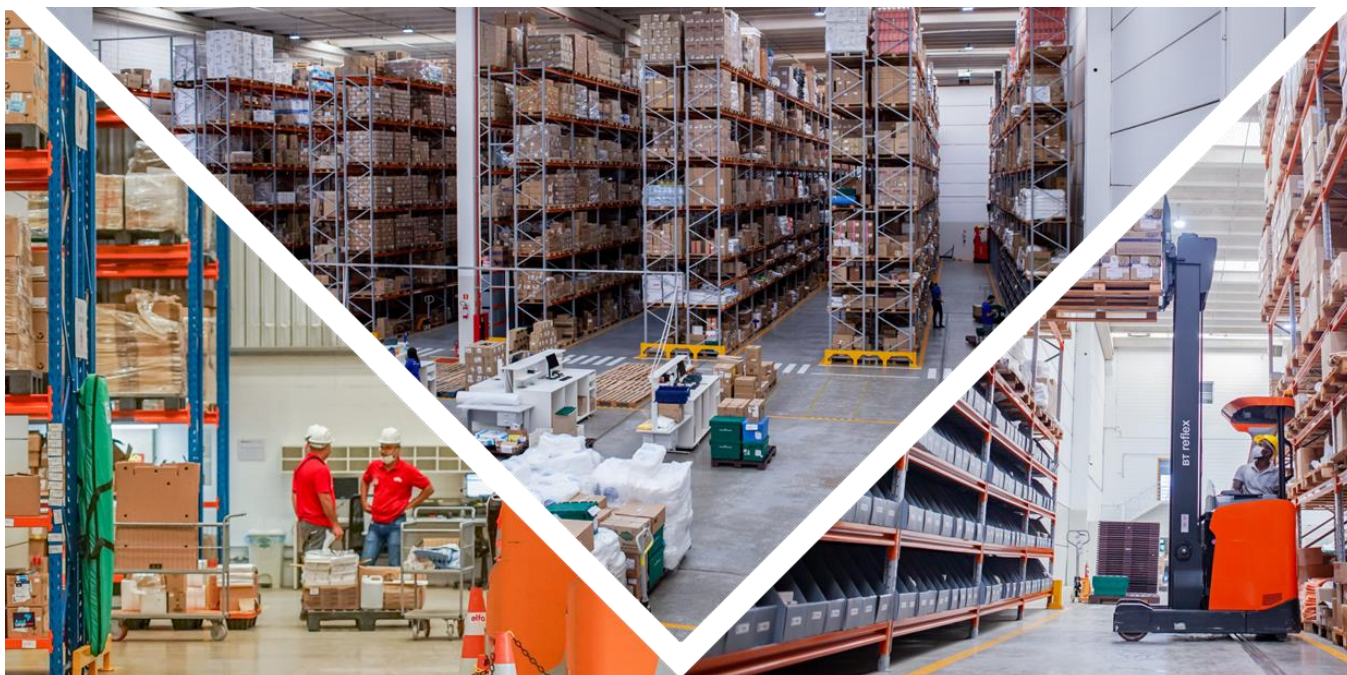


EARNINGS RELEASE



1Q21

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Elfa announces its results for 1Q21

São Paulo, May 17th, 2021 - Elfa Medicamentos S.A. announces its consolidated results for first quarter of 2021. The operational and financial information, unless otherwise indicated, is presented in Brazilian Reais, in accordance with the International Financial Reporting Standards (IFRS) issued by the International Accounting Standards Board (IASB) and the accounting practices adopted in Brazil issued by the Accounting Pronouncements Committee (CPC) and approved by the Securities and Exchange Commission (CVM). The information contained herein must be analyzed together with the financial reports for the three-month period ended March 31, 2021 (1Q21) filed with the CVM and available on the Company's Investor Relations website (<https://ir.grupoelfa.com.br>).

Highlights

- **Net Revenues (NOR) of R\$ 1.331,5 million in 1Q21, 194,4% above the same period last year and organic growth of 35,2%**
- **Gross Profit of R\$ 191,8 million in 1Q21, 320,6% above the same quarter of the previous year**
- **Adjusted EBITDA of R\$ 100,7 million in 1Q21, 984,4% above 1Q20**
- **Adjusted Net Income of R\$ 51,3 million in the 1Q21, 812,1% above the same period of the previous year**
- We moved forward in our M&A agenda with the **closing of the acquisition of the Anbioton Group** on May 7, 2021

(R\$ million)	1Q20		1Q21		Growth	
	Reported	Scope	Organic	Reported	Organic	Reported
	(a)	(b)	(c)= (d-b-a)	(d)	(e)= (c)÷(a+b)	(f)= (d÷a)-1
Net Revenues (NOR)	452,3	532,5	346,7	1.331,5	35,2%	194,4%
Gross Profit	45,6	101,0	45,2	191,8	30,8%	320,6%
<i>Gross Margin (% NOR)</i>	10,1%	+ 4,8 p.p.	- 0,5 p.p.	14,4%		4,3 p.p.
Adjusted EBITDA	9,3	37,0	54,4	100,7	117,7%	984,4%
<i>% Adjusted EBITDA Margin (% NOR)</i>	2,1%	6,9%	15,7%	7,6%		5,5 p.p.
Adjusted Net Income	5,6			51,3		812,1%
<i>Adjusted Net Margin (% NOR)</i>	1,2%			3,9%		2,6 p.p.

About Elfa

With over 30 years of experience in the national healthcare market, Grupo Elfa is one of the leading providers of healthcare logistics solutions and services in Brazil, being a reference as a partner in the hospital market value chain through the provision of high value services aggregation and distribution of highly complex medicines and medical hospital materials. It is controlled by funds managed by Patria Investments, one of the most relevant private equity firms in the country.

Elfa ranks as 32nd in the Great Place to Work ranking¹. In addition, the Company received the ABRH Human Development award, was ranked in the Valor 1000 ranking of the Valor Econômico newspaper, and in the 'Melhores e Maiores' ranking of the Revista Exame magazine.

Message from Management

This year started with great prospects for Elfa. Even with the challenges of COVID-19, we obtained promising results on several fronts and in line with the plans outlined for 2021. As we mentioned in the last edition of this message, our focus is on generating value for our customers, employees, and shareholders by:

- (i) Accelerating organic sales growth throughout Brazil, mainly with innovative logistics services with high added value for customers and manufacturers;
- (ii) Maintaining the pace of inorganic growth with discipline in the strategic "fit", respect for expected returns and speed of integration in our organization;
- (iii) Integrating new acquisitions with capture of previously mapped synergies;
- (iv) Exploring new ways of engaging our employees in order to keep Elfa among the best companies to work for in the country.

In the first quarter of 2021, Net Revenues reached R\$ 1.331,5 million with a total growth of 194,4% and organic growth of 35,2%, as a result of our strong commercial execution and the robustness of our diversified portfolio, which proved to be resilient even with the challenges of the pandemic. We had an adjusted EBITDA of R\$ 100,7 million, a total growth of 984,4% over the same period last year and adjusted net income of R\$ 51,3 million, 812,1% higher than 1Q20. This quarter's results capture the effects (i) of the merger with Atrial (June 2020), (ii) seven acquisitions in 2020 and (iii) includes Dupatri² (completed in January this year).

We remain committed to the expansion of our 'Logistics Services'³ BU. This business unit offers innovative solutions for our customers and manufacturers – through our Integrated Distribution Center and technologies that optimize the efficiency of logistics management – allowing them to focus on their 'core business'. This quarter we won two

¹ Great Place to Work (24th Edition; Best Companies to Work for in Brazil in 2020; National Average Ranking)

² According to Material Fact of January 12, 2021. Dupatri's results for the first quarter of 2021 are reflected in our financial statements since the beginning of the year.

³ Part of the 'Pharmaceutical Specialties' operational segment.

important manufacturers: CMR Surgical (a British company that developed new technologies for robotic surgery and starting operations in Brazil) and Víncula (Brazilian multinational of solutions for orthopedics, spine, trauma and maxillofacial skull).

Technology is an essential support for our business, and we reinforced the structure with the creation of the 'Digital' board, assisted by the 'Innovation and Digital Transformation' Committee. This board is responsible for the 'Journey to Elfa Digital', an initiative based on three pillars:

- 'Customer Experience': we will improve our interaction with customers by measuring satisfaction (NPS), analyzing behavior, and perceiving and improving processes.
- Innovation: we will encourage intra-entrepreneurship for innovations in our segments with incentive and 'funding' programs.
- Digital: we will improve our digital channels (360° view of sales and customers) with data analysis ('analytics' and 'artificial intelligence') and increased operational efficiencies.

Our acquisitions 'pipeline' remains active with support from our own and experienced team. Potential targets complement our presence in Brazil (products and regions) or bring new knowledge and services that are important competitive differentials.

All integrations follow the deadlines initially defined and strictly follow our proprietary methodology. Our 'PMI - Post-Merger Integration' approach, developed by our team and partner consultants, consisting succinctly of:

- Evaluation prior to closing
- Operations Takeover Plan
- 100 Day Plan
- Growth Action Plan

The acquisitions concluded between 2020 and 1Q21, in addition to the merger with Atrial, adhered to the initial stages and started the 'Growth Action Plan' where synergies will be extracted, among other measures. As for the Anbioton Group (composed of Anbioton and Natbio), which had its closure announced on May 7, it entered the phase of 'Operations Takeover Plan' which was prepared with the information mapped in the previous phase.

Continuing the initiatives to evolve to the highest standards of corporate governance and transparency in the capital market, we requested the adhesion to B3's Novo Mercado in April of this year. Once granted, this will complement the achievements of 2020 (registration with the CVM in Category "A" - Dec / 20 – and evolution to the Novo Mercado⁴ rules) and will be another important step towards a potential initial public offering (IPO).

In April, we announced our new visual identity. This represents a new chapter in our history with a new logo and a new campaign that soon everyone will be able to follow on our social networks and other means by which we will communicate: "Paths to Health". This new positioning renews our identity to better reflect our values and our

⁴ As stated in the Minutes of the Extraordinary General Meeting held on March 22, 2021.

expanded performance. In addition to the distribution of medicines and hospital medical materials, we invest in innovative technology and logistical services to provide services that expand health routes for the better.

We invite everyone to [watch a short video](#) that describes our new identity.

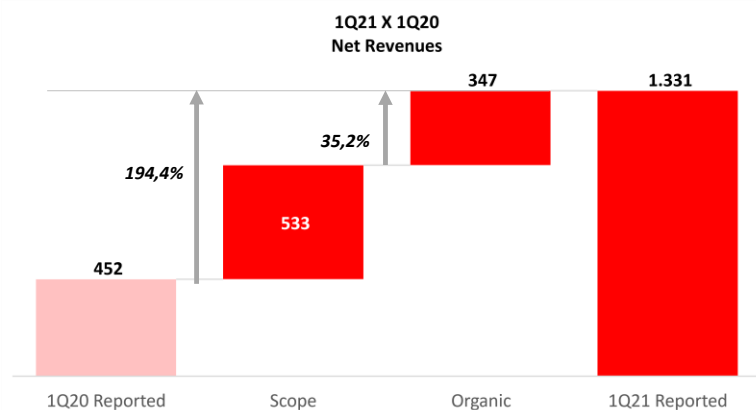
The challenges imposed by COVID-19 for our society, families and businesses continue. We reinforce our gratitude to everyone involved in the health chain, from manufacturing to the medical community. These professionals demonstrate strong resilience and commitment to preserve our population. We would like to send a special thanks to our employees who, even in a troubled environment, maintain the Elfa standard in our operations. Our great competitive advantage and essential component of success is our team committed to supporting Brazil's healthcare system. We take the opportunity to welcome the Anbioton Group team.

We are enthusiastic about the year ahead and certain that the pandemic shall pass.

Consolidated Income Statement

(R\$ million)	1Q20		1Q21		Growth	
	Reported	Scope	Organic	Reported	Organic	Reported
	(a)	(b)	(c)= (d-b-a)	(d)	(e)= (c)÷(a+b)	(f)= (d÷a)-1
Net Revenues (NOR)	452,3	532,5	346,7	1.331,5	35,2%	194,4%
COGS	(406,7)	(431,5)	(301,5)	(1.139,7)	36,0%	180,3%
Gross Profit	45,6	101,0	45,2	191,8	30,8%	320,6%
Gross Margin (% NOR)	10,1%	+ 4,8 p.p.	- 0,5 p.p.	14,4%		4,3 p.p.
Operating Expenses	(35,0)	(67,0)	(17,2)	(119,1)	16,8%	240,7%
Other Operating	(1,3)	3,0	26,5	28,1	1629,6%	-2205,4%
Adjusted EBITDA	9,3	37,0	54,4	100,7	117,7%	984,4%
% Adjusted EBITDA Margin (% NOR)	2,1%	6,9%	15,7%	7,6%		5,5 p.p.
Non-Recurring	(1,6)	(2,8)	(9,3)	(13,7)	209,3%	741,3%
Depreciation and Amortization	(6,4)	(13,5)	(4,7)	(24,6)	23,6%	284,2%
Operating Profit (EBIT)	1,3	20,7	40,5	62,4	184,4%	4836,2%
Financial Result	(2,2)			(10,9)		385,9%
IR/CSSL	5,0			(14,0)		-380,9%
Net Income	4,0			37,6		840,9%
Net Margin (% NOR)	0,9%			2,8%		1,9 p.p.
Non-recurring	1,6			13,7		741,3%
Adjusted Net Income	5,6			51,3		812,1%
Adjusted Net Margin (% NOR)	1,2%			3,9%		2,6 p.p.

Net Revenues



(R\$ million)	1Q20		1Q21		Growth	
	Reported	Scope	Organic	Reported	Organic	Reported
	(a)	(b)	(c)= (d-b-a)	(d)	(e)= (c)÷(a+b)	(f)= (d÷a)-1
Net Revenues	452,3	532,5	346,7	1.331,5	35,2%	194,4%
Pharmaceutical Specialties	446,1	326,7	320,2	1.092,9	41,4%	145,0%
Hospital Medical Supplies	6,2	205,9	26,5	238,6	12,5%	3753,2%

Net revenues reached R\$ 1.331,5 million in 1Q21, a total growth of 194,4% compared to the same quarter of the previous year. This growth was driven by the merger with Atrial (June 2020) and seven acquisitions completed between 2020 and the 1st quarter of this year (Biohosp, Dupatri, Fenergy, Mostaert, Surya Dental, Oncorio and Medcom), and by organic growth of 35,2%. The double-digit organic evolution occurred in both operational segments ('Pharmaceutical Specialties' and 'Medical Material Hospitals'), reflecting good commercial performance with a consequent increase in volumes and resilience of diversified portfolio even during the pandemic.

'Pharmaceutical Specialties' showed organic growth of 41,4%, driven by good performance in all businesses. In this segment, the normalization of cancer treatments ('reference drugs') impacted by the pandemic last, demand for antibiotics and anesthetic for the treatment of COVID-19 ('reference drugs' and 'generics and the like') stands out, a larger base of clients in dermatological and dental eCommerce ('clinics') and better performance of 'delivery'. 'Hospital Medical Materials' presented an organic evolution of 12,5% especially due to the demand for 'essentials' (such as masks, gloves and syringes) and impact on 'Specialties' (such as prostheses and orthoses) due to limitations in elective procedures as a result of the pandemic.

Gross Profit

(R\$ million)	1Q20		1Q21		Growth	
	Reported	Scope	Organic	Reported	Organic	Reported
	(a)	(b)	(c)= (d-b-a)	(d)	(e)= (c)÷(a+b)	(f)= (d÷a)-1
Gross Profit	45,6	101,0	45,2	191,8	30,8%	320,6%
Pharmaceutical Specialties	44,5	49,9	44,5	139,0	47,1%	212,1%
Hospital Medical Supplies	1,1	51,1	0,6	52,8	1,2%	4908,3%
Gross Profit	10,1%	+ 4,8 p.p.	- 0,5 p.p.	14,4%		4,3 p.p.
Pharmaceutical Specialties	10,0%	+ 2,2 p.p.	+ 0,5 p.p.	12,7%		2,7 p.p.
Hospital Medical Supplies	17,0%	+ 7,6 p.p.	- 2,5 p.p.	22,1%		5,1 p.p.

Gross profit in 1Q21 reached R\$ 191,8 million, an increase of 320,6% in relation to the same quarter of the previous year. This behavior is a consequence of the merger and acquisitions (as previously mentioned), and organic growth of 30,8% over the same quarter of the previous year. Gross margin reached 14,4%, 4,3 p.p. over 1Q20, mainly reflecting acquisitions with attractive margins. 'Pharmaceutical bb' showed a 47,1% increase in gross profit with a margin expansion of 2,7 p.p. and an organic expansion of margin of 0,5 p.p., mainly due to the higher tax efficiency in the period, partially offset by a negative mix effect and reductions in discounts practiced by manufacturers of 'generics and the like' during the pandemic. During the first quarter of 2021, the Federal Supreme Court ruled that the collection of DIFAL (rate differential) in interstate sales was unconstitutional, benefiting companies that were questioning this tax in court. As for 'Hospital Medical Supplies', which was not very representative in 1Q20, it showed a gross profit growth of around 49x mainly consequence of the merger of Atrial in June 2020. This segment presented a contraction of 2,5 p.p. of the organic margin in the period, mainly due to the impact of the pandemic on elective surgeries (demanding high value-added materials, 'specialties'⁵, with higher margins).

⁵ 'Specialties' is a sub-segment of "Hospital Medical Supplies" offering high value added solutions that require specialized sales team, such as materials for surgical procedures (bariatric, oncological and digestive system surgeries), breast prostheses, blood glucose monitoring equipment and treatment of cardiac arrhythmia.

Operating Expenses and Others

(R\$ million)	1Q20		1Q21		Growth	
	Reported	Scope	Organic	Reported	Organic	Reported
	(a)	(b)	(c)= (d-b-a)	(d)	(e)= (c)÷(a+b)	(f)= (d÷a)-1
Operating Expenses	(35,0)	(67,0)	(17,2)	(119,1)	16,8%	240,7%
% NOR	-7,7%	-2,6 p.p.	+1,4 p.p.	-8,9%		-1,2 p.p.
Selling Expenses	(16,9)	(29,9)	(10,8)	(57,6)	23,1%	240,8%
Allowance for Doubtful Accounts	(4,3)	(1,0)	(0,4)	(5,7)	7,6%	33,4%
General and Administrative	(13,8)	(36,1)	(6,0)	(55,9)	11,9%	305,1%
Other Operating	(1,3)	3,0	26,5	28,1	1629,6%	-2205,4%
% NOR	-0,3%	0,6%	7,6%	2,1%		2,4 p.p.

Operating expenses in 1Q21 totaled R\$ 119,1 million or 8,9% of net revenue, representing an increase of 240,7% over the same period last year and an evolution of -1,2 p.p. of net revenue. In addition to the expected effect of acquisitions in the process of integrating and capturing synergies, it should be noted that the 'Hospital Medical Supplies' segment and associated higher gross margin (22,1% in 1Q21 vs. 12,7% in Pharmaceutical Specialties) requires a specialized sales force with higher expenses as a percentage of sales (see section 'Information by Segment').

The organic evolution of 16,8% of operating expenses (below 35,2% of the growth in organic revenue) reflects the greater efficiency in managing these expenses (as indicated by the 1,4 p.p. % NOR) and is mainly a consequence of:

- Selling Expenses: organic growth of 23,1%, mainly explained by an increase in (i) freight expenditures consequence of higher fares due to the impact of the pandemic on the air network, (ii) packaging due to the increase in volumes and prices, (iii) offset by the success of operational efficiency and logistics network initiatives, and productivity of our sales team in the period.

General and Administrative: organic growth of 11,9% - reflecting the greater efficiency and management of such expenses - despite (i) disbursements related to the status of a publicly listed company and (ii) a larger corporate team to support the integration of acquired companies.

The evolution of the Other Operating in 1Q21 is mainly a consequence of the reversal of payable tax provision (under the jurisdiction of 2020) due to the Supreme Federal Court to ruling payment of DIFAL unconstitutional.

Adjusted EBITDA

(R\$ million)	1Q20		1Q21		Growth	
	Reported	Scope	Organic	Reported	Organic	Reported
	(a)	(b)	(c)= (d-b-a)	(d)	(e)= (c)÷(a+b)	(f)= (d÷a)-1
Gross Profit	45,6	101,0	45,2	191,8	30,8%	320,6%
Gross Margin (% NOR)	10,1%	+4,8 p.p.	-0,5 p.p.	14,4%		4,3 p.p.
Operating Expenses	(35,0)	(67,0)	(17,2)	(119,1)	16,8%	240,7%
Other Operating	(1,3)	3,0	26,5	28,1	1629,6%	-2205,4%
Adjusted EBITDA	9,3	37,0	54,4	100,7	117,7%	984,4%
Adjusted EBITDA Margin (% NOR)	2,1%	6,9%	15,7%	7,6%		5,5 p.p.

Adjusted EBITDA in 1Q21 reached R\$100,7 million, represents an increase of 984,4% in relation to the same period last year. The growth is a combination of mergers with Atrial and acquisitions in the period, and an organic evolution of 117,7% in the period, mainly due to (i) a 30,8% growth in our gross profit driven by the strong commercial performance in the quarter, (ii) greater efficiency in the management of operating expenses, (iii) reversal of provisions for taxes payable in other operating expenses, partially offset by the contraction of the gross organic margin in the period.

Operating Profit (EBIT)

(R\$ million)	1Q20		1Q21		Growth	
	Reported	Scope	Organic	Reported	Organic	Reported
	(a)	(b)	(c)= (d-b-a)	(d)	(e)= (c)÷(a+b)	(f)= (d÷a)-1
Adjusted EBITDA	9,3	37,0	54,4	100,7	117,7%	984,4%
Adjusted EBITDA Margin (% NOR)	2,1%	6,9%	15,7%	7,6%		5,5 p.p.
Non-recurring	(1,6)	(2,8)	(9,3)	(13,7)	209,3%	741,3%
Depreciation and Amortization	(6,4)	(13,5)	(4,7)	(24,6)	23,6%	284,2%
Operating Profit (EBIT)	1,3	20,7	40,5	62,4	184,4%	4836,2%

Operating Profit observed in 1Q21 was R\$ 62,4 million, representing an expansion of 4836,2% compared to the same period of 2020. In addition to the 984,4% growth in Adjusted EBITDA, Operating Income adds the effect of:

- Increase in non-recurring expenses consequence of acquisitions (expenses with lawyers and 'due diligence' and Dupatri arbitration) and integrations (consulting support).
- Increase in amortization of capital gains on acquisitions.

Financial Result

(R\$ million)	1Q20	1Q21	Growth
	Reported	Reported	Reported
	(a)	(d)	(f)= (d÷a)-1
Financial Expenses	(2,8)	(13,8)	397,1%
Financial Income	0,5	2,9	445,0%
Financial Result	(2,2)	(10,9)	385,9%

The 1Q21 financial result showed a net expense of R\$ 10,9 million, representing an increase of 385,9% over the same period of the previous year. This evolution is essentially due to (i) the increase in debt and accounts payable for acquisitions due to the effects of mergers and acquisitions and (ii) the increase in the average cost of indebtedness (CDI + 2,99% in 1Q21 versus CDI + 1,69% in 1Q20) partially offset by a reduction in the CDI rate (2,65% in 1Q21 versus 3,65% in 1Q20).

Part of the integration activities is to optimize the debt profile of acquired companies. Such companies are usually smaller than Elfa and have access to credit at higher costs.

Income Tax (IR) and Social Contribution on Net Income (CSLL)

(R\$ million)		1Q20	1Q21
Operating profit before taxes	(a)	(1,0)	51,5
Legal combined tax rate		<u>34,0%</u>	<u>34,0%</u>
Income tax and social contribution over legal tax rates	(b)	0,3	(17,5)
Adjustments (tax effect; multiplied by 34%)			
Grants on investments		7,0	12,4
Other additions and exclusions, net		<u>(2,3)</u>	<u>(8,8)</u>
Additions and exclusions, net	(c)	4,6	3,6
Income tax and social contribution, net	(d) = (b) + (c)	5,0	(14,0)
Effective tax rate	(d) ÷ (a)	508,3%	27,1%

The Company benefits from a special ICMS regime with a reduction in the calculation basis. In accordance with Brazilian tax legislation, ICMS tax benefits validated by CONFAZ (National Council of Treasury Policy) are also excluded from the calculation basis of IR / CSLL - as can be observed in the line "Grants on Investment".

Net Income and Adjusted Net Income

(R\$ million)	1Q20	1Q21	Growth
	Reported	Reported	Reported
	(a)	(d)	(f) = (d ÷ a) - 1
Operating Profit (EBIT)	1,3	62,4	4836,2%
Financial Result	(2,2)	(10,9)	385,9%
IR/CSLL	<u>5,0</u>	<u>(14,0)</u>	<u>-380,9%</u>
Net Income	4,0	37,6	840,9%
Net Margin (% NOR)	0,9%	2,8%	1,9 p.p.
Non-recurring	<u>1,6</u>	<u>13,7</u>	<u>741,3%</u>
Adjusted Net Income	5,6	51,3	812,1%
Adjusted Net Margin (% NOR)	1,2%	3,9%	2,6 p.p.

Net income totaled R\$ 37,6 million in the first quarter of 2021, 840,9% above the same period last year, propelled by the expansion of operating profit (EBIT), and partially offset by the increase in net financial expenses. Excluding the effect of non-recurring expenses (R\$ 13,7 million), adjusted net income in 1Q21 increased by 812,1%, reaching R\$ 51,3 million.

Debt

(R\$ million)	2020	1Q21
Loans and financings		
Short term	142,0	189,4
Long term	<u>267,8</u>	<u>329,5</u>
Gross Debt	(a) 409,9	518,9
Cash and cash equivalents	(228,5)	(329,3)
Securities	(75,1)	0,0
Financial investments	<u>(0,1)</u>	<u>(0,0)</u>
Cash	(b) (303,7)	(329,3)
Net Debt	(a) + (b) 106,1	189,6
Average Cost of Debt	CDI + 3,13%	CDI + 2,99%

At the end of 1Q21, Elfa had a gross debt of R\$ 518,9 million. At the end of 1Q21, 63,5% of our debt was in the long term. The cash position was R\$ 329,3 million and part of this was used to pay for the acquisition of Anbioton⁶.

Elfa holds debt instruments with maximum leverage limitations to which the Company must be exposed. The 'covenant' currently considered stricter by Management is calculated at the end of the year and must meet a leverage of a maximum of 2.5x net debt / Accounting EBITDA.

⁶ According to the Material Fact published on May 7, 2021.

Cash Flow

(R\$ '000)	1Q20	1Q21
Cash flow from operating activities		
Net profit/(loss) in the period	3.994	37.579
Adjustments to reconcile net income with cash:	(40.115)	(196.704)
(Increase)/decrease in assets:		
Trade account receivables	15.096	(95.970)
Inventory	8.196	8.466
Taxes to recover	5.840	(17.399)
Other assets	3.385	(36.691)
(Decrease)/increase in liabilities:		
Suppliers and other accounts payable	(81.237)	(84.604)
Labor obligations	(1.629)	(2.291)
Taxes payable	(8.392)	(28.645)
Other Obligations	5.616	-
Cash generated by (used in) operating activities	(36.121)	(159.125)
Payment of interest on loans and financings	(5.447)	(8.215)
Income tax and social contribution paid	(1.679)	(9.001)
Net cash flow generated by (used in) operating activities	(43.247)	(176.341)
Investing activities:		
Acquisition of PP&E and intangible assets, net	(216)	(8.088)
Subsidiaries acquisitions, net of cash	-	(84.235)
Subsidiaries acquisitions of non-controlling shareholders	-	(21.243)
Marketable Securities	-	75.243
Net cash flow from (used in) investing activities	(216)	(38.323)
Financing activities:		
Increase in share capital	239.678	222.581
Loans, financings and leases	135.205	190.268
Payment of installments for acquired companies	-	(4.523)
Payment of principal on loans and financing	(142.583)	(89.965)
Leases payment	-	(2.891)
Cash flow from financing activities	232.300	315.470
Increase/(reduction) in cash and cash equivalents, net	188.837	100.806

Operational activities consumed R\$ 176,3 million in 1Q21, largely due to an increase in "Accounts Receivable" (R\$ 96,0 million) and "Suppliers and other accounts payable" (R\$ 84,6 million). As previously mentioned, Elfa's activities generate cash, but require capital to support its growth. Furthermore, operating cash generation is highly seasonal, with significant consumption in the first half of the year and strong generation in the second half.

Cash Flow from Investments consumed R\$ 38,3 million in 1Q21 mainly due to the R\$ 105,5 million paid for acquisitions, partially offset by the withdrawal of R\$ 75,2 million in bonds and securities (financial investments).

The Financing Cash Flow in 1Q21 generated R\$ 315,5 million propelled by a capital increase of R\$227,6 million and R\$ 190,3 million in financing, partially offset by the payment of financial debt instruments (R\$ 90,0 million).

Thus, as explored above, the increase in cash and cash equivalents was R\$ R\$ 100,8 million in 1T21.

Reconciliation of Net Income and EBITDA

Below we present the reconciliation of Net Income to Accounting EBITDA.

(R\$ million)

	1Q20		1Q21		Growth	
	Reported	Scope	Organic	Reported	Organic	Reported
	(a)	(b)	(c)= (d-b-a)	(d)	(e)= (c)÷(a+b)	(f)= (d÷a)-1
Net Income	4,0	20,7	12,9	37,6	52,2%	840,9%
IR/CSLL	(5,0)	-	18,9	14,0	-380,9%	-380,9%
Financial Result	2,2	-	8,7	10,9	385,9%	385,9%
Operating Profit (EBIT)	1,3	20,7	40,5	62,4	184,4%	4836,2%
Depreciation and Amortization	6,4	13,5	4,7	24,6	23,6%	284,2%
Accounting EBITDA	7,7	34,2	45,2	87,0	108,0%	1036,1%
% NOR	1,7%	6,4%	13,0%	6,5%		2,9 p.p.
Non-recurring	1,6	2,8	9,3	13,7	209,3%	741,3%
Adjusted EBITDA	9,3	37,0	54,4	100,7	117,7%	984,4%
% NOR	2,1%	6,9%	15,7%	7,6%		2,7 p.p.

We consider 'non-recurring expenses' essentially as expenses related to (i) acquisitions (such as legal advisors and due diligence) and (ii) integration of the acquired companies (such as support from consultants).

Appendix

Balance Sheet

(R\$ '000)	2020	1Q21		2020	1Q21
Assets			Liabilities		
Current Assets			Current Liabilities		
Cash and cash equivalents	228.461	329.267	Suppliers and other accounts payable	954.467	948.248
Securities	75.137	-	Loans and financings	142.029	189.392
Trade accounts receivable	907.060	1.073.394	Labor obligations	40.381	42.647
Inventory	571.950	594.134	Taxes payable	86.605	73.218
Taxes to recover	82.417	120.491	Accounts payable on the acquisition of investments	75.673	97.640
Income tax and social contribution	33.066	31.961	Total Current Liabilities	1.299.155	1.351.145
Other receivables	67.030	84.883			
Total Current Assets	1.965.121	2.234.130	Non-current Liabilities		
Non-current Assets			Loans and financings	267.825	329.484
Financial investments	146	40	Taxes payable	4.413	4.351
Deferred IR and CSSL taxes	125.710	130.886	Accounts payable to related parties	104.628	106.050
Judicial deposits	28.317	43.545	Deferred IR and CSSL taxes	9	83
indemnity asset	103.852	104.275	Accounts payable on the acquisition of	259.802	340.158
Total Non-current Assets	258.025	278.746	Total Non-current Liabilities	636.677	780.126
Fixed Assets			Shareholders' Equity		
PP&E	84.435	105.693	P&L of controlling shareholders	1.622.431	1.868.809
Intangible assets	1.265.821	1.390.638	Stake of non-controlling shareholders	15.139	9.127
Total Fixed Assets	1.350.256	1.496.331	Total Shareholders' Equity	1.637.570	1.877.936
Total Assets	3.573.402	4.009.207	Total Liabilities and Shareholders' Equity	3.573.402	4.009.207

Income Statement

(R\$ '000)	1Q20	1Q21
Net operating revenues	452.263	1.331.489
Cost of goods sold	(406.672)	(1.139.724)
Gross profit	45.591	191.765
Selling expenses	(16.898)	(57.583)
(Losses) / reversion of accounts receivable to recover	(4.284)	(5.713)
General and administrative expenses	(21.810)	(94.112)
Other revenues (expenses)	(1.334)	28.086
Operating profit before financial income and taxes	1.265	62.443
Financial expenses, net	(2.243)	(10.899)
Profit / (loss) before income tax and social contribution	(978)	51.544
Income tax and social contribution		
Current	(1.358)	(17.419)
Deferred	6.330	3.455
	4.972	(13.964)
Net income in the period	3.994	37.580
Attributed to:		
Controlling shareholders	-	37.468
Non-controlling shareholders	-	111

<i>(R\$ '000)</i>	1Q20	1Q21
Cash flow from operating activities		
Net profit/(loss) in the period	3.994	37.579
Adjustments to reconcile net income with cash:		
Depreciation and amortization	6.393	24.559
Income tax and social contribution, net	(4.972)	13.964
Provision for impairment	4.214	5.713
Provision for contingencies	(311)	1.422
Provision for inventory losses	180	2.023
Share-based compensation	1.183	1.448
Interest, monetary variations, net - Loans	7.685	11.301
Interest, monetary variations, net - Debentures	(1.362)	-
(Increase)/decrease in assets:		
Trade account receivables	15.096	(95.970)
Inventory	8.196	8.466
Taxes to recover	5.840	(17.399)
Other assets	3.385	(36.691)
(Decrease)/increase in liabilities:		
Suppliers and other accounts payable	(81.237)	(84.604)
Labor obligations	(1.629)	(2.291)
Taxes payable	(8.392)	(28.645)
Other Obligations	5.616	-
Cash generated by (used in) operating activities	(36.121)	(159.125)
Payment of interest on loans and financings	(5.447)	(8.215)
Income tax and social contribution paid	(1.679)	(9.001)
Net cash flow generated by (used in) operating activities	(43.247)	(176.341)
Investing activities:		
Acquisition of PP&E and intangible assets, net	(216)	(8.088)
Subsidiaries acquisitions, net of cash	-	(84.235)
Subsidiaries acquisitions of non-controlling shareholders	-	(21.243)
Marketable Securities	-	75.243
Net cash flow from (used in) investing activities	(216)	(38.323)
Financing activities:		
Increase in share capital	239.678	222.581
Loans, financings and leases	135.205	190.268
Payment of installments for acquired companies	-	(4.523)
Payment of principal on loans and financing	(142.583)	(89.965)
Leases payment	-	(2.891)
Cash flow from financing activities	232.300	315.470
Increase/(reduction) in cash and cash equivalents, net	188.837	100.806
Cash and cash equivalents at the beginning of the period	120.560	228.461
Cash and cash equivalents at the end of the period	309.397	329.267
Increase/(reduction) in cash and cash equivalents, net	188.837	100.806

Information by Segment

(R\$ '000)

	1T20			1T21		
	Pharmaceutical Specialties	Hospital Medical Supplies	Consolidated	Pharmaceutical Specialties	Hospital Medical Supplies	Consolidated
Net revenues	446.071	6.192	452.263	1.092.898	238.591	1.331.489
Cost of goods sold	(401.535)	(5.138)	(406.673)	(953.921)	(185.804)	(1.139.725)
Gross Profit	44.536	1.054	45.590	138.977	52.787	191.764
Gross margin	10,0%	17,0%	10,1%	12,7%	22,1%	14,4%
Selling expenses	(16.467)	(430)	(16.897)	(35.822)	(21.761)	(57.583)
Contribution margin	28.069	624	28.693	103.155	31.026	134.181
% NOR	6,3%	10,1%	6,3%	9,4%	13,0%	10,1%

Income Statement - Quarterly Results

(R\$ '000)	1Q19	2Q19	3Q19	4Q19	2019	1Q20	2Q20	3Q20	4Q20	2020	1Q21
NOR	351.065	444.609	488.480	547.308	1.831.462	452.263	556.909	788.027	1.078.774	2.875.973	1.331.489
Cost of goods sold	(317.262)	(405.451)	(425.960)	(486.920)	(1.635.593)	(406.672)	(490.541)	(688.511)	(948.345)	(2.534.069)	(1.139.724)
Gross Profit	33.803	39.158	62.520	60.388	195.869	45.591	66.368	99.516	130.429	341.904	191.765
% NOR	9,6%	8,8%	12,8%	11,0%	10,7%	10,1%	11,9%	12,6%	12,1%	11,9%	14,4%
Operating Expenses	(37.831)	(38.567)	(34.017)	(48.158)	(158.573)	(42.992)	(69.823)	(93.106)	(118.869)	(324.790)	(157.408)
Selling	(14.814)	(16.605)	(15.934)	(16.224)	(63.577)	(16.898)	(19.336)	(33.725)	(44.303)	(114.262)	(57.583)
Allowance for doubtful accounts	(9.569)	(346)	5.580	726	(3.609)	(4.284)	(3.206)	(96)	(230)	(7.816)	(5.713)
General and administrative	(13.448)	(21.616)	(23.663)	(32.660)	(91.387)	(21.810)	(47.281)	(59.285)	(74.336)	(202.712)	(94.112)
G&A	(10.945)	(15.107)	(16.893)	(22.163)	(65.108)	(15.417)	(36.492)	(44.414)	(53.623)	(149.946)	(69.553)
Depreciation and amortization	(2.503)	(6.509)	(6.770)	(10.497)	(26.279)	(6.393)	(10.789)	(14.871)	(20.713)	(52.766)	(24.559)
Other operating	6	1.464	8.283	11.141	20.894	(1.334)	7.203	8.094	5.164	19.127	28.086
Operating Profit (EBIT)	(4.022)	2.055	36.786	23.371	58.190	1.265	3.748	14.504	16.725	36.242	62.443
Financial result	(3.378)	(1.477)	(10.002)	(12.465)	(27.322)	(2.243)	(4.575)	(2.963)	(6.778)	(16.559)	(10.899)
Earnings Before Taxes (EBT)	(7.400)	578	26.784	10.906	30.868	(978)	(827)	11.541	9.947	19.683	51.544
IR/CSSL	4.685	3.477	(5.314)	5.844	8.692	4.972	12.613	3.153	521	21.259	(13.964)
Current	(858)	(3.957)	(1.157)	(4.653)	(10.625)	(1.358)	(2.577)	(6.367)	(7.173)	(17.475)	(17.419)
Deferred	5.543	7.434	(4.157)	10.497	19.317	6.330	15.190	9.520	7.694	38.734	3.455
Net Income	(2.715)	4.055	21.470	16.750	39.560	3.994	11.786	14.694	10.468	40.942	37.580
% NOR	-0,8%	0,9%	4,4%	3,1%	2,2%	0,9%	2,1%	1,9%	1,0%	1,4%	2,8%
Accounting EBITDA	(1.519)	8.564	43.556	33.868	84.469	7.658	14.537	29.375	37.438	89.008	87.002
% NOR	-0,4%	1,9%	8,9%	6,2%	4,6%	1,7%	2,6%	3,7%	3,5%	3,1%	6,5%
Non-recurring	1.540	3.231	3.512	3.831	12.113	1.628	12.179	7.160	8.852	29.820	13.701
Adjusted EBITDA	21	11.795	47.068	37.699	96.582	9.286	26.716	36.535	46.290	118.827	100.703
% NOR	0,0%	2,7%	9,6%	6,9%	5,3%	2,1%	4,8%	4,6%	4,3%	4,1%	7,6%
Adjusted Net Income	(1.175)	7.286	24.982	20.581	51.673	5.622	23.965	21.854	19.320	70.761	51.281
% NOR	-0,3%	1,6%	5,1%	3,8%	2,8%	1,2%	4,3%	2,8%	1,8%	2,5%	3,9%

Cash Flow - Quarterly Results

(R\$ '000)	1Q19	2Q19	3Q19	4Q19	2019	1Q20	2Q20	3Q20	4Q20	2020	1Q21
Cash flow from operating activities											
Net profit/(loss) in the period	(2.715)	4.055	21.470	16.750	39.560	3.994	11.786	14.466	10.696	40.942	37.579
Adjustments to reconcile net income with cash:											
Depreciation and amortization	2.503	6.509	6.770	10.497	26.279	6.393	10.789	14.871	20.713	52.766	24.559
Income tax and social contribution, net	(4.685)	(3.477)	5.314	(5.844)	(8.692)	(4.972)	(12.613)	(3.153)	(521)	(21.259)	13.964
Provision for impairment	25.047	(15.132)	(5.580)	(1.480)	2.855	4.214	3.276	96	230	7.816	5.713
Other	-	-	-	3.034	3.034	-	(92)	92	-	-	-
Provision for contingencies	-	-	-	523	523	(311)	48	(65)	453	125	1.422
Provision for inventory losses	456	(17)	-	(1.792)	(1.353)	180	(78)	-	400	502	2.023
Share-based compensation	1.394	1.394	1.391	1.393	5.572	1.183	1.188	1.182	2.251	5.804	1.448
Interest, monetary variations, net - Loans	2.579	3.403	4.918	8.964	19.864	7.685	337	5.390	6.472	19.884	11.301
Interest, monetary variations, net - Debentures	-	-	-	-	-	(1.362)	-	-	-	(1.362)	-
(Increase)/decrease in assets:											
Trade account receivables	8.773	(24.742)	1.662	(16.187)	(30.494)	15.096	(41.225)	(64.630)	(61.734)	(152.493)	(95.970)
Inventory	(28.195)	1.103	26.643	(8.501)	(8.950)	8.196	(30.777)	(40.085)	(13.241)	(75.907)	8.466
Taxes to recover	(4.778)	(4.085)	(4.501)	(14.415)	(27.779)	5.840	(4.798)	632	(10.235)	(8.561)	(17.399)
Related parties	-	-	(18.117)	18.117	-	-	4.392	(3.116)	(1.276)	-	-
Other assets	(15.144)	14.257	5.784	(22.363)	(17.466)	3.385	(1.546)	(23.532)	(21.813)	(43.506)	(36.691)
(Decrease)/increase in liabilities:											
Suppliers and other accounts payable	(43.203)	(2.143)	(20.722)	107.279	41.211	(81.237)	(8.569)	121.082	184.175	215.451	(84.604)
Labor obligations	310	1.282	1.624	3.172	6.388	(1.629)	3.743	8.332	(7.374)	3.072	(2.291)
Taxes payable	(1.081)	4.956	3.474	(10.335)	(2.986)	(8.392)	651	180	28.158	20.597	(28.645)
Other obligations	-	-	-	-	-	5.616	-	-	-	5.616	-
Cash generated by (used in) operating activities	(58.739)	(12.637)	30.130	88.812	47.566	(36.121)	(63.488)	31.742	137.354	69.487	(159.125)
Payment of interest on loans and financings	(3.794)	(2.510)	(8.636)	(7.275)	(22.215)	(5.447)	(3.911)	(4.496)	(3.791)	(17.645)	(8.215)
Income tax and social contribution paid	463	(1.712)	(4.723)	550	(5.422)	(1.679)	(2.504)	(6.119)	(8.933)	(19.235)	(9.001)
Net cash flow generated by (used in) operating activities	(62.070)	(16.859)	16.771	82.087	19.929	(43.247)	(69.903)	21.127	124.630	32.607	(176.341)
Investing activities:											
Acquisition of PP&E and intangible assets, net	(3.689)	8.694	(10.316)	(5.077)	(10.388)	(216)	(2.300)	(3.840)	(8.240)	(14.596)	(8.088)
Advances for future capital increase	3.406	(3.406)	-	-	-	-	-	-	-	-	-
Subsidiaries acquisitions, net of cash	-	(73.168)	-	-	(73.168)	-	(76.348)	-	(180.176)	(256.524)	(84.235)
Subsidiaries acquisitions of non-controlling shareholders	-	-	-	-	-	-	-	-	-	-	(21.243)
Cash from the acquisition of subsidiaries	-	-	-	-	-	-	42.741	-	-	42.741	-
Redemption/financial investments	-	-	-	-	-	-	-	8.657	97.906	106.563	75.243
Net cash flow from (used in) investing activities	(283)	(67.880)	(10.316)	(5.077)	(83.556)	(216)	(35.907)	4.817	(90.510)	(121.816)	(38.323)
Financing activities:											
Increase in share capital	-	-	-	-	-	239.678	10.322	-	-	250.000	222.581
Loans, financings and leases	134.938	60.341	234.515	62.378	492.172	135.205	130.000	45.561	104.439	415.205	190.268
Payment of installments for acquired companies	-	-	(14.226)	(15.857)	(30.083)	-	(13.887)	(973)	(889)	(15.749)	(4.523)
Payment of principal on loans and financing	(116.628)	(17.469)	(233.590)	42.568	(325.119)	(142.583)	(76.661)	(176.582)	(50.364)	(446.190)	(89.965)
Payment of principal on debentures	-	-	-	(100.000)	(100.000)	-	-	-	-	-	-
Payment of leaseings	-	-	-	(3.687)	(3.687)	-	-	-	(5.491)	(5.491)	(2.891)
Dividends paid	-	(3.135)	-	-	(3.135)	-	(664)	(1)	-	(665)	-
Cash flow from financing activities	18.310	39.737	(13.301)	(14.598)	30.148	232.300	49.110	(131.995)	47.695	197.110	315.470
Increase/(reduction) in cash and cash equivalents, net	(44.043)	(45.002)	(6.846)	62.412	(33.479)	188.837	(56.700)	(106.051)	81.815	107.901	100.806
Cash and cash equivalents at the beginning of the period	154.039	109.996	64.994	58.148	154.039	120.560	309.397	252.697	146.646	120.560	228.461
Cash and cash equivalents at the end of the period	109.996	64.994	58.148	120.560	120.560	309.397	252.697	146.646	228.461	228.461	329.267
Increase/(reduction) in cash and cash equivalents, net	(44.043)	(45.002)	(6.846)	62.412	(33.479)	188.837	(56.700)	(106.051)	81.815	107.901	100.806

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