Elfa Medicamentos S.A.

Individual and consolidated condensed interim financial statements on June 30, 2021

KPDS 884134

Table of Contents

Elfa Medicamentos S.A.

Balance Sheets as of June 30, 2021, and December 31, 2020

(In thousands of reais)

		Parent Company		Consolidated	
Assets	**Note**	**06/30/2021**	**12/31/2020**	**06/30/2021**	**12/31/2020**
Cash and cash equivalents	7	95,858	65,918	214,699	228,461
Short-term investments	7	-	-	-	75,137
Accounts receivable	8	357,205	328,340	1,182,453	907,060
Inventories	9	165,084	165,350	675,934	571,950
Recoverable taxes	10	16,775	10,538	156,910	82,417
Income tax and social contribution	10	24,281	24,455	42,025	33,066
Other assets		61,648	30,047	114,346	67,030
Total current assets		**720,851**	**624,648**	**2,386,367**	**1,965,121**
Investments securities		33	98	40	146
Advance for future capital increase	13	219,757	168,813	-	-
Accounts receivable from Related Parties	13	8,701	9,896	-	-
Deferred income tax and social security contribution	22	112,911	90,725	163,664	125,710
Court deposits	17	50,121	19,721	62,130	28,317
Indemnity assets	17	250	371	103,855	103,852
Investments in subsidiaries	11	2,083,364	1,907,144	-	-
Properties and equipment		35,758	24,830	122,617	84,435
Intangible assets	12	112,838	6,503	1,422,578	1,265,821
Total non-current assets		**2,623,733**	**2,228,101**	**1,874,884**	**1,608,281**
Total assets		**3,344,584**	**2,852,749**	**4,261,251**	**3,573,402**

The notes are part of the individual and consolidated condensed interim financial statements.

Elfa Medicamentos S.A.

Income statements for the three-month and six-month periods ended June 30, 2021, and December 31, 2020

(In thousands of reais)

		Parent Company		Consolidated	
	Note	**06/30/2021**	**12/31/2020**	**06/30/2021**	**12/31/2020**
Liabilities and shareholders' equity					
Trade accounts payable	14	283,974	310,645	1,066,551	954,467
Loans and financing	15	156,454	107,679	194,133	142,029
Labor obligations		19,767	9,390	55,815	40,381
Taxes payable		4,700	30,886	66,740	86,605
Accounts payable for the acquisition of investments	16	129,766	60,214	191,538	75,673
Total current liabilities		**594,661**	**518,814**	**1,574,777**	**1,299,155**
Loans and financing	15	288,112	235,830	342,298	267,825
Taxes payable		1,742	1,207	4,029	4,413
Accounts payable to related parties	14	288,637	286,609	-	-
Provision for contingencies	17	140	511	104,541	104,628
Deferred income tax and social contribution	22	-	-	-	9
Accounts payable for the acquisition of investments	16	193,878	187,347	247,296	259,802
Total non-current liabilities		**772,509**	**711,504**	**698,164**	**636,677**
Equity	18				
Share capital		1,067,280	839,640	1,067,280	839,640
Capital reserve		630,022	642,245	630,022	642,245
Retained earnings		280,112	140,546	280,112	140,546
Shareholders' equity attributed to the controlling shareholder of the Parent Company		**1,977,414**	**1,622,431**	**1,977,414**	**1,622,431**
Interests of non-controlling shareholders		-	-	10,896	15,139
Total equity		**1,977,414**	**1,622,431**	**1,988,310**	**1,637,570**
Total liabilities and equity		**3,344,584**	**2,852,749**	**4,261,251**	**3,573,402**

The notes are part of the individual and consolidated condensed interim financial statements.

Elfa Medicamentos S.A.
Income statements for the three-month and six-month periods ended June 30, 2021, and December 31, 2020

(In thousands of Reais, except earnings per share)

		Parent Company			
	Note	04/01/2021 to 06/30/2021	04/01/2020 to 06/30/2020	01/01/2021 to 06/30/2021	01/01/2020 to 06/30/2020
Net sales	19	455,214	311,439	884,483	589,960
Cost of goods sold	20	(393,514)	(280,088)	(773,646)	(535,563)
Gross Profit		**61,700**	**31,351**	**110,837**	**54,397**
Commercial expenses	20	(19,518)	(10,738)	(34,592)	(9,034)
Losses (Reversal) due to impairment of accounts receivable	8 and 20	(2,590)	(1,760)	(4,674)	(4,662)
General and administrative expenses	20	(32,517)	(21,570)	(57,907)	(48,467)
Equity on earnings of affiliates	11	96,748	8,351	110,469	10,798
Other revenues	20	7,139	5,859	33,960	10,166
Other expenses	20	(5,710)	(842)	(6,902)	(4,800)
Operating profit before financial result and taxes		**105,252**	**10,651**	**151,191**	**8,398**
Financial income	21				
Financial revenues		813	819	3,349	1,130
Financial expenses		(14,955)	(5,441)	(23,080)	(8,192)
Net financial expenses		**(14,142)**	**(4,622)**	**(19,731)**	**(7,062)**
Profit before income tax and social contribution		**91,110**	**6,029**	**131,460**	**1,336**
Income tax and social contribution	22				
Current		2,488	-	-	-
Deferred		8,500	10,155	8,106	14,444
		10,988	10,155	8,106	14,444
Net profit for the period		**102,098**	**16,184**	**139,566**	**15,780**

The notes are part of the individual and consolidated condensed interim financial statements.

Elfa Medicamentos S.A.

Income statements for the three-month and six-month periods ended June 30, 2021, and December 31, 2020

(In thousands of reais)

		Consolidated			
	Note	04/01/2021 to 06/30/2021	04/01/2020 to 06/30/2020	01/01/2021 to 06/30/2021	01/01/2020 to 06/30/2020
Net sales	19	1,550,869	556,909	2,882,358	1,009,172
Cost of goods sold	20	(1,292,526)	(490,541)	(2,432,250)	(897,213)
Gross Profit		**258,343**	**66,368**	**450,108**	**111,959**
Commercial expenses	20	(70,904)	(19,336)	(128,487)	(36,234)
Losses (Reversal) due to impairment of accounts receivable	8 and 20	(5,868)	(3,206)	(11,581)	(7,490)
General and administrative expenses	20	(108,158)	(47,281)	(202,270)	(69,091)
Other revenues	20	12,578	9,000	44,886	12,434
Other expenses	20	(6,419)	(1,797)	(10,641)	(6,565)
Operating profit before financial result and taxes		**79,572**	**3,748**	**142,015**	**5,013**
Financial income	21				
Financial revenues		1,612	1,005	4,468	1,529
Financial expenses		(18,940)	(5,580)	(32,695)	(8,347)
Net financial expenses		**(17,328)**	**(4,575)**	**(28,228)**	**(6,818)**
Profit before income tax and social contribution		**62,244**	**(827)**	**113,788**	**(1,805)**
Income tax and social contribution	22				
Current		(2,955)	(2,577)	(20,375)	(3,935)
Deferred		44,578	15,190	48,033	21,520
		41,623	12,613	27,658	17,585
Net profit for the period		**103,867**	**11,786**	**141,446**	**15,780**
Attributable to:					
Controlling shareholders		102,097	11,786	139,566	15,780
Non-controlling shareholders		1,770	-	1,880	-
Earnings per share - BRL	23	0.219	0.037	0.298	0.049
Earnings per share - diluted BRL		0.210	0.037	0.286	0.049

Elfa Medicamentos S.A.

Comprehensive income statements for the three-month and six-month periods ended June 30, 2021, and 2020

(In thousands of Reais, except earnings per share)

	Parent Company			
	04/01/2021 to 06/30/2021	**04/01/2020 to 06/30/2020**	**01/01/2021 to 06/30/2021**	**01/01/2020 to 06/30/2020**
Net profit for the period	102,098	11,786	139,566	15,780
Comprehensive income for the period	**102,098**	**11,786**	**139,566**	**15,780**

	Consolidated			
	04/01/2021 to 06/30/2021	**04/01/2020 to 06/30/2020**	**01/01/2021 to 06/30/2021**	**01/01/2020 to 06/30/2020**
Net profit for the period	103,867	11,786	141,446	15,780
Comprehensive income for the period	**103,867**	**11,786**	**141,446**	**15,780**
Attributable to:				
Controlling shareholders	102,097	11,786	139,566	15,780
Non-controlling shareholders	1,770	-	1,880	-

The notes are part of the individual and consolidated condensed interim financial statements.

Elfa Medicamentos S.A.
Statements of changes in equity
Periods ended June 30, 2021, and 2020

(In thousands of reais)

		Capital		Capital reserve		Profit reserve						
	Note	**Subscribed**	**Total**	**Capital reserve**	**Granted options**	**Legal reserve**	**Profit reserve**	**Tax incentive reserve**	**Accumulated profits**	**Total controlling shareholders' equity**	**Non-controlling shareholders**	**Total Shareholders' Equity**
Balances as of January 1, 2020		**312,016**	**312,016**	**25,994**	**23,993**	**5,712**	**9,303**	**85,193**	**-**	**462,211**	**-**	**462,211**
Net profit for the period		-	-	-	-	-	-	-	15,780	15,780	-	15,780
Share-based compensation	**24**	-	-	-	2,371	-	-	-	-	2,371	-	2,371
Capital increase	**17**	250,000	250,000	-	-	-	-	-	-	250,000	-	250,000
Transfer to retained earnings		-	-	-	-	-	15,780	-	(15,780)	-	-	-
Capital increase in the issue of shares	20	241,894	241,894	598,821	4,010	-	-	-	-	844,725	5,274	849,999
Balances as of June 30, 2020		**803,910**	**803,910**	**624,815**	**30,374**	**5,712**	**25,083**	**85,193**	**-**	**1,575,087**	**5,274**	**1,580,361**
Balances as of January 1, 2021		**839,640**	**839,640**	**608,438**	**33,807**	**7,729**	**9,303**	**123,515**	**-**	**1,622,431**	**15,139**	**1,637,570**
Capital increase in the issue of shares	**18**	227,640	227,640	-	-	-	-	-	-	227,640		227,640
Acquisition of interests of non-controlling shareholders	**18**	-	-	(15,120)	-	-	-	-	-	(15,120)	(6,123)	(21,243)
Recognized granted options	**24**	-	-	-	2,897	-	-	-	-	2,897		2,897
Profit Allocation:												
Net profit for the period		-	-	-	-	-	-	-	139,566	139,566	1,880	141,446
Tax incentive reserve		-	-	-	-	-	139,566	-	(139,566)	-	-	-
Balances as of June 30, 2021		**1,067,280**	**1,067,280**	**593,318**	**36,704**	**7,729**	**148,869**	**123,515**	**-**	**1,977,414**	**10,896**	**1,988,310**

The notes are part of the individual and consolidated condensed interim financial statements.

Elfa Medicamentos S.A.

Statements of cash flows

Periods ended June 30, 2021, and 2020

(In thousands of reais)

	Parent Company		Consolidated	
	06/30/2021	06/31/2020	06/30/2021	06/30/2020
Cash flow from operating activities				
Net profit for the period	139,566	15,780	141,446	15,780
Adjustments to reconcile net profit to cash:				
Depreciation and amortization	2,241	3,028	52,517	17,182
Income tax and social security contribution, net	(8,106)	(14,444)	(27,657)	(17,585)
Allowance for impairment losses	4,674	4,662	11,581	7,490
Share-based compensation	2,897	2,371	2,897	2,371
Provision for contingencies	750	(352)	1,019	(263)
Provision for loss on inventories	224	22	1,179	102
Interest, monetary variations, net	25,072	6,563	29,067	6,660
Write-off upon merger	2,529	330	-	-
Other	-	545	-	(92)
Equity accounting method	(110,469)	(10,798)	-	-
(Increase) decrease in assets:				
Accounts receivable from clients	(37,137)	(43,395)	(185,140)	(26,129)
Inventories	(443)	(20,946)	(58,110)	(22,581)
Recoverable taxes	(27,371)	7,392	(45,076)	1,042
Other credits	(63,336)	48,420	(82,699)	6,231
(Decrease) Increase in liabilities:				
Trade and other accounts payable	106,443	(22,540)	9,508	(84,190)
Labor obligations	10,404	(1,233)	10,081	2,114
Taxes payable	(25,508)	(1,862)	(31,471)	(7,741)
Other Obligations	(50,193)	-	-	-
Cash generated from (used in) operating activities	**(27,763)**	**(26,457)**	**(170,859)**	**(99,609)**
Payment of interest on loans and financing	(9,292)	(9,189)	(11,890)	(9,358)
Income tax and social contribution paid	-	-	(19,952)	(4,183)
Net cash flow from (used in) operating activities	**(37,055)**	**(35,646)**	**(202,701)**	**(113,150)**
Investment Activities:				
Investment securities	65	-	75,243	-
Considerations paid for acquisitions, net, of cash acquired	(95,014)	(82,184)	(110,479)	(76,348)
Cash from acquisition of subsidiaries	-	-	-	42,741
Considerations paid for acquisitions of non-controlling shareholders	-	-	(21,243)	-
Acquisition of fixed and intangible assets	(6,888)	(2,440)	(11,098)	(2,516)
Capital contribution to subsidiaries	(114,064)	-	-	-
Advance for future capital increase	-	(58,944)	-	-
Net cash flow (used in) investing activities	**(215,901)**	**(143,568)**	**(67,577)**	**(36,123)**
Financing Activities:				
Capital increase	227,641	250,000	227,640	250,000
Loans, financing and leasing	190,268	265,205	190,268	265,205
Principal payment of loans and financing	(101,340)	(195,101)	(117,648)	(219,244)
Payment of installments related to previous acquisitions	(32,241)	(11,029)	(38,053)	(13,887)
Lease payments	(1,432)	-	(5,691)	-
Payments of leases	-	(664)	-	(664)
Net cash flow from financing activities	282,896	308,411	256,516	281,410
Net increase in cash and cash equivalents	**29,940**	**129,197**	**(13,762)**	**132,137**
Cash and cash equivalents as of January 1	65,918	50,357	228,461	120,560
Cash and cash equivalents as of June 30	95,858	179,554	214,699	252,697
Net increase in cash and cash equivalents	**29,940**	**129,197**	**(13,762)**	**132,137**

The notes are part of the individual and consolidated condensed interim financial statements.

Elfa Medicamentos S.A.

Statements of value added

Periods ended June 30, 2021, and 2020

(In thousands of reais)

	Parent Company		Consolidated	
	06/30/2021	**06/30/2020**	**06/30/2021**	**06/30/2020**
Revenues	**914,481**	**633,535**	**3,134,038**	**1,085,220**
Sales of goods and services	919,155	638,197	3,145,619	1,092,710
Provision for doubtful debtors	(4,674)	(4,662)	(11,581)	(7,490)
Inputs purchased from third parties	**(816,669)**	**(578,567)**	**(2,556,253)**	**(962,542)**
Cost of goods sold and services rendered	(773,646)	(567,538)	(2,432,250)	(933,589)
Materials, energy, third party services, and others	(35,574)	(5,496)	(91,362)	(18,904)
Freight	(7,449)	(5,533)	(32,641)	(10,049)
Gross value added	**97,811**	**54,968**	**577,785**	**122,678**
Depreciation and amortization	(2,241)	(3,028)	(52,517)	(17,182)
Net value added produced by the entity	**95,570**	**51,940**	**525,268**	**105,496**
Value added received as transfer	**140,330**	**19,665**	**35,880**	**19,013**
Financial income	3,349	1,130	4,465	1,529
Equity	110,469	10,798	-	-
Others	26,512	7,737	31,414	17,484
Total value added to distribute	**235,900**	**71,605**	**561.47)**	**124,509**
Distribution of value added	**(235,900)**	**(71,605)**	**(561,147)**	**(124,509)**
Personnel	**(46,922)**	**(40,122)**	**(152,482)**	**(59,900)**
Direct remuneration	(17,814)	(31,506)	(90,294)	(45,982)
Benefits	(25,079)	(5,391)	(52,442)	(9,750)
FGTS [Government Severance Indemnity Fund]	(1,132)	(854)	(6,848)	(1,797)
Share-based compensation	(2,897)	(2,371)	(2,898)	(2,371)
Taxes, fees and contributions	**(26,214)**	**(2,126)**	**(234,650)**	**(32,942)**
Federal	8,106	14,393	27,603	10,877
State	(34,126)	(16,443)	(261,815)	(43,576)
Municipalities	(194)	(76)	(438)	(243)
Remuneration of third-party capital	**(23,198)**	**(13,577)**	**(32,569)**	**(15,887)**
Interest	(15,727)	(8,192)	(20,323)	(8,347)
Rentals	(2)	-	(608)	(1,139)
Fines	(64)	(177)	(945)	(425)
Other	(7,405)	(5,208)	(10,693)	(5,976)
Remuneration on equity	**(139,566)**	**(15,780)**	**(141,446)**	**(15,780)**
Creation of profits reserve	(139,566)	(15,780)	(139,566)	(15,780)
Creation of profits reserve – Non-controlling interest	-	-	(1,880)	-

The notes are part of the individual and consolidated condensed interim financial statements.

Notes to the individual and consolidated condensed interim financial statements

(In thousands of reais)

1 Operating context

Elfa Medicamentos S.A. ("Company" or "Parent Company") is a publicly-held corporation engaged in the wholesale trade of medicines, headquartered in Brasília, Federal District. The Company's interim financial statements covers the Company and its subsidiaries (collectively referred to as "Elfa" or "Group").

The Group has a nationwide coverage of healthcare solutions, which distributes and sells specialty pharmaceutical drugs and medical-hospital materials and equipment to the private (hospitals, clinics and health plans) and public (federal, state and municipal) sectors.

2 List of subsidiaries

	2021	**2020**
Direct subsidiaries:		
Prescrita Medicamentos Ltda. ("Prescrita")	100%	100%
Cirúrgica Jaw Comércio de Material Médico Hospitalar Ltda. ("Cirúrgica Jaw")	100%	100%
Cristal Pharma Ltda. ("Cristal")	100%	100%
Majela Medicamentos Ltda.("Majela")	-	100%
Central Distribuidora de Medicamentos Ltda. (CDM PE) (a)	100%	100%
Central Distribuidora de Medicamentos Ltda. (CDM CE) (a)	100%	100%
Central Distribuidora de Medicamentos Ltda. (CDM Norte) (a)	100%	100%
Prime Distribuidora de Medicamentos Ltda. (Prime) (a)	100%	100%
Medcom Comércio de Medicamentos Ltda (b)	100%	100%
G.B. Distribuidora de Medicamentos e Produtos Hospitalares Ltda. (b)	100%	100%
Salus Latam Holding S.A. (c)	100%	100%
Comercial Mostaert Ltda ("Mostaert")	100%	100%
Biohosp Produtos Hospitalares S.A. ("Biohosp")	100%	100%
Dupatri Hospitalar Comércio, Importação e Exportação Ltda.	100%	-

	2021	**2020**
Indirect subsidiaries:		
Agilfarma Medicamentos Ltda.	100%	100%
Nacional Comercial Hospitalar S.A ("NCH"). (c)	100%	100%
Artmédica Comércio e Representações Ltda (c)	100%	100%
MCM Comercial Ltda. - EPP(c)	-	100%
Tino Participações S.A(c)	-	100%
Makau Participações e Empreendimentos S.A. (c)	-	100%
Comercial Commed Produtos Hospitalares Ltda (c)	100%	100%

Kauman Produtos Hospitalares Ltda (c)	-	100%
Medical Alliance Produtos Médico Hospitalares Ltda (c)	100%	100%
Logicom Logística e Transporte Ltda (c)	-	100%
Procifar Distribuidora Ltda. (c)	100%	71.87%
Vital Materiais Especiais Eireli ME (c)	100%	70.3%
Fenergy Indústria e Comércio Ltda (c)	100%	100%
Surya Dental Ltda (c)	71.87%	71.87%
Oncorio Distribuidora de Medicamentos Ltda ("Oncorio")	100%	100%
Anbioton Importadora Ltda.	100%	-
Natbio Importadora Ltda.	100%	-

(a) These companies make up the CDM Group.
(b) These companies make up the Medcom Group.
(c) These companies make up the Atrial Group.

The percentages above consider the total interest held by the group. For corporate reasons, a subsidiary needs to have a minority interest in another subsidiary to be part of the Company, however, the entire interest belongs to the group. In this context, the interest of other subsidiaries in the investees is less than 0.01%.

The activity of the subsidiaries is presented below:

- **Prescrita Medicamentos Ltda. ("Prescrita")**

A limited liability company whose business purpose is the retail trade of pharmaceutical products for human use and dermatological products, and may use electronic means to sell its products, in particular, the internet; and holding interest in other companies, in the country and abroad, and with its principal place of business in the City of João Pessoa, State of Paraíba.

- **Cirúrgica Jaw Comércio de Material Médico Hospitalar Ltda. ("Cirúrgica Jaw")**

A limited liability company headquartered in the city of Palhoça, State of Santa Catarina, engaged in the distribution of medicines and hospital supplies, serving the public and private markets in the southern region for over three decades.

On November 13, 2020, Cirúrgica Jaw acquired all the shares of Oncorio, as detailed in note 3.

- **Cristal Pharma Ltda. ("Cristal")**

A limited liability company headquartered in the City of Contagem, State of Minas Gerais. The company has been operating for over ten years and sells and distributes reference and generic medicines throughout the State of Minas Gerais and southern Bahia.

- **Majela Medicamentos Ltda. ("Majela")**

On June 30, 2021, Majela Medicamentos Ltda. ("Majela") fully transferred its assets and rights, as well as its obligations to its parent company, Elfa Medicamentos upon a merger acknowledged by the Commercial Registry. Majela's net assets were merged into Elfa on June 30, 2021, and its activities were absorbed into the Group's operations.

The following net assets were merged:

06/30/2021

Cash and cash equivalents	804
Accounts receivable from clients	4,793
Inventories	485
Recoverable taxes	1,392
Income tax and social security contribution	5,875
Accounts payable to related parties	131,148
Other assets	2,444
Total merged assets	**146,941**
Suppliers	5,334
Accounts payable to related parties	32,670
Other liabilities	1,839
Total merged liabilities	**37,857**
Total merged net equity	109,084

- **Central Distribuidora de Medicamentos Ltda. and Prime Distribuidora de Medicamentos Ltda. ("CDM Group")**

The CDM Group distributes medicines throughout Brazil, with a focus on Generics and similar segment, and also carries out wholesale trade in medical and hospital supplies. The CDM Group has service units in the states of Pernambuco, Bahia, Ceará, and Pará.

- **Medcom Comércio de Medicamentos Ltda and G.B. Distribuidora de Medicamentos e Produtos Hospitalares Ltda ("Medcom Group")**

On April 9, 2020, the Company acquired all the shares of Medcom Group. Medcom Group operates in the distribution of medicines and hospital products primarily in the Midwest region, and has drug stores in the cities of Goiânia, Brasília, and Cuiabá.

- **Salus Latam Holding S.A. ("Atrial")**

On June 30, 2020, Elfa acquired the Atrial Group, consisting of Salus Latam Holding S.A. and its subsidiaries ("Atrial"). Atrial is headquartered in the city of São Paulo, State of São Paulo, and operates in the segment of hospital, medical health products and services, with a presence in several regions of Brazil, such as: São Paulo, Rio de Janeiro, Espírito Santo, Minas Gerais, Federal District, Bahia, and Ceará.

- **Comercial Mostaert Ltda. ("Mostaert")**

On November 3, 2020, the Company acquired all shares of Mostaert, a company with a presence of more than 40 years in the market, headquartered in the city of Recife, Pernambuco, specialized in the distribution of hospital medicines, antibiotics, injectables and oncology medicines, to strengthen the presence of the group in the Northeast region.

- **Biohosp Produtos Hospitalares S.A. ("Biohosp")**

On December 18, 2020, the Company acquired all shares of Biohosp, a company with more than 20 years in the market, headquartered in the city of Contagem, Minas Gerais, and a branch in Rio de Janeiro. Its focus is on serving hospitals, clinics and government agencies throughout the country, offering a broad portfolio of medicines, medical, hospital and nutrition products. The company comes to strengthen the presence of the Elfa Group in the Southeast region.

- **Dupatri Hospitalar Comércio, Importação e Exportação Ltda. ("Dupatri")**

On January 12, 2021, the Company acquired all shares of Dupatri, a company with more than 40 years in the market, headquartered in the city of Santos, in the State of São Paulo and branches in Catalão, State of Goiás, Betim, State of Minas Gerais, and Sumaré, State of São Paulo. Its focus is on serving hospitals, clinics and government agencies throughout the country, offering a broad portfolio of medicines and medical-hospital products. The company comes to strengthen the presence of the Elfa Group in the Southeast region.

- **Anbioton Importadora Ltda. ("Anbioton") and Natbio Importadora Ltda. ("Natbio")**

On May 7, 2021, the Company's subsidiary Cirúrgica Jaw Comércio de Material Médico Hospitalar Ltda. completed the acquisition of all shares issued by Anbioton Importadora Ltda. ("Anbioton") and Natbio Importadora Ltda ("Natbio"). The acquired companies operate in the distribution of medicines, primarily in the Southeast region, with a preponderant role in the generic and nutrition markets, with their principal place of business in the City of Guarulhos, State of São Paulo. The transaction is in line with the Company's strategic objective of strengthening its presence in the Southeast region of its main lines of business (specialties, generics/similars, and nutrition).

3 Business combination

As part of our inorganic growth strategy in addition to our organic growth, during 2021 we acquired direct and indirect control of 2 company (2020: 7 companies), as detailed below.

3.1. Identifiable assets acquired and liabilities assumed

3.1.1 – Acquisitions in 2021

	Consolidated	
	Dupatri	**Anbioton Group**
Acquisition date	**01/12/2021**	**05/07/2021**
Net assets (liabilities) at acquisition date	**52,884**	**413**
Fair value of identified assets (liabilities):		
Portfolio of Customers	113,309	14,912
Licenses	116	232
Inventories	5,495	2,291
Fixed Assets	1,640	-
Total net assets at fair value	**173,444**	**17,848**
Acquired share	100%	100%
Total net assets acquired at fair value	**173,444**	**17,848**
Consideration transferred at fair value	195,841	59,100
Total consideration transferred	**195,841**	**59,100**
Goodwill on acquisition	**22,397**	**41,252**

3.1.2 – Acquisitions in 2020

Consolidated

	Medcom Group	Atrial Group	Fenergy	Surya	Mostaert	Oncorio	Biohosp
Acquisition date	**04/09/2020**	**06/30/2020**	**10/16/2020**	**10/27/2020**	**11/03/2020**	**11/13/2020**	**12/18/2020**
Net assets (liabilities) at acquisition date	**17,238**	**230,624**	**(30,451)**	**18,018**	**(3,462)**	**(15,703)**	**32,693**
Fair value of identified assets (liabilities):							
Portfolio of Customers	105,582	67,816	7,139	9,538	38,519	21,514	115,905
Licenses	581	-	-	-	-	-	-
Indemnifiable Assets (Note 17)	-	-	36,400	12,171	42,014	8,685	-
Total net assets at fair value	**123,401**	**298,440**	**13,088**	**39,727**	**77,071**	**14,496**	**148,598**
Acquired share	100%	100%	100%	71.87%	100%	100%	100%
Total net assets acquired at fair value	**123,401**	**298,440**	**13,088**	**28,552**	**77,071**	**14,496**	**148,598**
Consideration transferred at fair value	344,675	623,375	18,000	37,000	95,303	34,356	217,043
Contingent consideration	-	-	-	-	9,600	-	-
Share-based plan replacement	-	4,010	-	-	-	-	-
Total consideration transferred	**344,675**	**627,385**	**18,000**	**37,000**	**104,903**	**34,356**	**217,043**
Goodwill on acquisition	**221,274**	**328,945**	**4,912**	**8,448**	**27,832**	**19,860**	**68,445**

3.2 Acquisition of subsidiaries

The fair value of identifiable assets and liabilities are calculated through the preparation of a valuation report on the acquisition date, and were measured on a provisional basis up to a period of one year, when the measurement becomes definitive.

- **Acquisition of the Anbioton Group**

On January 7, 2021, the Company acquired all shares of Anbioton Group for the total acquisition price of BRL59,100, of which (i) BRL28,284 was paid in cash, (ii) BRL18,857 as retained installment, which may be paid in full or in part after compliance with the clauses set forth in the purchase and sale agreement, and (iii) a contingent consideration in the amount of BRL11,959, called "earn-out," subject to the achievement of certain result metrics of Anbioton. This acquisition strengthens Elfa's position in the Southeast region in its main lines of business (specialty drugs and nutrition).

- **Acquisition of Dupatri**

On January 12, 2021, the Company acquired all shares of Dupatri for the total acquisition price of BRL195,841, of which (i) BRL95,014 was paid in cash, (ii) BRL95,001 as retained installment, which may be paid in full or in part after compliance with the clauses set forth in the purchase and sale agreement, and (iii) a contingent consideration in the amount of BRL5,827, called "earn-out," subject to the achievement of certain result metrics of Dupatri. This acquisition strengthens Elfa's position in the Southeast region in its main lines of business (specialty and generic drugs and medical and hospital supplies).

- **Acquisition of the non-controlling interest of Procifar**

On January 29, 2021, the indirect subsidiary Nacional completed the supplemental acquisition of 28.13% of the remaining shares of Procifar Distribuidora de Material Hospitalar S.A. ("Procifar") for the total amount of BRL21,243, of which (i) BRL16,243 was paid in cash; and (ii) BRL5,000 as retained installment. With the transaction, the Group holds 100% of the capital of Procifar, and indirectly 100% of Vital. The transaction is in line with the Company's strategic objective of strengthening its distribution of hospital supplies in the Northeast Region.

- **Acquisition of the Medcom Group**

On April 9, 2020, the Company acquired all shares of the Medcom Group for the acquisition price of BRL344,675, of which (i) BRL82,185 was paid in cash and BRL217,338 in Company shares at fair value on the date and (ii) BRL45,153 as retained installment, which may be paid in full or in part after compliance with the clauses set forth in the purchase and sale agreement. This acquisition strengthened our position in the Midwest region, and the possibility to expand the delivery channel to this region.

- **Acquisition of Atrial**

On June 30, 2020, the Company acquired all shares of Salus Latam Holding S.A., the parent company of Atrial Group, through the issue of 78,166,378 new shares in favor of Atrial shareholders, equivalent on the transaction date to the full amount of BRL623,375, considering the fair value of the shares delivered. The fair value of equity instruments issued (common shares) was based on an independent valuation report commissioned for the purpose of this acquisition. No other consideration was paid on the acquisition and there is no expected payment on future dates.

This acquisition enables the Group to offer a more complete solution for the healthcare sector, expanding the product portfolio through the Atrial Group's know-how in medical-hospital materials and equipment.

Replacement of share-based payment plan

Pursuant to the terms and conditions of the acquisition agreement, the Group replaced the share-based payment plan, payable in shares, maintained by Atrial employees (acquired company's plan) by a share-based payment plan, also payable in shares, of the Group (new plan). Details of the acquired company's plan and the new plan are given below:

Plan of acquired company	**New Plan**
Granted on January 31, 2019, and 2020	Granted on June 30, 2020
Vesting date January 10, 2023	Vesting date by June 2024
Vesting date January 10, 2024	
Fair value – BRL4,010	Fair value – BRL4,010

- **Acquisition of Fenergy**

On October 16, 2020, the Company acquired, through its subsidiary Atrial, all shares of Fenergy for the acquisition price of BRL18,000, of which (i) BRL8,401 was paid in cash and (ii) BRL9,599 on account of retained installment, which may be paid in full or in part after compliance with the clauses set forth in the purchase and sale agreement. This acquisition strengthens our portfolio of hospital and medical supplies in consumables for highly complex surgeries, mainly in the South region.

- **Acquisition of Surya**

On October 27, 2020, the Company acquired, through its subsidiary Atrial, 71.87% of Surya's shares, for the total amount of BRL37,000, being (i) BRL33,000 paid in cash; and (ii) BRL4,000 as a retained installment, which may be paid in full or in part after compliance with the clauses set forth in the purchase and sale agreement. This acquisition positions Elfa in the distribution of products aimed at dental clinics, with a presence throughout Brazil. For this investment, the Company recognized a non-minority interest in the acquisition of BRL8,493.

- **Acquisition of Mostaert**

On November 3, 2020, the Company acquired all shares of Mostaert for the total purchase price of BRL104,903, of which (i) BRL51,482 was paid in cash and the remainder (ii) BRL43,821 as retained installment, which may be paid in full or in part after compliance with the clauses set forth in the purchase and sale agreement; and (iii) a contingent consideration in the amount of BRL9,600, called "earn-out," conditional on the achievement of certain result metrics of Mostaert. This acquisition strengthens Elfa's presence in the Northeast region, mainly in the distribution of hospital medicines, antibiotics, injectables and oncology medicines.

- **Acquisition of Oncorio**

On November 13, 2020, the indirect subsidiary Jaw acquired all shares of Oncorio for the total acquisition price of BRL34,356, of which (i) BRL20,613 was paid in cash; and (ii) BRL13,743 as retained installment, which may be paid in full or in part after compliance with the clauses set forth in the purchase and sale agreement. This acquisition strengthens Elfa's position in the Southeast region, mainly in the oncology medication segment.

- **Acquisition of Biohosp**

On December 18, 2020, the Company acquired all Biohosp shares for the total acquisition price of BRL217,043, of which (i) BRL113,499 was paid in cash, (ii) BRL19,354 in shares (valued at fair value on the date); and (iii) BRL84,190 as retained installment, which may be paid in full or in part after compliance with the clauses set forth in the purchase and sale agreement. This acquisition strengthens Elfa's position in the Southeast region in its main lines of business (specialty and generic drugs and medical and hospital supplies).

3.3 Measurement of fair value

The table below summarizes the allocation of identifiable assets acquired on the acquisition date, which were recorded by the Company at their fair value.

Acquisition Date	Dupatri 01/12/2021	Anbioton Group 05/07/2021	Total
Portfolio of Customers	113,309	14,912	128,221
Licenses	116	232	348
Inventories	5,495	2,291	7,786
Fixed Assets	1,640	-	1,640
Total identifiable assets	**120,560**	**17,435**	**137,995**
Customer portfolio useful life	7 years	5.7 years	
Operating licenses	1 year	1 year	

Acquisition Date	Medcom Group 04/09/2020	Atrial 06/30/2020	Fenergy 10/16/2020	Surya 10/27/2020	Mostaert 11/03/2020	Oncorio 11/13/2020	Biohosp 12/18/2020	Total
Customer portfolio	105,582	67,816	7,139	9,538	38,519	21,514	115,905	366,013
Licenses	581	-	-	-	-	-	-	581
Indemnity assets (Note 17)	-	-	36,400	12,171	42,014	8,685	-	99,270
Total identifiable assets	**106,163**	**67,816**	**43,539**	**21,709**	**80,533**	**30,199**	**115,905**	**465,864**
Customer portfolio useful life	7 years	7.7 years	8 years	7 years	9 years	8 years	9 years	
Operating licenses	2 years	-	-	-	-	-	-	

The evaluation methods used to measure fair value of significant assets acquired were as follows:

Intangible assets - Customer portfolio
The Multi-Period Excess Earnings Method – MPEEM was used, which considers the present value of the net cash flows expected from customer relations, excluding any cash flow related to contributing assets.

Intangible assets – Licenses
The regulatory agency approval time and all the direct costs involved were considered.

Indemnity assets
It was measured by reflecting the fair value of any losses arising from probable contingent liabilities arising from taxable events incurred in periods prior to the closing date of each acquisition by the Company's subsidiaries. Pursuant to the purchase and sale agreements of said acquisitions, such contingencies are the responsibility of the former shareholders and must be indemnified by them to the company of the group that suffered the loss. The indemnity may also occur through the use of funds from the installments withheld from the payment of the price, any other guarantees or own funds resources of the former shareholders.

Intangible assets – Non-compete agreement ("non-compete")
The method used to evaluate the non-compete agreement was the *With and Without.* This methodology is based on the calculation of the difference between the cash flow generated by the assets, taking into account the effect of the existing non-compete agreement and if the same agreement did not exist.

Inventories

The value of the gross sales margin is applied to the value of the finished products available for sale, deducted from the run-off and storage costs.

Fixed assets
The method consists of obtaining the value of new, same or similar machinery and equipment through market survey with manufacturers, suppliers, and added, when applicable, with assembly and transport expenses.

4 Basis for preparation

Statement of compliance

The condensed interim financial statements was prepared and presented in accordance with accounting practices adopted in Brazil and in accordance with the International Financial Reporting Standard ("IFRS"), issued by the International Accounting Standards Committee ("IASB"), specifically CPC 21 (R1) - Interim Statements and IAS 34 - Interim Information, applicable to the filing of quarterly financial statements, and presented in a manner consistent with the standards issued by the Brazilian Securities Commission ("CVM"). All relevant information related to the interim financial statements, and only this information, is being highlighted and corresponds to that used by Elfa's Management in its administration.

These individual and consolidated condensed interim financial statements were authorized by the Management on May 12, 2021. After the issue, only shareholders have the power to change the interim financial statements.

All relevant information in the individual and consolidated interim financial statements, and only that, is being evidenced, and corresponds to that used by Management in its administration.

Basis for preparation

The condensed interim financial information was prepared to update users on the relevant events and transactions that took place in the period and shall be analyzed together with the financial statements for the year ended December 31, 2020.

Accounting policies, accounting estimates and judgments, risk management and measurement methods are the same as those adopted in preparing the last annual financial statements.

We list below the notes that were presented in the annual financial statements as of December 31, 2020, which are not being included or presented in the same level of detail in these individual and consolidated quarterly financial statements, given the absence of relevant changes in this quarter:

	Reference
Basis for preparation and presentation of the financial statements	Note 4
Accounting policies	Note 8

These financial statements are presented in thousands of Reais, which is the functional currency of the Company and its subsidiaries. All balances have been rounded up to the nearest thousand, except where otherwise specified.

Significant events of the period - Coronavirus outbreak

The Company continued with various control measures to preserve its employees and operations, monitoring and developments related to the pandemic, in addition to coordinating any responses planned in business continuity plans and guidelines from health agencies, governments and best practices. We cannot tell when the social distancing will be discontinued with the respective resumption of the face-to-face administrative activities. We estimate that it will happen gradually with the relief of the effects of the pandemic.

Below is a summarized list of the main measures in force:

- Compliance with Ministry of Health determinations, such as remote work, in addition to coexistence and behavior protocols and other guidelines related to prevention and hygiene
- Maintenance of the Crisis Committee to take actions to contain the disease in administrative and operational areas
- Restrictions on travel, meetings, events and in-person training
- Continuous internal communication measures against COVID-19 for employees working remotely or in person
- Continuous reinforcement of safety procedures and use of PPE, availability of gel alcohol and masks, and information on physical health and emotional balance
- Reinforcement of inventory level management and production reorganization.

The Company intends to take the necessary actions to prevent the dissemination of COVID-19, as well as to ensure business continuity during the pandemic. Although the Company's operations, sales or financial situation have not been significantly affected so far, considering that the Company's operating segment is considered of essential nature, the Management is unable to estimate or predict the occurrence of future events related to the pandemic. The management continually assesses possible impacts on operations and is committed to informing possible new scenarios and necessary measures to be taken.

5 Changes in the main accounting policies

The amendments to IFRS standards made by the IASB and in effect for the year beginning on January 1, 2020, had no impact on the Company's interim financial statements. Additionally, the IASB issued/revised some IFRS standards, which have been adopted for the year 2021 or thereafter, and the Company is assessing the impacts of the adoption of these standards on its financial statements:

- Amendment to standard IAS 1 – Classification of liabilities as current or non-current: Clarifies aspects to be considered for the classification of liabilities as current liabilities or non-current liabilities. This amendment to the standard is effective for fiscal years beginning on/or after January 1, 2022.

The Company does not expect significant impacts on its financial statements.

6 Measurement basis and main accounting policies

Measurement basis

The interim financial statements were prepared based on historical cost, unless otherwise indicated.

Main accounting policies

Elfa applied the accounting policies described below in a manner consistent with those adopted in the preparation of the financial statements as of December 31, 2020, unless otherwise indicated:

a. Consolidation basis
b. Foreign Currency
c. Revenue from contract with client
d. Employee benefits
e. Government subsidy
f. Financial revenues and expenses
g. Income tax and social security contribution
h. Inventories
i. Property, plant, and equipment
j. Intangible assets and goodwill
k. Financial instruments
l. Impairment
m. Provisions
n. Earnings per share, basic and diluted
o. Leases
p. Measurement of the Fair Value

7 Cash and cash equivalents and securities

	Parent Company		Consolidated	
	06/30/2021	12/31/2020	06/30/2021	12/31/2020
Cash	8	9	1,086	1,056
Bank account movement	5,106	6,590	61,251	106,908
Immediate liquidity financial investments (a)	90,743	59,319	152,362	120,497
Total cash and cash equivalents	**95,858**	**65,918**	**214,699**	**228,461**
Marketable securities (b)	-	-	-	75,137
Total Cash and cash equivalents and marketable securities	**95,858**	**65,918**	**214,699**	**303,598**

(a) On June 30, 2021, these investments were substantially in Bank Deposit Certificates (CDB), buyback and funds, all with immediate liquidity and with yields indexed to the Interbank Deposit Certificate (CDI), progressively according to the period that the amount is kept in the investment account.

(b) On December 31, 2020, the bonds and securities refer to the shares acquired from Fundo Santander Argo Cash Management Renda Fixa Referenciado DI Fundo de Investimento, correspond to investments in a private credit multimarket investment fund duly registered with the CVM. The shares have no maturity date and are redeemable at any time in accordance with the Group's liquidity needs. The fund's portfolio consists of Bank Deposit Certificates ("CDB"), Buyback, Financial Bills, Treasury Bonds and other funds as provided for in its investment policy. The securities were settled during the 2021 period.

8 Accounts receivable from clients

	Parent Company		Consolidated	
	06/30/2021	12/31/2020	06/30/2021	12/31/2020
Private clients	300,620	263,363	1,057,768	747,780
Public clients	90,870	83,504	176,797	203,182
Accounts receivable from related parties (note 13)	10,717	8,724	11,777	9,181
	402,207	355,591	1,246,342	960,143
(-) Estimated losses due to impairment of accounts receivable PECLD (a)	(45,002)	(27,251)	(63,889)	(53,083)
	357,205	**328,340**	**1,182,453**	**907,060**

Balances of accounts receivable according to its maturity are as follows:

	Parent Company		Consolidated	
	06/30/2021	12/31/2020	06/30/2021	12/31/2020
To be due	298,843	262,407	936,988	745,701
Past due up to 30 days	21,624	19,810	93,653	53,057
Past due from 31 to 90 days	14,875	26,630	72,106	58,328
Past due from 91 to 180 days	9,750	7,376	33,795	26,462
Past due for more than 181 days	57,115	39,368	109,800	76,595
Total	**402,207**	**355,591**	**1,246,342**	**960,143**
(-) Provision for impairment PECLD	(45,002)	(27,251)	(63,889)	(53,083)
	357,205	**328,340**	**1,182,453**	**907,060**

(a) The increase is substantially due to the merger of the net assets of the subsidiary Majela, in the amount of BRL12,350, as mentioned in note 2.

Changes in the provision for impairment of amounts receivable are shown below:

	Parent Company		Consolidated	
	06/30/2021	12/31/2020	06/30/2021	12/31/2020
Initial Balance	(27,251)	(22,493)	(53,083)	(47,151)
Constitution / Reversal	(17,751)	(4,758)	(10,806)	(5,932)
Final balance	(45,002)	(27,251)	(63,889)	(53,083)

The net losses debited/credited during the periods/years are shown below:

	Parent Company		Consolidated	
	06/30/2021	12/31/2020	06/30/2021	12/31/2020
Constitution / Reversal of provision for impairment losses	(17,751)	(4,758)	(10,806)	(5,932)
Loss of receivables in the period	727	-	(775)	(1,970)
Merger of Company	12,350	-	-	-
Income / expenses to the recovery of receivables	-	86	-	86
Total (debited)/credited to the result for the period/year	**(4,674)**	**(4,672)**	**(11,581)**	**(7,816)**

9 Inventories

	Parent Company		Consolidated	
	06/30/2021	12/31/2020	06/30/2021	12/31/2020
Goods for resale	159,356	160,691	670,974	566,880
Consignment Goods	6,146	4,853	7,108	6,039
	165,502	165,544	678,082	572,919
(-) Provision for inventory losses	(418)	(194)	(2,148)	(969)
Total	**165,084**	**165,350**	**675,934**	**571,950**

The change in the provision for inventory losses is shown below:

	Parent Company		Consolidated	
	06/30/2021	12/31/2020	06/30/2021	12/31/2020
Initial Balance	(194)	(172)	(969)	(467)

Constitution / reversal	(224)	(22)	(1,179)	(502)
Final balance	(418)	(194)	(2,148)	(969)

10 Recoverable taxes and income tax and social security contribution

	Parent Company		Consolidated	
	06/30/2021	**12/31/2020**	**06/30/2021**	**12/31/2020**
Tax on Distribution of Goods and Services (ICMS) (a)	13,086	6,214	119,180	54,293
PIS (Social Integration Program) and COFINS (Contribution for the Financing of Social Security)	3,327	4,030	15,499	13,332
Others	362	294	22,231	14,792
Recoverable taxes	**16,775**	**10,538**	**156,910**	**82,417**
Income tax and social contribution	**24,281**	**24,455**	**42,025**	**33,066**

(a) The consolidated amount mainly refers to: BRL15,717 (BRL15,169 in 2020) of ICMS-ST, related to the reimbursement of interstate sales and the difference between the amount of tax paid through tax substitution and the amount that would be due at the time of sale and BRL62,423 (BRL37,971 in 2020) referring to tax credits arising from purchases of goods. Additionally, the subsidiary Dupatri has a credit balance, in June, before SEFAZ SP, in the amount of BRL22,239, due to transactions with government agencies, and sale to non-taxpayers in other states. The subsidiary is currently preparing a reimbursement request through the "e-Credac" portal for future use.

11 Investments (parent company)

a. Composition of investments

Investee	Interest percentage		Equity		Indemnifiable Assets		Surplus value		Goodwill		Total investments	
	06/30/2021	**12/31/2020**	**06/30/2021**	**12/31/2020**	**06/30/2021**	**12/31/2020**	**06/30/2021**	**12/31/2020**	**06/30/2021**	**12/31/2020**	**06/30/2021**	**12/31/2020**
Prescrita	100%	100%	105,846	61,209	-	-	-	-	-	-	105,846	61,209
Jaw	100%	100%	145,658	110,034	-	-	1,937	2,117	5,207	5,207	152,802	117,358
Cristal	100%	100%	50,711	42,473	-	-	3,571	3,939	8,569	8,569	62,851	54,981
Majela	100%	100%	-	119,565	-	-	-	21,835	-	87,235	-	228,635
CDM Group	100%	100%	77,686	53,254	-	-	40,660	44,668	46,091	46,091	164,437	144,013
Medcom Group	100%	100%	79,407	37,976	-	-	86,477	94,197	221,274	221,274	387,158	353,447
Atrial	100%	100%	220,415	231,048	-	-	57,993	62,864	328,945	328,945	607,353	622,857
Mostaert	100%	100%	33,280	171	42,014	42,014	35,694	37,584	27,832	27,832	138,820	107,601
Biohosp	100%	100%	64,615	32,693	-	-	109,832	115,905	68,445	68,445	242,892	217,043
Dupatri	100%	-	90,613	-	-	-	108,195	-	22,397	-	221,205	-
		Total	**868,231**	**688,423**	**42,014**	**42,014**	**444,359**	**383,109**	**728,760**	**793,598**	**2,083,364**	**1,907,144**

b. Summary financial information

Investee	Current Assets		Non-current assets		Current liabilities		Non-current liabilities		Equity		Net Income	
	06/30/2021	**12/31/2020**	**06/30/2021**	**12/31/2020**	**06/30/2021**	**12/31/2020**	**06/30/2021**	**12/31/2020**	**06/30/2021**	**12/31/2020**	**06/30/2021**	**12/31/2020**
Prescrita	129,808	125,577	65,328	40,804	61,523	66,782	27,767	38,390	105,846	61,209	12,956	9,268
Jaw	136,039	114,843	185,921	108,206	95,630	69,342	80,672	43,673	145,658	110,034	13,165	6,829
Cristal	60,901	31,079	30,672	28,972	40,051	13,421	811	4,157	50,711	42,473	2,825	307
Majela	-	13,151	-	143,191	-	6,225	-	30,552	-	119,565	-	(6,145)
CDM Group	107,805	96,728	34,605	23,104	50,292	50,441	14,432	16,137	77,686	53,254	2,656	1,260
Medcom Group	240,802	215,860	33,705	21,206	132,813	130,917	62,287	68,173	79,407	37,976	9,385	8,772
Atrial	302,823	378,764	245,589	143,865	186,854	182,257	141,143	109,324	220,415	231,048	(384)	(4,528)
Mostaert	124,484	93,108	18,213	44,946	59,959	52,389	49,458	86,429	33,280	(764)	20,049	2,698
Biohosp	241,348	204,078	12,436	6,748	163,187	162,153	25,982	15,980	64,615	32,693	25,849	-
Dupatri	194,208	-	24,821	-	120,536	-	7,880	-	90,613	-	26,497	-
Total	**1,538,218**	**1,273,188**	**651,290**	**561,042**	**910,845**	**733,927**	**410,432**	**412,815**	**868,231**	**687,488**	**112,998**	**18,461**

c. Changes in investments

	Prescrita	Sanlog	Jaw	Cristal	Majela	CDM Group	Medcom Group	Atrial	Mostaert	Biohosp	Dupatri	Total
Balance as of 01/01/2020	**51,941**	**328**	**110,529**	**54,674**	**234,780**	**142,753**	**-**	**-**	**-**	**-**	**-**	**595,005**
Net acquired assets (liabilities), including client portfolio	-	-	-	-	-	-	123,401	298,440	35,057	148,598	-	605,496
Goodwill arising from the acquisition	-	-	-	-	-	-	221,274	328,945	27,832	68,445	-	646,496
Indemnity assets	-	-	-	-	-	-	-	-	42,014	-	-	42,014
Equity accounting method	9,268	-	6,829	307	(6,145)	1,260	8,772	(4,528)	2,698	-	-	18,461
Write-off upon merger	-	(328)	-	-	-	-	-	-	-	-	-	(328)
Balance as of 12/31/2020	**61,209**	**-**	**117,358**	**54,981**	**228,635**	**144,013**	**353,447**	**622,857**	**107,601**	**217,043**	**-**	**1,907,144**
Balance as of 01/01/2021	**61,209**	**-**	**117,358**	**54,981**	**228,635**	**144,013**	**353,447**	**622,857**	**107,601**	**217,043**	**-**	**1,907,144**
Net acquired assets (liabilities), including surplus	-	-	-	-	-	-	-	-	-	-	173,444	173,444
Goodwill arising from the acquisition	-	-	-	-	-	-	-	-	-	-	22,397	22,397
Write-off upon merger (a)	-	-	-	-	(226,116)	-	-	-	-	-	-	(226,116)
Distribution of dividends	(1,464)	-	(331)	-	-	-	-	-			(1,133)	(2,928)
Adjustment of acquisition of non-controlling interests	-	-	-	-	-	-	-	(15,120)	-	-	-	(15,120)
Capital increase	33,145	-	22,610	5,045	-	17,768	24,326	-	11,170	-	-	114,064
Equity accounting method	12,956	-	13,165	2,825	(2,519)	2,656	9,385	(384)	20,049	25,849	26,497	110,479
Balance as of 6/30/2021	**105,846**	**-**	**152,802**	**62,851**	**-**	**164,437**	**387,158**	**607,353**	**138,820**	**242,892**	**221,205**	**2,083,364**

(a) As mentioned in Note 2, on June 30, 2021, investee Majela was merged with and into Elfa.

12 Intangible assets

	Parent Company			
			06/30/2021	12/31/2020
	Cost	Accumulated amortization	Net	Net
Defined useful life				
Right to use software	7,474	(868)	6,606	6,503
Merged goodwill (a)	87,235	-	87,235	-
Merger surplus (a)	48,486	(29,489)	18,997	-
	143,195	**(30,357)**	**112,838**	**6,503**

	Consolidated			
			06/30/2021	12/31/2020
	Cost	Accumulated amortization	Net	Net
Defined useful life				
Customer portfolio	612,791	(105,019)	507,772	415,550
Non-compete	6,753	(2,857)	3,896	4,575
Software and other intangible assets	18,487	(3,276)	15,211	13,854
Indefinite useful life				
Goodwill	895,672	-	895,672	831,814
Trademarks and patents	28	-	28	28
	1,533,731	**(111,152)**	**1,422,579**	**1,265,821**

(a) As mentioned in note 2, on 06/30/2021, Elfa carried out the merger of the subsidiary Majela. The goodwill amounts and the residual balance of the surplus arising from the acquisition were merged into the parent company's intangible assets on this date.

The change of intangible assets is shown below:

	Parent Company		Consolidated	
	06/30/2021	12/31/2020	06/30/2021	12/31/2020
Opening Balance	**6,503**	**4,376**	**1,265,821**	**252,848**
Additions				
Software's license of use	552	2,165	2,239	2,070
Surplus (a)	-	-	154,918	363,330
Goodwill (b)	-	-	46,726	679,716
Investee's merger	106,232	-	-	-
Balance acquired through acquisitions				
Software license of use and other intangible	-	-	128	6,313
Amortization				
Software license of use	(449)	(38)	(1,112)	(658)
Distribution Contracts	-	-	(39,969)	(36,425)
Inventory surplus	-	-	(5,495)	-
Non-compete agreement	-	-	(678)	(1,373)
Final balance	**112,838**	**6,503**	**1,422,578**	**1,265,821**

(a) The transactions in the period are composed of the accounting of the surplus calculated on the acquisition of Dupatri (BRL120,560) and Anbioton (BRL17,435). The fair value of these assets was set by the Management based on an economic appraisal report issued by experts on a temporary basis. This agreement allows access to the client portfolio, inventories and property, plant, and equipment of the acquired companies and, for this reason, it is appreciated in the surplus of the economic report.

(b) The transactions in the period/year are comprised of the recording of goodwill calculated on acquisitions of direct investee Dupatri (BRL22,397) and Anbioton (BRL41,252). Goodwill is calculated as the difference between the acquisition value and the fair value of acquired assets and liabilities.

Goodwill paid for expected future profitability

The goodwill balance calculated on the acquisition of equity interests is based on the expected future profitability of the acquired operations and amounts to BRL895,672, on June 30, 2021 (2020: BRL831,814).

The goodwill allocated by business segment is described below:

Goodwill	Total
Pharmaceutical specialties	648,528
Hospital and medical supplies	247,144
Total	895,672

The Group performed a sensitivity analysis of the last recoverable amount test performed and concluded that there are no new indications that would require the performance of an interim test on June 30, 2021.

As of December 31, 2020, the future cash flows were discounted based on the representative rate of weighted average cost of capital (WACC). In a consistent manner with the economic assessment techniques, the assessment of the value in use effected for a period of five (5) years and, thereafter, it was considered the perpetuity of the assumptions after that period, with growth, in view of the capacity of the continuation of the business for an undefined term.

For discounting future cash flows, the WACC of 10.40% p.a. was used for both reportable segments, before taxes (in the nominal local currency, including inflation). The main assumptions used to estimate the recoverable amount of reportable segments are defined below:

	Consolidated	
As a percentage	**2021**	**2020**
Discount rate (Both segments)	10.4	10.4
Perpetuity growth rate (Both segments)	3.30	3.30
Estimated growth rate (average for the next five years) - Specialties	14%	14%
Estimated growth rate (average for the next five years) - Materials	15.2%	15.2%

The Management identified that the projected value in use would be equivalent to its book value if the discount rate used was 15.9%.

13 Transactions with related parties

	Parent Company		Consolidated	
	06/30/2021	12/31/2020	06/30/2021	12/31/2020
Current assets				
Accounts receivable from clients - Note 8 / (a)				
Med Imagem S/C	449	264	860	416
Hospital Memorial Nossa Senhora das Neves	6,777	5,328	7,412	5,619
Hospital Oftalmológico de Brasília Ltda.	238	205	238	205
VJ Farma Ltda.	14	59	26	73
Brazil Senior Living S.A.	3,239	2,868	3,241	2,868
	10,717	**8,724**	**11,777**	**9,181**
Non-current assets				
Accounts receivable from subsidiaries assessment of the shared service center (b)				
Prescrita	2,394	1,777	-	-
Cirúrgica Jaw	3,400	3,124	-	-
Majela	-	1,743	-	-
Cristal	152	-	-	-
CDM Group	1,683	2,320	-	-
Agilfarma	1,072	932	-	-
	8,701	**9,896**	**-**	**-**
Advance for future capital increase (c)				
Precrita	25,260	36,835	-	-
Cirúrgica Jaw	45,443	22,610	-	-
Cristal	-	3,680	-	-
CDM Group	12,345	14,963	-	-
Majela	-	29,925	-	-
Atrial	60,995	1,000	-	-
Medcom Group	57,014	59,800	-	-
Mostaert	5,400	-	-	-
Biohosp	13,300	-	-	-
	219,757	**168,813**	**-**	**-**
Current liabilities				
Payables to related parties - Note 14				
Gestão e Transformação Consultoria S.A.(e)	-	540	-	-
Egallo Participações Ltda – Epp	-	-	15	-
Lle Participações Ltda	-	-	12	-
Thúlio Coelho Moraes Guerra	-	-	19	-
	-	**540**	**46**	**-**
Non-current liabilities				
Payables to related parties - Note 14 (d)				
Prescrita	27,659	11,996	-	-
Cristal	21,075	20,409	-	-
Atrial	130,000	50,000	-	-
Majela Medicamentos Ltda.	-	129,599	-	-
Cirúrgica Jaw	66,113	62,133	-	-
CDM Group	18,190	12,472	-	-
MEDCOM	9,300	-	-	-
Mostaert	16,300	-	-	-
	288,637	**286,609**	**-**	**-**

	Parent Company	Consolidated

Income				
Net sales revenue (a)	**06/30/2021**	**06/30/2020**	**06/30/2021**	**06/30/2020**
Cirúrgica Jaw	71,645	13,157	-	-
Cristal Pharma Ltda.	42,308	1,533	-	-
Prescrita Medicamentos Ltda.	81	51	-	-
CDM Group	2,974	-	-	-
Majela Medicamentos Ltda.	13	1,586	-	-
Med Imagem S/C (a subsidiary of Athena Saúde) (Fund V)	1,468	1,141	2,664	1,141
Hospital Memorial Nossa Senhora das Neves	10,154	2,896	11,285	2,896
Hospital Oftalmológico de Brasília Ltda. (Fund V)	670	-	736	-
VJ Farma Ltda. (Fund V)	75	6	137	6
Brazil Senior Living S.A. (Fund IV)	9,729	-	10,081	-
	139,117	**20,370**	**24,903**	**4,043**
Cost of goods sold				
Cirúrgica Jaw	(71,199)	(13,112)	-	-
Cristal	(42,367)	(1,231)	-	-
Prescrita	(440)	(211)	-	-
CDM Group	(2,955)	(47)	-	-
Majela	(14)	(1,565)	-	-
	(116,975)	**(16,166)**	**-**	**-**
Payment of property leases				
Antônio Carlos Ferreira De Souza	-	-	(60)	-
Egallo Participações Ltda - Epp	(88)	(38)	(88)	(38)
Gershenson Participacoes Societarias Ltda	-	-	(53)	
Lle Participações Ltda	(489)	(211)	(489)	(211)
Shirley Gershenson Administradora De Bens Eireli	-	-	(53)	-
Wilson Gil Filho and Alessandra Moreno de Aguiar	-	(9)	-	(9)
	(577)	**(258)**	**(743)**	**(258)**
Expenses with service provision				
Pátria Investimentos Ltda	-	(2,197)	-	(2,197)
Gestão e Transformação Consultoria S.A. (e)	(1,465)	(330)	(1,465)	(330)
Gran Coffee Comércio, Locação e Serviços S/A (f)	(18)	(1,020)	(20)	(1,020)
	(1,483)	**(3,547)**	**(1,485)**	**(3,547)**

(a) Sale of goods made to the mentioned companies with terms of 2 to 3 months.
(b) It regards the apportionment charged due to the sharing of corporate costs, as they are Elfa's subsidiaries, the Company's intention is that payments would occur in a period exceeding 12 months.
(c) It regards advances made for capital increase in future periods. As they are Elfa's subsidiaries, the Company's intention is that payments or capitalization would occur in a period exceeding 12 months.
(d) It regards remittances sent to the parent company as an advance of future dividends without a set term, which, however, the Management that controls the party and counterparty understands that they shall not be paid within 24 months.
(e) It regards management and consulting services performed in the processes of prospecting for new business with terms of 2 to 3 months.
(f) It regards the lease of coffee machines and equipment used in the group's facilities for a period of 30 days.

All outstanding balances with those related parties reported in the parent company and consolidated are priced based on conditions usually applicable to transactions between unrelated parties. None of the balances is secured.

No expense was recognized in the year or the previous year for bad debts or doubtful debts in relation to the amounts owed by related parties.

Management Remuneration

The key management personnel includes statutory and non-statutory officers. Compensation for key personnel during the period ended June 30, 2021, was BRL6,269 (BRL8,308, as of June 30, 2020), considering the following breakdown:

Total remuneration of key management personnel for each of the following categories:

(a) Fixed and variable short-term benefits for employees and managers: BRL3,531 (December 31, 2020: BRL9,376)
(b) Share-based remuneration: BRL2,917 (December 31, 2020: BRL4,414)

14 Trade and other accounts payable

The transactions that the Company and its subsidiaries maintain with domestic and foreign suppliers are substantially drug purchase transactions.

	Parent Company		Consolidated	
	06/30/2021	**12/31/2020**	**06/30/2021**	**12/31/2020**
Suppliers of goods	253,354	293,120	1,003,054	903,051
Fixed asset suppliers	110	315	125	482
Consumer goods suppliers	159	85	452	410
Payable Services	9,104	2,989	10,481	3,875
Account payable to related parties (Note 13)	288,637	286,609	-	-
Advances received and other account payable	21,247	14,136	52,439	46,649
Total	**572,611**	**597,254**	**1,066,551**	**954,467**
Current	**283,974**	**310,645**	**1,066,551**	**954,467**
Non-current	**288,637**	**286,609**	**-**	**-**

15 Loans and financing, leases payable

			Parent Company		Consolidated	
Modality	**Interest rates**	**Currency**	**06/30/2021**	**12/31/2020**	**06/30/2021**	**12/31/2020**
Working capital	CDI + 1.91% to 4.28% p.a.	Brazilian Real	438,748	334,048	490,364	377,333
Derivatives	CDI + 2.70% p.a.	USD/BRL	(7,782)	1,803	(7,782)	1,803
Leases payable	IGPM	Brazilian Real	13,600	7,658	53,849	30,718
Total			**444,566**	**343,509**	**536,431**	**409,854**
Current liabilities			**156,454**	**107,679**	**194,133**	**142,029**
Non-current liabilities			**288,112**	**235,830**	**342,298**	**267,825**

CDI - Bank Deposit Certificates
IGPM - Disclosed General Market Price Index

Funding is mostly in Brazilian reais or in accordance with Central Bank Resolution 4131. The Company has a loan in foreign currency, as provided below, and is protected in this operation from foreign currency fluctuations through swaps contracted at the same time of funding, under the same terms and conditions as the original loan agreement. The average financial charges are equivalent to approximately 119% of the CDI rate in the parent company and consolidated.

Loans and financing are guaranteed by fiduciary assignment of credit rights owned by the Company and its subsidiaries arising from the issue of trade bills.

Borrower	Bank	Type	Index	Final maturity	Face value	Book value 06/30/2021
Elfa	Santander	4131	CDI+ 1.91% p.a.	06/26/2024	100,000	102,087
Elfa	Santander	CCB	CDI+ 2.70% p.a.	06/29/2023	50,000	50,970
Elfa	Santander	4131	CDI + 2.20% p.a.	11/20/2023	50,000	50,232
Elfa	Santander	4131	CDI + 2.85% p.a.	02/09/2024	64,000	64,826
Elfa	Itaú	CCB	CDI + 2.30% p.a.	12/20/2021	32,000	32,054
Elfa	Citi	4131 + Swap	USD+Libor+CDI + 2.59 p.a.	02/08/2024	126,286	138,579
Total Parent Company					**422,286**	**438,748**
Medcom	Itaú	CDC	0.74% p.a.	12/03/2021	64,308	15
Atrial	Santander	Working capital	CDI+0.83% p.a.	09/30/2021	460	187
Biohosp	Safra	Working capital	CDI+3.50% p.a.	02/22/2023	9,000	4,529
Biohosp	Sicoob	Working capital	CDI+3.65% p.a.	07/15/2024	17,663	12,336
Biohosp	Alfa	Working capital	CDI+4.28% p.a.	07/03/2023	4,000	3,146
Oncorio	Santander	Working capital in installments	Fixed at 9.60% p.a.	12/28/2021	2,000	540
Oncorio	Itaú	Working capital	CDI+11.75% p.a.	10/27/2022	2,500	1,110
Oncorio	Itaú	FGI	CDI+9.38% p.a.	08/26/2024	3,200	2,894
Oncorio	Itaú	Working capital	CDI+13.35% p.a.	05/25/2022	1,600	456
Oncorio	Itaú	Working capital	CDI+14.97% p.a.	10/26/2021	910	129
Oncorio	Itaú	Working capital	CDI+17.87% p.a.	05/30/2022	400	92
Oncorio	BB	Working capital	CDI+3.68% p.a.	11/15/2021	5,670	857
Oncorio	Safra	Working capital	Fixed at 10.03% p.a.	07/20/2024	7,145	4,771
Anbioton	Banco do Brasil	Working Capital Companies	CDI+7.57% p.a.	09/18/2022	5,000	1,602
Anbioton	Itaú	Financing	CDI+10.56% p.a.	07/01/2021	144	9
Anbioton	Itaú	Secured Account	CDI+11.22% p.a.	07/28/2021	5,000	1,751
Anbioton	Itaú	Working Capital FGI BNDES	CDI+11.09% p.a.	08/09/2024	7,653	8,798
Anbioton	Santander	Secured Account	CDI+10.43% p.a.	07/02/2021	4,000	1
Anbioton	Santander	Working Capital FGI BNDES	CDI+10.43% p.a.	03/03/2022	5,000	1,953
Anbioton	Santander	Working Capital FGI BNDES	CDI+9.77% p.a.	08/21/2024	5,000	5,408
Natbio	Santander	Working Capital FGI BNDES	CDI+09.90% p.a.	09/23/2023	1,000	1,032
Total Consolidated					**573,939**	**490,364**

Elfa	Citi	Derivative	CDI +2.7% p.a. + USD	07/24/2023	-	(7,782)

The change in loans and financing and derivatives is shown below:

	Parent Company		Consolidated	
	06/30/2021	**12/31/2020**	**06/30/2021**	**12/31/2020**
Initial Balance	**335,851**	**302,453**	**379,135**	**303,300**
Additions due to the acquisition of new subsidiaries	-	-	24,619	109,733
Financing	190,268	415,205	190,268	415,205
Interest incurred on loans and financing	15,478	13,404	18,099	14,732
Payment of principal loans and financing	(101,340)	(379,807)	(117,648)	(446,190)
Payment of interest on loans and financing	(9,291)	(15,404)	(11,890)	(17,645)
Total loans, financing, and derivatives	**430,966**	**335,851**	**482,583**	**379,135**
Leases payable	13,600	7,658	53,849	30,719
Total working capital and derivatives	**444,566**	**343,509**	**536,432**	**409,854**

As of June 30, 2021, the repayment schedule for installments of long-term loans and financing are as follows:

	Parent Company		Consolidated	
	06/30/2021	**12/31/2020**	**06/30/2021**	**12/31/2020**
2022	79,903	112,832	86,960	129,452
2023	157,695	106,331	173,070	121,706
2024	50,514	16,667	82,268	16,667
Total	**288,112**	**235,830**	**342,298**	**267,825**

a. Guarantees

The Company has BRL241,380 in trade bills pledged as guarantees for loan and financing agreements, as of June 30, 2021 (BRL156,849, as of December 31, 2020).

16 Accounts payable for the acquisition of investments

It regards installments payable to former shareholders of the companies acquired by the Group, and those amounts are restated as defined in each agreement and the payment shall occur within up to 6 years after the date of each acquisition. Those installments also work as retention and guarantee of possible liabilities within the pre-acquisition period and are measured at current value.

	Parent Company		Consolidated	
	06/30/2021	**12/31/2020**	**06/30/2021**	**12/31/2020**
Current liabilities	129,766	60,214	191,538	75,673
Non-current liabilities	193,878	187,347	247,296	259,802
Total	**323,644**	**247,561**	**438,834**	**335,475**

The list of acquisitions in 2020 (with the corresponding retained portion balance) that contributed to the increase in this account is shown in Note 3 – Business combination.

The Group made payments of installments regarding acquisitions from previous years, in the amounts of BRL32,241 (2020: BRL11,656) and BRL38,053 (2020: BRL15,749), parent company and consolidated, respectively.

As of June 30, 2021, the repayment schedule of the installments payable arising from the acquisitions made by the Group are as follows:

	06/30/2021	12/31/2020
2021	47,009	75,673
2022	162,338	97,477
2023	108,551	82,650
2024	120,937	79,675
	438,834	**335,475**

17 Provision for contingencies

The Group is exposed to tax, civil, and labor contingencies arising from the regular course of its operations. The provision policy adopted by the Group takes into account the likelihood of loss in the cases. When the likelihood of loss is probable, a provision is made for 100% of the amount due in those lawsuits, according to the Group's assessment, supported by the opinion of its legal advisors.

The Group has lawsuits and contingencies arising, in whole or in part, from periods prior to the acquisition by Elfa, which are the liability of the former shareholders, pursuant to the purchase and sale agreements (see Note 3 and Note 16). For this reason, the Group recognizes the provision for the fair value of contingent liabilities, as well as the assets receivable from former shareholders for these processes and contingencies provided under the title "Indemnification assets." There was no cash effect on this transaction.

The composition of the provision for contingencies and reimbursement rights, according to their nature, are presented below:

	Parent Company		**Consolidated**	
	06/30/2021	**12/31/2020**	**06/30/2021**	**12/31/2020**
Civil (a)	-	2	674	682
Labor (b)	140	140	40,387	40,096
Tax (c)	-	370	63,480	63,850
Total provision for contingencies	**140**	**512**	**104,541**	**104,628**
Right refund (d)	**250**	**371**	**103,855**	**103,852**

(a) Civil liabilities classified as probable arise from actions for damages, as a rule, with a low amount involved, and mostly under the liability of former members.

(b) Labor liabilities classified as probable are composed of materialized and non-materialized contingencies. Materialized contingencies mostly refer to requests for recognition of employment relationships, made by commercial representatives, as well as an action in which differences in commissions are discussed, given that, to a large extent, the amounts are the liability of the former members.

(c) Tax liabilities classified as probable are comprised of material and non-material contingencies and are fully the responsibility of the former members. The materialized contingencies refer substantially to disputes about the application of ICMS.

(d) Those balances are mainly guaranteed by accounts payable to former shareholders described in note 16.

Among actions with a probable likelihood, the following lawsuit should be emphasized:

A labor claim requesting differences in commissions due on the sale of products, referring to the period from June 2015 to May 2020, in the updated amount of BRL1,120, and the liability of former members regarding that amount is approximately 60%.

On June 30, 2021, the Company and its subsidiaries had lawsuits with a likelihood of loss assessed as possible in the amount of BRL52,196 (December 31, 2020: BRL36,773), of which BRL45,119 are guaranteed by former controlling shareholders. Among actions with a possible likelihood and, therefore, not subject to the provision, the actions identified below should be emphasized:

- Enforcement action filed by the State of Bahia for collection of ICMS debt. Guaranteed by Performance Bond, in the amount of BRL9,194, under the liability of the former member.
- Annulment action filed aiming at the annulment of IRPJ and CSLL tax assessments, for recording expenses not related to operating activity, as well as for recording exclusions without legal protection, in the amount of BRL2,401, under the liability of the former member.

Activity of provision for contingencies is shown below:

	Parent Company				**Consolidated**			
	Civil	**Labor**	**Tax**	**Total**	**Civil**	**Labor**	**Tax**	**Total**
Balance as of December 31, 2020	2	140	370	512	682	40,096	63,850	104,628
Additions	-	-	-		96	468	-	564
Write-offs	-	-	-	-	-	-	-	-
Reversals	(2)	-	(370)	(372)	(104)	(177)	(370)	(651)
Balance as of June 30, 2021	**0**	**140**	**-**	**140**	**674**	**40,387**	**63,480**	**104,541**

Court deposits

On June 30, 2021, the Group had a total of BRL62,130 (2020: BRL28,317) referring to court deposits which are mostly related to writs of mandamus filed during the period from 2020 to 2021 in 14 States of the Federation, regarding the dispute about the unconstitutionality of the Rate Differential (DIFAL) of the ICMS levied on part of Grupo Elfa's interstate sales. The issue was the subject of a direct action of unconstitutionality (ADIN) in the STF (5469) and its general repercussion (Subject 1093) was also recognized by the STF.

The Company and its subsidiaries dispute the matter through Writs of Mandamus and, since July 2020, have made court deposits of amounts related to DIFAL. In this context, the Company's accounting practice was to provision the amount of DIFAL deposited in court, recorded under the heading of taxes payable.

On February 24, 2021, the Federal Supreme Court (STF), when ruling RE No. 1.287.019/DF, established the theory of unconstitutionality of DIFAL (Subject 1093 – General Repercussion): "The charging of the ICMS rate differential, as introduced by Constitutional Amendment No. 87/2015, presupposes the enactment of a supplementary law conveying general standards."

Considering the general repercussion of the subject and the discussions held with its legal advisors, the Company concluded the reversal of liabilities constituted in the amount of

BRL42,949 and BRL49,678, parent company and consolidated respectively, on the base date of this interim financial statements, under the technical statement CPC 25/IAS 37 – Provisions, Contingent Liabilities, and Contingent Assets. Consequently, the amount of the reversal under the heading of taxes payable as mentioned above had as a counter entry the recognition of income under "Other income" for the amounts with a provision was constituted until December 31, 2020, totaling BRL25,156 and BRL29,760, parent company and consolidated respectively, (Note 20) and tax reversal timely recognized in the period 2021 and disclosed as "Sales taxes," in the amount of BRL25,890 and BRL29,137, parent company and consolidated, respectively (Note 19).

18 Equity

a. Capital

On June 30, 2021, the subscribed and paid-in capital was BRL1,067,280, represented by 491,273,364 common shares with no par value (2020: 468,099,631 shares with no par value).

Find below the table with the main shareholders of the Company:

Shareholders/Treasury	06/30/2021 Shares	12/31/2020 Shares
Pátria Brazilian Private Equity Fund IV – FIP	308,470,651	308,470,651
Brazilian Private Equity IV – FIP	6,810,064	6,810,064
Brazilian Private Equity V – FIP	78,166,378	78,166,378
Branquinho Family	27,351,376	27,351,376
Gadelha Family	19,558,458	19,558,458
Assis e Felix Family	14,154,729	14,154,729
Stepstone K IV SPV, LLC	23,173,733	-
Other shareholders	3,587,975	3,587,975
Treasury shares	10,000,000	10,000,000
	491,273,364	**468,099,631**

(i) Capital increase in cash

On March 13, 2020, the shareholders resolved to increase the capital through the issue of 106,382,979 new shares, in the total amount of BRL250,000, paid in cash.

(ii) Capital increase / acquisitions

On April 9, 2020, 28,270,157 new shares were issued as part of the acquisition of the Medcom Group, as mentioned in note 3.3.

On June 30, 2020, 78,166,378 new shares were issued in consideration for 100% of Atrial's shares, as mentioned in note 3.3.

On December 21, 2020, 2,404,917 new shares were issued, in the total amount of BRL5,131, paid in through the contribution of 9% of Biohosp's shares.

The fair value of the shares issued was set by an independent expert report issued on the date, as required by the Brazilian Corporations Law. The difference between the contribution amount and the fair value was allocated as a share premium reserve, classified as capital reserve.

(iii) Capital increase - Stepstone

On February 26, 2021, the private subscription of new shares by the Company was approved, thus, 23,173,733 new shares were issued, in the total amount of BRL227,640, which were paid on March 31, 2021, and April 1, 2021, in the amounts of BRL222,581 and BRL5,059, respectively.

The fair value of the shares issued was set by an independent expert report issued on the date, as required by the Brazilian Corporations Law. The difference between the contribution amount and the fair value was allocated as a share premium reserve, classified as capital reserve.

b. Legal reserve

According to the Bylaws, 5% of the net profit for the fiscal year shall be allocated to the legal reserve provided in Article 193 of Law 6404/76, until it reaches 20% of the capital.

c. Profit reserve

It represents the allocated portion of the profit, after the constitution of the legal reserve and allocation tax incentive reserves and the mandatory minimum dividend, which should be resolved in a definitive manner through a corporate act, during the approval of the Financial Statements.

d. Tax incentive reserve

Tax incentives are allocated after the end of the fiscal year to the tax incentive reserve account, pursuant to Article 195-A of Law 6404/76, with wording given by Law 11638/2F007.

The Company and its subsidiaries benefit from the special tax regime for reducing the tax base in Paraíba, Goiás, Distrito Federal, and Minas Gerais.

The taxation regimes were recognized as a tax benefit by the respective States and reinstated pursuant to Clause One of ICMS Agreement No. 190/2017 of December 15, 2017.

In addition to the above regimes, the group benefits from the possibility of paying taxes under a differentiated regime (tax substitute) in the States of Minas Gerais, Pernambuco, Bahia, Pará, and Ceará, with a different payment calculation for each regime.

According to the applicable Brazilian tax legislation, the ICMS tax benefit validated by CONFAZ is excluded from the IRPJ and CSLL calculation basis, provided that it is registered in a profit reserve, which may only be used for:

(i) Absorption of losses, provided that the other profits reserve, with the exception of the legal reserve, have already been fully absorbed;

(ii) Capital increase. If that allocation is not followed, the Company may be subject to taxation by IRPJ and CSLL.

e. Capital reserve

The capital reserve balance, in the amount of BRL630,022, as of June 30, 2021 (BRL642,245, as of December 31, 2020) is comprised of:

i. BRL25,994 arising from the reverse merger of its parent company, on the date, as provided for in Article 227 of Law 6404/76;
ii. BRL384,156 regarding the goodwill reserve on the issue of shares for the sellers of Grupo Atrial;
iii. BRL214,665 regarding the goodwill reserve on the issue of shares for the sellers of Medcom Group;
iv. BRL14,222 regarding the goodwill reserve on the issue of shares for the sellers of Bishop;
v. BRL36,704 regarding options granted in relation to share-based payments; and
vi. During the fiscal year of 2020, BRL30,600 were compensated for the capital increase

On January 29, 2021, indirect subsidiary NCH concluded the supplemental acquisition of 28.13% of the remaining shares of Procifar for the total amount of BRL21,243. In line with the change of interest in which there was no change in control, the difference between the consideration paid and the equity value of Procifar as of the transaction (BRL6,123) was considered as goodwill in a capital transaction as an acquisition of non-controlling interest, in the amount of BRL15,120, and, thus, recorded directly in equity.

f. Distribution of profits and payment of additional dividends

The allocation of the Company's profits, according to its Bylaws, shall be:

(a) five percent (5%) shall be invested, before any other allocation, to constitute the legal reserve, which shall not exceed twenty percent (20%) of the Company's capital, pursuant to Article 193 of the Brazilian Corporations Law;

(b) a portion of the net profit, as proposed by the management bodies, may be allocated to the formation of a reserve for contingencies, pursuant to Article 195 of the Brazilian Corporations Law;

(c) the portion of net profit arising from government investment subsidies, which may be excluded from the calculation basis of the mandatory dividend, may be allocated to the tax incentive reserve;
(d) in the year in which the amount of the mandatory dividend, calculated pursuant to item (f) below, exceeds the actual portion of the profit for the year, the General Meeting may, upon a proposal of the management bodies, allocate the excess to the constitution of a reserve for unrealized profits, subject to the provisions of Article 197 of the Brazilian Corporations Law;

(e) a portion not exceeding the difference between (i) seventy-five percent (75%) of the annual net profit adjusted as provided for in Article 202 of the Brazilian Corporations Law (including, therefore, any allocation of a portion of the net profit to constitute a reserve for contingencies) and (ii) the reserve indicated in item (c) above, may be used to create a reserve for investments and working capital, which shall have the purpose of defraying investments for growth and expansion and financing working capital of the Company, with the exception that the accumulated balance of this reserve may not exceed one hundred percent (100%) of the Company's capital; and

(f) the remaining balance shall be distributed to the shareholders as dividends, ensuring the distribution of the minimum mandatory dividend of not less than, in each fiscal year, twenty-five percent (25%) of the adjusted annual net profit, as provided for in Article 202 of the Brazilian Corporations Law.

19 Net operating revenue

	Parent Company		**Consolidated**	
	06/30/2021	**06/30/2020**	**06/30/2021**	**06/30/2020**
Gross revenue				
Sale of goods - private clients	802,226	558,832	2,605,188	985,824
Sale of goods - public clients	134,112	87,696	600,005	123,555
Total gross revenue	**936,338**	**646,528**	**3,205,193**	**1,109,379**
Deduction from gross revenue				
Sales Return - private clients	(15,041)	(6,495)	(42,673)	(14,112)
Sales Return - public clients	(2,143)	(1,089)	(16,900)	(1,543)
Discounts granted	(545)	(747)	(1,447)	(1,014)
Taxes on sales (a)	(34,126)	(48,237)	(261,815)	(83,538)
Total deductions of revenue	**(51,855)**	**(56,568)**	**(322,835)**	**(100,207)**
Net operating revenue	**884,483**	**589,960**	**2,882,358**	**1,009,172**

Revenue is measured based on the consideration specified in the transaction with the client. Elfa recognizes revenue when it transfers the control over the product or service to the client.

Invoices issued shall be paid usually within a specified period of time. Returns are only accepted when the defect or error in the delivery of the product is evidenced.

(a) The item indicates sales taxes recorded in the quarter, as well as the impact of the reversal in the period, as mentioned in Note 17.

20 Costs and expenses by function and nature

	Parent Company		Consolidated	
	06/30/2021	06/30/2020	06/30/2021	06/30/2020
By function				
Cost of goods sold	(773,646)	(535,563)	(2,432,250)	(897,213)
Commercial	(34,592)	(9,034)	(128,487)	(36,234)
General and administrative	(57,907)	(48,467)	(202,270)	(69,091)
Impairment losses on trade accounts receivable	(4,674)	(4,662)	(11,581)	(7,490)
Other revenues (a)	33,960	10,166	44,886	12,434
Other expenses	(6,902)	(4,800)	(10,641)	(6,565)
	(843,761)	**(592,360)**	**(2,740,343)**	**(1,004,159)**
By nature				
Cost of resale of goods	(773,646)	(535,563)	(2,432,250)	(897,213)
Salaries and social charges	(42,542)	(26,828)	(148,119)	(45,663)
Commissions on sales	(1,482)	(412)	(2,173)	(1,136)
Freights and carriages	(7,449)	(5,533)	(32,641)	(10,049)
Amortization and depreciation	(2,241)	(3,028)	(52,517)	(17,182)
Share-based compensation	(2,898)	(2,365)	(2,898)	(2,365)
Common area maintenance fees and other occupation expenses	(507)	(363)	(2,025)	(1,813)
Services provided - Legal entity	(26,407)	(18,972)	(39.910)	(26,918)
Impairment losses on trade accounts receivable	(4,674)	(4,662)	(11,581)	(7,490)
Other revenues (a)	33,960	10,166	44,886	12,235
Other expenses	(15,875)	(4,800)	(61,114)	(6,565)
	(843,761)	**(592,360)**	**(2,740,343)**	**(1,004,159)**

(a) As mentioned in note 17, the Company reverted the provision for payment of DIFAL. The amounts of BRL25,156 and BRL29,760, parent company and consolidated, respectively, were recorded under "Other Income" corresponding to provisions recorded in prior periods.

21 Financial income

	Parent Company		Consolidated	
	06/30/2021	06/30/2020	06/30/2021	06/30/2020
Financial expenses				
Interest on loans	(15,743)	(6,563)	(18,098)	(6,650)
Other financial expenses	(7,337)	(1,629)	(14,598)	(1,697)
	(23,080)	**(8,192)**	**(32,696)**	**(8,347)**
Financial revenues				
Interest receivable	-	-	-	79
Earnings from financial investments	2,594	1,130	3,326	1,450
Other financial revenues	755	-	1,142	-
	3,349	**1,130**	**4,468**	**1,529**
Financial income	**(19,731)**	**(7,062)**	**(28,228)**	**(6,818)**

22 Income tax and social security contribution

The breakdown of the expense with income tax and social security contribution on profit is shown below:

	Parent Company		Consolidated	
	06/30/2021	**06/30/2020**	**06/30/2021**	**06/30/2020**
Current:				
Corporate income tax	-	-	(14,379)	(2,893)
Social security contribution on net income	-	-	(5,996)	(1,042)
	-	**-**	**(20,375)**	**(3,935)**
Deferred:				
Corporate income tax	2,088	10,621	35,084	15,824
Social security contribution on net income	6,018	3,823	12,949	5,696
	8,106	**14,444**	**48,033**	**21,520**

Reconciliation of effective income tax and social security contribution expenses

Income tax and social security contribution on profit provided in the statement of income show the following reconciliation at the nominal rate:

	Parent Company		Consolidated	
	06/30/2021	**06/30/2020**	**06/30/2021**	**06/30/2020**
Accounting profit before income tax and social contribution	131,460	1,336	113,788	(1,805)
Legal combined rate	34%	34%	34%	34%
Income tax and social contribution at statutory rates	(44,696)	(454)	(38,688)	614
Adjustments to Net Profit that affect taxable income:				
Equity	37,559	3,671	-	-
Investment grant	17,226	10,872	56,038	13,808
Other additions and exclusions, net	(1,983)	355	10,308	3,163
Additions and exclusions, net	52,802	14,898	66,346	16,971
Total credited/debited to the result	8,106	14,444	27,658	17,585
Effective rate on the net effect of current and deferred IRPJ/CSLL	-6%	-1081%	-24%	974%

Deferred income tax and social security contribution on temporary differences

The Company and its subsidiaries, based on the expectation of generating future taxable profit, recognized deferred tax credits on temporary differences and tax loss balance and negative social security contribution base.

The calculation bases for net assets are comprised of as follows:

	Parent Company		Consolidated	
	06/30/2021	12/31/2020	06/30/2021	12/31/2020
Balances:				
Provision for impairment	4,923	6,340	10,928	11,434
Provision for inventory losses	144	66	3,534	175
Miscellaneous provisions	22,905	2,901	54,582	25,820
Goodwill	3,782	9,669	3,782	9,669
Share-based compensation	12,698	12,698	12,698	12,695
Tax loss and negative basis (a)	68,459	59,051	78,140	65,917
	112,911	**90,725**	**163,664**	**125,710**

(a) Technical feasibility studies prepared by the Management indicate the full recovery capacity, in subsequent years, of the recognized deferred tax amounts and correspond to Management's best estimates on the future evolution of the Company and its subsidiaries, and the market in which it operates, whose expectation of realization of tax credits is presented below:

Year	Parent Company	Consolidated
2021	370	3,956
2022	5,376	5,956
2023	(8,588)	(8,757)
2024 to 2028	71,301	76,985
	68,459	**78,140**

23 Earnings per share

The calculation of net profit per share for the fiscal years ended June 30, 2021, and 2020 is shown below:

	06/30/2021	06/30/2020
Net income for the fiscal year	141,446	15,780
Number of shares	473,938	320,878
Earnings per share - basic - BRL	**0.298**	**0.04**
Adjustments to share purchase options (weighted average)	21,250	11,252
Number of shares for diluted earnings per share	495,187	332,130
Diluted earnings per share - BRL	**0.286**	**0.05**

24 Financial instruments

Information related to Elfa's financial instruments and their respective analyzes are listed in the items below:

a. Accounting classification and fair values

The table below shows the book values of financial assets and liabilities and their classifications. The carrying amounts of those financial instruments are close to their respective fair values.

		Parent Company		Consolidated	
	Classification	**06/30/2021**	**12/31/2020**	**06/30/2021**	**12/31/2020**
Assets, according to the balance sheet					
Cash and cash equivalents	(i)	95,858	65,918	214,699	228,461
Securities	(ii)	-	-	-	75,137
Accounts receivable	(i)	357,205	328,340	1.182453	907,060
Other assets	(i)	61,648	30,047	114,077	67,030
Right of refund	(i)	250	371	103,855	103,852
Advance for future capital increase and related parties	(i)	228,458	178,709	-	-
Liabilities, according to the balance sheet					
Suppliers and other accounts payable	(iii)	283,974	310,645	1,066,551	954,467
Loans and financing	(iii)	444,566	343,509	536,431	409,854
Payables for investments purchased	(iii)	323,644	247,561	426,875	335,475
Accounts payables to related parties	(iii)	288,637	286,609	-	-

Classification:
(i) Assets at amortized cost
(ii) Assets measured at fair value through profit or loss
(iii) Liabilities at amortized cost

Financial risk management

The Company is exposed to the following risks arising from financial instruments:

- Credit risk
- Liquidity risk
- Market risk.

Structure of risk management

The Company's Management has global responsibility for the establishment and overview of the Company's risk management structure.

The Company's risk management policies are established in order to identify and analyze the risks to which the Company is exposed, to define appropriate risk limits and controls, and to monitor the risks and compliance with the limits imposed. The risk management policies and systems are frequently revised to reflect changes in market conditions and in the activities of the Company. The Company, through its training and management standards and procedures, aims to keep a disciplined and controlled environment in which all employees understand their roles and obligations.

Credit risk

Credit risk is the risk of the Company incurring financial losses if a customer or counterparty in a financial instrument fails to perform its contractual obligations. This risk is mainly due to trade accounts receivable and financial instruments of the Company.

Carrying amounts of financial assets represent the maximum credit exposure. Impairment losses on financial assets and contracts recognized in the statement of profit or loss are shown in Note 8.

Accounts receivable

The Company's exposure to credit risk is mainly influenced by the individual characteristics of each customer. However, the Management also takes into account factors that may influence the credit risk of its customer base, including the risk of non-payment by the industry in which the customer operates.

The Management has established a credit policy in which each new customer is individually evaluated for their financial condition before the Company submits a proposed credit limit and payment methods. The Company's review includes the assessment of external ratings, when available, financial statements, information from credit agencies, industry information, and, in some cases, bank references. Credit limits are set for each client and are reviewed annually.

The Company limits its exposure to the credit risk of accounts receivable, establishing an average payment term of 1 and 4 months for clients in the public and private sectors, respectively.

In monitoring credit risk, customers are grouped according to their credit characteristics, including whether they are individuals or legal entities, resellers or end customers, their geographical area, industry, history of trading with the Company, and the existence of financial difficulties in the past.

The Company does not require guarantees regarding accounts receivable from clients and other receivables, and it does not use guarantees for not setting up a provision for losses.

As of June 30, 2021, the Company does not have any client representing more than five percent (5%) of the balance of accounts receivable.

Evaluation of the expected credit loss for corporate customers as of January 1 and June 30, 2021.

An expected credit loss rate is calculated for each type of customer (public or private) based on previously observed characteristics and credit loss default conditions. Specifically, the provision for the reduction to the realization value of accounts receivable was constituted in accordance with the discretion of the Company's Management, considering the loss background of the last three years, adjusted to reflect current and expected economic conditions, as well as other factors of determination of credit risk to calculate expected losses, including individual analysis of outstanding trade bills.

The following table provides information on the exposure to credit risk and expected credit losses on accounts receivable as of June 30, 2021.

June 30, 2021	**Weighted-average estimated loss rate**	**Gross Sales**	**Provision for estimated loss**	**Credit-impaired**
Public clients	0.34%	2,605,188	8,858	**No**
Private clients	0.46%	600,005	2,760	**No**
Total	0.44%	3,205,193	11,618	

June 30, 2020	**Weighted-average**	**Gross Sales**	**Provision for estimated loss**	**Credit-impaired**

	estimated loss rate			
Public clients	0.47%	123,555	581	**No**
Private clients	0.46%	985,824	4,561	**No**
Total	0.46%	1,109,379	5,142	

Cash and cash equivalents

The Company had a consolidated balance of "Cash and cash equivalents" of BRL214,699 as of June 30, 2021 (BRL228,461 in 2020). "Cash and cash equivalents" are maintained with banks and financial institutions that have a rating rated by Fitch between AA- and AA+, based on the main rating agencies and, therefore, considered to have low credit risk.

The Company retains derivative financial instruments with financial institutions of the same rating.

(ii) Liquidity risk

Liquidity risk is the risk related to the fulfillment of obligations associated with financial liabilities that are settled with payments in cash and/or with other financial assets. The Company's approach for Management of the liquidity is of ensuring that it will always have sufficient liquidity to meet its obligations as they mature, under normal and stressful conditions, without causing losses that are unacceptable or pose the risk of being detrimental to the Company's reputation.

The Company seeks to maintain the level of its "Cash and cash equivalents" and other investments with an active market in an amount greater than the cash outflows for the settlement of financial liabilities (except "Suppliers") for the next 60 days and monitors the expected level of cash inflows from "Accounts receivable from clients and other receivables" together with expected cash outflows related to "Suppliers and other accounts payable."

Liquidity risk exposure

Below are the contractual maturity dates of financial liabilities on the date of the financial information. These amounts are gross, without deductions, including estimated interest payouts and excluding the effects of set-off agreements.

June 30, 2021		**Consolidated**				
		Contractual cash flows				
	Carrying amount	**Total**	**1 - 12 months**	**1 to 2 years**	**2 - 5 years**	**More than 5 years**
Non-derivative financial liabilities						
Loans and financing	482,582	506,831	223,328	197,209	86,294	-
Leases payable	53,849	53,849	16,533	16,533	20,783	-
Suppliers and other accounts payable	1,066,551	1,066,551	1,066,551	-	-	-
Accounts payable for the acquisition of investments	438,834	438,834	209,347	108,552	100,331	20,604
	2,041,816	**2,066,065**	**1,515,759**	**322,294**	**207,408**	**20,604**

December 31, 2020		**Consolidated**				
		Contractual cash flows				
	Carrying amount	**Total**	**2 - 12 months**	**1 to 2 years**	**2 - 5 years**	**More than 5 years**
Non-derivative financial liabilities						
Loans and financing	379,135	399,021	147,619	110,446	140,956	-
Leases payable	30,719	30,719	7,919	11,523	11,277	-
Suppliers and other accounts payable	954,467	954,467	954,467	-	-	-
Accounts payable for the acquisition of investments	335,475	335,475	75,673	180,127	79,675	
	1,699,796	**1,719,682**	**1,185,678**	**302,096**	**231,908**	

Market risk

Market risk is the risk that changes in market prices — such as foreign exchange rates and interest rates — affecting the Company's earnings or the value of its financial instruments. The objective of market risk management is to manage and control market risk exposures within acceptable parameters while optimizing the return.

Exchange risk

The Company is not materially exposed to exchange risk; thus, it chose not to present the exchange rate sensitivity analysis table.
The foreign exchange risk arises from future and current commercial transactions, generated mainly by the importation of goods denominated in US dollars. All loans contracted by the Company in foreign currency are hedged through derivative agreements that mitigate the Company's exposure to exchange variation. The Company does not have hedge accounting.

Interest rate risk

The profile of interest rates of the Company's interest-bearing financial instruments, as reported to the Management, is as follows:

	Consolidated	
	Par value	
	06/30/2021	**12/31/2020**
Instruments with post-fixed interest rate		
Cash and cash equivalents and financial investments	214,699	303,598
Bank loans, derivatives, and leases payable	(536,431)	(425,160)
Net exposure	**(321,732)**	**(121,562)**

Sensitivity analysis for instruments with interest and exchange rates
The Company does not have any financial assets or liabilities at fair value, with an interest rate fixed through profit or loss, and the Company does not designate derivatives (interest rate swaps) as hedging instruments using the fair value hedge accounting model for this type of protection.

In order to verify the sensitivity of the balance of financial investments with immediate liquidity and securities of the Group in the financial statements for the fiscal year ended June 30, 2021, plus the CDI projected for June 30, 2021, two very different scenarios were set. Scenario I assumes a 25% drop in the CDI and scenario II assumes a 50% drop in the CDI. Considering the stress rates, the estimated accounting balances would be:

Transaction	CDI risk	Probable Scenario	Scenario I 25% deterioration	Scenario II 50% deterioration
Financial investments with immediate liquidity	CDI percentage decrease (25%)	162,646	160,075	157,504
Financial investments		**162,646**	**160,075**	**157,504**

In order to verify the sensitivity of the index of the loans to which the Group was exposed on the base date of June 30, 2021, two different scenarios were set. Based on projections published by the Central Bank of Brazil (BACEN), the projection of foreign currency and rate that backs the interbank operations for each of the analyzed transactions was obtained, which is set as variations in the rate worsening by 25% (scenario 1) and 50% (scenario 2). Considering the stress rates, the estimated accounting balances would be:

Data:		Probable Scenario	Scenario I 25% deterioration	Scenario II 50% deterioration
Exchange rate on 06/30/2021 USD		BRL 5,6973	BRL 5,6973	BRL 5,6973
Estimated USD exchange rate for fiscal year 2021 [1]		BRL 5,0500	BRL 6,3125	BRL 7,575
CDI projected for the end of the fiscal year [2]		6.75%	8.44%	10.13%
Loan Amount in USD		69,160	69,160	69,160
Transaction:		Amounts in BRL	Amounts in BRL	Amounts in BRL
Future	Increase of CDI [2]	23,352	29,190	35,028
	Debt (Risk of USD Increase)	(3,306)	(90,620)	(177,935)
Hedge Debt in USD	Derivative (Risk of USD Increase)	3,306	90,620	177,935
Net Effect		23,352	29,190	35,028

[1] According to the projected rate for the end of the fiscal year disclosed in the Focus Bacen report of July 17, 2021.
[2] Calculated considering the impact until the end of the period if the indicator changes.

25 Share-based payment

The accounting policy on share-based payment is presented in note 8(d)(ii) of the financial statements as of December 31, 2020.

As of June 30, 2021, the Company has long-term incentives that grant employees call options, which may be settled through shares.

Under this incentive, the options may be exercised at preset prices on the grant date when the conditions for exercise are met. The conditions for the exercise are: (i) liquidity event for the controlling shareholder; (ii) minimum expected return from the controlling shareholder; and (iii) minimum length of service. These criteria were not cumulatively met. Therefore, no options have been exercised to date. If the employee decides to leave the Company before the three conditions above are met, their options shall be canceled

Plan	Date of grant	Number of options (in thousands)	Total in thousands	Option contractual term

			of BRL	
Incentive 2014	December 1, 2014	6,929	12,612	48 months after the grant
Incentive 2015	December 1, 2015	1,474	3,896	48 months after the grant
Incentive 2017	August 24, 2017	410	1,069	48 months after the grant
Incentive 2018	February 9, 2018	46	5,954	48 months after the grant
Incentive 2019	January 9, 2019	1,613	4,628	48 months after the grant
Incentive 2020	January 9, 2020	2,211	4,535	48 months after the grant
Atrial merger Incentive	June 30, 2020	2,275	4,010	Up to 42 months after the grant(*)
Total call options		14,958	36,704	

(*) The options kept their original vesting of the acquiree. Therefore, the plan is different in contractual term from the others.

Measurement of fair values

The fair value of stock option plans that have share-based payment, which may be settled in shares, was measured at fair value based on the Black-Scholes formula. Non-market performance and service conditions were not considered in the fair value measurement.

The inputs used in the measurement of the fair values at grant date of the equity-settled share-based payment plans were as follows:

Long-term incentive plans	**2014**	**2015**	**2017**	**2018**	**2019**	**2020**
Fair value on grant date	1.78	2.85	2.52	6.54	7.15	5.93
Share price on the grant date	2.61	4.09	4.37	8.79	10.37	11.58
Price for the fiscal year	1.46	2.15	2.44	2.91	3.84	6.17
Expected volatility (weighted average)	23%	26%	19%	22%	18%	18%
Option term (in years)	4	4	4	4	4	4
Risk-free interest rate (CDI)	11.57%	14.14%	6.9%	6.4%	4.4%	2.15%

Expected volatility was estimated considering the historical market volatility metric of the Bovespa index, in a period proportional to the expected term. The expected term of the instruments was based on historical experience and the general behavior of the option holder.

The valuation method used was Black-Scholes.

Expenses recognized in the income

Regarding the plans mentioned above, the Company recognized in the income statement as expenses with salaries and charges, the total amount against expenses recorded in expenses with payment based on shares, as shown in the table below:

Plan	**06/30/2021**	**06/30/2020**
Incentive 2014	-	-
Incentive 2015	-	-
Incentive 2017	191	130
Incentive 2018	1,066	445
Incentive 2019	828	617
Incentive 2020	812	1,173

Expense recognized in the period	2,897	2,365

26 Information by segment

The following segment information is used by Elfa's management to evaluate the performance of the operating segments and to make decisions regarding the allocation of funds, with the gross Margin being the measure used in the performance of its operating segments. As mentioned in Note 1.

The Company analyzes its results based on two segments: *Specialties and Pharmaceuticals*, which encompasses all medicines, whether specialties, generics, or similar, and Hospital and Medical Supplies, which encompasses hospital materials and equipment and nutrition.

All of the Company's operations are carried out in Brazil and there are no clients that represent more than 10% of the revenue of each segment.

06/30/2021	**Specialties Pharmaceuticals**	**Hospital and Medical Supplies**	**Corporate not allocated**	**Consolidated**
Net Operating Revenue	2,479,566	402,792	-	2,882,358
Cost of Goods Sold	(2,130,612)	(301,638)	-	(2,432,250)
Gross Profit	**348,954**	**101,153**	**-**	**450,108**
			-	
Selling expenses	(83,377)	(45,111)	-	(128,487)
Contribution Margin	**265,578**	**56,043**	**-**	**321,621**
Contribution Margin % /Net Operating Revenue	**10.71%**	**13.91%**	**-**	**11.16%**
Losses (reversal) due to impairment of accounts receivable	-	-	(11,581)	(11,581)
General and administrative expenses	-	-	(202,270)	(202,270)
Other revenues	-	-	44,886	44,886
Other expenses	-	-	(10,641)	(10,641)
Operating profit before financial income and taxes	**265,578**	**56,043**	**(179,606)**	**142,015**

06/30/2020	Specialties Pharmaceuticals	Hospital and Medical Supplies	Corporate not allocated	Consolidated
Net Operating Revenue	978,834	30,338	-	1,009,172
Cost of Goods Sold	(872,231)	(24,982)	-	(897,213)
Gross Profit	**106,603**	**5,356**	**-**	**111,959**
			-	
Selling expenses	(35,278)	(956)	-	(36,234)
Contribution Margin	**71,325**	**4,400**	**-**	**75,725**
Contribution Margin % /Net Operating Revenue	**7.29%**	**14.50%**	**-**	**7.50%**
Losses (reversal) due to impairment of accounts receivable	-	-	(7,490)	(7,490)
General and administrative expenses	-	-	(69,091)	(69,091)
Other revenues	-	-	12,434	12,434
Other expenses	-	-	(6,565)	(6,565)
Operating profit before financial income and taxes	**71,325**	**4,400**	**(70,712)**	**5,013**

27 Subsequent events

Funds raised under loans and financing

On July 6, 2021, the Company took out a new loan of BRL55,000 with Banco Itaú. The loan was approved by the Company's Board of Directors and was took out with the purpose of replacing and exchanging debts, contributing to lengthen the Company's indebtedness profile. This loan will be remunerated at a cost of CDI + 2.30% p.a., maturing on July 8, 2024, with a one-year grace period and fiduciary assignment of credit rights in the amount of 50% of the transaction value.

On July 30, 2021, the Company took out a new loan of BRL32,000 with Banco Citi. The loan was approved by the Company's Board of Directors and was took out for the purpose of repaying debt, contributing to lengthen the Company's indebtedness profile. This loan will be remunerated at a cost of CDI + 2.25% p.a., maturing on July 30, 2024, with a one-year grace period and fiduciary assignment of credit rights in the amount of 50% of the transaction value.

On July 26, 2021, the indirect subsidiary Nacional took out a new loan of BRL40,000 with Banco Santander. The loan was approved by the Company's Board of Directors and was took out with the purpose of financing the Company's investment activities. This loan will be remunerated at a cost of CDI + 1.60% p.a., maturing on July 28, 2022, with a one-year grace period and fiduciary assignment of credit rights in the amount of 50% of the transaction value.

Company Acquisition

On July 30, 2021, the Company's indirect subsidiary, Surya Dental Ltda. concluded the acquisition of all the shares issued by Biodente Materials Odontológico Ltda. The acquired company operates in the dental materials segment and is headquartered in the City of Chapecó, State of Santa Catarina.

The acquisition price of Biodente was BRL66,178, of which (i) BRL39,707 paid in cash; and (ii) BRL24,471 as retained installment, which may be paid in full or in part after compliance with the clauses set forth in the purchase and sale agreement. Additionally, the former owners will be entitled to an additional installment to the acquisition price of up to BRL6,000, which shall be calculated 1 year after the consummation of the transaction.

* * *

Michael Gordon Findlay
Chief Financial Officer

Derick de Melo Godoy
Controller/Accountant
CRC 1SP289135