(A free translation Portuguese into English of the unaudited interim financial statements originally issued in Portuguese)

Unaudited Interim Financial Statements

Empreendimentos Pague Menos S.A.

September 30, 2020

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Empreendimentos Pague Menos S.A.

Interim statements of financial position
as of September 30, 2020 and December 31, 2019

(Amounts in R$ thousands)

Asset	Note	September 30, 2020	December 30, 2019
		unaudited	
Current assets			
Cash and cash equivalents	4	214.558	121.040
Marketable securities		441.328	3.500
Accounts receivable	5	482.273	288.453
Inventories	6	1.576.183	1.466.371
Commercial agreements		81.176	79.293
Recoverable taxes	7	203.906	204.153
Derivatives		11.310	10.862
Prepaid expenses		39.318	4.384
Other assets		25.851	19.811
		3.075.903	2.197.867
Non-current assets			
Marketable securities		4.479	6.769
Recoverable taxes	7	350.227	273.194
Deferred taxes	8	193.134	165.162
Derivatives		-	1.093
Judicial deposits		34.509	25.328
Investments	10	70.418	70.290
Right-of-use assets	15	1.371.226	1.450.682
Property and equipment	11	539.058	582.154
Intangible assets	12	31.792	35.147
Total non-current assets		2.594.843	2.609.819
Total assets		5.670.746	4.807.686

See accompanying notes.

Empreendimentos Pague Menos S.A.

Interim statements of financial position
as of September 30, 2020 and December 31, 2019

(Amounts in R$ thousands)

Liabilities and shareholders' equity	Note	September 30, 2020	December 30, 2019
		unaudited	
Current liabilities			
Suppliers	13	1.104.899	1.100.254
Loans, financing and debentures	14	288.668	213.881
Lease liabilities	15	171.192	164.726
Taxes and contributions payable	16	125.999	86.521
Salaries and vacations payable		143.244	108.003
Other liabilities		33.146	20.249
		1.867.148	1.693.634
Non-current liabilities			
Loans, financing and debentures	14	666.187	725.107
Leases liabilities	15	1.270.280	1.332.333
Taxes and contributions payable	16	11.198	10.844
Provision for legal proceedings	17	25.568	21.248
Total non-current liability		1.973.233	2.089.532
Total liability		3.840.381	3.783.166
Shareholders' equity	18		
Capital stock		1.129.651	382.727
Capital reserves		381.422	381.001
Profit reserves		260.792	260.792
Retained earnings		58.500	-
Total shareholders' equity		1.830.365	1.024.520
Total liabilities and shareholders' equity		5.670.746	4.807.686

See accompanying notes.

Empreendimentos Pague Menos S.A.

Interim statements of income (loss)

For the three- and nine-month periods ended September 30, 2020 and 2019

(Amounts in R$ thousands, except for earnings (loss) per share)

		Three-month periods ended		Nine-month periods ended	
		September 30, 2020	September 30, 2019	September 30, 2020	September 30, 2019
	Note	unaudited	unaudited	unaudited	unaudited
Net revenue	22	1.781.765	1.641.130	5.029.119	4.763.964
Cost of sales	23	(1.238.291)	(1.129.903)	(3.483.287)	(3.273.175)
Gross profit		**543.474**	**511.227**	**1.545.832**	**1.490.789**
Operating (expenses) income					
Sales expenses	23	(395.111)	(422.364)	(1.163.630)	(1.253.535)
General and administrative expenses	23	(62.889)	(35.430)	(157.533)	(128.068)
Equity pick-up		1304	(96)	933	233
Other operating incomes		206	32.189	2.266	38.519
Other operating expenses		(103)	(1.419)	(853)	(4.423)
Income before financial result and income taxes		**86.881**	**84.107**	**227.015**	**143.515**
Financial income	24	19.137	103.133	177.916	251.497
Financial expenses	24	(76.997)	(148.892)	(374.403)	(438.106)
Financial expenses, net		**(57.860)**	**(45.759)**	**(196.487)**	**(186.609)**
Income (loss) before income taxes		**29.021**	**38.348**	**30.528**	**(43.094)**
Income tax	8	11.132	940	27.972	29.800
Net income (loss)		40.153	39.288	58.500	(13.294)
Earnings (loss) per share					
Basic and diluted earnings (loss) per share (in R$)		0,11	0,11	0,17	(0,04)

See accompanying notes.

Empreendimentos Pague Menos S.A.

Interim statements of comprehensive income (loss)

For the three- and nine-month periods ended September 30, 2020 and 2019

(Amounts in R$ thousands)

	Three-month periods ended		**Nine-month periods ended**	
		September 30, 2019	**September 30, 2020**	**September 30, 2019**
	unaudited	unaudited	unaudited	unaudited
Net income (loss)		39.288	58.500	(13.294)
Other comprehensive income		-	-	-
Total comprehensive income (loss)		**39.288**	**58.500**	**(13.294)**

See accompanying notes.

Empreendimentos Pague Menos S.A.

Interim statements of changes in shareholders' equity

For the nine-month periods ended September 30, 2020 and 2019

(Amounts in R$ thousands)

	Capital stock	Capital reserves	Profit reserves	Retained earnings (losses)	Other comprehensive income	Total shareholders' equity
Balances on January 1, 2019	382.727	380.831	267.737	-	-	1.031.295
Net income (loss)	-	-	-	(13.294)	-	(13.294)
Stock options	-	53	-	-	-	53
Balances on September 30, 2019 (unaudited)	382.727	380.884	267.737	(13.294)	-	1.018.054
Balances on January 1, 2020	382.727	381.001	260.792	-	-	1.024.520
Capital transactions with partners	746.924	-	-	-	-	746.924
Capital increases	746.924	-	-	-	-	746.924
Net income (loss)	-	-	-	58.500	-	58.500
Stock options	-	421	-	-	-	421
Balances on September 30, 2020 (unaudited)	1.129.651	381.422	260.792	58.500	-	1.830.365

See accompanying notes.

Empreendimentos Pague Menos S.A.

Interim statements of cash flows

For the nine-month periods ended September 30, 2020 and 2019

(Amounts in R$ thousands)

	September 30, 2020	September 30, 2019
Cash flows from operating activities	unaudited	unaudited
Net income (loss)	**58.500**	**(13.294)**
Depreciation and amortization	187.508	188.634
Allowance for doubtful accounts	1.723	1.868
Provision for losses in inventories	9.990	1.201
Present value adjustment of assets and liabilities	5.373	38
Provision for stores' closing	(4.664)	(486)
Residual value on write-off of property and equipment and intangible assets	3.774	18.172
Equity pick-up	(933)	(233)
Interest on loans, financing and debentures	34.854	40.166
Exchange variation on loans and financing	61.713	18.378
Fair value changes of derivative financial instruments	(56.474)	(3.184)
Amortization of debt issuance costs	18	(609)
Interests on lease liabilities	87.128	97.428
Additions of provision for legal proceedings	5.440	9.325
Deferred income taxes	(27.972)	(29.800)
Other adjustments to profit	(6.906)	(55.878)
	359.072	271.726
Operating assets and liabilities variations		
Accounts receivable	(190.724)	(56.073)
Inventories	(119.090)	226.790
Recoverable taxes	(81.930)	(84.552)
Other assets	(53.400)	27.359
Suppliers	247	(202.958)
Taxes and contributions recoverable	39.832	19.184
Salaries and vacations payable	35.241	42.357
Other liabilities	11.777	(14.142)
	(358.047)	(42.035)
Others		
Payment of loans and financing - Interest	(14.996)	(32.600)
Payment of debentures - Interest	(13.419)	(9.144)
Payment of leases liabilities - Interest	(87.128)	(97.428)
	(115.543)	(139.172)
Net Cash Operating Activities	**(114.518)**	**90.519**
Cash flows from investing activities		
Acquisition in other investments	(435.538)	5.137
Acquisition of property and equipment	(12.673)	(46.002)
Acquisition of intangible assets	(5.612)	(4.386)
Net cash used in investment activities	**(453.823)**	**(45.251)**
Cash flows from financing activities		
Loans and financing	224.000	331.150
Issuance of debentures	-	300.000
Payment of loans, financing and debentures - Principal	(278.807)	(625.890)
Payments of lease liabilities	(91.107)	(82.510)
Derivatives settlement	59.623	8.951
Capital payment	746.924	-
Proceeds from stock options granted	421	53
Dividends received	805	-
Net cash (used in) from financing activities	**661.859**	**(68.246)**
Increase (decrease) of cash and cash equivalents	**93.518**	**(22.978)**
Cash and cash equivalents		
At the beginning of the period	121.040	118.197
At the end of the period	214.558	95.219
Increase (decrease) of cash and cash equivalents	**93.518**	**(22.978)**

See accompanying notes.

Empreendimentos Pague Menos S.A.

Interim statements of value added

For the nine-month periods ended September 30, 2020 and 2019

(Amounts in R$ thousands)

	September 30, 2020	September 30, 2019
	unaudited	unaudited
Revenues		
Sales of merchandises, products and services	5.299.992	4.994.202
Other revenues	2.266	38.519
	5.302.258	5.032.721
Inputs acquired from third parties (includes ICMS and IPI)		
Costs of merchandise and products sold and services	(3.200.772)	(3.359.602)
Third parties' materials, energy, services and others	(481.860)	(418.598)
	(3.682.632)	(3.778.200)
Gross added value	1.619.626	1.254.521
Depreciation and amortization	(187.511)	(188.634)
Net added value generated by Company	1.432.115	1.065.887
Value added transferred from others		
Equity pick-up	933	233
Financial income	21.398	51.507
Total value added to distribute	1.454.446	1.117.627
Distribution of value added		
Employees	620.185	640.796
Direct compensation	521.417	539.161
Benefits	60.858	62.430
FGTS	37.910	39.205
Taxes, Rates and Contributions	616.055	213.145
Federal	75.031	110.339
State	533.851	95.679
Municipal	7.173	7.127
Compensation of third parties capital	159.706	276.980
Interests	140.023	67.828
Rentals	19.683	209.152
Compensation of own capital	58.500	(13.294)
Dividends and interest on shareholders' equity	-	-
Net income (loss) for the period	58.500	(13.294)
Value added distributed	1.454.446	1.117.627

See accompanying notes.

EARNINGS RELEASE 3Q20

PagueMenos

Fortaleza, Ceará, October 29, 2020. Empreendimentos Pague Menos S.A. ("Company" or "Pague Menos"), since 2009, the only Brazilian pharmaceutical retail chain operating in every state in the country, bringing healthcare products and services to more than 300 Brazilian municipalities, announces its results for the third quarter of 2020.

This quarterly information was prepared in accordance with the International Financial Reporting Standards (IFRS), in accordance with the Generally Accepted 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, that changed the accounting for lease contracts. Reporting excluding IFRS 16 can be found on page 15 of this release.

3Q20 HIGHLIGHTS

- **Stores**: 1,105 stores in operation (7 stores were closed during the quarter)
- **Same Store Sales**: growth of 11.0%, 9.8% in mature stores
- **Average Monthly Sales per Store:** R$ 574 thousand (increase of 13.4%)
- **Digital:** growth of 151% in digital sales, representing 5.3% of total sales (3.0 p.p. growth)
- **Clinic Farma**: footprint increased to 806 stores (349% growth in revenues)
- **Operational Leverage:** 1.3 p.p. improvement in the quarter and 1.7 p.p. in the 9-month period
- **Adjusted EBITDA** : growth of 22.1% with a margin of 7.9% of gross revenue (an increase of 0.9 p.p.)
- **Adjusted Net Income:** R$ 40.2 million (vs. loss of R$ 9.2 million in 3Q19)
- **Capital Markets**: Stock price appreciation of 8.2% since the IPO (vs. 7.4% drop in the Ibovespa index)

FINANCIAL HIGHLIGHTS (mm R$)	3Q19	3Q20	Δ	9M19	9M20	Δ
Gross Revenue	1,743.8	1,901.6	9.1%	5,047.2	5,353.2	6.1%
Gross Profit	505.9	543.5	7.4%	1,504.2	1,545.8	2.8%
% Gross Profit Margin	*29.0%*	*28.6%*	*(0.4 p.p.)*	*29.8%*	*28.9%*	*(0.9 p.p.)*
Sales, General and Administrative Expenses	(383.3)	(393.9)	2.8%	(1,156.9)	(1,131.1)	(2.3%)
% Expenses	*(22.0%)*	*(20.7%)*	*1.3 p.p.*	*(22.9%)*	*(21.2%)*	*1.7 p.p.*
Adjusted EBITDA	122.6	149.5	22.1%	347.3	414.5	19.4%
% Adjusted EBITDA Margin	*7.0%*	*7.9%*	*0.9 p.p.*	*6.9%*	*7.7%*	*0.8 p.p.*
Adjusted Net Income (Loss)	(9.2)	40.2	-	(22.0)	58.5	-
% Net Margin	*(0.5%)*	*2.1%*	*2.6 p.p.*	*(0.4%)*	*1.1%*	*1.5 p.p.*

OPERATIONAL HIGHLIGHTS	3Q19	3Q20	Δ	9M19	9M20	Δ
Number of Stores	1,149	1,105	(3.8%)	1,149	1,105	(3.8%)
Number of Stores with Clinic Farma	805	806	0.1%	805	806	0.1%
Average Sale/store/month (R$ thousands)	506	574	13.4%	493	538	9.1%
Number of purchases (thousands)	30,692	27,057	(11.8%)	90,307	80,879	(10.4%)
Average Ticket (R$)	56.82	70.28	23.7%	55.89	66.19	18.4%
Number of Employees	20,212	19,217	(4.9%)	20,212	19,217	(4.9%)
Number of Employees/store	17.6	17.4	(1.1%)	17.6	17.4	(1.1%)
% Sales through Digital Channels	2.3%	5.3%	3.0p.p.	2.1%	4.4%	2.3 p.p.

LETTER FROM THE CEO

2020 has been one of the most transformational years in the history of Pague Menos. This is due not only to changes imposed by the Covid-19 pandemic, which caused us to quickly adapt our business model to a new consumer reality and relationship with clients, employees and partners; but also owing to the important results achieved from the strategic planning and operational improvements implemented in recent years; and the recent IPO carried out by the company, which optimized our capital structure and will now take us to a new cycle of investment.

Faced with growing sanitary concerns around the world, health, more than ever, has come to occupy the primary position among the population's needs. In this context, Pague Menos, which has always placed health care for Brazilians as its principal mission, reinforced our value proposition, centered on the Health Hub concept.

Over the past years, we have built a robust healthcare platform that has consolidated our leadership in caring for the expanded middle class. Since 2016, we have been pioneers in the Brazilian market, in the model of pharmaceutical clinics through our Clinic Farma service, which since its inception has been transforming the lives of our clients, in such great need of quality health services. We were the first major pharmacy chain to operationalize the application of Covid-19 testing, expanding our vaccine program and offering telemedicine services in our stores and on our website, thus being an important point of care for the health of our customers.

We maintained our commitment not to dismiss employees, and with the support of the #NãoDemita (#NoFirings) movement launched the solidarity campaign Juntos Somos Mais (Stronger Together), which enabled the donation of thousands of personal hygiene kits to the neediest members of the population. In the face of the turbulence caused by the pandemic, we reaffirmed our vision of having a genuine focus on people, being more relevant and having an even greater presence in their lives.

The operational results that have been achieved since 2019 reinforce the trajectory of recovery that Pague Menos started in 2018 with the revision of our strategy and value proposition, definition of our target audience, adjustment in our portfolio of stores and product assortment, redesigning of processes and systems, strengthening of senior management and important advances in governance.

In 3Q20 we had robust growth of 11.0% in same stores sales, 9.8% in mature stores and 13.4% in average monthly sales per store. We reached R$ 574 thousand in average monthly sales per store in the quarter (compared to R$ 503 thousand in 3Q19). The Gross Profit Margin decreased 0.4 p.p., mainly due to an increase in inventory losses (driven by an increase in the product assortment), which was more than offset by the strong dilution of expenses of 1.3 p.p., resulting from the increase in the average sales per store and the productivity program. Taken together, these factors resulted in an 0.8 p.p. increase in the 9M20 EBITDA Margin. The company's ROIC rose from 13.3% in 3Q19 to 18.7% in 3Q20.

The digital strategy, which is one of the pillars of our long-term growth, accelerated strongly, reaching 5.3% of total sales. In those states with more mature e-commerce, such as São Paulo, this share reached approximately 16%. Since the 2Q20 we have accelerated the roll-out of omnichannel initiatives such as Clique & Retire (Click & Collect) and the Infinite Shelf and implemented a new telephone call center with service capacity 40 times greater than the center it replaced.

Finally, the most important event of the quarter was going public on B3. The IPO inaugurates a new phase for the Company, which now capitalized and with the highest level of governance, will resume its growth strategy. The new expansion cycle is ready to begin, based on clear planning that will allow us to leverage our competitive advantages, among which we highlight our solid leadership in the North and Northeast regions of the country, focus on care for the expanded middle class and the offerings of an increasingly complete Health Hub. Essentially, we consider ourselves a catch-up story, given the clearly mapped out levers for value generation that are already being executed in our business. We have made a profound turnaround in recent years, which we believe positions Pague Menos as one of the best vehicles to capture the growth opportunities that are so apparent in our market.

Mário Queirós

CEO

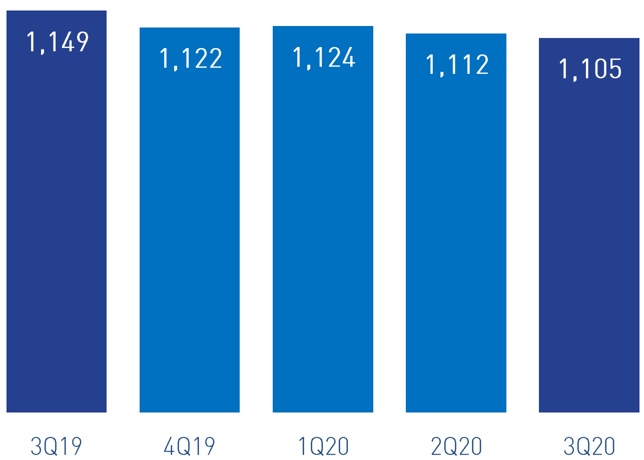
STORE PORTFOLIO

At the end of 3Q20, the store base was 1,105 units, distributed in 327 municipalities. Over the last 3 years, we have undertaken a profound process of store portfolio optimization, making it more efficient for the purpose of serving our target audience: the expanded middle class (Classes B2/C/D). Currently, around 2/3 of our stores are in microregions with these characteristics, generating approximately 3/4 of the Company's operating results.

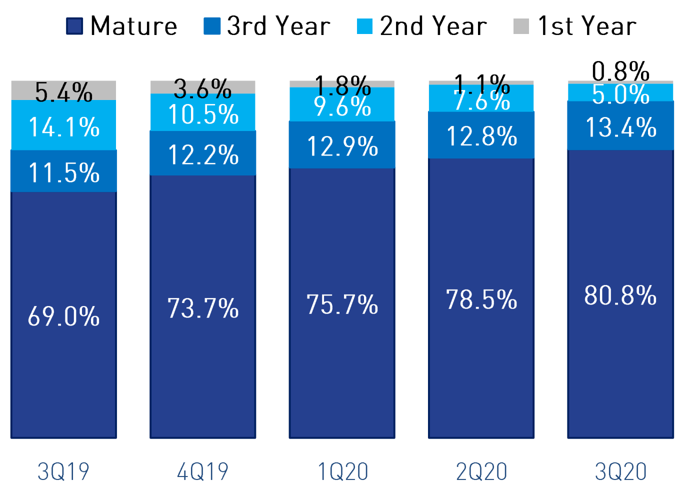
The optimization of the store portfolio also led to an increase in the density index, measured by the ratio between the number of stores and the number of municipalities in which we are present. In 2016, this index was 2.8 stores per municipality, rising to 3.4 stores in 3Q20. With these actions to rationalize our portfolio of stores, we have observed a strong operational improvement, evidenced in the growth of 13.4% in average sales per store in the quarter and an increase in return on invested capital, reaching 18.7%.

The evolution of the number of stores, age profile and regional distribution of the base are presented below.

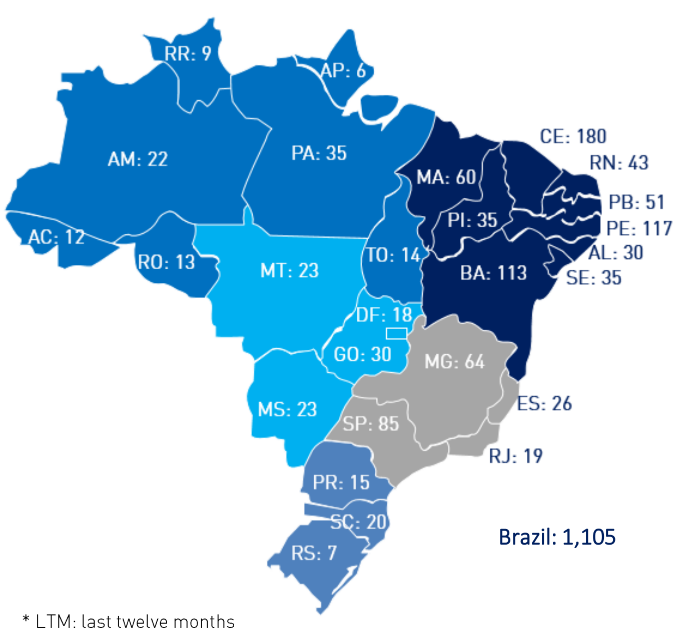
Number of Stores



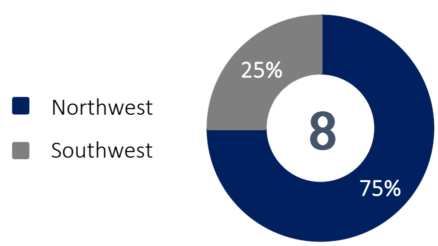
Store Age Profile



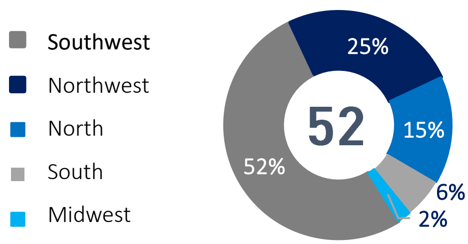
Distribution of the Store Base



Store Openings LTM*



Store Closings LTM*

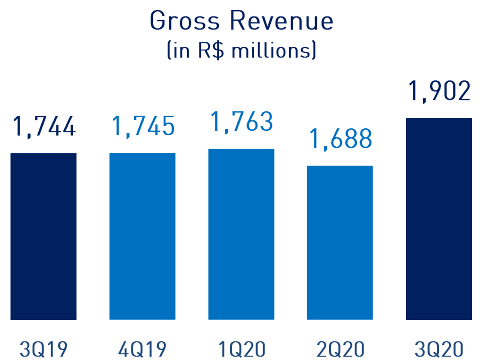


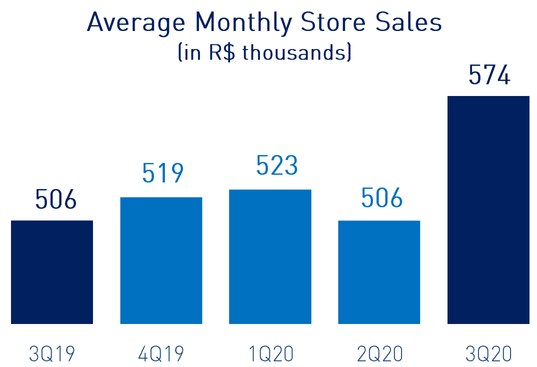
* LTM: last twelve months

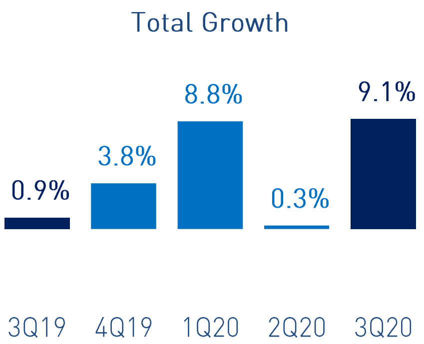
63% of the resources from the IPO will be allocated to new store openings. During the first half of 2020, intense work was carried out to define priority microregions for the next expansion cycle, resulting in detailed mapping of locations with high potential for profitability, low risk of cannibalization and increasing density with a focus on the expanded middle class. In addition, we have improved the composition and governance of the Real Estate committee and strengthened the expansion team with professionals with extensive experience, who are already in the field prospecting for new locations.

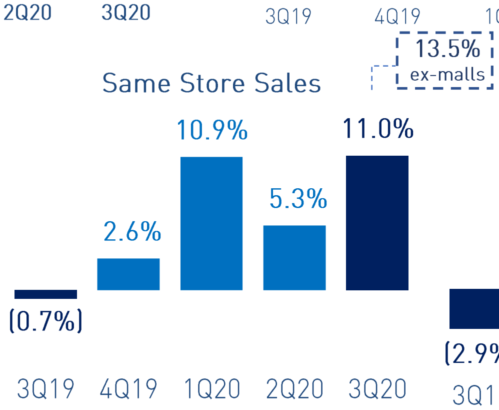
SALES

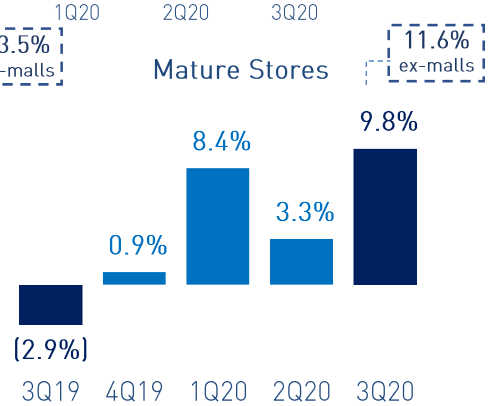
Total sales grew 9.1% in 3Q20, with growth in average monthly sales per store of 13.4%, a significant acceleration over previous quarters. The same store growth was 11.0% with 9.8% in mature stores, disregarding 12 stores that were temporarily closed[1]. Stores located in malls, reopened after the lockdown period in large Brazilian cities, were still in a period of normalization of sales in 3Q20, performing considerably below their potential. Excluding these stores from the base, the same store growth of the period would have been 13.5%, with mature stores growing at 11.6%.







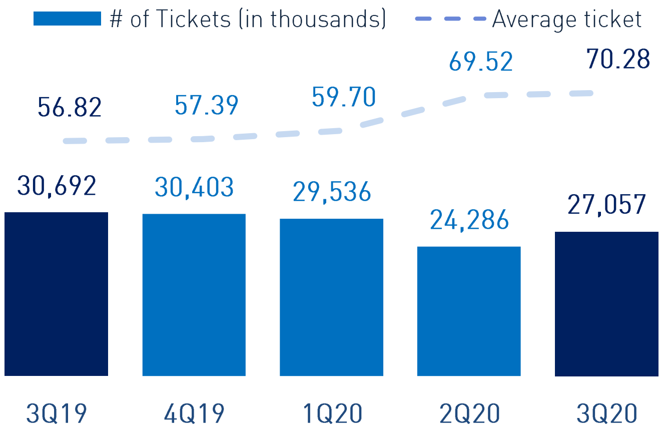




The acceleration in sales was driven by the successful strategy of increasing the assortment of medicines (in 3Q20 we reached an average of active items per store 9% higher than 3Q19), the decrease in the stock out rates in stores (reduction of 22% compared to 3Q19), improvement in customer satisfaction (reaching an NPS of 72, +6 p.p. vs 3Q19) and the digital and omnichannel tools (Click and Collect and Infinite Shelf) implemented or optimized in the period. The clear trend of improvement in sales growth dynamics is the main evidence that the turnaround executed in recent years has generated significant results since 2019.

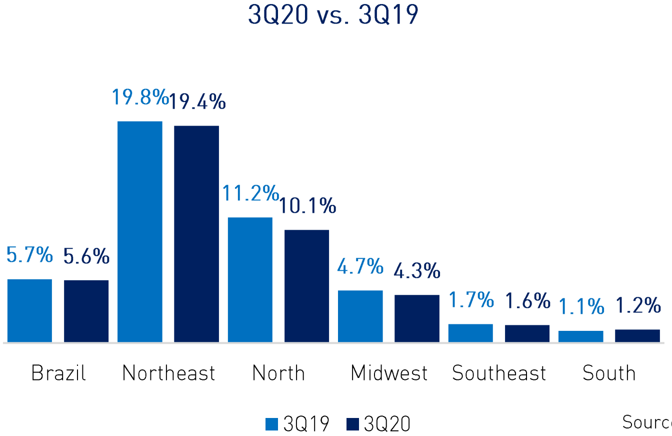
[1] Same stores considers stores open for more than twelve months, excludes stores temporarily closed with duration of more than seven calendar days and considers the sales through digital channels, delivered by stores. Including stores temporarily closed on this basis, the same store growth of 1Q20, 2Q20 and 3Q20 are 9.9%, 1.7% and 10.9%, respectively.

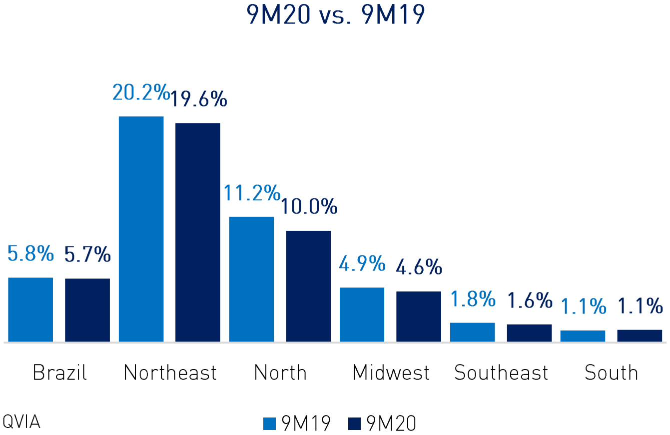
During 3Q20, we observed the ongoing change of habits observed since the beginning of the pandemic and due to social isolation measures, with the reduction in customer traffic in stores and a significant increase in the average ticket.



MARKET-SHARE

Our national market share reached 5.6% in 3Q20, 0.1p.p. decrease in relation to 3Q19, negatively impacted by the process of optimizing the store portfolio (44 stores closed in the period) and due to social isolation measures, which led customers to make purchases in more peripheral neighborhoods, where independent pharmacies predominate (this segment grew its market share by approximately 4p.p. during the lockdown). In regional terms, we maintained absolute leadership in the North and Northeast, with a share more than double that of the second company in the sector publishing this information.





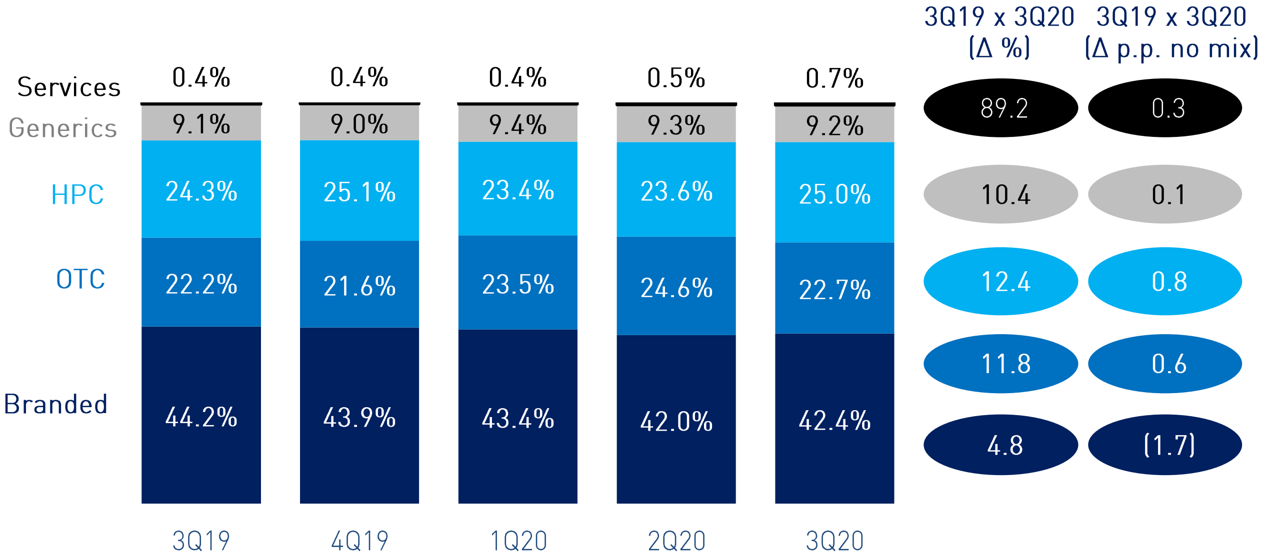
Source: IQVIA

SALES MIX

Pague Menos has been improving its product portfolio since 2018. Because of this project, the company increased the average number of active items per store by more than 20% during the period. In 3Q20, new items activated since 2018 accounted for more than 10% of the company's total sales, showing the success of the new commercial strategy.

Private label also continues to gain more and more relevance within our category management strategy. In 3Q20, approximately 100 new items were launched, reaching a portfolio of more than 1,400 unique items. This category of products currently accounts for 6.0% of total company sales, contributing to customer loyalty and increased Gross Margin. We consider this a strong competitive differential in our model, given the great adherence to these products by our target audience.

Additionally, following our strategy of being a Health Hub, we increased the participation of services to 0.7% of sales in the quarter (a growth of 0.3p.p. compared to 3Q19).



HEALTH HUB

Pague Menos's value proposition is to offer an increasingly complete health and well-being solution to our customers, through a unique Health Hub platform. The illustration below demonstrates the different fronts that make up our ecosystem.

SAC Farma: Pharmaceutical service by phone

AME: Special Medication Care

PBM: Medication Benefits Program

The progression of the pandemic has increased health concerns in the overall population. Given this scenario, we leveraged our value proposition by expanding the services offered through our Clinic Farma program. We were the first major pharmacy chain to operationalize Covid-19 rapid testing, expanded our offerings of vaccinations and the application of injectable medications and started offering telemedicine service in our stores and on our website. In 3Q20, revenue from that channel jumped 349%, reaching a monthly average of 77 thousand consultations and increasing its adoption by new customers. From January to September 2020, more than 250 thousand blood pressure measurements and more than 200 thousand blood glucose measurements were performed. We have consolidated our leadership in the pharmaceutical clinic segment, expanding the presence of the Clinic Farma program to 806 stores.

Sales from agreements and partnerships with companies and health plans accounted for 14.5% of the Company's total sales in 3Q20, an increase of 3.7p.p. compared to 2Q20. Currently we have more than 800 contracts signed with companies of different sizes, ensuring a base of recurring customers with great loyalty potential.

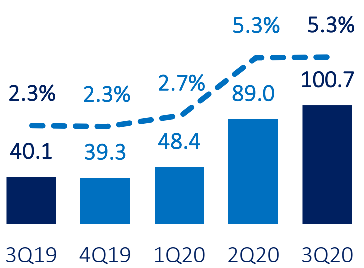
The specialty drugs segment continues to develop rapidly, representing an important avenue of growth for the coming years. Although we are still in the stage of structuring this vertical, registering products, establishing partnerships with suppliers and developing delivery channels, this business is already showing promising signs. In 3Q20, we reached about 400 products in the portfolio, with sales growth of 115% compared to 3Q19.

The different customer loyalty initiatives and increased scope of our Health Hub have allowed us to get to know our customers better and be increasingly accurate in offering personalized services and promotions, through offer coupons, SMS and email. In 3Q20, we reached the mark of 34.6 million registered customers in the Sempre loyalty program, with 15.2 million of these having been active in the last 12 months. In the same period, custom offers accounted for 3% of total sales.

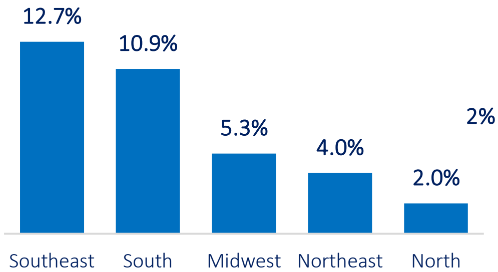
OMNICHANNEL PLATFORM

Pague Menos has an omnichannel platform, in which e-commerce, social networks, telephone sales, physical stores and the content platform work in an integrated way to allow us to offer health products and services to our customers wherever and whenever they want. In 3Q20, sales via digital channels accounted for 5.3% of total sales. In markets where e-commerce has reached a more mature stage, such as São Paulo, digital's penetration of total sales was approximately 16%. In just one year, the importance of digital sales in our business has more than doubled.

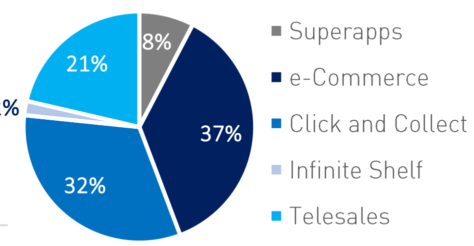
Digital Sales
(R$ million / % of total sales)



Penetration by Region
% of Total Sales (3Q20)



Sales per Digital Channel
(% of Digital Sales)



Among the main initiatives already implemented in our *omnichannel* platform, the following stand out:

- **Click & Collect:** Store pick up of online orders available within 1 hour. Currently in 100% of stores, representing 32% of digital channel sales.
- **Infinite Shelf**: Service that allows the customer, when not finding a particular product on their visit to the store, to receive the item at home, delivered from another of our stores, with free shipping.
- **Delivery**: Delivery from the store for orders made on the website, app or telephone sales. Currently available in more than 200 hybrid stores and 1 dark store, with logistical support from partners for last-mile delivery.
- **Telephone Sales Call Center**: In 3Q20 Pague Menos inaugurated a new telephone call center with service capacity 40 times greater than the previous center, considerably increasing the agility and level of service of this important sales channel.
- **Subscription Program**: Recurring purchase service through which the customer chooses the frequency of delivery of medicines or any other type of product, sent directly to their home with personalized discounts.

Through our nationwide store footprint and the development of multichannel technology, Pague Menos currently delivers more than 80% of online orders in less than 24 hours. Our commitment to serve and delight our customers has been evidenced by the relevant improvement in reputation of the Pague Menos brand on the Reclame Aqui online complaint platform, reaching 7.7 in September, the best position among the 7 major pharmacy chains in the Abrafarma ranking. In addition, we were recognized, for the third consecutive year, as the Favorite Store in the health segment in the 17th edition of the Ebit/Nielsen awards, the most important award in the Brazilian e-commerce space.

Our omnichannel sales platform is integrated with the Sempre Bem content platform, which includes a portal, magazine, social media profiles and a TV program, as well as cultural and sporting events held in several Brazilian cities. Through an integrated approach to communication, a promotional calendar and a digital strategy, in 3Q20 we achieved impressive numbers for customer engagement, consolidating our position as the best loved pharmacy network on social networks. Ours is the most followed profile on Instagram and the largest Youtube channel in the segment.

INNOVATION

Besides all the progress we mentioned in the Clinic Farma front, in 3Q20 we concluded a project for the mapping, integration and centralization of the data silos around the Company, aiming to turn our departments more agile and, thus, continue progressing towards the ideal data-driven decision model. We are also implementing the Agile Culture, organizing tribes and squads focused on specific solutions, always targeting the improvement of our customers' journey. As an example, we organized the "Health Tribe", with squads focused on our Health Hub projects, as well as the "Service Tribe", with squads focused on delivery, PBM integration with POS, and omnichannel signature.

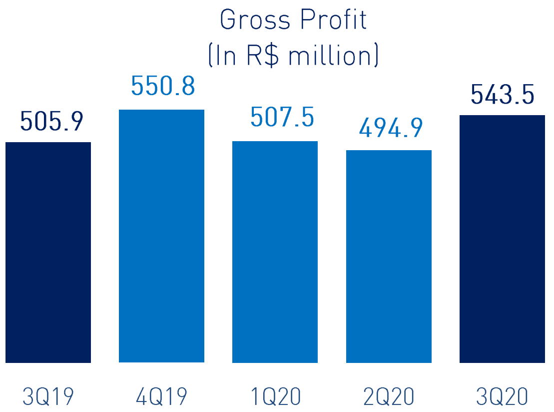
Pague Menos is one of NINNA's sponsors, an innovation hub focused on assisting disruptive startups on the health, retail and financial services segments. In September we hosted the first Fast Dating Pague Menos, an event created to get us closer to startups, opening our doors for innovative ideas and possible partnerships, strengthening our ecosystem.

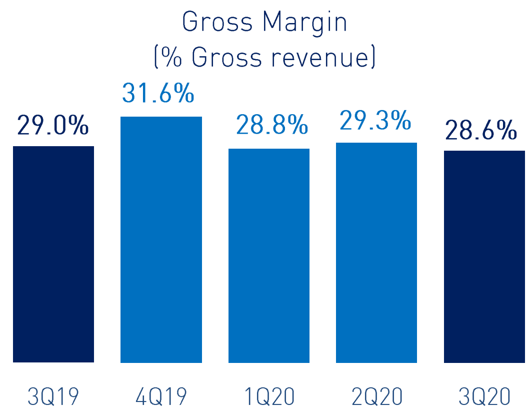
We are constantly working to advance our agenda of innovations, digitalization and omnichannel strategy, always focusing on improving our customer experience, and with that the loyalty to our Health Hub.

COMMENTS ON FINANCIAL PERFORMANCE

GROSS PROFIT

In 3Q20, gross profit was R$ 543.5 million, an increase of 7.4% over 3Q19. Gross margin was 28.6%, 0.4 p.p. lower than in the same period of the previous year. The reduction in gross margin was a result of the increase in the rate of inventory losses due to the broad process of activation of new items in our portfolio. Most of these products have a lower turnover than the Company's average, contributing to an increase in the loss ratio. Despite the negative effect on gross margin, the increase in sales generated by this commercial strategy has been extremely positive, more than offsetting the increase in losses. Gross margin in the quarter was also negatively impacted by the AVP adjustment, a non-cash effect. It is important to highlight that many inventory loss reduction initiatives were optimized in 2019 and 2020, such as reverse logistics, lead time improvements and a revision of inventory policies, which are still maturing. We believe that these actions will effectively contribute to the normalization of the loss rate in the short term.

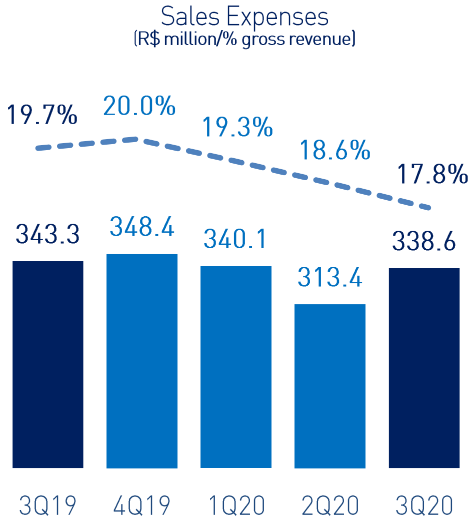


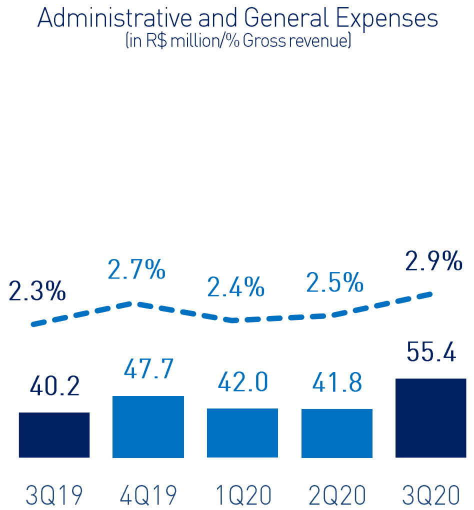


SELLING, GENERAL AND ADMINISTRATIVE EXPENSES

In 3Q20, sales expenses totaled R$ 338.6 million, equivalent to 17.8% of gross revenue, a reduction of 1.9 p.p. over 3Q19, mainly explained by the increase in average sales per store, the productivity program and the reduction of rental expenses through contract renegotiations.

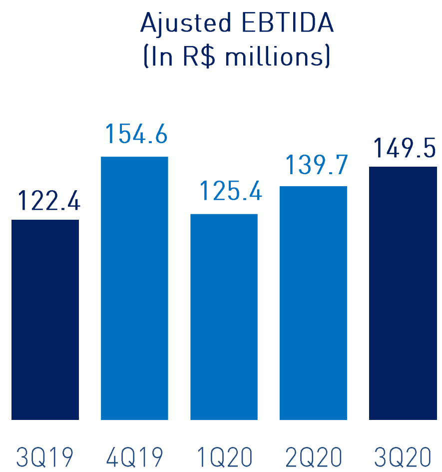
General and administrative expenses totaled R$ 55.4 million in 3Q20, equivalent to 2.9% of gross revenue, an increase of 0.6 p.p. compared to 3Q19. The increase in administrative expenses reflects the implementation of the new Restricted Stock Plan for the company's management, in order to increase retention and alignment of goals, and the hiring of strategic consultants during the period.

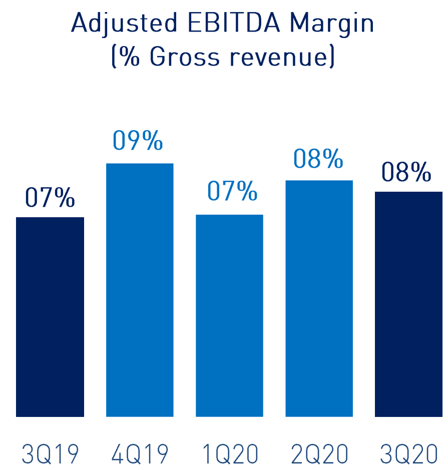




ADJUSTED EBITDA

We ended 3Q20 with an Adjusted EBITDA of R$ 149.5 million, a growth of 22.1%, and a margin of 7.9%, an expansion of 0.9 p.p. over 3Q19. The continuous and sustainable growth of margins in our business, observed in recent quarters, reflects a series of profitability levers that have been mapped out and executed. We continue to observe great opportunities in the areas of vendor management, pricing, supply chain and store productivity, among others.



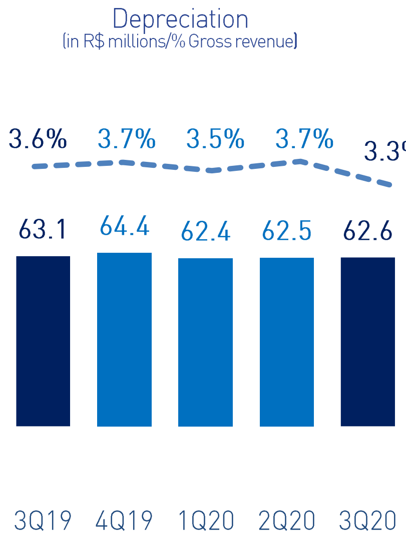


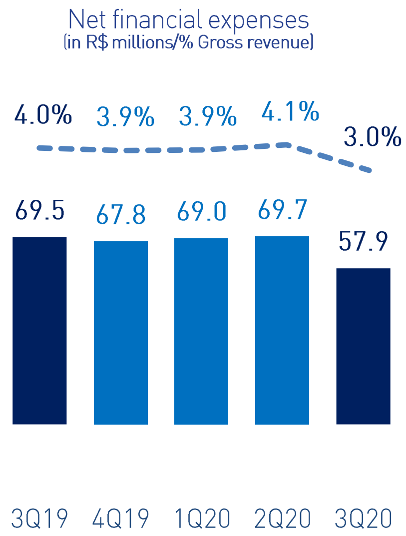
DEPRECIATION, NET FINANCIAL EXPENSES AND INCOME TAX

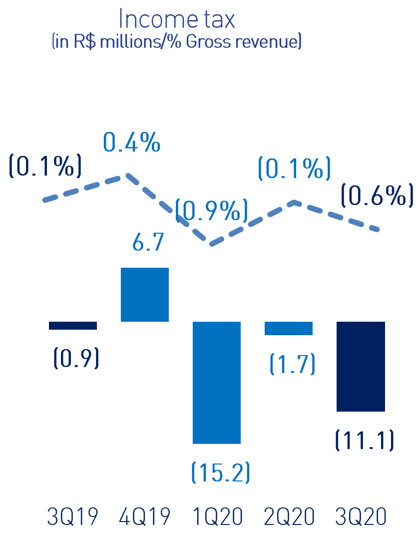
In 3Q20 depreciation totaled R$ 62.6 million, of which R$ 40.9 million related to the depreciation of the right-to-use assets - IFRS16, with a reduction of 0.8% compared to 3Q19.

Net financial expenses totaled R$ 57.9 million in 3Q20, a reduction of 16.7% compared to 3Q19, due to increased liquidity following the IPO, which eliminated the need to discount receivables, and was also reflected in the calculation of the AVP (Adjustment to Present Value) of the balance of accounts receivable and Financial Results. In addition, the reduction in the store portfolio generated a reduction of lease interest.

We closed 3Q20 with deferred income tax of R$ 11.1 million. During the quarter, the revenue from deferred income tax was a consequence of the higher deductibility of expenses, mainly those arising from the structuring of the IPO.

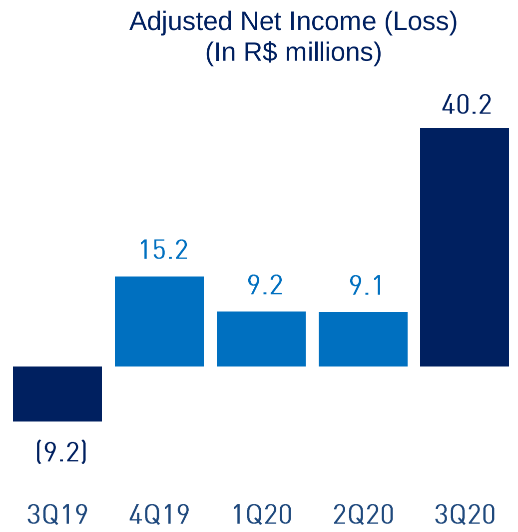


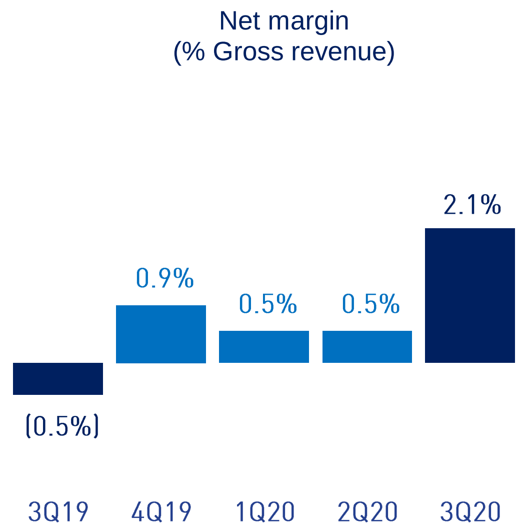




ADJUSTED NET INCOME (LOSS)

We ended 3Q20 with net income of R$ 40.2 million, reversing the loss of R$ 9.2 million in 3Q19. Net margin reached 2.1% of gross revenue, an increase of 2.6p.p. compared to 3Q19.



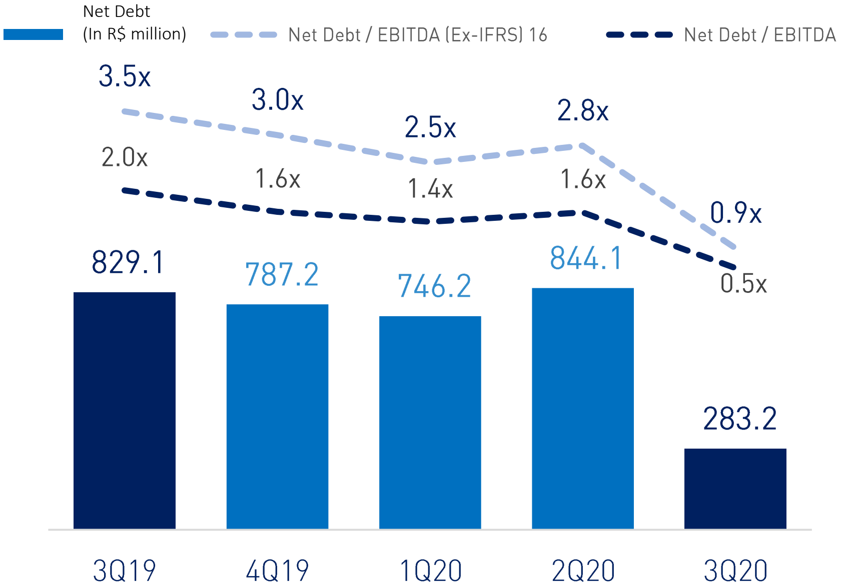


INDEBTEDNESS

Pague Menos optimized its capital structure with resources from the IPO, with R$ 715 million capitalized on September 2 and R$ 108 million capitalized in 4Q20, on October 2. The ratio of 20% of these resources will be used for early repayment of outstanding loans, as described in the Offering documents.

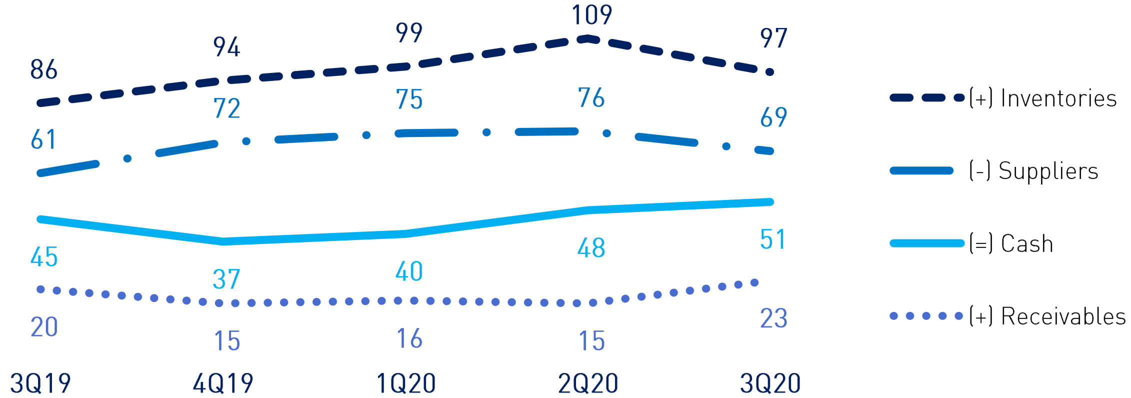
In 3Q20, the Fitch Ratings risk agency raised the Company's corporate rating from BBB+ to A, with a positive outlook.

We ended 3Q20 with net debt of R$ 283.2 million. The net debt/EBITDA (LTM) ratio was 0.9x, a decrease of 2.6x from 3Q19.



CASH CONVERSION CYCLE

In 3Q20, the Cash Cycle was 51 days, an increase of 6 days compared to 3Q19, mainly caused by the increase in the average period for receivables. In this quarter, due to the liquidity generated by the IPO, the Company did not discount receivables, which impacted the cash cycle in the period, calculated considering receivables net of advances. Disregarding receivables discounts, the 3Q19 cash cycle would have been 52 days, in line with 3Q20. In relation to 2Q20, the level of inventories was reduced due to the acceleration in sales, already in relation to 3Q19 there was an increase due to increases in assortment and reduction in levels of stock out.



Notes:
The calculation of Average Inventory and the Average Payment period for Suppliers disregards the effects of AVP.
The calculation of the Average Period of Receipts considers the effects of anticipation of receivables.

CASH FLOW

In 3Q20, we had a negative operating flow of R$ 130.8 million, mainly impacted by the variation in accounts receivable. In the quarter, due to the higher liquidity generated by opening capital, no anticipation of receivables operations were carried out, leading to a one-time cash consumption during the period.

Cash Flow (R$ millions)	3Q19	3Q20	9M19	9M20
Adjusted net income (loss)	**(9.2)**	**40.2**	**(22.0)**	**58.5**
(+) Depreciation and amortization	63.1	62.6	188.6	187.5
(Δ) Accounts receivable	(53.7)	(202.1)	(56.1)	(190.7)
(Δ) Inventory	60.8	(27.0)	226.8	(119.1)
(Δ) Suppliers	18.1	54.3	(203.0)	0.2
(Δ) Other assets and liabilities/Non-cash effects	(12.8)	(58.8)	(126.3)	(108.8)
(=) Cash flow from operations	**66.1**	**(130.8)**	**8.1**	**(172.3)**
(-) Capital investments	(13.9)	(10.2)	(50.4)	(18.3)
(=) Investment cash flow	**(13.9)**	**(10.2)**	**(50.4)**	**(18.3)**
Free cash flow	**52.2**	**(141.0)**	**(42.3)**	**(190.6)**
(+/-) Debt variations	-	714.9	-	714.9
(+) Capital payments	(6.2)	(23.6)	14.2	4.8
(=) Cash flow from financing	**(6.2)**	**691.3**	**14.2**	**719.7**
(=) Total cash flow	**46.0**	**550.3**	**(28.1)**	**529.1**

EBITDA RECONCILIATION

For better understanding and comparability of results between quarters, the results are presented in an adjusted view, disregarding non-recurring expenses and revenues. The table below details non-recurring adjustments and EBITDA reconciliation.

(R$ millions)	3Q19	4Q19	1Q20	2Q20	3Q20
Net Accounting Income (Loss)	**39.3**	**6.3**	**9.2**	**9.1**	**40.2**
(+) Net Financial Results	45.8	59.2	69.0	69.7	57.9
(+) Income Tax and Social Contribution	(0.9)	6.7	(15.2)	(1.7)	(11.1)
(+) Depreciation and Amortization	63.1	64.4	62.4	62.5	62.6
EBITDA	**147.3**	**136.6**	**125.4**	**139.6**	**149.5**
(+) Extraordinary Losses on Inventories[1]	(5.3)	23.4	-	-	-
(+) Store Closing Expenses[2]	9.2	16.2	-	-	-
(-) Tax credits[3]	(28.7)	(22.2)	-	-	-
Total EBITDA adjustments	**(24.8)**	**17.4**	**-**	**-**	**-**
Adjusted EBITDA	**122.6**	**154.0**	**125.4**	**139.6**	**149.5**

RECONCILIATION OF NET INCOME

(R$ millions)	3Q19	4Q19	1Q20	2Q20	3Q20
Net Accounting Income (Loss)	**39.3**	**6.3**	**9.2**	**9.1**	**40.2**
(+) Extraordinary Losses on Inventories[1]	(5.3)	23.4	-	-	-
(+) Store Closing Expenses[2]	9.2	16.2	-	-	-
(-) Tax credits[3]	(28.7)	(22.2)	-	-	-
(-) Monetary Correction of Tax Credits[3]	(23.7)	(8.5)	-	-	-
Total adjustments to Net Income	**(48.5)**	**8.9**	**-**	**-**	**-**
Adjusted Net Income (Loss)	**(9.2)**	**15.2**	**9.2**	**9.1**	**40.2**

[1] Non-recurring expenses for losses and incineration of products related to the adaptation of the Goiás DC to new regulations established by the sanitary inspection service, impacting the line of "Cost of Goods Sold".

[2] Asset write down expenses related to store closures, impacting the "Sales Expenses" line.

[3] Recognition of tax credits arising from the final judgement of the unconstitutionality related to the inclusion of ICMS in the calculation basis of PIS/COFINS, impacting the line of "General and Administrative Expenses", and the respective monetary correction of these tax credits, recognized in the line of "Financial Results".

ENVIRONMENTAL, SOCIAL AND CORPORATE GOVERNANCE RESPONSIBILITY (ESG)

Pague Menos has always played an important social role in the communities where it operates. During the pandemic this couldn’t have been different. In August we held the solidarity campaign "Juntos Somos Mais“ (Greater Together), enabling the donation of 18,000 health and hygiene items to charities in various regions of the country. With the effective use of our Health Hub serving society’s needs, performing more than 60,000 Covid 19 rapid tests and through the administration of H1N1 immunization vaccines, we played an important role in the prevention of that disease nationwide.

In the environmental area, we continue to promote the adaptation of our energy matrix to clean sources, with the use of photovoltaic energy for the operation of our stores. Through this initiative, we have already generated annualized savings of more than 2,000 tons of CO_2.

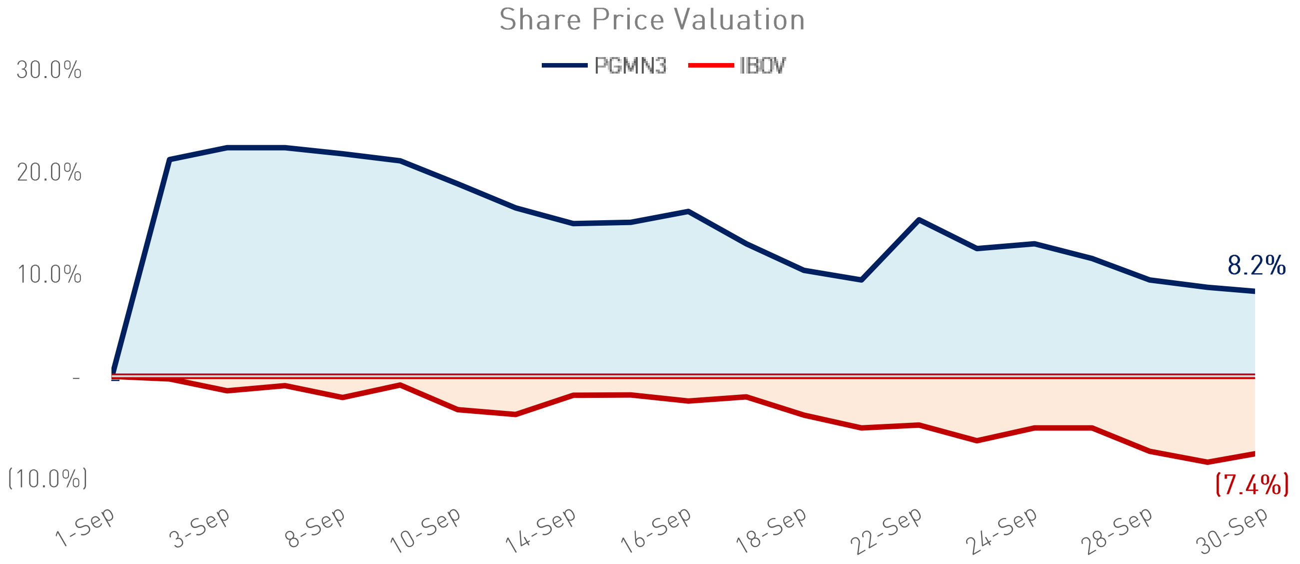
In addition, in 3Q20 we held the 9th edition of the Cidade Verde (Green City) campaign, raising the public's awareness of the importance of environmental preservation. This year, the campaign involved the planting of thousands of seedlings in partnership with the NGO Ecomuseu Natural do Mangue, in the mangrove areas of the Pacoti River, in Fortaleza. More information about the campaign is available at cidadeverde.paguemenos.com.br.

During 3Q20, the Company recorded important advances in Corporate Governance. We have established new advisory committees to the Board of Directors, strengthened the Compliance and Internal Audit structure and improved internal risk management policies. By listing our shares in the Novo Mercado segment of the B3, we have reinforced our commitment to adhering to the strictest standards of governance.

Another important milestone in our governance during 3Q20 was the appointment of Ms. Patriciana Rodrigues as the chairperson of the of Pague Menos Board of Directors, becoming one of the few women to occupy this position among large Brazilian corporations. Of the 9 members of our Board, three are women.

CAPITAL MARKETS

In 3Q20, the Pague Menos stock price has risen by 8.2% since the IPO on September 2, outperforming the Ibovespa index, which recorded a 7.4% drop in the same period. The average daily liquidity was R$ 22.8 million in the period.



PagueMenos
VIVA PLENAMENTE

INCOME STATEMENT [1]

Income Statement for the Year (R$ millions)	IAS 17 3Q19	IAS 17 3Q20	IAS 17 Δ	IFRS16 3Q19	IFRS16 3Q20	IFRS16 Δ
Gross Revenue from the Sale of Goods and/or Services	1,743.8	1,901.6	9.1%	1,743.8	1,901.6	9.1%
Gross Profit	505.9	543.5	7.4%	505.9	543.5	7.4%
Gross Margin	*29.0%*	*28.6%*	*(0.4p.p.)*	*29.0%*	*28.6%*	*(0.4p.p.)*
Selling Expenses	(403.5)	(401.4)	(0.5%)	(343.3)	(338.6)	(1.4%)
General and Administrative Expenses	(40.2)	(55.4)	37.7%	(40.2)	(55.4)	37.7%
Adjusted EBITDA	62.2	86.7	39.5%	122.6	149.5	22.1%
EBITDA margin	*3.6%*	*4.6%*	*1.0p.p.*	*7.0%*	*7.9%*	*0.9p.p.*
Depreciation and Amortization	(23.0)	(21.6)	(6.0%)	(63.1)	(62.6)	(0.8%)
Financial Results	(38.0)	(29.4)	(22.8%)	(69.5)	(57.9)	(16.7%)
Pre-Tax Profit	1.1	35.7	3,093.9%	(10.1)	29.0	-
Income Tax and Social Contribution	(2.9)	8.9	-	0.9	11.1	1,084.2%
Adjusted Profit (Loss) for the Period	(1.8)	44.6	-	(9.2)	40.2	-
Net Margin	*(0.1%)*	*2.3%*	*2.4p.p.*	*(0.5%)*	*2.1%*	*2.6p.p.*

Income Statement for the Year (R$ millions)	IAS 17 9M19	IAS 17 9M20	IAS 17 Δ	IFRS16 9M19	IFRS16 9M20	IFRS16 Δ
Gross Revenue from the Sale of Goods and/or Services	5,047.2	5,353.2	6.1%	5,047.2	5,353.2	6.1%
Gross Profit	1,504.2	1,545.8	2.8%	1,504.2	1,545.8	2.8%
Gross Margin	*29.8%*	*28.9%*	*(0.9p.p.)*	*29.8%*	*28.9%*	*(0.9p.p.)*
Selling Expenses	(1,215.6)	(1,177.2)	(3.2%)	(1,034.5)	(992.1)	(4.1%)
General and Administrative Expenses	(122.5)	(139.2)	13.6%	(122.5)	(139.2)	13.6%
Adjusted EBITDA	166.0	229.4	38.2%	347 .1	415 .5	19.4%
EBITDA Margin	*3.3%*	*4.3%*	*1.0p.p.*	*6.9%*	*7.7%*	*0.9p.p.*
Depreciation and Amortization	(68.0)	(65.6)	(3.5%)	(188.6)	(187.5)	(0.6%)
Financial Results	(112.9)	(109.4)	(3.1%)	(210.3)	(196.5)	(6.6%)
Pre-Tax Profit	(14.9)	54.4	-	(51.8)	30.5	-
Income Tax and Social Contribution	17.2	19.9	15%	29.8	28.0	(6.1%)
Adjusted Profit (Loss) for the Period	2.4	74.3	3,030%	(22.0)	58.5	-
Net Margin	*0.0%*	*1.4%*	*1.3p.p.*	*(0.4%)*	*1.1%*	*1.5p.p.*

[1] On January 1, 2019, the new accounting norm, CPC 6-R2 (IFRS 16) went into effect, changing the accounting recognition model for lease agreements. In order to preserve historical comparability, the values in the above tables are also presented using the previous standard, IAS 17/CPC 06.

INDEPENDENT AUDITORS

The Company informs that its independent auditors, Ernst & Young Independent Auditors S.S., did not provide any services not related to the audit in the period ended in September 30, 2020, except for the issuance of comfort letter related to the IPO in September 02, 2020.

BALANCE SHEET

Balance Sheet (R$ million)	3Q19	3Q20	Δ
Total Assets	**4,669.5**	**5,670.7**	**21%**
Current Assets	**1,962.7**	**3,075.9**	**57%**
Cash and Cash Equivalents	95.2	391.5	311%
Financial Investments	3.5	264.4	7,455%
Accounts Receivable	495.7	628.6	27%
Inventory	1,284.9	1,576.2	23%
Tax Credits	83.4	203.9	145%
Other Current Assets	-	11.3	-
Non-Current Assets	**2,706.9**	**2,594.8**	**(4%)**
Long-Term Assets	503.8	582.3	16%
Investments	70.9	70.4	(1%)
Fixed Assets	611.4	539.1	(12%)
Rights of use of leases	1,485.7	1,371.2	(8%)
Intangible	35.0	31.8	(9%)
Total Liabilities	**4,669.5**	**5,670.7**	**21%**
Current Liabilities	1,503.2	1,867.1	24%
Social and Labor Obligations	154.7	143.2	(7%)
Suppliers	878.2	1,104.9	26%
Tax Obligations	82.4	126.0	53%
Loans and Financing	197.4	288.7	46%
Other Obligations	27.7	33.1	20%
Leasing	162.9	171.2	5%
Non-Current Liabilities	**2,148.3**	**1,973.2**	**(8%)**
Loans and Financing	756.1	666.2	(12%)
Other Obligations	11.1	11.2	1%
Leasing	1,359.8	1,270.3	(7%)
Provisions	21.2	25.6	21%
Equity	**1,018.1**	**1,830.4**	**80%**
Paid-Up Capital	382.7	1,129.7	195%
Capital Reserves	380.9	381.4	0%
Profit Reserves	267.7	260.8	(3%)
Accumulated Profits/Losses	(13.3)	58.5	-

(All amounts in thousands of Reais unless otherwise stated)

1. INFORMATION OF THE COMPANY

Empreendimentos Pague Menos S.A. ("Company") is a publicly-held company, registered in stock exchange B3 S.A. - Brasil, Bolsa, Balcão - in the Novo Mercado segment, headquartered in the capital of Ceará, under ticker PGMN3.

The Company's main activity is the retail trade of medicines, perfumes, personal care and beauty products, and makes its sales through 1,105 stores (1,122 on December 31, 2019), distributed across all the States of the Federation, as shown below. The stores are supplied by five distribution centers located in Ceará, Pernambuco, Bahia, Goiás, and Minas Gerais.

State	September/2020	December/2019
Ceará	180	181
Pernambuco	117	117
Bahia	113	114
São Paulo	85	85
Minas Gerais	64	71
Maranhão	60	60
Paraíba	51	51
Rio Grande Do Norte	43	43
Sergipe	35	37
Piauí	35	35
Pará	35	36
Goiás	30	30
Alagoas	30	30
Espírito Santo	26	27
Mato Grosso	23	23
Mato Grosso Do Sul	23	23
Amazonas	22	22
Santa Catarina	20	20
Rio De Janeiro	19	21
Distrito Federal	18	18
Paraná	15	15
Tocantins	14	15
Rondônia	13	13
Acre	12	12
Roraima	9	9
Rio Grande Do Sul	7	8
Amapá	6	6
Total	1,105	1,122

2. PREPARATION AND PRESENTATION OF QUARTERLY INFORMATION AND SIGNIFICANT ORGANIZATIONAL CHANGES

This quarterly information was prepared in accordance with the IFRS and in accordance with the accounting practices adopted in Brazil that comprise the rules of the Brazilian Securities Exchange Commission (CVM) and the Brazilian Accounting Standards - NBC technical pronouncements, of the Brazilian Federal Accounting Council (CFC).

(All amounts in thousands of Reais unless otherwise stated)

The quarterly information has been prepared based on the historical cost, except for the derivative financial instrument and certain financial liabilities, which were measured at fair value. This quarterly information is presented in Real, which is the functional currency of the Company.

The Company's Management states that all relevant information specific to the intermediary financial information is being disclosed, and that it corresponds to that used by it in its management.

Due to the Company's geographical coverage, there was no material effects due to seasonality, either due to weather conditions or holidays (below is a description of our gross revenue for the past four quarters). The Company's revenues may vary between quarters depending on the number of business days in each period. Gross profit in the third quarter is positively influenced by the annual adjustment of medicines, when prices are updated.

Period	4Q19	1Q20	2Q20	3Q20	Total
Gross Revenue (R$ millions)	1,745	1,763	1,688	1,902	7,098
Seasonality	24.6%	24.8%	23.8%	26.8%	100%

The presentation of the Statement of Added Value (DVA), despite not required by the IFRS, is mandatory for publicly-traded companies in Brazil. Consequently, this statement is presented as supplementary information, without prejudice to the set of quarterly information.

The issuance of this quarterly information was authorized by the Company's Board of Directors on October 29, 2020.

During the preparation of the quarterly information, the effects caused by the COVID -19 pandemic were considered, as described below:

Impacts of COVID-19

On January 30, 2020, the World Health Organization (WHO) announced that the "new corona virus" (COVID-19) is a global health emergency. The outbreak triggered significant decisions by governments and private sector entities, which added to the potential impact of the outbreak, increased the level of uncertainty about the values recognized in the financial statements.

On March 10, 2020, the Brazilian Securities Exchange Commission – CVM issued Circular Letter CVM/SNC/SEP No. 02/20, instructing publicly-held companies to carefully assess the impacts of COVID-19 on their businesses and report in the financial statements the main risks and uncertainties arising from this analysis, in compliance with the applicable accounting standards.

Accordingly, Management paid special attention to those economic events that are related to business continuity and/or to the accounting estimates carried out, such as: recoverability of financial and not financial assets, taxes on profit, measurement of lease assets and liabilities, fair value measurement, provisions and contingent liabilities, recognition of revenue and liquidity and compliance with financial commitments.

We emphasize that the following events have not occurred systematically so far:

i) Interruption in the supply chain, except for the lack of products whose demand at that moment is greater than the production capacity of the suppliers;

ii) Significant revenue reduction, due to the drop in demand from customers 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.

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

Recoverability of financial assets

As disclosed in the explanatory note 25 – Financial instruments, the Company is subject to the credit risk for its Cash and Cash Equivalents balances, financial investments, accounts receivable with credit card administrators and derivatives instruments.

Financial investments, bank deposits and derivatives instruments.

The Company has balances receivable from financial institutions, refer to cash and equivalents, marketable securities and derivatives, in the amount of R$ 671,675 on September 30, 2020. Such resources are held in solid financial institutions and although in the current scenario there is a possibility of an increase in the default of its customers, there are no indications of a significant increase in the credit risk of these counterparties. Additionally, it is worth mentioning that the Central Bank of Brazil has implemented several measures to increase the liquidity of financial institutions, so that no loss is expected due to the pandemic.

Accounts receivable from customers (provisions 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. Operations are extremely dispersed, with an average ticket of R$ 70.28 in the third quarter of 2020. We concentrate operations on large credit card companies, usually linked to solid financial institutions. Of the total receivable from credit card companies, 91% of the balance corresponds to the Cielo, whose shareholders are Banco do Brasil and Banco Bradesco, and Rede, whose shareholder is Banco Itaú. Accordingly, the Company considers the default risk of credit card companies to be extremely low and that the effects of the pandemic on such counterparties are not significant, so no additional loss is expected.

Recoverability of non-financial assets

Inventories

Considering that the Company's main activity is the sale of medicines, personal hygiene products, among other health products, the Company's operations were considered by the public authorities to be essential, with the regular opening and operation of its stores being authorized.

Only operations located in shopping centers and Shopping Malls were restricted and temporarily closed, however currently the Company does not have any stores closed.

Thus, like the stores, the distribution centers and transporters were authorized to operate normally, through the adoption of measures to contain the proliferation of the virus. Purchase orders with suppliers were not compromised and continued to be delivered normally, with no interruption 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, as well as personal hygiene products, showed significant growth, including on relative values higher than those observed before the pandemic.

Thus, the Company assesses that the risks of carrying out inventories at a value lower than the net realizable value are already included in the current estimates of losses and it is not expect additional losses due to the pandemic.

Property, plant and equipment and intangible assets

As previously reported, the Company's operations did not suffer a general disruption, so that today all stores operate normally. The Company individually monitors the cash flow generation capacity of each store in order to ensure that the discounted cash flows at present value are not less than the investment made.

Management updated the recoverability calculations of assets, considering a more challenging scenario due to the pandemic, but it was not identify the need for the constitution of additional provisions, in addition to those already provided in the financial statements and quarterly information.

Deferred Taxes on profit

The company updated the projections and analyzes carried out on December 31, 2019 on the recoverability of deferred taxes on profit, considering the effects of COVID-19, and it was not identify the need for reduction of balances already accounted in the quarterly information.

Measurement of lease assets and liabilities

As already mentioned, there was no widespread closure of stores, and today there are no closed stores as a pandemic containment measure. Considering the reduced number of agreements under negotiation and the low possibility of termination of such agreements, it was not observed significant effects on lease liabilities due to the COVID-19 pandemic.

Fair value measurement

The Company maintains derivative swap agreements for the protection of debts, as well as other financial liabilities expressed in foreign currency. These operations are measured at fair value through the income,

Considering the nature of these operations, and that counterparties (financial institutions) may not suffer significant impacts on their operations, in a way that compromises the credit risk of these institutions, we consider that COVID-19 does not produce impacts on the fair value measurement of our operations.

Provisions and contingent liabilities

The Company has assessed the nature of provisions and contingent liabilities and established that COVID-19 did not have an impact on the accounting measurement of such transactions.

Revenue recognition

Management evaluated the Company's revenue recognition criteria, as well as the existence of any changes in the return policies or other performance commitments assumed with customers and established that no changes occurred in Company's revenue recognition practices.

Liquidity and compliance with the financial commitments

The Company continues to comply with all financial and non financial indicators defined in its loan agreements, occurring improvement of such indicators. On September 11, 2020, the Company's debt rating was reassessed by Fitch Ratings and the rating was upgraded to 'A (bra)', with a Positive Outlook. The Company is committed to austerity and cash preservation measures, in order to ensure its operational continuity. There were no terminations of employment agreements outside the regular course of operations.

3. SIGNIFICANT ACCOUNTING POLICIES

The quarterly information are being presented in accordance with NBC TG 21 (R1), IAS 34 and the rules issued by the CVM. The practices, policies and the main accounting judgments and sources of uncertainties on estimates adopted in the preparation of quarterly information are consistent with those adopted and disclosed in the financial statements for the year ended on December 31, 2019 and should be read together.

The following accounting pronouncements became effective for the first time as from the year started on January 1, 2020:

CVM Ruling 854/2020

CVM Ruling 854/2020 became effective as of January 1, 2020 and deals with changes in Technical Pronouncements NBC TG 38 (R3), NBC TG 40 (R3) and NBC TG 48, issued by the Accounting Pronouncements Committee (CPC), as a result of the reform of the reference interest rate, related to the expected discontinuance of the use of the London Interbank Offered Rate (LIBOR) as a reference interest rate after 2021.

The Company assessed these pronouncements and did not identify impacts on the quarterly information.

CVM Ruling 859/2020

On July 7, 2020, the Brazilian Securities and Exchange Commission (CVM) approved the Technical Pronouncement Review Document No. 16, referring to Technical Pronouncement CPC 06 (R2), issued by the Accounting Pronouncements Committee – CPC (correlated to NBC TG 06 (R3)). This document authorizes the adoption of the practical measure that consists of the lessee choosing not to assess whether a Covid-19 Related Benefit Granted to Lessor under a Lease Agreement is an amendment to the lease agreement, with any change in the lease payment resulting from the benefit granted in the lease agreement, accounted for as if the change were not an amendment to the lease agreement. This option applies only to benefits granted under a lease agreement that occur as a direct consequence of the Covid-19 pandemic and only if all of the conditions below are met:

(a) the change in lease payments results in a revised consideration for the lease that is substantially equal to or less than the consideration for the lease immediately prior to the change;
(b) any reduction in lease payments affects only payments originally due on or before June 30, 2021 (for

(All amounts in thousands of Reais unless otherwise stated)

example, a benefit granted on a lease would fulfill this condition if it resulted in reduced lease payments on or before June 30, 2021 and in increased lease payments extending after June 30, 2021);
(c) there is no material change to other terms and conditions of the lease.

The Company adopted the practical measure described above for meeting all the conditions required by the pronouncement and the effects related to the matter were considered immaterial in the quarterly information.

NBC TG 26 (R5) / IAS 1 - Presentation of Financial Statements and NBC TG 23 (R2) / IAS 8 - Accounting Policies, Change in Accounting Estimates and Error Rectification

The amendments to NBC TG 26 (R5) / IAS 1 and NBC TG 23 (R2) / IAS 8 clarify the definition of materiality and align the definition used in the conceptual framework and in other accounting standards. Management understands that these amendments did not have a significant impact on the Company's quarterly information, as it applies the technical guidance OCPC 7 and, therefore, only discloses relevant information.

4. CASH AND CASH EQUIVALENTS

	09/30/2020	12/31/2019
Cash and banks	37,636	52,726
Short-term investments	176,922	68,314
Committed debentures	92,223	55,142
Bank deposit certificates – CDB	50,035	-
Financial bills	32,812	-
Investment funds	100	-
Other short term investments	1,752	13,172
Total	214,558	121,040

The short-term financial investments are kept in first-line financial institutions and have low credit risk. They are remunerated at the Interbank Deposit Certificate - CDI variation and are available for immediate use without loss of income, being distributed among CDB (average return of 105.3%), repurchase agreements (average return of 93.4%), Financial Bills (average return of 109.37%) and Fixed Income Investment Funds. These operations have maturity on three months from the date of contracting and since they meet the requisites of NBC TG 03 R3, they were classified as cash equivalents.

5. ACCOUNTS RECEIVABLE

	09/30/2020	12/31/2019
Debit and credit card companies	462,365	276,703
Partnerships (a)	22,784	15,400
Pharmacy Benefit Management – PBM (b)	1,961	4,276
Commissions receivable	462	469
(-) Present value adjustment	(4,478)	(2,791)
(-) Expected credit losses	(821)	(5,604)
Total	482,273	288,453

a) Refer to values receivable from Federal Government for sales made in the Program "Popular Pharmacy" and companies associated with the Company. The main purpose of the agreements is to grant discounts to employees, as well as to enable customers to pay for purchases through discount on payroll.

(All amounts in thousands of Reais unless otherwise stated)

b) Pharmacy Benefit Management – PBM records the balance receivable for the sales of medicine linked to benefits, and the discounts are subsidized by the respective laboratories.

The balance were adjusted at present value, considering average term of receipt between 33 and 40 days and discounted at an average cost of capital rate.

Below, the balance of receivables by maturity before the provision for expected losses on credits and adjustment to present value:

	09/30/2020	12/31/2019
To expire	480,517	289,675
Expired between 1 to 30 days	5,445	1,504
Expired between 31 to 60 days	107	78
Expired between 61 to 90 days	41	575
Expired over 90 days	1,462	5,016
	487,572	296,848

a) *Operation of expected credit losses:*

	09/30/2020	12/31/2019
Opening balance	(5,604)	(6,071)
Additions	(164)	(1,366)
Reversal of the provisions	4,947	1,833
Final balance	(821)	(5,604)

6. INVENTORIES

	09/30/2020	12/31/2019
Merchandises for resale	1,605,959	1,488,785
Materials for use and consumption	8,006	5,378
(-) Losses expected in inventories	(37,782)	(27,792)
	1,576,183	1,466,371

a) *Operation of losses expected in inventories:*

	09/30/2020	12/31/2019
Opening balance	(27,792)	(61,446)
Additions	(15,486)	(6,898)
Reversal of the provisions	5,496	40,552
Final balance	(37,782)	(27,792)

7. RECOVERABLE TAXES

(All amounts in thousands of Reais unless otherwise stated)

	09/30/2020	12/31/2019
ICMS (a)	326,167	265,812
IRPJ/CSLL (b)	7,274	2,860
PIS and COFINS (c)	172,190	167,166
Income Tax Withheld at Source	11,096	4,712
INSS (d)	33,508	32,763
Others	3,898	4,034
	554,133	477,347
Current	203,906	204,153
Non-current	350,227	273,194

(a) Balance resulting from the regular ICMS calculation and balances related to non-definitive ICMS ST tax credits where the presumed tax bases were higher than the effective margins. The credits were recognized as result of the STF's decision, which, in the course of general repercussion, ensured the right of reimbursement to the taxpayer who paid ICMS ST in advance on calculation basis higher than those actually performed. Tax credits for periods prior to the STF decision were not considered.

(b) Overpayment of IRPJ and negative balance of CSLL in the calculation of taxable income for the previous year.

(c) In August 2019, the Company obtained a favorable and unappealable decision in a proceeding in which it discussed the right to exclude ICMS from the PIS and COFINS calculation basis. Additionally, the Company recognizes credits arising from the non-cumulative regime, arising mainly from the acquisition of merchandises, acquisition of services and inputs considered relevant and essential to the sale of products and provision of services.

(d) Social security credits related to overpayments made in previous periods.

8. DEFERRED TAXES

a) Composition of temporary differences and tax loss

	09/30/2020	12/31/2019
Tax loss	120,495	109,860
Capitalization of interest	(6,697)	(7,216)
Fair value of the derivative financial instruments	(3,845)	(4,065)
Fair value of the financial liabilities	82	(770)
Provision for closure of stores	2,827	4,413
Provision for performance of inventories	12,846	9,449
Provision for reduction to recoverable value of goodwill	6,543	6,543
Profit sharing	1,845	1,805
Leases	23,925	15,810
Expected credit losses	7,680	7,194
Contingency provisions	9,074	7,224
Present value adjustment	4,555	2,728
Other provisions	13,804	12,187
Total	193,134	165,162

b) Reconciliation of effective rate

(All amounts in thousands of Reais unless otherwise stated)

	09/30/2020	09/30/2019
Profit (Loss) before income tax and social contribution [A]	30,528	(43,094)
Combined tax rate [B]	34%	34%
IR/CSLL by combined tax rate [A]*[B]=[C]	(10,380)	14,652
Effect of permanent additions: [D]	(385)	(4,465)
Other permanent additions	(385)	(4,465)
Effect of permanent exclusions: [E]	113,184	129,141
Background information for investment	80,183	128,908
Equity accounting	933	233
IPO costs	32,068	-
IR/CSLL deferred on not incorporated tax loss [F]	-	(27,242)
IR/CSLL in result [C] + ([D] + [E])*34% + [F] = [G]	27,972	29,800
Effective rate [G]/[A]	91.6%	(69.1%)

c) *Expectation of realization*

The Company, based on projections made and approved by Management, in respect to the estimate of future taxable income, recognized tax credits on tax losses, negative base of social contribution and temporary differences, which have no statutory period and whose offset is limited to 30% of annual taxable income.

The recovery of the value of deferred taxes is reviewed annually. Exceptionally, due to the pandemic of COVID-19, the Company reviewed the recoverability of the balances and did not identify the need for adjustments.

The estimates are related to the Company's ability to obtain the expected results, considering certain economic aspects and of the market where it operates. The results can differ from the estimates, in case the projected conditions are not confirmed. In accordance with the projections made, the balance of deferred taxes will be recovered following the schedule below.

d) *Differentiated unrecognized tax asset*

The Considering the expected realization of deferred tax assets, resulting from projections of future taxable profits, the Company did not recognize the amount of R$ 41,247 of deferred tax assets, on tax loss and negative social contribution basis.

Years	09/30/2020	12/31/2019
2020	150	-
2021	6,741	-
2022	17,491	5,913
2023	26,767	15,730
2024	38,369	23,166
2025	54,762	27,315

(All amounts in thousands of Reais unless otherwise stated)

After 2025	48,854	93,038
	193,134	165,162

The Company assessed the impacts of IFRIC 23 (ITG 22) – Uncertainties related to the handling of taxes on income, concluding that its effects are not relevant so far.

9. RELATED PARTIES

		09/30/2020			12/31/2019		
Related parties	Transaction nature	Asset	Liability	Result	Asset	Liability	Result
Outher accounts receivable							
Dupar Participações (a)	Other credits	-	-	-	4,835	-	-
Suppliers							
Biomatika (d)	Purchase of products	-	491	-	-	740	-
e-Pharma (c)	Provision of services	186	-	(1,138)	-	2,431	(1,776)
L'auto Cargo (e)	Freight of merchandises	-	5,640	(82,604)	-	3,247	(97,897)
Liabilities Collection							
Pague Menos Gerenciadora (b)	Provision of services	-	-	-	12	-	(350)
Leases							
Renda Participações(a)	Property rentals	-	900	(8,964)	3	649	(7,599)
Dupar Participações (a)	Property rentals	-	6,039	(69,708)	6,571	-	(60,160)
Prospar Participações(a)	Property rentals	-	102	(1,285)	-	88	(1,047)
Total		186	13,172	(163,699)	11,421	7,155	(168,829)

a) Renda Participações S.A., Dupar Participações S.A. and Prospar Participações S.A., companies under common control, manage their own and third parties' immovable properties. The company is a tenant in 360 immovable properties, where part of our stores hold their operations. The rental values are calculated over the monthly invoicing of the stores. For the immovable properties occupied by the Management, Call Center and Logistics Center, fixed rentals are charged.

b) Pague Menos Gerenciadora de Serviços Ltda. – Company under common control, currently inactive, operates as bank correspondent, as established by the National Monetary Council - CMN and regulated by the Central Bank of Brazil – BACEN.

c) ePharma PBM do Brasil S.A. – Health Medicine Benefit Program, investee of the Company, has as the main purpose the development and provision of services of pharmaceutical and health assistance management, providing knowledge and technological tools for its implementation and operation. The Company has significant influence in this investee, but has no control. Thus, the commercial practices carried out are comparable to those practiced by other market players.

d) Biomatika Indústria e Comércio de Products Naturais S.A, company under common control, has as the main purpose the processing of cosmetics, perfumery, and personal hygiene products. The agreement between the parties establishes the production of products with the trade mark Pague Menos. The sale margin obtained on these products is higher than that obtained from other suppliers due to the lower level of advertising, bonuses, among others.

e) L'auto Cargo Transportes Rodoviário S.A., company under common control, has as the main purpose the transport of goods in general by road. All freights transport contracts are subject to quotation procedure and the best technical (service level) and commercial offer is chosen.

The related-party transactions were carried out considering analyses made by Management for each operation, not different from the regular market practices.

i) Management compensation

(All amounts in thousands of Reais unless otherwise stated)

The total Management and the Board of Directors compensation totaled R$14,714 in the period ended September 30, 2020 (R$7,274 on September 30, 2019), not including the social security charges of the Company's responsibility. The Company has no policy on post-employment benefits.

ii) Collaterals, sureties and guarantees from related parties

Guarantor related party	09/30/2020	12/31/2019
Sureties/guarantee and joint debtor	1,194,429	1,153,204
Individuals (shareholders)	417,095	443,530
Dupar Participações S.A.	777,334	709,674
Real estate properties	52,183	72,233
Dupar Participações S.A.	52,183	72,233

There is no compensation paid due to the collaterals and guarantees described above.

10. INVESTMENTS

	09/30//2020	12/31/2019
e-Pharma PBM do Brasil S.A.	7,823	7,695
Goodwill in investment acquisition	81,838	81,838
(-) Losses for reduction to the recoverable value	(19,243)	(19,243)
	70,418	70,290

Changes in investment

	09/30/2020	12/31/2019
Opening balance on January 1	70,290	70,645
Dividend distribution	(166)	(861)
Interest on capital receivable	(639)	-
Equity pick-up	933	506
Final balance on September 30	70,418	70,290

Information on the investee

On December 28, 2015, the Company acquired 26.21% of the shares of e-Pharma PBM do Brasil S.A., for a total of R$90,000, whose net equity corresponded to R$8,162, consequently, goodwill based on the expected future profitability of R$81,838. The core business of e-Pharma PBM do Brasil S.A. is represented by the management of medicine benefit programs.

On March 20, 2020, the stock option plan for the members of the Board of Directors and the Executive Board was presented in the Minutes of the Ordinary and Extraordinary Shareholders' Meeting, in view of this option and realization by other shareholders, the modification occurred the percentage of the Company's shares in the investee, from 26.21% to 26.18%.

(All amounts in thousands of Reais unless otherwise stated)

11. PROPERTY AND EQUIPAMENT

	Rate p.y.	09/30/2020 Cost	Depreciation	Net	12/31/2019 Cost	Depreciation	Net
Construction in progress	-	4,128	-	4,128	4,209	-	4,209
Transitory of Fixed Assets		1,098	-	1,098	81	-	81
Improvements in third party's real estate	(i)	736,974	(349,995)	386,979	737,299	(319,699)	417,600
Facilities	10%	90,204	(39,634)	50,570	89,124	(34,100)	55,024
Machines and equipment	10%	97,230	(56,343)	40,887	96,141	(49,880)	46,261
Furniture and fixtures	10%	96,179	(41,327)	54,852	95,391	(34,421)	60,970
Vehicles	20%	355	(355)	-	2,601	(2,592)	9
Computer equipment	10%	58,183	(49,916)	8,267	57,713	(47,189)	10,524
Advances to suppliers		134	-	134	-	-	-
Provision for closure of stores	-	(26,440)	18,583	(7,857)	(40,171)	27,647	(12,524)
Total		1,058,045	(518,987)	539,058	1,042,388	(460,234)	582,154

(i) The depreciation of improvements is calculated according to the term of each lease agreement, which ranges from 5 to 25 years, reaching an average depreciation rate of 6% p.y.

a) *Changes in the nine-month period ended September 30, 2020*

	12/31/2019	Acquisitions	Write-offs	Depreciation	Transfers	09/30/2020
Construction in progress	4,209	3,349	-	-	(3,430)	4,128
Transitory of Fixed Assets	81	1,017	-	-	-	1,098
Improvements in third party's real estate	417,600	3,212	(2,561)	(34,217)	2,945	386,979
Facilities	55,024	2,373	(637)	(6,190)	-	50,570
Machines and equipment	46,261	970	(2)	(6,526)	184	40,887
Furniture and fixtures	60,970	725	(21)	(6,986)	164	54,852
Vehicles	9	-	-	(9)	-	-
Computer equipment	10,524	893	(2)	(3,148)	-	8,267
Advances to suppliers	-	134	-	-	-	134
Provision for closure of stores	(12,524)	-	4,667	-	-	(7,857)
Total	582,154	12,673	1,444	(57,076)	(137)	539,058

b) *Changes in the nine-month period ended September 30, 2019*

	12/31/2018	Acquisitions	Write-offs	Depreciation	Transfers	09/30/2019
Construction in progress	27,096	5,616	-	-	(17,828)	14,884
Improvements in third party's real estate	456,179	23,123	(14,154)	(35,885)	7,453	436,716
Facilities	49,420	3,295	(774)	(5,409)	1,874	48,406
Machines and equipment	48,732	3,162	(1,067)	(6,387)	2,556	46,996
Furniture and fixtures	60,279	6,123	(1,148)	(6,751)	3,782	62,285
Vehicles	73	-	(32)	(28)	-	13
Computer equipment	85,587	4,683	(319)	(5,636)	(72,302)	12,013
Advances to suppliers	585	-	(585)	-	-	-
Provision for closure of stores	(10,415)	-	486	-	-	(9,929)
Total	717,536	46,002	(17,593)	(60,096)	(74,465)	611,384

The transfer in the amount of R$ 72,834 in computer equipment, refers to the residual balance of leasing, accounted for in accordance with IAS 17, which on January 1, 2019 was reclassified to the right of use asset in accordance with NBC TG 06 (R3). The remaining transfers, in the amount of R $ 1,630 on September 30, 2019, refer to goodwill, software and websites, which were subsequently identified and reclassified to intangible assets.

(All amounts in thousands of Reais unless otherwise stated)

Provision for closure of store

The Company recognizes a provision for closure of stores, in the amount of R$7,857 on September 30, 2020 (R$12,524 at December 31, 2019). The analysis of recoverability considers the individual result of each store and the expectation of recovery of investments. The stores that fail to present sufficient results for the recovery of investment are subject to the recognition of a provision for closure of stores.

12. INTANGIBLE ASSETS

		09/30/2020			12/31/2019		
	Rate p.y.	Cost	Depreciation	Net	Cost	Depreciation	Net
Trade marks	(i)	4,289	-	4,289	4,289	-	4,289
Goodwill	(ii)	19,905	(14,263)	5,642	20,144	(12,582)	7,562
Softwares	20%	59,206	(36,902)	22,304	53,904	(30,219)	23,685
Websites	10%	67	(53)	14	112	(47)	65
Provision for closure of stores		(1,337)	880	(457)	(1,145)	691	(454)
Total		82,130	(50,338)	31,792	77,304	(42,157)	35,147

i. Balance related to the cost of acquisition of "Pague Menos" trademark in the State of Paraíba. As it is considered an intangible asset with no defined useful life, the Company assesses the recoverability assumptions annually, which remain valid.
ii. The amortization of goodwill is calculated over the term of each lease agreement of the stores, whose term ranges from 5 to 25 years, reaching an average depreciation rate of 6% p.y.

a) *Changes in the nine-month period ended September 30, 2020*

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

b) *Changes in the nine-month period ended September 30, 2019*

	12/31/2018	Acquisitions	Write-offs	Depreciation	Transfers (iii)	09/30/2019
Trade marks	4,289	-	-	-	-	4,289
Goodwill	9,216	-	(93)	(1,972)	1,001	8,152
Softwares	24,133	4,386	-	(5,925)	628	23.222
Websites	72	-	-	(5)	1	68
Provision for closure of stores	(715)	-	-	-	-	(715)
Total	36,995	4,386	(93)	(7,902)	1,630	35,016

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

(All amounts in thousands of Reais unless otherwise stated)

13. SUPPLIERS

	09/30/2020	12/31/2019
Suppliers	1,043,431	1,047,582
Forfaiting (i)	79,525	75,127
Present value adjustment (ii)	(18,057)	(22,455)
Total	1,104,899	1,100,254

i) The Company's forfaiting transactions does not significantly modify the purchasing conditions (payments, prices and negotiated terms) with suppliers, remaining as usual in the market. These operations enable suppliers to better manage their cash flow needs, to the detriment of greater intensification of commercial relations with the Company. In addition, in these transactions there are no obligations that generate expense for the Company or gain of interests shared with the financial institution.

ii) The balances of suppliers are adjusted to present value considering an average payment period between 59 and 78 days and the average funding rate. The counterpart of the adjustment to present value is inventories, being appropriated to the result according to the payment term.

a) By maturity

	09/30/2020	12/31/2019
To expire		
Between 1 to 30 days	421,329	376,557
Between 31 to 60 days	268,036	296,441
Between 61 to 90 days	142,305	134,718
Over 91 days	291,286	314,993
Total	1,122,956	1,122,709

b) Balance concentration

	09/30/2020	12/31/2019
Suppliers		
Major supplier	11%	11%
From 2nd to 25th	50%	53%
From 26th to 50th	16%	14%
Further suppliers	23%	22%
Total	100%	100%

(All amounts in thousands of Reais unless otherwise stated)

14. LOANS, FINANCING AND DEBENTURES

Bank	Type	Avarage interest rate	09/30/2020	12/31/2019
Loans				
Banco do Brasil	Working capital	118% of CDI.	163,989	160,138
Citi	Working capital - swap US$ x CDI	CDI + 1.68% p.y.	-	30,843
Itaú	Working capital - swap EU$ x CDI	CDI + 1.99% p.y.	-	98,012
Itaú	Working capital - swap US$ x CDI	CDI + 3.20% p.y.	-	56,728
Safra	Working capital - swap US$ x CDI	CDI + 1.55% p.y.	33,437	46,201
Santander	FRN	CDI + 5.30% p.y.	103,906	100,405
Santander	Working capital	CDI + 1.80% p.y.	63,266	63,253
Itaú	Working capital	CDI + 4.70% p.y.	162,787	-
Banco da Amazônia	Working capital	CDI + 3.04% p.y.	15,203	-
			542,588	555,580
Financing				
Banco do Brasil	FCO	3.50% p.y.	22,438	24,772
Banco do Nordeste do Brasil	FNE	100% da TFC	51,375	11,648
Banco do Nordeste do Brasil	FNE	3.5 p.y.	36,003	40,292
Banco do Nordeste do Brasil	FNE	10.69 p.y.	15,068	-
Banco da Amazônia	FNO	11.18% p.y.	3,704	3,786
Bradesco	Finame	3% a 3.5% p.y.	-	5
			128,588	80,503
Debentures				
4ª issuance		CDI + 1.95%	199,933	200,008
5ª issuance		CDI + 1.51%	83,746	102,897
			283,679	302,905
Gross total loans financing and debentures			954,855	938,988
Current			288,668	213,881
Non-current			666,187	725,107
Derivative instruments Safra swap x US$ (i)			(11,310)	(11,955)
Total net loans, financing and debentures			943,545	927,033

i. The Company raises funds in foreign currency in the “4131” modality, which bears pre-fixed interest, which are exempt from taxes (IOF). In order to protect the foreign exchange exposure of these operations, the Company contracted swaps linked to “4131” operations, duly matched with the same terms, rates and amounts. This instrument does not meet the criteria for “hedge accounting”. The Company uses the “fair value option” for loans in foreign currency, protected by derivative instruments. These liabilities are measured at their fair value, avoiding mismatch in accounting. Further details are disclosed in note 25.

(All amounts in thousands of Reais unless otherwise stated)

a) *Changes in loans, financing and debentures*

	09/30/2020	12/31/2019
Open balances	938,988	954,404
Financing and loans raising	224,000	779,400
Interest costs	34,854	52,745
Principal amortization	(278,807)	(807,584)
Interest amortization	(28,415)	(55,530)
Foreign exchange rates	61,713	15,096
Changes in the financial liabilities measured at fair value	2,504	2,622
Appropriation of debt issuance costs	18	(2,165)
Final balances	954,855	938,988

b) *Characteristics of the debentures*

Held on February 11, 2019, the 4th issuance of simple debentures, in the amount of R$ 200,000, maturing on February 11, 2024, remunerated by the variation of the CDI + 1.95% and on July 21, 2019, the 5th issuance of simple debentures, in the amount of R$ 100,000, maturing on January 21, 2023 and remunerated by the variation of the CDI + 1.51%.

Both issuances are not convertible into shares, unsecured, with additional personal guarantee, in a single series, for public distribution with restricted distribution efforts, pursuant to the CVM Instruction No. 476. The funds raised were used to reinforce the working capital.

c) *Expenditure schedule*

	09/30/2020
Maturities	
10/01/2020 – 09/30/2021	288,668
10/01/2021 – 09/30/2022	325,753
10/01/2022 – 09/30/2023	192,388
10/01/2023 – 09/30/2024	100,848
10/01/2024 – 09/30/2025	45,800
After 09/30/2025	1,398
Total	954,855

	12/31/2019
Maturities	
01/01/2020 – 12/31/2020	213,881
01/01/2021 – 12/31/2021	257,213
01/01/2022 – 12/31/2022	234,253
01/01/2023 – 12/31/2023	147,622
01/01/2024 – 12/31/2024	80,650
After 12/31/2024	5,369
Total	938,988

(All amounts in thousands of Reais unless otherwise stated)

d) Composition by currency

	09/30/2020	12/31/2019
In Reais - R$	921,418	707,204
In Euros - EU$	-	98,012
In U.S. dollars - US$	33,437	133,772
Total	954,855	938,988

e) Guarantees

	09/30/2020	12/31/2019
Endorsement/guarantee (Related parties – Note 9)	1,194,429	1,153,204
Credit rights conditional sale	163,531	182,141
Bank guarantees	87,620	87,620
Real estate properties	52,183	72,233
Assets conditional sale	-	497
	1,497,763	1,495,695

f) Restrictive covenants (covenants)

Financial ratios and limits are verified on a quarterly basis based on the Company's financial information until full payment of the amounts due. As of September 30, 2020, the indices were within the contractually defined limits. The Company is also in compliance with other non-financial covenants.

15. LEASES

a) *Changes in right-of-use asset in the nine-month period ended September 30, 2020*

	Real estate properties	Computer equipment	Machines and equipment	Total
Balances on December 31, 2019	1,372,706	58,773	19,203	1,450,682
Additions	200,132	8,548	22,697	231,377
Write-offs	(182,377)	(281)	(6,293)	(188,951)
Depreciation	(104,165)	(12,252)	(5,465)	(121,882)
Balances on September 30, 2020	1,286,296	54,788	30,142	1,371,226

b) *Changes in right-of-use asset in the nine-month period ended September 30, 2019*

	Real estate properties	Computer equipment	Machines and equipment	Total
Balances on Janurary 1, 2019	1,562,519	72,834	6,295	1,641,648
Remeasurement	-	(1,720)	-	(1,720)
Additions	28,916	2,213	14,445	45,574
Write-offs	(79,000)	(8)	(134)	(79,142)
Depreciation	(107,089)	(11,244)	(2,303)	(120,636)
Balances on September 30, 2019	1,405,346	62,075	18,303	1,485,724

(All amounts in thousands of Reais unless otherwise stated)

c) Changes in lease liabilities in the nine-month period ended September 30, 2020

	Real estate properties	Computer equipment	Machines and equipment	Total
Balances on December 31, 2019	1,416,350	61,030	19,679	1,497,059
Additions	200,132	8,548	22,697	231,377
Write-offs	(189,083)	(292)	(6,482)	(195,857)
Interest costs	81,996	3,719	1,413	87,128
Payments	(157,024)	(14,845)	(6,366)	(178,235)
Balances on September 30, 2020	1,352,371	58,160	30,941	1,441,472

	09/30/2020	12/31/2019
Current	171,192	164,726
Non-current	1,270,280	1,332,333

d) Changes in lease liabilities in the nine-month period ended September 30, 2019

	Real estate properties	Computer equipment	Machines and equipment	Total
Balances on Janurary 1, 2019	1,562,519	72,834	6,295	1,641,648
Remeasurement	-	(4,068)	-	(4,068)
Additions	28,916	2,213	14,444	45,573
Write-offs	(80,165)	-	(127)	(80,292)
Interests incurred	92,465	4,176	787	97,428
Payments	(163,530)	(13,642)	(2,766)	(179,938)
Balances on September 30, 2019	1,440,205	61,513	18,633	1,520,351

e) Schedule of lease liabilities

	09/30/2020
Maturities	
10/01/2020 – 09/30/2021	171,192
10/01/2021 – 09/30/2022	168,587
10/01/2022 – 09/30/2023	155,645
10/01/2023 – 09/30/2024	125,247
10/01/2024 – 09/30/2025	109,539
After 09/30/2025	711,262
Total	1,441,472

f) Credits of potential PIS and COFINS

The Company is entitled to PIS and COFINS credit in the lease agreements that adhered to NBC TG 06 (R3) upon their payments. Below we present the potential values of these taxes, considering the payments remaining from the agreements and their value adjusted to present value.

(All amounts in thousands of Reais unless otherwise stated)

	Nominal cash flow 09/30/2020	Present valuel 12/31/2019
Lease consideration	2,290,652	2,552,388
Potential PIS and COFINS (9.25%)	133,151	147,517

Part of our lease agreements do not generate the right to PIS and COFINS credits, as they are signed with individual lessors, therefore tax credit is prohibited by law.

g) *"Misleading" caused by full investment of NBC TG 06 (R3)*

In accordance with the circular letter CVM/SNC/SEP/No. 02/2019, the Company adopted as an accounting policy the requirements of *NBC TG 06 (R3)* in the measurement and remeasurement of its right-of-use, proceeding with the use of the technique of discounted cash flow without considering inflation.

In order to safeguard the reliable representation of information against the requirements of *NBC TG 06 (R3)* and to meet the guidelines of CVM's technical areas, liabilities without inflation balances, effectively accounted for (real cash flow x nominal rate), and an estimate of the inflated balances in the comparison periods (nominal cash flow x nominal rate) are provided.

	Real cash flow		Inflated cahs flow	
	09/30/2020	12/31/2019	09/30/2020	12/31/2019
Real estate properties	1,352,367	1,416,350	1,691,481	1,780,981
Computer equipment	58,163	61,030	62,008	65,733
Machines and equipment	30,942	19,679	31,914	21,163
Total	1,441,472	1,497,059	1,785,403	1,867,877

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

16. TAXES AND CONTRIBUTION PAYABLES

	09/30/2020	12/31/2019
PERT	12,076	12,431
ICMS	60,444	54,579
IRPJ/CSLL	11,976	5,495
ISS	2,271	1,126
INSS/FGTS	50,013	23,239
Other	417	495
Total	137,197	97,365
Current	125,999	86,521
Non-current	11,198	10,844

(All amounts in thousands of Reais unless otherwise stated)

17. PROVISION FOR LEGAL PROCEEDIES

a) *Account composition*

	09/30/2020	12/31/2019
Administrative	796	712
Civil	3,931	4,929
Labor	20,504	15,115
Taxes	337	492
Total	25,568	21,248

The provisions for civil contingencies are composed of lawsuits whose individual values are dispersed, mainly derived from pain, and suffering and/or property damages occurred in two situations: consumerist relations and occurrence of robberies inside our stores. Labor contingencies are formed by lawsuits whose individual amounts are also dispersed and refer substantially to resources from severance pay, related to overtime or salary differences and which may impact adjustments in other amounts such as vacations, FGTS and termination notice.

b) *Changes in the nine-month period ended September 30, 2020 and nine-month period ended September 30, 2019*

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

	12/31/2018	Additions	Write-off	Payments	12/31/2019
Administrative	758	248	(174)	(120)	712
Civil	1,629	3,602	(210)	(92)	4,929
Labor	10,034	7,685	(939)	(1,665)	15,115
Taxes	676	73	(204)	(53)	492
Total	13,097	11,608	(1,527)	(1,930)	21,248

c) *Contingent liabilities – Risk of possible loss*

On September 30, 2020, the Company was party to lawsuits classified by their legal advisors as risk of possible loss in the amount of R$ 148,321 (R$108,781 on December 31, 2019), for which no provisions had been recognized. The nature and estimates are shown below:

(All amounts in thousands of Reais unless otherwise stated)

	09/30/2020	12/31/2019
Administrative	8,560	8,063
Civil	4,950	3,568
Labor	5,848	4,852
Taxes	128,963	92,298
Total	148,321	108,781

Taxes: They refer to assessments, mostly tax, of debit entries that, in the opinion of the Company, are devoid of factual basis and, therefore, with full possibilities of cancellation.

Labor: They refer to claims arising from severance payments that, in the opinion of the Company, were fully settled at the time of resignation, thus configuring confidence in its non-admissibility.

Administrative: They refer to notifications arising from the procedures adopted at the branches, in most cases being mere mistakes in the interpretation of the standard.

Civil: They refer to the cause of moral and/or material damages, in the applicant’s opinion, suffered inside our stores. As the Company’s service policy is of total respect to the consuming public, it is understood that the interpretation is unfounded.

18. SHAREHOLDER´S EQUITY

a) Capital stock

On September 30, 2020, the Company's capital stock was R$ 1,129,651, represented by a total of 430,600,043 common shares with no par value. On December 31, 2019, the capital stock was R$ 382,727, represented by a total of 342,726,580 common shares with no par value.

On August 31, 2020, the Company's Board of Directors approved a capital increase of R$ 746,924 through the issue of 87,873,463 (eighty-seven million, eight hundred and seventy-three thousand, four hundred and sixty-three) new common shares, fixed at the issue price of R$ 8.50 (eight reais and fifty cents) per share, within the scope of the public offering for the primary distribution of Shares issued by the Company (“Offer”) carried out in Brazil, with efforts to place Shares abroad.

The price per share was fixed based on the result of the investment intention collection procedure (“Bookbuilding Procedure”) conducted by institutions that are part of the securities distribution system with institutional investors, in accordance with the provisions of article 44 of Instruction of the Brazilian Securities Exchange Commission (CVM) No. 400, of December 29, 2003, as amended, justifying the choice of the criterion for determining the price per share, in accordance with item III, paragraph 1 of article 170 of the Company Law by Shares, bearing in mind that such price did not promote an unjustified dilution of the existing shareholder base prior to the public offering of shares and that the market value of the Shares to be subscribed was determined by carrying out the Bookbuilding Procedure, which reflects the value at which Institutional investors submitted their share subscription orders in the context of the Offer.

(All amounts in thousands of Reais unless otherwise stated)

b) Capital reserve

	09/30/2020	12/31/2019
Goodwill in the issuance of shares (i)	386,650	386,650
Cost in the issuance of shares (ii)	(11,391)	(11,391)
Recognized options granted (iii)	5,833	5,412
Merger reserve	330	330
Total	381,422	381,001

i. Pursuant to Investments agreement between the Company and General Atlantic Brasil Investimentos S.A, a goodwill reserve was recognized in the issuance of shares in the amount of R$ 397,357, and in 2017 and 2018 there was a reversal of R$ 6,527 and R$ 4,180, respectively, in view of indemnity paid to the subscribing shareholders.
ii. Value related to the cost of issuance of new shares of R$ 11,391 in the operation of investment of General Atlantic Brasil Investimentos S.A.
iii. Value referent to the share-based compensation plan (see note 19). In 2020 and 2019 new granted options were recorded in the amount of R$421 and R$170, respectively.

c) Profit reserve

Legal reserve
It is recorded at the rate of 5% of the net income determined in each fiscal year up to the limit of 20% of the capital.

Tax and incentive reserve
It consists of the portion of the profit resulting from investment subsidies received by the Company, as detailed in note 21 - Government subsidy.

19. SHARE-BASED COMPESATION PLAN

Stock option plan

The Company's stock-based compensation plan was approved at the Extraordinary General Meeting held on December 28, 2015 and amended at the Extraordinary General Meeting held on July 13, 2016.

The Company's stock-based compensation plan allows eligible persons, subject to certain conditions, to acquire our shares, with a view to: (a) success and achievement of our corporate objectives; (b) align the interests of our shareholders with those of the eligible persons; (c) enable us to attract and keep eligible persons linked to our business and encourage the creation of value for our business; and (d) share risks and gains equally among shareholders, managers and employees.

The maximum number of options that can be distributed according to the share granting agreement is 1% of our capital stock, that is, 4,437,811 options as of September 30, 2020.

Each option will entitle the grantee to acquire 1 share issued by the Company, formalized through option contracts. The options may be exercised by the grantee only once in the advent of an “Exercise Event”, which means: (i) the sale to a non-shareholder of the Company of at least 50% of the total share capital of the Company plus 1 share issued by the Company, including if such sale occurs through (a) incorporation, merger, demerger or any other form of corporate restructuring of or involving the Company; or (b) a public offering of the Company, which may consist of both the issuance of new shares by the Company (primary offering) or the sale of shares issued by the Company by their respective holders (secondary offering). or (ii) an initial public offering of shares issued by the Company that (a) results in the listing and trading of shares issued by the Company in the New Market segment of Brazilian Stock Exchange B3 (Brasil, Bolsa, Balcão.) and (b) for which one or more first-tier financial institutions are contracted to operate in public distribution.

(All amounts in thousands of Reais unless otherwise stated)

The exercise price of the options granted is R$ 10.30 per share, monetarily restated according to the restatement index IGP-M from July 31, 2016 until the effective exercise of the respective options. The fair value of the option was R$ 1.72, and the calculation of its fair value was estimated based on a binomial pricing model considering the following assumptions: share price of R$ 10.30, risk-free interest rate of 6.40%, expected volatility of 21.34%, exercise price of R$ 10.30, option term of 2.25 years, and interest rate of dividend return of 1.53%. As a result of our results and projections, there was no significant variation in the fair value of the options amongst the grant dates.

The following table shows the movement of options:

	Number of options granted	Weighted average exercise price of options per share (In Reais)
Open on December 31, 2018	3,047,337	R$10.30
Granted during the period	99,174	R$10.30
Open on December 31, 2019	3,146,511	R$10.30
Granted during the period	245,146	R$10.30
Open on September 30, 2020	3,391,657	R$10.30

The exercise price was fixed at R$ 10.30, restated by the variation of restatement index IGPM since July 31, 2016. On September 30, 2020, the restated value of the exercise price was R$ 12.40 (R$ 11.90 in December 31, 2019). There were no options exercised, with prescribed rights, canceled or expired in the nine-month periods ended on September 30, 2020 and 2019. On September 30, 2020, the Company assumed that no options would be exercised due to the difference between the average value of the shares being traded and the exercise price of the options.

The expense recognized in the nine-month period ended on September 30, 2020 was R$ 421.

Restricted shares plan

The Company's Long Term Incentive Plan with Restricted Shares was approved at the Extraordinary General Meeting held on June 25, 2020, which aims to allow the granting of restricted shares to the participants selected by the Board of Directors, with intenction to: (i) attract and retain senior officers, managers and employees of the Company and its subsidiaries; (ii) granting the participants the opportunity to become shareholders of the Company, obtaining, consequently, a greater alignment of their interests with those of the Company; and (iii) to develop the Company's corporate purposes and the interests of shareholders. During the term of the Restricted Shares Plan, shares representing up to 1.5% of the Company's capital stock may be delivered to the participants.

The Board of Directors will be responsible for selecting the directors, independent members of the Board of Directors, managers and high-level employees of the Company, in favor of whom the Company grants one or more common, registered, book-entry shares with no nominal value of issue of the Company and subject to the restrictions provided for in the Restricted Shares Plan, program and/or the respective grant agreement.

(All amounts in thousands of Reais unless otherwise stated)

As of September 30, 2020, and until the date of issue of this quarterly information, no restricted shares were granted.

20. NET RESULT PER SHARE

	09/30/2020	09/30/2019
Net income (loss) per share of the period attributable to shareholders	58,500	(13,294)
Weighted average amount of shares during the period (thousand lot)	352,705	342,726
Basic and diluted share result - R$	0.166	(0.039)

21. GOVERNMENT SUBSIDY

The Company has special taxation regimes, related to the ICMS, granted by the States of Ceará, Goiás, Pernambuco and Bahia, which imply a reduction of the tax burden in these States, in contrast to the several commitments assumed by the Company. The Company has consistently met these requirements.

The Company recognized in its income for the nine-month period ended on September 30, 2020, as a reduction in cost of merchandise sold, the amount of R$ 80,183 (R$ 128,906 on September 30, 2019).

The amounts calculated from background information are treated as tax incentives and duly allocated annually to the tax incentive reserve.

22. NET REVENUE

	07/01/2020 to 09/30/2020	01/01/2020 to 09/30/2020	07/01/2019 to 09/30/2019	01/01/2019 to 09/30/2019
Sale of products	1,889,148	5,325,263	1,737,219	5,032,319
Services provided	12,488	27,904	6,601	14,930
Gross revenue	1,901,637	5,353,167	1,743,820	5,047,249
Sales taxes	(99,217)	(270,874)	(84,000)	(230,238)
Returns and deductions	(12,256)	(32,172)	(9,948)	(29,315)
Present value adjustment	(8,398)	(21,002)	(8,742)	(23,732)
Sales deductions	(119,871)	(324,048)	(102,690)	(283,285)
Net revenue	1,781,765	5,029,119	1,641,130	4,763,964

23. COSTS AND EXPENSES

a) Classified by account:

	07/01/2020 to 09/30/2020	01/01/2020 to 09/30/2020	07/01/2019 to 09/30/2019	01/01/2019 to 09/30/2019
Cost of sales	(1,238,291)	(3,483,287)	(1,129,903)	(3,273,175)
Selling expenses	(395,111)	(1,163,630)	(422,364)	(1,253,535)
General and administrative expenses	(62,889)	(157,533)	(35,430)	(128,068)
Total costs and expenses	(1,696,291)	(4,804,450)	(1,587,697)	(4,654,778)

(All amounts in thousands of Reais unless otherwise stated)

b) Classified by nature:

	07/01/2020 to 09/30/2020	01/01/2020 to 09/30/2020	07/01/2019 to 09/30/2019	01/01/2019 to 09/30/2019
Cost of sales	(1,238,291)	(3,483,287)	(1,129,903)	(3,273,175)
Personnel expenses	(268,198)	(752,827)	(257,409)	(779,088)
Rental expenses	(6,711)	(16,726)	(10,909)	(31,756)
General expenses	(120,515)	(364,102)	(126,409)	(382,125)
Depreciation and amortization	(62,576)	(187,508)	(63,067)	(188,634)
Total costs and expenses	(1,696,291)	(4,804,450)	(1,587,697)	(4,654,778)

24. FINANCIAL RESULT

	07/01/2020 to 09/30/2020	01/01/2020 to 09/30/2020	07/01/2019 to 09/30/2019	01/01/2019 to 09/30/2019
Financial income				
Financial investments income	728	955	434	1,357
Fair value adjustment of derivatives	4,816	130,446	51,723	128,228
Fair value adjustment of financial liabilities	221	1,270	2,264	2,151
Present value adjustment	6,671	19,315	7,888	22,903
Foreign exchange	6,430	24,863	16,151	70,543
Other financial income	271	1,067	24,673	26,315
Total financial income	19,137	177,916	103,133	251,497
Financial expenses				
Accrued interests	(11,961)	(34,346)	(13,652)	(38,468)
Lease interests	(28,495)	(87,128)	(31,468)	(97,430)
Fair value adjustment of derivatives	(4,172)	(71,467)	(36,834)	(125,044)
Fair value adjustment of financial liabilities	-	(3,775)	(2,682)	(2,292)
Other financial expenses	(3,173)	(18,511)	(4,563)	(17,373)
Present value adjustment	(22,117)	(72,601)	(22,806)	(68,579)
Foreign exchange	(7,079)	(86,575)	(36,887)	(88,920)
Total financial expense	(76,997)	(374,403)	(148,892)	(438,106)
Financial expenses, net	(57,860)	(196,487)	(45,759)	(186,609)

25. FINANCIAL INSTRUMENTS

a) Classification of financial instruments

The accounting balances and the fair values of financial instruments included in the statement of financial position on September 30, 2020 and December 31, 2019 are identified below:

	09/30/2020		12/31/2019	
Description	Accounting	Fair value	Accounting	Fair value
Measured at amortized cost				
Cash and Cash equivalents	214,558	214,558	121,040	121,040
Marketable securities	445,807	445,807	10,269	10,269
Accounts receivable	482,273	482,273	288,453	288,453
Suppliers	(1,104,899)	(1,104,899)	(1,100,254)	(1,100,254)
Financing and loans	(574,474)	(602,097)	(341,045)	(348,117)

(All amounts in thousands of Reais unless otherwise stated)

	09/30/2020		12/31/2019	
Description	Accounting	Fair value	Accounting	Fair value
Debentures	(283,679)	(299,108)	(302,905)	(313,121)
Financial liabilities measured at fair value through the result				
Financing and loans	(96,703)	(96,703)	(295,038)	(295,038)
Derivative financial instruments				
Derivatives (cross-currency interest rate swaps)	11,310	11,310	11,955	11,955

b) Structure and management of financial risks

<u>Credit risk</u>

Credit risk is the risk of the Company incurring losses on customers or counterparties in a financial instrument, derived from their failure to comply with their contractual obligations. The Company is exposed to the credit risk for cash and cash equivalents, financial investments, accounts receivable with credit card administrators and derivative instruments.

Cash and cash equivalents, marketable securities and derivatives

The Company has balances receivable of financial institutions, related to cash and cash equivalents, marketable securities and derivatives assets in the amount of R$ 671,675 on September, 2020 (R$143,264 on December 31, 2019), which represent your maximum credit exposure. The credit risk of balance with financial institutions is managed by the Company's Treasury in accordance with the policy established by it. These funds are kept in solid and first-line financial institutions. These balances are dispersed in these institutions in order to minimize the risk concentration and, accordingly, mitigate financial loss in case of potential default of the counterparty.

Accounts receivable with credit and debit card companies

For accounts receivable balances, credit risk is mitigated by the fact that a large part of the Company's sales are made using the credit or debit card as a means of payment, which are substantially guaranteed with credit card companies. The balance receivable from customers is dispersed, with no individual representative amounts.

Considering any risk derived from transfers from credit card companies, it is controlled through a strict process of reconciliation between billing and daily receipt.

The Company operates with first-line companies and market leaders, therefore, Management understands that such risk is low.

The balances of credit cards receivable, by maturity are as follows:

	09/30/2020	12/31/2019
To expire		
1 to 30 days	244,436	127,695
31 to 60 days	102,345	58,805
61 to 90 days	67,180	48,490
Over 90 days	48,404	41,713
Total	462,365	276,703

(All amounts in thousands of Reais unless otherwise stated)

Liquidity risk

Liquidity risk is the risk of the Company encountering difficulties in performing the obligations associated with its financial liabilities that will be settled with cash payments or with another financial asset. The Company's approach in the management of liquidity is to ensure that there is always sufficient liquidity to comply with its obligations upon maturity, under normal and stress conditions, not causing unacceptable losses or damaging the Company's reputation.

The Company closely controls its cash flow through periodic stress tests, which permits, in addition to the compliance with financial obligations, the realization of short-term operations in the financial market, to monetize cash surplus.

The contractual maturities of the main financial instruments liabilities are as follows:

On September 30, 2020	Book value	Contractual Value	1 year or less	Between 1 and 2 years	Between 2 and 5 years	Over 5 years
Suppliers (Note 13)	1,104,899	1,104,899	1,104,899	-	-	-
Leasing (Note 15)	1,441,472	1,441,472	171,530	168,587	390,431	710,924
Loans, net of derivatives (Note 14)	659,866	659,866	243,305	212,574	202,589	1,398
Debentures (Note 14)	283,679	283,679	34,053	113,178	136,448	-

On December 31, 2019	Book value	Contractual Value	1 year or less	Between 1 and 2 years	Between 2 and 5 years	Over 5 years
Suppliers (Note 13)	1,100,254	1,100,254	1,100,254	-	-	-
Leasing (Note 15)	1,497,059	1,497,059	164,727	162,143	402,782	767,407
Loans, net of derivatives (Note 14)	624,128	624,128	183,691	222,675	213,922	3,840
Debentures (Note 14)	302,905	302,905	20,084	33,172	249,649	-

Market risk

Market risk is the risk that changes in market prices, such as exchange rates, interest rates and in the prices of goods, might have impact on the Company's gains or on the value of its interests in financial instrument. Management considers that, in the context of the Company, all market risks mentioned above are mitigated and refer mainly to fluctuations in interest rates and exchange rates.

Interest rate risk

The Company seeks to diversify the raising of funds in terms of fixed or variable rates and, under given circumstances, it carries out hedge operations to lock the financial cost of the operations.

Changes in the interest rates affect both financial assets and financial liabilities of the Company. Below are the impacts of these changes in the profitability of the financial investments and in the Company's local currency indebtedness, linked to the CDI. The sensitivity of the Company's assets and financial liabilities was shown in two scenarios beyond probable.

We present a base scenario with nominal rates verified on September 30, 2020, based on the closing CDI 1.90%

(All amounts in thousands of Reais unless otherwise stated)

a.a. The probable scenario corresponds to the projection of the CDI curve, on September 30, 2020, for each contract term, according to BM&F Bovespa (maturities from October 2020 to January 2026), and the scenarios with an appreciation of 25% (Scenario I) and 50% (Scenario II) of the CDI.

Additional sensitivity analysis required by CVM

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 income or charges incurred, which in 30 September 2020 and 2019 approach market values. The risks linked to the Group's operations are linked to the variation of the CDI (Interbank Deposit Certificate).

With respect to loans and financing and debentures, they refer to operations whose registered value is close to the market value of these financial instruments. Investments with CDI are recorded at market value, according to quotations published by the respective financial institutions and the rest refer mostly to bank deposit certificates, committed debentures and investment funds, therefore, the registered value of these securities does not show difference to market value.

In order to check the sensitivity of the index to which the Group was exposed on the base date of September 30, 2020, different scenarios were defined, using the latest interest rates accumulated in the last twelve months (Scenario I), and from of this, variations of 25% (Scenario II) and 50% (Scenario III) were calculated, sensitizing the rise and fall of the indexes. For each scenario, the net position (financial income minus financial expenses) was calculated, without taking into account the tax effect. The base date used for the portfolio was September 30, 2020, projecting one year and verifying the sensitivity of the CDI index in each scenario.

	Risk (rate)	Exposure	Probable scenario	Scenario I 25%	Scenario II 50%
Financing and loans	CDI increase	541,760	1,977	8,279	11,790
Debentures	CDI increase	283,679	1,272	4,899	6,978
Marketable securities	CDI increase	362,222	(54)	(67)	(81)
Net exposure (financial result)			3,195	13,111	18,687

Considering the economic projections released by the Focus Report of the Central Bank of Brazil, corroborated by economists in the financial market, it is estimated that the interest rates measured by the CDI are close to Scenario III of the Indexers' Fall. The Company believes that the expected scenario in its estimates is the probable scenario.

Foreign currency risk

The Company has a policy of contracting hedge instruments to protect financial operations carried out in foreign currency. Such operations are carried out with the same counterparties that granted the original credit operations and in the same notional amount in order to avoid any mismatch in the positions. The Company intends to settle these agreements simultaneously with the respective loans. On September 30, 2020 the value of derivatives instruments was R$11,310 (R$11,955 on December 31, 2019).

Derivative financial instruments and financial instruments designated as hedged items were accounted for at fair value.

To measure the net impact estimated in the income, resulting from currency fluctuation risks, an analysis of the

(All amounts in thousands of Reais unless otherwise stated)

Company's exposure sensitivity to the risk of the exchange rate of the loan in foreign currency and the CDI of the swap agreement was made, considering the three scenarios below.

Financial institutions and arrangements	Risk (currency)	Exposure US$	Probable scenario	Scenario I 25%	Scenario II 50%
Foreign currency loans	Appreciation of the US$	5,885.0	-	8,359	16,718
Derivative instruments	Appreciation of the US$	(5,885.0)	-	(8,529)	(17,058)
Net exposure (financial result)				(170)	(340)

Capital management

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

The summary of leverage is shown below:

	09/30/2020	12/31/2019
Loans, financing and debentures	954,855	938,988
Derivatives	(11,310)	(11,955)
Loans, financing, and debentures, net of derivatives	943,545	927,033
(-) Cash and cash equivalents	(214,558)	(121,040)
Net debt	728,987	805,993
Shareholders' equity	1,830,365	1,024,520
Leverage ratio	0.40	0.79

Hierarchy of fair value

The table below shows financial instruments recorded at fair value and their respective hierarchies.

	09/30/2020		
Description	Level 1	Level 2	Level 3
Financing and loans measured at fair value through profit or loss	-	96,703	-
Derivative instruments - assets	-	11,310	-

	12/31/2019		
Description	Level 1	Level 2	Level 3
Financing and loans measured at fair value through profit or loss	-	295,038	-
Derivative instruments - assets	-	11,955	-

The different levels were defined as follows:

Level 1: Prices quoted in active markets for identical assets and liabilities:

(All amounts in thousands of Reais unless otherwise stated)

Level 2: Inputs, except for quoted prices, included in Level 1 which are observable for assets or liabilities, directly (prices) or indirectly (derived from prices).
Level 3: Inputs, for assets or liabilities, which are not based on observable market data (non-observable inputs).

Fair value measurement

Below is the description of valuation techniques used in the measurement of fair values of Level 2 and 3, as well as the non-observable significant inputs used.

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

This category includes loan and financing designated since their initial contracting as financial liabilities measured at fair value through profit or loss, which satisfy the classification criteria defined by NBC TG 48 - Financial instrument: Recognition and Measurement.

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

We present below the gains (losses) of loans and financing measured at fair value through profit or loss.

	09/30/2020			
Description	Book value	Fair value	Adjustment (loss)	Adjustment (gain)
Financing and loans measured at fair value through profit or loss	96,703	96,703	1,270	(3,775)

	12/31/2019			
Description	Book value	Fair value	Adjustment (loss)	Adjustment (gain)
Financing and loans measured at fair value through profit or loss	295,038	295,038	3,084	(5,706)

Derivative instruments (cross currency interest rate swaps) - measured at fair value through profit or loss

Aiming to hedge its obligations indexed to the US dollar against exchange variations, the Company carried out cross-currency interest rate swaps to exchangethe debts indexed to the US dollar to CDI.

The Company receives variable interest between 1.63% and 5.34% p.y. on the notional value in US dollar (asset portion) and paid between 1.49% and 1.97% of rate plus Interbank Deposit Certificate (CDI) on the reference value in reais on the date of contracting (liability portion). The gains and losses of these contracts are directly related to exchange variations (US dollar) and CDI, and are recorded in the result for the period, under "financial income and expenses with derivatives".

	Principal amount (R$ thousand)		Index	Rate p.y.
Flow	09/30/2020	12/31/2019		
Swap CDI vs. floating rate in US$				
Asset	11,310	12,843	US$ +	5.34%
	-	(888)	EU€ +	1.63%

(All amounts in thousands of Reais unless otherwise stated)

Fair value of derivatives	11,310	11,955

26. INSURANCE COVERAGE

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

Type	09/30/2020	12/31/2019
Maximum Limit of Contracted Guarantee	465,000	405,000
Sublimit of Civil Liability	30,000	15,000
Sublimit of Substantial Damages	74,600	46,400
Civil Liability for Directors, Officers and Managers	30,000	15,000

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A free translation from Portuguese into English of Independent Auditor's Review Report on Unaudited Interim Financial Information originally issued in Portuguese

Independent auditor's review report on quarterly information

To the Board of Directors and shareholders of
Empreendimentos Pague Menos S.A.
Fortaleza - CE

Introduction

We have reviewed the accompanying interim statement of financial information, contained in the Quarterly Information Form (ITR) of Empreendimentos Pague Menos S.A. (the "Company") for the quarter ended September 30, 2020, comprising the statement of financial position as of September 30, 2020, and the related statements of profit of loss and of comprehensive income for the three and nine-month periods then ended, and of changes in equity and of cash flows for the nine-month period then ended, including the explanatory notes.

Management is responsible for the preparation of the interim financial information in accordance with Accounting Pronouncement NBC TG 21 - Interim Financial Reporting, and IAS 34 - Interim Financial Reporting, as well as for the fair presentation of this information in conformity with the rules issued by the Brazilian Securities and Exchange Commission (CVM) applicable to the preparation of the Quarterly Information Form (ITR). Our responsibility is to express a conclusion on these interim financial statements 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 are not prepared, in all material respects, in accordance with NBC TG 21 and IAS 34 applicable to the preparation of Quarterly Information Form (ITR), and presented consistently with the rules issued by the Brazilian Securities and Exchange Commission (CVM).

Other matters

Statement of value added

The abovementioned quarterly information include the statement of value added (SVA) for the month period ended September 30, 2020, 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 the quarterly information with the objective to conclude whether they are reconciled to the interim financial information and the accounting records, as applicable, and if 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 overall interim financial information.

Fortaleza, October 29, 2020.

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

Henrique Piereck de Sá
Accountant CRC PE023398/O-3

Officers' representation on financial statements

In accordance with article 25, paragraph 1, items V and VI, of CVM Instruction480/09, the Company's officers represent that they have reviewed, discussed and agree with the quarterly information (ITR) for the quarter ended September 30, 2020.

Fortaleza, October 29, 2020.

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Mario Henrique Alves de Queirós
Chief Executive Officer

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Luiz Renato Novais
Chief Financial and Investor Relations Officer

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Marcos Ricardo Colares
Vice President of Commercial and Supply

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

____

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

____

Marcos Antonio Almeida Silva
Director of Technology Applications

Rafael Lima e Silva
Director of Expansion

Samir Mesquita Inácio
Director of Digital

Thiago da Cunha Peixoto Ladeira
Director of Operations

Officers’ Representation on Independent Auditor’s Report

In accordance with article 25, paragraph 1, items V and VI, of CVM Instruction 480/09, the Company's Officers declare that they have reviewed, discussed and agreed with the opinions expressed in the favorable Special Review Report without exceptions by the independent auditors, referring to to the quarter ended September 30, 2020.

Fortaleza, October 29, 2020.

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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

____
Marcos Ricardo Colares
Vice President of Commercial and Supply

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

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