared of profit of equity-accounted investees	371	553
Other permanent exclusions	5,468	-
IPO costs	1,196	-
Current tax loss [A] + [D] - [E] = [F]	12,925	33,999
Deferred IR / CSLL on tax loss that are not incurred [G] *	-	-
Current income tax and social contribution	(875)	(15,163)
Deferred income and social contribution taxes	(3,519)	

(All amounts in thousands of Reais)

	03/31/2021	03/31/2020
IR / CSLL in the profits and losses [F] * 34% + [G] = [H]	(4,394)	-
Effective rate [H] / [A]	9%	(254.5)%

* Deferred IR / CSLL not recorded due to the forecast of future results.

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

9. RELATED PARTIES

		03/31/2021			12/31/2020		
Related parties	Type of operation	Assets	Liabilities	Results	Asset	Liabilities	Result
Suppliers							
Biomatika Ind. E Com. Prod. Naturais S.A. (a)	Product purchases	-	429	-	-	842	-
ePharma PBM do Brasil S.A (b)	Service provision	672	-	-	1,048	-	(1,999)
L'auto Cargo Transportes Rodoviário S.A. (c)	Transportation of goods	-	4,827	(24,429)	-	4,647	(110,283)
Leases							
Renda Participações S.A. (d)	Property rentals	-	757	(2,201)	-	690	(8,232)
Dupar Participações S.A. (d)	Property rentals	-	9,079	(16,926)	-	8,169	(64,255)
Prospar Participações S.A. (d)	Property rentals	-	114	(324)	-	104	(1,190)
Total		672	15,206	(43,880)	1,048	14,452	(185,959)

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

b) e-Pharma PBM do Brasil – S.A. - Programa de Benefícios de Medicina da Saúde, a Company investee, is primarily focused on the development and commercialization of pharmaceutical and health care management services, providing the know-how and technological tools for their implementation and operation. The Company has significant influence on this investee but has no control. Thus, the commercial practices carried out are comparable to those practiced by other market players.

c) L'auto Cargo Transportes Rodoviário SA, a company under common control, is focused on road transportation overall. All freight transportation contracts go through the quote process and are selected according to the best technical (service level) and commercial proposal. The Company´s Board of Directors approved a contract for the provision of transportation services for goods with L'auto, at a total estimated amount of BRL 200,000 and a 2 (two) year term. The prices for services are established according to rate percentages calculated upon the invoice value of the goods transferred and vary according to ranges established by each State.

d) Renda Participações SA, Dupar Participações SA and Prospar Participações SA, companies under common control, manage their own properties and third-party properties. The Company leases 360 properties, where it operates part of its stores. The rental amounts are calculated based on the monthly sales of the stores. For properties occupied by Management and distribution centers, rents are defined according to fixed amounts.

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

Management compensation

Management compensation represented a total BRL 3,048 during the period which ended on March 31, 2021 (BRL 3,149 on March 31, 2020). The Company does not have a post-employment benefits policy.

(All amounts in thousands of Reais)

Warranties, endorsements and guarantees with related parties

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

Guarantor related party	03/31/2021	12/31/2020
Guarantee / endorsement and joint and several debtors (Note 14)	580,648	727,295
Individuals (shareholders)	191,479	477,270
Dupar Participações S.A.	389,169	250,025
Properties	52,183	52,183
Dupar Participações S.A.	52,183	52,183

10. INVESTMENTS

	03/31/2021	12/31/2020
e-Pharma PBM do Brasil S.A.	8,573	8,202
Goodwill on investment acquisitions	81,838	81,838
(-) impairment losses	(19,243)	(19,243)
	71,168	70,797

The movement in the quarter which ended on March 31, 2021

	2021	2020
Opening balance on January 1	70,797	70,290
Shared of profit (loss) of equity-accounted investees	371	(553)
Final balance on March 31	71,168	69,737

Information on the investee

On December 28, 2015, the Company acquired 26.21% of the e-Pharma PBM do Brasil SA shares, for a total BRL 90,000, with a net equity of BRL 8,162, consequently, a goodwill was calculated based on the expected future profitability of BRL 81,838. The main business at e-Pharma PBM do Brasil SA is managing drug benefit programs. As of March 31, 2021, the Company holds 26.18% (2020: 26.18%) of the investee's shares.

Impairment of goodwill

The Company evaluated, on a December 31, 2020 basis, the recovery of the book value of the remaining goodwill leading to the acquisition of e-Pharma PBM do Brasil SA, using the discounted cash flow model allocated to the cash generating unit that generated the related goodwill.

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

(All amounts in thousands of Reais)

Main assumptions used in calculations 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:

Revenue from sales 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 the rates established in contracts. The assumptions adopted in the impairment tests comply with the internal forecasts for the five-year period. After the five-year period, extrapolation is applied using a perpetual growth rate of 3.3% based on the nominal model.

Gross margin

The recovery test did not identify the need for additional recognition of a new provision to reduce the recoverable amount of goodwill, in addition to the amount that was already accounted for.

An increase in the discount rate before taxes (WACC) of 10% would bring the rate to 12.6%, resulting in a recoverable amount of BRL 288,900, compared to the assessment of the base scenario in the Discounted Cash Flow Model which considered BRL 334,000. A reduction of 10% in the Perpetual Growth Rate (g) to 1.80% would result in the recoverable amount of BRL 330,000. In the worst-case scenario of the current model, the valuation would be BRL 286,000, which would not result in an additional loss.

11. PROPERTY, PLANT AND EQUIPMENT

		03/31/2021			12/31/2020		
	Annual Rate	Cost	Depreciation	Net	Cost	Depreciation	Net
Construction work in progress	-	14,509	-	14,509	9,051	-	9,051
Improvements in third-party properties	(i)	749,834	(369,435)	380,399	743,462	(359,786)	383,676
Facilities	10%	93,285	(42,429)	50,856	93,844	(41,737)	52,107
Machines and equipment	10%	98,034	(59,783)	38,251	98,332	(58,459)	39,873
Furniture and tools	10%	99,930	(45,386)	54,544	97,916	(43,663)	54,253
Vehicles	20%	350	(350)	-	350	(350)	-
IT equipment	20%	56,386	(48,366)	8,020	59,068	(49,723)	9,345
Advance payments to suppliers	-	55	-	55	127	-	127
Allowance for store closings	-	(20,076)	13,765	(6,311)	(23,565)	16,422	(7,143)
Total		1,092,307	(551,984)	540,323	1,078,585	(537,296)	541,289

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

a) The movement in the quarter which ended on March 31, 2021

	12/31/2020	Additions	Write-offs	Depreciation	Transfers (iii)	03/31/2021
Construction work in progress	9,051	8,089	-	-	(2,631)	14,509
Improvements in third-party properties	383,676	8,541	(1,615)	(11,602)	1,399	380,399
Facilities	52,107	544	(28)	(2,142)	375	50,856
Machines and equipment	39,873	486	-	(2,134)	26	38,251
Furniture and tools	54,253	1,932	-	(2,398)	757	54,544
IT equipment	9,345	4	-	(1,370)	41	8,020

(All amounts in thousands of Reais)

Advance payments to suppliers	127	-	(72)	-	-	55
Allowance for closing stores	(7,143)	832	-	-	-	(6,311)
Total	541,289	20,428	(1,715)	(19,646)	(33)	540,323

b) The movement in the quarter which ended on March 31, 2020

	12/31/2019	Acquisitions	Write-offs	Depreciation	Transfers (iii)	03/31/2020
Construction work in progress	4,290	694	(30)	-	(2,557)	2,397
Improvements in third-party properties	417,600	1,287	(2)	(11,534)	2,078	409,429
Facilities	55,024	569	(264)	(2,060)	1	53,270
Machines and equipment	46,261	628	(2)	(2,187)	178	44,878
Furniture and tools	60,970	315	(18)	(2,338)	164	59,093
Vehicles	9	-	-	(5)	-	4
IT equipment	10,524	693	(2)	(1.104)	-	10,111
Advance payments to suppliers	-	78	-	-	-	78
Allowance for closing stores	(12,524)	-	629	-	-	(11,895)
Total	582,154	4,264	311	(19,228)	(136)	567,365

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

Allowance for store closures

The Company has recognized an allowance for store closings, in the amount of BRL 6,311 on March 31, 2021 (BRL 7,143 on December 31, 2020). The recoverability analysis considers the individualized result of each store and the expected recovery of investments. Stores that do not have sufficient results to recover investments are subject to the recognition of a provision for store closings.

12. INTANGIBLE ASSETS

		03/31/2021			12/31/2020		
	Annual Rate	Cost	Depreciation	Net	Cost	Depreciation	Net
Brands	(i)	4,289	-	4,289	4,289	-	4,289
Commercial Fund	(ii)	19,805	(15,411)	4,394	19,905	(14,880)	5,025
Software	20%	59,803	(41,125)	18,678	59,888	(39,145)	20,743
Websites	10%	68	(56)	12	78	(55)	23
Intangible assets under development	-	11,177	-	11,177	8,232	-	8,232
Allowance for store closings	-	(1,181)	877	(304)	(1,427)	980	(447)
Total		93,961	(55,715)	38,246	90,965	(53,100)	37,865

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

ii. The goodwill amortization is calculated over the term of each store rental agreement, which varies between 5 to 25 years, resulting in an average amortization rate of 8.6% per year.

a) The movement in the quarter ending March 31, 2021

	12/31/2020	Additions	Write-offs	Amortization	Transfers (iii)	03/31/2021
Brands	4,289	-	-	-	-	4,289
Commercial Fund	5,025	-	(28)	(603)	-	4,394
Software	20,743	65	-	(2,133)	3	18,678
Websites	23	-	(39)	(2)	30	12
Intangible assets under development	8,232	2,945	-	-	-	11,177

(All amounts in thousands of Reais)

Allowance for store closings	(447)	143	-	-	-	(304)
Total	37,865	3,153	(67)	(2,738)	33	38,246

b) The movement in the quarter ending March 31, 2020

	12/31/2019	Acquisitions	Write-offs	Amortization	Transfers (iii)	03/31/2020
Brands	4,289	-	-	-	-	4,289
Commercial Fund	7,562	-	(129)	(622)	136	6,947
Software	23,685	898	-	(2,241)	-	22,342
Websites	65	-	(44)	(2)	-	19
Allowance for store closings	(454)	-	(57)	-	-	(511)
Total	35,147	898	(230)	(2,865)	136	33,086

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

13. TRADE PAYABLES

	03/31/2021	12/31/2020
Suppliers	1,192,579	1,186,970
Anticipations to Suppliers (i)	76,060	76,278
Subtotal	1,268,639	1,263,248
Adjustment to present value (ii)	(18,508)	(18,758)
Total	1,250,131	1,244,490

i) The Company's anticipations to suppliers do not materially modify the purchasing conditions (payments, prices and terms negotiated) with suppliers, which continue at usual market conditions. These operations enable suppliers to better manage their cash flow needs, to the detriment of greater intensity in the commercial relations with the Company. In addition, in these transactions there is no obligation that generates an expense for the Company or interest gains shared with the financial institution.

ii) Supplier balances suffer the effects of adjustments to present value considering an average payment term between 59 and 82 days and an average payment rate (2020: 59 to 78 days). The exchange for the adjusted present value is based on the inventory, being recognized in the income statement as part of the cost of goods sold at the time of sale. The recovery of the liability balance related to interest over time is recognized as a financial expense.

a) As of March 31, 2021 and 2020, the aging of trade payables was as follow:

	03/31/2021	12/31/2020
1 to 30 days	500,872	452,140
31 to 60 days	318,394	329,343
61 to 90 days	160,022	170,360
More than 91 days	289,351	311,405
Total	1,268,639	1,263,248

b) Balance concentration

	03/31/2021	12/31/2020
Largest supplier	12%	13%
from the 2nd to 25th	50%	51%
from the 26th to 50th	14%	14%
Other suppliers	24%	22%
Total	100%	100%

(All amounts in thousands of Reais)

14. LOANS, FINANCING AND DEBENTURES

Bank	Type	Average interest rate	03/31/2021	12/31/2020
Loans				
Banco do Brasil	Working capital	120% of the CDI.	87,808	87,216
Safra	Working capital swap USD x CDI	CDI + 4.46% pa	10,755	20,666
Santander	Working capital	CDI + 2.30% pa	159,925	-
Santander	FRN	CDI + 5.30% pa	-	105,385
Santander	Working capital	CDI + 1.80% pa	-	63,287
Itaú	Working capital	CDI + 2.50% pa	100,797	100,420
Banco do Brasil	Working capital	115% of the CDI.	77,442	77,770
Banco da Amazônia	Working Capital	CDI + 3.04% pa	13,915	14,564
			450,642	469,308
Financing				
Banco do Brasil	FCO	4.12% pa	20,337	21,389
Banco do Nordeste do Brasil	FNE	TLP IPCA + 2.98%	49,417	54,871
Banco do Nordeste do Brasil	FNE	4.12% pa	33,363	36,376
Banco do Nordeste do Brasil	FNE	TLP IPCA + 2.18%	12,427	12,095
			115,544	124,731
Debentures				
4th Debenture Issue	Unsecured	CDI + 1.95%	200,074	199,962
5th Debenture Issue	Unsecured	CDI + 1.51%	66,982	84,475
			267,056	284,437
Gross total loans, financing, and debentures			833,242	878,476
Current			232,718	241,629
Non-current			600,524	636,847
Derivative instruments - Safra swap x USD (i)			(3,960)	(5,788)
Total net loans, financing, and debentures			829,282	872,688

(i)The Company raises funds in foreign currency based on the “4131” modality, which are exempt from IOF. To protect the foreign exchange exposure of these operations, the Company contracted *swaps* with the same terms, rates and amounts. The Company measures these liabilities at their fair value based on the result, avoiding accounting mismatches. Further details are disclosed in Note 25.

a) Set out below the movement during the quarter:

	03/31/2021	12/31/2020
Balance at beginning of the year	878,476	938,988
Additions	160,000	324,000
Accrued interest	8,614	45,229
Amortization of principal	(199,448)	(454,432)
Interest amortization	(13,464)	(38,047)
Exchange rate variations	1,552	60,220
Change in the value of financial liabilities measured at fair value	(737)	2,555
Settlement of transaction costs	1,751	(37)
Balance at end of quarter	833,242	878,476

(All amounts in thousands of Reais)

b) Characteristics of the Debentures

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

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

c) As of March 31, 2021 and 2020, the aging of loans, financing and debentures was as follow:

	03/31/2021	12/31/2020
03/31/2022 - 12/31/2022	296,812	365,450
01/01/2023 - 12/31/2023	199,055	166,770
01/01/2024 - 12/31/2024	96,852	96,835
Above 12/31/2024	7,805	7,792
Total	600,524	636,847

d) Composition by currency

	03/31/2021	12/31/2020
In Reais - BRL	822,487	857,810
In U.S. dollars	10,755	20,666
Total	833,242	878,476

e) Guarantees

	03/31/2021	12/31/2020
Guarantee / Warrants (Related parties - Note 9)	580,648	727,295
Fiduciary assignment of credit rights	133,184	142,115
Bank guarantees	78,620	78,620
Properties	52,183	52,183
	844,635	1,000,213

f) Restrictive contractual clauses (covenants)

Financial ratios and limits are verified on a quarterly basis based on the Company's financial information until the full payment of the amounts due. As of March 31, 2021, the indexes were within the contractually defined limits. The Company also complies with other non-financial covenants.

15. RIGHT-OF-USE AND LEASES

a) Composition of right of use assets

(All amounts in thousands of Reais)

	Properties	IT equipment	Machines and other equipment	Total
Balance on January 1, 2021	1,263,421	53,735	27,754	1,344,910
Additions	11,117	1,886	182	13,185
Write-offs	(2,678)	-	(111)	(2,789)
Depreciation	(34,616)	(4,467)	(2,426)	(41,509)
Balance on March 31, 2021	1,237,244	51,154	25,399	1,313,797

b) *Lease liabilities*

Cost	Properties	IT equipment	Machines and other equipment	Total
Balance on January 1, 2021	1,337,653	57,360	28,721	1,423,734
Additions	11,117	1,886	182	13,185
Write-offs	(2,788)	-	(113)	(2,901)
Accrued Interest	25,891	1,112	475	27,478
Payments	(51,982)	(5,388)	(2,774)	(60,144)
Balance on March 31, 2021	1,319,891	54,970	26,491	1,401,352
Current				173,149
Non-current				1,228,203

c) *As of March 31, 2021 and 2020, the aging of leases was as follow:*

	2021	2020
01/01/2022 - 12/31/2022	168,887	167,036
01/01/2023 - 12/31/2023	147,234	152,098
01/01/2024 - 12/31/2024	119,831	121,299
After 01/01/2025	792,251	811,021
Total	1,228,203	1,251,454

d) *Potential PIS AND COFINS credit*

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

	03/31/2021	12/31/2020
Lease consideration	2,255,847	2,246,562
Potential PIS and COFINS (9.25%)	135,215	113,379

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

According to the OFFICIAL NOTICE / CVM / SNC / SEP / N ° 02/2019, the Company adopted the requirements in

(All amounts in thousands of Reais)

NBC TG 06 (R2) as its accounting policy to measure and remeasure its right of use, using the discounted cash flow method, without considering inflation.

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

	Actual cash flow		Inflated cash flow	
	03/31/2021	12/31/2020	03/31/2021	12/31/2020
Properties	1,319,891	1,337,653	1,730,377	1,669,707
IT equipment	54,970	57,360	58,323	61,004
Machines and other equipment	26,491	28,721	28,107	30,411
Total	1,401,352	1,423,734	1,816,807	1,761,122

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

16. TAXES AND CONTRIBUTIONS PAYABLES

	03/31/2021	12/31/2020
PERT	8,848	8,970
ICMS	70,712	67,174
IRPJ / CSLL	4,933	6,834
ISS	6,753	3,531
INSS/FGTS	22,396	27,917
Others	581	187
Total	114,223	114,613
Current	106,134	106,399
Non-current	8,089	8,214

17. PROVISION FOR LEGAL PROCEEDINGS

a) Account composition

	03/31/2021	12/31/2020
Administrative	733	868
Civil	2,862	2,819
Labor	24,731	23,215
Fiscal	148	339
Total	28,474	27,241

Provisions for civil contingencies consider lawsuits with individual values that are fragmented, mainly due to lawsuits seeking punitive (*danos morais*) and / or material damages that occurred in two situations: consumer relations and robberies inside of our stores.

(All amounts in thousands of Reais)

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

b) The movement in the quarter ending March 31, 2021

	12/31/2020	Additions	Reversal	Payments	03/31/2021
Administrative	868	131	(206)	(60)	733
Civil	2,819	243	(191)	(9)	2,862
Labor	23,215	1,594	(6)	(72)	24,731
Fiscal	339	-	(191)	-	148
Total	27,241	1,968	(594)	(141)	28,474

c) The movement in the quarter ending March 31, 2020

	12/31/2019	Additions	Reversals	Payments	03/31/2020
Administrative	712	23	(3)	(62)	670
Civil	4,929	851	-	(18)	5,762
Labor	15,115	1,535	(178)	(194)	16,278
Fiscal	492	3	(232)	(2)	261
Total	21,248	2,412	(413)	(276)	22,971

d) Contingent liabilities - Possible loss risk

As of December 31, 2021, the Company was a party in lawsuits classified by its legal advisors as a possible risk of loss reaching an amount of BRL 265,540 (BRL 298,676 in 2020), for which no provisions were recorded.

The type and estimate are shown below:

	03/31/2021	12/31/2020
Administrative	998	8,602
Civil	1,977	5,043
Labor	9,354	6,207
Fiscal	253,211	278,824
Total	265,540	298,676

Fiscal: Refers to notifications, mostly tax related, that the Company and its legal advisors do not consider as having merit, and therefore may undergo cancelation. The main ones are listed below:

i) ICMS debt cancellation lawsuit

A lawsuit aimed at canceling the penalty representing an amount of BRL 86.001 (BRL 84,040 in 2020), which was charged due to ICMS amounts due to the recording of credits considering amounts higher than those highlighted in the invoices for the provision of products intended for sale, which, according to the inspectors, would have (in the opinion of the tax authorities) caused an omission of ICMS tax payments from March 2014 to December 2018.

(All amounts in thousands of Reais)

ii) PIS and COFINS credits on inputs

Notification of Penalty issued in December 2020, in the amount of BRL 116,350, demanding PIS and COFINS amounts arising from tax credits recorded in the period from December 2015 to December 2016, related to expenses with goods and services used as inputs (examples: cleaning services, card administration fees, freight, among others), in which the Federal Revenue Service, based on the restrictive interpretation of art. 3, item II, of Laws 10,637 / 02 and 10,833 / 03 and due to the fact that the Company is primarily engaged in retail trade, does not consider this possible.

Labor: Refers to claims arising from severance pay disputes which the Company considers having fully settled upon dismissal, and about which the company is confident regarding their lack of merit.

Administrative: Refers to notifications arising from procedures adopted in branches, in most cases due to simple mistakes in the interpretation of a regulation.

Civil: Refers to cases of punitive moral and / or material damages, in the appellant´s opinion, incurred inside our stores. As the Company's service policy is to respect consumers completely, this interpretation is considered incorrect.

18. SHAREHOLDER'S EQUITY

a) Share capital

As of March 31, 2021, the Company's capital stock, fully subscribed and paid adding up to BRL 1,241,689, from which the amount of BRL 42,219 is deducted (As of December 31, 2020: BRL 41,023) referring to costs associated with the issuance of shares arising from the IPO held in September 2020, totaling BRL 1,199,470 (As of December 31, 2020: BRL 1,200,666). This amount of the Company's capital stock is represented by 443,781,062 common shares, all nominal, book-entry and without par value (As of December 31, 2020: 443,781,062 common shares and without par value).

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

b) Capital reserves

	03/31/2021	12/31/2020
Goodwill in the issuance of shares (i)	386,650	386,650
Share issue costs	(11,390)	(11,390)
Restricted Stock Units (iii)	10,576	7,842
Incorporation reserve	330	330
Total	386,166	383,432

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

ii. Amount referring to the share issue cost of BRL 11,390 in the investment operation by General Atlantic Brasil

(All amounts in thousands of Reais)

Investimentos SA in 2015.

iii. As disclosed in Note 19, in 2020, the creation of a Restricted Stock Units was approved. See Note 19 for details about the Plan and grants conceded.

c) Profit Reserves

Legal reserve

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

Tax incentive reserve

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

d) Treasury shares

On December 9, 2020, the Company's Board of Directors approved the opening of a Buyback Program for up to 1,100,000 common shares, during a 3 month period ending on March 10, 2021. Within the scope of the Program, the Company acquired, between the initial and final dates, the amount of 1,040,000 (one million and forty thousand) common shares, adding up to BRL 10,424, at an average cost of BRL 10.02, which remain in the treasury.

19. RESTRICTED STOCK UNITS

Restricted Stock Units

The Company's Long-Term Incentive Plan with Restricted Stock was approved at the Extraordinary General Meeting held on June 25, 2020, which enables the granting of restricted stocks to the participants selected by the Board of Directors, in order to: (i) attract and retain the directors, managers and senior level employees of the Company and its subsidiaries; (ii) grant participants the opportunity to become shareholders of the Company, obtaining, as a consequence, a greater participation and alignment with Company´s objectives; and (iii) to further the corporate objectives of the Company and the interests of its shareholders. During the term of the Restricted Stock Unit, stocks representing up to 1.5% of the Company's share capital may be delivered to the participants. In this context, it is important to point out that, on March 31, 2021, the amount of BRL 2,734 was provisioned, thus increasing the balance of the Restricted Stock unit to BRL 10,576 (2020: BRL 7,842).

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

20. EARNINGS PER SHARE

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

The calculation of earnings per share for the quarters ended March 31, 2021 and 2020 is shown below:

	03/31/2021	03/31/2020

Earnings per share for the quarter, attributable to shareholders	44,168	9,204
Weighted number of shares during the quarter (thousand)	443,781	342,726
Basic and diluted earnings per share - BRL	0.100	0.027

As of March 31, 2021 and 2020, there were no restricted shares with a potential dilutive effect.

21. GOVERNMENT SUBSIDIES

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

The Company recognized in its income for the quarter which ended on March 31, 2021, as a reduction in the cost of goods sold, the amount of BRL 28,829 (BRL 39,851 on March 31, 2020).

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

22. NET REVENUE

	03/31/2021	03/31/2020
Sale of goods	1,852,468	1,756,794
Services provided	57,745	6,429
Gross revenue	1,910,213	1,763,223
Taxes on sales	(111,720)	(83,528)
Returns and Rebates	(12,500)	(9,181)
Adjusted present value	(9,673)	(6,627)
Sales deductions	(133,893)	(99,336)
Net revenue	1,776,320	1,663,887

23. EXPENSES BY NATURE

a) Classified per account:

	03/31/2021	03/31/2020
Cost of goods sold	(1,207,307)	(1,156,401)
Selling expenses	(418,400)	(398,221)
General and administrative expenses	(55,578)	(47,125)
Total costs and expenses	(1,681,285)	(1,601,747)

b) Classified per nature:

	03/31/2021	03/31/2020
Cost of purchasing goods	(1,207,307)	(1,156,401)
Personnel expenses	(263,696)	(252,939)

(All amounts in thousands of Reais)

	03/31/2021	03/31/2020
Rental expenses	(9,586)	(6.392)
General expenses	(136,803)	(123,610)
Depreciation and amortization	(63,893)	(62,405)
Total costs and expenses	(1,681,285)	(1,601,747)

24. INCOME STATEMENT

	03/31/2021	03/31/2020
Financial revenue		
Revenue from financial investments	2,356	171
Changes in the Fair Value of derivative financial instruments	5,063	67,082
Changes in the fair value of financial liabilities	737	817
Adjusted to present value	9,231	6,414
Exchange rate variation	3,833	3,442
Other financial revenue	217	457
Total financial revenue	21,437	78,383
Financial expenses		
Provisioned interest on loans, financing, and debentures	(9,557)	(10,981)
Lease interest	(27,479)	(29,491)
Changes in the fair value of derivative financial instruments	(3,461)	(7,131)
Changes in the fair value of financial liabilities	-	(4,147)
Other financial expenses	(1,269)	(7,752)
Adjusted present value	(22,423)	(24,395)
Exchange rate variation	(4,135)	(63,452)
Total financial expense	(68,324)	(147,349)
Financial result	(46,887)	(68,966)

25. FINANCIAL INSTRUMENTS

a) Composition of the financial instruments

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

	03/31/2021		12/31/2020	
Description	Accounting	Fair value	Accounting	Fair value
Measured at amortized cost				
Cash and cash equivalents	478,230	478,230	589,086	589,086
Financial investments	9,547	9,547	40,397	40,397
Trade receivable	589,476	589,476	522,940	522,940
Trade payable	(1,250,131)	(1,250,131)	(1,244,490)	(1,244,490)
Financing and loans	(555,431)	(600,936)	(510,086)	(615,775)
Debentures	(267,056)	(323,824)	(284,437)	(296,730)
Lease liabilities	(1,401,352)	(1,401,352)	(1,423,734)	(1,665,378)
Financial assets measured at fair value through profit and loss				
Financing and loans	(10,755)	(10,755)	(20,666)	(20,666)

(All amounts in thousands of Reais)

	03/31/2021		12/31/2020	
Description	Accounting	Fair value	Accounting	Fair value
Derivative financial instruments (foreign currency swaps)	3,960	3,960	5,788	5,788

b) Financial risk structure and management

Credit risk

Credit risk is the risk that the Company will incur 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 from cash and cash equivalents, short-term investments, accounts receivable from credit card companies, and derivative instruments.

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

The Company has balances receivable from financial institutions, referring to cash and cash equivalents, financial investments and active derivative instruments adding up to BRL 491,737 on March 31, 2021 (BRL 606,902 on December 31, 2020), which represent maximum credit risks. Credit risk with financial institutions is managed by the Company's Treasury according to the established policy. Such funds are maintained in solid and highly rated financial institutions. These balances are spread over these institutions to minimize risk concentration and, thus, mitigate a financial loss due to a potential default by the institutions.

Trade receivable from credit card administrators

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

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

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

	03/31/2021	12/31/2020
Expiring		
1 to 30 days	313,982	268,275
31 to 60 days	124,499	130,738
61 to 90 days	76,997	63,959
Over 90 days	55,898	48,544
Total	571,376	511,516

There are no overdue balances held with credit card companies.

Liquidity risk

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

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

(All amounts in thousands of Reais)

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

As of March 31, 2021	Accounting amount	Contractual Amount	1 year or less	Between 1 and 2 years	Between 2 and 5 years	Above 5 years
Trade payables (Note 13)	1,250,131	1,250,131	1,250,131	-	-	-
Leasing (Note 15)	1,401,352	1,401,352	173,149	168,887	267,065	792,251
Loans, net of derivative financial instruments (Note 14)	566,186	566,186	158,714	283,162	124,310	-
Debentures (Note 14)	267,056	267,056	74,004	113,161	79,891	-

As of December 31, 2020	Accounting amount	Contractual Amount	1 year or less	Between 1 and 2 years	Between 2and 5 years	Above 5 years
Cash and cash equivalents (Note 4)	589,086	589,086	616,527	-	-	-
Trade receivable (Note 5)	522,940	522,940	522,940	-	-	-
Trade payables (Note 13)	1,244,490	1,244,490	1,244,490	-	-	-
Leases	1,423,734	1,423,734	172,280	167,037	381,900	702,517
Financing and loans, net of derivative transactions (Note 14)	588,251	588,251	201,331	252,185	134,386	349
Debentures (Note 14)	284,437	284,437	34,510	113.265	136,662	-

Market risk

This is 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 stake in financial instruments.

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

Interest rate risk

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

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

We present a scenario with nominal rates verified on December 31, 2021 (book balance based on the 2.00% pa 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, 2021, 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, 2021 and December 31, 2020 are close to market values. The risks linked to the Company's operations are related to the CDI (Interbank Deposit Certificate) variation.

(All amounts in thousands of Reais)

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

To verify the sensitivity of the index to which the Company was exposed on the base date of March 31, 2021, different scenarios were defined, using the latest interest rates accrued in the last twelve months (Scenario I), and based on this, variations of 25% (Scenario II) and 50% (Scenario III) were calculated, affecting the increase and drop of indexes. For each scenario, the net position (financial income minus financial expenses) was calculated, without considering the tax effect. The base date used for the portfolio was March 31, 2021, with a one year forecast and verifying the sensitivity of the CDI index rate in each scenario.

As of March 31, 2021

Financial institutions and types	Risk (rate)	Accounting balance	Probable scenario	Scenario I 25%	Scenario II 50%
Financing and loans	CDI Appreciation	450,642	10,154	40,455	53,578
Debentures	CDI Appreciation	267,056	3,473	13,427	18,095
Financial investments	Depreciation of CDI	414,209	(4)	(17)	(20)
Net exposure (financial expense)			13.623	53,865	71,653

As of December 31, 2020

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

Currency exchange risk

The Company has a policy of contracting derivative financial instruments to hedge financial transactions carried out in foreign currency. Such transactions are carried out with the same counterparties that granted the original credit transactions and with the same national amount to avoid any mismatch in the positions. The Company intends to settle such contracts simultaneously with the respective loans. As of March 31, 2021, the value of derivative financial instruments was BRL 3,960 (BRL 5,788 as of December 31, 2020).

Financial liabilities in foreign currency and derivative financial instruments were measured at fair value.

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

As of March 31, 2021

Transaction	Risk (Currency)	Exposure	Probable scenario	Scenario I	Scenario II
Foreign Currency Loans	Dollar appreciation	2,008	-	2,689	5,377

(All amounts in thousands of Reais)

Transaction	Risk (Currency)	Exposure	Probable scenario	Scenario I	Scenario II
Derivative instruments	Dollar appreciation	(2,008)	-	(2,889)	(5,779)
Net exposure (financial result)		-	-	(200)	(402)

As of December 31, 2020

Transaction	Risk (Currency)	Exposure	Probable scenario	Scenario I	Scenario II
Foreign Currency Loans	Dollar appreciation	3.967	-	5.166	10,333
Derivative instruments	Dollar appreciation	(3,967)	-	(5,271)	(10,541)
Net exposure (financial result)		-	-	(104)	(208)

Capital management

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

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

The leverage ratio is presented below:

	03/31/2021	12/31/2020
Loans, financing, and debentures	833,242	878,476
Derivative operations	(3,960)	(5,788)
Loans, financing and debentures, net of derivative financial instruments	829,282	872,688
(-) Cash and cash equivalents	(478,230)	(589,086)
(-)Financial investments	-	(40,397)
Net debt	351,052	243,205
Net equity	1,976,204	1,940,922
Leverage ratio	0.18	0.13

Fair value hierarchy

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

	03/31/2021		
Description	Level 1	Level 2	Level 3
Restricted Stock Unit	-	-	10,576
Financing and loans measured at fair value through profit or loss	-	10,755	-
Derivative financial instruments - active balance swaps	-	3,960	-

(All amounts in thousands of Reais)

Description	12/31/2020 Level 1	Level 2	Level 3
Restricted Stock Unit	-	-	7.842
Financing and loans measured at fair value through profit or loss	-	20,666	-
Derivative financial instruments - active balance swaps	-	5,788	-

The different levels were defined as follows:

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

Fair value measurement

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

Financing, loans, and debentures - measured at amortized cost

This category includes financing, loans and debentures linked to the TJLP (long term interest rate) and the CDI, as well as those with fixed rates. The fair value was determined based on the present value of the principal and future cash flows, discounted by the average future CDI rate, corresponding to all loans, due between 2020 and 2026, calculated on the date the financial statements were presented.

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

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

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

Following are the gains or (losses) on financing and loans measured at fair value through profit or loss.

Description	03/31/2021 Book value	Fair value	Adjustment (loss)	Adjustment (gains)
Financing and loans measured at fair value through profit or loss	10,755	10,755	51	686

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

Derivative transactions (foreign currency swaps) - measured at fair value through profit or loss

To protect its US dollar-indexed obligations against exchange rate fluctuations, *swap* operations were carried out to convert dollar-indexed debt to CDI.

(All amounts in thousands of Reais)

The Company receives variable interest between 1.63% to 5.34% pa on the notional amount in dollars (active portion) and pays between 1.49% to 1.97% plus the Interbank Deposit Certificate (CDI) based on the reference value in reais on the date it is contracted (passive portion). The gains and losses on these contracts are directly related to fluctuations in the exchange rate (dollar) and the CDI and are recorded in the Company's financial result.

	Principal amount (BRL thousand)		Index	Annual Rate
Cash flow	03/31/2021	12/31/2020		
CDI vs. Swap floating rate in USD				
Asset	3,960	5,788	USD +	CDI + 4.46%
Fair value	3,960	5,788		

26. INSURANCE COVERAGE

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

Type	03/31/2021	12/31/2020
Maximum Insurance Coverage Limit	405,000	405,000
Civil Liability Limit	15,000	15,000
Material Damage Limit	46,400	46,400
Vehicles	-	-
Civil Liability for Directors, Officers and / or Administrators	15,000	15,000

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

The
Shareholder s, Board of Directors and Officers
Empreendimentos Pague Menos S.A.
Fortaleza - CE

Introduction

We have reviewed the accompanying interim financial information contained in the Quarterly Information Form – ITR of Empreendimentos Pague Menos S.A. (the "Company") for the quarter ended March 31, 2021, comprising the statement of financial position as of March 31, 2021 and the related statements of profit or loss, of comprehensive income, of changes in equity and of cash flows for the three-month period then ended, including the explanatory notes.

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

Scope of review

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

Conclusion

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

Other matters

Statement of value added

The abovementioned quarterly information include the statement of value added (SVA) for the three-month period ended March 31, 2021, prepared under Company's management responsibility and presented as supplementary information by IAS 34. This statement has been subject to review procedures performed together with the review of quarterly information with the objective to conclude whether it is reconciled to the interim financial information and accounting records, as applicable, and its format and content are in accordance with the criteria set forth by NBC TG 09 - Statement of Value Added. Based on our review, nothing has come to our attention that causes us to believe that it was not prepared, in all material respects, consistently with the interim financial information.

Fortaleza, May 03, 2021`.

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

Henrique Piereck de Sá
Accountant CRC PE023398/O-3

In accordance with article 25, paragraph 1, items V and VI, of CVM Instruction 480/09, the Company's Officers declare that they have reviewed, discussed and agreed with the quarterly information (ITR) for the quarter ended March 31, 2021.

Fortaleza, May 3, 2021.

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Mario Henrique Alves de Queirós
Chief Executive Officer

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Luiz Renato Novais
Chief Financial and Investor Relations Officer

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Marcos Ricardo Colares
Vice President of Commercial and Supply

____

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

____

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

____

Joaquim Dias Garcia Neto
Vice President of Information Technology

____

Afro José Campos de Vasconcelos
Director of Infrastructure and Technology

Emanuele de Sousa Rodrigues
Director of Category Management and Marketing

Evandro Vieira da Silva

Director of Personnel and Management

Rafael Lima e Silva
Director of Expansion

Samir Mesquita Inácio
Director of Digital

Thiago da Cunha Peixoto Ladeira
Director of Operations