

EARNINGS RELEASE 1Q21

 **PagueMenos**



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

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

TOP HIGHLIGHTS 1Q21

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

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

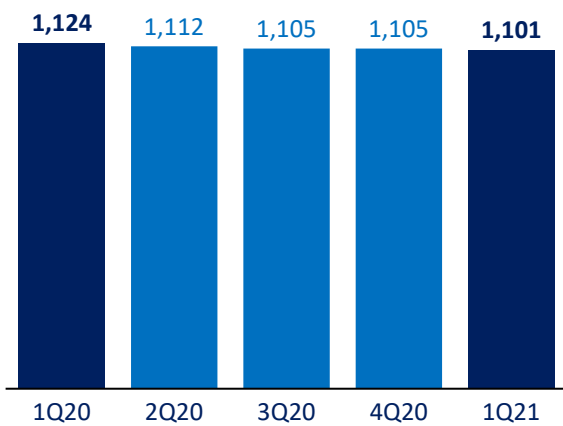
OPERATIONAL HIGHLIGHTS	1Q20	1Q21	Δ
# of Stores	1,124	1,101	(2.0%)
# of Stores with Clinic Farma	801	823	2.7%
Average Sale/store/month (R\$ thousands)	523	578	10.6%
# of clients served (thousands)	29,536	26,067	(11.7%)
Average Ticket (R\$)	59.70	73.28	22.8%
# of Employees	19,900	19,121	(3.9%)
# of Employees/store	17.7	17.4	(0.3)
% Sales Via Digital Channels	2.7%	6.1%	3.4 p.p.

STORE PORTFOLIO

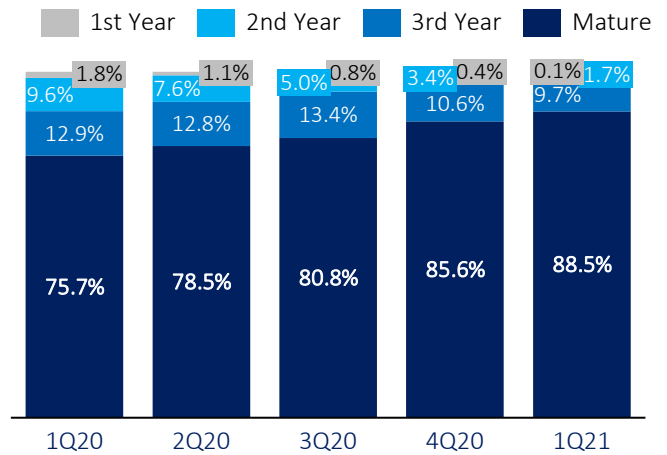
We closed 1Q21 with 1,101 stores distributed in 325 municipalities, 88.5% of which were mature stores.

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

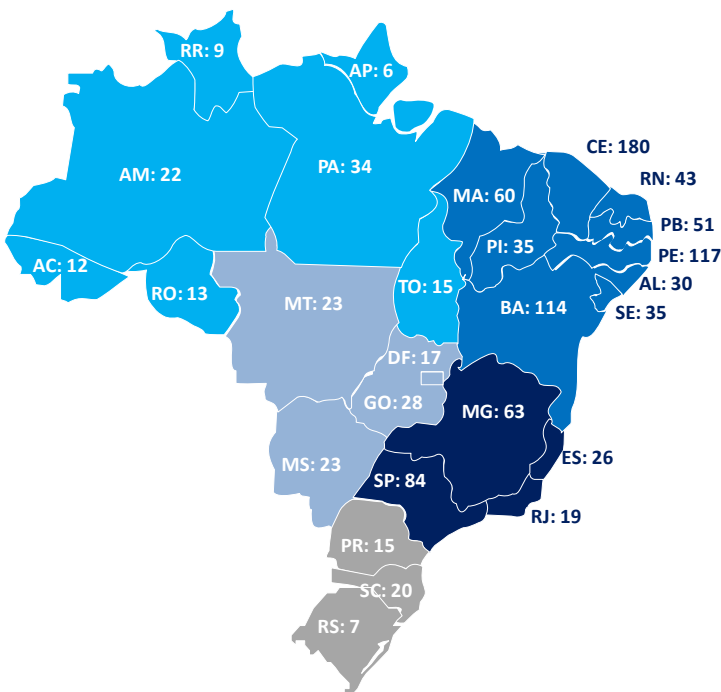
Store Base



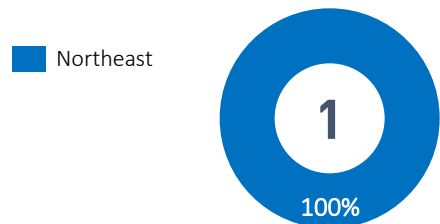
Store Age Profile



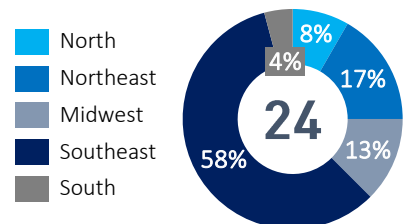
Distribution by State



Store Openings LTM*



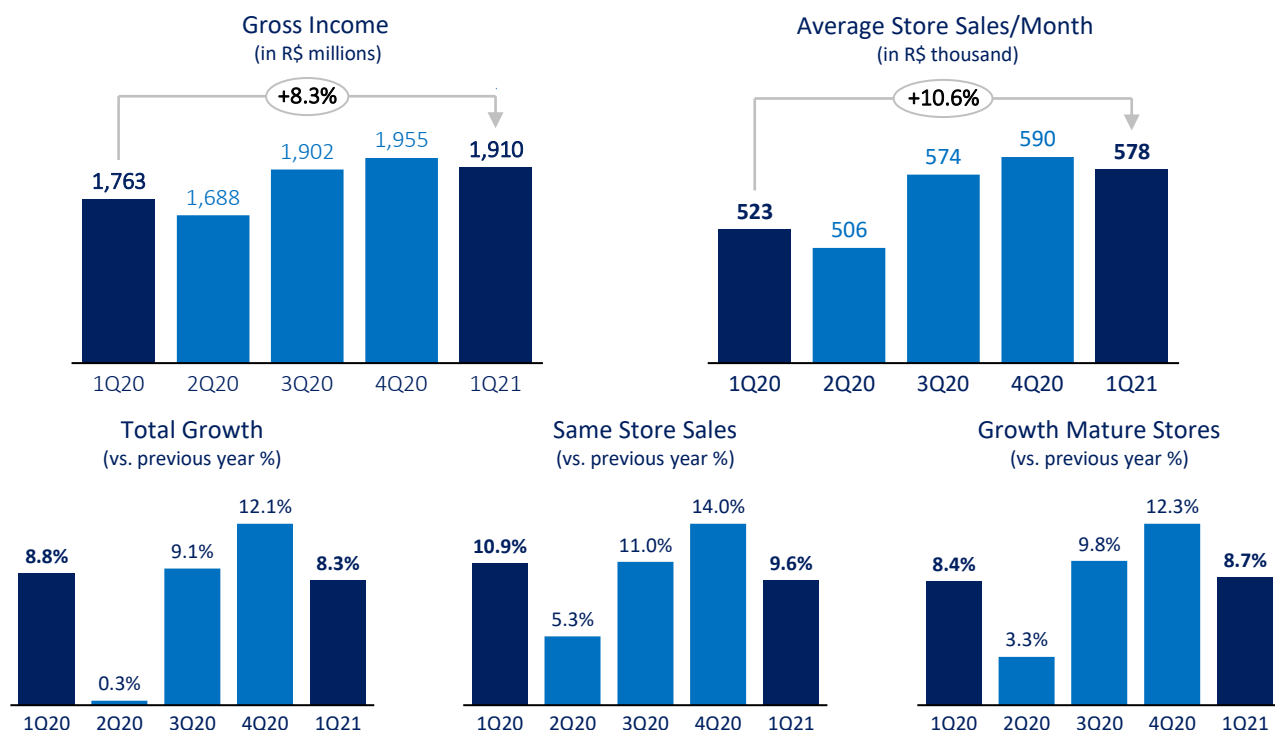
Store Closures LTM*



* LTM: last twelve months

SALES

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



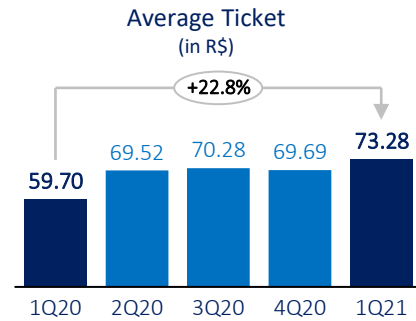
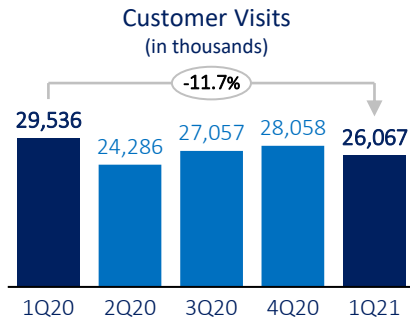
The strong pace of growth is the result of the continuous improvement of operational KPIs, channels and product categories in relation to 1Q20, such as: i) a 30% reduction in stock out; ii) increase in the assortment of items sold by 5.5%; iii) increase in the NPS of customers by 6 p.p., reaching 73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

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

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

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

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

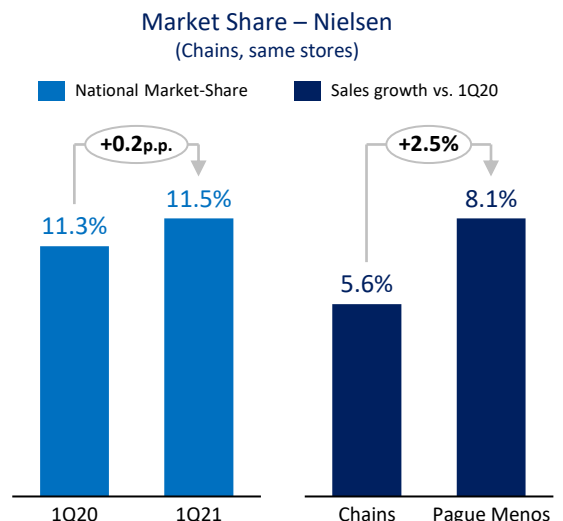
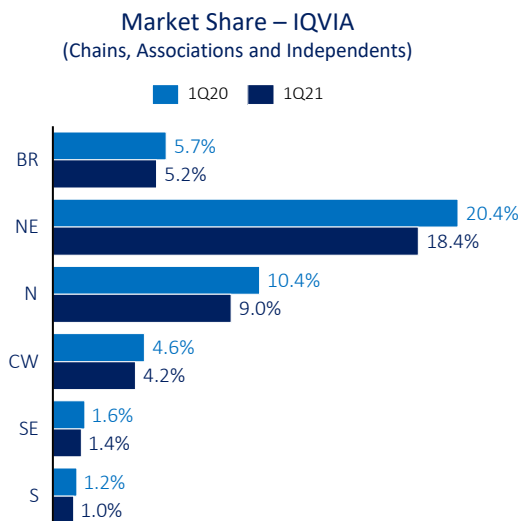


MARKET-SHARE

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

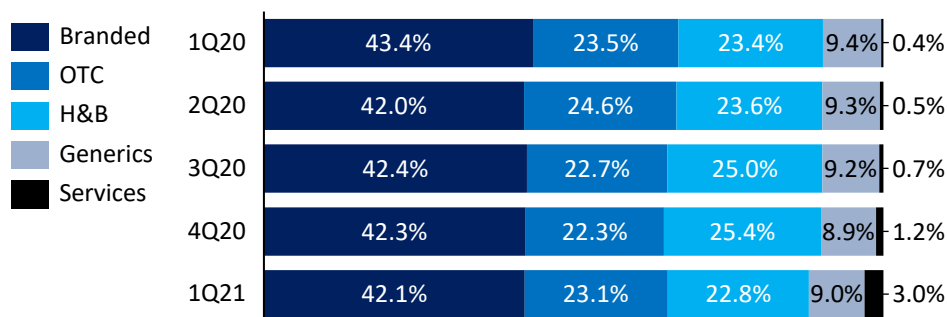
In addition, it is important to highlight that the market share reported by IQVIA for independent pharmacies and associations is calculated on the volume of sales reported by distributors (sell-in), differently from that of the large chains which is calculated on sales to the final consumer (sell-out).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

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



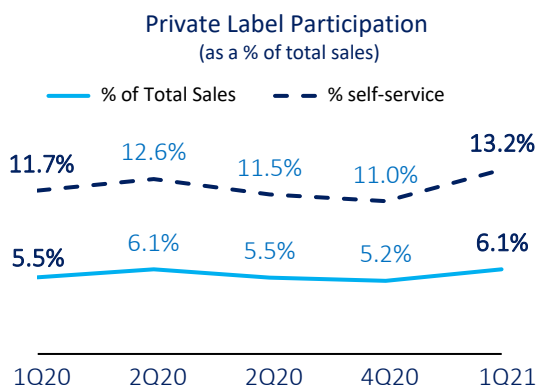
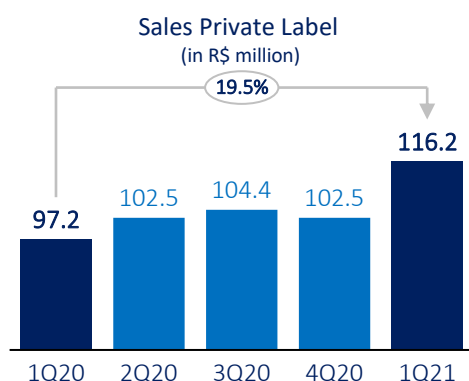
SALES MIX

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



PRIVATE LABEL

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

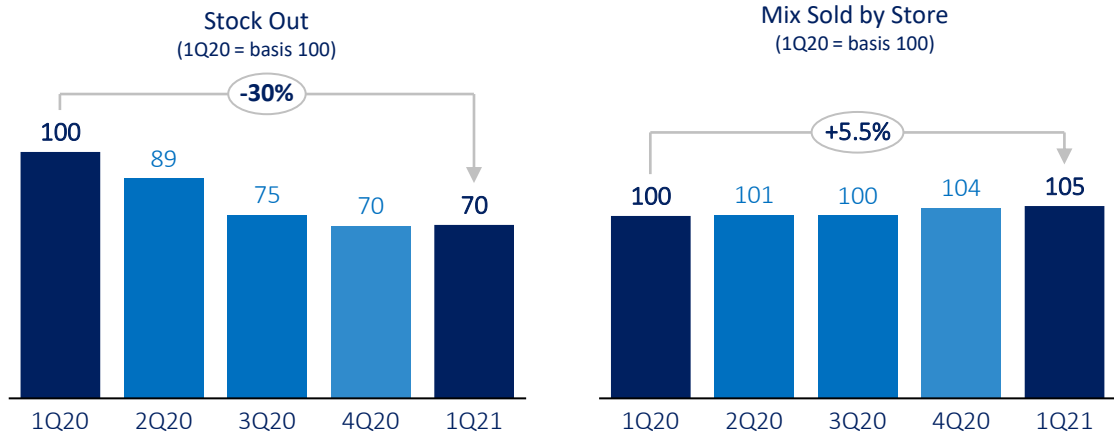


PRODUCT AVAILABILITY

We continue to improve product availability indicators in stores.

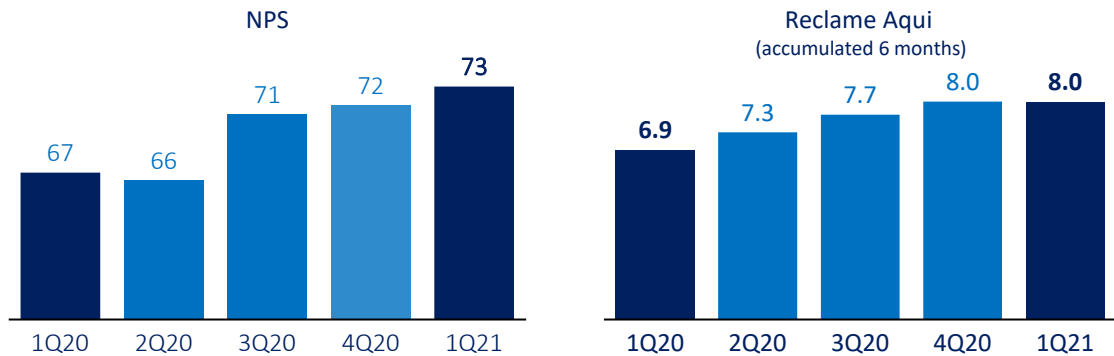
The stockout index decreased by 30% compared to 1Q20 and the number of individual products sold grew 5.5% compared to 1Q20.

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



CUSTOMER SATISFACTION

The improvement in in-store execution continued to reflect growing customer satisfaction in 1Q21. In March/21, we won, for the first time ever, the RA1000 seal on the *Reclame Aqui* online complaint platform, a certification that recognizes companies with the best level of service on the platform. The NPS¹, the principal and most comprehensive metric of level of service, remained at a level of excellence, reaching 73 points in 1Q21, up 1p.p. from 4Q20 and 6p.p. in relation to 1Q20.



HEALTH HUB

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

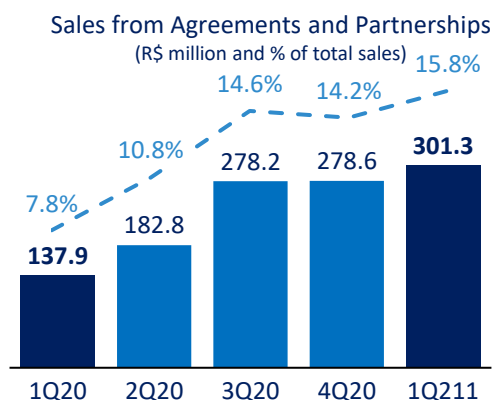
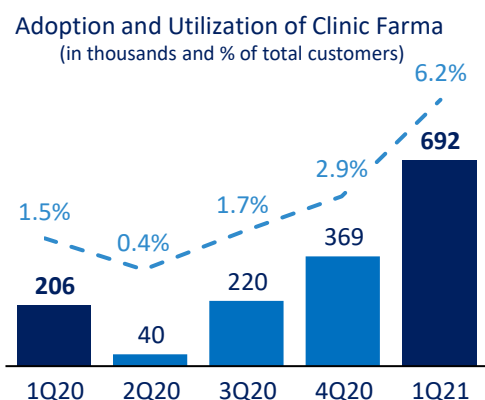
Clinic Farma, the cornerstone of our Health Hub, reached an all-time high of 692,000 clients served in the quarter, leveraged by the record application of more than 500,000 Covid-19 tests during the period. One out of every five Covid-19 tests applied in Abrafarma member pharmacies was applied by Pague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

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

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

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

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



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

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

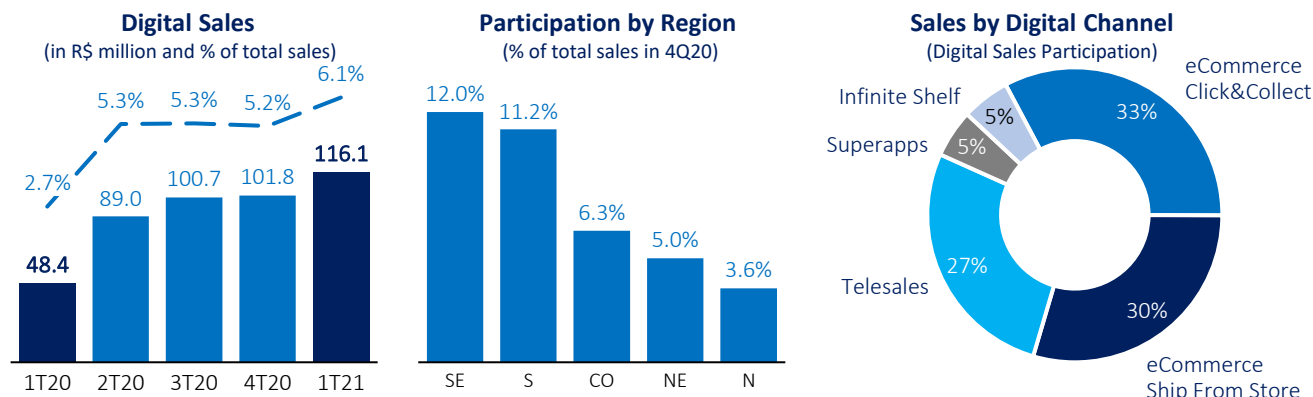
In May, our Health Hub will be enhanced with the launch of an innovative product, **the Sempre Bem (Always Well) Club**. The product is a benefits club, developed in partnership with TEM Saúde Memorial International and e-Pharma, through which our customers will have access to discount plans in an accredited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

OMNICHANNEL PLATFORM

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

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

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



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

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

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

PLATFORM CONTENT AND CRM

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

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

TECHNOLOGY AND TRANSFORMATION

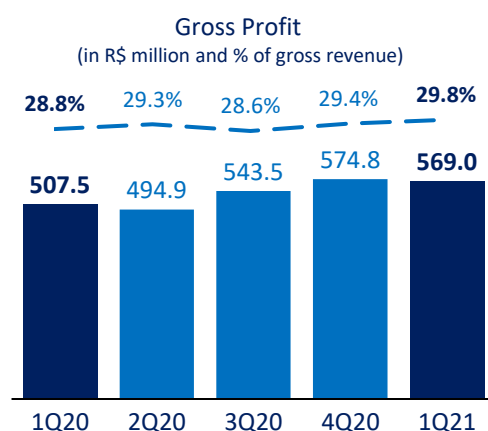
During 1Q21 we continued to develop an increasingly agile culture, with which we prepared the technology area to support the current growth of the company. Today we operate with 12 product squads - such as Infinite Shelf, Sales Panel and Click and Collect, among others - giving greater depth and agility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

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

GROSS PROFIT

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

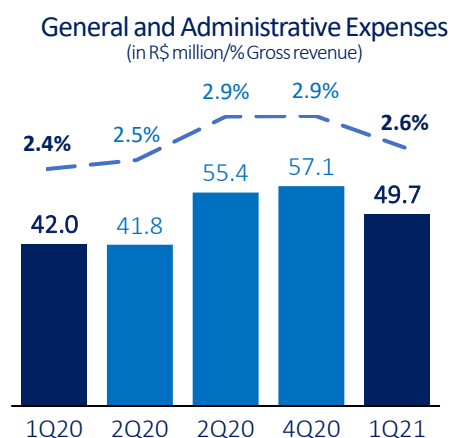
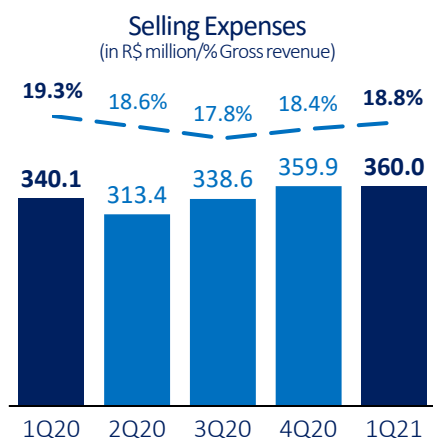
It is important to highlight that, even with the margin expansion observed in recent quarters, we continue to be leaders in price perception in the main markets in which we operate, especially in the key categories of continuous use medicines.



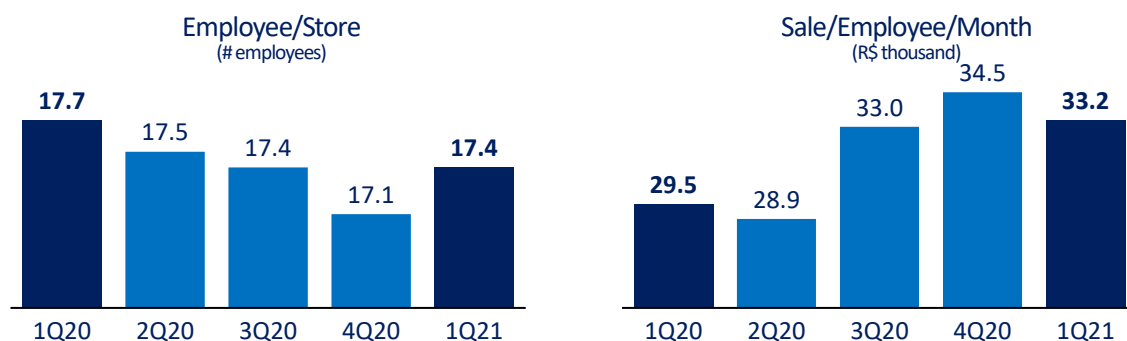
SELLING, GENERAL AND ADMINISTRATIVE EXPENSES

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

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

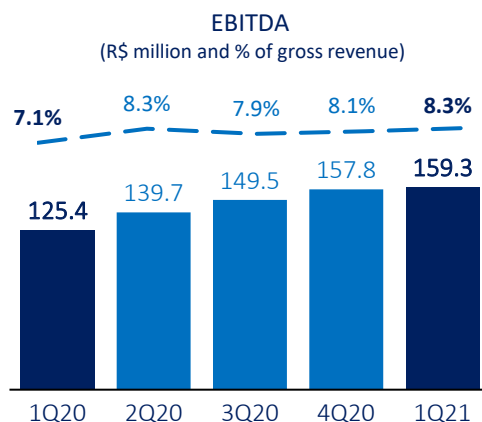


We closed 1Q21 with an average of 17.4 employees per store, 0.3 lower than 1Q20 and 0.3 higher than 4Q20. The increase over the previous quarter is justified by the increase in the number of employees in support areas for store operations, such as the Call Center. The average sales per employee remained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



EBITDA

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

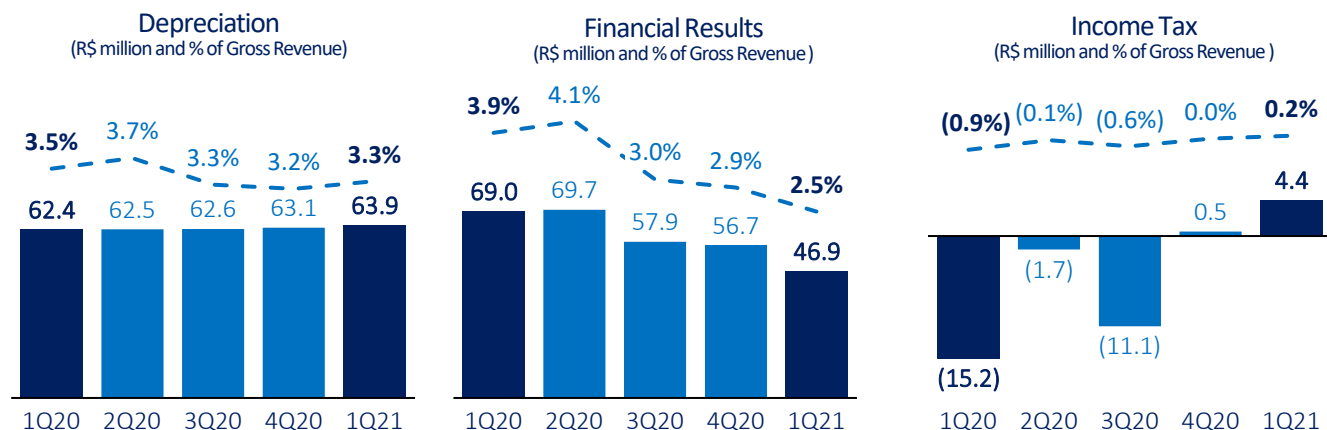


DEPRECIATION, NET FINANCIAL EXPENSES AND INCOME TAX

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

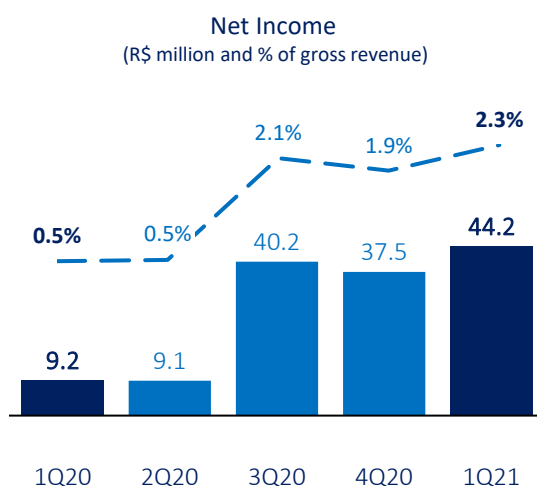
Financial results totaled net expenses of R\$ 46.9 million in the quarter, down 32.0% from 1Q20 and 17.3% compared to 4Q20. The savings were generated mainly by the reduction of gross debt, reduction in the cost of debt service and deleveraging of the Company.

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



NET INCOME

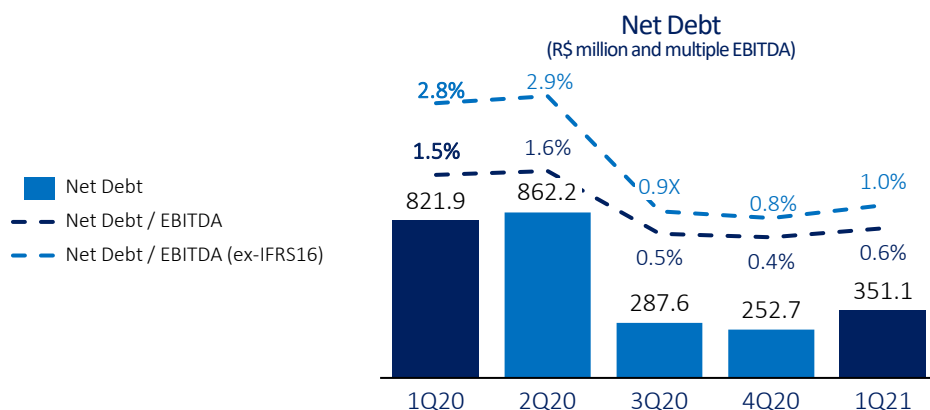
We closed 1Q21 with net income of R\$ 44.2 million, a very positive result for the beginning of the year, which typically has a weaker seasonality. The result represented a significant growth of 380% in relation to 1Q20, with net margin growing 1.8p.p. and reaching 2.3%.



DEBT

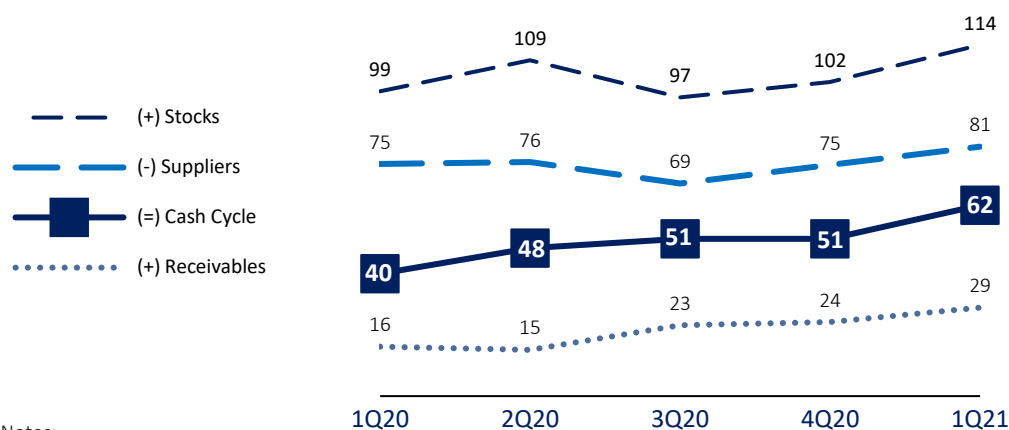
Gross debt, at the end of 1Q21, totaled R\$ 829.3 million, down 5.0% from 4Q20 and 8.3% lower than 1Q20. In addition to the reduction in indebtedness, we continue to optimize financing lines, with reduced average cost of debt and lengthening of repayment terms, which directly reflected in savings in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

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



CASH CYCLE

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



Notes:

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

INVESTMENTS

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

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

CASH FLOW

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

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

EBITDA RECONCILIATION

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

INDEPENDENT AUDITORS

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

CORPORATE, SOCIAL AND ENVIRONMENTAL RESPONSIBILITY (ESG)

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

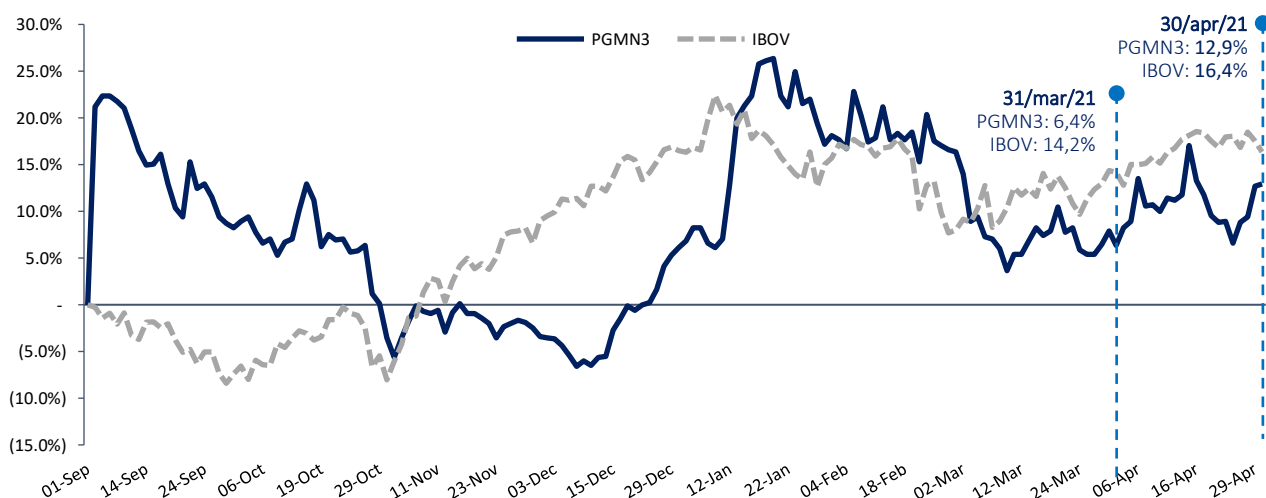
We continue to advance in the transition of our energy matrix, expanding, during the quarter, the supplying of solar energy to the stores in the states of Rio Grande do Norte and Rio Grande do Sul. At the end of 1Q21, stores in 8 different states, representing 37.5% of total stores, were supplied by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

UP Farma, our corporate university, launched at the end of 2020, has partnered with Kroton, one of the largest educational groups in the world, to promote educational inclusion by offering undergraduate scholarships to 100% of our employees and their dependents. The partnership also includes training classes in several in-person, partially in-person, and EAD courses, such as an undergraduate pharmacy course aimed at helping "Store Managers" become "Manager Pharmacists", significantly increasing the retention, operational qualification and engagement of these employees. Also, in 1Q21, we launched the first DEVOPs² training class, which will contribute to accelerating our digital transformation process and ensure the execution of an extensive roadmap of innovation and technology projects planned for the coming years.

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

CAPITAL MARKETS

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



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

FINANCIAL STATEMENT FOR THE PERIOD

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

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

BALANCE SHEET

Balance Sheet (R\$ million)	IFRS16		
	31/12/20	31/03/21	Δ
Total Assets	5,753.8	5,751.9	(0.0%)
Current Assets	3,147.4	3,195.4	1.5%
Cash and Cash Equivalents	589.1	478.2	(18.8%)
Financial Investments	30.9	-	(100.0%)
Accounts Receivable	522.9	589.5	12.7%
Inventory	1,702.1	1,799.1	5.7%
Taxes to Recover	198.3	189.6	(4.4%)
Other Current Assets	104.1	139.0	33.6%
Non-Current Assets	2,606.4	2,556.6	(1.9%)
Long-Term Realizable Assets	611.5	593.0	(3.0%)
Investments	70.8	71.2	0.5%
Fixed Assets	541.3	540.3	(0.2%)
Rights of use under lease	1,344.9	1,313.8	(2.3%)
Intangible Assets	37.9	38.2	1.0%
Total Liabilities	5,753.8	5,707.8	(0.8%)
Current Liabilities	1,889.1	1,910.5	1.1%
Social and Labor Obligations	89.2	112.3	25.8%
Suppliers	1,244.5	1,250.1	0.5%
Tax Obligations	106.4	106.1	(0.2%)
Loans, Financing and Debentures	241.6	232.7	(3.7%)
Other Obligations	35.1	36.1	2.8%
Leasing	172.3	173.1	0.5%
Long Term Liabilities	1,923.8	1,865.3	(3.0%)
Loans, Financing and Debentures	636.8	600.5	(5.7%)
Other Obligations	8.2	8.1	(1.5%)
Leasing	1,251.5	1,228.2	(1.9%)
Provisions	27.2	28.5	4.5%
Net Equity	1,940.9	1,932.0	(0.5%)
Realized Share Capital	1,200.7	1,199.5	(0.1%)
Capital Reserves	383.4	386.2	0.7%
Profit Reserves	356.8	356.8	0.0%
Treasury Stocks	-	(10.4)	-
Accrued Income	-	44.2	-

GLOSSÁRIO

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

EARNINGS CONFERENCE CALL

Conference Call in Portuguese

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



Enter in Portuguese



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



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

Conference Call in English (simultaneous translation)

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



Enter in English



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



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

 **PagueMenos** 40anos

