Hypera S.A.

Financial Statements
December 31, 2020

Content

Management Report

In compliance with legal and Bylaws dispositions, the Management of Hypera S.A. ('Company' or 'Hypera Pharma') submits the Company's Management Report and its individual and consolidated Standard Financial Statements to its shareholders, as well as the independent auditors report, regarding the fiscal year ended December 31, 2020.

Management Statement

In 2020, Hypera Pharma's performance was highlighted by the efforts to ensure that its role of promoting access to health for all Brazilians in the midst of the Covid-19 pandemic was preserved, without losing sight of the maintenance of the integral well-being of its teams and the communities with which it relates.

Initially, all of the Company's administrative staff and field teams began to operate remotely, and additional health protocols were implemented so that the production, research and development teams could continue to work safely, including testing all employees that were working at the Company´s sites, the continuous use of protective masks and new rules for social distance in our facilities.

Gradually, with the progress of controls and in the face of the partial resumption of economic activity, the administrative and field teams returned to work in the offices, following a plan led by Hospital Sírio-Libanês, with periodic testing of all our employees.

In addition to the measures to protect its employees and maintaining its operations, the Company expanded its initiatives with the community, especially in Anápolis (GO), with the donation of 20 lung ventilators and a thousand PCR-RT tests for the municipal health system, in support of local measures to combat the pandemic.

Despite so many challenges related to the pandemic, the Company had a transformational year, with the conclusion in August of the Buscopan, Buscofem and Buscoduo brands acquisition, which consolidated Hypera Pharma's absolute leadership in the Brazilian OTC market in the Brazil.

Moreover, the Company has taken important steps towards closing the acquisition of a selected portfolio of Takeda brands in Brazil, including relevant brands such as Neosaldina, Eparema, Nebacetin, Alektos, Nesina and Dramin. This transaction was effectively concluded in January 2021, and positioned the Company to dispute the leadership of the Brazilian pharmaceutical market.

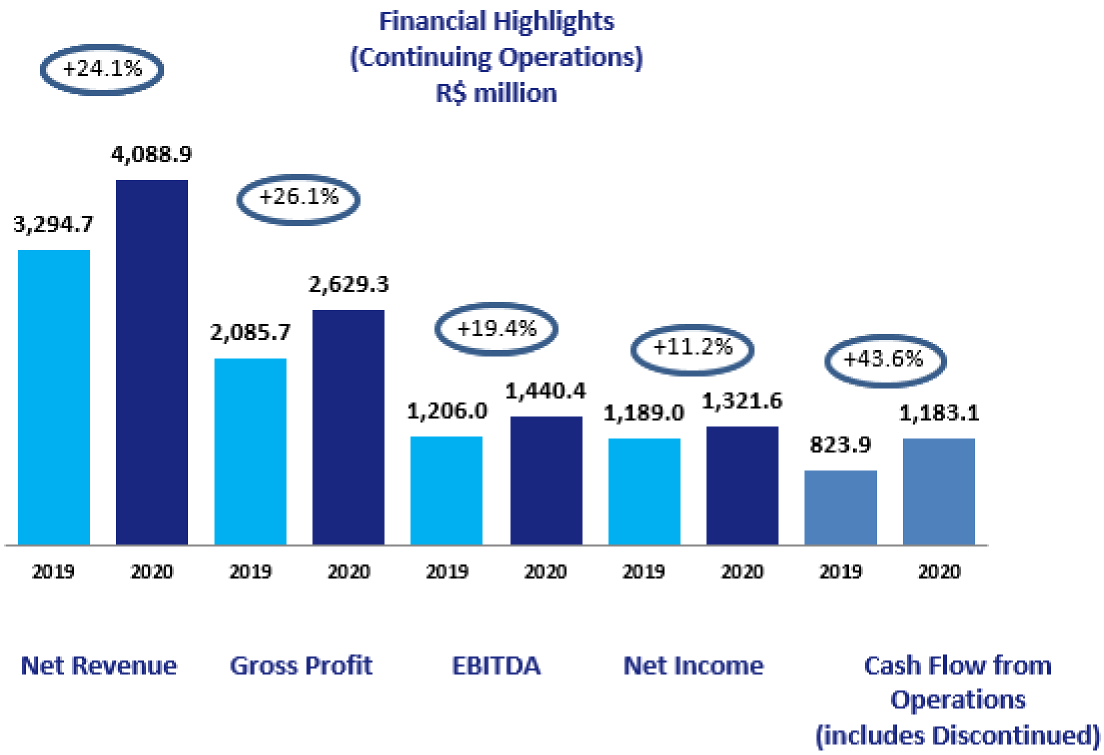
Additionally, this operation allowed Hypera Pharma to enter new therapeutic classes, including diabetes, one of the largest in the Brazilian pharmaceutical market. It also reinforced the Company's position in the OTC market - Hypera Pharma now owns two-out-of-three largest brands in this segment in Brazil (Neosaldina and the Buscopan family).

In 2020, Hypera Pharma increased the visibility of its brands, especially with the agreement related to the naming rights of Neo Química Arena for 20 years, and the renewal of Globo's TV soccer programming sponsorship for 2021, with counterparts on various platforms, including pay and open TV, in addition to digital media.

The Company increased its investments in digital transformation in 2020, highlighting the launch of its **ihypera** e-commerce platform, for direct sales to the final consumer, and the creation of an exclusive team focused on digital trade marketing to leverage the exposure and promotion of the Company's products on websites and applications. The development of a new omnichannel B2B platform was also initiated, so that all customers and points of sale can have access to special conditions for Company's products.

In view of the demand growth for pharmaceutical products in Brazil and the strength of its brands among consumers and the medical community, Hypera Pharma continued to invest in its operational platform, in particular in expanding its production capacity for solid medicines and vitamins, essential for the Company's sustainable growth in the medium and long term.

Key Indicators



Net Revenue reached R$4,088.9 million in 2020, a 24.1% increase when compared to prior year. This performance is a consequence of the sell-out growth in the period, which was mainly driven by the growth in Generics and Similars, chronic medicines in Prescription Products and vitamins, supplements and nutritionals in Consumer Health.

Gross Profit increased 26.1% when compared to last year, reaching R$2,629.3 million, with margin of 64.3, or 1 percentage point higher than 2019. The Gross Margin growth, despite the negative impact of 1.8% resulting from the devaluation of the Real against the Dollar, was mainly due to the positive impact of the product mix in 2020, since in 1Q19 there was a reduction in sales in Consumer Health and Prescription Products to adjust the commercial policy.

EBITDA from Continuing Operations reached R$1,440.4 million in 2020, a 19.4% increase when compared to the prior year, with margin of 35.2%. This performance is driven especially by the combination of the Gross Profit growth with Marketing Expenses reduction in the period.

Net Income from Continuing Operations reached R$1,321.6 million, an increase of 11.2% in relation to the previous year. When combined to the Net Income from Discontinued Operations, which was negative in R$26.5 million in 2020, the Company totaled R$1,295.1 million of Net Income – an 11.3% increase when compared to 2019.

The Cash Flow from Operations achieved a new record in 2020, reaching R$1,183.1 million, 43.6% higher than 2019, mainly reflecting the growth of the Company's operating result.

Macroeconomic Environment

The global economic scenario was marked by concerns regarding the Covid-19 pandemic effects, since part of the measures to combat Covid-19 spread included restrictions, to a greater or lesser extent, on the people's movement and the regular operation of businesses which negatively affected global economic activity in 2020, leading to a shrinking of the world economy by 3.5%, according to an estimate by the International Monetary Fund (FMI).

In Brazil, the uncertainties regarding the performance of the economy, driven mainly by the instability generated by the misalignment between the measures to deal with the Covid-19 pandemic by the Executive and Legislative powers and by the delay in the reforms agenda, contributed to the devaluation of the Brazilian Reais against the US Dollar, which appreciated 29% against the Brazilian currency in comparison with the previous year. With this performance, the real was among the currencies that lost the most value against the dollar in a year, ranking sixth in the Austin Rating ranking that considered 121 countries.

The combination of the Covid-19 pandemic effects with the reduction of economic activity resulted in the reduction of the Brazilian GDP in 2020, even with the implementation of social programs to support the population during the country's pandemic crisis. Additionally, the Brazilian CPI index - Índice de Preços ao Consumidor Amplo (IPCA) - reached 4.52%, the highest level registered in the country since 2016, even with the reduction of basic interest rates by the Brazilian monetary authority. Selic tax reached the end of December 2020 at the level of 2% per year, the lowest value since 1996.

In the year, the pharmaceutical market once again proved its resilience, reporting growth of 10.9% compared to 2019, according to IQVIA. However, this result was not uniform among product categories due to the pandemic impacts, especially in categories related to acute treatments, such as anti-flu and anti-inflammatory. Products for chronic treatments, vitamins, nutritionals, generics and similars registered better performance. In units, the market recorded growth of 8.5% compared to 2019.

Outlook

The Covid-19 pandemic generated uncertainty about the performance of several sectors of the economy and negatively impacted the Brazilian pharmaceutical market, especially in 2Q20, with the reduction in the number of medical appointments and the flow of people at points of sale. However, with the gradual recovery of economic activity in Brazil and the positive fundamentals of some categories within the pharmaceutical market, such as medicines for chronic treatments and vitamins, the Brazilian market grew at a double-digit rate in 2020 compared to the previous year.

In March 2020, IQVIA projected a base case scenario of Brazilian pharmaceutical market growth of 9.5% for 2021; 8.9% for 2022; 8.5% for 2023 and 8.1% for 2024. However, considering a high Covid-19 impact scenario, these projections would change to 7.4% in 2021 and 9.6% in 2022, with no change in subsequent years. In a low Covid-19 impact case, IQVIA estimated expansion of 10.3% for 2022, unchanged from the baseline scenario from 2023.

In the next decades, the aging of the Brazilian population, whose population over 60 years old is expected to represent almost 30% of the total by 2050, according to IBGE data, remains as one of the main factors that may contribute positively to the growth of the Brazilian pharmaceutical market, since the consumption of medicines by this age group is higher than that of younger age groups.

Corporate Governance

On May 25, 2020, the Company announced the end of the Special Independent Committee created on April 26, 2018. This committee confirmed the existence and evidence of undue payments by the Company, and made recommendations aimed at improving the Company's internal controls, as well as its Compliance program, covering topics such as improving the policy on relations with public authorities, due diligence in hiring third parties, application of disciplinary measures, among others.

After a negotiation, Hypera Pharma's main co-controlling shareholder, understanding it to be in the best interest of the Company and its shareholders, agreed to make the payment to the Company of the outstanding balance of the amounts of proven undue payments made by the Company, in the amount of R$110.557 million, duly monetarily restated by the Selic interest rate, according to the Material Fact disclosed on May 25, 2020.

In December 2020, Hypera Pharma joined the Global Compact, the world's largest corporate sustainability initiative, with around 14,000 members in 70 local networks in 160 countries, making commitments to the UN (United Nations) Sustainable Development Goals and the ten principles advocated by the pact.

Profile and Business Units

Hypera Pharma is one of the biggest pharmaceutical companies in Brazil and is present in all relevant segments of the sector. With leading position in diverse categories offering high quality and secure products, investing continuously in innovation and growth in a sustainable way, so that people live longer and better.

The Company is present in the main Brazilian pharmaceutical retail markets:

Branded Prescription: Competing in the main therapeutic classes in the country, this unit operates in the Primary Care segment under the umbrella brand Mantecorp Farmasa. It owns a portfolio of highly recognized drugs recommended by the medical community, with products such as Addera D3, Alektos, PredSim, Celestamine, Maxsulid, Diprospan, Dramin, Mioflex-A and Nesina. In dermocosmetics, it is present as Mantecorp Skincare, with products recommended by dermatologists and developed especially for the characteristics of the Brazilian population. This business unit is supported by a medical representatives' team of around one thousand people.

Consumer Health: Market leader in OTC drugs, according to IQVIA, with iconic brands recognized by Brazilians for decades, including Apracur, Benegrip, Buscopan, Coristina d, Doril, Engov, Epocler, Estomazil e Neosaldina, among others. The unit also competes in nutraceuticals and vitamin supplements, with brands such as Tamarine, Vitasay 50+, Biotônico Fontoura and Zero-Cal, Top-of-Mind brand for 17 consecutive years, according to Datafolha. It is one of the largest media investors in Brazil, with dozens of advertising campaigns each year in traditional and digital media.

Similars and Generics: With the Neo Química brand, the Brazilian family’s medicine, the Company has leadership in the Branded Generics and Generics markets in which it is present, according to IQVIA. Neo Química reaches more than 96% of the Brazilian retailers market, fulfilling its mission of promoting access to health with quality products for the population.

The strength of the company in the pharmaceutical market is supported by a large-scale, low-cost operation, centralized in the largest pharmaceutical operating complex in Latin America, located in Anápolis, Goiás**.**

Portfolio & Innovation

Hypera Pharma's total investments in Research and Development, including the amount capitalized as intangible assets, reached R$350.2 million in 2020, with growth of 44% over the previous year. In the year, the Company's innovation index - corresponding to the percentage of net revenue from products launched in the last five years - reached 33%, mainly because of the acceleration in the pace of new product launches in recent years.

Since 2018, when the Company began to focus its operations exclusively on the pharmaceutical market, more than 250 new products were launched.

In 2020, the highlights in Consumer Health were the line extensions **Vitasay 50+ Vitaly**, which combines Peruvian maca with guaraná, which helps to improve libido and ease menopause symptoms, **Vitasay 50+ Serenne**, a product based on tryptophan, folic acid and vitamins B3 and B6 to help improve mood and sleep quality, **Vitasay 50+ Pro-Omega 3**, which brings benefits to the heart. **Engov After Berry Vibes**, with an exclusive formula that rehydrates, recovers and re-energizes the body, and **Zero-Cal** with a new presentation containing Erythritol, were also launched in 2020.

In Prescription Products, the Company launched the anti-inflammatory ointment **Artrotop** and important line extensions of the Gestamax, Lune, Episol, Blancy, and Addera D3 brands, such as **Addera + Cabelos e Unhas, Addera + Energia, Addera + Imunidade**, and **Addera + Vitaminas**.

In Similars and Generics, in addition to the extensions of the Neo Química vitamins line launched during the year, the phytotherapeutic product **Equilibrisse** was also launched, for the treatment of mild anxiety, irritability, and insomnia.

Investments

To cope with the growing demand for Hypera Pharma's products and the extensive launch schedule set out in its strategic plan, the Company continues to invest in expanding its operations in the State of Goiás. In 2020, the investment in fixed assets reached R$447.4 million, a record for the Company. In addition, R$1,525.3 million was invested in the purchase of intangible assets, mainly related to the Buscopan, Buscofem and Buscoduo brands, as well as the development of new products.

Acquisitions and Divestments

In February 2020, Hypera Pharma announced an agreement with Glenmark Farmacêutica Ltda. to acquire the Indian company's dermatological products portfolio in Brazil. This deal was concluded in April 2020, and Hypera Pharma became responsible for the distribution and marketing in Brazil of Glenmark's dermatological line, which includes brands such as Adacne, Adacne Clin, Celamina, Demelan, Deriva Micro, Deriva-C Micro, Dermotil Fusid, Halobex and Tacroz.

In March 2020, the Company announced an agreement with Takeda Pharmaceutical International AG ("Takeda") to acquire a portfolio of 18 selected over-the-counter ("OTC") and prescription drug brands in Latin America for a price of R$825 million. This deal was completed in January 2021 and, as part of the regulatory approval of the transaction, the Company sold to União Química Farmacêutica Nacional Ltda. the Xantinon brand. In addition, the Company sold to Eurofarma Laboratórios S.A. Takeda's assets and brands outside Brazil, for an amount of USD161.0 million. Thus, the Company maintained its focus on the Brazilian pharmaceutical market.

In August 2020, the Company completed the acquisition of assets related to the Buscopan, Buscofem and Buscoduo brands in Brazil, previously owned by Boehringer Ingelheim, as per the agreement announced in December 2019, for R$1.3 billion. As part of the initiatives for regulatory approval of this transaction, the Company sold the Neocopan brand to União Química Farmacêutica Nacional Ltda.

Issurance of Debentures

On April 03, 2020, an issue of 248,500 non-convertible debentures was made of the 9th public issue, single series, in the total amount of R$ 2,485 million and unit price of R$10 thousand, with remuneration interest corresponding to 100% (one hundred percent) of the accumulated variation of the average daily rates of the DI - Interfinancial Deposits + spread of 1.50% per year.

Additionally, on September 1, 2020, 73,500 non-convertible debentures were issued from the 10th public issue, first and second series, in the total amount of R$735 million and unit price of R$10 thousand, with remuneration interest corresponding to 100% (one hundred percent) of the accumulated variation of the daily average rates of the DI - Interfinancial Deposits + spread of 1.75% per year.

The funds obtained through these issues will be used to meet the Company's ordinary management business, including the payment for the acquisition of Takeda's assets.

Human Capital

One of Hypera Pharma's priorities is to provide a learning and development environment for all its employees. In 2020, more than 5 thousand people participated in online training offered by the Company, totaling more than 9 thousand hours of content offered as part of the Program for Internal Development of Employees, in a format adapted to the "new normal", in response to the needs arising from the Covid-19 pandemic.

In another edition of the Company's Internship Program, there were more than 71 thousand enrolled, with 79 new talents being hired as interns. In 2020, the program's retention rate reached 51%.

The number of Hypera Pharma's employees at the end of the last three fiscal years is shown in the following table:

Employees	2018	2019	2020
Administration & Sales	3,121	3,158	3,195
Operational	3,968	4,357	5,723
Total Employees	**7,089**	**7,515**	**8,918**

Capital Markets

The shares issued by Hypera Pharma are traded under the ticker HYPE3 at B3's Novo Mercado – the segment of the Brazilian stock exchange with the highest corporate governance standards in the Brazilian market – and compose the theoretical portfolios of the following stock indices:

IBOVESPA | Índice de Consumo ICON | Índice de Governança Corporativa Trade IGCT | Ações com Tag Along Diferenciado Índice de ITAG | Índice Valor Bovespa IVBX-2 | Índice Carbono Eficiente ICO2

By the end of 2020, the total number of outstanding shares issued by the Company remained 633,420,823 common shares, with 63.6% free float. HYPE3 shares ended the year at R$34.25, versus R$35.69 at the end of 2019. In the same period, the Ibovespa index, main index of the Brazilian Stock Exchange, grew 2.92%, ending the year at a new record: 119.017,2 points.

The Company has a Level I ADR (American Depositary Receipts) Program, which are traded in over-the-counter markets in the United States.

Dividends

The Company's mandatory dividend is of at least 25% of the adjusted net income, under the terms of the Brazilian Corporate Law and the Company's Bylaws, based on the consolidated financial statements after the constitution of reserves according to the law. The yearly distribution of dividends, including dividends in excess of the minimum mandatory dividend, requires approval by a majority vote of the holders of the Company's common shares and will depend on many factors, including the Company's operating results, financial condition, cash requirements, future prospects and other eventual elements deemed relevant by the Company´s Board of Directors and shareholders.

In January 2020, Hypera Pharma distributed a total amount of approximately R$742.0 million to its shareholders under the form of interest on capital (IOC).

The following table presents the history of dividend payment of the past three fiscal years:

	2018	2019	2020
Total Dividends (R$ million)	581.3	675.3	742.0
Dividends Per Share (R$)	0.92	1.07	1.17

Social Responsability

Hypera Pharma has "Social Responsibility" as one of the main pillars of its corporate performance. The following are the main initiatives of the Company and its subsidiaries carried out with and for its employees and the community surrounding its operations.

Social Assistance:

- CDI – Child Development Center: The Company maintains in its branch in Anápolis (GO) a daycare center for employees' sons and daughters, aged between four months and five years and eleven months old. There are developed educational practices, organized in such a way that the child gradually gains independence and autonomy, specific to each age group. Approximately 275 sons and daughters of employees circulate annually at the institution.
- Volunteering:
    - *Receita do Bem:* The Company has a permanent volunteer program, with initiatives related to health issues. Twelve actions were carried out during the year, involving 600 employees. With the pandemic and the beginning of social distancing, the program adapted to the virtual format, promoting storytelling in hospitals, with play tutorials. In all, 340 kits were delivered to the Hospital Cruz Azul and Instituto da Criança, encouraging children to create games and crafts from these stories. In 2020, the program accumulated about 72 hours of volunteering.

- *AHPAS:* For the fifth consecutive year, the Company promoted among its employees a campaign to donate Christmas bags in partnership with AHPAS - Helena Piccardi Andrade Silva Association - which offers free transportation for children and adolescents undergoing cancer treatment. In 2020, 43 bags were donated to the institution.
- *Mentoria Enem:* The Enem Mentoring project aims to help students from public schools who took the National High School Exam - ENEM, in January 2021, in search of a place at university. The initiative brought together 25 volunteers, specialized in different areas, and resulted in 12 consultations.
- *Doutores das Águas*: in 2020, more than 4.5 thousand medicines were donated to the project, which takes medical and dental care to riverside communities in the Amazon basin. Among them, Trinida, Histamin, Predsim and Alivium.
- *CUFA*: Hypera promoted a social action at the end of 2020, with resources directed to CUFA - Central Favelas. In all, the company supported the organization with around R$107 thousand.
- *Dia Nacional do Voluntariado*: Webinar on social and emotional skills, volunteering and legacy. The action impacted about 500 employees.

- Instituto Horas da Vida: Mantecorp Farmasa and Mantecorp Skincare are sponsors of the project, which structures a volunteer network with doctors, with a focus on low complexity treatments. In 2020, the institute headed the project Todos Contra a Covid-19 (All Against Covid-19), which planned and implemented actions to resume the activities of 11 partner NGOs, ensuring the safety and preservation of the health of the people served by the institutions.
- *Neo Acelera:* the Neo Química brand, in partnership with Yunus Negócios Sociais, created a business acceleration program with a social impact. In the 2020 edition, with the theme "Active Longevity", the focus was to accelerate startups with solutions focused on the challenges of maturity. Of the 441 projects enrolled, six businesses went through the acceleration phase; at the end of the program, Neo Química invested R$150 thousand in the startup ISGAME (International School of Game), from São Paulo, which develops games for the mature public, with a methodology focused on improving logical thinking, planning, creativity, and socialization.
- *Projeto De Bem com Você*: Mantecorp Skincare donated 8 thousand unities of Episol and 5,600 unities of Hydraporin AI for the project De Bem com Você – Beleza contra o Câncer, of the ABIHPEC Institute. The project holds around 500 workshops per year, in eight Brazilian states and, since 2012, has already benefited more than 24 thousand women.
- *Combate ao novo coronavírus*: With the new coronavirus pandemic in Brazil, Hypera Pharma has donated more than 480 thousand medicines and products to health institutions and NGOs, to help fight Covid-19, including one thousand PCR-RT tests and 20 respirators to the municipality of Anápolis.

Education:

- **Corporative Education**: The company encourages the self-development and protagonism of its employees and promotes training for various levels and locations, in a hybrid manner, in live actions, online, e-learning trails and face-to-face meetings (respecting internal health rules, during the pandemic period). In addition, it offers educational partnerships with discounts of up to 40% in language, university and technical courses in several partner teaching institutions.

Environmental Management

In 2020, the Company's complete inventory of greenhouse gas (GHG) emissions, consolidating information from all its operations, according to the methodology of the Brazilian GHG Protocol Program and based on data from the year 2019, indicated total emissions was 52,449.71 tCO^2eq, considering Scopes 1, 2 and 3. In terms of emissions per unit produced, there was a reduction from 0.031 to 0.030, in tCO^2eq.

As a consequence of the transparency in the information provided about the group's GHG emissions, the HYPE3 shares were listed in B3's ICO2 (Carbon Efficient Index) portfolio, with a weight of 0.515% in the index portfolio for the first quarter of 2021.

Within the scope of PURA - Program for Rational Use of Water, in view of the adverse climate conditions that limited the supply of water in the region of Anápolis, in Goiás, the Company implemented a Water Plan, with the drilling of three additional artesian wells; currently one well that has been granted is already in operation. The plan also includes a project for treatment and reuse of the reverse osmosis waste, which should be completed in 2021.

In 2020, the company reduced by 43.9% the rate of solid waste generated per unit produced at its manufacturing complex in Anápolis, in the state of Goiás, compared to the previous year. This performance is related mainly to the increase in production, concomitant with the reduction of waste due to programs implemented in the units in the state. In addition, the company extended to all its units in the state of Goiás a partnership for sending organic waste for composting, sending 259 tons of such waste for processing in 2020. These results reduced from 11.9%, in 2019, to 7.2%, in 2020, the total waste generated in the operations sent to landfills.

There was also a reduction in energy consumption of 16% in kWh per unit produced in its manufacturing complex in Anápolis, due mainly to the increase in production, even with the increase in demand and the consumption of energy supplied by self-generation. With the expansion of the Company's operations, it plans to build a new 138 kV substation to receive high voltage power, with the objective of zeroing out the consumption of diesel to feed the generators as of 2022. In 2020, about 2.8 million liters of this fuel were consumed in power generation at the manufacturing complex, against 1.9 million liters in 2019.

Arbitration Panel

In accordance to the Company's by-laws, disputes regarding by-laws, the Novo Mercado Rules, the Brazilian Corporations Law, the norms edited by the National Monetary Council, by the Central Bank of Brazil and by the Securities and Exchange Commission of Brazil, B3's Rules and other norms applicable to the functioning of capital markets in general must be solved by arbitration, to be conducted in the form of the Rules of the Market Arbitration Panel Rules, established by B3.

Relationship with Auditors

In compliance with CVM Instruction N°. 381/2003, we inform that in fiscal year 2020, we engaged our independent auditors for services other than those related to external audit and, mainly due to due diligence services related to the acquisition of Takeda's portfolio in Brazil by the Company, the total compensation for such services was equivalent to 14% of the overall compensation for external audit services fees.

The Company's policy when contracting the services of independent auditors ensures that there is no conflict of interest, loss of independence or objectivity of services eventually rendered by independent auditors unrelated to the external audit services.

The independent auditors declared to the Company's Management that they do not have aspects of independence that could affect the independence and objectivity necessary for the performance of the external audit services.

HYPERA S.A.
São Paulo, February 26, 2021

Hypera Pharma reports Net Revenue of R$4.089 billion in 2020, up 24.1% vs. 2019, with 19.4% growth in EBITDA from Continuing Operations

São Paulo, February 26, 2021 – Hypera S.A. (“Hypera Pharma” or “Company”; B3: HYPE3; Bloomberg: HYPE3 BZ; ISIN: BRHYPEACNOR0; Reuters: HYPE3.SA; ADR: HYPMY) announces its financial results for 2020. Financial data disclosed here are taken from the consolidated financial statements of Hypera S.A., prepared in accordance with the Brazilian Accounting Pronouncement Committee (CPC) and International Financial Reporting Standards (IFRS) issued by the International Accounting Standards Board (IASB).

4Q20 Highlights

- **Sell-out growth of 14.6%* in 4Q20, the highest ever recorded in a quarter by the Company, according to IQVIA**
- **Net revenue of R$1,134.8 million in the quarter, or 22.2% higher than 4Q19**

2020 Highlights

- **Net revenue of R$4,088.9 million in 2020, or 24.1% higher than 2019**
- **EBITDA from Continuing Operations growth of 19.4% in 2020**
- **Net Income from Continuing Operations of R$1,321.6 million in the year, with an increase of 11.2% over 2019**
- **Higher than ever recorded Cash Flow from Continuing Operations in 2020, up 43.6% versus the previous year**
- **Interest on Equity of R$742.0 million (R$1.17 per share) in the year, or 10% higher than 2019**

Table 1

(R$ million)	4Q19	% NR	4Q20	% NR	Δ %	2019	% NR	2020	% NR	Δ %
Gross Revenue, net of Returns and Unconditional Discounts	1,093.7	*117.8%*	1,318.4	*116.2%*	*20.5%*	3,802.4	*115.4%*	4,666.5	*114.1%*	*22.7%*
Net Revenue	928.6	*100.0%*	1,134.8	*100.0%*	*22.2%*	3,294.7	*100.0%*	4,088.9	*100.0%*	*24.1%*
Gross Profit	553.4	*59.6%*	699.7	*61.7%*	*26.4%*	2,085.7	*63.3%*	2,629.3	*64.3%*	*26.1%*
SG&A (ex-Marketing and R&D)	(162.7)	*-17.5%*	(180.0)	*-15.9%*	*10.6%*	(638.8)	*-19.4%*	(625.3)	*-15.3%*	*-2.1%*
Research & Development	(36.3)	*-3.9%*	(34.7)	*-3.1%*	*-4.4%*	(128.7)	*-3.9%*	(151.7)	*-3.7%*	*17.8%*
Marketing	(204.0)	*-22.0%*	(214.7)	*-18.9%*	*5.2%*	(843.3)	*-25.6%*	(787.0)	*-19.2%*	*-6.7%*
EBITDA from Continuing Operations	224.2	*24.1%*	349.0	*30.8%*	*55.7%*	1,206.0	*36.6%*	1,440.4	*35.2%*	*19.4%*
Net Income from Continuing Operations	246.7	*26.6%*	324.9	*28.6%*	*31.7%*	1,189.0	*36.1%*	1,321.6	*32.3%*	*11.2%*
Net Income	238.8	*25.7%*	314.9	*27.7%*	*31.9%*	1,164.0	*35.3%*	1,295.1	*31.7%*	*11.3%*
Cash Flow from Operations	137.5	*14.8%*	195.2	*17.2%*	*42.0%*	823.9	*25.0%*	1,183.1	*28.9%*	*43.6%*

Earnings Conference Call – PORTUGUESE: 03/01/2021, 11am (Brasília) / 9am (New York)
Webcast: click here / **Phone:** +55 11 3181-8565 (Code – Hypera)
Replay: +55 (11) 3193-1012 or +55 (11) 2820-4012 (Code – 5476238#) or website **ri.hypera.com.br**

Earnings Conference Call – ENGLISH (Simultaneous translation): 03/01/2021, 11am (Brasília) / 9am (New York)
Webcast: click here / **Phone:** US Toll Free ++1 412 717-9627| International +1 412 717-9627 (Code – Hypera)
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** Sell-out PPP 4Q20 (Pharmacy Purchase Price), as informed by IQVIA, considers the drug stores and big retailers average purchase price.*

Operating Scenario

Hypera Pharma's Net Revenue grew 24.1% in 2020 and reached R$4,088.9 million, in line with the guidance set for the year. This growth is mainly due to the sell-out performance in the second half, which was favored by the expressive improvement in demand in the Brazilian pharmaceutical retail market resulting from the greater flexibility of quarantine rules due to the Covid-19 pandemic observed in the main regions of the country, which led to a gradual recovery in the number of medical appointments and to an increase in the flow of people at the points of sale. **In 4Q20, the sell-out expansion was 14.6%[1], or 1.5 percentage point higher than the market growth[2], the highest ever recorded by the Company in a quarter since it started to concentrate its operations exclusively in the pharmaceutical market.**

The recent recovery in the year-over-year sell-out growth, which went from a 1.6% drop in 2Q20 to a 14.6% growth in 4Q20, showed that the most significant negative impacts on demand generation and sell-out were those already felt at the beginning of the Covid-19 pandemic, especially in 2Q20. In the year, the Company's sell-out growth reached 8.2%, a lower than expected performance considering the estimates for 2020 from before the start of the Covid-19 pandemic, but a higher one when considering the new estimates after 2020 guidance update in 3Q20.

Similars and Generics was the main highlight of the year, with a strong double-digit expansion of sell-out since the beginning of the Covid-19 pandemic. This growth was favored: (i) by the Company's distribution platform, which reaches all points of sale in the country and is essential to guarantee access to healthcare for the Brazilian population; and (ii) the new initiatives to increase the visibility of the Neo Química brand, such as the 20-year naming rights agreement of Arena Corinthians, which was renamed **Neo Química Arena**.

In **Consumer Health**, the highlights of the year were Vitamins, Supplements and Nutritionals segments, favored by the recent launches and the growing increase in healthcare by the population, which was evidenced during the Covid-19 pandemic.

In **Prescription Products, the full year performance was benefited by the market share gains in chronic medicines**, a segment in which Hypera Pharma has been strengthening its participation in recent years with important launches. Some categories relevant to the Company, such as pediatrics, orthopedics and respiratory, were negatively impacted by the lower number of medical appointments in 2020, especially during the beginning of the Covid-19 pandemic. **It is worth noting, however, that these categories showed important recovery in the last quarter, also driven by the increase in the number of medical visits in the period, which contributed to the sell-out double-digit growth and market share gain in 4Q20 in Prescription Products.**

The Company continued to reinforce its commitment to innovation and sustainable growth and increased its investments in Research and Development by 44% in 2020. In addition, Hypera Pharma strengthened its portfolio with the acquisitions of: (i) the **Buscopan** family; (ii) important brands from Takeda, such as **Neosaldina**, **Dramin** and **Nebacetin**, and the patented **Nesina** and **Alektos**; and (iii) Glenmark's dermatological portfolio in Brazil.

The acquisition of the Buscopan family was completed at the end of 3Q20, and the acquired brands are now being benefited by Hypera Pharma's marketing and sales platform and by initiatives to increase sell-out growth at the end of 2020. **In 4Q20, the sell-out growth of the Buscopan family was 14.4%, a higher performance than what was being presented before the completion of the acquisition**.

In order to reduce the short-term negative impacts of the Covid-19 pandemic and the devaluation of the Real against the US Dollar, the Company intensified its discipline in managing costs and expenses in 2020, which led to Selling, Marketing and Administrative Expenses reduction as a percentage of Net Revenue, **contributing to the 19.4% growth in EBITDA from Continuing Operations and 11.2% in Net Income from Continuing Operations, as well as to the operating cash generation of R$1,183.1 million in the year, the highest ever recorded by the Company in a period**.

In 2020, Hypera Pharma also invested in several matters related to digital transformation, highlighted in: (i) the launch of its e-commerce platform for direct sales to the final consumer **ihypera** *(www.ihypera.com.br)* in 2Q20, with over eight thousand orders in 2020; (ii) the creation of an exclusive team focused on digital trade marketing in 3Q20 to work on the display and promotion of products on websites and apps, which contributed to the 118% growth in sales of Company products on its clients' digital channels in 4Q20; and (iii) the start of the development of a new omnichannel B2B platform, scheduled to be launched in 1Q21, so all clients and points of sale will be able to access our product portfolio special conditions.

(1) Sell-out PPP 4Q20 (Pharmacy Purchase Price), as informed by IQVIA, considers the drug stores and big retailers average purchase price; (2) As reported by IQVIA, excluding the infant formula segment

Hypera Ventures also made its first corporate venture capital investment in 4Q20 with the acquisition of a majority stake in **Simple Organic**, a digital native brand that operates in the Clean Beauty industry, using natural, organic, vegan, cruelty-free and sustainable ingredients. It is worth noting that the Company remains attentive to investment opportunities in the healthcare and well-being segments that have synergies with its businesses.

Bionovis, a pharmaceutical biotechnology joint venture with the participation of Hypera Pharma for research, development, production and commercialization of biopharmaceuticals in Brazil, **grew 86% in the year and reached Net Revenue of R$945.0 million**, especially due to the performance of medicines to treat Crohn's disease, breast cancer and autoimmune diseases.

With regard to manufacturing capacity, the Company increased its investments in 2020 in expanding the production capacity of solids and vitamins, essential for its sustainable growth in the medium and long term.

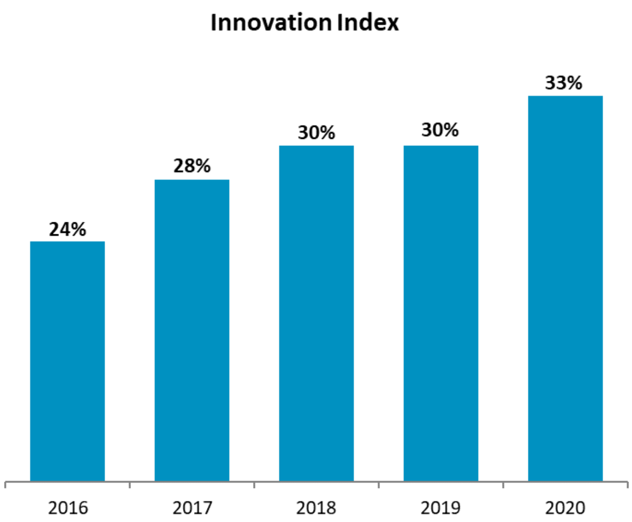
Hypera Pharma has also implemented several initiatives to preserve the well-being of its teams and the communities with which it relates during the Covid-19 pandemic, such as a home office for employees who are part of the Covid-19 risk group and administrative and sales teams, provision of telemedicine service, and donation of pulmonary ventilators, medicines and Covid-19 tests for the population of Anápolis. **In addition, the Company became a signatory to the UN Global Compact, an initiative proposed by the United Nations to encourage companies to adopt corporate social responsibility and sustainability policies.**

The increase in investments and the negative impact of the Covid-19 pandemic in 2020 did not change the Company's strategy to preserve the remuneration of its shareholders. **Hypera Pharma approved the distribution of Interest on Equity of R$742.0 million in 2020, or R$1.17 per share, an amount 10% higher than that declared in 2019.**

The Covid-19 pandemic brought additional challenges to the day-to-day operations of Brazilian companies in the most diverse segments, and for Hypera Pharma it was not different. However, the growth observed in similars, generics, medicines for chronic treatments, vitamins, supplements and nutritionals, the recovery observed in relevant categories to the Company and the growth acceleration of the pharmaceutical retail market since 2Q20 reinforced both the resilience of the Company's business, as well as the several growth opportunities that exist in the Brazilian pharmaceutical market.

Hypera Pharma will continue to invest in its sustainable growth in order to capture these opportunities, without losing sight of its commitment to shareholders remuneration. **The recent recovery of the sell-out growth, the integration of the acquisition of Takeda brands, which was already concluded in 1Q21, and the recent launches put the Company in a prominent position to seek leadership in the Brazilian pharmaceutical market in 2021.**

Innovation & Launches



Total investments in Research and Development, including the amount capitalized as an intangible assets, reached R$350.2 million* in 2020, an increase of 44% over the previous year.

The 4Q20 innovation index, corresponding to the percentage of Net Revenue from products launched in the past five years, reached 38%, the highest level ever recorded by the Company in a quarter. In the year, the innovation index was 33%.

The growth in the innovation index is mainly due to the acceleration in the pace of new product launches in recent years. **Since 2018, when the Company began to focus its operations exclusively on the pharmaceutical market, more than 250 new products were launched.**

In 2020, Consumer Health highlights were the line extensions **Vitasay 50+ Vitaly**, which combines Peruvian maca with guarana to improve libido and treat menopausal symptoms, **Vitasay 50+ Serenne**, a product based on tryptophan, folic acid and B3 and B6 vitamins to help improving mood and sleep quality, **Vitasay 50+ Pro-Omega 3**, which helps maintain triglyceride levels, **Engov After Berry Vibes**, with an exclusive formula for body recovery and hydration, and **Zero-Cal**, with a new presentation containing Erythritol.

In Prescription Products, the Company launched the anti-inflammatory ointment **Artrotop** and important line extensions of the brands Gestamax, Lune, Episol, Blancy and Addera D3, such as **Addera + Cabelos e Unhas, Addera + Energia, Addera + Imunidade** and **Addera + Vitaminas.**

In Similar and Generic, in addition to the line extensions of the Neo Química vitamins launched throughout the year, it is worth noting the launch of **Equilibrisse,** to treat insomnia and anxiety disorders, in 4Q20.

*Note: *It considers R&D expenses and the amount of capitalized as intangible assets. Excludes the Lei do Bem benefit and R&D amortization in the period.*

Earnings Discussion

Income Statement

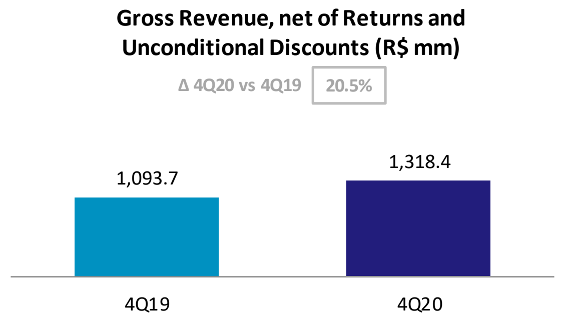
The following table is a summary of Hypera Pharma's Income Statement:

Table 2

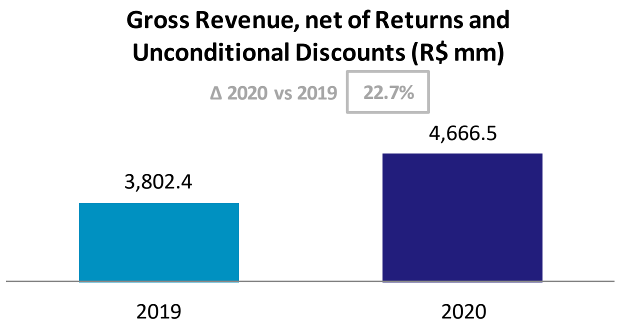
(R$ million)	4Q19	% NR	4Q20	% NR	Δ %	2019	% NR	2020	% NR	Δ %
Net Revenue	**928.6**	***100.0%***	**1,134.8**	***100.0%***	***22.2%***	**3,294.7**	***100.0%***	**4,088.9**	***100.0%***	***24.1%***
Gross Profit	**553.4**	***59.6%***	**699.7**	***61.7%***	***26.4%***	**2,085.7**	***63.3%***	**2,629.3**	***64.3%***	***26.1%***
Marketing Expenses	(204.0)	*-22.0%*	(214.7)	*-18.9%*	*5.2%*	(843.3)	*-25.6%*	(787.0)	*-19.2%*	*-6.7%*
Selling Expenses	(148.0)	*-15.9%*	(151.4)	*-13.3%*	*2.3%*	(558.3)	*-16.9%*	(568.6)	*-13.9%*	*1.8%*
General and Administrative Expenses	(51.0)	*-5.5%*	(63.2)	*-5.6%*	*24.0%*	(209.3)	*-6.4%*	(208.4)	*-5.1%*	*-0.4%*
Other Operational Net Expenses	40.2	*4.3%*	43.7	*3.8%*	*8.5%*	601.2	*18.2%*	236.8	*5.8%*	*-60.6%*
Equity in Subsidiaries	3.0	*0.3%*	4.8	*0.4%*	*59.7%*	9.6	*0.3%*	16.8	*0.4%*	*74.6%*
EBIT from Continuing Operations	**193.6**	***20.9%***	**318.8**	***28.1%***	***64.6%***	**1,085.7**	***33.0%***	**1,318.9**	***32.3%***	***21.5%***
Net Financial Expenses	3.6	*0.4%*	(36.0)	*-3.2%*	-	14.4	*0.4%*	(75.4)	*-1.8%*	-
Income Tax and CSLL	49.5	*5.3%*	42.2	*3.7%*	*-14.7%*	88.9	*2.7%*	78.2	*1.9%*	*-12.1%*
Net Income (Loss) from Continuing Operations	246.7	*26.6%*	324.9	*28.6%*	*31.7%*	1,189.0	*36.1%*	1,321.6	*32.3%*	*11.2%*
Net Income from Discontinued Operations	(7.9)	*-0.9%*	(10.1)	*-0.9%*	*26.8%*	(24.9)	*-0.8%*	(26.5)	*-0.6%*	*6.3%*
Net Income (Loss)	238.8	*25.7%*	314.9	*27.7%*	*31.9%*	1,164.0	*35.3%*	1,295.1	*31.7%*	*11.3%*
EBITDA from Continuing Operations	**224.2**	***24.1%***	**349.0**	***30.8%***	***55.7%***	**1,206.0**	***36.6%***	**1,440.4**	***35.2%***	***19.4%***

Net Revenue

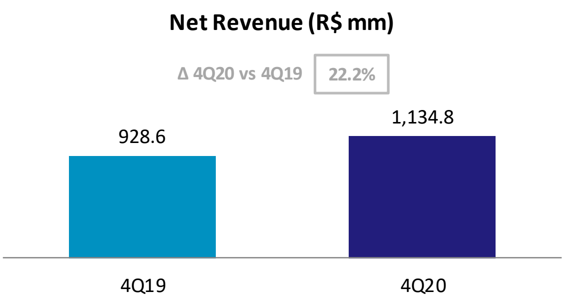
Graph 1



Graph 2



Graph 3



Graph 4

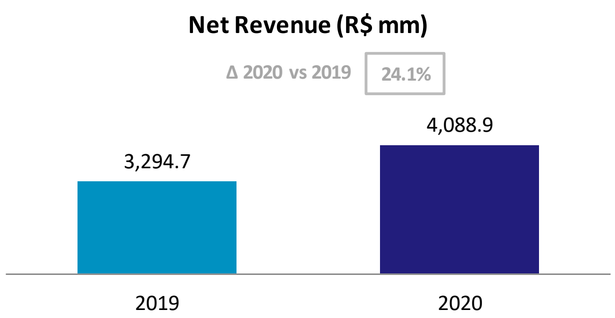


Table 3

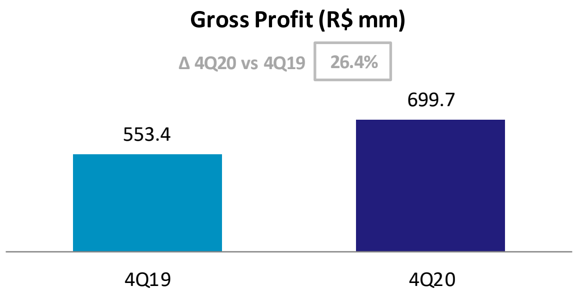
(R$ million)	4Q19	4Q20	Δ %	2019	2020	Δ %
Gross Revenue, net of Returns and Unconditional Discounts	**1,093.7**	**1,318.4**	***20.5%***	**3,802.4**	**4,666.5**	***22.7%***
Promotional Discounts	(90.3)	(84.8)	*-6.1%*	(254.0)	(234.3)	*-7.8%*
Taxes	(74.9)	(98.7)	*31.8%*	(253.6)	(343.3)	*35.4%*
Net Revenue	**928.6**	**1,134.8**	***22.2%***	**3,294.7**	**4,088.9**	***24.1%***

In 4Q20, Net Revenue growth was 22.2% when compared to the same period of the previous year, totaling R$1,134.8 million. The Buscopan family added R$85.7 million to Net Revenue in this quarter.

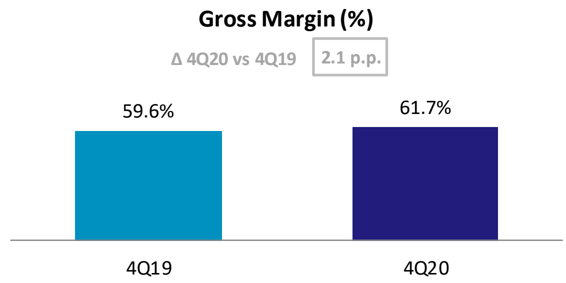
Net Revenue grew 24.1% and totaled R$4,088.9 million in the year, in line with the guidance set by the Company for 2020. The growth of Net Revenue in 2020 is a consequence of the sell-out increase in the period, which was mainly driven by the growth in **Generics and Similars**, chronic medicines in **Prescription Products** and vitamins, supplements and nutritionals in **Consumer Health**.

Gross Profit

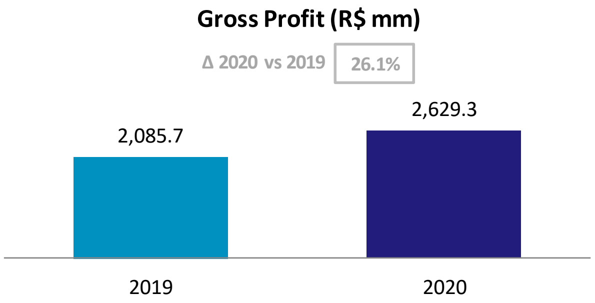
Graph 5



Graph 6



Graph 7



Graph 8

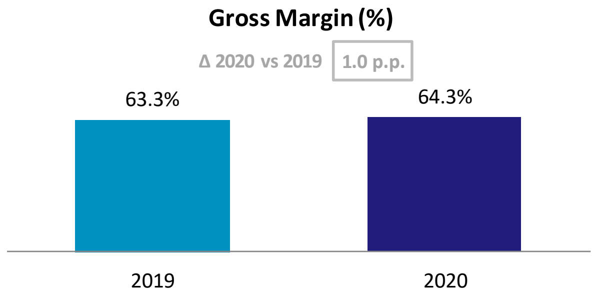


Table 4

(R$ million)	4Q19	% NR	4Q20	% NR	Δ %	Δ p.p.	2019	% NR	2020	% NR	Δ %	Δ p.p.
Gross Profit	553.4	*59.6%*	699.7	*61.7%*	*26.4%*	*2.1 p.p.*	2,085.7	*63.3%*	2,629.3	*64.3%*	*26.1%*	*1.0 p.p.*

Gross Profit reached R$699.7 million in 4Q20, with a Gross Margin of 61.7%, compared to 59.6% in 4Q19. The variation in the Gross Margin is mainly due to: (i) the devaluation of the Real against the Dollar in the period, which negatively affected the Gross Margin by 2.3% percentage points, (ii) the positive impact of the reduction in idleness, discards and discounts as a percentage of Net Revenue.

In 2020, Gross Profit was R$2,629.3 million, with Gross Margin of 64.3%, or 1.0 percentage point higher than 2019 Gross Margin. The growth of the Gross Margin, even with the negative impact of 1.8 percentage point resulting from the devaluation of the Real against the US Dollar, was mainly due to the positive impact of the product mix sold in 2020, since in 1Q19 there was a reduction in sales in Consumer Health and Prescription Products to adjust the commercial policy.

Marketing Expenses

Table 5

(R$ million)	4Q19	% NR	4Q20	% NR	Δ %	2019	% NR	2020	% NR	Δ %
Marketing Expenses	(204.0)	-22.0%	(214.7)	-18.9%	5.2%	(843.3)	-25.6%	(787.0)	-19.2%	-6.7%
Advertisement and Consumer Promotion	(67.1)	-7.2%	(66.9)	-5.9%	-0.2%	(301.0)	-9.1%	(240.7)	-5.9%	-20.0%
Trade Deals	(26.0)	-2.8%	(34.7)	-3.1%	33.2%	(82.8)	-2.5%	(112.6)	-2.8%	36.1%
Medical Visits, Promotions and Others	(110.9)	-11.9%	(113.1)	-10.0%	2.0%	(459.6)	-14.0%	(433.7)	-10.6%	-5.6%

Marketing Expenses reduced their share of Net Revenue by 6.4 percentage points in 2020, from 25.6% of Net Revenue in 2019 to 19.2% in 2020. This reduction is a consequence of the decrease in Advertisement and Consumer Promotion expenses and Medical Visits, Promotions and Others expenses, which were impacted by the Covid-19 pandemic.

The decrease in these expenses is a result of: (i) the reduction in spending on advertising campaigns compared to 2019, mainly due to the better contractual conditions set for 2020; (ii) the increase in medical visits and medical events held remotely, which contributed to the reduction in travel expenses; and (iii) the lower number of samples.

Selling Expenses

Table 6

(R$ million)	4Q19	% NR	4Q20	% NR	Δ %	2019	% NR	2020	% NR	Δ %
Selling Expenses	(148.0)	-15.9%	(151.4)	-13.3%	2.3%	(558.3)	-16.9%	(568.6)	-13.9%	1.8%
Commercial Expenses	(85.8)	-9.2%	(88.7)	-7.8%	3.3%	(337.4)	-10.2%	(311.7)	-7.6%	-7.6%
Freight and Logistics Expenses	(25.9)	-2.8%	(28.1)	-2.5%	8.4%	(92.2)	-2.8%	(105.2)	-2.6%	14.2%
Research & Development	(36.3)	-3.9%	(34.7)	-3.1%	-4.4%	(128.7)	-3.9%	(151.7)	-3.7%	17.8%

Selling Expenses represented 13.9% of Net Revenue in 2020, a reduction of 3.0 percentage points when compared to 2019. The variation in Selling Expenses was mainly due to the reduction in selling expenses, which were impacted by the lower variable remuneration and lower number of travels due to the Covid-19 pandemic throughout the year.

In 2020, total investments in Research and Development, including the amount capitalized as an intangible asset, grew 44% and totaled R$350.2 million. In 4Q20, the Lei do Bem benefit was R$28.2 million, compared to R$2.7 million in 4Q19.

General and Administrative Expenses & Other Operating Revenues / Expenses, Net

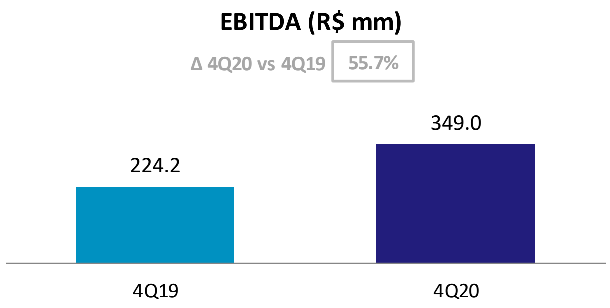
Table 7

(R$ million)	4Q19	% NR	4Q20	% NR	Δ %	2019	% NR	2020	% NR	Δ %
General & Administrative Expenses	(51.0)	-5.5%	(63.2)	-5.6%	24.0%	(209.3)	-6.4%	(208.4)	-5.1%	-0.4%
Other Operating Revenues (Expenses)	40.2	4.3%	43.7	3.8%	8.5%	601.2	18.2%	236.8	5.8%	-60.6%

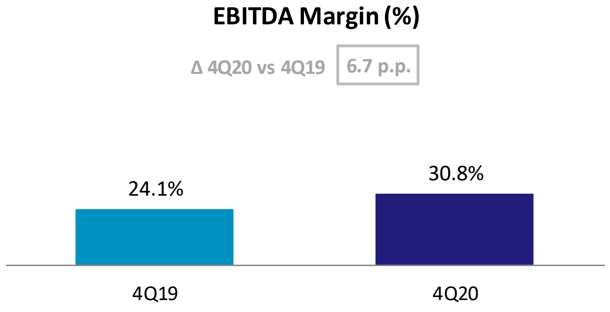
General and Administrative Expenses reduced their share of Net Revenue by 1.3 percentage points in 2020, as a result of the Company's initiatives to preserve the profitability of its operations during the Covid-19 pandemic throughout the year, such as the reduction in number of trips and the implementation of home-office for administrative teams. Other Operating Revenues totaled R$43.7 million in 4Q20 and R$236.8 million in the year, and were mainly impacted by accounting for tax credits.

EBITDA from Continuing Operations

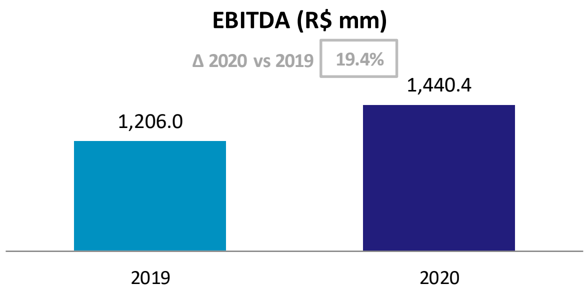
Graph 9



Graph 10



Graph 11



Graph 12

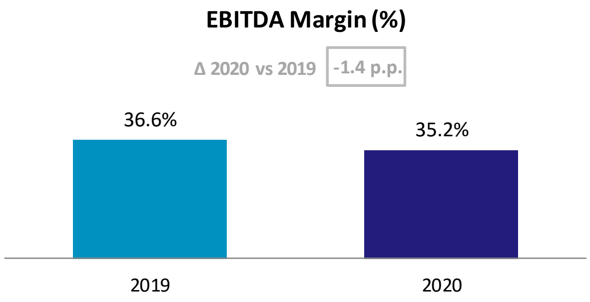


Table 8 – EBITDA from Continuing Operations Reconciliation

(R$ million)	4Q19	% NR	4Q20	% NR	Δ %	2019	% NR	2020	% NR	Δ %
EBITDA from Continuing Operations	224.2	24.1%	349.0	30.8%	55.7%	1,206.0	36.6%	1,440.4	35.2%	19.4%

EBITDA from Continuing Operations was R$1,440.4 million in 2020, with a 19.4% growth over the previous year and a 35.2% margin. The EBITDA from Continuing Operations growth is mainly due to Gross Profit growth and Marketing Expenses reduction in the period.

Net Financial Expenses

Table 9

(R$ million)	4Q19	% NR	4Q20	% NR	Δ R$	2019	% NR	2020	% NR	Δ R$
Financial Result	3.6	*0.4%*	(36.0)	*-3.2%*	(39.6)	14.4	*0.4%*	(75.4)	*-1.8%*	(89.8)
Net Interest Expenses	13.9	*1.5%*	(19.5)	*-1.7%*	(33.3)	52.5	*1.6%*	(29.9)	*-0.7%*	(82.5)
Cost of Hedge and FX Gains (Losses)	(1.9)	*-0.2%*	(6.6)	*-0.6%*	(4.7)	(5.6)	*-0.2%*	(1.2)	*0.0%*	4.4
Other	(8.3)	*-0.9%*	(10.0)	*-0.9%*	(1.7)	(32.5)	*-1.0%*	(44.3)	*-1.1%*	(11.8)

The Financial Result presented a negative balance of R$75.4 million in 2020, compared to a positive balance of R$14.4 million in 2019. This variation is mainly due to the increase in interest expenses due to the higher gross debt of the Company, mainly due to the issuance of debentures to pay for the acquisition of the Buscopan family and the portfolio from Takeda.

Net Income

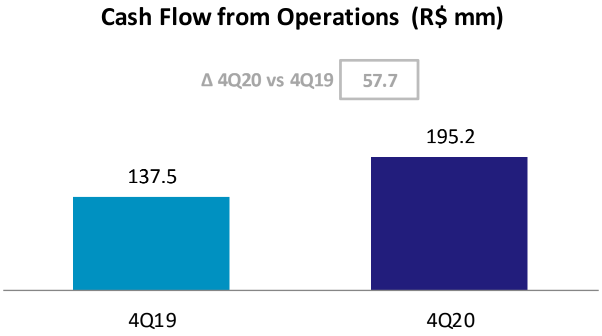
Table 10

(R$ million)	4Q19	4Q20	Δ %	2019	2020	Δ %
EBIT from Continuing Operations	193.6	318.8	*64.6%*	1,085.7	1,318.9	*21.5%*
(-) Net Financial Expenses	3.6	(36.0)	-	14.4	(75.4)	-
(-) Income Tax and Social Contribution	49.5	42.2	*-14.7%*	88.9	78.2	*-12.1%*
Net Income from Continuing Operations	**246.7**	**324.9**	***31.7%***	**1,189.0**	**1,321.6**	***11.2%***
(+) Net Income from Discontinued Operations	(7.9)	(10.1)	*26.8%*	(24.9)	(26.5)	*6.3%*
Net Income	**238.8**	**314.9**	***31.9%***	**1,164.0**	**1,295.1**	***11.3%***
EPS	**0.38**	**0.50**	***31.3%***	**1.84**	**2.05**	***11.2%***
EPS from Continuing Operations	**0.39**	**0.51**	***31.1%***	**1.88**	**2.09**	***11.1%***

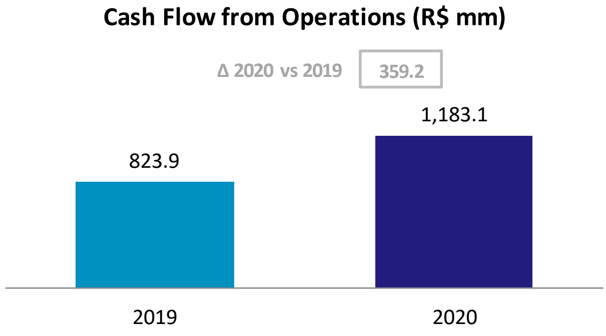
Net Income from Continuing Operations totaled R$1,321.6 million in the year, an increase of 11.2%, in line with the guidance established by the Company for the period. This evolution in Net Income from Continuing Operations is mainly due to the 21.5% growth in EBIT from Continuing Operations.

Cash Flow (Continuing and Discontinued Operations)

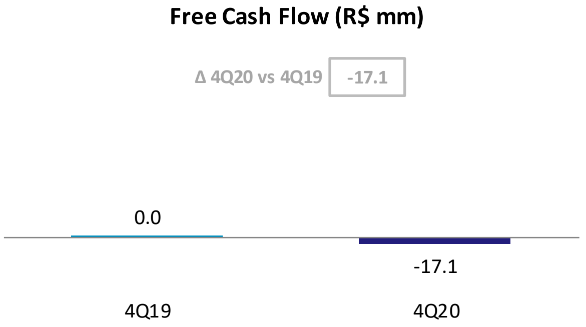
Graph 13



Graph 14



Graph 15



Graph 16

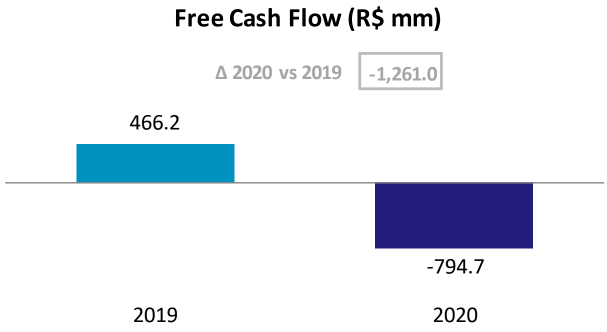


Table 11

(R$ million)	4Q19	4Q20	2019	2020
Cash Flow from Operations	137.5	195.2	823.9	1,183.1
Purchase of Property, Plant and Equipment	(101.2)	(126.9)	(246.0)	(447.4)
Purchase of Intangible Assets	(36.8)	(53.7)	(115.7)	(1,479.8)
Acquisitions of Subsidiaries, Net of Cash Acquired	0.0	0.0	0.0	(45.5)
Sale of Property, Plant and Equipment	0.5	(31.8)	4.0	(5.1)
(=) Free Cash Flow	**0.0**	**(17.1)**	**466.2**	**(794.7)**

Cash Flow From Operations was R$1,183.1 million in 2020, the highest ever recorded by Hypera Pharma, and was mainly a consequence of the growth in the Company's operating result in the period.

Free Cash Flow was negative by R$794.7 million, mainly due to the payment of R$1.3 billion for the acquisition of the Buscopan family in 3Q20 and the additional investments to expand the manufacturing capacity in Anápolis carried out throughout the year.

Net Debt

Table 12

(R$ million)	4Q20
Loans and Financing	(5,513.0)
Notes Payable	(24.0)
Gross Debt	**(5,537.0)**
Cash and Cash Equivalents	4,743.3
Net Cash / (Debt)	**(793.7)**
Unrealized Gain/Loss on Debt Hedge	29.7
Net Cash / (Debt) After Hedge	**(764.1)**
Interest on Capital	(671.6)
Pro-forma Net Cash / (Debt) After Interest on Capital	**(1,435.6)**

The Company ended 2020 with a Net Debt position of R$764.1 million, or R$1,435.6 million when considering the payment of Interest on Equity made in January 2021. The Company went from Net Cash at the end of 2019 to Net Debt at the end of 2020 mainly due to the payment of R$1.3 billion for the Buscopan family acquisition made in 3Q20 and the additional investments to expand the industrial capacity in Anápolis carried out throughout the year.

Disclaimer

This release contains forward-looking statements that are exclusively related to the prospects of the business, its operating and financial results, and prospects for growth. These data are merely projections and, as such, based exclusively on our management's expectations for the future of the business and its continued access to capital to fund its business plan. These forward-looking statements substantially depend on changing market conditions, government regulations, competitive pressures, the performance of the Brazilian economy and the industry, among other factors, as well as the risks shown in our filed disclosure documents, and are therefore subject to change without prior notice.

Additional unaudited information herein reflects management's interpretation of information taken from its financial information and their respective adjustments, which were prepared in accordance with market practices and for the sole purpose of a more detailed and specific analysis of our results. Therefore, these additional data must also be analyzed and interpreted independently by shareholders and market agents, who should carry out their own analysis and draw their own conclusions from the results reported herein. No data or interpretative analysis provided by our management should be treated as a guarantee of future performance or results and are merely illustrative of our directors' vision of our results.

Our management is not responsible for compliance or accuracy of the management financial data discussed in this report, which must be considered as for informational purposes only, and should not override the analysis of our audited consolidated financial statements or our reviewed quarterly information for purposes of a decision to invest in our stock, or for any other purpose.

Consolidated Income Statement (R$ thousand)

Table 13

	4Q19	4Q20	2019	2020
Net Revenue	**928,591**	**1,134,848**	**3,294,749**	**4,088,871**
Cost of Goods Sold	(375,194)	(435,161)	(1,209,057)	(1,459,596)
Gross Profit	**553,397**	**699,687**	**2,085,692**	**2,629,275**
Selling and Marketing Expenses	(352,032)	(366,159)	(1,401,629)	(1,355,581)
General and Administrative Expenses	(50,987)	(63,222)	(209,262)	(208,397)
Other Operating Income (Expenses)	40,230	43,651	601,234	236,754
Equity in Subsidiaries	3,021	4,825	9,639	16,833
Operating Income Before Equity Income and Financial Result	**193,629**	**318,782**	**1,085,674**	**1,318,884**
Net Financial Expenses	3,603	(36,029)	14,417	(75,428)
Financial Expenses	(22,064)	(64,386)	(81,752)	(221,942)
Financial Income	25,667	28,357	96,169	146,514
Profit Before Income Tax and Social Contribution	**197,232**	**282,753**	**1,100,091**	**1,243,456**
Income Tax and Social Contribution	49,462	42,175	88,894	78,173
Net Income from Contining Operations	**246,694**	**324,928**	**1,188,985**	**1,321,629**
Net Income from Discontinued Operations	(7,937)	(10,063)	(24,945)	(26,513)
Income for the Period	**238,757**	**314,865**	**1,164,040**	**1,295,116**
Earnings per Share – R$	**0.38**	**0.50**	**1.84**	**2.05**

Consolidated Balance Sheet (R$ thousand)

Table 14

Assets	31/12/2019	31/12/2020	Liabilities and Shareholders' Equity	31/12/2019	31/12/2020
Current Assets	**4,737,327**	**7,899,162**	**Current Liabilities**	**1,585,308**	**2,628,626**
Cash and Cash Equivalents	2,246,436	4,743,298	Suppliers	333,829	275,539
Accounts Receivables	1,313,671	1,564,341	Suppliers' Assignment of Receivables	124,019	440,256
Inventories	664,643	920,796	Loans and Financing	108,622	461,816
Recoverable Taxes	300,826	274,017	Salaries Payable	205,996	224,479
Financial Derivatives	1,409	85,674	Income Tax and Social Contribution	337	10,570
Other Assets	206,966	306,823	Taxes Payable	47,857	63,659
Dividends and IOC receivables	2,261	4,098	Accounts Payable	135,710	273,353
Assets Held for Sale	1,115	115	Dividends and IOC Payable	612,143	671,654
			Notes Payable	7,802	23,980
			Financial Derivatives	3,820	177,943
			Liabilities Held for Sale	5,173	5,377
Non-Current Assets	**7,182,148**	**9,350,648**	**Non-Current Liabilites**	**1,624,067**	**5,380,469**
Long Term Assets	**909,728**	**1,217,542**	Loans and Financing	1,293,983	5,051,233
Deferred Income Tax and Social Contribution	26,551	194,716	Deferred Income Tax and Social Contribution	92,543	46,017
Recoverable Taxes	662,183	680,495	Taxes Payable	8,360	7,651
Other Assets	220,994	342,331	Accounts Payable	29,841	69,180
			Provisions for Contingencies	191,763	206,388
			Financial Derivatives	7,577	0
Fixed Assets and Investments	**6,272,420**	**8,133,106**	**Shareholders' Equity**	**8,710,100**	**9,240,715**
Investments	19,123	34,118	Capital	4,448,817	4,478,126
Investment Properties	150,240	154,318	Capital Reserve	1,270,401	1,266,381
Property, Plants and Equipments	1,167,946	1,546,409	Equity Valuation Adjustments	(254,994)	(336,724)
Intangible Assets	4,935,111	6,398,261	Profit Reserves	3,280,079	3,833,210
			Treasury Stock	(34,203)	(278)
Total Assets	**11,919,475**	**17,249,810**	**Total Liabilities and Shareholders' Equity**	**11,919,475**	**17,249,810**

Consolidated Cash Flow Statement (R$ thousand)

Tabela 15

	4Q19	4Q20	2019	2020
Cash Flows from Operating Activities				
Income (Loss) Before Income Taxes including Discontinued Operations	184,916	267,424	1,062,612	1,205,967
Depreciation and Amortization	30,567	30,205	120,373	121,482
Asset Impairment	13,763	22,894	15,628	63,023
Gain on Permanent Asset Disposals	12,274	16,648	38,826	2,203
Equity Method	(3,568)	(4,531)	(12,077)	(15,387)
Foreign Exchange (Gains) Losses	1,916	6,510	5,514	(21,295)
Net Interest and Related Revenue/Expenses	(5,519)	29,519	(19,931)	96,723
Expenses Related to Share Based Remuneration	8,512	4,875	24,408	19,193
Provisions	16,538	16,170	69,379	33,054
Adjusted Results	**259,399**	**389,714**	**1,304,732**	**1,504,963**
Decrease (Increase) in Assets	**(148,331)**	**(272,229)**	**(528,717)**	**(696,188)**
Trade Accounts Receivable	(78,519)	(83,188)	148,973	(220,724)
Inventories	(8,435)	(42,251)	(127,468)	(329,245)
Recoverable Taxes	(24,276)	(57,255)	(544,312)	648
Judicial Deposits and Others	(345)	7,440	(3,368)	17,803
Other Accounts Receivable	(36,756)	(96,975)	(2,542)	(164,670)
Increase (Decrease) in Liabilities	**26,415**	**77,720**	**47,867**	**374,279**
Suppliers	77,573	37,385	144,663	(49,037)
Suppliers' Assignment of Receivables	(9,265)	18,877	(37,182)	316,238
Financial Derivatives	5,678	29,788	12,435	88,145
Income Tax and Social Contribution Paid	(5,033)	(1,507)	(15,871)	(10,745)
Taxes Payable	(5,082)	(5,970)	(5,880)	14,254
Salaries and Payroll Charges	(14,896)	(9,745)	36,119	17,091
Accounts Payable	(13,815)	46,027	(50,627)	112,236
Operations Interest Paid	(4,700)	(35,637)	(14,605)	(99,018)
Other Accounts Payable	(4,045)	(1,498)	(21,185)	(14,885)
Net Cash Provided by Operating Activities	**137,483**	**195,205**	**823,882**	**1,183,054**
Cash Flows from Investing Activities				
Capital Increase/Decrease in Subsidiaries/Affiliates	0	0	(1,000)	(445)
Acquisitions of Subsidiaries, Net of Cash Acquired	0	0	0	(45,500)
Acquisitions of Property, Plant and Equipment	(101,181)	(126,866)	(245,955)	(447,411)
Intangible Assets	(36,799)	(53,690)	(115,671)	(1,479,804)
Proceeds from the Sale of Assets with Permanent Nature	508	(31,768)	3,978	(5,059)
Interest and Others	13,336	18,885	52,120	78,212
Investment Hedge	0	(40,121)	0	4,894
Net Cash From Investing Activities	**(124,136)**	**(233,560)**	**(306,528)**	**(1,895,113)**
Cash Flows from Financing Activities				
Capital Integralization	0	2,066	0	29,309
Borrowings	904,850	0	904,850	4,115,000
Treasury Stock Purchase / Sale	15,406	1	(47,850)	12,102
Repayment of Loans - Principal	(46,008)	(43,372)	(123,395)	(98,979)
Repayment of Loans - Interest	(7,632)	(84,810)	(27,970)	(166,037)
Dividends and IOC Paid	(20,594)	(23,205)	(623,422)	(682,474)
Net Cash From Financing Activities	**846,022**	**(149,320)**	**82,213**	**3,208,921**
Net Increase (Decrease) in Cash and Cash Equivalents	**859,369**	**(187,675)**	**599,567**	**2,496,862**
Statement of Increase in Cash and Cash Equivalents, Net				
Cash and Cash Equivalents at the Beginning of the Period	1,387,067	4,930,973	1,646,869	2,246,436
Cash and Cash Equivalents at the End of the Period	2,246,436	4,743,298	2,246,436	4,743,298
Change in Cash and Cash Equivalent	**859,369**	**(187,675)**	**599,567**	**2,496,862**

Other Information

Cash Conversion Cycle – Continuing Operations

Table 16

(Days)	4Q19	1Q20	2Q20	3Q20	4Q20
Receivables [1]	114	117	110	110	111
Inventories [2]	159	231	200	205	190
Payables [2][3]	(110)	(133)	(139)	(164)	(148)
Cash Conversion Cycle	**164**	**214**	**172**	**151**	**153**

(R$ million)	4Q19	1Q20	2Q20	3Q20	4Q20
Receivables	1,314	1,186	1,413	1,478	1,564
Inventories	665	697	802	892	921
Payables [3]	(458)	(403)	(556)	(715)	(716)
Working Capital	**1,520**	**1,480**	**1,659**	**1,655**	**1,769**
***% of Annualized Net Revenue* [4]**	***41%***	***45%***	***39%***	***38%***	***39%***

(1) Calculated based on Continuing Operations Gross Revenue, Net of Discounts
(2) Calculated based on Continuing Operations COGS
(3) Includes Suppliers' Assignment of Receivables
(4) Annualized last quarter Net Revenue

Tax Credits to offset Income Tax payment

i) Federal Recoverable Taxes: R$802.9 million (please refer to Explanatory Note 13 of the Financial Statements);

ii) Cash effect of Income Tax and Social Contribution Losses Carryforward: R$1,636.1 million (please refer to Explanatory Note 23(a) of the Financial Statements).

Reconciliation of Adjusted EBITDA, or EBITDA from Continuing Operations

Table 17

(R$ million)	4Q19	% NR	4Q20	% NR	Δ %	2019	% NR	2020	% NR	Δ %
Net Income	238.8	*25.7%*	314.9	*27.7%*	*31.9%*	1,164.0	*35.3%*	1,295.1	*31.7%*	*11.3%*
(+) Income Tax and CSLL	(53.8)	*-5.8%*	(47.4)	*-4.2%*	*-11.9%*	(101.4)	*-3.1%*	(89.1)	*-2.2%*	*-12.1%*
(+) Net Interest Expenses	(3.6)	*-0.4%*	36.0	*3.2%*	*-*	(14.4)	*-0.4%*	75.4	*1.8%*	*-*
(+) Depreciations / Amortizations	30.6	*3.3%*	30.2	*2.7%*	*-1.2%*	120.4	*3.7%*	121.5	*3.0%*	*0.9%*
EBITDA	**211.9**	***22.8%***	**333.7**	***29.4%***	***57.5%***	**1,168.6**	***35.5%***	**1,402.9**	***34.3%***	***20.1%***
(-) EBITDA from Discontinued Operations	12.3	*1.3%*	15.3	*1.4%*	*24.4%*	37.5	*1.1%*	37.5	*0.9%*	***0.0%***
Adjusted EBITDA (EBITDA from Continuing Operations)	**224.2**	***24.1%***	**349.0**	***30.8%***	***55.7%***	**1,206.0**	***36.6%***	**1,440.4**	***35.2%***	***19.4%***

EBITDA is a non-accounting measure prepared by the Company and it is calculated based on net income, added by income taxes, financial expenses net of financial income, depreciation and amortization. The Adjusted EBITDA, or EBITDA from Continuing Operations, represents the EBITDA, excluding the effects related to discontinued operations that affected the Company's EBITDA. The Company uses Adjusted EBITDA, or EBITDA from Continuing Operations, as a non-accounting measure, in order to present its performance in a way that better translates the operating cash generation potential of its business.

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Hypera S.A.

Parent company and consolidated financial statements at December 31, 2020 and independent auditor's report

(A free translation of the original in Portuguese)

Independent auditor's report

To the Board of Directors and Stockholders
Hypera S.A.

Opinion

We have audited the accompanying parent company financial statements of Hypera S.A. ("Company" or "Parent company"), which comprise the balance sheet as at December 31, 2020 and the statements of income, comprehensive income, changes in equity and cash flows for the year then ended, as well as the accompanying consolidated financial statements of Hypera S.A. and its subsidiaries ("Consolidated"), which comprise the consolidated balance sheet as at December 31, 2020 and the consolidated statements of income, comprehensive income, changes in equity and cash flows for the year then ended, and a summary of significant accounting policies and other explanatory information.

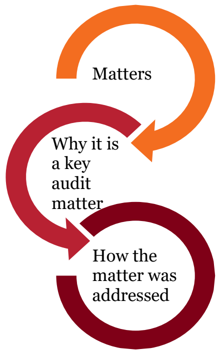
In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Hypera S.A. and of Hypera S.A. and its subsidiaries as at December 31, 2020, and the financial performance and cash flows for the year then ended, as well as the consolidated financial performance and cash flows for the year then ended, in accordance with accounting practices adopted in Brazil and with the International Financial Reporting Standards (IFRS) as issued by the International Accounting Standards Board (IASB).

Basis for opinion

We conducted our audit in accordance with Brazilian and International Standards on Auditing. Our responsibilities under those standards are further described in the "Auditor's responsibilities for the audit of the parent company and consolidated financial statements" section of our report. We are independent in relation to the Company and its subsidiaries in accordance with the ethical requirements established in the Code of Professional Ethics and Professional Standards issued by the Brazilian Federal Accounting Council, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Key Audit Matters

Key Audit Matters are those matters that, in our professional judgment, were of most significance in our audit of the financial statements of the current period. These matters were addressed in the context of our audit of the parent company and consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.



Hypera S.A.

Why it is a Key Audit Matter	How the matter was addressed in the audit
Non-compliance with standards, laws and regulations (Note 32)	
The Board of Directors formed an Independent Special Committee that coordinated with the support of independent specialists an internal investigation into the facts underlying the Company's former Institutional Relations officer's admission to having made inappropriate payments between 2013 and 2016. This matter is subject to an investigation led by the Federal Public Prosecution Office (MPF), under orientation of the Judiciary as part of the *Tira-Teima Operation*, as part of the ex- officer's plea bargain. The investigation was concluded and indicated that proven undue payments were made by the Company. The Company has collaborated with the investigations conducted by the competent authorities with the support of specialized advisors, worked on the implementation of actions recommended by the Independent Committee and evaluates the convenience and the opportunity to resort to the legal mechanisms that are appropriate for the final conclusion of the matter, including the chances of concluding agreements with the competent authorities. At the moment, the Company's management concluded that it is unable to accurately and reliably determine the potential additional impacts resulting from the facts related to the "Tira-Teima Operation" identified by the Company and the Independent Committee. This matter continued to be a Key Audit Matters because of the limitations inherent in the nature of the investigation process and which are particularly significant.	We read the minutes recording the decisions taken by the Board of Directors as a response to the allegations under the *Tira-Teima Operation*. With the support of our forensics specialists, we met with the Independent Special Committee and with the independent specialists to understand the scope, extent, methodology and the progress of the investigation. We inspected, on a sample basis, the supporting evidence collated by the investigations. We also met with the Audit Committee and the Company's management to understand the responses provided to the independent investigators and the stage of agreements with competent authorities after the Judiciary’s investigation. We also obtained a representation letter from the lawyers who are accompanying the investigation. We observed the new compliance actions and controls implemented by the Company, including the whistleblowing hotline, and how cases of non-compliance with standards, laws, regulations, or the Company's policies have been handled. We believe that the disclosures in the notes to the financial statements are consistent with the information and representations received.
Taxes recoverable and tax and labor contingencies (Notes 3, 13 and 26)	
Significant tax and labor contingencies, as well as questions around the recovery of tax assets have required estimates and assumptions to be made, the extent of realization of which may cause material adjustments to future financial statements. Definitive conclusions from such proceedings can take a considerable length of time and will involve	Our audit procedures included, among others, obtaining an understanding of the basis of accounting and disclosures of the matters in the notes to the financial statements. With the support of our specialists, we tested and analyzed the documentation supporting the transactions. We obtained confirmation for the principal cases directly from the law firms and

Why it is a Key Audit Matter	How the matter was addressed in the audit
discussions involving the merits of the cases and complex procedural aspects. Interpretations of laws and regulations can be highly complex. Hence, the measurement, recognition and disclosures of the corresponding cases and the underlying compliance with laws and regulations, are subjective. Management's judgment, with the advice of the Company's internal and external legal counsel, is required to record assets or liabilities to establish their basis of measurement and risk-related disclosures. For these reasons, we decided to focus on this matter during our audit.	internal legal counsel to understand the basis for their positions, the completeness of the information and agree the amounts involved. For certain proceedings, we obtained legal opinions and discussed the basis for establishing the likelihood of the outcomes. We consider that the criteria used by management to record the tax assets, the provisions booked and disclosures made in the notes to the financial statements to be consistent with the documents we examined and with the positions taken by the Company's internal and external legal counsel.
Impairment assessment (Notes 3 and 19)	
Trademarks and patents and Goodwill from acquisition of investments in merged companies, of R$ 5.977.019 thousand at December 31, 2020, represents 35% of consolidated assets. The recoverability of these assets depends on the realization of future cash flow projections. Among the more significant assumptions considered in these projections are for sales growth for existing and new brands (from research and development), the investments required to implement plans and the discount rate used. This issue remained one of the key audit matters in our audit due to the significance of the amounts, associated with facts such as the definition of cash generating units and the necessary management judgments in the definition of assumptions.	Among other procedures, and with the support of our business valuation specialists, we analyzed the mathematical accuracy of the cash flow projections and tested the consistency of the information and main assumptions used to project the cash flows against the underlying information used for the budget approved by the Board of Directors and with market data. We back-tested prior-year projections to determine the effectiveness of past forecasting models used. We also reviewed the different sensitivity scenarios for the more significant assumptions and read the disclosures in the notes to the financial statements. Our audit procedures indicated that the judgments applied and assumptions used by management were reasonable, and that the disclosures were consistent with the data and information obtained.

Other matters

Statements of value added

The parent company and consolidated statements of value added for the year ended December 31, 2020, prepared under the responsibility of the Company's management and presented as supplementary information for IFRS purposes, were submitted to audit procedures performed in conjunction with the audit of the Company's financial statements. For the purposes of forming our opinion, we evaluated whether these statements are reconciled with the financial statements and accounting records, as applicable, and if their form and content are in accordance with the criteria defined in the Brazilian Technical Pronouncements Committee CPC 09 - "Statement of Value Added".

In our opinion, these statements of value added have been properly prepared, in all material respects, in accordance with the criteria established in the Technical Pronouncement and are consistent with the parent company and consolidated financial statements taken as a whole.

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

The Company's management is responsible for the other information that comprises the Management Report.

Our opinion on the parent company and consolidated financial statements does not cover the Management Report, and we do not express any form of audit conclusion thereon.

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

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

Management is responsible for the preparation and fair presentation of the parent company and consolidated financial statements in accordance with accounting practices adopted in Brazil and with the IFRS as issued by the IASB, and for such internal control as Management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

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

Those charged with governance are responsible for overseeing the financial reporting process of the Company and its subsidiaries.

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

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

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

- Identify and assess the risks of material misstatement of the parent company and consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal controls.

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

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

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

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

- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the parent company and consolidated financial statements. We are responsible for the direction, supervision and performance of the Group audit. We remain solely responsible for our audit opinion.

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

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

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

Goiânia, February 26, 2021

PricewaterhouseCoopers
Auditores Independentes
CRC 2SP000160/O-5

Valdir Renato Coscodai
Contador CRC 1SP165875/O-6

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Hypera S.A.

Financial statements at
December 31, 2020

Hypera S.A.

Balance sheets at December 31

In thousands of Reais (A free translation of the original in Portuguese)

	Parent company		Consolidated	
Assets	**2020**	**2019**	**2020**	**2019**
Current assets				
Cash and cash equivalents (Note 10)	4,646,159	2,117,668	4,743,298	2,246,436
Accounts receivable (Note 11)	1,564,207	1,313,767	1,564,341	1,313,671
Inventory (Note 12)	259,864	108,887	920,796	664,643
Recoverable taxes (Note 13)	151,684	236,278	274,017	300,826
Derivative financial instruments (Note 4 (f))	79,427	-	85,674	1,409
Dividends receivable (Note 16 (a))	13,046	6,925	4,098	2,261
Other assets (Note 14)	261,343	176,852	306,823	206,966
	6,975,730	3,960,377	7,899,047	4,736,212
Assets held for sale	115	1,115	115	1,115
Non-current assets				
Long-term receivables				
Deferred income tax and social contribution (Note 23)	165,913	-	194,716	26,551
Recoverable taxes (Note 13)	630,126	622,409	680,495	662,183
Other assets (Note 14)	293,288	184,270	342,331	220,994
	1,089,327	806,679	1,217,542	909,728
Investments (Note 16)	2,309,089	1,738,263	34,118	19,123
Investment properties (Note 17)	161,095	157,955	154,318	150,240
Property, plant and equipment (Note 18)	130,536	129,067	1,546,409	1,167,946
Intangible assets (Note 19)	6,004,949	4,639,816	6,398,261	4,935,111
	8,605,669	6,665,101	8,133,106	6,272,420
	9,694,996	7,471,780	9,350,648	7,182,148
Total assets	16,670,841	11,433,272	17,249,810	11,919,475

	Parent company		Consolidated	
Liabilities and equity	**2020**	**2019**	**2020**	**2019**
Current liabilities				
Suppliers (Note 20)	588,626	344,357	275,539	333,829
Suppliers' assignments of receivables (Note 21)	5,013	291	440,256	124,019
Loans, financing and debentures (Note 22)	424,880	77,571	461,816	108,622
Salaries payable	133,609	126,984	224,479	205,996
Income tax and social contribution payable	-	-	10,570	337
Taxes payable (Note 24)	22,077	31,640	63,659	47,857
Notes payable	23,980	7,802	23,980	7,802
Dividends and interest payable on shareholders' equity	671,654	612,143	671,654	612,143
Derivative financial instruments (Note 4 (f))	149,213	-	177,943	3,820
Accounts payable (Note 25)	169,943	88,310	273,353	135,710
	2,188,995	1,289,098	2,623,249	1,580,135
Liabilities associated with assets held for sale	5,258	5,058	5,377	5,173
Non-current liabilities				
Loans, financing and debentures (Note 22)	4,978,590	1,204,481	5,051,233	1,293,983
Taxes payable (Note 24)	7,651	8,360	7,651	8,360
Deferred income tax and social contribution (Note 23)	-	20,661	46,017	92,543
Provision for contingencies (Note 26)	183,516	168,101	206,388	191,763
Derivative financial instruments (Note 4 (f))	-	7,577	-	7,577
Accounts payable (Note 25)	66,116	19,836	69,180	29,841
	5,235,873	1,429,016	5,380,469	1,624,067
Total liabilities	7,430,126	2,723,172	8,009,095	3,209,375
Equity				
Share capital (Note 27 (a))	4,478,126	4,448,817	4,478,126	4,448,817
Capital reserves	1,266,381	1,270,401	1,266,381	1,270,401
Equity valuation adjustments	(336,724)	(254,994)	(336,724)	(254,994)
Profit reserves (Note 27(h))	3,833,210	3,280,079	3,833,210	3,280,079
Treasury shares (Note 27(d))	(278)	(34,203)	(278)	(34,203)
	9,240,715	8,710,100	9,240,715	8,710,100
Total liabilities and equity	16,670,841	11,433,272	17,249,810	11,919,475

The accompanying notes are an integral part of the financial statements.

Hypera S.A.

Statements of income
Years ended December 31
In thousands of Reais, unless stated otherwise (A free translation of the original in Portuguese)

	Parent company		Consolidated	
	2020	**2019**	**2020**	**2019**
Continuing operations				
Net revenue (Note 28)	4,200,572	3,394,165	4,088,871	3,294,749
Cost of sales (Note 29 (a))	(1,847,690)	(1,526,769)	(1,459,596)	(1,209,057)
Gross profit	**2,352,882**	**1,867,396**	**2,629,275**	**2,085,692**
Selling and marketing expenses (Note 29 (a))	(1,215,561)	(1,282,873)	(1,355,581)	(1,401,629)
General and administrative expenses (Note 29 (a))	(148,360)	(148,702)	(208,397)	(209,262)
Other operating income (expenses), net (Note 29 (b))	210,528	640,058	236,754	601,234
Equity accounting (Note 16 (a))	93,904	(9,910)	16,833	9,639
Income before financial income and expenses	**1,293,393**	**1,065,969**	**1,318,884**	**1,085,674**
Financial income (Note 29 (c))	141,018	86,989	146,514	96,169
Financial expenses (Note 29 (d))	(213,950)	(59,943)	(221,942)	(81,752)
Net financial income (expenses)	**(72,932)**	**27,046**	**(75,428)**	**14,417**
Income before income tax and social contribution	**1,220,461**	**1,093,015**	**1,243,456**	**1,100,091**
Income tax and social contribution (Note 23 (c))	101,168	95,970	78,173	88,894
Net income from continuing operations	**1,321,629**	**1,188,985**	**1,321,629**	**1,188,985**
Discontinued operations				
Net income from discontinued operations (Note 15)	(26,513)	(24,945)	(26,513)	(24,945)
Net income for the period	**1,295,116**	**1,164,040**	**1,295,116**	**1,164,040**
Earnings per share - Continuing operations (Note 30)				
Basic earnings per share (in R$)			2.09322	1.88342
Diluted earnings per share (in R$)			2.07042	1.85798
Earnings per share (Note 30)				
Basic earnings per share (in R$)			2.05123	1.84391
Diluted earnings per share (in R$)			2.02888	1.81900

The accompanying notes are an integral part of the financial statements.

Hypera S.A.

Statements of comprehensive income
Years ended December 31

In thousands of Reais, unless stated otherwise (A free translation of the original in Portuguese)

	Parent company		Consolidated	
	2020	2019	2020	2019
Net income for the period	**1,295,116**	**1,164,040**	**1,295,116**	**1,164,040**
Other comprehensive income				
Items that will be reclassified to income				
Cash flow hedge - effective portion of the changes in fair value	(8,026)	(476)	(8,026)	(476)
Income tax and social contribution on other comprehensive income	2,729	162	2,729	162
	(5,297)	(314)	(5,297)	(314)
Items that will not be reclassified to income				
Cash flow hedge - effective portion of the changes in fair value	(115,807)	-	(115,807)	-
Income tax and social contribution on other comprehensive income	39,374	-	39,374	-
	(76,433)	-	(76,433)	-
Other comprehensive income, net of income tax and social contribution	(81,730)	(314)	(81,730)	(314)
Comprehensive income for the year	**1,213,386**	**1,163,726**	**1,213,386**	**1,163,726**

The accompanying notes are an integral part of the financial statements.

Hypera S.A.

Statements of changes in equity

In thousands of Reais (A free translation of the original in Portuguese)

		Capital reserves					Profit reserves				
	Capital	**Premium on share issuance**	**Share purchase options**	**Debenture subscription bonus options**	**Treasury shares**	**Equity valuation adjustments**	**Legal reserve**	**Government grant reserve**	**Profit retention reserve**	**Retained earnings**	**Total**
At January 1, 2019	**4,448,817**	**1,161,726**	**73,201**	**50,244**	**(6,459)**	**(254,680)**	**180,592**	**2,470,495**	**143,737**	**-**	**8,267,673**
Recognition of leases per CPC 06/IFRS 16	-	-	-	-	-	-	-	-	-	(3,546)	(3,546)
Share purchase options	-	-	5,336	-	-	-	-	-	-		5,336
Results on sales of treasury shares	-	(20,106)	-	-	-	-	-	-	-	-	(20,106)
Sales of shares (Note 27(d))	-	-	-	-	44,444	-	-	-	-	-	44,444
Acquisitions of shares (Note 27(d))	-	-	-	-	(72,188)	-	-	-	-	-	(72,188)
Net income for the year	-	-	-	-	-	-	-	-	-	1,164,040	1,164,040
Government grant reserve (Note 27(f))	-	-	-	-	-	-	-	368,118	-	(368,118)	-
Interest on shareholders' equity	-	-	-	-	-	-	-	-	-	(675,270)	(675,270)
Capital budget reserve (Note 27(i))	-	-	-	-	-	-	-	-	117,106	(117,106)	-
Dividends prescribed and unclaimed	-	-	-	-	-	-	-	-	31	-	31
Other comprehensive income											
Gains or losses on derivatives, net of tax	-	-	-	-	-	(314)	-	-	-	-	(314)
Balances at December 31, 2019	**4,448,817**	**1,141,620**	**78,537**	**50,244**	**(34,203)**	**(254,994)**	**180,592**	**2,838,613**	**260,874**	**-**	**8,710,100**
Balances at January 1, 2020	**4,448,817**	**1,141,620**	**78,537**	**50,244**	**(34,203)**	**(254,994)**	**180,592**	**2,838,613**	**260,874**	**-**	**8,710,100**
Capital increase	29,309	-	-	-	-	-	-	-	-	-	29,309
Share purchase options	-	-	17,803	-	-	-	-	-	-	-	17,803
Results on sales of treasury shares	-	(21,823)	-	-	-	-	-	-	-	-	(21,823)
Sales of shares (Note 27(d))	-	-	-	-	33,925	-	-	-	-	-	33,925
Net income for the year	-	-	-	-	-	-	-	-	-	1,295,116	1,295,116
Government grant reserve (Note 27(f))	-	-	-	-	-	-	-	587,619	-	(587,619)	-
Interest on shareholders' equity	-	-	-	-	-	-	-	-	-	(741,985)	(741,985)
Reversal of capital budget reserve (Note 27(i))	-	-	-	-	-	-	-	-	(34,488)	34,488	-
Other comprehensive income											
Gains or losses on derivatives, net of tax	-	-		-	-	(81,730)	-	-	-	-	(81,730)
Balances at December 31, 2020	**4,478,126**	**1,119,797**	**96,340**	**50,244**	**(278)**	**(336,724)**	**180,592**	**3,426,232**	**226,386**	**-**	**9,240,715**

The accompanying notes are an integral part of the financial statements.

Hypera S.A.

Statements of cash flows
Years ended December 31
In thousands of Reais (A free translation of the original in Portuguese)

	Parent company		Consolidated	
	2020	2019	2020	2019
Cash flow from operating activities				
Income before income tax and social contribution, including discontinued operations	1,184,135	1,055,421	1,205,967	1,062,612
Adjustments for				
Depreciation and amortization	47,738	44,135	121,482	120,373
Impairment of assets	8,679	694	63,023	15,628
Results on sales of fixed assets	490	38,156	2,203	38,826
Equity accounting	(90,038)	9,879	(15,387)	(12,077)
Foreign exchange gains (losses)	(23,540)	178	(21,295)	5,514
Interest and related expenses (income)	96,472	(27,224)	96,723	(19,931)
Share-based compensation expenses	15,637	20,044	19,193	24,408
Provisions	8,561	20,769	33,054	69,379
Adjusted income	1,248,134	1,162,052	1,504,963	1,304,732
Changes in assets and liabilities				
Accounts receivable	(220,494)	151,642	(220,724)	148,973
Inventory	(195,283)	11,261	(329,245)	(127,468)
Taxes recoverable	60,786	(544,489)	648	(544,312)
Deposits with courts and others	24,443	(3,403)	17,803	(3,368)
Other accounts receivable	(144,519)	(3,281)	(164,670)	(2,542)
Suppliers	244,266	(72,117)	(49,037)	144,663
Suppliers' assignment of receivables	4,722	(1,058)	316,238	(37,182)
Derivative financial instruments	-	-	88,145	12,435
Accounts payable	81,112	(54,949)	112,236	(50,627)
Taxes payable	(9,648)	(1,582)	14,254	(5,880)
Salaries/wages payable	5,720	26,263	17,091	36,119
Operating interest and foreign exchange variation	892	5,508	(99,018)	(14,605)
Income tax and social contribution paid	(116)	-	(10,745)	(15,871)
Other accounts payable	(10,580)	(16,963)	(14,885)	(21,185)
Net cash provided by operating activities	1,089,435	658,884	1,183,054	823,882
Cash flow from investment activities				
Acquisitions of subsidiaries (less net cash on acquisitions)	(45,500)	-	(45,500)	-
Capital increases in subsidiaries	(493,200)	(252,200)	(445)	(1,000)
Purchases of property, plant and equipment	(11,001)	(21,937)	(447,411)	(245,955)
Purchases of intangible assets	(1,319,318)	(8,004)	(1,479,804)	(115,671)
Investment hedge	4,894	-	4,894	-
Proceeds from sales of fixed assets	(11,405)	(1,577)	(5,059)	3,978
Interest and other	75,982	47,188	78,212	52,120
Dividends received	4,664	6,272	-	-
Loans receivable	(2,356)	(267)	-	-
Net cash used in investment activities	(1,797,240)	(230,525)	(1,895,113)	(306,528)
Cash flow from financing activities				
Purchases of treasury shares	-	(72,188)	-	(72,188)
Sales of treasury shares	12,102	24,338	12,102	24,338
Payment of capital	29,309	-	29,309	-
Proceeds from borrowing	4,115,000	904,850	4,115,000	904,850
Payment of loans – principal	(74,977)	(97,518)	(98,979)	(123,395)
Payment of loans – interest	(162,664)	(22,785)	(166,037)	(27,970)
Dividends and interest on shareholders' equity paid	(682,474)	(623,422)	(682,474)	(623,422)
Loans payable	-	(2,650)	-	-
Net cash provided by financing activities	3,236,296	110,625	3,208,921	82,213
Net increase in cash and cash equivalents	2,528,491	538,984	2,496,862	599,567
Cash and cash equivalents at beginning of year	2,117,668	1,578,684	2,246,436	1,646,869
Cash and cash equivalents at end of year	4,646,159	2,117,668	4,743,298	2,246,436
Change in cash and cash equivalents	2,528,491	538,984	2,496,862	599,567
Transactions not involving cash	**30,129**	**3,919**	**70,849**	**17,269**
Acquisitions of companies	19,500	-	19,500	-
Acquisitions of property, plant and equipment	10,629	3,919	51,349	17,269

The accompanying notes are an integral part of the financial statements.

Hypera S.A.

Statements of added value (*)
Years ended December 31
In thousands of Reais (A free translation of the original in Portuguese)

	Parent company 2020	Parent company 2019	Consolidated 2020	Consolidated 2019
Gross income				
Sales of goods and products, including discontinued operations	4,428,933	3,548,175	4,432,169	3,548,367
Other income	311,748	708,746	358,894	675,705
Income related to construction of own assets	18,758	10,173	228,149	144,457
Allowance for doubtful accounts	147	5,388	888	3,572
	4,759,586	4,272,482	5,020,100	4,372,101
Inputs acquired from third parties				
Costs of materials, goods and services sold	(1,845,059)	(1,496,831)	(1,085,793)	(786,970)
Materials, power, third party services and others	(891,167)	(975,886)	(1,385,216)	(1,300,501)
Impairment of assets	(92,282)	(59,821)	(171,903)	(107,336)
	(2,828,508)	(2,532,538)	(2,642,912)	(2,194,807)
Gross added value	1,931,078	1,739,944	2,377,188	2,177,294
Depreciation and amortization	(47,738)	(44,135)	(121,482)	(120,373)
Net added value generated by the Company	1,883,340	1,695,809	2,255,706	2,056,921
Transfers of value added received				
Equity accounting	90,038	(9,879)	15,387	12,077
Financial income	141,018	86,989	146,514	96,169
	231,056	77,110	161,901	108,246
Total added value to be distributed	2,114,396	1,772,919	2,417,607	2,165,167
Distribution of added value				
Personnel and charges	561,057	505,722	982,720	903,920
Salaries and wages	464,943	419,155	793,043	729,444
Benefits	65,870	60,590	138,059	128,669
Government severance indemnity fund for employees (FGTS)	30,244	25,977	51,618	45,807
Taxes, fees and contributions	37,672	37,787	(96,477)	2,523
Federal	(64,551)	(57,939)	364	26,367
State	100,604	94,346	(98,696)	(25,856)
Municipal	1,619	1,380	1,855	2,012
Interest	213,735	60,148	221,448	81,209
Rentals	6,816	5,222	14,800	13,475
Equity remuneration	1,295,116	1,164,040	1,295,116	1,164,040
Interest on shareholders' equity	741,985	675,270	741,985	675,270
Retained earnings	553,131	488,770	553,131	488,770
Value added distributed	2,114,396	1,772,919	2,417,607	2,165,167

(*) The statement of value added is not an integral part of the financial statements under IFRS.

The accompanying notes are an integral part of the financial statements.

Hypera S.A.

Financial statements
at December 31, 2020

Contents

(A free translation of the original in Portuguese)

Notes to the financial statements
(In thousands of Reais, unless stated otherwise)

1 General information

Hypera S.A. (the "Company"), headquartered in São Paulo-SP, is a Brazilian pharmaceuticals company, and a leader in the various markets in which it operates (according to IQVIA data). Its mission is "providing access to healthcare for the Brazilian population, offering safe, high-quality products, continually investing in innovation and growing in a sustainable way, so that people can live longer and better."

The Company's main products are:

a) Under the umbrella brand Mantecorp Farmasa, the Company operates in various medical specialty areas within the Primary Care segment. Several of its products are among the top 30 in Brazil according to data from Close-Up International, including Predsim, Celestamine, Maxsulid, Diprospan, Mioflex-A and Addera D3. Under the brand Mantecorp Skincare, it offers dermo-cosmetics recommended by dermatologists throughout Brazil, based on information from Close-Up International;

b) The Company is a leading supplier in the Brazilian market of non-prescription products, according to IQVIA, including brands such as Apracur, Benegrip, Buscopan, Coristina d, Engov, Epocler and Estomazil. It also offers nutrition products, sweeteners and vitamin supplement lines, with brands such as Tamarine, Vitasay 50+, Biotônico Fontoura and Zero-Cal, which was the Top of Mind brand for 16 years in Brazil, according to Datafolha;

c) Through the Neo Química brand, the Company is a leader in the markets for similars/generic medicines, , with the brand present in 96% of Brazilian pharmaceutical points of sale, according to IQVIA. This broad reach is commensurate with its mission to provide access to health for the Brazilian population.

With a long history of growth through acquisitions, the Company announced an agreement to purchase the Buscopan family of brands from Boehringer Ingelheim in November 2019, for an estimated price of R$ 1.3 billion.

Products are manufactured mainly by the subsidiaries Brainfarma Indústria Química e Farmacêutica S.A. ("Brainfarma") and Cosmed Indústria de Cosméticos e Medicamentos S.A. ("Cosmed") located in the State of Goiás (GO). The main distribution center is in Anápolis - GO.

The Company's research and development activities for pharmaceuticals, dermo-cosmetics and nutritional products are centered at the Brainfarma innovation facility in Barueri - SP. Operating since 2017, the facility houses technologies for the development of various forms of pharmaceutical products across the six laboratories that make up the complex.

The Company also operates an extensive sales and distribution structure, with national coverage. Its products are distributed throughout Brazil, either directly to retailers, or indirectly via distributors and wholesalers.

2 Summary of significant accounting policies

The main accounting policies applied to the preparation of these individual and consolidated financial statements are set out below. These policies have been applied consistently to all of the years presented, unless otherwise stated.

2.1. Preparation basis

The financial statements have been prepared on a historical costs basis, except for certain financial assets and liabilities, which have been measured at fair value through profit or loss.

The preparation of financial statements requires management to use critical accounting estimates and exercise judgment when applying the Company's accounting policies. Those areas that require a greater level of judgment and have greater complexity, and areas where assumptions and estimates are material to the financial statements, are disclosed in Note 3.

All relevant information specific to the financial statements is being disclosed, and corresponds to the information used by Management.

The present financial statements were approved by the Board of Directors on February 26, 2021.

a. Individual and consolidated financial statements

The individual and consolidated financial statements have been prepared and are being presented in accordance with the accounting practices adopted in Brazil, including the pronouncements issued by the Accounting Pronouncements Committee (CPC) and in accordance with the International Financial Reporting Standards (IFRS) issued by the International Accounting Standards Board (IASB).

b. Discontinued operations

Discontinued operations relate to subsidiaries that have been sold, discontinued or classified as held for sale are disclosed in the financial statements, separately from the rest of the Company's operations:

i) Statement of income - Income and expenses from discontinued operations, including adjustments in the current year directly related to an operation which was discontinued in a prior year, and gains and losses arising from the write-off of assets held for sale are presented under the single heading "Income from discontinued operations" net of the effects of income tax and social contribution.

ii) The assets and liabilities related to discontinued operations are presented in current assets and liabilities, separately from other assets and liabilities in the balance sheet.

The detailed description of these discontinued operations is presented in Note 15.

c. New standards and interpretations not yet effective

Changes adopted by the Company
The following changes to standards were adopted for the first time for the year beginning on January 1, 2020:

- Definition of materiality level: amendments to IAS 1/CPC 26 - "Presentation of Financial Statements" and IAS 8/CPC 23 - "Accounting Policies, Changes in Accounting Estimates and Errors"
- Definition of business: amendments to IFRS 3/CPC 15 "Business Combinations"
- Reform of IBOR: amendments to IFRS 9/CPC 48, IAS 39/CPC 38 and IFRS 7/CPC 40 - "Financial instruments"
- Revised Conceptual Framework for Financial Reporting
- Benefits Related to Covid-19 Granted to Leaseholders in Lease Agreements: amendments to IFRS 16/CPC 06 (R2) "Leases".

The aforementioned changes had no material impacts on the Company.

Hedge accounting
IFRS 9 requires the Company and its subsidiaries to ensure that hedge accounting relationships are aligned with the Company's risk management goals and strategies and to apply a more qualitative, forward-looking approach to evaluating hedge effectiveness. IFRS 9 also introduces new requirements for rebalancing hedge relationships, and prohibits the voluntary discontinuation of hedge accounting. According to the new model, it is likely that a wider range of risk management strategies, particularly those related to the hedging of a risk component (other than foreign currency risk) of a non-financial item, can qualify for hedge accounting. Specifically, regarding hedge accounting, the Company has not yet adopted the new IFRS 9 rule. As permitted by the standard, the Company decided not to adopt the accounting practice of hedge accounting for outstanding transactions on January 1, 2019.

The Company and its subsidiaries use forward exchange contracts to hedge against the variability of cash flow arising from changes in foreign exchange rates on loans and purchases of inventory held in foreign currency.

In accordance with IAS 39, for all the cash flow hedges, the accumulated amounts in the cash flow hedge reserves are reclassified to the income statement for the same period within which the expected cash flow of the hedged object affected the results. However, according to IFRS 9, for cash flow hedges for the foreign currency risk associated with the purchases forecast for non-financial assets, the accumulated amounts in the cash flow hedge reserve and the hedge costs reserve will be included directly in the initial cost of the non-financial asset when it is recognized.

2.2. Consolidation

The following accounting policies are applied to the preparation of the consolidated financial statements.

Investments are substantially held in subsidiaries, which includes all entities over which the Company has the power to determine the financial and operating policies (Note 16). The subsidiaries are fully consolidated from the date on which the control is transferred to the Company. Consolidation ceases from the date on which such control ends.

The Company does not have investments in associates. However, it has investments in a joint venture, which is accounted for under the equity accounting method in conformity with CPC 19/IFRS 11.

Transactions between the Company and its subsidiaries, balances and unrealized gains on transactions are eliminated. Unrealized losses are also eliminated unless the transaction provides evidence of a loss on (impairment of) the transferred asset. The accounting policies of the subsidiaries are changed where necessary to ensure consistency with the policies adopted by the Company.

2.3. Business combinations

Business combinations are accounted for using the acquisition method. The cost of an acquisition is recorded at the amount of the consideration transferred, measured based on the fair value at the acquisition date. Costs directly attributable to the acquisition are recorded as expenses when incurred.

On purchasing a business, the Company evaluates the financial assets and liabilities assumed to classify them and allocate them according to the contractual terms, the economic circumstances and the relevant conditions at the acquisition date.

Goodwill is measured as the excess of the consideration paid over the fair value of the net assets acquired (identified assets acquired and liabilities assumed).

2.4. Translation of foreign currency

a. Functional currency and presentation currency

The items included in the financial statements of each company in which the Company holds investments are measured using the currency of the main economic environment in which the Company operates (the "functional currency"). The individual and consolidated financial statements are presented in Brazilian Reais - R$, which is also the functional currency of the Company and of its investee companies, all of which are located in Brazil.

b. Transactions and balances

Transactions in foreign currencies are translated into the functional currency using the exchange rates prevailing as at the transaction or evaluation dates on which the items are remeasured. Foreign exchange gains and losses resulting from the settlement of these transactions and from translation at the exchange rates in force at the end of the year, referring to monetary assets and liabilities in foreign currencies, are recognized in the income statement as financial income or expenses.

2.5. Cash and cash equivalents

Cash and cash equivalents comprise cash balances and financial investments with original maturities of three months or less from the date of their investment, readily convertible into a known amount of cash, which are subject to an immaterial risk of changes in fair value, and which are used by the Company in the management of short-term liabilities.

2.6. Classification, recognition and measurement

The Company and its subsidiaries classify its financial assets into the following categories: (a) measured at amortized cost, (b) measured at fair value through other comprehensive income, and (c) measured at fair value through profit or loss. The classification depends on the purpose for which the financial assets were acquired.

Regular purchases and sales of financial assets are recognized on the trade date, which is the date on which the Company undertakes to buy or sell the asset. Financial assets are derecognized when the rights to receive cash flow from the investments have expired or have been transferred - in the latter case, as long as the Company has transferred substantially all of the risks and rewards of ownership of the asset.

a. Financial assets measured at amortized cost

These are financial assets held by the Company: (i) to receive the contractual cash flow and not for sale, with recognition of gains or losses, and (ii) the contractual terms of which give rise, on specified dates, to cash flow amounts that solely represent the payment of principal and interest on the principal amount outstanding. This category includes the balances of cash and cash equivalents, accounts receivable and certain other assets. Changes in these amounts are recognized in profit or loss for the year, under Financial income or Financial expenses, depending on the result obtained.

b. Financial assets measured at fair value through other comprehensive income (FVTOCI)

These are financial assets held by the Company: (i) both to receive contractual cash flow and for sale with the recognition of gains or losses, and (ii) the contractual terms of which give rise, on specified dates, to cash flow amounts that solely represent the payment of principal and interest on the principal amount outstanding.
This category is comprised of hedge transactions aimed at covering the risks associated with to cash flow. The variation between the amount on the curve of the hedge instrument and the fair value is considered in the Company’s shareholders’ equity, so that both the hedge instruments and the hedged items affect the income by the amount on the curve.

c. Financial assets measured at fair value through profit or loss (FVTPL)

This category includes financial assets not measured at amortized cost or at fair value through other comprehensive income. This includes the balances of derivative financial instruments, including any embedded derivatives and other securities. Changes in this category are recognized in profit or loss for the year, under Financial income or Financial expenses, depending on the result obtained, for non-derivative instruments, or in Financial expenses for derivative instruments.

2.6.1 Offsetting of financial instruments

Financial assets and liabilities are offset, and the net amount is presented in the balance sheet when there is a legally enforceable right to offset the recognized amounts, and there is an intention to settle them on a net basis or to realize the assets and settle the liabilities simultaneously.

2.6.2 Impairment of financial assets

The Company assesses, on a prospective basis, the expected credit losses associated with debt securities measured at amortized cost. The impairment methodology applied depends on whether there has been a significant increase in the credit risk.

For trade receivables, the Company applies the simplified approach, as permitted by IFRS 9/CPC 48, and recognizes expected losses over the useful life from the initial recognition of the receivables.

The criteria used by the Company to determine whether there is objective evidence of an impairment loss include:

(i) Material financial difficulty of the issuer or obligor;

(ii) A breach of contract, such as a default or delay in the payment of the interest or principal;

(iii) The Company, for economic or legal reasons with respect to the financial difficulty of the borrower, grants the borrower a concession that the lender would not otherwise consider;

(iv) It becomes likely that the borrower will declare bankruptcy or enter into another financial reorganization;

(v) The disappearance of an active market for that financial asset because of financial difficulties; or

(vi) Observable data indicating a measurable decrease in the estimated future cash flow from a portfolio of financial assets from the initial recognition of those assets, although the decrease cannot yet be identified with the individual financial assets in the portfolio, including:

- Adverse changes in the payment status of the borrowers in the portfolio;

- National or local economic conditions that correlate with defaults on the assets in the portfolio.

The amount of the impairment loss is measured as the difference between the carrying amount of the assets and the present value of the estimated future cash flow (excluding future credit losses that have not been incurred), discounted at the original rate of interest in force for the financial assets. The carrying amount of the asset is reduced, and the amount of the loss is recognized in the income statement. If a loan has a variable interest rate, the discount rate for measuring any loss through impairment is the currently effective interest rate determined under the contract. As a practical expedient, the Company could measure impairment based on the fair value of an instrument using an observable market price.

If, in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment is recognized (such as an improvement in the debtor's credit rating), the reversal of the previously recognized impairment loss will be recognized in the income statement.

2.7. Derivative financial instruments and hedge activities

Fair value hedges
Initially, derivatives are recognized at fair value on the date on which a derivative contract is entered into, and they are subsequently remeasured at fair value. The resulting gain or loss is accounted for in the financial results the year.

Cash flow hedges
Hedge instruments are stated at fair value, and the hedged item is stated at the amount on the curve. The difference between the yield curve of the hedge instrument and the fair value is considered in comprehensive income within the Company's shareholders' equity, such that both the hedge instruments and the hedged items affect the income by the amount on the curve.

2.8. Accounts receivable

Trade accounts receivable are comprised of amounts receivable from clients for the sale of products or the provision of services in the normal course of the Company's activities. If the term of the receivable is one year or less, the accounts receivable are classified as current assets. Otherwise, they are presented in non-current assets.

Accounts receivable are recognized initially at fair value and subsequently measured at amortized cost using the effective interest rate method, less a provision for doubtful accounts (impairment), if necessary. In practice, they are normally recognized at the amount billed, adjusted by the provision for impairment, if necessary.

2.9. Inventory

Inventory is stated at its cost or net realizable value, whichever is lower. The method for the valuation of inventory is the weighted average. The cost of finished products and products in progress includes the costs of raw materials, direct labor, other direct costs and the respective direct production expenses (based on normal operating capacity), excluding borrowing costs. The net realizable value is the estimated selling price in the ordinary course of business, less the estimated costs of completion and the estimated costs necessary to make the sale. Inventory is presented net of the allowances for losses and, in the consolidated figures, net of eliminations of the unrealized profit on inventory.

2.10. Intangible assets

a. Goodwill

Goodwill is represented by the difference between the amount paid and/or payable for the purchase of a business and the net amount of the fair value of the assets and liabilities of the subsidiary that was purchased. Goodwill from acquisitions of subsidiaries is recorded within Intangible Assets in the consolidated financial statements, and as an investment in the parent company. The goodwill is tested annually to assess whether there is evidence of losses (impairment). Goodwill is recorded at its cost value less accumulated impairment losses. Impairment losses recognized on goodwill are not reversed. Gains and losses arising from the sale of an entity include the carrying amount of goodwill related to the entity sold.

b. Trademarks, right-of-use of trademarks and licenses

Trademarks and licenses acquired separately are presented, initially, at their acquisition value.

If part of the amount paid in a business combination is related to trademarks, they are recognized in a specific account within Intangible Assets and measured at their fair value at the date of acquisition. Subsequently, since the trademarks have indefinite useful lives, they are tested annually to assess their recoverability.

Expenses incurred internally for the development and strengthening of a trademark are recognized as expenses.

In addition to trademarks acquired as part of a business combination, the Company holds rights-of-use of trademarks with fixed useful lives.

These assets are amortized over their useful lives, according to the average shown below:

	Years
Right-of-use of trademarks and licenses	4.9
Operating licenses	2.5

c. Software

Software licenses acquired are capitalized based on the costs incurred to acquire the software and ensure that it is ready to be used. These costs are amortized over their estimated useful life of five years.

The costs associated with the maintenance of software are recognized as expenses as they are incurred.

d. Research and development of products

Spending on research is recorded directly in the income statement as it is incurred. Development expenditure is capitalized only if the development costs can be measured reliably, if the product or process is technically and commercially viable, if future economic benefits are likely and the Company has the intention and sufficient resources to complete the development and either use or sell the asset.

Other development expenditure is recognized in the income statement as incurred. After initial recognition, the capitalized development costs are measured at cost, less accumulated amortization and any losses due to impairment.

These costs are amortized over their estimated useful life of 14.1 years.

2.11. Property, plant and equipment

Land and buildings consist mainly of factories and distribution centers. Property, plant and equipment are measured at the historical cost of acquisition or construction, less accumulated depreciation and any accumulated losses due to impairment. The historical cost includes costs directly attributable to the acquisition of the items and the financing costs related to the acquisition of qualifying assets.

Subsequent costs are included in the carrying amount of the asset or recognized as a separate asset, as appropriate, only when it is likely that there will be a flow of future economic benefits associated with the item, and the cost of the item can be measured reliably. The carrying amounts of items or parts that are replaced is written off. All other repairs and maintenance are charged to income, when incurred.

Items of property, plant and equipment are depreciated from the date on which they are available for use or, in the event of assets which are built in-house, from the date on which the construction is completed and the asset becomes available for use.

Land is not depreciated. The depreciation of property, plant and equipment is calculated to amortize the costs of the items, net of their estimated residual values, using the straight-line method, based on their estimated useful lives, as follow:

	Years
Buildings	23.5
Machinery and equipment	16.3
Vehicles	8.6
Furniture and fixtures	18.8

The residual values and useful lives of assets are reviewed and adjusted, if appropriate, at the end of each financial year.

The carrying value of an asset is written down immediately to its recoverable value if the asset's carrying value is greater than its estimated recoverable value (Note 2.12). Gains and losses on disposals are determined based on a comparison of the results with the carrying amounts, and are recognized as "Other net operating expenses/ income" in the income statement.

2.12. Impairment of non-financial assets

Assets with an indefinite useful lives, such as goodwill and trademarks, are not subject to amortization, and are tested annually for impairment. Assets that are subject to amortization are reviewed for indications of impairment whenever events or changes in circumstances indicate that the carrying value may not be recoverable. An impairment loss is recognized at the amount by which the carrying amount of the asset exceeds its recoverable value. The latter is the higher amount between an asset's fair value less selling costs and its value in use. For the purpose of assessing impairment, the assets are grouped at the lowest level for which there is separately identifiable cash flow - Cash Generating Unit (CGU) level. In practice, the Company only has one CGU. Non-financial assets, excluding goodwill, that have suffered impairment are subsequently reviewed for the analysis of the possible reversal of the impairment as at the reporting date.

Impairment losses are recognized in the income statement. Losses recognized are initially allocated to write down any goodwill allocated, and then to reduce the carrying amount of other assets on a *pro rata* basis.

An impairment loss related to goodwill is not reversed. With respect to the other assets, losses through impairment are reversed only to the extent that the carrying amount of the asset does not exceed the carrying amount that would have been obtained, net of depreciation or amortization, if the impairment had not been recognized.

2.13. Assets and liabilities held for sale

The non-current assets and liabilities held for sale are classified as held for sale if it is highly likely that they will be recovered primarily through sale, rather than their continued use.

The assets, or the group of assets held for sale, are generally valued at the lower amount between the carrying amount and the fair value less selling expenses. Any impairment loss on a group of assets held for sale is initially allocated to goodwill, and, then, for the remaining assets and liabilities on a *pro rata* basis, except that no loss should be allocated to inventory, financial assets, deferred tax assets, assets of employee benefits and investment property, which continue to be measured in accordance with the Company's other accounting policies. Impairment losses calculated upon the initial classification as held for sale and gains and losses on subsequent remeasurements are recognized in the income statement as Discontinued Operations.

Once classified as held for sale, intangible and PP&E assets are not depreciated or amortized.

2.14. Investment property

Investment property is measured using the cost method.

Land is not depreciated. The depreciation of other assets is calculated using the straight-line method to allocate their costs to their residual values over their estimated useful lives, as follows:

	Years
Buildings	50.0
Machinery and equipment	30.5
Other	5.8

The residual values and useful lives of assets are reviewed and adjusted, if appropriate, at the end of each financial year.

Gains and losses on the disposal of an investment property (calculated as the difference between the net amount received and the carrying amount of the item) are recognized in profit or loss.

2.15. Accounts payable to suppliers

Accounts payable to suppliers are obligations to pay for goods or services that have been acquired from suppliers in the ordinary course of business, and they are classified as current liabilities if payment is due within a one-year period. Otherwise, the accounts payable are presented as non-current liabilities. They are initially recognized at fair value and subsequently measured at amortized cost using the effective interest rate method. In practice, they are usually recognized at the amount of the corresponding invoice.

2.16. Suppliers' assignment of receivables

Some suppliers have the option to assign their securities, without right to recourse, to financial institutions. As part of such a transaction, the supplier may see a decrease in its financial costs, because the financial institution takes into consideration the credit risk of the Company. The Company has an accounting policy to separate these transactions in the balance sheet as an Assignment of Receivables, although, for the Company, there is no change in the type of the transaction or in the cash flow amounts linked to the invoices originally issued.

2.17. Loans, financing and debentures

These are recognized initially at their fair value, net of transaction costs, and subsequently stated at amortized cost. Any difference between the amounts obtained (net of transaction costs) and the settlement amount is recognized in the income statement during the period in which the loans are outstanding, using the effective interest rate method.

Fees paid to financial institutions, in the form of funding costs, are deferred until the actual loan inflow. When there is a likelihood of the withdrawal of a part of or the entire loan, the fee is capitalized as a prepayment for liquidity services, and is amortized over the period of the loan to which it is related.

Loans are classified as current liabilities unless the Company has an unconditional right to defer the settlement of the liability for at least 12 months after the balance sheet date.

2.18. Provision and other liabilities, except loans, financing and debentures

A provision is recognized when the Company has a present legal or implicit obligation as a result of past events, and it is probable that an outflow of funds will be necessary to settle the obligation of amounts or uncertain terms. Accordingly, the recognition, measurement and disclosure of the provision and of contingent liabilities take into consideration the criteria established in CPC 25, and the contractual guarantees of the acquisitions of companies.

The other liabilities are presented at their known or estimated amounts including, when applicable, the corresponding charges, variations in exchange rates and monetary variations incurred. The notes payable indexed by exchange variations and without interest rates are accounted for at their present value in accordance with CPC 12.

A provision for restructuring is recognized when the Company has approved a formal, detailed restructuring plan and the restructuring has already started or has already been announced publicly. Provisions are not recorded for future operating losses. (Note 25)

2.19. Current and deferred income tax and social contribution and other taxes recoverable

a. *Current and deferred income tax and social contribution*

The expenses for income tax and social contribution for the year include current and deferred taxes. Income taxes are recognized in the statement of income, except to the extent that they relate to items recognized directly in equity or OCI.

The current income tax and social contribution charge is calculated on the basis of the tax laws enacted or substantially enacted up to the balance sheet date. Management periodically evaluates the positions taken by the Company in the income tax returns with respect to situations in which the applicable tax regulations gives rise to interpretation, and it establishes provisions, when appropriate, based on the estimated amounts to be paid to the tax authorities.

Current income tax and social contribution are presented net per taxpaying entity, in liabilities whenever there are amounts payable, or in assets when the amounts paid in advance exceed the total due on the reporting date.

Deferred income tax and social contribution are recognized using the liability method for temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the financial statements. However, deferred income tax and social contribution are not recorded in the financial statements if they result from the initial recognition of an asset or liability as part of a transaction that is not a business combination and which, at the time of the transaction, does not affect the accounting income, or the taxable income. Deferred income tax and social contribution are determined using tax rates (and tax laws) enacted up to the balance sheet date and which should be applied when the respective deferred tax asset is realized, or the deferred tax liability is settled.

Deferred income tax and social contribution assets are recognized only to the extent that the future taxable profit will be available against which the temporary differences can be used.

Deferred income tax assets and liabilities are offset when there is a legally enforceable right to offset current tax assets against current tax liabilities, and when the deferred income tax assets and liabilities are related to income taxes levied by the same tax authority on the same taxable entity.

Current and deferred income and social contribution taxes are calculated based on the rates of 15% plus a surcharge of 10% on taxable income in excess of R$ 240 thousand in the 12 month period for income tax, and 9% on taxable income for the social contribution on net income, and take into consideration the offsetting of tax losses carried forward and the negative base of social contribution, limited to 30% of taxable income.

b. Recoverable taxes

These refer to recoverable PIS, COFINS, IPI and ICMS. The assets are constituted when there is a legally enforceable right and an intention to offset them upon the calculation of current taxes, or even when there is the right to receive a refund from the tax authorities.

2.20. Employee benefits

a. Share-based remuneration

The fair value at the date of granting the share-based payment agreements granted to the employees and executive board is recognized within personnel expenses, with a corresponding increase in equity, during the period in which the employees unconditionally acquire the right to the respective premiums. The amount recognized as an expense is adjusted to reflect the proportion of such premiums where it is expected that the service and performance conditions will be met, in such a way that the final expense recognized is based on the number of premiuns that actually meet the conditions of service, and the performance on the date of acquisition (the vesting date).

The amounts received, net of any directly attributable transaction costs are credited in the share capital (face value), or the sale of Treasury shares once the options are exercised.

b. Profit sharing

The Company recognizes a liability and an expense for profit sharing based on criteria that also consider the profit attributable to the shareholders after certain adjustments. The Company recognizes a provision when it is contractually obliged to do so, or when there is a past practice that has created a constructive obligation.

c. Short-term employee benefits

Obligations to offer short-term benefits to employees are recognized as personnel expenses as the corresponding services are provided. The liability is recognized at the amount that is expected to be paid if the Company has a legal or constructive present obligation to pay this amount as a result of past services provided by the employees, and the amount of the obligation can be estimated reliably.

2.21. Share capital

Common shares are classified in equity. Incremental costs directly attributable to the issuing of new shares or options are presented in shareholders' equity as a deduction from the proceeds, net of taxes.

Treasury shares

The Company can purchase its own of shares in return for payment, including any directly attributable incremental costs (net of tax effects), discounted from the equity attributable to the Company's shareholders until the shares are canceled or reissued. When these shares are subsequently reissued, any amount received, net of any directly attributable additional transaction costs and the respective effects of income tax and social contribution, is included in the equity attributable to the Company's shareholders. Gains or losses resulting from the transactions are presented within a capital reserve.

2.22. Government grants

Government grants are recognized when there is reasonable certainty that the benefit will be received, and all related conditions will be satisfied. When the benefit refers to an expense item, this is recognized as revenue over the period of the benefit, in a systematic way in relation to the costs whose benefit is intended to be offset.

The Company has an ICMS tax incentive granted by the government of the State of Goiás in the form of Granted Credit. Based on the Special Regime Agreement entered with the State of Goiás Finance Department, this credit is used as a deduction from the ICMS payable.

The effects of this calculation are recognized in profit or loss in the line item "Sales deductions" and the credit is made monthly based on the issuance of the invoices taxed by ICMS.

These benefits, at the year-end, are allocated to the government grant reserve.

The Company considers the conditions and obligations that it must fulfill.

2.23. Revenue from the sale of products and goods

Revenue represents the fair value of the consideration received or receivable for the trading of products in the Company's normal course of activities. Revenue is shown net of taxes, returns, rebates and discounts, in the consolidated statement after eliminating sales between subsidiaries.

The Company recognizes revenue when its amount can be measured reliably, it is probable that future economic benefits will flow to the entity and when control over the products is transferred, that is, when the products are delivered to the buyer, who receives total control over the sales channels and prices of products and goods, since there is no continued involvement with the goods sold, or another factor that could affect the acceptance of the products by the buyer.

2.24. Leases

At the beginning of each agreement, the Company assesses whether the arrangement is or contains a lease.

The agreement is or contains a lease if the agreement transfers the right to control the use of an identified asset for a substantial period in exchange for a consideration. To assess whether an agreement transfers the right to control the use of an identified asset, the Company uses the definition of a lease set out in CPC 06 (R2)/ IFRS 16.

The Company recognizes a right-of-use asset and a lease liability at the beginning of the lease. The right-of-use asset is initially measured at cost, which comprises the initial measurement of the lease liability, adjusted by any lease payments made through the commencement date, plus any initial direct costs and estimated restoration costs.

The right-of-use-asset is subsequently amortized on a straight line basis over the lower of the useful life of the asset or the lease term. If the Company is reasonably sure that it will exercise a purchase option, the right-of-use asset is amortized over the useful life of the underlying asset. The average amortization periods of right-of-use assets are set out below:

	Years
Buildings	4.1
Vehicles	3.0

The lease liability is initially measured at the present value of the lease payments that are not made at the commencement date, discounted at the interest rate implicit in the lease or, if this rate cannot be readily determined, at the Company's incremental borrowing rate.

The lease liability is subsequently measured at amortized cost, using the effective interest method. It is remeasured when there is a change in future lease payments arising from a change in an index or rate, if there is any change in the amounts expected to be paid according to the guaranteed residual value, or if the Company changes its assessment of whether it will exercise a purchase, extension or termination option, or whether there is any revised fixed in-substance lease payment.

2.25. Earnings per share

The Company calculates the earnings per share using the weighted average number of total common shares outstanding during the period, corresponding to the results under technical pronouncement CPC 41 (earnings per share).

The diluted earnings per share are calculated based on the net profit attributable to the holders of common shares and the weighted average number of common shares outstanding after the adjustments for all potential dilutive common shares.

2.26. Distribution of dividends and interest on capital

The distribution of dividends to the Company's shareholders is recognized as a liability in the financial statements at the end of the year, based on the Company's bylaws.
The Board of Directors may declare interim dividends on account of the existence of profit reserves in the last balance sheet. In addition, dividends can be paid using the profits earned based on the Company's quarterly information. These quarterly interim dividends cannot exceed the amounts in the capital reserve accounts. Any payment of interim dividends is offset against the amount of the mandatory distributions for the year in which the interim dividends have been paid. In addition, the Board of Directors may decide to pay or credit interest on capital to the shareholders, calculated based on the clauses in the relevant law, which is considered an advance payment on the minimum dividend.

2.27. Statements of added value

The Company has prepared individual and consolidated statements of added value in compliance with technical pronouncement CPC 09 - Statement of Added Value, and these are presented as an integral part of the financial statements in accordance with BRGAAP applicable to publicly-held companies, while for IFRS they are presented as additional financial information.

3 Critical accounting estimates and judgments

Accounting estimates and judgments are evaluated on an ongoing basis, and are based on experience and other factors, including expectations of future events that are considered reasonable under the circumstances.

Based on assumptions, the Company makes estimates regarding the future. By definition, the resulting accounting estimates will seldom equal the related actual results. The estimates and assumptions that pose a significant risk, with a probability of leading to material adjustments to the carrying amounts of assets and liabilities for the next years, are described below.

a. Estimated loss (impairment) of non-financial assets

The Company tests possible losses (impairment) in the goodwill, trademarks and patents line items, in accordance with the accounting policy presented in Note 2.12. Management defined the existence of a single CGU and a single business segment (Note 28), with a recoverable amount was determined based on the calculation of the value in use, made based on estimates (Notes 18 and 19).

b. Useful lives of trademarks and items of property, plant and equipment

Given the business strategy and the investments made, including advertising and publicity to strengthen and sustain the trademarks, management assesses that a foreseeable limit estimates of the useful lives of trademarks may not be adequate. For this reason trademarks are not amortized, but are tested for impairment to ensure that their carrying amounts do not exceed their realizable values.

The useful lives of items of property, plant and equipment are reviewed annually based on a report prepared internally by the Company's own specialists. There were no material changes in the depreciation recorded, and no need was identified for a change in the useful life used (Note 18).

c. Recognition, measurement and realization of tax credits

As described in Note 13, the Company has taxes recoverable and gains from a final and unappealable decision on a lawsuit, authorizing the recovery of PIS and COFINS levied on the ICMS included in invoices.

The balance of tax credits, calculated based on the court decision indicating that the credit is the amount of invoices, takes into consideration various estimates involving the period covered by the lawsuit, aspects for adequate and reliable measurement and alternatives available for their realization. In relation to this matter, the Federal Supreme Court will judge Motions to Clarify filed by the Office of the Attorney-General of the National Treasury due to the decisions favorable to the taxpayers, and may indicate the method of calculation of the amount to be redistributed (whether gross or net) and the possible modulation of the effects of the decision regarding the unconstitutionality. Nevertheless, this decision by the Federal Supreme Court (STF) would be a new event for 2021, not characterizing the credit as a contingent asset.

d. Contingencies

Note 16 presents information on the liabilities and contingencies to which the Company is exposed in the course of its business.

The determination of the likelihood of a favorable outcome in lawsuits in progress, as well as the estimate of the expected probable losses requires the use of critical judgment by management since it depends on future events that are not under the Company's control. The evolution of these lawsuits in the various relevant spheres may have outcomes different from those expected by management and its internal and external legal counsel, and any changes in judicial trends or new case law may result in the estimates suffering significant changes.

4 Financial risk management

a. *Financial risk factors*

The Company's activities expose it to various financial risks: market risk including currency risk, fair value risk, interest rate risk, cash flow risk, price risk, credit risk and liquidity risk.

The Company has a risk management policy, which guides transactions and requires the diversification of transactions and counterparties. Under the terms of this policy, the nature and general position of the financial risks are regularly monitored and managed to evaluate the results and the financial impact on the cash flow. The credit limits and the quality of the hedges of the counterparties are also reviewed periodically.

Under this policy, market risks are hedged when this is considered necessary to support the corporate strategy, or when this is necessary to maintain the level of financial flexibility. The Financial Board examines and revises the information related to risk management, including significant policies, procedures and practices applied to risk management.

According to the risk management policy, which prohibits speculative negotiations and short sales, the Company manages some of the risks using derivative instruments.

b. *Foreign exchange risk*

The associated risk arises from the possibility of the Company incurring losses due to fluctuations in exchange rates, increasing the amounts of funds raised in the market.

As disclosed in Note 1, the Company has made a commitment to pay for the acquisition of a selected portfolio of Takeda's brands for US$ 825 million, less a portion of the sale of part of this acquisition in the amount of US$ 161 million, with a net value of approximately R$ 3.45 billion, considering the US Dollar exchange rate at the end of the year.

At December 31, 2020 and 2019, the assets and liabilities denominated in foreign currencies, and the financial instruments to mitigate exchange risks were as follow:

						Parent company
			2020			2019
	US$ '000	EUR '000	R$ '000	US$ '000	EUR '000	R$ '000
Liabilities						
Suppliers	-	-	-	44	-	177
Suppliers' assignment of receivables	-	-	-	-	-	-
Loans and financing	-	21,209	135,412	-	20,964	94,487
Derivative instruments to mitigate risks	(628,000)	(20,090)	(3,390,166)	-	(20,090)	(90,549)
Accounts payable	1	-	4	4	-	10
Net exposure	(627,999)	1,119	(3,254,750)	48	874	4,125

						Consolidated
			2020			2019
	US$ '000	EUR '000	R$ '000	US$ '000	EUR '000	R$ '000
Liabilities						
Suppliers	3,461	-	17,979	20,206	-	81,326
Suppliers' assignment of receivables	53,851	-	279,708	30,615	-	123,223
Loans and financing	-	21,209	135,412	-	20,964	94,487
Derivative instruments to mitigate risks	(836,925)	(20,090)	(4,475,341)	(62,912)	(20,090)	(343,765)
Accounts payable	466	1,057	9,167	158	292	1,989
Net exposure	(779,147)	2,176	(4,033,075)	(11,933)	1,166	(42,740)

c. *Cash flow or fair value risk associated with interest rates*

The Company's interest rate risk arises from financial investments, securities, debentures and short and long-term loans and financing. Loans issued at variable rates expose the Company to interest rate risk. Loans issued at fixed rates expose the Company to fair value risk associated with the interest rate.

The Company analyzes its exposure to interest rates dynamically, and seeks to diversify the indexes of its financial liabilities. Various scenarios are simulated, taking into consideration refinancing, the renewal of existing positions and alternative financing and hedging possibilities.

The exposure to the interest rate risk of transactions related to variations in the Interbank Deposit Certificate (CDI) rate, the long-term rate (TJLP) and reference rate (TR) is presented in the following table:

		2020
	Parent company	Consolidated
Loans, financing and swaps - CDI	1,022,496	1,022,496
Financing - TLP	278,647	278,647
Financing - TR	39,668	127,179
Debentures - CDI	4,015,883	4,015,883
Notes payable - CDI	4,480	4,480
Financial investments - CDI (Note 10)	(4,619,728)	(4,715,097)
Net exposure	741,446	733,588

d. *Credit risk*

Credit risk arises from cash and cash equivalents, and derivative financial instruments, as well as credit exposure to wholesale and retail customers, including outstanding accounts receivable.

For banks and financial institutions, the Company has a policy of diversifying its financial investments in top-tier institutions with the ratings described in Note 9 (Credit quality of financial assets).

For customers, the credit analysis department assesses the credit quality of the customers considering their financial position, payment history, publicly available information and information obtained from credit analysis institutions (Serasa, CISP and Credinfar). Individual risk limits are determined based on regular internal monitoring.

A significant portion of the Company's sales are made to large retail chains and distributors with a widespread distribution network in Brazil, which mitigates the Company's consolidated credit risk. Additionally, the credit analysis department uses the aforementioned controls continuously to monitor and assess the Company's portfolio. For details of the analysis of the due dates, see Note 11.

e. Liquidity risk

The Company believes that the cash flow from operating activities, cash and cash equivalents and available lines of credit are sufficient to fund the financial commitments and payments of dividends in the future.

The table below analyzes the Company's financial liabilities per maturity bracket, corresponding to the remaining period at the balance sheet date to the contractual date of maturity. Derivative financial liabilities are included in the analysis if their contractual maturities are essential to understanding the cash flow. The amounts disclosed in the table represent the contracted non-discounted cash flow. These amounts do not match the balance sheet amounts, as they are estimates only.

Parent company

					2020
	Less than one year	From one to two years	From two to five years	More than five years	Overall total
Debentures	154,073	262,843	4,363,371	433,490	5,213,777
Loans and financing	325,085	443,728	770,798	75,995	1,615,606
Notes payable	23,980	-	-	-	23,980
Suppliers	588,626	-	-	-	588,626
Suppliers' assignment of receivables	5,013	-	-	-	5,013
Accounts payable	169,943	66,116	-	-	236,059
Derivative financial instruments	68,736	-	-	-	68,736
	1,335,456	772,687	5,134,169	509,485	7,751,797

					2019
	Less than one year	From one to two years	From two to five years	More than five years	Overall total
Debentures	46,515	56,375	662,246	340,585	1,105,721
Loans and financing	38,714	150,084	169,064	61,787	419,649
Notes payable	7,802	-	-	-	7,802
Suppliers	344,357	-	-	-	344,357
Suppliers' assignment of receivables	291	-	-	-	291
Accounts payable	88,310	19,836	-	-	108,146
Derivative financial instruments	-	(4,179)	-	-	(4,179)
	525,989	222,116	831,310	402,372	1,981,787

Consolidated

					2020
	Less than one year	From one to two years	From two to five years	More than five years	Overall total
Debentures	154,073	262,843	4,363,371	433,490	5,213,777
Loans and financing	352,514	470,412	828,427	93,521	1,744,874
Notes payable	23,980	-	-	-	23,980
Suppliers	278,275	-	-	-	278,275
Suppliers' assignment of receivables	491,802	-	-	-	491,802
Accounts payable	273,353	69,180	-	-	342,533
Derivative financial instruments	108,474	-	-	-	108,474
	1,682,471	802,435	5,191,798	527,011	8,203,715

	Less than one year	From one to two years	From two to five years	More than five years	Overall total
					2019
Debentures	46,515	56,375	662,246	340,585	1,105,721
Loans and financing	87,126	177,513	235,841	96,850	597,330
Notes payable	7,802	-	-	-	7,802
Suppliers	333,829	-	-	-	333,829
Suppliers' assignment of receivables	124,019	-	-	-	124,019
Accounts payable	135,710	29,841	-	-	165,551
Derivative financial instruments	2,522	(4,179)	-	-	(1,657)
	737,523	259,550	898,087	437,435	2,332,595

f. Derivatives

In 2020, transactions were conducted involving currency forward derivative financial instruments, (US Dollar vs. Real) and foreign exchange rate swaps.

These outstanding transactions were conducted to hedge against fluctuations in liabilities denominated in foreign currency related to loans, financing and suppliers. They are not used for speculative purposes, and are characterized as financial instruments with a high correlation with the liabilities to which they are linked (sensitivity analysis in item (h) below).

At December 31, 2020, derivative instrument operations contracted by the Company totaled R$ 4,475,341 (at December 31, 2019 - R$ 343,765) in the consolidated and R$ 3,390,166 (at December 31, 2019 - R$ 90,549) in the parent company. The results of the transactions not yet settled represented gains of R$ 92,269 (at December 31, 2019 gains of R$ 9,988) in the consolidated and losses of R$ 69,786 (at December 31, 2019 losses of R$ 7,577) in the parent company.

At December 31, 2020 and 2019, these transactions can be summarized as follows:

Parent company

Type	Counterparties	Notional value.		Fair value receivable (payable)		Realized gain (loss).	
(In R$ thousand)		**Dec/20**	**Dec/19**	**Dec/20**	**Dec/19**	**Dec/20**	**Dec/19**
Foreign currency							
Forward contracts		**3,261,895**	**-**	**(99,464)**	**-**	**(16,346)**	**-**
Long position	BNP Paribas, Bradesco, BTG, Itaú, BofA, Safra, Santander, Votorantim	6,523,790	-	(51,199)	-	44,960	-
Short position	Bradesco, BTG, Itaú, BofA, Santander, Votorantim	(3,261,895)	-	(48,265)	-	(61,306)	-
Swaps		**128,271**	**90,549**	**29,678**	**(7,577)**	**-**	**-**
Long position	Itaú	128,271	90,549	29,678	(7,577)	-	-
Subtotal		**3,390,166**	**90,549**	**(69,786)**	**(7,577)**	**(16,346)**	**-**
Rate of Interest							
Swaps		**-**	**-**	**-**	**-**	**23,395**	**-**
Asset Position-Pre	Santander	-	-	-	-	23,395	-
Total		**3,390,166**	**90,549**	**(69,786)**	**(7,577)**	**7,049**	**-**

Consolidated

Type	Counterparties	Notional value.		Fair value receivable (payable)		Realized gain (loss).	
(In R$ thousand)		**Dec/20**	**Dec/19**	**Dec/20**	**Dec/19**	**Dec/20**	**Dec/19**
Foreign currency							
Forward contracts		**4,347,070**	**253,216**	**(121,947)**	**(2,411)**	**69,893**	**12,435**
Long position	BNP Paribas, Bradesco, BTG, Itaú, BofA, Safra, Santander, Votorantim	7,724,035	261,889	(73,054)	(2,513)	134,750	12,409
Short position	Bradesco, BTG, Itaú, BofA, Santander, Votorantim	(3,376,965)	(8,673)	(48,893)	102	(64,857)	26
Swaps		**128,271**	**90,549**	**29,678**	**(7,577)**	**-**	**-**
Long position	Itaú	128,271	90,549	29,678	(7,577)	-	-
Subtotal		**4,475,341**	**343,765**	**(92,269)**	**(9,988)**	**69,893**	**12,435**
Rate of interest							
Swaps		**-**	**-**	**-**	**-**	**23,395**	**-**
Asset Position-Pre	Santander	-	-	-	-	23,395	-
Total		**4,475,341**	**343,765**	**(92,269)**	**(9,988)**	**93,288**	**12,435**

g. *Methodology for calculating the fair values of derivatives*

(i) Foreign currency forward contracts are valued using the interpolation of the market rates of US Dollar futures contracts for each base date, as published by B3 (formerly BM&F BOVESPA).

(ii) Swaps are valued using the interpolation of the exchange coupon market and future interbank deposit rates for each base date, as published by B3 (formerly BM&F BOVESPA).

h. *Sensitivity analysis*

The table below presents a sensitivity analysis of the financial instruments, including derivatives that describe the risks that could cause material losses to the Company, with the most likely scenario (Scenario I, considering a fluctuation of 12% for the US Dollar, corresponding to three standard deviations of the fluctuation over the three months of the fourth quarter of the year) according to management's evaluation, considering a range of perception of three months, when the next quarterly financial information containing this analysis should be released. In addition, two additional scenarios (Scenarios II and III) are stressed to show deteriorations of 25% and 50% respectively in the exchange rates between both the Brazilian Real and the US Dollar.

						Parent company
Risk		**Scenario I**		**Scenario II**		**Scenario III**
(In R$ thousand)				**25% fluctuation**		**50% fluctuation**
	Appreciation	**Depreciation**	**Appreciation**	**Depreciation**	**Appreciation**	**Depreciation**
US Dollar quotation	3.783	6.605	3.896	6.493	2.597	7.791
Foreign currency						
Economic hedges	**(920,193)**	**920,193**	**(846,859)**	**846,859**	**(1,693,718)**	**1,693,718**
Forward contracts	(885,348)	885,348	(814,791)	814,791	(1,629,582)	1,629,582
Swaps	(34,845)	34,845	(32,068)	32,068	(64,136)	64,136
Objects of economic hedges	**920,934**	**(920,934)**	**847,541**	**(847,541)**	**1,695,083**	**(1,695,083)**
Loans, financing and notes payable subject to short-term exchange rate variations	920,934	(920,934)	847,541	(847,541)	1,695,083	(1,695,083)
Net effect	**741**	**(741)**	**682**	**(682)**	**1,365**	**(1,365)**

						Consolidated
Risk		Scenario I		Scenario II		Scenario III
(In R$ thousand)				25% fluctuation		50% fluctuation
	Appreciation	Depreciation	Appreciation	Depreciation	Appreciation	Depreciation
US Dollar quotation	3.783	6.605	3.896	6.493	2.597	7.791
Foreign currency						
Economic hedges	**(1,218,543)**	**1,218,543**	**(1,121,432)**	**1,121,432**	**(2,242,864)**	**2,242,864**
Forward contracts	(1,183,698)	1,183,698	(1,089,364)	1,089,364	(2,178,728)	2,178,728
Swaps	(34,845)	34,845	(32,068)	32,068	(64,136)	64,136
Objects of economic hedge	**1,215,721**	**(1,215,721)**	**1,118,835**	**(1,118,835)**	**2,237,671**	**(2,237,671)**
Loans, financing and notes payable subject to short-term exchange rate variations	1,215,721	(1,215,721)	1,118,835	(1,118,835)	2,237,671	(2,237,671)
Net effect	**(2,822)**	**2,822**	**(2,597)**	**2,597**	**(5,193)**	**5,193**

The sensitivity analysis presented above considers changes to the exchange rate of the Brazilian Real against the US Dollar, holding all other risk variables constant.

The scenarios for monetary variations and floating rate interest on the Company's loans, financing, debentures and notes payable projected for the first quarter of 2021 are as follow:

Parent company

Variation scenarios	Likely scenario*	25% change	50% change
Loans - CDI	602	4,857	9,714
Financing - TLP	(426)	3,170	6,339
Debentures - CDI	2,365	19,075	38,151
Loans - TR	4	-	-
Notes payable - CDI	3	21	43
Financial investments	(2,720)	(21,944)	(43,887)
Total loss (gain)	**(172)**	**5,179**	**10,360**

Consolidated

Variation scenarios	Likely scenario*	25% change	50% change
Loans - CDI	602	4,857	9,714
Financing - TLP	(426)	3,170	6,339
Debentures - CDI	2,365	19,075	38,151
Loans - TR	12	-	-
Notes payable - CDI	3	21	43
Financial investments	(2,776)	(22,397)	(44,793)
Total loss (gain)	**(220)**	**4,726**	**9,454**

***Likely scenario assumptions**
Forecast CDI of 1.96% p.a.
Forecast TR of 0.01% p.a.
Forecast TLP of 4.39% p.a.

5 Capital management

The Company's objectives when managing its capital are to safeguard its ability to continue to offer returns to its shareholders and benefits to other interested parties, while maintaining an optimal capital structure to reduce the cost of capital.

To maintain or adjust its capital structure, the Company can review the dividend payment policy, return capital to shareholders, or even issue new shares or sell assets to reduce, for example, the level of indebtedness.

The Company monitors its capital based on the financial leverage ratio. This ratio is calculated based on the net debt divided by the total capitalization. Net debt is calculated as total loans (including short- and long-term loans, financing, debentures, and trade notes payable, as presented in the consolidated balance sheet) less cash and cash equivalents. The total capitalization is calculated based on the sum of shareholders' equity, as shown in the consolidated balance sheet, and the net debt.

The indexes of financial leverage at December 31, 2020 and 2019 may be summarized as follows:

	Parent company		Consolidated	
	2020	**2019**	**2020**	**2019**
Total loans, financing and debentures (Note 22)	5,403,470	1,282,052	5,513,049	1,402,605
Total notes payable	23,980	7,802	23,980	7,802
Loss (gain) on financial hedges	(29,678)	7,577	(29,678)	7,577
Less: cash and cash equivalents (Note 10)	(4,646,159)	(2,117,668)	(4,743,298)	(2,246,436)
Cash and cash equivalents, net	751,613	(820,237)	764,053	(828,452)
Total shareholders' equity	9,240,715	8,710,100	9,240,715	8,710,100
Adjusted shareholders' equity	9,992,328	7,889,863	10,004,768	7,881,648
Net debt to adjusted equity ratio (*)	8.1%	N.A.	8.2%	N.A.

(*) Not applicable because the amount of cash and cash equivalents is higher than the net debt shown above.

6 Estimate of fair value

It is assumed that the balances of accounts receivable and suppliers at book value, less losses (impairment), are close to their fair values. The fair value of financial liabilities for disclosure purposes is estimated by discounting the future contractual cash flow at the prevailing market interest rate available to the Company for similar financial instruments (Note 22 (b)).

The Company applies the requirements of CPC 40 (R1)/IFRS 7 to financial instruments measured in the balance sheet at fair value, which requires the disclosure of fair value measurements according to their level of the following fair value measurement hierarchy:

- Prices quoted (unadjusted) in active markets for similar assets and liabilities (Level 1).
- Inputs, other than quoted prices included in Level 1 that are adopted by the market for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices) (Level 2).
- Inputs for assets or liabilities that are not based on data adopted by the market (i.e. unobservable inputs) (Level 3).

The table below presents the Company's derivative instrument assets and liabilities at December 31, 2020, as well as the amounts measured at their fair values.

			Parent company
	Level 1	**Level 2**	**Total**
Assets			
Derivative financial instruments	-	79,427	79,427
Total assets	-	79,427	79,427
Liabilities			
Derivative financial instruments	-	149,213	149,213
Total liabilities	-	149,213	149,213

			Consolidated
	Level 1	**Level 2**	**Total**
Assets			
Derivative financial instruments	-	85,674	85,674
Total assets	-	85,674	85,674
Liabilities			
Derivative financial instruments	-	177,943	177,943
Total liabilities	-	177,943	177,943

The table below presents the Company's assets and liabilities measured at their fair value at December 31, 2019, as well as the financial instruments not measured at fair value but for which the disclosure of the fair value is required.

			Parent company
	Level 1	**Level 2**	**Total**
Assets			
Derivative financial instruments	-	-	-
Total assets	-	-	-
Liabilities			
Derivative financial instruments	-	7,577	7,577
Total liabilities	-	7,577	7,577

			Consolidated
	Level 1	**Level 2**	**Total**
Assets			
Derivative financial instruments	-	1,409	1,409
Total assets	-	1,409	1,409
Liabilities			
Derivative financial instruments	-	11,397	11,397
Total liabilities	-	11,397	11,397

The fair values of financial instruments not traded in active markets (e.g. derivatives) are determined using valuation techniques. These valuation techniques maximize the use of data derived from the market, when available, and rely to the minimum extent possible on the Company's own specific estimates.

7 Hedge accounting

The Company holds derivative financial instruments to hedge its exposure to foreign currency variation and interest rate risk.

Based on the characteristics of the hedge, it is the Company's accounting policy to adopt hedge accounting, as established in CPC38 (IAS 39). For transactions designated for hedge accounting, the Company formally documents the relationship between the hedge instruments and the hedged items, including the risk management objectives and the strategy for the hedge transaction, together with the methods for evaluating the effectiveness of the hedging relationship. The Company makes a prospective assessment, both at the time of designation of the hedging relationship, and continuously if it is expected that the hedge instruments will be "highly effective" in offsetting changes in the fair value of the respective hedged items during the period for which the hedge is designated, and if the actual results of each hedge are within the range determined by management.

Fair value hedges

Currently the Company has fair value hedges for its transactions, so that both the hedge instruments and hedged items are stated at the FVTPL. The transactions and accounting effects arising from the adoption of this practice are set out below:

					Parent company
					2020
Transaction	Indexing	Hedge type	Principal amount	Asset/(liability) balance	Gain/loss in the income
Loan – 4131*	EUR + spread	Fair value	128,271	135,412	(248)
*Swap – 4131**	*EUR + Spread vs. % CDI*	Fair value	128,271	29,678	-

					Parent company
					2019
Transaction	Indexing	Hedge type	Principal amount	Asset/(liability) balance	Gain/loss in the income
Loan – 4131*	EUR + spread	Fair value	90,549	94,487	(151)
*Swap – 4131**	*EUR + Spread vs. % CDI*	Fair value	90,549	(7,577)	-

* Maturity in Aug/21.

					Consolidated
					2020
Transaction	Indexing	Hedge type	Principal amount	Asset/(liability) balance	Gain/loss in the income
Loan – 4131*	EUR + spread	Fair value	128,271	135,412	(248)
*Swap – 4131**	*EUR + Spread vs. % CDI*	Fair value	128,271	29,678	

					Consolidated
					2019
Transaction	Indexing	Hedge type	Principal amount	Asset/(liability) balance	Gain/loss in the income
Loan – 4131*	EUR + spread	Fair value	90,549	94,487	(151)
*Swap – 4131**	*EUR + Spread vs. % CDI*	Fair value	90,549	(7,577)	-

* Maturity in Aug/21.

The fair value cash flow hedge transaction maintained a hedging ratio of 1:1, with a weighted average rate of R$/EUR 4.7287.

If a hedging instrument no longer meets the criteria for hedge accounting, expires or is sold, closed, exercised, or has its designation as a hedge revoked, then hedge accounting is discontinued prospectively. Hedged items previously recognized at fair value are recorded at amortized cost.

Cash flow hedges

The Company adopts cash flow hedges for most transactions with suppliers. Gains or losses on the effective portion of the hedge are recognized in Equity/Other comprehensive income.

See below the transactions and accounting effects arising from the adoption of this practice:

					Parent company
					2020
Operation	Indexing	Hedge type	Principal amount	Asset/(liability) balance	Gain in comprehensive income
Suppliers	US$	Cash flow	-	-	-
NDF	US$ vs. R$	Cash flow	-	-	-
NDF Acquisition (II)	US$ vs. R$	Cash flow	3,261,895	(99,460)	(99,460)

(II) The NDF Acquisition transaction, in the amount of R$ 3,261,895, refers to the financial instruments intended to hedge the acquisition of Takeda. The closing of this acquisition depends on the fulfillment of certain conditions precedent, including regulatory approval.

					Parent company
					2019
Operation	Indexing	Hedge type	Principal amount	Asset/(liability) balance	Gain in comprehensive income
Suppliers	US$	Cash flow	-	-	-
NDF	US$ vs R$	Cash flow	-	-	-

					Consolidated
					2020
Operation	Indexing	Hedge type	Principal amount	Asset/(liability) balance	Gain in comprehensive income
Suppliers	US$	Cash flow	288,802	(288,802)	-
NDF Suppliers (I)	US$ vs R$	Cash flow	288,802	(10,596)	63
NDF Purchases (I)	US$ vs. R$	Cash flow	574,722	(10,060)	(6,075)
NDF Acquisition (II)	US$ vs R$	Cash flow	73,226	(99,460)	(76,432)
NDF Capex (I)	US$ vs. R$	Cash flow	209,166	714	714

(I) Maturing within one year.
(II) The NDF Acquisition transaction, in the amount of R$ 3,261,895, refers to the financial instruments intended to hedge the acquisition of Takeda. The closing of this acquisition depends on the fulfillment of certain conditions precedent, including approval by the regulatory agencies.

					Consolidated
					2019
Operation	Indexing	Hedge type	Principal amount	Asset/(liability) balance	Gain in comprehensive income
Suppliers	US$	Cash flow	169,188	(169,188)	-
NDF Suppliers*	US$ vs. R$	Cash flow	169,188	(1,981)	(26)
NDF Future purchase*	US$ vs. R$	Cash flow	76,473	(97)	(450)

* Maturities within one year.

Cash flow hedge operations maintained the hedging ratio at 1:1 with a weighted average rate of R$/US$ 5.4208 and R$/EUR 5.9663 for NDF Suppliers; R$/US$ 5.3366 for NDF Future

Purchases; R$/US$ 5.3559 for NDF Acquisitions and R$/EUR 6.1510 for Capex NDFs. The cash flow from these operations are stated in the note on Financial Risk Management - Liquidity Risk (Note 4 (e)).

If the hedge instrument no longer meets the hedge accounting criteria, expires or is sold, closed, or exercised, then hedge accounting is discontinued prospectively, and the hedge accounting adjustment deferred in equity is recognized in the income statement for the year.

8 Financial instruments by category

Parent company

						2020
	Amortized cost	FVOCI	FVTPL	Designated as a fair value hedge	Designated as a cash flow hedge	Total
Financial assets per the balance sheet						
Accounts receivable (Note 11)	1,564,207	-	-	-	-	1,564,207
Financial investments (Note 10)	4,619,728	-	-	-	-	4,619,728
Cash and cash in banks (Note 10)	26,431	-	-	-	-	26,431
Derivative financial instruments	-	49,753	29,674	-	-	79,427
Other assets (Note 14)	358,092	-	-	-	-	358,092
	6,568,458	49,753	29,674	-	-	6,647,885

						2020
	FVOCI	FVTPL	Amortized cost	Designated as a fair value hedge	Designated as a cash flow hedge	Total
Financial liabilities per the balance sheet						
Loans, financing and debentures (Note 22)	-	-	5,403,471	-	-	5,403,471
Suppliers (Note 20)	-	-	588,626	-	-	588,626
Suppliers' assignment of receivables (Note 21)	-	-	5,013	-	-	5,013
Accounts payable	-	-	242,641	-	-	242,641
Notes payable	-	-	23,980	-	-	23,980
Derivative financial instruments	149,213	-	-	-	-	149,213
	149,213	-	6,263,731	-	-	6,412,944

						2019
	Amortized cost	FVOCI	FVTPL	Designated as a fair value hedge	Designated as a cash flow hedge	Total
Financial assets per the balance sheet						
Accounts receivable (Note 11)	1,313,767	-	-	-	-	1,313,767
Financial investments (Note 10)	2,106,872	-	-	-	-	2,106,872
Cash and cash in banks (Note 10)	10,796	-	-	-	-	10,796
Derivative financial instruments	-	-	-	-	-	-
Other assets (Note 14)	193,471	-	-	-	-	193,471
	3,624,906	-	-	-	-	3,624,906

						2019
	FVOCI	FVTPL	Amortized cost	Designated as a fair value hedge	Designated as a cash flow hedge	Total
Financial liabilities per the balance sheet						
Loans, financing and debentures (Note 22)	-	-	1,282,052	-	-	1,282,052
Suppliers (Note 20)	-	-	344,357	-	-	344,357
Suppliers' assignment of receivables (Note 21)	-	-	291	-	-	291
Accounts payable	-	-	87,658	-	-	87,658
Notes payable	-	-	7,802	-	-	7,802
Derivative financial instruments	-	7,577	-	-	-	7,577
	-	7,577	1,722,160			1,729,737

Consolidated

	Amortized cost	FVOCI	FVTPL	Designated as a fair value hedge	Designated as a cash flow hedge	Total
						2020
Financial assets per the balance sheet						
Accounts receivable (Note 11)	1,564,341	-	-	-	-	1,564,341
Financial investments (Note 10)	4,715,097	-	-	-	-	4,715,097
Cash and cash in banks (Note 10)	28,201	-	-	-	-	28,201
Derivative financial instruments	-	55,595	27,921	-	2,158	85,674
Other assets (Note 14)	410,608	-	-	-	-	410,608
	6,718,247	55,595	27,921	-	2,158	6,803,921

	FVOCI	FVTPL	Amortized cost	Designated as a fair value hedge	Designated as a cash flow hedge	Total
						2020
Financial liabilities per the balance sheet						
Loans, financing and debentures (Note 22)	-	-	5,513,049	-	-	5,513,049
Suppliers (Note 20)	-	-	275,539	-	-	275,539
Suppliers' assignment of receivables (Note 21)	-	-	440,256	-	-	440,256
Accounts payable	-	-	327,533	-	-	327,533
Notes payable	-	-	23,980	-	-	23,980
Derivative financial instruments	165,189	-	-	-	12,754	177,943
	165,189	-	6,580,357	-	12,754	6,758,300

	Amortized cost	FVOCI	FVTPL	Designated as a fair value hedge	Designated as a cash flow hedge	Total
						2019
Financial assets per the balance sheet						
Accounts receivable (Note 11)	1,313,671	-	-	-	-	1,313,671
Financial investments (Note 10)	2,233,113	-	-	-	-	2,233,113
Cash and cash in banks (Note 10)	13,323	-	-	-	-	13,323
Derivative financial instruments	-	(97)	325	-	1,181	1,409
Other assets (Note 14)	233,582	-	-	-	-	233,582
	3,793,689	(97)	325	-	1,181	3,795,098

	FVOCI	FVTPL	Amortized cost	Designated as a fair value hedge	Designated as a cash flow hedge	Total
						2019
Financial liabilities per the balance sheet						
Loans, financing and debentures (Note 22)	-	-	1,402,605	-	-	1,402,605
Suppliers (Note 20)	-	-	333,829	-	-	333,829
Suppliers' assignment of receivables (Note 21)	-	-	124,019	-	-	124,019
Accounts payable	-	-	134,194	-	-	134,194
Notes payable	-	-	7,802	-	-	7,802
Derivative financial instruments	-	8,235	-	-	3,162	11,397
	-	8,235	2,002,449	-	3,162	2,013,846

9 Credit quality of financial assets

The credit quality of financial assets (cash and cash equivalents) can be evaluated using historical information on default rates:

	Parent company		Consolidated	
	2020	**2019**	**2020**	**2019**
Current account and short-term bank deposits (*)				
AAA	4,560,946	2,117,663	4,658,084	2,246,430
AA+	85,208	-	85,208	-
A-	3	4	3	4
	4,646,157	2,117,667	4,743,295	2,246,434

The residual balance of "cash and cash equivalents" in the balance sheet mainly represents cash on hand.

	Parent company		Consolidated	
	2020	**2019**	**2020**	**2019**
Derivative financial assets				
AAA	71,384	-	79,997	1,316
AA+	8,043	-	9,183	-
A-	-	-	494	93
	79,427	-	89,104	1,409

(*) Source: Moody's, Standard & Poor's and Fitch rating agencies, on a local scale, when available, otherwise on a global scale.

None of the fully performing financial assets were renegotiated in the last financial year. None of the loans with related parties are overdue or impaired.

Note 4 (d) describes the credit risks arising from these financial assets.

10 Cash and cash equivalents

	Parent company		Consolidated	
	2020	**2019**	**2020**	**2019**
Cash and banks	26,431	10,796	28,201	13,323
Short-term financial investments:				
Repurchase operations	16,072	310,230	19,337	363,372
Bank deposit certificates (CDBs)	4,603,656	1,796,642	4,695,760	1,869,741
	4,619,728	2,106,872	4,715,097	2,233,113
	4,646,159	2,117,668	4,743,298	2,246,436

Financial investments yield between 96.5% and 105.1% (at December 31, 2019 between 97.0% and 100.6%) of the CDI, with a weighted average of 102.4% (99.4% at December 31, 2019).

11 Accounts receivable

	Parent company		Consolidated	
	2020	2019	2020	2019
Domestic customers	1,610,172	1,375,127	1,613,165	1,377,891
Expected credit losses	(45,965)	(61,360)	(48,824)	(64,220)
	1,564,207	1,313,767	1,564,341	1,313,671

The balances of accounts receivable that are overdue, but not impaired, relate to a number of independent customers that have no recent history of default. The aging analysis of these accounts receivable is presented as follows:

		Parent company		Consolidated
	2020	2019	2020	2019
Up to 3 months	3,531	14,993	3,540	14,882
From three to six months	5,551	4,468	5,551	4,468
Over 6 months	3,771	3,027	3,771	3,028
	12,853	22,488	12,862	22,378

The additions to and write-offs of the allowance for doubtful accounts were recorded in the income statement as “selling and marketing expenses". Amounts charged to the expected credit losses are generally written off from receivables when there is no expectation of recovery of the funds.

The maximum exposure to credit risk at the reporting date is equivalent to the carrying amount of each class of receivables mentioned above. The Company holds certain notes as guarantees (Note 22 (a)).

Changes to the allowance for doubtful accounts for the year ended December 31, 2020 are as follow:

	Parent company	Consolidated
Balances at 12/31/2019	(61,360)	(64,220)
(Additions)/reversals, net	887	824
Write-offs	14,508	14,572
Balances at 12/31/2020	(45,965)	(48,824)

12 Inventory

		Parent company		Consolidated
	2020	2019	2020	2019
Finished goods and goods for resale	289,536	144,916	333,613	181,361
Semi-finished goods	-	-	58,201	31,094
Raw materials	-	-	524,583	451,944
Maintenance and supplies	139	112	93,974	70,717
Allowance for inventory losses	(29,811)	(36,141)	(89,575)	(70,473)
	259,864	108,887	920,796	664,643

The table below presents the changes in the provision:

	Parent company	**Consolidated**
Balance at 12/31/2019	(36,141)	(70,473)
Additions during the year (a)	(77,392)	(134,224)
Write-offs during the year (b)	83,722	115,122
Balance at 12/31/2020	(29,811)	(89,575)

(a) Refers to the addition of a provision for losses due to discontinuity, validity, quality and realization of inventory, in accordance with the policy established by the Company.
(b) Mainly composed of write-offs and reversals of products discarded by the Company and its subsidiaries.

13 Recoverable taxes

		Parent company		**Consolidated**
	2020	**2019**	**2020**	**2019**
PIS/COFINS/IPI and others	673,105	761,110	757,810	788,525
VAT (ICMS)	83,644	79,355	151,595	141,221
Recoverable IRPJ and CSSL	25,061	18,222	45,107	33,263
	781,810	858,687	954,512	963,009
Current	151,684	236,278	274,017	300,826
Non-current	630,126	622,409	680,495	662,183

14 Other assets

		Parent company		**Consolidated**
	2020	**2019**	**2020**	**2019**
Prepaid expenses (a)	176,716	141,039	197,821	152,198
Bills receivable (b)	239,431	70,817	258,120	82,808
Deposits in court (c)	115,583	121,932	152,488	150,774
Advances	15,760	21,479	33,856	36,917
Related parties (Note 31)	3,078	722	-	-
Others	4,063	5,133	6,869	5,263
	554,631	361,122	649,154	427,960
Current	261,343	176,852	306,823	206,966
Non-current	293,288	184,270	342,331	220,994

(a) Refers mainly to advance payments for advertising and publicity.
(b) Refers mainly to indemnities from shareholders (Note 32) and contingency amounts paid related to the former owners (Note 26), to be reimbursed.
(c) Refers to deposits made as guarantees of contingent liabilities (Note 26).

15 Discontinued operations

Refers to the sale or discontinuation of business that occurred in previous years, with balances and, mainly, expenses for the corresponding closing of discussions.

a) Analysis of the results of discontinued operations

	Parent company		Consolidated	
	2020	**2019**	**2020**	**2019**
Net revenue	-	-	-	
Cost of sales	-	-	-	-
Gross profit	**-**	**-**	**-**	**-**
(Expenses)/income	(36,326)	(37,594)	(37,489)	(37,480)
Income before financial income and expenses	**(36,326)**	**(37,594)**	**(37,489)**	**(37,480)**
Financial expenses	-	-	-	-
Income before income tax and social contribution	**(36,326)**	**(37,594)**	**(37,489)**	**(37,480)**
Income tax and social contribution	9,813	12,649	10,975	12,535
Net income for the period	**(26,513)**	**(24,945)**	**(26,513)**	**(24,945)**

b) Analysis of the cash flow used in discontinued operations

	Parent company		Consolidated	
	2020	**2019**	**2020**	**2019**
Cash flow from operating activities	-	(27,124)	-	(27,786)
Cash flow from investment activities	(28,693)	1,354	(23,807)	6,706
Net cash used in discontinued operations	**(28,693)**	**(25,770)**	**(23,807)**	**(21,080)**

16 Investments

The investments held by the Company are presented below:

Company	**Date of incorporation**	**Country**	**Business**	**Interest in shares/quotas**	**Type of interest**
Cosmed Indústria de Cosméticos e Medicamentos S.A.	December 17, 2008	Brazil	Sweeteners/Pharma	100%	Direct
My Agência de Propaganda Ltda.	November 29, 1999	Brazil	Advertising agency	100%	Direct
Brainfarma Indústria Química e Farmacêutica S.A.	June 24, 2002	Brazil	Pharma	85.20%	Direct
Brainfarma Indústria Química e Farmacêutica S.A.	June 24, 2002	Brazil	Pharma	14.80%	Indirect
Bionovis S.A.	July 15, 2010	Brazil	Biotechnology	25%	Direct
Neolatina Comércio e Indústria Farmacêutica S.A.	September 15, 1966	Brazil	Pharma	100%	Indirect
Mantecorp Participações S.A.	September 28, 2016	Brazil	Pharma	100%	Direct

a. Changes in the parent company's investments

	Brainfarma Cost	Cosmed Cost	My Cost	Bionovis Cost	Others	Total
Balances at January 1, 2019	**948,126**	**537,013**	**8,886**	**11,562**	**369**	**1,505,956**
Capital increase	221,100	31,100	-	-	-	252,200
Equity accounting	(44,134)	23,771	814	9,639	-	(9,910)
Share of discontinued equity accounting in the investment	1,217	(3,421)	-	-	-	(2,204)
Stock option	(721)	1,638	26	-	-	943
Equity valuation adjustments	(1,239)	570	(2)	-	-	(671)
Dividends receivable	-	(4,665)	-	(2,260)	-	(6,925)
Other ownership	-	-	-	-	(187)	(187)
Leases	(713)	(222)	(4)	-	-	(939)
Balances at December 31, 2019	**1,123,636**	**585,784**	**9,720**	**18,941**	**182**	**1,738,263**
Capital increase	449,961	32,550	-	-	-	482,511
Equity accounting	17,765	58,170	1,136	16,833	-	93,904
Share of discontinued equity accounting in the investment	(17,766)	14,963	-	-	-	(2,803)
Stock option/matching/restricted	4,246	(168)	(45)	-	-	4,033
Equity valuation adjustment	5,022	(1,056)	-	-	-	3,966
Dividends receivable	-	(8,947)	-	(1,838)	-	(10,785)
At December 31, 2020	**1,582,864**	**681,296**	**10,811**	**33,936**	**182**	**2,309,089**

The table below shows the Company's interest in the earnings of its main subsidiaries, as well as in their total assets and liabilities:

2020	**Assets**	**Liabilities**	**Revenue**	**Income (loss)**	**Adjusted net income (loss) (*)**
Brainfarma Indústria Química e Farmacêutica S.A.	2,847,157	985,056	1,804,011	18,545	17,765
Cosmed Indústria de Cosméticos e Medicamentos S.A.	910,912	221,112	439,093	57,800	58,170
My Agência de Propaganda Ltda.	12,006	917	4,560	980	1,136

2019	**Assets**	**Liabilities**	**Revenue**	**Income (loss)**	**Adjusted net income (loss) (*)**
Brainfarma Indústria Química e Farmacêutica S.A.	2,047,673	652,445	1,308,081	(67,118)	(44,134)
Cosmed Indústria de Cosméticos e Medicamentos S.A.	789,764	190,147	332,741	21,073	23,771
My Agência de Propaganda Ltda.	11,680	1,526	4,560	647	814

(*) This refers to the net income (loss) for the year for transactions between the investor and its investees.

b. Share in the results of investees

	Number of shares and quotas	Adjusted shareholders' equity at December 31, 2020	Ownership %	Equity accounting at December 31, 2020	Balance of the investment at December 31, 2020	Equity accounting at December 31, 2019	Balance of the investment at December 31, 2019
Cosmed Indústria de Cosméticos e Medicamentos S.A.	1,721,967,529	681,296	100%	58,170	681,296	23,771	585,784
My Agência de Propaganda Ltda.	20,130,000	10,811	100%	1,136	10,811	814	9,720
Brainfarma Indústria Química e Farmacêutica S.A.	627,165,622	1,582,864	100%	17,765	1,582,864	(44,134)	1,123,636
Bionovis S.A.	6,000,000	135,745	25%	16,833	33,936	9,639	18,941
				93,904	2,308,907	(9,910)	1,738,081

17 Investment properties

This balance refers to leased properties, one of which is used as a distribution center rented to third parties, while another is a real estate property used by Cosmed Indústria de Cosméticos e Medicamentos S.A. (a Sweetener production facility). At December 31, 2020, according to a technical report prepared by an independent company, the total fair value of these properties was R$ 273,066.

	Parent company	Consolidated
Balance at January 1, 2019	162,170	154,263
Additions	8	8
Write-offs	(26)	(26)
Depreciation	(4,197)	(4,005)
At December 31, 2019	157,955	150,240
Total cost	184,021	174,415
Accumulated depreciation	(26,066)	(24,175)
Carrying amount	157,955	150,240
Balances at January 1, 2020	157,955	150,240
Transfers	21,798	21,798
Write-off	(14,612)	(13,855)
Depreciation	(4,046)	(3,865)
Balances at December 31, 2020	161,095	154,318
Total cost	196,622	187,773
Accumulated depreciation	(35,527)	(33,455)
Carrying amount	161,095	154,318

18 Property, plant and equipment

Parent company

	Land	Buildings and improvements	Machinery, equipment and facilities	Vehicles	Furniture and fixtures	Others	Total in operation	Fixed assets under construction	Total property, plant and equipmen t
Own assets									
Balances at January 1, 2019	7,091	22,702	33,978	180	9,625	9,471	83,047	1,876	84,923
Additions	-	262	4,649	-	862	20	5,793	10,166	15,959
Write-offs	-	-	(55)	-	-	-	(55)	-	(55)
Depreciation	-	(199)	(5,376)	(42)	(712)	(1,082)	(7,411)	-	(7,411)
Transfers	-	225	5,520	2	(387)	1,137	6,497	(6,497)	-
Balances at December 31, 2019	7,091	22,990	38,716	140	9,388	9,546	87,871	5,545	93,416
Additions	-	661	9,004	-	2,474	143	12,282	5,877	18,159
Write-offs	-	-	(427)	-	(391)	(7,839)	(8,657)	-	(8,657)
Depreciation	-	(1,118)	(5,710)	(27)	(670)	(859)	(8,384)	-	(8,384)
Transfers to investment property	-	(19,105)	(3,052)	-	-	359	(21,798)	-	(21,798)
Transfers	-	105	3,743	-	12	-	3,860	(3,860)	-
Balances at December 31, 2020	7,091	3,533	42,274	113	10,813	1,350	65,174	7,562	72,736
Right-of-use assets - leases									
Balances at January 1, 2020	-	17,670	-	17,981	-	-	35,651	-	35,651
Additions	-	18,673	-	34,937	-	-	53,610	-	53,610
Write-off	-	-	-	(2,685)	-	-	(2,685)	-	(2,685)
Amortization	-	(8,214)	-	(20,562)	-	-	(28,776)	-	(28,776)
Balances at December 31, 2020	-	28,129	-	29,671	-	-	57,800	-	57,800
Total cost of own assets and right-of-use assets - leases	7,091	87,400	91,000	93,494	16,555	10,583	306,123	7,562	313,685
Total accumulated depreciation	-	(55,739)	(48,727)	(63,709)	(5,742)	(9,232)	(183,149)	-	(183,149)
Carrying amount	7,091	31,661	42,273	29,785	10,813	1,351	122,974	7,562	130,536

Consolidated

	Land	Buildings and improvements	Machinery, equipment and facilities	Vehicles	Furniture and fixtures	Others	Total in operation	Fixed assets under construction (*)	Total property, plant and equipment
Own assets									
Balances at January 1, 2019	20,849	285,846	564,525	286	23,477	18,218	913,201	50,705	963,906
Additions	-	263	73,377	18	2,122	1,788	77,568	144,427	221,995
Write-offs	-	(84)	(684)	-	-	(1)	(769)	(6)	(775)
Depreciation	-	(9,925)	(41,579)	(68)	(1,930)	(3,463)	(56,965)	-	(56,965)
Transfers	-	1,148	73,395	5	(1,120)	1,699	75,127	(75,127)	-
Balances at December 31, 2019	20,849	277,248	669,034	241	22,549	18,241	1,008,162	119,999	1,128,161
Additions	-	671	210,700	719	4,093	2,112	218,295	242,383	460,678
Write-offs	-	(12,321)	(5,723)	-	(500)	(7,811)	(26,355)	(233)	(26,588)
Depreciation	-	(11,016)	(45,943)	(106)	(1,725)	(2,990)	(61,780)	-	(61,780)
Transfer to investment property	-	(19,105)	(3,052)	-	-	359	(21,798)	-	(21,798)
Transfers	-	3,372	106,252	-	204	568	110,396	(110,396)	-
Balances at December 31, 2020	20,849	238,849	931,268	854	24,621	10,479	1,226,920	251,753	1,478,673
Right-of-use assets - leases									
Balances at January 1, 2020	-	20,678	-	19,107	-	-	39,785	-	39,785
Additions	-	21,238	-	38,427	-	-	59,665	-	59,665
Write-offs	-	-	-	(3,622)	-	-	(3,622)	-	(3,622)
Amortization	-	(6,236)	-	(21,856)	-	-	(28,092)	-	(28,092)
Balances at December 31, 2020	-	35,680	-	32,056	-	-	67,736	-	67,736
Total cost of own assets and right-of-use assets - leases	20,849	405,956	1,401,411	103,263	48,360	45,541	2,025,380	251,753	2,277,133
Total accumulated depreciation	-	(131,427)	(470,143)	(70,353)	(23,739)	(35,062)	(730,724)	-	(730,724)
Carrying amount	20,849	274,529	931,268	32,910	24,621	10,479	1,294,656	251,753	1,546,409

(*) Mainly represent purchases related to upgrades to the Anápolis-GO plant.

19 Intangible assets

	Parent company		Consolidated	
	2020	2019	2020	2019
Goodwill on the acquisition of investments in merged companies				
Mantecorp Indústria Química Farmacêutica S.A.	1,798,470	1,798,470	1,798,470	1,798,470
Laboratório Neo Química Comércio e Indústria S.A.	967,154	967,154	967,154	967,154
DM Indústria Farmacêutica Ltda.	743,029	743,029	743,029	743,029
Farmasa - Laboratório Americano de Farmacoterapia S.A.	666,808	666,808	666,808	666,808
Amazon Distribuidora de Medicamentos e Produtos Cosméticos Ltda.	32,328	-	32,328	-
Luper Indústria Farmacêutica Ltda.	45,917	45,917	45,917	45,917
Barrenne Indústria Farmacêutica Ltda.	33,955	33,955	33,955	33,955
Finn Administradora de Marcas Ltda.	17,857	17,857	17,857	17,857
	4,305,518	4,273,190	4,305,518	4,273,190
Trademarks and patents	1,671,501	337,222	1,671,803	337,525
Rights of use and software	23,348	16,531	38,274	37,702
Product development	4,582	12,873	382,666	286,694
	6,004,949	4,639,816	6,398,261	4,935,111

Goodwill is measured as the fair value surplus of the consideration transferred in relation to the fair values of the net assets acquired, and is based mainly on the future profitability, supported by appraisal reports prepared by a specialized company, using the cash flow method, discounted to present value. The discount rates used in the calculations were determined by adopting the weighted average cost of capital (WACC). For acquisitions after 2009, the consideration transferred was allocated to certain assets acquired for the business (inventory, property, plant and equipment, and trademarks, among others).

Changes in the balances

Parent company

	Trademarks and patents	Rights of use and software	Product development	Goodwill	Total
Balance at January 1, 2019	340,529	13,208	10,447	4,273,190	4,637,374
Additions	-	7,721	3,248	-	10,969
Write-offs	-	(28)	(549)	-	(577)
Amortization	(3,307)	(4,370)	(273)	-	(7,950)
Balances at December 31, 2019	337,222	16,531	12,873	4,273,190	4,639,816
Total cost	360,620	90,244	13,719	4,273,190	4,737,773
Accumulated amortization	(23,398)	(73,713)	(846)	-	(97,957)
Balances at January 1, 2020	337,222	16,531	12,873	4,273,190	4,639,816
Additions	1,337,585	11,245	384	32,328	1,381,542
Write-offs	-	-	(8,479)	-	(8,479)
Amortization	(3,306)	(4,428)	(196)	-	(7,930)
At December 31, 2020	1,671,501	23,348	4,582	4,305,518	6,004,949
Total cost	1,698,205	101,481	5,623	4,305,518	6,110,827
Accumulated amortization	(26,704)	(78,133)	(1,041)	-	(105,878)
Carrying amount	1,671,501	23,348	4,582	4,305,518	6,004,949

Consolidated

	Trademarks and patents	Rights of use and software	Product development	Goodwill	Total
Balance at January 1, 2019	340,832	46,004	202,505	4,273,190	4,862,531
Additions	-	9,266	111,568	-	120,834
Write-offs	-	(48)	(13,981)	-	(14,029)
Amortization	(3,307)	(17,520)	(13,398)	-	(34,225)
At December 31, 2019	337,525	37,702	286,694	4,273,190	4,935,111
Total cost	360,947	143,979	395,825	4,273,190	5,173,941
Accumulated amortization	(23,422)	(106,277)	(109,131)	-	(238,830)
Balances at January 1, 2020	337,525	37,702	286,694	4,273,190	4,935,111
Additions (*)	1,337,585	18,747	169,524	32,328	1,558,184
Write-offs	-	(151)	(65,165)	-	(65,316)
Amortization	(3,307)	(18,024)	(8,387)	-	(29,718)
At December 31, 2020	1,671,803	38,274	382,666	4,305,518	6,398,261
Total cost	1,698,531	162,575	500,221	4,305,518	6,666,845
Accumulated amortization	(26,728)	(124,301)	(117,555)	-	(268,584)
Carrying amount	1,671,803	38,274	382,666	4,305,518	6,398,261

(*) The value of rights-of-use and brands refers mainly to the acquisition of the Buscopan and Buscofen brands, according to the purchase and sale agreement entered into with Boehringer Ingelheim International GMBH, Boehringer Ingelheim Pharma GMBH & Co. KG and Boehringer Ingelheim do Brasil Química e Farmacêutica Ltda. on December 18, 2019, completed on August 31, 2020, the acquisition value of which is concentrated in this main class of identifiable assets. The Company disclosed Material Facts related to this acquisition on December 18, 2019, July 30 and August 31, 2020.

Impairment of assets

The Company annually tests the recoverable value of its intangible assets with indefinite useful lives, or where there are indications that the value may not be recoverable. These assets mainly represent the portion of goodwill for expected future income and trademarks arising from business combinations.

Long-lived assets subject to amortization are reviewed whenever there are indications that the carrying amount will not be recovered.

The recoverable amount is determined as the higher of the value in use and the fair value less selling costs. In this context, the recoverable amounts were determined by the Company based on the calculation of the value in use. These calculations use cash flow projections for a period of five years based on financial budgets approved by management for the next year, which foresee sales growth in existing brands, new brands arising from acquisitions and research and development, with investments necessary to implement these plans. The amounts of cash flow subsequent to the five-year period were extrapolated based on the estimated rates of growth not exceeding the average growth rate defined for the initial period of five years.

The projections consider operating margins defined in compliance with: (i) the Company's historical performance; (ii) future expectations regarding business growth; and (iii) weighted average rates of growth based on sectoral forecasts for each line of business. In the context of recoverability testing, the discount rate before tax was reviewed through a calculation based on the discount rate after tax. Thus the discount rate of 9.3%, in statutory terms and after tax, was calculated based on the WACC, corresponding to a pre-tax rate of 10.76%.

The result of the planning and execution of the testing does not indicate any impairment of the Company's assets. Thus, no impairment loss needed to be recognized.

The identification of the impairment of assets depends on certain key assumptions, as described previously, which are influenced by the market conditions prevailing at the time when this impairment is tested and, accordingly, it is not possible to determine whether losses through impairment will occur in the future, and if so whether they would be material.

In addition, a sensitivity analysis was conducted to understand the impact that variations in the following variables would have on the conclusions: (i) growth in volumes; (ii) evolution of margins; (iii) investment amounts; and (iv) discount rates. As a result of this complementary analysis, no factors that could impact the conclusions regarding the recoverability of the assets were identified.

20 Suppliers

		Parent company		**Consolidated**
	2020	**2019**	**2020**	**2019**
Domestic suppliers	12,803	17,946	257,560	252,503
Foreign suppliers	-	177	17,979	81,326
Related party suppliers (Note 31 (a))	575,823	326,234	-	-
	588,626	344,357	275,539	333,829

21 Suppliers' assignment of receivables

		Parent company		**Consolidated**
	2020	**2019**	**2020**	**2019**
Local market (overdraft risk)	5,013	291	160,548	796
External market (forfaiting)	-	-	279,708	123,223
	5,013	291	440,256	124,019

Some suppliers have the option to assign the Company's receivables, without right of recourse, to financial institutions. As part of these transactions, the supplier may see a decrease in its financial costs, because the financial institution takes into consideration the credit risk of the buyer.

At December 31, 2020, the discount rates on assignment operations carried out by the Company's suppliers with financial institutions in the domestic market ranged between 0.35% and 0.54% with a weighted average of 0.38% p.m. (at December 31, 2019 this rate was 0.57% p.m.).

At December 31, 2020, the discount rates on assignment operations carried out by the Company's suppliers with financial institutions in the foreign market ranged between 2.52% and 11.58% with a weighted average of 5.05% p.a. (at December 31, 2019 these rates were between 1.50% and 5.00% with a weighted average of 3.97% p.a.).

22 Loans, financing and debentures

		Parent company		Consolidated	
	Nominal rate	2020	2019	2020	2019
Foreign currency					
Loans (i)	€ + 1.61% p.a.	135,412	94,487	135,412	94,487
Local currency					
Loans	CDI + 2.00% to 3.60% p.a.	916,050	-	916,050	-
FCO (i)	Fixed rate from 2.50% to 8.50% p.a.	16,736	20,911	34,783	45,949
Financing	Fixed rate from 2.50% to 8.70% p.a.	1,074	1,676	5,095	7,389
Debentures	CDI + 1.25% to 1.75% p.a.	4,015,883	797,336	4,015,883	797,336
Finep	TJLP from -1.00% to 1.00% p.a	278,647	326,932	278,647	326,932
Real estate financing	TR + 9.60% p.a.	39,668	40,710	127,179	130,512
		5,403,470	1,282,052	5,513,049	1,402,605
Current		424,880	77,571	461,816	108,622
Non-current		4,978,590	1,204,481	5,051,233	1,293,983

(i) Contracts with covenants regarding debt levels and the coverage of interest with respect to certain financial information (EBITDA and net interest expenses), disposals, spin-offs, mergers, amalgamations or any corporate restructuring which, if they occur, require prior approval from the financial agents. If any of these events occurs without the consent of the lenders, the outstanding balances will have their maturities accelerated. At December 31, 2020, the covenants were met. The next measurement will be made at June 30, 2021.

The breakdown of long-term loans and financing at December 31, 2020, by year of maturity, is as follows:

	Parent company	Consolidated
2022	379,815	399,749
2023	66,851	83,332
2024	544,671	556,817
2025	18,692	30,732
2026	18,692	30,733
2027	13,239	13,239
2028	13,239	13,239
2029	12,134	12,135
	1,067,333	1,139,976

Debentures

On December 5, 2019, 80,000 non-convertible debentures of the 8th public issuance, in a single series, were issued, in the amount of R$ 800,000,000.00, with a par value of R$ 10,000.00, with interest corresponding to 100% of the cumulative variation in the daily average rates of the Interbank Deposit (DI) rate plus a spread of 1.25% per year. The unit nominal value of debentures will be amortized in five consecutive semiannual installments, with final maturity on November 28, 2025.

On April 3, 2020, 248,500 non-convertible debentures of the 9th public issuance, single series, were issued, in the amount of R$ 2,485,000,000.00, with an interest corresponding to 100% of the cumulative variation of the daily average rates of the DI rate, plus a spread of 1.50% p.a. The nominal unit value of debentures will be amortized in six consecutive semiannual installments, with final maturity on April 3, 2026.

On September 1, 2020, 73,500 non-convertible debentures of the 10th public issuance, in a first and second series, were issued, in the amount of R$ 735,000,000.00, with a par value of R$ 10,000.00, and interest corresponding to 100% of the cumulative variation of the daily average rates of the Interbank Deposits (DI) plus a spread of 1.75% p.a. The unit nominal value of debentures will be amortized in three consecutive installments, with final maturity on September 1, 2026.

Debentures - Changes

	8th Public Issuance Single series	**9th Public Issuance Single series**	**10th Public Issuance 1st and 2nd Series**	**Total**
Balance at January 1, 2020	797,336	-	-	797,336
Total issuance amount	-	2,485,000	735,000	3,220,000
Costs to be incurred	-	(24,989)	(9,466)	(34,455)
Financial charges	19,577	23,527	9,356	52,460
Interest paid	(19,458)	-	-	(19,458)
Balance at December 31, 2020	797,455	2,483,538	734,890	4,015,883
Current	29,579	68,033	7,014	104,626
Non-current	767,876	2,415,505	727,876	3,911,257
Unrealized transaction costs	4,730	21,487	8,918	35,135
Current	1,101	4,838	1,794	7,733
Non-current	3,629	16,649	7,124	27,402

Long-term amounts of debentures have the following breakdown, by year of maturity:

	December 31, 2020
2023	701,735
2024	1,403,469
2025	1,403,469
2026	402,584
	3,911,257

a. Guarantees for loans and financing at December 31, 2020

	Parent company	**Consolidated**
Accounts receivable – Pledged guarantees	9,836	15,474
Letters of guarantee (*)	278,647	278,647
Pledged fixed assets	44,281	142,604
	332,764	436,725

(*) Letter of guarantee for the loan from FINEP (Contract No. 0799/13).

b. Book values and estimated fair value

The carrying amounts and estimated fair values of loans, financing and debentures are as follow:

		Consolidated		Fair value	
	Nominal rate	**2020**	**2019**	**2020**	**2019**
Foreign currency					
Loans	€ + 1.61% p.a.	135,412	94,487	135,412	94,487
Local currency					
Loans	CDI + 2.00% to 3.50% p.a.	916,050	-	916,050	-
FCO	Fixed rate from 2.50% to 8.50% p.a.	34,783	45,949	34,782	45,949
Financing	Fixed rate from 2.50% to 8.70% p.a.	5,095	7,389	5,089	6,752
Debentures	CDI + 1.25% to 1.75% p.a.	4,015,883	797,336	4,015,883	797,336
Finep	TJLP - 1.00% to 1.00% p.a.	278,647	326,932	278,647	326,932
Real estate financing	TR + 9.60% p.a.	127,179	130,512	125,148	137,899
		5,513,049	1,402,605	5,511,011	1,409,355

The fair value of some of the current loans is equal to their book value, since the impact of the mark-to-market is not material. The fair values are based on the discounted cash flow, using a market rate of CDI + 0.14% to CDI + 1.23% p.a. (December 31, 2019 - CDI + 0.22% to CDI + 1.36% p.a.).

c. Reconciliation of changes in equity with cash flow from financing activities

										Parent company
						Liabilities	Derivatives (assets/liabilities) held to hedge long-term loans			
	Loans and financing	**Notes payable**	**Taxes payable**	**Proposed dividends**	**Related parties**	**Leases**	**Derivative financial instruments (assets)**	**Derivative financial instruments (liabilities)**	**Shareholders' equity**	**Total**
Balances at January 1, 2020	**1,282,052**	**7,802**	**40,000**	**612,143**	**-**	**32,193**	**-**	**7,577**	**8,710,100**	**10,691,867**
Changes in financing cash flow										
Loans taken out	4,115,000	-	-	-	-	-	-	-	-	4,115,000
Payments of loans - principal	(58,608)	(3,684)	(1,007)	-	-	(11,678)	-	-	-	(74,977)
Payments of loans - interest	(158,168)	-	-	-	-	(4,496)	-	-	-	(162,664)
Capital increase	-	-	-	-	-	-	-	-	29,309	29,309
Sales of shares	-	-	-	-	-	-	-	-	12,102	12,102
Dividends paid	-	-	-	(682,474)	-	-	-	-	-	(682,474)
Total changes in cash flow and financing	**3,898,224**	**(3,684)**	**(1,007)**	**(682,474)**	**-**	**(16,174)**	**-**	**-**	**41,411**	**3,236,296**
Other changes										
Write-off	-	-	-	-	-	(1,914)	-	-	-	(1,914)
Additions	-	-	-	-	-	37,562	-	-	-	37,562
Leases	-	-	-	-	-	1,617	-	-	-	1,617
Taxes payable	-	-	(9,633)	-	-	-	-	-	-	(9,633)
Stock Options/Matching/Restricted	-	-	-	-	-	-	-	-	17,803	17,803
Interest accrued	223,194	362	368	-	-	3,431	(32,288)	(4,816)	-	190,251
Interest on shareholders' equity	-	-	-	741,985	-	-	-	-	-	741,985
Loans - acquisition of subsidiaries	-	19,500	-	-	-	-	-	-	-	19,500
MtM- Hedge loans	-	-	-	-	-	-	288,945	(2,761)	-	286,184
Supplier hedges - interest paid	-	-	-	-	-	-	-	(272,415)	-	(272,415)
MtM - Supplier hedges	-	-	-	-	-	-	(502,583)	625,662	-	123,079
Payment/Receipt Investment hedges	-	-	-	-	-	-	195,011	(204,034)	-	(9,023)
Constitution of government grant reserve	-	-	-	-	-	-	-	-	587,619	587,619
Reversal of capital budget reserve	-	-	-	-	-	-	-	-	(34,488)	(34,488)
Equity valuation adjustments	-	-	-	-	-	-	-	-	(81,730)	(81,730)
Interest accrued – Acquisitions	-	-	-	-	-	-	(5,476)	-	-	(5,476)
Interest accrued – Options	-	-	-	-	-	-	(23,036)	-	-	(23,036)
Total other changes related to liabilities	**223,194**	**19,862**	**(9,265)**	**741,985**	**-**	**40,696**	**(79,427)**	**141,636**	**489,204**	**1,567,885**
At December 31, 2020	**5,403,470**	**23,980**	**29,728**	**671,654**	**-**	**56,715**	**(79,427)**	**149,213**	**9,240,715**	**15,496,048**

Consolidated

	Liabilities					Derivatives (assets/liabilities) held to hedge long-term loans			
	Loans and financing	**Notes payable**	**Taxes payable**	**Proposed dividends**	**Leases**	**Derivative financial instruments (assets)**	**Derivative financial instruments (liabilities)**	**Shareholders' equity**	**Total**
Balances at January 1, 2020	**1,402,605**	**7,802**	**56,217**	**612,143**	**37,864**	**(1,409)**	**11,397**	**8,710,100**	**10,836,719**
Changes in financing cash flow									
Loans taken out	4,115,000	-		-	-	-	-	-	4,115,000
Payment of loans - principal	(83,036)	(3,684)	(1,007)	-	(11,252)	-	-	-	(98,979)
Payments of loans - interest	(161,689)	-	-	-	(4,348)	-	-	-	(166,037)
Capital increase	-	-	-	-	-	-	-	29,309	29,309
Sales of shares	-	-	-	-	-	-	-	12,102	12,102
Dividends paid	-	-	-	(682,474)	-	-	-	-	(682,474)
Total changes in cash flow and financing	**3,870,275**	**(3,684)**	**(1,007)**	**(682,474)**	**(15,600)**	**-**	**-**	**41,411**	**3,208,921**
Other changes									
Write-offs	-	-	-	-	(2,242)	-	-	-	(2,242)
Additions	-	-	-	-	40,117	-	-	-	40,117
Leases	-	-	-	-	(9,821)	-	-	-	(9,821)
Taxes payable	-	-	15,732	-	-	-	-	-	15,732
Stock Options/Matching/Restricted	-	-	-	-	-	-	-	17,803	17,803
Interest accrued	240,169	362	368	-	3,924	(32,288)	(4,816)	-	207,719
Interest on shareholders' equity	-	-	-	741,985	-	-	-	-	741,985
Loans - acquisition of subsidiaries	-	19,500	-	-	-	-	-	-	19,500
MtM- Hedge loans	-	-	-	-	-	288,944	(2,761)	-	286,183
MtM - Supplier hedges	-	-	-	-	-	19,637	(292,051)	-	(272,414)
Payment/Receipt Investment hedges	-	-	-	-	-	195,011	(204,033)	-	(9,022)
Supplier hedges - interest paid	-	-	-	-	-	(527,057)	670,207	-	143,150
Constitution of government grant reserve	-	-	-	-	-	-	-	587,619	587,619
Reversal of capital budget reserve	-	-	-	-	-	-	-	(34,488)	(34,488)
Equity valuation adjustments	-	-	-	-	-	-	-	(81,730)	(81,730)
Interest accrued – Acquisitions	-	-	-	-	-	(5,476)	-	-	(5,476)
Interest accrued – Options	-	-	-	-	-	(23,036)	-	-	(23,036)
Total other changes related to liabilities	**240,169**	**19,862**	**16,100**	**741,985**	**31,978**	**(84,265)**	**166,546**	**489,204**	**1,621,579**
At December 31, 2020	**5,513,049**	**23,980**	**71,310**	**671,654**	**54,242**	**(85,674)**	**177,943**	**9,240,715**	**15,667,219**

Parent company

	Liabilities							Derivatives (assets/liabilities) held to hedge long-term loans			
	Loans and financing	**Notes payable**	**Taxes payable**	**Related parties**	**Proposed dividends**	**Leases**	**Other assets - loans**	**Derivative financial instruments (assets)**	**Derivative financial instruments (liabilities)**	**Equity**	**Total**
At January 1, 2019	**426,955**	**18,070**	**42,067**	**2,648**	**560,295**	**-**	**(67,988)**	**-**	**4,480**	**8,267,673**	**9,254,200**
Changes in financing cash flow											
Loans taken out	904,850	-	-	-	-	-	-	-	-	-	904,850
Payments of loans - principal	(60,818)	(10,484)	(933)	-	-	(26,408)	1,125	-	-	-	(97,518)
Payments of loans - interest	(17,949)	(453)	-	-	-	(4,383)	-	-	-	-	(22,785)
Purchases of shares	-	-	-	-	-	-	-	-	-	(72,188)	(72,188)
Sales of shares	-	-	-	-	-	-	-	-	-	24,338	24,338
Loans payable	-	-	-	(2,650)	-	-	-	-	-	-	(2,650)
Dividends paid	-	-	-	-	(623,422)	-	-	-	-	-	(623,422)
Total changes in cash flow and financing	**826,083**	**(10,937)**	**(933)**	**(2,650)**	**(623,422)**	**(30,791)**	**1,125**	**-**	**-**	**(47,850)**	**110,625**
Other changes											
Initial application	-	-	-	-	-	49,287	-	-	-	-	49,287
Write-offs	-	-	-	-	-	(2,675)	-	-	-	-	(2,675)
Additions	-	-	-	-	-	8,057	-	-	-	-	8,057
Other assets	-	-	-	-	-	-	(990)	-	-	-	(990)
Sales of properties	-	-	-	-	-	-	1,802	-	-	-	1,802
Remeasurement	-	-	-	-	-	4,717	-	-	-	-	4,717
Taxes payable	-	-	(1,556)	-	-	-	-	-	-	-	(1,556)
Stock options/matching	-	-	-	-	-	-	-	-	-	5,336	5,336
Interest accrued	29,014	669	422	2	-	3,598	(4,766)	-	3,097	-	32,036
Interest on shareholders' equity	-	-	-	-	675,270	-	-	-	-	-	675,270
Constitution of government grant reserve	-	-	-	-	-	-	-	-	-	368,118	368,118
Constitution of capital budget reserve	-	-	-	-	-	-	-	-	-	117,106	117,106
Dividends paid and unclaimed	-	-	-	-	-	-	-	-	-	31	31
Equity valuation adjustments	-	-	-	-	-	-	-	-	-	(314)	(314)
Total other changes related to liabilities	**29,014**	**669**	**(1,134)**	**2**	**675,270**	**62,984**	**(3,954)**	**-**	**3,097**	**490,277**	**1,256,225**
At December 31, 2019	**1,282,052**	**7,802**	**40,000**	**-**	**612,143**	**32,193**	**(70,817)**	**-**	**7,577**	**8,710,100**	**10,621,050**

						Liabilities	Derivatives (assets/liabilities) held to hedge long-term loans			Consolidated
	Loans and financing	**Notes payable**	**Taxes payable**	**Proposed dividends**	**Leases**	**Other assets - loans**	**Derivative financial instruments (assets)**	**Derivative financial instruments (liabilities)**	**Equity**	**Total**
At January 1, 2019	**564,309**	**18,070**	**63,191**	**560,295**	**-**	**(84,447)**	**(7,292)**	**6,807**	**8,267,673**	**9,388,606**
Changes in financing cash flow										
Loans taken out	904,850	-	-	-	-	-	-	-	-	904,850
Payments of loans - principal	(85,578)	(10,484)	(933)	-	(27,525)	1,125	-	-	-	(123,395)
Payments of loans - interest	(22,341)	(453)	-	-	(5,173)	-	-	-	-	(27,967)
Purchases of shares	-	-	-	-	-	-	-	-	(72,188)	(72,188)
Sales of shares	-	-	-	-	-	-	-	-	24,338	24,338
Dividends paid	-	-	-	(623,422)	-	-	-	-	-	(623,422)
Total changes in cash flow and financing	**796,931**	**(10,937)**	**(933)**	**(623,422)**	**(32,698)**	**1,125**	**-**	**-**	**(47,850)**	**82,216**
Other changes										
Initial application	-	-	-	-	55,955	-	-	-	-	55,955
Write-offs	-	-	-	-	(6,727)	-	-	-	-	(6,727)
Additions	-	-	-	-	8,057	-	-	-	-	8,057
Remeasurement	-	-	-	-	8,915		-	-	-	8,915
Other assets	-	-	-	-	-	4,323	-	-	-	4,323
Sales of properties	-	-	-	-	-	1,802	-	-	-	1,802
Taxes payable	-	-	(6,464)	-	-	-	-	-	-	(6,464)
Stock options/matching	-	-	-	-	-	-	-	-	5,336	5,336
Interest on shareholders' equity	-	-	-	675,270	-	-	-	-	-	675,270
Interest accrued	41,365	669	423	-	4,362	(5,611)	-	3,097	-	44,305
Constitution of government grant reserve	-	-	-	-	-	-	-	-	368,118	368,118
Constitution of capital budget reserve	-	-	-	-	-	-	-	-	117,106	117,106
Dividends paid and unclaimed	-	-	-	-	-	-	-	-	31	31
Equity valuation adjustments	-	-	-	-	-	-	-	-	(314)	(314)
Supplier hedges	-	-	-	-	-	-	424	(329)	-	95
Supplier hedges - interest paid	-	-	-	-	-	-	12,784	(13,244)	-	(460)
MtM - Supplier hedges	-	-	-	-	-	-	(7,325)	15,066	-	7,741
Total other changes related to liabilities	**41,365**	**669**	**(6,041)**	**675,270**	**70,562**	**514**	**5,883**	**4,590**	**490,277**	**1,283,089**
At December 31, 2019	**1,402,605**	**7,802**	**56,217**	**612,143**	**37,864**	**(82,808)**	**(1,409)**	**11,397**	**8,710,100**	**10,753,911**

23 Deferred income tax and social contribution

a. Breakdown of deferred tax assets

Deferred tax assets include tax losses carried forward, negative social contribution bases and temporary differences. These assets are recognized in proportion to the likelihood of realization of the related tax benefit against future taxable income. This is based on a study of future realization, using projections of the generation of taxable income from 2021 onward. Tax losses carried forward and the negative bases of social contribution are generated mainly by the tax deductibility of goodwill from acquisitions of companies (Note 19) and the distribution of interest on shareholders' equity in recent years.

		Parent company		Consolidated
	2020	**2019**	**2020**	**2019**
Deferred tax assets:				
Tax losses carried forward and negative bases of CSLL	1,616,196	1,470,627	1,636,107	1,491,060
Contingencies	65,813	67,330	73,593	76,578
Expected credit losses	45,965	57,718	49,133	60,875
Allowance for losses on inventory	10,136	12,288	30,456	26,824
Other temporary differences	140,780	88,439	218,833	124,506
Total deferred tax assets	1,878,890	1,696,402	2,008,122	1,779,843
(-) Portion of deferred tax assets recoverable through deferred liabilities of the same company with the same tax authority (also recoverable against the calculation of current tax)	(1,712,977)	(1,696,402)	(1,813,406)	(1,753,292)
Remaining balance of deferred tax assets	165,913	-	194,716	26,551

b. Deferred tax liabilities

These consist mainly of deferred income tax and social contribution tax liabilities, arising from temporary differences between the tax basis of goodwill and its book value in the balance sheet, as the goodwill has continued to be amortized for tax purposes, but ceased to be amortized in the accounting records from January 1, 2009. This temporary difference may result in amounts being treated as non-deductible for taxable income for future years when the book value of the asset is reduced (impairment) or settled, thus making it necessary to record a deferred tax liability.

	Parent company		Consolidated	
	2020	2019	2020	2019
Goodwill	1,575,837	1,575,837	1,575,837	1,575,837
Tax debt - PIS/COFINS and others	101,540	101,540	107,710	101,540
Fair value of property, plant and equipment - business combinations	11,213	11,620	38,937	42,930
Others	24,387	28,066	136,939	125,528
Total tax debt	1,712,977	1,717,063	1,859,423	1,845,835
(-) Portion of deferred tax liabilities recoverable through deferred tax assets of the same company with the same tax authority (also recoverable against the current tax calculation)	(1,712,977)	(1,696,402)	(1,813,406)	(1,753,292)
Remaining balance of deferred liabilities	-	20,661	46,017	92,543

c. Reconciliation of income tax and social contribution expenses

	Parent company		Consolidated	
	2020	2019	2020	2019
Income before income tax and social contribution	1,184,135	1,055,421	1,205,967	1,062,612
Combined rate - %	34%	34%	34%	34%
Income tax and social contribution expenses at the combined rate	(402,606)	(358,843)	(409,932)	(361,216)
Equity accounting	30,613	(3,359)	5,231	4,106
Interest on shareholders' equity	252,275	229,592	252,275	229,592
Interest/indexation in the nature of an indemnity	37,662	102,836	48,643	102,836
Government grants	170,719	125,160	174,731	125,160
Permanent additions/exclusions	22,318	13,233	18,200	951
Income tax and social contribution expenses	110,981	108,619	89,148	101,429
Current	-	-	(17,403)	(17,105)
Deferred	110,981	108,619	106,551	118,534
Discontinued operations	9,813	12,649	10,975	12,535
Continuing operations	101,168	95,970	78,173	88,894
	110,981	108,619	89,148	101,429
	9%	10%	7%	10%

24 Taxes payable

	Parent company		Consolidated	
	2020	2019	2020	2019
ICMS (value added tax) payable	27,851	37,097	67,275	49,219
IPI/PIS/COFINS payable	-	1,089	359	2,015
Other taxes payable	1,877	1,814	3,676	4,983
	29,728	40,000	71,310	56,217
Current	22,077	31,640	63,659	47,857
Non-current	7,651	8,360	7,651	8,360

25 Accounts payable

		Parent company		Consolidated
	2020	2019	2020	2019
Freight payable	19,595	12,042	23,655	14,638
Services provided	57,110	23,800	102,614	44,967
Advertising	21,747	7,920	21,747	7,949
Revenue to elapse	47,882	-	47,882	-
Purchases of fixed assets	10,629	3,919	43,838	13,043
Payables arising from disposal	12,410	12,410	12,410	12,410
Leases (i)	56,715	32,193	54,242	37,864
Accrued taxes on inventory losses	2,687	6,387	17,048	17,073
Others	7,284	9,475	19,097	17,607
	236,059	108,146	342,533	165,551
Current	169,943	88,310	273,353	135,710
Non-current	66,116	19,836	69,180	29,841

(i) Lease liabilities

		Parent company		Consolidated
	2020	2019	2020	2019
Current	21,280	17,108	20,802	17,832
Non-current	35,435	15,085	33,440	20,032
	56,715	32,193	54,242	37,864

Lease liabilities refer mainly to vehicles and real estate. Changes in lease liabilities are presented in the table below:

	Parent company	Consolidated
Balance at January 1, 2020	32,193	37,864
Payment of loans – principal	(11,678)	(11,252)
Payments of loans – interest	(4,496)	(4,348)
Additions	37,562	40,117
Write-offs	(1,914)	(2,242)
Remeasurement	1,617	(9,821)
Interest accrued	3,431	3,924
Balance at December 31, 2020	56,715	54,242

a. *Maturity of installments*

Leases at December 31, 2020 have the following breakdown, by year of maturity:

	Parent company	Consolidated
Up to 2 years	18,480	18,063
From 2 to 5 years	15,818	13,977
More than 5 years	1,137	1,400
	35,435	33,440

b. Tax rights on leases

The table below shows the potential rights to PIS/COFINS recoverable embedded in the lease payments, based on the periods provided for payment:

		Parent company		Consolidated
	Nominal	Adjusted to present value	Nominal	Adjusted to present value
Lease liability	62,238	56,715	61,084	54,242
Estimated PIS/COFINS	(2,866)	(2,473)	(2,487)	(1,976)
	59,372	54,242	58,597	52,266

c. Agreements by term and discount rate

The Company estimated the discount rates, based on risk-free interest rates available in the Brazilian market for agreements with similar terms. The table below shows the rates used, taking into consideration the lease terms:

	Parent company	Consolidated
Terms	**Rate % p.a.**	**Rate % p.a.**
Up to 2 years	6.49%	6.49%
From 2 to 5 years	4.76%	4.68%
More than 5 years	10.46%	10.46%

The table below shows the comparative balances of the lease liability, rights-of-use, financial expenses and depreciation, considering the effects of the future inflation rate projected in the flows of the lease agreements, discounted at the nominal rates.

		Parent company		Consolidated
	2020	2019	2020	2019
Lease liabilities				
Carrying amount - IFRS 16/ CPC 06 (R2)	56,715	32,193	54,242	37,864
Flow according to projected inflation	59,290	33,838	56,705	39,799
Variation	4.54%	5.11%	4.54%	5.11%
Net rights-of-use - closing balance				
Carrying amount - IFRS 16/ CPC 06 (R2)	57,800	35,651	67,736	39,807
Flow with projected inflation	60,424	37,473	70,811	41,841
Variation	4.54%	5.11%	4.54%	5.11%

		Parent company		Consolidated
	2020	2019	2020	2019
Financial expenses				
Carrying amount - IFRS 16/ CPC 06 (R2)	(3,476)	(3,466)	(3,911)	(4,251)
Flow with projected inflation	(3,634)	(3,643)	(4,089)	(4,468)
Variation	4.54%	5.11%	4.54%	5.11%
Depreciation expenses				
Carrying amount - IFRS 16/ CPC 06 (R2)	(28,776)	(25,488)	(28,092)	(26,771)
Flow with projected inflation	(30,082)	(26,790)	(29,367)	(28,139)
Variation	4.54%	5.11%	4.54%	5.11%

26 Provision for contingencies

At December 31, 2020, the Company had the following provision for contingencies and corresponding deposits with courts related to contingencies:

								Parent company
	2020				2019			
	Forecast of likely loss	Contingencies assumed in business combinations	Deposits in court	Contingencies net of court deposits	Forecast of likely loss	Contingencies assumed in business combinations	Deposits in court	Contingencies net of court deposits
Civil	9,261	11,782	(57)	20,986	8,218	11,123	-	19,341
Labor	99,941	23,721	(14,750)	108,912	104,038	26,597	(29,382)	101,253
Tax	121	44,652	(365)	44,408	74	43,775	(327)	43,522
Administrative/other	3,254	834	(225)	3,863	3,828	375	(218)	3,985
Liability of former owners	5,347	-	-	5,347	-	-	-	-
	117,924	80,989	(15,397)	183,516	116,158	81,870	(29,927)	168,101

								Consolidated
	2020				2019			
	Forecast of likely loss	Contingencies assumed in business combinations	Deposits in court	Contingencies net of court deposits	Forecast of likely loss	Contingencies assumed in business combinations	Deposits in court	Contingencies net of court deposits
Civil	9,297	11,782	(57)	21,022	8,234	11,123	-	19,357
Labor	107,995	23,721	(17,600)	114,116	115,695	26,597	(32,921)	109,371
Tax	124	44,652	(367)	44,409	76	43,775	(329)	43,522
Administrative/other	18,044	834	(225)	18,653	19,356	375	(218)	19,513
Liability of former owners	8,188	-	-	8,188	-	-	-	-
	143,648	80,989	(18,249)	206,388	143,361	81,870	(33,468)	191,763

Changes in contingencies

						Parent company
	2019	Indexation accruals	Additions	Reversals	Payments	2020
Civil	19,341	1,444	290	(24)	(8)	21,043
Labor	130,635	11,344	19,028	(25,256)	(12,089)	123,662
Tax	43,849	353	571	-	-	44,773
Administrative/other	4,203	377	550	(1,042)	-	4,088
Liabilities of former owners	-	224	6,665	(1,542)	-	5,347
	198,028	13,742	27,104	(27,864)	(12,097)	198,913
Deposits in court	(29,927)	(634)	(3,122)	17,792	494	(15,397)
	168,101	13,108	23,982	(10,072)	(11,603)	183,516

						Consolidated
	2019	Indexation accruals	Additions	Reversals	Payments	2020
Civil	19,357	1,446	325	(41)	(8)	21,079
Labor (a)	142,292	12,005	21,909	(31,018)	(13,472)	131,716
Tax ((b)	43,851	353	572	-	-	44,776
Administrative/other (c)	19,731	1,366	4,360	(1,119)	(5,460)	18,878
Liabilities of former owners (d)	-	300	10,956	(3,068)	-	8,188
	225,231	15,470	38,122	(35,246)	(18,940)	224,637
Deposits in court	(33,468)	(714)	(4,435)	19,815	553	(18,249)
	191,763	14,756	33,687	(15,431)	(18,387)	206,388

(a) The additions refer to 78 new labor lawsuits, and the reversals refer to 309 labor lawsuits.
(b) Mainly related to the payment of ICMS on imports of goods arising from the acquisition of Mabesa and Mantecorp.
(c) The additions refer mainly to the Conduct Adjustment Term (TAC) related to the transfer of Senator Canedo's property.
(d) The additions refer to lawsuits that are the responsibility of the former owners. In these cases, the Company recognizes an obligation to pay lawsuits, and also records an asset to be reimbursed by the former owners when the contingency is paid.

a. Judicial claims under the responsibility of the Company, assumed in business combinations

Summary of the main contingencies:

	Labor/Civil/Administrative and Other		Tax		
	Probable	**Possible**	**Probable**	**Possible**	**Total**
Mabesa	1,196	-	8,765	8,541	18,502
Mantecorp	32,673	2,468	624	26,722	62,487
	33,869	2,468	9,389	35,263	80,989

Upon the acquisition of Mabesa and Mantecorp, the Company assumed some of their contingencies. In addition to the provision for probable losses, the Company also recorded a provision for possible losses, as required by CPC 15 (R1) - Business combinations, at fair value.

The amount of the possible and probable losses with reference to the business combination processes is estimated at R$80,989, where R$ 23,721 refers to labor processes, R$11,782 to civil processes, R$44,652 to tax processes, and R$ 834 refers to regulatory and other administrative processes.

(i) Civil

There are eight processes, arising from the acquisition of Mantecorp Indústria Química, with the expected loss arising from the business combination estimated at R$ 11,782.

On June 26, 2009, the Medicine Market Chamber (CMED) applied a fine of R$ 9,729, against Mantecorp for an alleged irregular increase in the price of the medicine Desalex. This fine is being discussed in court. Based on the advice of external legal counsel, the likelihood of loss is deemed probable.

(ii) Labor

There are 144 processes, 42 of which resulted from the acquisition of Mabesa, 59 from the acquisition of Mantecorp Logística and 43 from the acquisition of Mantecorp Indústria Química, where the fair value in the business combination was estimated to be R$ 23,721.

(iii) Fiscal and tax

There are approximately 159 processes, mainly related to the payment of ICMS on the import of goods, 88 of which resulted from the acquisition of Mabesa, another 10 from the acquisition of Mantecorp Logística and 61 from the acquisition of Mantecorp Indústria Química, where the fair values in the business combination were estimated at R$ 44,652.

(iv) Administrative/other

There are 12 processes of a regulatory nature, arising from the acquisition of Mantecorp Indústria Química, with an estimated loss on the business combination of R$ 834.

b. Possible contingencies

The Company and its subsidiaries are involved in labor, civil, tax and regulatory lawsuits where the current evaluation of the likelihood of success, based on the advice of the legal advisors, as well as the legal aspects, do not require the recording of a provision, either because the expectation of loss is classified as possible, or through the exclusion of a liability arising from a contractual agreement.

		Parent company		Consolidated
	2020	**2019**	**2020**	**2019**
	Possible loss	**Possible loss**	**Possible loss**	**Possible loss**
Civil	46,703	42,720	47,868	43,160
Labor	465,091	439,245	483,452	458,478
Tax	128,102	120,641	162,747	153,317
Administrative/other	2,865	2,904	3,486	3,371
Liability of former owners	469,830	448,693	625,976	571,624
	1,112,591	1,054,203	1,323,529	1,229,950

(i) Civil

In 2009, the Federal Public Prosecutor of the Judicial District of Bauru, State of São Paulo, filed a public civil action against the Company and various other laboratories, to force them to sell medicines to the Public Administration in accordance with the rules of the CMED. The prosecution also requested that the laboratories be sentenced to pay collective punitive damages at an amount to be fixed by the court.

A decision determined the process to have been terminated, and the Company is currently awaiting a hearing on an appeal brought by the public prosecutor. The amount involved cannot be estimated and, according to the advice of outside counsel, the chance of loss is possible.

In 2014, the City of Caxias do Sul filed a public civil action against the Company and various other laboratories to force them to sell medicines to the Municipality in accordance with the rules of the CMED. The process is currently in the fact-finding phase. The amount involved cannot be estimated and, according to the advice of outside counsel, the chance of loss is possible.

In 2020, the city of Londrina filed a public civil action against the Company and several other laboratories, to force them to sell medicines to the Municipality in accordance with the rules of the CMED. The process is in its initial phase. The amount involved cannot be estimated and, according to the advice of outside counsel, the chance of loss is possible.

(ii) Labor

The Company and its subsidiaries are parties to legal proceedings in labor cases alleging the liability of the Company, its subsidiaries and/or selling partners of the acquired and merged companies, where the possible loss to the Company and/or its subsidiaries is estimated at R$ 483,452 (R$ 458,478 on December 31, 2019).

In the proceedings related to overtime, wage and salary differences, compensation for occupational diseases and/or accidents, health hazard allowances or allowances for hazardous work, and the recognition of employment relationships, among other claims, are being discussed.

A total of 102 labor proceedings arise from the acquisition of Mantecorp Logística Distribuição e Comércio S.A. and Mantecorp Indústria Química e Farmacêutica S.A, which represent a possible loss to the Company in the amount of R$39,391 (R$42,709 on December 31, 2019), where compensation due to occupational diseases and/or accidents, employment relationships and the consequent payment of labor charges, wage and salary differences, overtime, effects and tenure related to the labor agreements, among other claims being discussed.

(iii) Fiscal and tax

The Company and its subsidiary Cosmed are seeking, through Writs of Security: (i), the repeal of the increase in the rate of contribution to the SAT/RAT by Decree No. 6,957/09, (ii) the definition of the rate for each site of the Company that is enrolled on its own behalf with the CNPJ, and (iii) the removal of FAP at the rate of the contribution to the SAT/RAT. Given the existence of divergent jurisprudence at the Superior Court of Justice on a portion of these claims, the Company and its legal advisors qualify as representing a risk of possible loss in the amount of R$ 93,452, where there is no risk of future disbursement, since the entire amount of the case is deposited with the court. The process is awaiting an examination of admissibility by the Vice Chairmanship of the Federal Regional Court of the 3rd Region due to the filing of special and extraordinary appeals by the Company.

The Company, supported by internal and external experts, believes that all procedures adopted regarding the assessment of its taxes are in accordance with the applicable legislation in force, as well as accepted by the courts However, as these matters are highly subjective, it is possible that this assessment will change in the future due to factors beyond the Company's control, such as changes in the case law or tax regulations, and it is possible that the administrative authorities will not agree with one or more of these procedures.

(iv) Contingencies of acquired companies, where responsibility lies with the former owners

The State of São Paulo filed a public civil action against the Company seeking the payment of an indemnity for the alleged illegal sale of medicines by Mantecorp in 2008. The amount involved was assessed at R$ 213,998 and, based on the advice of external legal counsel, the chance of loss is deemed possible. The process is in the fact-finding phase.

Where applicable, the Company makes payments related to these processes, and then seeks reimbursement from the former owners (Note 14).

27 Share capital and reserves

a. Share capital

On December 31, 2020, the Company was authorized to increase its share capital up to the limit of R$ 5,500,000.00, in accordance with a provisions of its bylaws and a decision of the Board of Directors at the Special General Meeting on January 24, 2011.

The share capital at December 31, 2020, was R$ 4,478,126 (R$ 4,448,817 at December 31, 2019), represented by 633,420,923 common shares (632,238,060 at December 31, 2019).

On November 24, 2020, the share capital was increased by R$ 778, arising from the funds obtained from the issue of 33,400 shares, with funds obtained from the Stock Option Program.

On November 13, 2020, the share capital was increased by R$1,288, using the funds obtained from the issue of 67,000 shares, with funds obtained from the Stock Option Program.

On September 23, 2020, the share capital was increased by R $ 27,243, arising from the funds obtained from the issue of 1,082,363 shares, with funds obtained from the Stock Option Program.

b. *Premium on issuance of shares*

This reserve is formed using the issue of shares, and refers to the part of the issue price of shares with no nominal value, which exceeds the amount of the formation of capital.

c. *Share-based payments*

(i) Share purchase options

The goal of the share purchase option plans is attracting and retaining the Company's executives in a percentage of dilution of up to 6% of the share capital.

Share-based payment transactions may occur between the Company and its subsidiaries.

Option pricing model

For the calculation of the fair value of the options granted, the Company used the following assumptions:

- The options are exercised as at the closing date of each vesting period, especially given the requirement for the allocation of the executives' bonuses to purchases of shares issued by the Company.
- Indifference with respect to the distribution of dividends, given that the exercise price is adjusted for potential distributions.
- Evaluation of options in accordance with market parameters as at the date of each contract with the plan beneficiaries.
- Allocation of a reduction of 1.5% per annum in the options to be exercised to reflect potential dismissals of beneficiaries.

The evaluation used, therefore, was based on the Black-Scholes pricing model for simple European options, using the SELIC rate and the historical monthly volatility in the dates of the contracts with the beneficiaries.

On December 29, 2008 and October 10, 2011, the EGMs approved Plans II and III, which include the Stock Option Programs. These Plans were approved at the Board of Directors' Meeting held on the following dates:

Board of Directors' Meeting - BDM	
	Plan II
2009 Program	December 17, 2009
2010 Program	August 6, 2010
2011 Program	February 2, 2011
	Plan III
2011 Program	December 26, 2011
2013 Program	May 3, 2013
2014 Program	February 21, 2014
2014-A Program	December 30, 2014

2017 Program April 11, 2017

The vesting period of 1 year for up to 20% of the options granted, 2 years for up to 40%, 3 years for up to 60%, 4 years for up to 80%, and 5 years for up to 100%.

Total options granted

The dilution percentages that were eventually submitted to the current shareholders based on the exercise of all of the outstanding options at December 31, 2020 is 3.89% in the Plans and Programs were as detailed below:

Consolidated
At 12/31/2020

Plan	Program	Grace period	Original exercise price	Corrected exercise price	Granted	Exercised	Canceled	Outstanding contracts	Fair unit value on the date of grant (in Reais)	Total estimated cost
Plan II	2010	08/06/2011	20.21	28.41	520,000	50,000	330,000	140,000	3.51	492
Plan II	2010	08/06/2012	20.21	28.41	520,000	95,000	270,000	155,000	4.38	679
Plan II	2010	08/06/2013	20.21	28.41	640,000	90,000	390,000	160,000	5.22	835
Plan II	2010	08/06/2014	20.21	28.41	460,000	90,000	210,000	160,000	6.02	964
Plan II	2010	08/06/2015	20.21	28.41	460,000	90,000	210,000	160,000	6.79	1,086
					2,600,000	**415,000**	**1,410,000**	**775,000**		**4,056**
Plan II	2011	02/01/2012	19.26	25.54	740,000	421,552	280,565	37,883	0.95	36
Plan II	2011	02/01/2013	19.26	25.54	740,002	421,554	280,566	37,882	1.75	66
Plan II	2011	02/01/2014	19.26	25.54	759,482	421,554	300,046	37,882	2.52	95
Plan II	2011	02/01/2015	19.26	25.54	730,258	421,554	270,822	37,882	3.26	124
Plan II	2011	02/01/2016	19.26	25.54	730,258	421,554	270,822	37,882	3.98	151
					3,700,000	**2,107,768**	**1,402,821**	**189,411**		**472**
Plan III	2017	04/01/2018	28.93	28.93	525,000	10,000	45,000	470,000	2.39	1,124
Plan III	2017	04/01/2019	28.93	28.93	525,000	10,000	45,000	470,000	3.78	1,776
Plan III	2017	04/01/2020	28.93	28.93	525,000	10,000	45,000	470,000	4.82	2,264
Plan III	2017	04/01/2021	28.93	28.93	525,000	-	55,000	470,000	5.53	2,598
Plan III	2017	04/01/2022	28.93	28.93	525,000	-	55,000	470,000	5.91	2,779
					2,625,000	**30,000**	**245,000**	**2,350,000**		**10,541**
Total Stock Option					**8,925,000**	**2,552,768**	**3,057,821**	**3,314,411**		**15,069**

Consolidated
At 12/31/2019

Plan	Program	Grace period	Original exercise price	Corrected exercise price	Granted	Exercised	Canceled	Outstanding contracts	Fair unit value on the date of grant (in Reais)	Total estimated cost
Plan II	2009	12/17/2010	17.055	23.87	560,000	388,115	171,885	-	3.47	-
Plan II	2009	12/17/2011	17.055	23.87	560,000	379,600	180,000	400	4.22	2
Plan II	2009	12/17/2012	17.055	23.87	560,000	360,000	180,000	20,000	4.93	99
Plan II	2009	12/17/2013	17.055	23.87	560,000	360,000	180,000	20,000	5.6	112
Plan II	2009	12/17/2014	17.055	23.87	560,000	360,000	180,000	20,000	6.23	124
					2,800,000	**1,847,715**	**891,885**	**60,400**		**337**
Plan II	2010	08/06/2011	20.21	28.33	520,000	50,000	330,000	140,000	3.51	492
Plan II	2010	08/06/2012	20.21	28.33	520,000	95,000	270,000	155,000	4.38	679
Plan II	2010	08/06/2013	20.21	28.33	640,000	90,000	390,000	160,000	5.22	835
Plan II	2010	08/06/2014	20.21	28.33	460,000	90,000	210,000	160,000	6.02	963
Plan II	2010	08/06/2015	20.21	28.33	460,000	90,000	210,000	160,000	6.79	1,086
					2,600,000	**415,000**	**1,410,000**	**775,000**		**4,055**
Plan II	2011	02/01/2012	19.26	25.59	740,000	205,081	280,565	254,354	0.95	241
Plan II	2011	02/01/2013	19.26	25.59	740,002	205,081	280,566	254,355	1.75	446
Plan II	2011	02/01/2014	19.26	25.59	759,482	205,081	300,046	254,355	2.52	641
Plan II	2011	02/01/2015	19.26	25.59	730,258	205,081	270,822	254,355	3.26	830
Plan II	2011	02/01/2016	19.26	25.59	730,258	205,081	270,822	254,355	3.98	1,012
					3,700,000	**1,025,405**	**1,402,821**	**1,271,774**		**3,170**
Plan III	2014-A	12/30/2019	16.48	16.48	130,000	-	90,000	40,000	4	160
					130,000	**-**	**90,000**	**40,000**		**160**
Plan III	2017	04/01/2018	28.93	28.93	525,000	-	45,000	480,000	2.39	1,148
Plan III	2017	04/01/2019	28.93	28.93	525,000	-	45,000	480,000	3.78	1,813
Plan III	2017	04/01/2020	28.93	28.93	525,000	-	45,000	480,000	4.82	2,312
Plan III	2017	04/01/2021	28.93	28.93	525,000	-	45,000	480,000	5.53	2,654
Plan III	2017	04/01/2022	28.93	28.93	525,000	-	45,000	480,000	5.91	2,838
					2,625,000	**-**	**225,000**	**2,400,000**		**10,765**
Total Stock Option					**11,855,000**	**3,288,120**	**4,019,706**	**4,547,174**		**18,487**

(ii) Share granting plan in a matching scheme

At a meeting of the Board of Directors of the Company, Stock Option Programs (on February 23, 2018 and February 21, 2019) based on a Matching regime were approved, which aim to allow, in the scope and as an alternative form of implementation of payment of PPR 2017, PPR 2018 and PPR 2019 or a bonus based on the results of the Company and its subsidiaries, directly or indirectly (the "Performance Bonus").

The vesting period is 1 year for up to 25% of the options granted, 2 years for up to 50%, 3 years for up to 75%, and 4 years for up to 100%, with an obligation to make a minimum allocation of 50% of the net annual bonus to the officers participating in the Company's stock options plan.

The objective is for the beneficiaries, as defined below, to have the opportunity to become shareholders of the Company, in accordance with certain defined terms and conditions, thereby promoting a greater alignment and align their interests with the interests of the Company and ensure that they share the capital market risks.

The 2017 Matching Plan Program has a total estimated cost of R$12,120, representing four tranches per year, starting in 2019, with a total estimated amount of 314,546 shares.

The 2018 Matching Plan Program has a total estimated cost of R$ 6,272, representing four tranches per year, starting in 2020, with a total estimated amount of 211,887 shares.

The 2019 Matching Plan Program has a total estimated cost of R$ 11,234, representing four tranches per year, starting in 2021, with a total estimated amount of 317,816 shares.

The 2020 Matching Plan Program has a total estimated cost of R$ 22,759, representing four tranches per year, starting in 2022, with a total estimated amount of 694,470 shares.

(iii) Restricted Stock Option Plan

At the EGMs held on April 14, 2016, and as amended on April 19, 2018 and April 24, 2019, a Restricted Stock Option Plan was approved, to allow the granting of rights to Restricted Shares to eligible employees selected by the Board of Directors or the Committee, in order for the Company to attract and retain executives.

The 2018 Grant of Restricted Shares Program, representing four tranches per year, starting in 2019, has an estimated cost of R$ 38,117, with a total estimated amount of 1,470,000 shares.

The 2019 Grant of Restricted Shares Program, representing four tranches per year, starting in 2020, has an estimated cost of R$ 33,646, with a total estimated amount of 1,315,000 shares.

The 2019 Grant of Restricted Shares Program, representing a single tranche, expected for in 2023, has an estimated cost of R$ 1,422, with a total estimated amount of 69,000 shares.

The 2019 Grant of Restricted Shares Program, representing a single tranche, expected for in 2024, has an estimated cost of R$ 8,161, with a total estimated amount of 396,000 shares.

The 2020 Grant of Restricted Shares Program, representing four tranches per year, starting in 2021, has an estimated cost of R$ 3,666, with a total estimated amount of 125,000 shares.

d. *Treasury shares*

The changes in the number of treasury shares were as shown in the table below:

	Number	Amount
At 12/31/2019	1,164,957	34,203
Sales during the period	(1,155,481)	(33,925)
At 12/31/2020	9,476	278

e. *Legal reserve*

The legal reserve is established annually through the allocation of 5% of the net income for the year, and may not exceed 20% of the share capital. The purpose of the legal reserve is to preserve capital, and it may only be used to offset losses.

f. *Tax incentive reserve*

Established in accordance with Article 195-A of the Brazilian corporation law (amended by Law 11,638 in 2007), this reserve receives a portion of the tax incentives recognized in income for the financial year, in a tax deducting account, and to it destined from retained earnings, and consequently, does not enter the calculation base of the minimum mandatory dividend.

g. *Statutory reserve*

This is established in accordance with the terms of Article 194 of the Brazilian corporation law and provided for in Article 44, sole paragraph, of the Company's bylaws.

h. *Profit retention reserve*

Formed or reversed in accordance with Article 196 of the Brazilian corporation law and established in Article 44 of the Company's bylaws.

i. *Proposal regarding the distribution of income*

Management`s proposal for the distribution of dividends for 2020 is as follows:

	2020
Net income for the period	1,295,116
Income to be allocated	**1,295,116**
Constitution of government grant reserve	(587,619)
Constitution of capital budget reserve (profit retention reserve)	34,488
Basis for the calculation of dividends	**741,985**
Interest on shareholders' equity (I)	(741,985)

I. At the Board of Directors' meetings, the distribution of interest on equity to the Company's shareholders was approved, and this was paid on January 7, 2021, as shown in the table below:

Dates	**Amount**
March 24, 2020	185,498
June 23, 2020	185,496
September 30, 2020	185,497
December 18, 2020	185,494
	741,985

28 Revenue

The reconciliation of gross and net revenue is as follows:

	Parent company		Consolidated	
	2020	**2019**	**2020**	**2019**
Gross revenue from products	4,974,972	4,114,999	4,975,748	4,115,155
Returns	(117,556)	(128,117)	(117,601)	(128,117)
Unconditional discounts	(191,684)	(184,693)	(191,684)	(184,679)
Net revenue from returns and unconditional discounts	4,665,732	3,802,189	4,666,463	3,802,359
Promotional discounts	(236,799)	(253,992)	(234,294)	(253,992)
Taxes	(228,361)	(154,032)	(343,298)	(253,618)
Net revenue	4,200,572	3,394,165	4,088,871	3,294,749

The Company does not present its revenue disaggregated by product line, since essentially: (a) the nature and the economic risk factors of all the products are similar; (b) there are no significant distinctions between consumers and customers; (c) the Company operates only in the Brazilian market; and (d) the presentations to investors mentioning different types of products only reflect different go-to-market models. Therefore, the Company optimizes synergies between these different models, leveraging the single sell-out structure.

In addition, decisions regarding the resources to be allocated are not related to business segments but are made individually for each product to be launched, resulting in assessments of the general performance in terms of the operating results across the entire product portfolio.

29 Breakdown of the statement of income accounts

a. Operating expenses and cost of sales

	Parent company		Consolidated	
	2020	**2019**	**2020**	**2019**
Cost of sales	(1,847,690)	(1,526,769)	(1,459,596)	(1,209,057)
Raw materials	-	-	(618,988)	(395,053)
Packaging materials	-	-	(257,621)	(191,403)
Labor	-	-	(399,479)	(328,079)
Depreciation and amortization expenses	-	-	(56,692)	(53,941)
Resale	(1,764,087)	(1,467,658)	(301,389)	(121,167)
Losses on inventory	(83,603)	(59,111)	(109,080)	(92,922)
Changes in inventory/others	-	-	283,653	(26,492)
Selling and marketing expenses	(1,215,561)	(1,282,873)	(1,355,581)	(1,401,629)
Marketing expenses	(818,064)	(879,149)	(787,012)	(843,348)
Advertising and consumer promotion	(238,098)	(295,857)	(234,187)	(291,947)
Trade deals	(112,616)	(82,764)	(112,616)	(82,764)
Market surveys and others	(6,490)	(9,012)	(6,522)	(9,012)
Medical visits, promotions, gifts and samples	(460,860)	(491,516)	(433,687)	(459,625)

Selling expenses	(397,497)	(403,724)	(568,569)	(558,281)
Sales force	(230,079)	(244,602)	(233,802)	(249,125)
Freight and logistics expenses	(92,335)	(82,016)	(105,213)	(92,168)
Research and development	(12,320)	(9,111)	(151,651)	(128,717)
Depreciation and amortization expenses	(29,043)	(27,691)	(42,484)	(45,318)
Other expenses	(33,720)	(40,304)	(35,419)	(42,953)
General and administrative expenses	(148,360)	(148,702)	(208,397)	(209,262)
Salaries/wages payable	(93,828)	(93,521)	(141,967)	(149,590)
Lawyers, advisors and auditors	(37,111)	(30,325)	(43,998)	(37,661)
Depreciation and amortization expenses	(9,948)	(11,417)	(18,240)	(16,910)
Other expenses	(7,473)	(13,439)	(4,192)	(5,101)

b. Other operating (expenses) income, net

		Parent company		Consolidated
	2020	2019	2020	2019
Potential gains (losses) (*)	207,458	638,169	237,284	618,304
Depreciation of investment properties	(4,066)	(4,204)	(4,066)	(4,204)
Rental income	19,318	19,806	16,675	17,182
Civil and labor contingencies	(12,182)	(13,713)	(13,139)	(30,048)
	210,528	640,058	236,754	601,234

(*) Refers mainly to the Shareholder indemnity related to the results of the Internal Investigation work carried out by the Independent Committee and its Advisors (Note 31) in the second quarter of 2020. The gain in 2019 refers mainly to a final and unappealable decision on a lawsuit authorizing the recovery of PIS and COFINS improperly levied on the ICMS included in billing invoices.

c. Financial income

		Parent company		Consolidated
	2020	2019	2020	2019
Interest income	24,492	27,788	26,879	30,840
Income from financial investments and others	94,148	59,201	97,257	65,329
Exchange variations (gains on derivative transactions)	22,378	-	22,378	-
	141,018	86,989	146,514	96,169

d. Financial expenses

		Parent company		Consolidated
	2020	2019	2020	2019
Interest on financing	(19,242)	(16,876)	(35,942)	(28,464)
Interest on loans	(40,712)	(6,601)	(26,650)	(6,602)
Interest on notes payable	(362)	(692)	(362)	(692)
Indexation accruals on contingencies	(13,518)	(12,124)	(15,170)	(13,721)
REFIS (financing of tax liabilities)	(368)	(422)	(368)	(422)
Debentures	(108,923)	(3,142)	(108,923)	(3,142)
Interest and commission on letters of guarantee	(4,183)	(4,292)	(4,214)	(4,320)
Bank expenses, discounts granted and others	(24,137)	(11,580)	(24,614)	(12,318)
Cost of hedges and exchange variations on loans	1,311	(221)	1,311	(221)
Cost of hedges and exchange variations on suppliers and customers	(150)	44	(2,522)	(5,424)
Reversals of present value adjustments	(3,476)	(3,466)	(3,911)	(4,251)
Other	(190)	(571)	(577)	(2,175)
	(213,950)	(59,943)	(221,942)	(81,752)

30 Earnings per share

a. Basic

The basic earnings per share are calculated by dividing the profit attributable to the Company's shareholders by the weighted average number of common shares outstanding during the year, excluding common shares purchased by the Company and held as Treasury shares.

	2020			2019		
	Continuing operations	**Discontinued operations**	**Total**	**Continuing operations**	**Discontinued operations**	**Total**
Profit attributable to the Company's shareholders	1,321,629	(26,513)	1,295,116	1,188,985	(24,945)	1,164,040
Weighted average number of shares held by shareholders (thousands)	631,385	631,385	631,385	631,290	631,290	631,290
Basic earnings per share	2.09322	(0.04199)	2.05123	1.88342	(0.03951)	1.84391

b. Diluted

Diluted earnings per share are calculated by adjusting the weighted average number of common shares outstanding, in order to assume the conversion of all dilutive potential common shares. The potential shares are deemed dilutive when, and only when, their conversion into shares decreases the earnings per share or increases the loss per share from continuing operations.

	2020			2019		
	Continuing operations	**Discontinued operations**	**Total**	**Continuing operations**	**Discontinued operations**	**Total**
Profit						
Profit attributable to the Company's shareholders	1,321,629	(26,513)	1,295,116	1,188,985	(24,945)	1,164,040
Weighted average number of common shares held by shareholders (thousands)	631,385	631,385	631,385	631,290	631,290	631,290
Adjustments for						
Share-based payments (thousands) (I)	6,955	6,955	6,955	8,645	8,645	8,645
Weighted average number of common shares for diluted earnings per share (thousands)	638,339	638,339	638,339	639,935	639,935	639,935
Diluted earnings per share	2.07042	(0.04153)	2.02888	1.85798	(0.03898)	1.81900

(I) Breakdown of amounts of share-based payments:

	2020
Stock option	3,314
Estimated value Matching Plan	1,330
Restricted Plan	2,311
	6,955

31 Related party transactions

The Company is a publicly traded company with its shares traded on the São Paulo Stock Exchange (B3), under a shareholders' agreement entered into on June 23, 2010, and subsequently amended on March 16, 2016, October 24, 2016, July 26, 2017 and June 9, 2020. The parties to the Controlling Interest group are as follow: Mr. João Alves de Queiroz Filho, with 21.38% of the share capital and Maiorem S.A. de C.V., with 14.74%. The other signatories to the Shareholders' Agreement hold 0.12% of the Company's share capital, and the remaining 63.76% of the shares are held by various smaller shareholders.

Transactions and balances

The main asset and liability balances, as well as the transactions between related parties that impacted the results for the year, arise from transactions with the Company and its subsidiaries, which management considers to have been conducted under normal market conditions and within normal timeframes for the respective types of transactions.

Loans with related parties are indexed to the CDI, plus a spread.

In commercial relationships with related parties, prices are established based on the characteristics and nature of the transactions. In this case, both Cosmed and Brainfarma manufacture and sell almost all their entire production to Hypera for sale in the market.

Trading transactions involving the sale and purchase of products, raw materials, the contracting of services and rentals, as well as financial transactions involving loans and fundraising between group companies, presented as follows:

- The rental agreement with Brainfarma Indústria Química Farmacêutica S.A. is indexed to the IGPM-FGV, and the maturity date is May 2, 2025, but may be extended as agreed between the parties.

- The rental agreement with Cosmed Indústria de Cosméticos e Medicamentos S.A. (Sweetener) is indexed to the IGPM - FGV index as at April 1, 2019, and the maturity date is March 31, 2027, but may be extended as agreed between the parties.

- The service agreement with UOL Diveo Tecnologia Ltda. will be indexed to the IGPM - FGV index every twelve months, beginning on October 30, 2018 and the maturity date is October 29, 2021.

a.1. In assets and liabilities

								Parent company
								2020
Companies	**Other amounts receivable**	**Loans receivable**	**Shareholder indemnity**	**Suppliers**	**Accounts payable**	**Other amounts payable**	**Other amounts payable**	**Loans payable**
Cosmed Indústria de Cosméticos e Medicamentos S.A.	455	-	-	(91,680)	-	-	-	-
My Agência Propaganda Ltda.	3	-	-	(17)	-	-	-	-
Brainfarma Ind. Quim. e Farmacêutica S.A.	2,620	-	-	(484,126)	(9,407)	-	-	-
Universo Online S.A.	-	-	-	-	(667)	-	-	-
João Alves de Queiros Filho	-	-	140,925	-	-	-	-	-
UOL Diveo Tecnologia Ltda.	-	-	-	-	1	-	-	-
Total	**3,078**	**-**	**140,925**	**(575,823)**	**(10,073)**	**-**	**-**	**-**

								Consolidated
								2020
Companies	**Other amounts receivable**	**Loans receivable**	**Shareholder indemnity**	**Suppliers**	**Accounts payable**	**Other amounts payable**	**Other amounts payable**	**Loans payable**
Universo Online S.A.	-	-	-	-	(667)	-	-	-
João Alves de Queiros Filho	-	-	152,855	-	-	-	-	
UOL Diveo Tecnologia Ltda.	-	-		-	1	-		-
Total	**-**	**-**	**152,855**	**-**	**(666)**	**-**		**-**

							Parent company
							2019
Companies	**Customers**	**Other amounts receivable**	**Loans receivable**	**Suppliers**	**Accounts payable**	**Other amounts payable**	**Loans payable**
Cosmed Indústria de Cosméticos e Medicamentos S.A.	-	244	-	(84,891)	-	-	-
My Agência Propaganda Ltda.	-	9	-	(17)	-	-	-
Brainfarma Ind. Quim. e Farmacêutica S.A.	-	469	-	(241,326)	(969)	-	-
Universo Online S.A.	-	-	-	-	(667)	-	-
UOL Diveo Tecnologia Ltda.	-	-	-	-	(13)	-	-
Total	**-**	**722**	**-**	**(326,234)**	**(1,649)**	**-**	**-**

							Consolidated
							2019
Companies	**Customers**	**Other amounts receivable**	**Loans receivable**	**Suppliers**	**Accounts payable**	**Other amounts payable**	**Loans payable**
Universo Online S.A.	-	-	-	-	(667)	-	-
UOL Diveo Tecnologia Ltda.	-	-	-	-	(13)	-	-
Total	**-**	**-**	**-**	**-**	**(680)**	**-**	**-**

a.2. In income for the year

								Parent company
								2020
	Transactions		**Other (expenses)/income**				**Interest on loans**	
Companies	**Purchases of goods/products**	**Rental income**	**Shareholder indemnity**	**Advertising**	**Lease amortization**	**Services provided**	**Financial expenses**	**Financial income**
Cosmed Indústria de Cosméticos e Medicamentos S.A.	(424,737)	-	-	-	-	-	-	-
My - Agência Propaganda Ltda.	-	-	-	(4,560)	-	-	-	-
Brainfarma Ind. Quim. e Farmacêutica S.A.	(1,788,197)	2,878	-	-	(2,399)	-	(424)	-
Universo Online S.A.	-	-	-	(8,000)	-	-	-	-
João Alves de Queiros Filho	-	-	185,269	-	-	-	-	1,973
UOL Diveo Tecnologia Ltda.	-	-	-	-	-	(287)	-	-
	(2,212,934)	**2,878**	**185,269**	**(12,560)**	**(2,399)**	**(287)**	**(424)**	**1,973**

								Consolidated
								2020
	Transactions		**Other (expenses)/income**				**Interest on loans**	
Companies	**Purchases of goods/products**	**Rental income**	**Shareholder indemnity**	**Advertising**	**Lease amortization**	**Services provided**	**Financial expenses**	**Financial income**
Universo Online S.A.	-	-	-	(8,000)	-	-	-	-
João Alves de Queiros Filho	-	-	200,987	-	-	-	-	2,115
UOL Diveo Tecnologia Ltda.	-	-	-	-	-	(287)	-	-
	-	**-**	**200,987**	**(8,000)**	**-**	**(287)**	**-**	**2,115**

							Parent company
							2019
	Transactions		**Other (expenses)/income**			**Interest on loans**	
Companies	**Purchases of goods/products**	**Rental income**	**Advertising**	**Rentals**	**Services provided**	**Financial expenses**	**Financial income**
Cosmed Indústria de Cosméticos e Medicamentos S.A.	(332,703)	2,495	-	-	-	-	-
My - Agência Propaganda Ltda.	(4,180)	204	(4,560)	-	-	-	-
TV Serra Dourada Ltda.	-	-	-	-	-	-	-
Brainfarma Ind. Quim. e Farmacêutica S.A.	(1,307,926)	140	-	(2,091)	-	(268)	1
Neolatina Comércio e Ind. Farmacêutica S.A.	-	-	-	-	-	-	-
Universo Online S.A.	-	-	(6,000)	-	-	-	-
UOL Diveo Tecnologia Ltda.	-	-	-	-	(6,401)	-	-
Total	**(1,644,809)**	**2,839**	**(10,560)**	**(2,091)**	**(6,401)**	**(268)**	**1**

							Consolidated
							2019
	Transactions		Other (expenses)/income			Interest on loans	
Companies	**Purchases of goods/products**	**Rental income**	**Advertising**	**Rentals**	**Services provided**	**Financial expenses**	**Financial income**
TV Serra Dourada Ltda.	-	-	-	(317)	-	(28)	-
Universo Online S.A.	-	-	(6,000)	-	-	-	-
UOL Diveo Tecnologia Ltda.	-	-	-	-	(6,401)	-	-
Total	**-**	**-**	**(6,000)**	**(317)**	**(6,401)**	**(28)**	**-**

b. Compensation of key management personnel

Key management personnel includes the members of the Board of Directors, Supervisory Board, Audit Committee and Statutory Directors. The compensation paid or payable to key management personnel is as follows:

	Parent company		Consolidated	
	2020	**2019**	**2020**	**2019**
Salaries and other short term benefits	18,399	18,576	18,399	18,816
Board members' fees	5,455	4,720	5,455	4,720
Share-based payments	8,317	11,287	8,317	11,287
	32,171	34,583	32,171	34,823

32 Other matters

a) Internal Investigation

The Board of Directors set up a Special Independent Committee (the “Independent Committee”) to coordinate an independent investigation of the facts underlying the investigation conducted by the Federal Prosecution Service (MPF) called Operation “*Tira-Teima*”. The details were communicated to the market in the Material Fact dated April 10, 2018 and in the Notice to the Market dated April 20, 2018. Since this time, the Independent Committee has: (a) defined the scope of the independent investigation; (b) hired independent advisors, in the form of a law firm and a leading audit firm; (c) made presentations on the progress of the work to the Independent Auditors and the Audit Committee; and (d) presented its recommendations to the Audit Committee and the Board of Directors.

On May 25, 2020, as reported in the Material Fact published on the same date, the Board of Directors was informed of the current status of the internal investigation related to Operation “*Tira-Teima*”, which confirmed evidence of improper payments made by the Company. The Board of Directors instructed that the recommendations made by the Independent Committee be assessed and implemented to improve the Company’s internal systems, controls and Compliance program.

Up to May 25, 2020, the internal investigation confirmed improper payments of R$ 110,557 million, in addition to the R$ 33,195 million related to a Transaction Agreement between the Company and Mr. Nelson José de Mello, for which this former officer has acknowledged his obligation to indemnify the Company, as reported in the Material Fact dated June 28, 2016.

Following negotiations with the main co-controlling shareholder of the Company, carried out by an independent tripartite committee, the Board of Directors approved, on May 25, 2020, the execution of a payment agreement with Mr. João Alves de Queiroz Filho (the “Payment Agreement”). Mr. João Alves de Queiroz Filho considered that it was in the best interests of the

Company and its shareholders, without assuming responsibility, to pay the Company the remaining balance of the improper payments of R$ 110,557 million, plus interest at the SELIC rate. This payment is being made in four equal and successive installments, the first of which was paid on the date of the Payment Agreement, with the rest to be paid on the same dates in subsequent years.

Concurrently, and in addition to the work of the Independent Committee, the Company, based on the advice of its legal counsel, continues to support and collaborate with the investigations conducted by the relevant authorities. The Company's Management is committed to implementing the recommended measures, and will assess, together with its legal counsel, the legal ramifications of seeking a settlement with the authorities. The potential accounting effects arising from Operation "*Tira-Teima*" are being investigated by the Company and the Independent Committee, and cannot be reliably estimated at this time.

b) Impacts of the COVID-19 pandemic

To date, the Company's operations have not been significantly impacted by the COVID-19 pandemic. The Company's operating segment is considered essential, and therefore its operations have not been interrupted. However, it is complying with municipal and/or state legislation at all of its industrial units, which are located in Anápolis and Goiânia in Goiás State.

Strong supply chain management has ensured that inventory levels remain normal and capable of maintaining productive capacity within normal limits, with no interruption of supply inputs. In relation to the Company's receivables, the pharmaceuticals sector has not experienced an increase in defaults, or a lengthening of maturities, and accordingly there has been no impact on these receivables to date.

The Company's IT tools have proven effective and, based on management guidance, employees are continuing to work within normal productivity levels.

Management believe that they are taking all appropriate measures to prevent the spread of COVID-19, as well as to ensure business continuity during the pandemic. Although the Company's operations have not been significantly affected to date, management are unable to estimate or predict the occurrence of future events related to the COVID-19 pandemic that could have an impact on the Company, but is continuing to monitor and evaluate any actions which may be required.

33 Events after the reporting period

a) Acquisition of company

On January 29, 2021, the Company acquired a selected portfolio of non-prescription ("OTC") and prescription drugs in Latin America from Takeda Pharmaceuticals International AG ("Takeda"), including Neosaldina and Dramin, for an amount of US$ 825 million.

The Company also states that, simultaneously with this acquisition, the sale of the portfolio of 12 selected prescription and OTC pharmaceutical products was concluded in Argentina, Colombia, Ecuador, Mexico, Panama and Peru to Eurofarma Laboratórios S.A., as well as the sale of the product "Xantinon" to União Química Farmacêutica Nacional S.A. for US$ 161 million, and the brand Xantinon to União Química Farmacêutica Nacional Ltda., for R$ 95 million.

Through this transaction, Hypera Pharma will strengthen its portfolio of prescription products and significantly strengthen its leadership position in the OTC market, becoming the owner of two of the three largest OTC drug brands in the country, according to IQVIA.

The transaction puts the Company in a position to challenge for the leadership in the Brazilian pharmaceutical market, reinforcing its unique and non-replicable portfolio of leading brands, while also strengthening its position in strategic market segments.

The fair values of the assets, liabilities, receivables, possible contingent considerations, and the total amount of goodwill due to the expected future profitability, among others, of the Company use the measurement period set out in CPC 15 - Business combination (R1), which may not exceed one year from the date of acquisition, during which the acquirer will be able to adjust the provisional values recognized during the measurement phase for the identifiable assets acquired and the liabilities assumed, to reflect their respective fair values as at the acquisition date.

b) Loan agreements

On January 7, 2021, the Company obtained bank financing from Banco BNP Paribas, in the amount of R$ 95 million, with an interest rate of 4.18% p.a. and maturity on December 29, 2021.

On January 27, 2021, the Company entered into agreements for two bank credit notes with Banco Santander (Brasil) S.A., whereby the Company will be granted a loan in the amount of R$ 300,000, and another loan in the amount of R$ 130,000, with an interest rate of 1.30% p.a. plus the CDI, and with maturity on January 30, 2023.