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

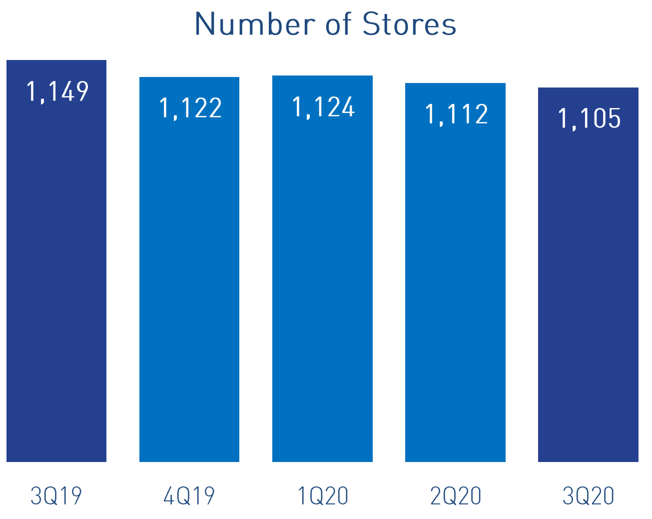
CEO

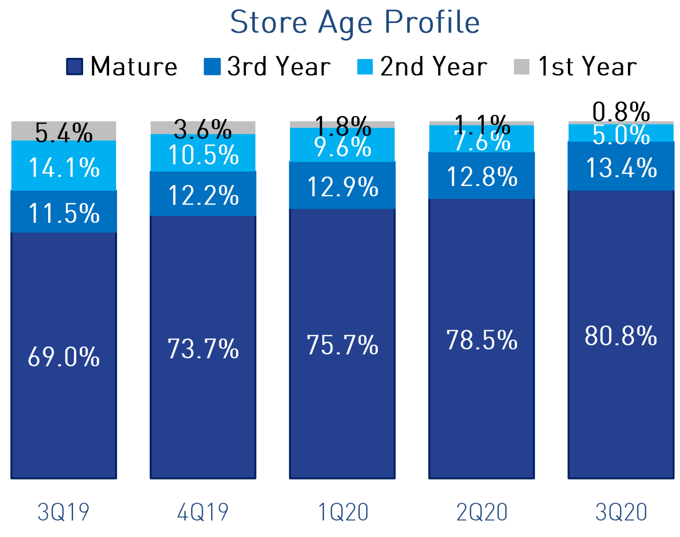
STORE PORTFOLIO

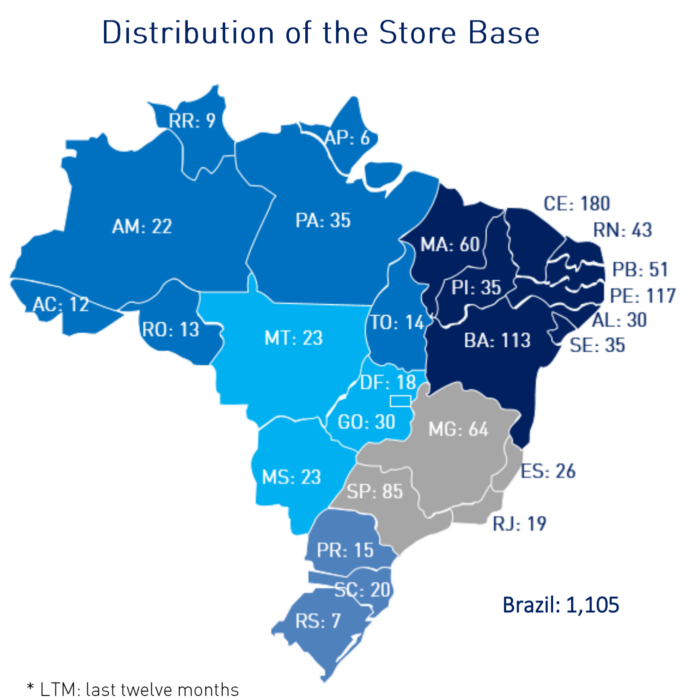
At the end of 3Q20, the store base was 1,105 units, distributed in 327 municipalities. Over the last 3 years, we have undertaken a profound process of store portfolio optimization, making it more efficient for the purpose of serving our target audience: the expanded middle class (Classes B2/C/D). Currently,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

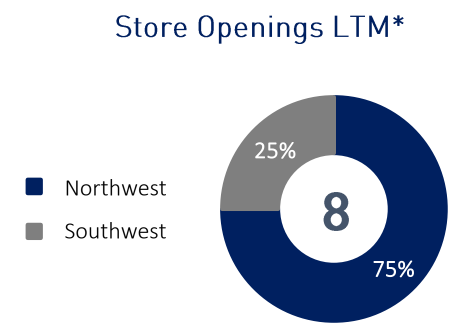
The optimization of the store portfolio also led to an increase in the density index, measured by the ratio between the number of stores and the number of municipalities in which we are present. In 2016, this index was 2.8 stores per municipality, rising to 3.4 stores in 3Q20. With these actions to rationalize 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%.

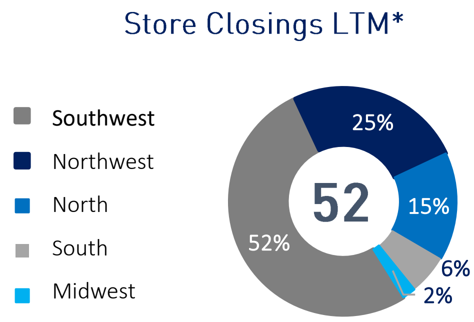
The evolution of the number of stores, age profile and regional distribution of the base are presented below.









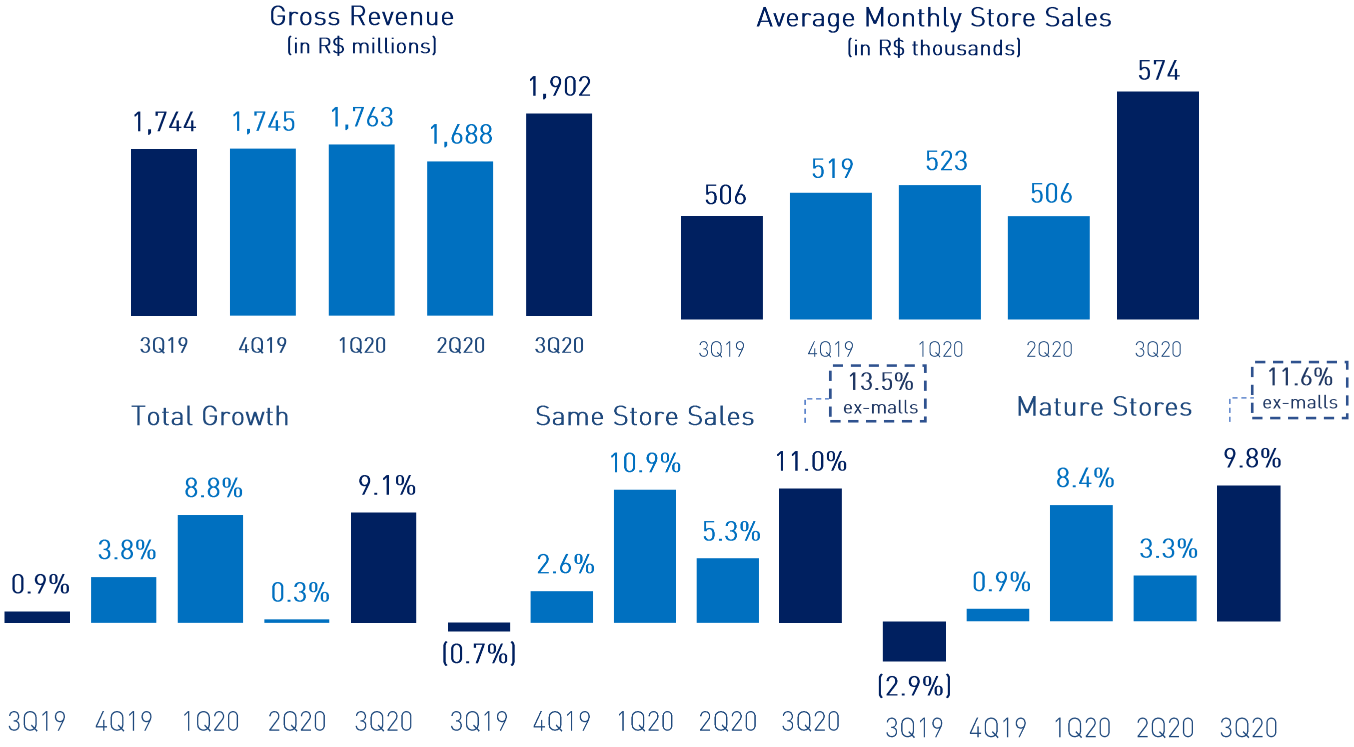


* LTM: last twelve months

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

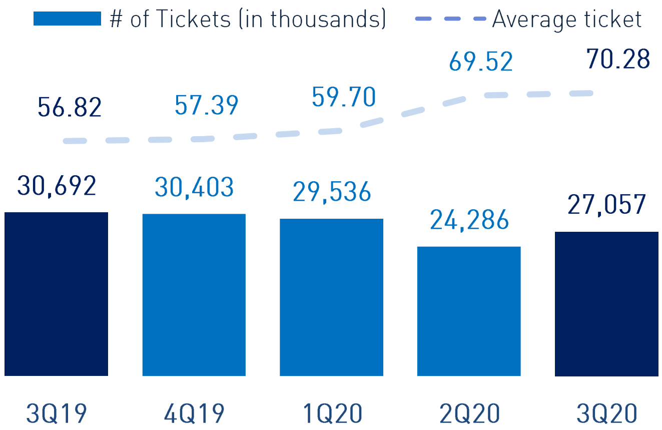
Total sales grew 9.1% in 3Q20, with growth in average monthly sales per store of 13.4%, a significant acceleration over previous quarters. The same store growth was 11.0% with 9.8% in mature stores, disregarding 12 stores that were temporarily closed[1]. Stores located in malls, reopened after the lockdown 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.

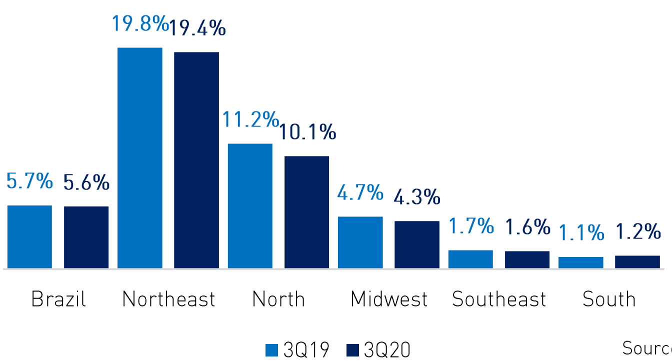
[1] Same stores considers stores open for more than twelve months, excludes stores temporarily closed with duration of more than seven calendar days and considers the sales through digital channels, delivered by stores. Including stores temporarily closed on this basis, the same store growth of 1Q20,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

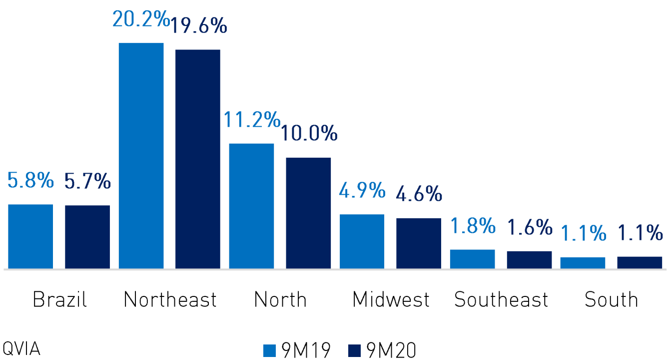
During 3Q20, we observed the ongoing change of habits observed since the beginning of the pandemic and due to social isolation measures, with the reduction in customer traffic in stores and a significant increase in the average ticket.



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.





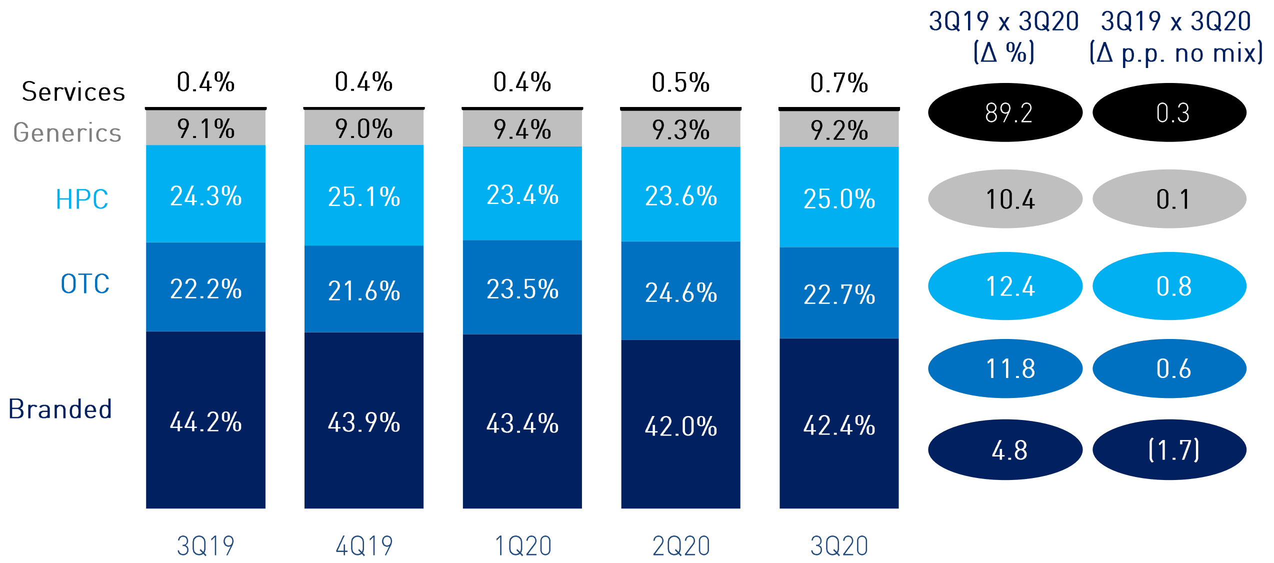
Source: IQVIA

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.

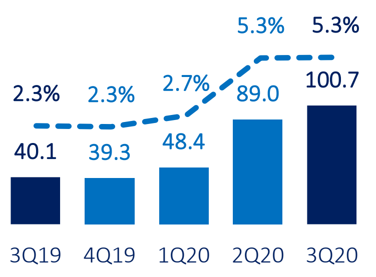
The specialty drugs segment continues to develop rapidly, representing an important avenue of growth for the coming years. Although we are still in the stage of structuring this vertical, registering products, establishing partnerships with suppliers and developing delivery channels, this business is 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.

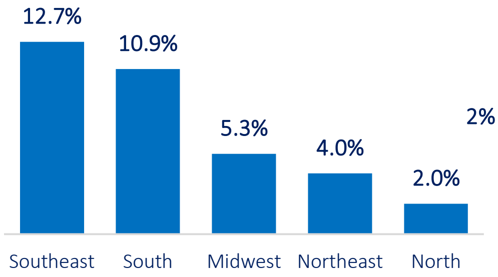
OMNICHANNEL PLATFORM

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.

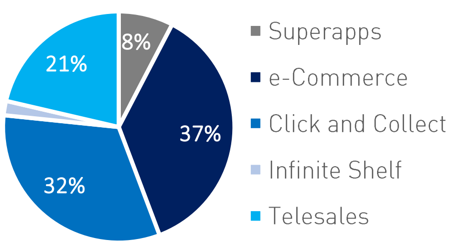
Digital Sales
(R$ million / % of total sales)



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.

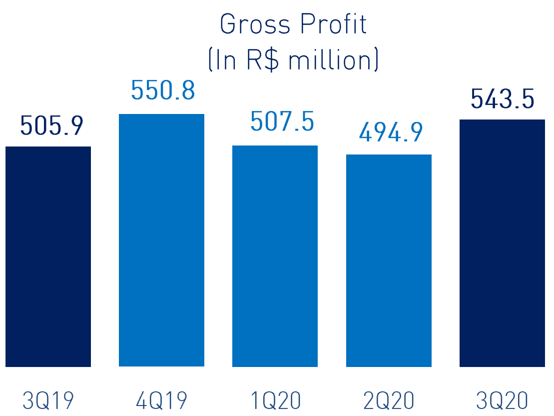
Pague Menos is one of NINNA's sponsors, an innovation hub focused on assisting disruptive startups on the health, retail and financial services segments. In September we hosted the first Fast Dating Pague Menos, an event created to get us closer to startups, opening our doors for innovative ideas and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

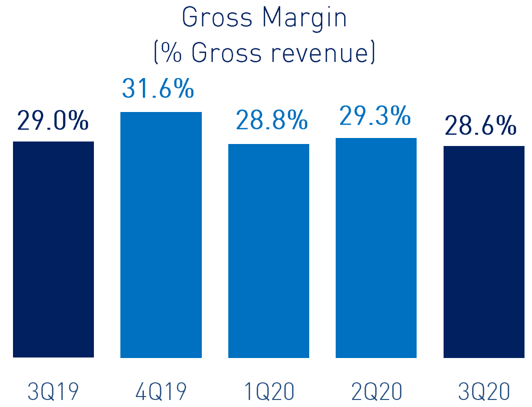
We are constantly working to advance our agenda of innovations, digitalization and omnichannel strategy, always focusing on improving our customer experience, and with that the loyalty to our Health Hub.

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.

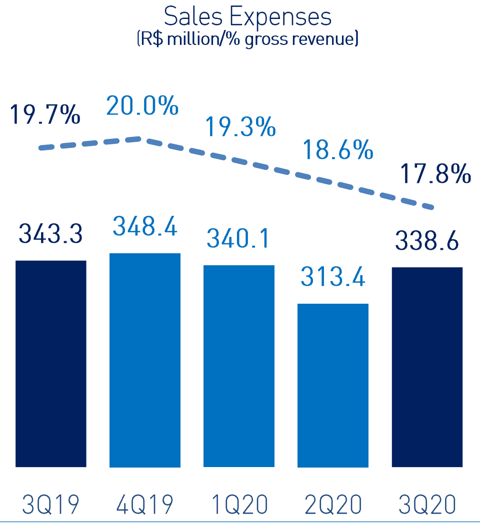


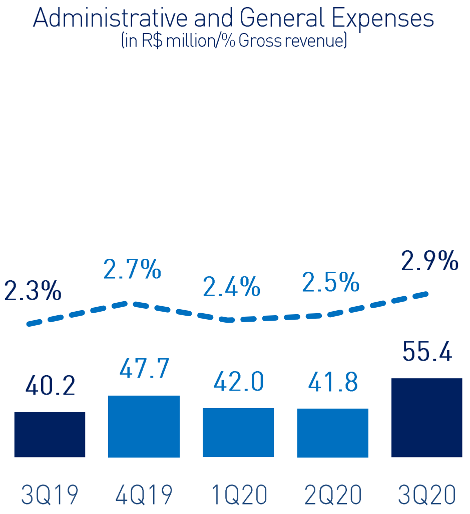


SELLING, GENERAL AND ADMINISTRATIVE EXPENSES

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.

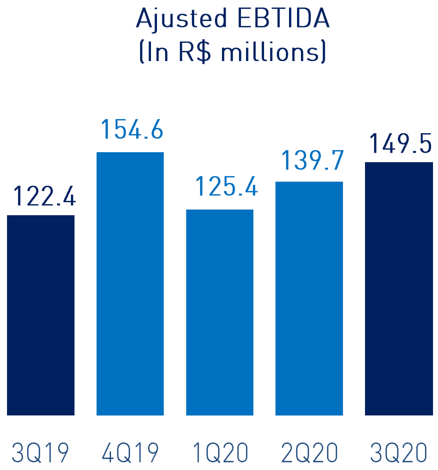
General and administrative expenses totaled R$ 55.4 million in 3Q20, equivalent to 2.9% of gross revenue, an increase of 0.6 p.p. compared to 3Q19. The increase in administrative expenses reflects the implementation of the new Restricted Stock Plan for the company's management, in order to increase retention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

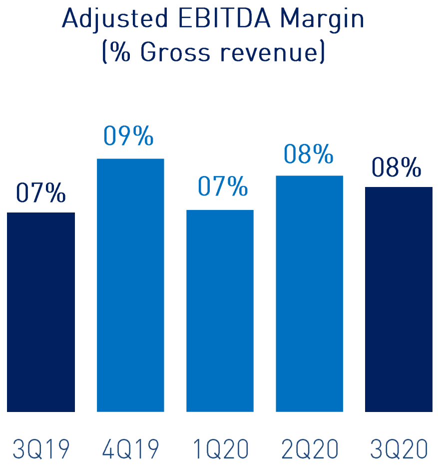




ADJUSTED EBITDA

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.



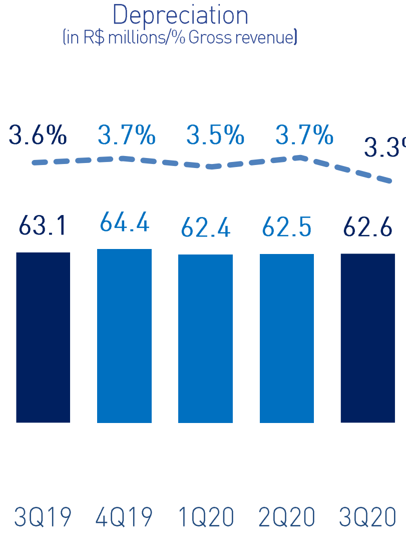


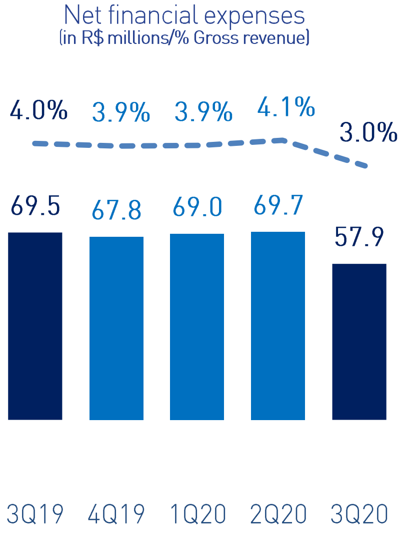
DEPRECIATION, NET FINANCIAL EXPENSES AND INCOME TAX

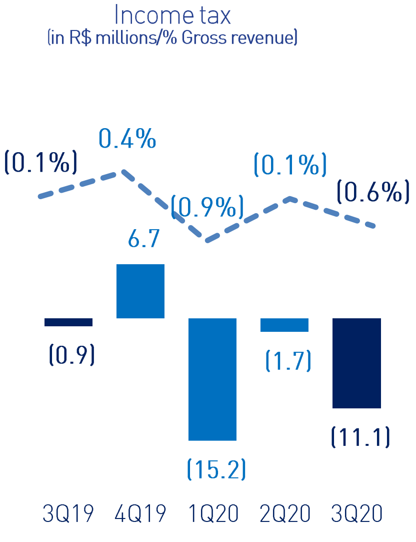
In 3Q20 depreciation totaled R$ 62.6 million, of which R$ 40.9 million related to the depreciation of the right-to-use assets - IFRS16, with a reduction of 0.8% compared to 3Q19.

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.

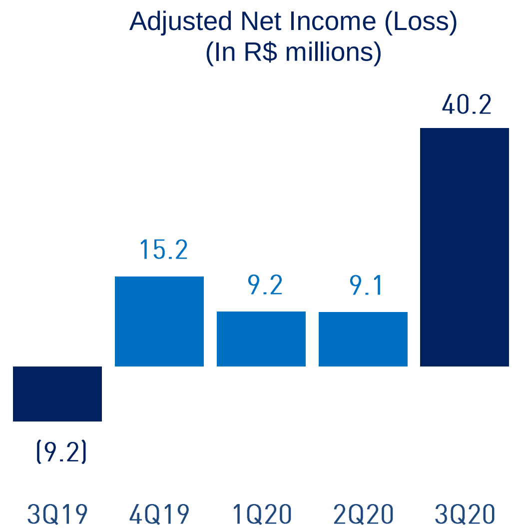


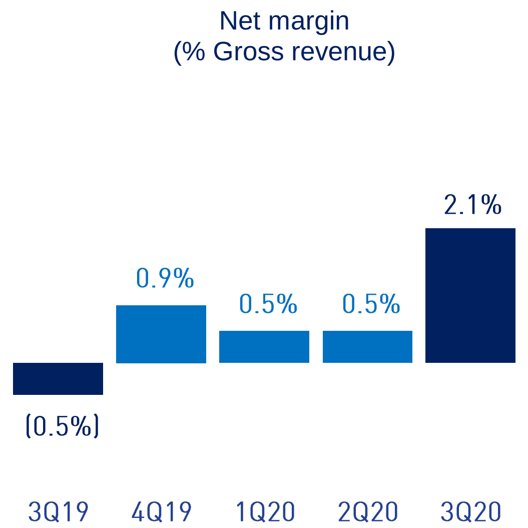




ADJUSTED NET INCOME (LOSS)

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.



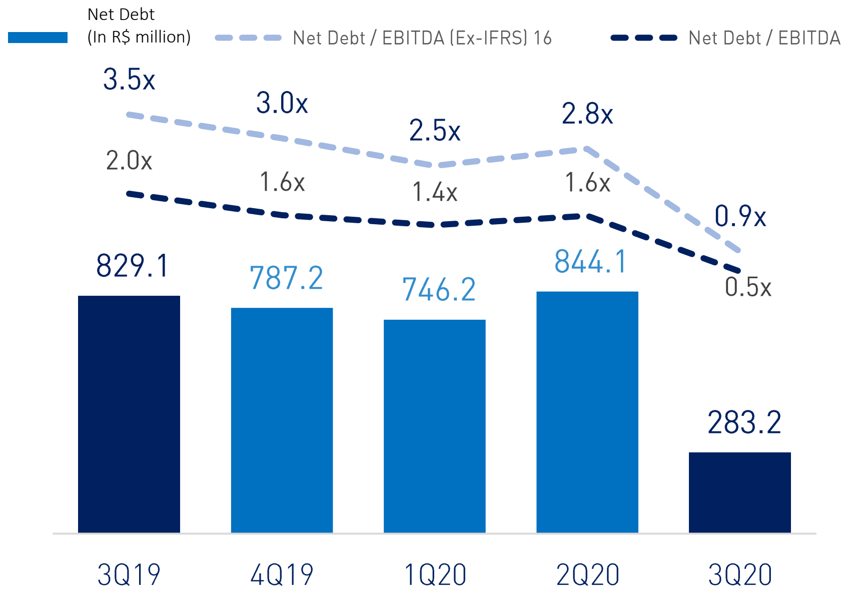


INDEBTEDNESS

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.

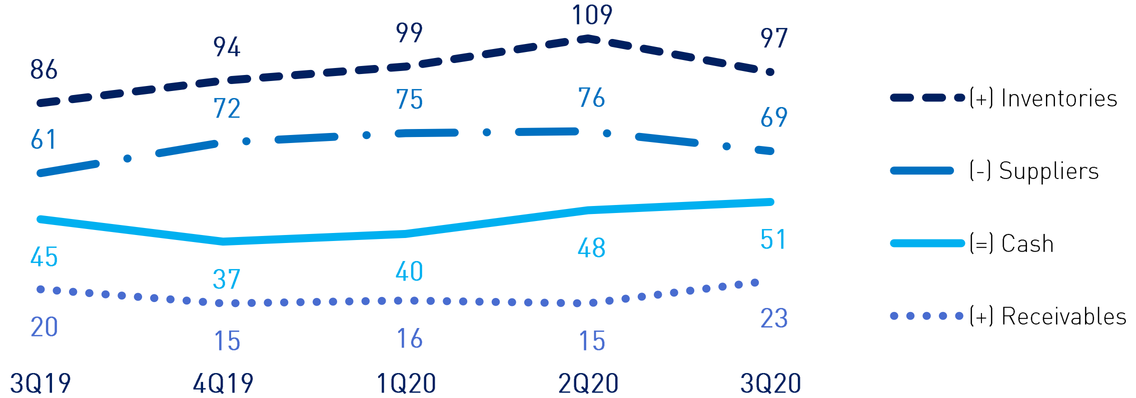
In 3Q20, the Fitch Ratings risk agency raised the Company's corporate rating from BBB+ to A, with a positive outlook.

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.

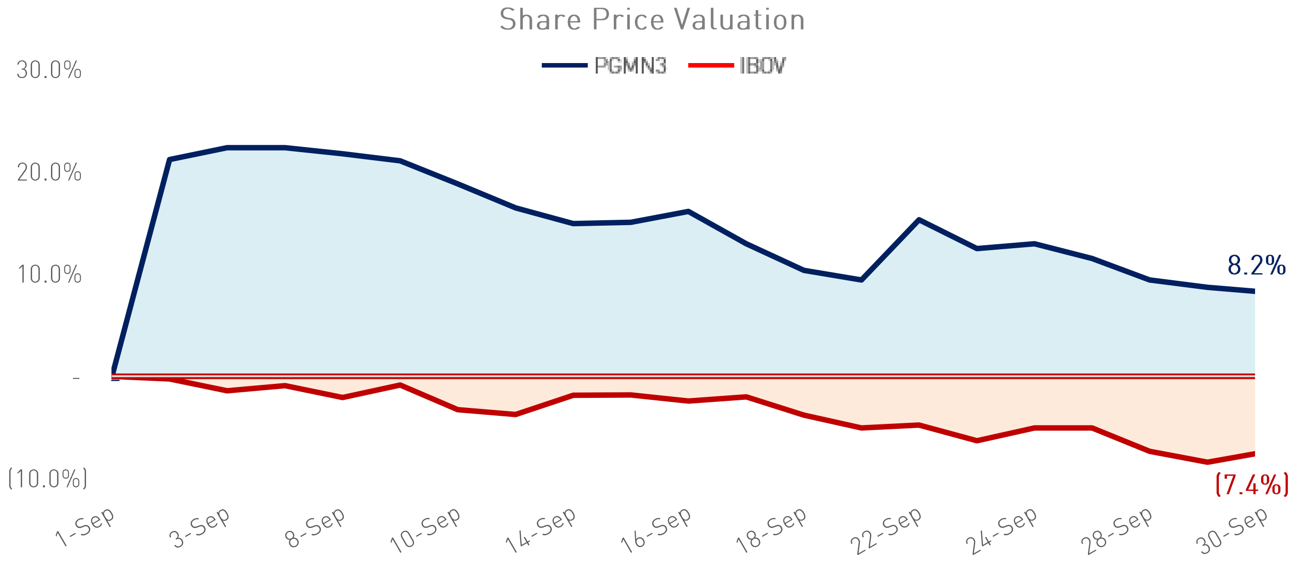
In addition, in 3Q20 we held the 9th edition of the Cidade Verde (Green City) campaign, raising the public's awareness of the importance of environmental preservation. This year, the campaign involved the planting of thousands of seedlings in partnership with the NGO Ecomuseu Natural do Mangue, in the 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.



INCOME STATEMENT [1]

Income Statement for the Year	IAS 17			IFRS16		
(R$ millions)	3Q19	3Q20	Δ	3Q19	3Q20	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	IAS 17			IFRS16		
(R$ millions)	9M19	9M20	Δ	9M19	9M20	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	-

EARNINGS CALL

Conference call in Portuguese

October 30, 2020

10:00 a.m.(BRT) | 09:00 a.m. (US ET)

Dial in number: +55 (11) 4210-1803

Code: Pague Menos

Replay number: +55 (11) 3193 1012

Replay passcode: 1802973#

Webcast: clique aqui

Conference call in English

(simultaneous translation)

October 30, 2020

10:00 a.m.(BRT) | 09:00 a.m. (US ET)

Dial in number: TF +1 844 204-8942

Code: Pague Menos

Replay number: +55 (11) 3193 1012

Replay passcode: 8935551#

Webcast: clique aqui