Elfa

Medicamentos S.A.

Parent company and consolidated
interim financial statements
as of September 2020
and independent auditors' review report

Contents

EARNINGS RELEASE

3Q20

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Elfa announces its results for the third quarter of 2020

São Paulo, November 16, 2020 - Elfa Medicamentos S.A. announces its consolidated results for the third quarter of 2020 (3Q20). The operational and financial information, unless otherwise indicated, is presented in Brazilian Reais, in accordance with the International Financial Reporting Standards (IFRS) issued by the International Accounting Standards Board (IASB) and the accounting practices adopted in Brazil issued by the Accounting Pronouncements Committee (CPC) and approved by the Securities and Exchange Commission (CVM). The information contained herein must be analyzed together with the financial reports for the nine-month period ended September 30, 2020 (9M20) filed with the CVM and available on the Company's Investor Relations website (https://ir.grupoelfa.com.br).

Operating and Financial Highlights

- **Net Revenues (NOR) of R$1.797,2 million in 9M20,** 40,0% higher than the previous year and with an organic growth of 11,4%. Our NOR totaled R$788,0 million in 3Q20 with an organic growth of 17,9%
- **Gross Profit of R$211,5 million in 9M20, 56,1% higher** above than the previous year
- **Adjusted EBITDA of R$72.5 million in 9M20, 23,2% higher** than the previous year
- **Net Income of R$30,5 million in 9M20, 33,6% higher** than the previous year
- **We moved forward with our acquisition agenda to strengthen our products and services portfolio**, announcing the acquisition of **Biohosp** in August and completing four acquisitions during the months of October and November: **Fenergy, Surya Dental, Mostaert and Onco Rio**

(R$ million)	9M19	9M20			Growth		3Q19	3Q20			Growth	
	Reported	Scope	Organic	Reported	Organic	Reported	Reported	Scope	Organic	Reported	Organic	Reported
	(a)	(b)	(c)=(d-b-a)	(d)	(e)=(c)÷(a+b)	(f)=(d÷a)-1	(a)	(b)	(c)=(d-b-a)	(d)	(e)=(c)÷(a+b)	(f)=(d÷a)-1
Net Revenues	1.284,2	329,3	183,7	1.797,2	*11,4%*	*40,0%*	488,5	179,8	119,7	788,0	*17,9%*	*61,3%*
Gross Profit	135,5	66,8	9,2	211,5	*4,6%*	*56,1%*	62,5	41,4	(4,4)	99,5	*-4,2%*	*59,2%*
Gross Margin (% Net Revenues)	*10,6%*	*+1,7p.p.*	*-0,4p.p.*	*11,8%*		*1,2 p.p.*	*12,8%*	*+1,8p.p.*	*-2,0p.p.*	*12,6%*		*-0,2 p.p.*
Adjusted EBITDA	58,9	19,3	(5,7)	72,5	*-7,3%*	*23,2%*	47,1	6,0	(16,6)	36,5	*-31,2%*	*-22,4%*
% Adjusted EBITDA Margin (% NR)	*4,6%*	*5,9%*	*-3,1%*	*4,0%*		*-0,5 p.p.*	*9,6%*	*3,3%*	*-13,8%*	*4,6%*		*-5,0 p.p.*
Net Income	22,8			30,5		*33,6%*	21,5			14,7		*-31,6%*
Net Margin (% Net Revenues)	*1,8%*			*1,7%*		*-0,1 p.p.*	*4,4%*			*1,9%*		*-2,5 p.p.*

Reporting Criteria

Segregation of the Effects from Acquisitions

It is part of our strategy to acquire companies that complement our operations. To facilitate the understanding of our results, we will separate our results between Net Revenues and EBITDA in:

(1) Scope: capture the change in Elfa's performance with acquisitions that were concluded and reflected in the financial statements. This also includes discontinued product lines, and

(2) Organic: reflects the organic growth under Elfa's management.

At the end of this document, we provide an example to illustrate the mechanism for this separation (See the Exhibit 'Illustrative Example - Segregation of Results'). Our Investor Relations team is available to clarify any questions you may have.

Segmentation of Operating Segments

We will disclose the segregated net revenues and gross profit between our two operating segments:

- Medical Specialties:
  - Reference Medications: high added value products (mainly for hospital use), manufactured by the largest laboratories in the world in several specialties, including oncological, hematological and immunobiological fields.
  - Generics: highly complex generic medication and similar drugs with attractive prices for hospitals, clinics and doctors, complementing the portfolio for the institutional market.
  - Hospital logistics services: providing logistics services that allow hospitals to optimize spaces and their internal logistics structure.
- Hospital Medical Supplies:
  - Specialties: high value added hospital medical solutions that require a highly specialized sales force for various hospital procedures and demands, including materials for surgical procedures (such as bariatric, digestive and oncological), breast prostheses, blood glucose monitoring equipment and treatment for cardiac arrhythmia.
  - Essentials: gloves, syringes, masks, gases, sterilization solutions, bandages, among others.
  - Nutrition: enteral feeding (such as special milks)

About Elfa Medicamentos

Elfa Medicamentos has over 30 years of experience in the national health sector and is a reference partner in the hospital value chain, offering high value services and distribution of highly complex medications and hospital medical materials. The Company is controlled by Patria Investimentos, one of the most relevant private equity funds in Brazil.

Elfa Medicamentos ranks as 32nd in the Great Place to Work ranking[1]. In addition, the Company received the ABRH Human Development award, was ranked in the Valor 1000 ranking of the Valor Econômico newspaper, and in the 'Melhores e Maiores' ranking of the Revista Exame magazine.

Message from Management

After being negatively impacted in some of our business lines during the first semester due to the COVID-19, we observed an acceleration in revenues during the 3rd quarter, with a gradual recovery in elective surgeries and procedures that increased demand for products in the “Pharmaceutical Specialties” segment, with emphasis on the dermatological, growth hormones and fertility treatment sectors. The “Hospital Medical Supplies” segment continues to prove its resilience with the strong demand for essential products (such as gloves, syringes and masks) as a consequence of the pandemic.

In the first nine months of 2020, net revenues reached R$1.797,2 million with a total growth of 40,0% and an organic growth of 11,4%, demonstrating the resilience of our portfolio during a period in which medical clinics where shut down and a drop in elective surgeries. Additionally, this growth was impacted with the effects from acquisitions carried out in 2019 (Agilfarma and CDM), as well as the acquisition of Medcom and the merger with Atrial in 2020. We reported an Adjusted EBITDA of R$72,5 million, up by 23,2%, and a Net Income of R$30,5 million.

We successfully expanded the project carried out in partnership with Hospital Sírio-Libanês in Brasília for its operation in São Paulo, in addition to replicating this model at another institution, at the Hospital Moinhos de Vento in Porto Alegre. This initiative included the creation of an Integrated Distribution Center with technology that links information regarding the hospital's consumption and inventory levels of our distribution center. This solution offers hospitals many benefits, such as: (a) maximizing their productive area; (b) increasing operational efficiency by focusing on treating patients; and (c) reducing investments for operating working capital (savings in inventory investments), thus optimizing the hospital's cash flow management.

We also moved forward in our growth agenda through acquisitions. Since the beginning of October, we have concluded four acquisitions after CADE[2] approval. These companies were:

- Mostaert: offers greater penetration in the distribution of medications in the Northeast region of Brazil. The company's experience in generic medications strengthens our business unit within out “Medical Specialties” operating segment.
- Surya Dental: marks our entry into the distribution of dental products. The company operates in the South and Southeast of Brazil, with the capacity to serve other regions in the country through the e-Commerce and telemarketing sales channels.
- Fenergy: allows us to enter the distribution of high value-added hospital supplies in the South region of Brazil, where Fenergy is one of the largest players.
- Onco Rio: operates in the distribution of generic cancer medication in the South and Southeast regions of Brazil, serving cancer hospitals and clinics. This acquisition will strengthen our presence in these regions.

The results of these acquisitions will be reflected in our financial statements as of the fourth quarter of 2020.

In addition to these transactions, we also announced the acquisition of BioHosp, a distributor of specialized medicines, medical-hospital supplies and nutrition products in the Southeast region, with a focus on the Minas Gerais

[1] Great Place to Work (24th Edition; Best Companies to Work for in Brazil in 2020; National Average Ranking)
[2] CADE – Conselho Administrativo de Defesa Econômica (Brazilian antitrust agency)

and Rio de Janeiro markets, and will strengthen our presence in the region. This transaction is subject to compliance with the common preceding conditions for acquisitions of this nature, including approval by the CADE.

Regarding the Dupatri acquisition, a medical and hospital products distributor that operates in the Southeast region of which we signed the purchase and sale agreement in December 2017 and an arbitration proceeding was instituted in October 2018, a partial ruling was handed down by the Arbitrator Court of the Brazil-Canada Chamber of Commerce on September 19, 2020. This court recognized that the precedent conditions were met by the parties and the Company had the right to conclude the transaction. The conclusion of the transaction was determined by said decision and we are currently in the stage of providing specific clarifications to the Arbitration Court.

We use a structured approach to integrate our acquired companies through a 'Post-Merger Integration' (PMI) model developed by our team and partner consultants. All acquired companies go through the same integration process, which briefly consists of:

- Evaluation prior to conclusion
- Operational takeover plan
- 100-day Plan
- Growth Action Plan

We currently have four acquired companies undergoing the ‘Operational Takeover Plan’ and the ‘100 Day Plan’.

We were recognized, for the 5th consecutive year, by the Great Place to Work[3] Award, where we ranked 32nd in the Brazilian ranking of the 150 best companies to work for. This is a consequence of our effort to build a strong work environment based on respect, innovation and commitment with results.

In addition, we initiated another cycle of the ‘Young Talents’ Program, which already has more than 1.800 applications. This program, which is similar to a 'trainee' program, offers a job rotation experience among several areas within Elfa, in addition to training of technical and behavioral skills. It is aimed at senior college students who have the potential to become managers.

In mid-March, Brazil began to suffer the most severe impacts of the pandemic and, through our Crisis Committee, we took the necessary actions to ensure the safety of our employees and the continuity of our operations. This committee developed a strategy to plan, implement and verify the contingency measures tailored for the different criticalities expected in our operations. This strategy has different fronts, such as:

- Defining situational levels and related actions
- Confrontation actions
- Defining circumstantial operation plans
- Management, communication and monitoring of blocking, preventive and reassuring actions
- Establishing a ‘Tactical Committee’ responsible for the daily monitoring of employees, the progression of the pandemic and decision-making
- Implementing a home office work regime for the sales and administrative areas
- Hiring of a specialized consultancy to adapt our facilities
- Monitor the medical conditions of employees suspected of having COVID-19 on a daily basis
- Provide free psychological and emotional support
- Strengthen sanitary measures of circulation areas in order to reduce virus transmission risk
- Offer protective equipment to all employees (such as masks, alcohol gel and gloves)

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

- Cancellation of in-person events
- Vaccination for the H1N1 flu to avoid misdiagnosis of COVID-19 and overload the health system.

Our initiatives to face the pandemic have been in action for eight months and we have not identified any transmission cases at the Company. Despite the challenges, we have maintained our operations functioning on a regular basis.

Compliance continues as a strategic department at Elfa, despite the challenges brought by the pandemic. We follow a periodic training and monitoring routine, in addition to addressing any complaints received through the "Elfa Ombudsman" channel (https://grupoelfa.com.br/ouvidoria). In 3Q20, we had 42 audits carried out by national and international pharmaceutical industries in our program.

Due to the pandemic, we launched the Compliance Talks, an 'online' version of our annual "Compliance Roundtable" event. At the Talks event, we joined senior Compliance and Commercial executives from a specific industry with whom we work with to discuss the issues faced at our operations.

2020 was an important milestone year in our history, as we decided to prepare for our IPO. Among other positive impacts on our operation, such as increasing our governance and compliance levels, the IPO will allow us access to the capital market as a new source of funds to finance our inorganic growth agenda. Although we postponed the IPO since market conditions are not ideal at the moment, we remain engaged in our preparation for this event. Therefore, we decided to proceed with the CVM registration request as a Category "A" company and implement the necessary requirements to comply with the B3 rules in order to expedite the listing process in the future.

We increased our governance level during this past quarter, mainly to meet the requirements of the 'Novo Mercado' listing segment (the highest level of governance on the Brazilian stock exchange). As of August, we remodeled our Board of Directors structure, which now consists of two experienced independent members, and created a non-statutory audit committee and an internal audit department. We approved several policies in line with CVM and B3 (Novo Mercado) requirements, such as the Related Party Transactions, Nomination and Compensation of Directors and the Risk Management policies.

The end of 2020 is approaching and as we are working hard to end this last quarter on a positive note, we are also preparing for 2021. We are happy with our achievements in 2020, despite the challenges, and we are optimistic that 2021 will bring great opportunities to further consolidate our Company as a leading healthcare solutions provider in Brazil.

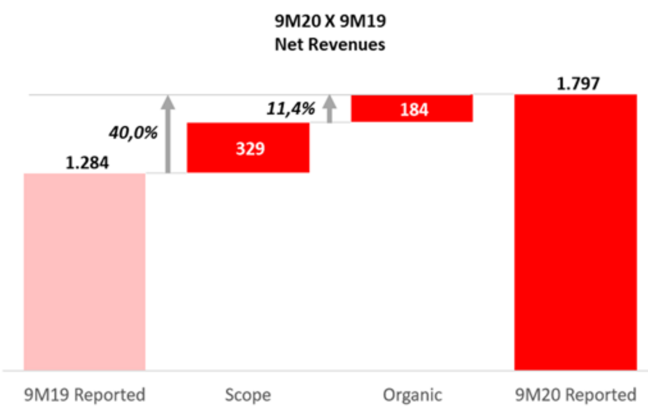
We have three key priorities to generate value in 2021: (i) accelerate the organic growth of our sales across Brazil, mainly through services; (ii) deliver this growth efficiently, mainly focusing on the integration of the companies acquired in 2020, not only to leverage on a greater presence in some regions of the country, but also to capture synergies; and (iii) maintain the accelerated pace of inorganic growth, always in a disciplined manner in relation to strategic fit and expected returns.

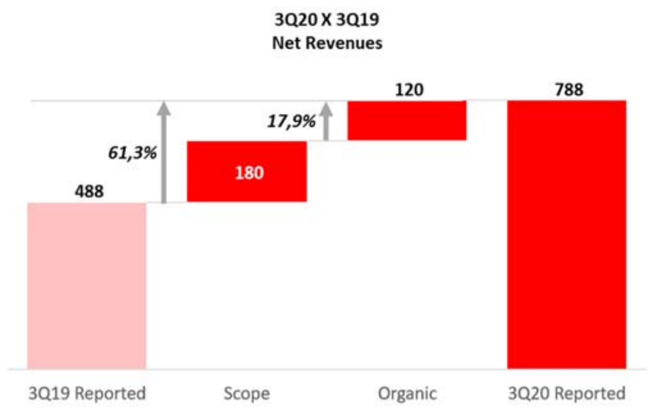
Our team has always been our great competitive advantage and we are confident that we managed to further strengthen this great team in 2020 with the arrival of the professionals from Grupo Medcom, Atrial and subsidiaries, and more recently, Fenergy, Surya, Mostaert and Onco Rio. With this prepared and engaged team, we believe that 2021 will be a year of even more achievements for Elfa.

Consolidated Income Statement

(R$ million)	9M19	9M20			Growth		3Q19	3Q20			Growth	
	Reported	Scope	Organic	Reported	Organic	Reported	Reported	Scope	Organic	Reported	Organic	Reported
	(a)	(b)	(c)=(d-b-a)	(d)	(e)=(c)÷(a+b)	(f)=(d÷a)-1	(a)	(b)	(c)=(d-b-a)	(d)	(e)=(c)÷(a+b)	(f)=(d÷a)-1
Net Revenues	1.284,2	329,3	183,7	1.797,2	*11,4%*	*40,0%*	488,5	179,8	119,7	788,0	*17,9%*	*61,3%*
COGS	(1.148,7)	(262,5)	(174,5)	(1.585,7)	*12,4%*	*38,0%*	(426,0)	(138,5)	(124,1)	(688,5)	*22,0%*	*61,6%*
Gross Profit	135,5	66,8	9,2	211,5	*4,6%*	*56,1%*	62,5	41,4	(4,4)	99,5	*-4,2%*	*59,2%*
Gross Margin (% Net Revenues)	*10,6%*	*+1,7p.p.*	*-0,4p.p.*	*11,8%*		*1,2 p.p.*	*12,8%*	*+1,8p.p.*	*-2,0p.p.*	*12,6%*		*-0,2 p.p.*
Operating Expenses	(86,3)	(51,5)	(15,0)	(152,9)	*10,9%*	*77,1%*	(23,7)	(36,8)	(10,6)	(71,1)	*17,4%*	*199,6%*
Other Operating	9,8	4,1	0,1	14,0	*1,0%*	*43,2%*	8,3	1,5	(1,7)	8,1	*-17,1%*	*-2,2%*
Adjusted EBITDA	58,9	19,3	(5,7)	72,5	*-7,3%*	*23,2%*	47,1	6,0	(16,6)	36,5	*-31,2%*	*-22,4%*
% Adusted EBITDA Margin (% NR)	*4,6%*	*5,9%*	*-3,1%*	*4,0%*		*-0,5 p.p.*	*9,6%*	*3,3%*	*-13,8%*	*4,6%*		*-5,0 p.p.*
Non-Recurring	(8,3)	(7,9)	(4,8)	(21,0)	*29,3%*	*153,2%*	(3,5)	(4,4)	0,8	(7,2)	*-9,8%*	*103,9%*
Depreciation and Amortization	(15,8)	(12,3)	(4,0)	(32,1)	*14,3%*	*103,1%*	(6,8)	(7,3)	(0,7)	(14,8)	*5,3%*	*119,2%*
Operating Profit (EBIT)	34,8	(0,9)	(14,4)	19,5	*-42,5%*	*-43,9%*	36,8	(5,7)	(16,5)	14,5	*-53,3%*	*-60,6%*
Financial Result	(14,9)			(9,8)		*-34,2%*	(10,0)			(3,0)		*-70,4%*
IR/CSSL	2,8			20,7		*628,3%*	(5,3)			3,2		*-159,3%*
Net Income	22,8			30,5		*33,6%*	21,5			14,7		*-31,6%*
Net Margin (% Net Revenues)	*1,8%*			*1,7%*		*-0,1 p.p.*	*4,4%*			*1,9%*		*-2,5 p.p.*

Net Revenues





(R$ million)	9M19	9M20			Growth		3Q19	3Q20			Growth	
	Reported	Scope	Organic	Reported	Organic	Reported	Reported	Scope	Organic	Reported	Organic	Reported
	(a)	(b)	(c)=(d-b-a)	(d)	(e)=(c)÷(a+b)	(f)=(d÷a)-1	(a)	(b)	(c)=(d-b-a)	(d)	(e)=(c)÷(a+b)	(f)=(d÷a)-1
Net Revenues	**1.284,2**	**329,3**	**183,7**	**1.797,2**	***11,4%***	***40,0%***	**488,5**	**179,8**	**119,7**	**788,0**	***17,9%***	***61,3%***
Pharmaceutical Specialties	1.258,5	189,7	164,7	1.612,9	*11,4%*	*28,2%*	477,8	55,4	101,5	634,6	*19,0%*	*32,8%*
Hospital Medical Supplies	25,6	139,6	19,0	184,3	*11,5%*	*619,1%*	10,7	124,5	18,2	153,4	*13,5%*	*1332,2%*

Net revenues reached R$1.797,2 million in the nine-month period of 2020, increasing by 40,0% over the same period of the previous year. This growth was positively impacted by acquisitions carried out in 2019 and 2020 (see the ‘Scope’ above) but was also impacted by our 11,4% organic growth. We recorded double-digit organic growth in both ‘Pharmaceutical Specialties’ and ‘Hospital Medical Supplies’, by 11,4% and 11,5% respectively. Our operating segments proved to be resilient during the COVID-19 pandemic despite the impact on elective surgeries and procedures, which were mostly suspended from March to June.

Net revenues in 3Q20 reached R$788,0 million, up by 61,3% over the same period of last year. Therefore, as commented for the 9M20 period, the growth of this quarter was positively impacted by acquisitions, however, we accelerated our organic growth in the period by 17,9%. 'Pharmaceutical Specialties' reported an organic growth of 19,0%, driven by the good performance of clinics that resumed activities as the restrictions imposed by the COVID-19 pandemic reduced (this includes dermatological procedures, growth hormones and fertility treatment segments, for example). ‘Hospital Medical Supplies’ reported an organic growth of 13,5% due to strong demand for ‘Essentials’ (pandemic consequence).

Gross Profit

(R$ million)	9M19	9M20			Growth		3Q19	3Q20			Growth	
	Reported	Scope	Organic	Reported	Organic	Reported	Reported	Scope	Organic	Reported	Organic	Reported
	(a)	(b)	(c)= (d-b-a)	(d)	(e)= (c)÷(a+b)	(f)= (d÷a)-1	(a)	(b)	(c)= (d-b-a)	(d)	(e)= (c)÷(a+b)	(f)= (d÷a)-1
Gross Profit	**135,5**	**66,8**	**9,2**	**211,5**	***4,6%***	***56,1%***	**62,5**	**41,4**	**(4,4)**	**99,5**	***-4,2%***	***59,2%***
Pharmaceutical Specialties	131,8	35,3	4,3	171,4	*2,6%*	*30,0%*	60,3	12,1	(7,6)	64,8	*-10,5%*	*7,4%*
Hospital Medical Supplies	3,6	31,5	4,9	40,1	*14,1%*	*999,3%*	2,2	29,3	3,3	34,7	*10,4%*	*1470,8%*
Gross Profit	**10,6%**	**+1,7p.p.**	**-0,4p.p.**	**11,8%**		1,2 p.p.	**12,8%**	**+1,8p.p.**	**-2,0p.p.**	**12,6%**		**-0,2 p.p.**
Pharmaceutical Specialties	10,5%	+0,8p.p.	-0,7p.p.	10,6%		0,2 p.p.	12,6%	+0,2p.p.	-2,6p.p.	10,2%		-2,4 p.p.
Hospital Medical Supplies	14,2%	+6,6p.p.	+0,9p.p.	21,8%		7,5 p.p.	20,6%	+0,3p.p.	+1,7p.p.	22,6%		2,0 p.p.

Gross profit reached R$211,5 million in 9M20, increasing by 56,1% over the same period in the previous year. This growth reflects the contribution made by the acquisitions carried out in 2019-20 and an organic growth of 4,6% in the period. Gross margin reached 11,8%, 1,2 p.p. higher than the same period of the previous year due to acquisitions with more attractive margins. The gross profit of the ‘Pharmaceutical Specialties’ segment increased by 30,0%, with a margin increase of 0,2 p.p. despite an organic contraction in the margin, mainly due to: (i) pressure in the generic margin due to reductions in discounts practiced by laboratories during the pandemic; (ii) effects from the segment mix of our clinic operations, which has higher-than-average margins and was the most impacted by the pandemic; and (iii) restrictions in our logistics network due to the pandemic, negatively affecting our margins to protect the service level of our clients. As for ‘Hospital Medical Supplies’, which was not very representative in the previous year, gross profit increased by approximately 10x, mainly due to the merger with Atrial in June 2020. This segment reported an improvement in organic margin of 0,9 p.p. during the period, mainly due to the positive impact of the pandemic on our product mix.

In 3Q20, gross profit reached R$99,5 million, increasing by 59,2% over the same period in the previous year, with a gross margin of 12,6%, 0,2 p.p. lower than in 3Q19. The increase in gross profit was benefited by acquisitions and negatively impacted by an organic margin reduction in the ‘Pharmaceutical Specialties’ segment. This reduction is mainly explained by the margin of this segment being at its highest level of the year during 3Q19 (12,6% in 3Q19 compared to 10,5% in 9M19) due to certain margin adjustment agreements with laboratories in previous quarters that were recognized at that time. This effect ends up “normalized” in the 9M19 result, which we suggest should be analyzed for comparison purposes. 'Hospital Medical Supplies' in 3Q20, similar to the one mentioned in 9M20, was not very representative in the previous year and reported strong growth due to the merger with Atrial, which allowed for a positive margin expansion in the period.

Operating Expenses and Others

(R$ million)	9M19	9M20			Growth		3Q19	3Q20			Growth	
	Reported	Scope	Organic	Reported	Organic	Reported	Reported	Scope	Organic	Reported	Organic	Reported
	(a)	(b)	(c)= (d-b-a)	(d)	(e)= (c)÷(a+b)	(f)= (d÷a)-1	(a)	(b)	(c)= (d-b-a)	(d)	(e)= (c)÷(a+b)	(f)= (d÷a)-1
Operating Expenses	**(86,3)**	**(51,5)**	**(15,0)**	**(152,9)**	***10,9%***	***77,1%***	**(23,7)**	**(36,8)**	**(10,6)**	**(71,1)**	***17,4%***	***199,6%***
% Net Revenues	*-6,7%*	*-15,6%*	*-8,2%*	*-8,5%*		*-1,8 p.p.*	*-4,9%*	*-20,5%*	*-8,8%*	*-9,0%*		*-4,2 p.p.*
Selling Expenses	(47,4)	(16,3)	(6,4)	(70,0)	*10,0%*	*47,7%*	(15,9)	(14,1)	(3,7)	(33,7)	*12,1%*	*111,7%*
Allowance for Doubtful Accounts	(4,3)	(0,6)	(2,7)	(7,6)	*54,6%*	*75,0%*	5,6	(0,3)	(5,3)	(0,1)	*-101,8%*	*-101,7%*
General and Administrative	(34,7)	(34,7)	(6,0)	(75,4)	*8,6%*	*117,4%*	(13,4)	(22,3)	(1,6)	(37,3)	*4,4%*	*178,7%*
Other Operating	**9,8**	**4,1**	**0,1**	**14,0**	***1,0%***	***43,2%***	**8,3**	**1,5**	**(1,7)**	**8,1**	***-17,1%***	***-2,2%***
% Net Revenues	*0,8%*	*1,2%*	*0,1%*	*0,8%*		*0,0 p.p.*	*1,7%*	*0,8%*	*-1,4%*	*1,0%*		*-0,7 p.p.*

Operating expenses totaled R$152,9 million in 9M20, or 8,5% of net revenue, representing an increase of 77,1% over the same period in the previous year and an increase of 1,8 p.p. as a percentage of net revenues. In addition to the expected effect from acquisitions that are still in the process of being integrated and capturing synergies, the evolution in the organic segment was due to:

- Selling Expenses: 10,0% organic growth, mainly explained by the growth in net revenues in the period and the costs associated with the creation of a new sales team for the Generics Business Unit at Elfa (part of the 'Pharmaceutical Specialties' operating segment) in October 2019.
- Allowance for Doubtful Accounts: organic growth of 54,6%, mainly explained by the 2019 annualization, which was positively impacted by the recovery in the public sector compared to 2018. This effect ended up being diluted in the results for 2019. It is worth mentioning that in 3Q19, allowance for doubtful accounts came in as revenues of R$5,6 million.
- General and Administrative: up by 8,6%, mainly explained by the increase in corporate structures to support our growth.

In 3Q20, G&A expenses totaled R$71,1 million (9,0% of net revenues) and was nearly twice the amount of 3Q19, or 4,2 p.p. higher as a percentage of net revenue, mostly explained by the effect of acquisitions in the period and an organic growth of 20,1%, arising from:

- Selling Expenses: a 12,1% organic growth, mainly explained by the growth in net revenues in the period and personnel expenses (creation of a new Generics Business Unit, which is part of the 'Pharmaceutical Specialties' operating segment, in October 2019).
- Allowance for Doubtful Accounts: Despite being practically zero in 3Q20, it explains 44,5% of the organic growth in operating expenses in the quarter. As mentioned above, this is due to a one-off recovery in the allowance for doubtful accounts for the public sector in 3Q19.
- General and Administrative: 4,4% organic growth in 3Q20 explained by the creation of new structures to support our growth.

In 9M20, the growth in Other Expenses is substantially due to the identification of late tax credits. The same effect occurred in the third quarter, however, but in 3Q19 we had a reversal of R$6,5 million referring to an unrealized provision.

Adjusted EBITDA

(R$ million)	9M19 Reported (a)	Scope (b)	9M20 Organic (c)= (d-b-a)	Reported (d)	Growth Organic (e)= (c)÷(a+b)	Growth Reported (f)= (d÷a)-1	3Q19 Reported (a)	Scope (b)	3Q20 Organic (c)= (d-b-a)	Reported (d)	Growth Organic (e)= (c)÷(a+b)	Growth Reported (f)= (d÷a)-1
Gross Profit	**135,5**	**66,8**	**9,2**	**211,5**	***4,6%***	***56,1%***	**62,5**	**41,4**	**(4,4)**	**99,5**	***-4,2%***	***59,2%***
Gross Margin (% Net Revenues)	*10,6%*	*+1,7p.p.*	*-0,4p.p.*	*11,8%*		*1,2 p.p.*	*12,8%*	*+1,8p.p.*	*-2,0p.p.*	*12,6%*		*-0,2 p.p.*
Operating Expenses	(86,3)	(51,5)	(15,0)	(152,9)	*10,9%*	*77,1%*	(23,7)	(36,8)	(10,6)	(71,1)	*17,4%*	*199,6%*
Other Operating	9,8	4,1	0,1	14,0	*1,0%*	*43,2%*	8,3	1,5	(1,7)	8,1	*-17,1%*	*-2,2%*
Adjusted EBITDA	**58,9**	**19,3**	**(5,7)**	**72,5**	***-7,3%***	***23,2%***	**47,1**	**6,0**	**(16,6)**	**36,5**	***-31,2%***	***-22,4%***
Adjusted EBITDA Margin (% NR)	*4,6%*	*5,9%*	*-3,1%*	*4,0%*		*-0,5 p.p.*	*9,6%*	*3,3%*	*-13,8%*	*4,6%*		*-5,0 p.p.*

In 9M20, Adjusted EBITDA reached R$72,5 million, corresponding to a 23,2% increase over the same period of the previous year. This growth is a reflection of acquisitions made in 2019 and 2020, as well as an organic reduction of 7,3% in the period, explained by a 0,4 p.p. organic contraction in gross margin and operating expenses increasing more than revenues (mainly due to allowances for doubtful accounts), as previously explained.

In 3Q20, Adjusted EBITDA totaled R$36,5 million and fell by 22,4% in relation to the same period of the previous year. EBITDA in 3Q19 was exceptionally high, representing 48,7% of the total amount in 2019, due to one-off effects such as reversal of allowance for doubtful accounts and adjustment agreements with laboratories in previous quarters that impacted gross profit. At the end of this document we illustrate the evolution of our Income Statement since 1Q19 where this effect can be seen (Exhibit 'Income Statement - Quarterly Evolution').

Operating Profit (EBIT)

(R$ million)	9M19 Reported (a)	Scope (b)	9M20 Organic (c)= (d-b-a)	Reported (d)	Growth Organic (e)= (c)÷(a+b)	Growth Reported (f)= (d÷a)-1	3Q19 Reported (a)	Scope (b)	3Q20 Organic (c)= (d-b-a)	Reported (d)	Growth Organic (e)= (c)÷(a+b)	Growth Reported (f)= (d÷a)-1
Adjusted EBITDA	**58,9**	**19,3**	**(5,7)**	**72,5**	***-7,3%***	***23,2%***	**47,1**	**6,0**	**(16,6)**	**36,5**	***-31,2%***	***-22,4%***
Adjusted EBITDA Margin (% NR)	*4,6%*	*5,9%*	*-3,1%*	*4,0%*		*-0,5 p.p.*	*9,6%*	*3,3%*	*-13,8%*	*4,6%*		*-5,0 p.p.*
Non-recurring	(8,3)	(7,9)	(4,8)	(21,0)	*29,3%*	*153,2%*	(3,5)	(4,4)	0,8	(7,2)	*-9,8%*	*103,9%*
Depreciation and Amortization	(15,8)	(12,3)	(4,0)	(32,1)	*14,3%*	*103,1%*	(6,8)	(7,3)	(0,7)	(14,8)	*5,3%*	*119,2%*
Operating Profit (EBIT)	**34,8**	**(0,9)**	**(14,4)**	**19,5**	***-42,5%***	***-43,9%***	**36,8**	**(5,7)**	**(16,5)**	**14,5**	***-53,3%***	***-60,6%***

Operating Profit in 9M20 totaled R$19,5 million, 43,9% lower than the same period of the previous year. In 3Q20, Operating Profit reached R$14,5 million and fell by 60,6% over the same quarter of 2019. These reductions reflect, in addition to the Adjusted EBITDA performance discussed above, the following:

- Increase in non-recurring expenses because of a higher number of acquisitions (legal advisors and due diligence expenses) and integrations (support from consultants). We made two acquisitions in 2019 (Agilfarma and CDM), while five were made in 2020 (Medcom, Atrial, Mostaert, Surya Dental and Fenergy and Onco Rio), in addition to two signed acquisitions (Dupatri and Biohosp).
- Increase in amortized capital gains from acquisitions.

Financial Result

(R$ million)	9M19 Reported (a)	9M20 Reported (d)	Growth Reported (f)= (d÷a)-1	3Q19 Reported (a)	3Q20 Reported (d)	Growth Reported (f)= (d÷a)-1
Financial Expenses	(16,6)	(15,9)	-4,3%	(10,6)	(7,5)	-29,0%
Financial Income	1,7	6,1	257,2%	0,6	4,5	692,8%
Financial Result	**(14,9)**	**(9,8)**	**-34,2%**	**(10,0)**	**(3,0)**	**-70,4%**

In 9M20, financial result came in as a net expense of R$9,8 million, decreasing by 34,2% over the same period of the previous year. This reduction was due to: (1) an improvement in debt profile (we exchanged short-term debt with higher interest rates of the acquired companies to long-term debt at Elfa's lower rates); (2) reduction in the CDI (Interbank Deposit) rate in the period (6,5% in January 2019 to 2,0% in September 2020); and (3) cash remuneration for Atrial (as of July 2020).

The same behavior was observed in the third quarter of this year, when our financial result was a net expense of R$3,0 million, 70,4% lower than in 3Q19.

Part of the integration activities of the acquired companies is to optimize their debt profile. These companies are often smaller than Elfa and only have access to more expensive credit lines.

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

(R$ million)		9M19	9M20	3Q19	3Q20
Operating profit before taxes	(a)	20,0	9,7	26,8	11,5
Legal combined tax rate		34,0%	34,0%	34,0%	34,0%
IR/CSLL over legal tax rates	**(b)**	**(6,8)**	**(3,3)**	**(9,1)**	**(3,9)**
Adjustments (tax effect; multiplied by 34%)					
Grants on investments		17,6	22,4	8,1	8,6
Goodwill amortization for acquired companies		0,5	0,5	0,5	0,5
Compensation for tax losses		-	1,5	-	1,5
Other additions and exclusions, net		(8,5)	(0,3)	(4,9)	(3,5)
Additions and exclusions, net	(c)	9,6	24,0	3,8	7,1
income tax and social constribution, net	**(d) = (b) + (c)**	**2,8**	**20,7**	**(5,3)**	**3,2**
Effective tax rate	(d) ÷ (a)	-14,3%	-213,0%	19,8%	-27,3%

The Company benefits from a special ICMS[4] regime with a lower calculation base and, in accordance with Brazilian tax legislation, the ICMS tax benefits validated by CONFAZ (National Council for Treasury Policy) are excluded from the base used to calculate IR/CSLL taxes.

The increase in this benefit in 9M20 and 3Q20 over the same periods in 2019 is due to our revenues growth as well as initiatives aimed at optimizing taxes on our logistics network.

[4] ICMS – abbreviation for "Imposto sobre Operações Relativas à Circulação de Mercadorias e Serviços de Transporte Interestadual e Intermunicipal e de Comunicações", is a value-added tax on sales and services and applies to the movement of goods, transportation and communication services, and to the supplying of any goods.

Net Income

(R$ million)	9M19 Reported (a)	9M20 Reported (d)	Growth Reported (f)= (d÷a)-1	3Q19 Reported (a)	3Q20 Reported (d)	Growth Reported (f)= (d÷a)-1
Operating Profit (EBIT)	34,8	19,5	*-43,9%*	36,8	14,5	*-60,6%*
Financial Result	(14,9)	(9,8)	*-34,2%*	(10,0)	(3,0)	*-70,4%*
IR/CSLL	2,8	20,7	*628,3%*	(5,3)	3,2	*-159,3%*
Net Income	**22,8**	**30,5**	***33,6%***	**21,5**	**14,7**	***-31,6%***
Net Margin (% Net Revenues)	***1,8%***	***1,7%***	***-0,1 p.p.***	***4,4%***	***1,9%***	***-253,1%***

Net Income reached R$30,5 million in 9M20, 33,6% higher than the same period in the previous year. This increase reflects the improvement in our financial result and the effective IR/CSLL rate, partially offset by the 43,9% reduction in our operating profit in the same period.

In 3Q20, net income totaled R$14,7 million, 31,6% lower than the same period of the previous year. This reflects the 60,6% reduction in operating profit, which was partially offset by lower net financial expenses and a positive result for IR/CSLL.

Debt

(R$ million)		2019	9M20
Loans and financings		319,9	306,5
Short term		208,1	88,1
Long term		111,8	218,4
Gross Debt	**(a)**	**319,9**	**306,5**
Cash and cash equivalents		(120,6)	(146,6)
Securities		0,0	(173,0)
Financial investments		(0,1)	(0,1)
Derivatives		0,0	(4,4)
Cash	**(b)**	**(120,7)**	**(324,3)**
Net Debt	**(a) + (b)**	**199,2**	**(17,8)**

In the quarter ended September 30, 2020, Elfa reported a gross debt of R$306,5 million. We significantly changed our debt profile throughout 2020, having approximately 70% of it in long-term maturities. In the same period, our cash position reached R$324,3 million, which we expect will be used to conclude the acquisitions already announced (Fenergy, Surya Dental, Mostaert, Onco Rio and Biohosp) during the fourth quarter of 2020.

Elfa's debt instruments have the highest level of leverage limits to which the Company can be exposed to. The strictest covenant level currently used by Management is calculated at the end of each fiscal year and must have a maximum leverage ratio of 2,75x Net Debt/Accounting EBITDA. We monitor our covenants closely and are well positioned for the closing of the 2020 fiscal year.

Cash Flow

(R$ million)	9M19	9M20	Growth	3Q19	3Q20	Growth
Cash flow from operating activities	(62,2)	(92,0)	*48,0%*	16,8	21,1	*26,0%*
Cash from from investment activities	(78,5)	(31,3)	*-60,1%*	(10,3)	4,8	*-146,7%*
Cash flow from financing activities	44,7	149,4	*233,9%*	(13,3)	(132,0)	*892,4%*
(Reduction) Increase in cash, net	**(95,9)**	**26,1**	***-127,2%***	**(6,8)**	**(106,1)**	***1449,1%***
(Reduction) Increase in cash and cash equivalents, net						
Cash at the beginning of the period	154,0	120,6	*-21,7%*	65,0	252,7	*288,8%*
Cash at the end of the period	58,1	146,6	*152,2%*	58,1	146,6	*152,2%*
(Reduction) Increase in cash and cash equivalents, net	**(95,9)**	**26,1**	***-127,2%***	**(6,8)**	**(106,1)**	***1449,1%***

Our activities generate cash but require capital to support its growth. Additionally, our operating cash generation is highly seasonal, with significant cash consumption in the first half of the year and strong cash generation in the second half.

Despite having an operating cash consumption of R$92,0 million in 9M20, partly explained by higher sales growth versus 2019 but also by a negative impact on the payment capacity of certain clients from April to June, we noticed a strong recovery during the third quarter and we delivered an operating cash generation of R$21,1 million, which was higher than the same period of the previous year.

During 2020, our shareholders contributed R$250,0 million to support our inorganic growth agenda. In addition to the acquisition of Medcom in Apr/20, we merged with Atrial in Jun/20 and we are in the process of concluding five more acquisitions during 4Q20.

Reconciliation of Net Income and EBITDA

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

(R$ million)	9M19	9M20			Growth		3Q19	3Q20			Growth	
	Reported	Scope	Organic	Reported	Organic	Reported	Reported	Scope	Organic	Reported	Organic	Reported
	(a)	(b)	(c)= (d-b-a)	(d)	(e)= (c)÷(a+b)	(f)= (d÷a)-1	(a)	(b)	(c)= (d-b-a)	(d)	(e)= (c)÷(a+b)	(f)= (d÷a)-1
Net Income	**22,8**	**(2,6)**	**10,3**	**30,5**	***50,8%***	***33,6%***	**21,5**	**(8,8)**	**2,0**	**14,7**	***15,8%***	***-31,6%***
IR/CSLL	(2,8)	3,6	(21,5)	(20,7)	*-2818,1%*	*628,3%*	5,3	1,1	(9,5)	(3,2)	*-149,3%*	*-159,3%*
Financial Result	14,9	(1,9)	(3,2)	9,8	*-24,7%*	*-34,2%*	10,0	2,0	(9,0)	3,0	*-75,2%*	*-70,4%*
Operating Profit (EBIT)	34,8	(0,9)	(14,4)	19,5	*-42,5%*	*-43,9%*	36,8	(5,7)	(16,5)	14,5	*-53,3%*	*-60,6%*
Depreciation and Amortization	15,8	12,3	4,0	32,1	*14,3%*	*103,1%*	6,8	7,3	0,7	14,8	*5,3%*	*119,2%*
Accounting EBITDA	**50,6**	**11,4**	**(10,4)**	**51,6**	***-16,8%***	***1,9%***	**43,6**	**1,6**	**(15,8)**	**29,3**	***-35,0%***	***-32,6%***
% Net Revenues	*3,9%*	*3,5%*	*-5,7%*	*2,9%*		*-0,3 p.p.*	*8,9%*	*0,9%*	*-13,2%*	*3,7%*		*-0,6 p.p.*
Non-recurring	8,3	7,9	4,8	21,0	*29,3%*	*153,2%*	3,5	4,4	(0,8)	7,2	*-9,8%*	*103,9%*
Adjusted EBITDA	**58,9**	**19,3**	**(5,7)**	**72,5**	***-7,3%***	***23,2%***	**47,1**	**6,0**	**(16,6)**	**36,5**	***-31,2%***	***-22,4%***
% Net Revenues	*4,6%*	*5,9%*	*-3,1%*	*4,0%*		*-0,1 p.p.*	*9,6%*	*3,3%*	*-13,8%*	*4,6%*		*-0,5 p.p.*

We consider 'non-recurring expenses' essentially as expenses related to (1) acquisitions (such as legal advisors and due diligence) and (2) integration of the acquired companies (such as support from consultants).

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Exhibits

Balance Sheet

(R$ '000)	2019	Sept. 2020
Assets		
Current Assets		
Cash and cash equivalents	120.560	146.646
Securities	-	173.043
Trade accounts receivable	447.476	655.157
Inventory	214.992	417.810
Taxes to recover	48.286	57.069
Income tax and social contribution	19.516	35.008
Other receivables	43.073	59.382
Total Current Assets	**893.903**	**1.544.115**
Non-current Assets		
Financial investments	127	146
Derivatives	-	4.438
Contingencies receivable from former	6.877	8.763
Deferred IR and CSSL taxes	88.411	116.807
Other receivables	2.149	12.020
Total Non-current Assets	**97.564**	**142.174**
Fixed Assets		
PP&E	36.421	70.857
Intangible assets	252.848	984.175
Total Fixed Assets	**289.269**	**1.055.032**
Total Assets	**1.280.736**	**2.741.321**

(R$ '000)	2019	Sept. 2020
Liabilities		
Current Liabilities		
Suppliers and other accounts payable	380.269	561.181
Loans and financings	208.093	88.115
Labor obligations	11.123	38.048
Taxes payable	16.778	36.693
Dividends payable	665	-
Accounts payable on the acquisition of	16.176	36.533
Total Current Liabilities	**633.104**	**760.570**
Non-current Liabilities		
Loans and financings	111.835	218.365
Taxes payable	2.108	3.188
Accounts payable to related parties	-	1.276
Provision for contingencies	7.400	9.524
Deferred IR and CSSL taxes	-	373
Accounts payable on the acquisition of	64.079	151.581
Total Non-current Liabilities	**185.422**	**384.307**
Shareholders' Equity		
P&L of controlling shareholders	462.211	1.590.963
Stake of non-controlling shareholders	-	5.481
Total Shareholders' Equity	**462.211**	**1.596.444**
Total Liabilities and Shareholders' Equity	**1.280.736**	**2.741.321**

Income Statement

Income Statement (R$ '000)	9M19	9M20	3Q19	3Q20
Net operating revenues	1.284.154	1.797.199	488.480	788.027
Cost of goods sold	(1.148.673)	(1.585.724)	(425.960)	(688.511)
Gross profit	**135.481**	**211.475**	**62.520**	**99.516**
Selling expenses	(47.353)	(69.959)	(15.934)	(33.725)
(Losses) / reversion of accounts receivable to recover	(4.335)	(7.586)	5.580	(96)
General and administrative expenses	(58.727)	(128.376)	(23.663)	(59.285)
Other revenues	13.912	19.607	9.893	7.173
Other expenses	(4.159)	(5.644)	(1.610)	921
Operating profit before financial income and taxes	**34.819**	**19.517**	**36.786**	**14.504**
Financial income	1.700	6.072	573	4.543
Financial expenses	(16.557)	(15.853)	(10.575)	(7.506)
Financial expenses, net	**(14.857)**	**(9.781)**	**(10.002)**	**(2.963)**
Profit / (loss) before income tax and social contribution	**19.962**	**9.736**	**26.784**	**11.541**
Income tax and social constribution				
Current	(5.972)	(10.302)	(1.157)	(6.367)
Deferred	8.820	31.040	(4.157)	9.520
	2.848	**20.738**	**(5.314)**	**3.153**
Net income in the period	**22.810**	**30.474**	**21.470**	**14.694**
Attributed to:				
Controlling shareholders	22.810	30.246	21.470	14.466
Non-controlling shareholders	-	228	-	228

(R$ '000)	9M19	9M20	3Q19	3Q20
Cash flow from operating activities				
Net profit/(loss) in the period	**22,8**	**30,2**	**21,5**	**14,5**
Adjustments to reconcile net income with cash:				
Depreciation and amortization	15,8	32,1	6,8	14,9
Income tax and social contribution, net	(2,8)	(20,7)	5,3	(3,2)
Provision for impairment	4,3	7,6	(5,6)	0,1
Other	-		-	0,1
Provision for contingencies	-	(0,3)	-	(0,1)
Provision for inventory losses	0,4	0,1	-	-
Share-based compensation	4,2	3,6	1,4	1,2
Write-off on acquisitions	-	-	-	-
Interest, monetary variations, net - Loans	10,9	12,1	4,9	5,4
(Increase)/decrease in assets:				
Trade account receivables	(14,3)	(90,8)	1,7	(64,6)
Inventory	(0,4)	(62,7)	26,6	(40,1)
Taxes to recover	(13,4)	1,7	(4,5)	0,6
Related parties	(18,1)	1,3	(18,1)	(3,1)
Other assets	4,9	(21,7)	5,8	(23,5)
(Decrease)/increase in liabilities:			-	-
Suppliers and other accounts payable	(66,1)	36,9	(20,7)	121,1
Labor obligations	3,2	10,4	1,6	8,3
Taxes payable	7,3	(7,6)	3,5	0,2
Cash generated by (used in) operating activities	**(41,2)**	**(67,9)**	**30,1**	**31,7**
Payment of interest on loans and financings	(14,9)	(13,9)	(8,6)	(4,5)
Income tax and social contribution paid	(6,0)	(10,3)	(4,7)	(6,1)
Net cash flow generated by (used in) operating activities	**(62,2)**	**(92,0)**	**16,8**	**21,1**
Investing activities:				
Acquisition of PP&E and intangible assets, net	(5,3)	(6,4)	(10,3)	(3,8)
Advances for future capital increase	-	-	-	-
Acquisition of subsidiaries, net of cash	(73,2)	(76,3)	-	-
Cash from the acquisition of subsidiaries	-	42,7	-	-
Redemption/financial investments	-	8,7	-	8,7
Net cash flow from (used in) investing activities	**(78,5)**	**(31,3)**	**(10,3)**	**4,8**
Financing activities:				
Increase in share capital	-	250,0	-	-
Loans, financings and leases	429,8	310,8	234,5	45,6
Payment of installments for acquired companies	(14,2)	(14,9)	(14,2)	(1,0)
Payment of principal on loans and financing	(367,7)	(395,8)	(233,6)	(176,6)
Dividends paid	(3,1)	(0,7)	-	(0,0)
Cash flow from financing activities	**44,7**	**149,4**	**(13,3)**	**(132,0)**
Increase/(reduction) in cash and cash equivalents, net	**(95,9)**	**26,1**	**(6,8)**	**(106,1)**
Cash and cash equivalents at the beginning of the period	154,0	120,6	65,0	252,7
Cash and cash equivalents at the end of the period	58,1	146,6	58,1	146,6
Increase/(reduction) in cash and cash equivalents, net	**(95,9)**	**26,1**	**(6,8)**	**(106,1)**

Information by Segment

(R$ '000)	9M19 Pharmaceutical Specialties	9M19 Hospital Medical Supplies	9M19 Consolidated	9M20 Pharmaceutical Specialties	9M20 Hospital Medical Supplies	9M20 Consolidated
Net revenues	1.258.527	25.627	1.284.154	1.612.914	184.285	1.797.199
Cost of goods sold	(1.126.693)	(21.979)	(1.148.673)	(1.441.535)	(144.189)	(1.585.725)
Gross Profit	**131.834**	**3.647**	**135.481**	**171.380**	**40.096**	**211.475**
Gross margin	***10,5%***	***14,2%***	***10,6%***	***10,6%***	***21,8%***	***11,8%***
Selling expenses	(46.533)	(820)	(47.353)	(55.132)	(14.827)	(69.959)
Contribution margin	**85.301**	**2.827**	**88.128**	**116.247**	**25.269**	**141.516**
% Net Revenues	***6,8%***	***11,0%***	***6,9%***	***7,2%***	***13,7%***	***7,9%***

	3Q19 Pharmaceutical Specialties	3Q19 Hospital Medical Supplies	3Q19 Consolidated	3Q20 Pharmaceutical Specialties	3Q20 Hospital Medical Supplies	3Q20 Consolidated
Net revenues	477.768	10.711	488.479	634.628	153.399	788.027
Cost of goods sold	(417.460)	(8.499)	(425.959)	(569.852)	(118.658)	(688.510)
Gross Profit	**60.308**	**2.212**	**62.520**	**64.775**	**34.741**	**99.516**
Gross margin	***12,6%***	***20,6%***	***12,8%***	***10,2%***	***22,6%***	***12,6%***
Selling expenses	(15.663)	(268)	(15.931)	(19.332)	(14.393)	(33.725)
Contribution margin	**44.645**	**1.943**	**46.588**	**45.443**	**20.348**	**65.791**
% Net Revenues	***9,3%***	***18,1%***	***9,5%***	***7,2%***	***13,3%***	***8,3%***

Income Statement - Quarterly Results

(R$ '000)	1Q19	2Q19	3Q19	4Q19	2019
Net Revenues	**351.065**	**444.609**	**488.480**	**547.308**	**1.831.462**
Cost of goods sold	(317.262)	(405.451)	(425.960)	(486.920)	(1.635.593)
Gross Profit	**33.803**	**39.158**	**62.520**	**60.388**	**195.869**
% Net Revenues	*9,6%*	*8,8%*	*12,8%*	*11,0%*	*10,7%*
Operating Expenses	(37.831)	(38.567)	(34.017)	(48.158)	(158.573)
Selling	(14.814)	(16.605)	(15.934)	(16.224)	(63.577)
Allowance for doubtful accounts	(9.569)	(346)	5.580	726	(3.609)
General and administrative	(13.448)	(21.616)	(23.663)	(32.660)	(91.387)
G&A	(10.945)	(15.107)	(16.893)	(22.163)	(65.108)
Depreciation and amortization	(2.503)	(6.509)	(6.770)	(10.497)	(26.279)
Other operating	6	1.464	8.283	11.141	20.894
Operating Profit (EBIT)	**(4.022)**	**2.055**	**36.786**	**23.371**	**58.190**
Financial result	(3.378)	(1.477)	(10.002)	(12.465)	(27.322)
Earnings Before Taxes (EBT)	**(7.400)**	**578**	**26.784**	**10.906**	**30.868**
IR/CSSL	4.685	3.477	(5.314)	5.844	8.692
Current	(858)	(3.957)	(1.157)	(4.653)	(10.625)
Deferred	5.543	7.434	(4.157)	10.497	19.317
Net Income	**(2.715)**	**4.055**	**21.470**	**16.750**	**39.560**
% Net Revenues	*-0,8%*	*0,9%*	*4,4%*	*3,1%*	*2,2%*
Accounting EBITDA	(1.519)	8.564	43.556	33.868	84.469
% Net Revenues	*-0,4%*	*1,9%*	*8,9%*	*6,2%*	*4,6%*
Non-recurring	1.540	3.231	3.512	3.831	12.113
Adjusted EBITDA	**21**	**11.795**	**47.068**	**37.699**	**96.582**
% Net Revenues	*0,0%*	*2,7%*	*9,6%*	*6,9%*	*5,3%*

(R$ '000)	1Q20	2Q20	3Q20	9M20
Net Revenues	**452.263**	**556.909**	**788.027**	**1.797.199**
Cost of goods sold	(406.672)	(490.541)	(688.511)	(1.585.724)
Gross Profit	**45.591**	**66.368**	**99.516**	**211.475**
% Net Revenues	*10,1%*	*11,9%*	*12,6%*	*11,8%*
Operating Expenses	(42.992)	(69.823)	(93.106)	(205.921)
Selling	(16.898)	(19.336)	(33.725)	(69.959)
Allowance for doubtful accounts	(4.284)	(3.206)	(96)	(7.586)
General and administrative	(21.810)	(47.281)	(59.285)	(128.376)
G&A	(15.417)	(36.492)	(44.414)	(96.323)
Depreciation and amortization	(6.393)	(10.789)	(14.871)	(32.053)
Other operating	(1.334)	7.203	8.094	13.963
Operating Profit (EBIT)	**1.265**	**3.748**	**14.504**	**19.517**
Financial result	(2.243)	(4.575)	(2.963)	(9.781)
Earnings Before Taxes (EBT)	**(978)**	**(827)**	**11.541**	**9.736**
IR/CSSL	4.972	12.613	3.153	20.738
Current	(1.358)	(2.577)	(6.367)	(10.302)
Deferred	6.330	15.190	9.520	31.040
Net Income	**3.994**	**11.786**	**14.694**	**30.474**
% Net Revenues	*0,9%*	*2,1%*	*1,9%*	*1,7%*
Accounting EBITDA	7.658	14.537	29.375	51.570
% Net Revenues	*1,7%*	*2,6%*	*3,7%*	*2,9%*
Non-recurring	1.628	12.179	7.160	20.968
Adjusted EBITDA	**9.286**	**26.716**	**36.535**	**72.538**
% Net Revenues	*2,1%*	*4,8%*	*4,6%*	*4,0%*

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Cash Flow - Quarterly Results

(R$ '000)	1Q19	2Q19	3Q19	4Q19	2019	1Q20	2Q20	3Q20	9M20
Cash flow from operating activities									
Net profit/(loss) in the period	(2,7)	4,1	21,5	16,8	39,6	4,0	11,8	14,5	30,2
Adjustments to reconcile net income with cash:									
Depreciation and amortization	2,5	6,5	6,8	10,5	26,3	6,4	10,8	14,9	32,1
Income tax and social contribution, net	(4,7)	(3,5)	5,3	(5,8)	(8,7)	(5,0)	(12,6)	(3,2)	(20,7)
Provision for impairment	25,0	(15,1)	(5,6)	(1,5)	2,9	4,2	3,3	0,1	7,6
Other	-	-	-	3,0	3,0	-	(0,1)	0,1	
Provision for contingencies	-	-	-	0,5	0,5	(0,3)	0,0	(0,1)	(0,3)
Provision for inventory losses	0,5	(0,0)	-	(1,8)	(1,4)	0,2	(0,1)	-	0,1
Share-based compensation	1,4	1,4	1,4	1,4	5,6	1,2	1,2	1,2	3,6
Write-off on acquisitions	-	-	-	-	-	-	-	-	-
Interest, monetary variations, net - Loans	2,6	3,4	4,9	9,0	19,9	6,3	0,3	5,4	12,1
(Increase)/decrease in assets:									
Trade account receivables	8,8	(24,7)	1,7	(16,2)	(30,5)	15,1	(41,2)	(64,6)	(90,8)
Inventory	(28,2)	1,1	26,6	(8,5)	(9,0)	8,2	(30,8)	(40,1)	(62,7)
Taxes to recover	(4,8)	(4,1)	(4,5)	(14,4)	(27,8)	5,8	(4,8)	0,6	1,7
Related parties	-	-	(18,1)	18,1	-	-	4,4	(3,1)	1,3
Other assets	(15,1)	14,3	5,8	(22,4)	(17,5)	3,4	(1,5)	(23,5)	(21,7)
(Decrease)/increase in liabilities:	-	-	-	-	-	-	-	-	
Suppliers and other accounts payable	(43,2)	(2,1)	(20,7)	107,3	41,2	(75,6)	(8,6)	121,1	36,9
Labor obligations	0,3	1,3	1,6	3,2	6,4	(1,6)	3,7	8,3	10,4
Taxes payable	(1,1)	5,0	3,5	(10,3)	(3,0)	(8,4)	0,7	0,2	(7,6)
Cash generated by (used in) operating activities	**(58,7)**	**(12,6)**	**30,1**	**88,8**	**47,6**	**(36,1)**	**(63,5)**	**31,7**	**(67,9)**
Payment of interest on loans and financings	(3,8)	(2,5)	(8,6)	(7,3)	(22,2)	(5,4)	(3,9)	(4,5)	(13,9)
Income tax and social contribution paid	0,5	(1,7)	(4,7)	0,6	(5,4)	(1,7)	(2,5)	(6,1)	(10,3)
Net cash flow generated by (used in) operating activities	**(62,1)**	**(16,9)**	**16,8**	**82,1**	**19,9**	**(43,2)**	**(69,9)**	**21,1**	**(92,0)**
Investing activities:									
Acquisition of PP&E and intangible assets, net	(3,7)	8,7	(10,3)	(5,1)	(10,4)	(0,2)	(2,3)	(3,8)	(6,4)
Advances for future capital increase	3,4	(3,4)	-	-	-	-	-	-	-
Acquisition of subsidiaries, net of cash	-	(73,2)	-	-	(73,2)	-	(76,3)	-	(76,3)
Cash from the acquisition of subsidiaries	-	-	-	-	-	-	42,7	-	42,7
Redemption/financial investments	-	-	-	-	-	-	-	8,7	8,7
Net cash flow from (used in) investing activities	**(0,3)**	**(67,9)**	**(10,3)**	**(5,1)**	**(83,6)**	**(0,2)**	**(35,9)**	**4,8**	**(31,3)**
Financing activities:									
Increase in share capital	-	-	-	-	-	239,7	10,3	-	250,0
Loans, financings and leases	134,9	60,3	234,5	62,4	492,2	135,2	130,0	45,6	310,8
Payment of installments for acquired companies	-	-	(14,2)	(15,9)	(30,1)	-	(13,9)	(1,0)	(14,9)
Payment of principal on loans and financing	(116,6)	(17,5)	(233,6)	(61,1)	(428,8)	(142,6)	(76,7)	(176,6)	(395,8)
Dividends paid	-	(3,1)	-	-	(3,1)	-	(0,7)	(0,0)	(0,7)
Cash flow from financing activities	**18,3**	**39,7**	**(13,3)**	**(14,6)**	**30,1**	**232,3**	**49,1**	**(132,0)**	**149,4**
Increase/(reduction) in cash and cash equivalents, net	**(44,0)**	**(45,0)**	**(6,8)**	**62,4**	**(33,5)**	**188,8**	**(56,7)**	**(106,1)**	**26,1**
Cash and cash equivalents at the beginning of the period	154,0	110,0	65,0	58,1	154,0	120,6	309,4	252,7	120,6
Cash and cash equivalents at the end of the period	110,0	65,0	58,1	120,6	120,6	309,4	252,7	146,6	146,6
Increase/(reduction) in cash and cash equivalents, net	**(44,0)**	**(45,0)**	**(6,8)**	**62,4**	**(33,5)**	**188,8**	**(56,7)**	**(106,1)**	**26,1**

Elfa made two acquisitions, one in June 2019 and the other in April 2020.

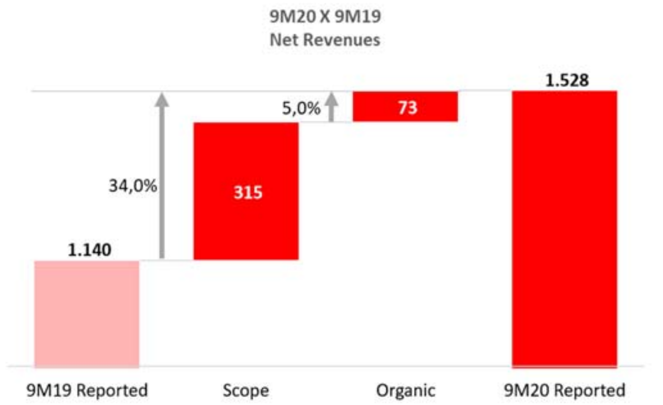
For accounting purposes, the results of these acquisitions are reported as of the date in which they were acquired.

Net Revenues *(R$ million)*	jan/19	fev/19	mar/19	apr/19	may/19	jun/19	jul/19	aug/19	sep/19	9M19 Reported	Scope
Elfa	100,0	100,0	100,0	105,0	105,0	105,0	105,0	105,0	105,0	930,0	-
Acquistion 1	50,0	50,0	50,0	52,5	52,5	52,5	52,5	52,5	52,5	210,0	255,0
Acquistion 2	10,0	10,0	10,0	10,0	10,0	10,0	10,0	10,0	10,0	-	60,0
Total										**1.140,0**	**315,0**

(R$ million)	jan/20	fev/20	mar/20	abr/20	mai/20	jun/20	jul/20	ago/20	set/20	9M20 Reported
Elfa	105,0	105,0	105,0	110,3	110,3	110,3	110,3	110,3	110,3	976,5
Acquistion 1	52,5	52,5	52,5	55,1	55,1	55,1	55,1	55,1	55,1	488,3
Acquistion 2	10,0	10,0	10,0	10,5	10,5	10,5	10,5	10,5	10,5	63,0
Total										**1.527,8**

Variation *(R$ million)*	9M20-19 Reported (a)	Scope (b)	Organic (a) - (b)
Elfa	46,5	-	46,5
Acquistion 1	278,3	255,0	23,3
Acquistion 2	63,0	60,0	3,0
Total	**387,8**	**315,0**	**72,8**

We will present the results as follows:



(R$ million)	9M19 Reported	9M20 Scopo	9M20 Organic	9M20 Reported	Growth Organic	Growth Reported
	(a)	(b)	(c)= (d-b-a)	(d)	(e)= (c)÷(a+b)	(f)= (d÷a)-1
Net Revenues	1.140,0	315,0	72,8	1.527,8	5,0%	34,0%

The “9M19 Reported” and “9M20 Reported” columns are the amounts reported in our consolidated financial statements.

The “9M20 Scope” column reflects the change in performance that the Company underwent as a result of the acquisitions.

The “9M20 Organic” column represents the total organic growth under Elfa's management on the same basis of comparison.

This example is for illustrative purposes and the Company will present its results on a consolidated basis.

Disclaimer

This document may contain forward-looking statements about future results or events, which reflect the expectations of the management team of Elfa Medicamentos S.A. based on the information currently available. These considerations can be identified by the words "anticipate, wish, hope, predict, intend, plan, project, objectify" and other similar terms, as well as by indicating future dates.

Although such statements reflect what our management believes, they are naturally subject to risks and uncertainties, being influenced by external factors that cannot be controlled or foreseen by Elfa Medicamentos S.A.

Elfa Medicamentos S.A. cannot guarantee the implementation of future events and thus they should not be interpreted as guarantees. Elfa Medicamentos S.A.'s financial situation, operating results, market share and competitive position, among other expectations and future results, may differ substantially from those expressed or suggested in the forward-looking statements contained herein.

Eventual statements made by Elfa Medicamentos S.A. regarding future projects may change significantly due to variations in market conditions, changes in legislation or government policies and/or changes in the project's operating conditions and their respective costs, timing, operational performance, commercial negotiations or other technical and economic factors. Elfa Medicamentos S.A.'s projects may be modified in whole or in part without prior notice.

Elfa Medicamentos S.A. is not obliged to publicly update or revise any statement or expectation provided herein, whether due to new information or future events, or for any other reason that may arise.

The reader/investor should not rely solely on the information contained in this document to make decisions regarding the trading of securities.

For more information, please consult the Financial Statements, the Reference Form and other relevant information available on the Investor Relations website of Elfa Medicamentos S.A.: ri.grupoelfa.com.br

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Independent Auditors' Report on review of interim financial information - ITR

To the Shareholders and Management of

Elfa Medicamentos S.A.
Brasília – DF

Introduction

We have reviewed the accompanying interim individual and consolidated financial information of Elfa Medicamentos S.A. ("Company"), contained in the Quarterly Information – ITR Form for the quarter ended September 30, 2020, which comprise the statement of financial position as of September 30, 2020 and related statements of income, and other comprehensive income for the three- and nine-month periods then ended, of changes in shareholders' equity and of cash flows for the nine-month period then ended, including the explanatory notes.

The Company's Management is responsible for the preparation of the interim financial information in accordance with CPC 21(R1) and the interim consolidated financial information in accordance with CPC 21(R1) and International Standard IAS 34 - Interim Financial Reporting, issued by the International Accounting Standards Board - IASB, as well as for the presentation of this information in a manner consistent with the standards issued by the Brazilian Securities and Exchange Commission ("CVM"), applicable to the preparation of the Quarterly Information - ITR. Our responsibility is to express a conclusion on these interim individual and consolidated financial information based on our review.

Scope of review

We conducted our review in accordance with the Brazilian and International Standard on Review Engagements (NBC TR 2410 – *Revisão das Informações Intermediárias Executadas pelo Auditor da Entidade* and ISRE 2410 - Review of Interim Financial Information Performed by the Independent Auditor of the Entity, respectively). A review of interim financial information consists of making inquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with standards on auditing and, consequently, does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

Conclusion on the individual and consolidated interim financial information

Conclusion on the individual interim information

Based on our review, nothing has come to our attention that causes us to believe that the individual interim financial information included in the quarterly information referred to above do not present fairly, in all material respects, the financial position of the entity as at September 30, 2020, and its financial performance and its cash flows for the nine month period then ended in accordance with CPC 21 (R1), applicable to the preparation of Quarterly Information - ITR, and presented in a manner consistent with the standards issued by the Brazilian Securities and Exchange Commission ("CVM").

Conclusion on the consolidated interim information

Based on our review, nothing has come to our attentionthat causes us to believe that the consolidated interim financial information included in the quarterly information referred to above do not present fairly, in all material respects, the financial position of the entity as at September 30, 2020, and its financial performance and its cash flows for the nine month period then ended in accordance with CPC 21 (R1) and IFRS including the requirements of IAS 34, applicable to the preparation of Quarterly Information - ITR, and presented in a manner consistent with the standards issued by the Brazilian Securities and Exchange Commission ("CVM").

Other matters- Statement of value added

The above mentioned interim financial information includes individual and consolidated statements of value added (DVA) for the nine-month period ended September 30, 2020, prepared under the responsibility of the Company's management, and presented as supplementary information for the purposes of IAS 34. These statements, were submitted to the review procedures performed together with the review of the Company's quarterly financial information in order to conclude whether the statements are reconciled with the interim financial information and accounting records, as applicable, and whether their form and content are in accordance with the criteria set on Technical Pronouncement CPC 09 – *Demonstração do Valor Adicionado*. Based on our review, nothing has come to our attention that causes us to believe that the statements of value added have not been prepared, in all material respects, in accordance with the criteria set forth in this standard and with the individual and consolidated interim financial information taken as a whole.

São Paulo, November 17, 2020

KPMG Auditores Independentes
CRC 2SP014428/O-6

Alexandre Yoiti Fujimoto

Alexandre Yoiti Fujimoto
Accountant CRC 1SP209444/O-7

Elfa Medicamentos S.A.

Statement of financial position

as of September 30, 2020 and December 31, 2019

(In thousands of Reais)

		Parent Company		Consolidated	
Assets	**Note**	**9/30/2020**	**12/31/2019**	**9/30/2020**	**12/31/2019**
Cash and cash equivalents	9	58,205	50,357	146,646	120,560
Marketable securities	9	-	-	173,043	-
Trade receivables	10	292,484	254,403	655,157	447,476
Inventories	11	164,406	109,536	417,810	214,992
Taxes recoverable	12	10,809	19,577	57,069	48,286
Income tax and social contribution	12	24,224	13,720	35,008	19,516
Other assets		23,785	21,502	59,382	43,073
Total current assets		**573,913**	**469,095**	**1,544,115**	**893,903**
Financial investments		98	96	146	127
Derivatives	17	4,438	-	4,438	-
Advance for future capital increase	15	144,105	40,023	-	-
Other receivables	19	369	6,776	8,763	6,877
Deferred income tax and social contribution	24	85,934	67,391	116,807	88,411
Other assets		5,230	224	12,020	2,150
		240,174	**114,510**	**142,174**	**97,565**
Investments	13	1,605,690	595,005	-	-
Property and equipment		24,440	26,323	70,857	36,421
Intangible assets	14	5,149	4,376	984,175	252,848
Total non-current assets		**1,875,453**	**740,214**	**1,197,206**	**386,833**
Total assets		**2,449,366**	**1,209,309**	**2,741,321**	**1,280,737**

		Parent Company		Consolidated	
Liabilities and equity	**Note**	**9/30/2020**	**12/31/2019**	**9/30/2020**	**12/31/2019**
Trade and other payables	16	222,698	201,608	561,181	380,269
Loans and financing	17	83,231	201,922	88,115	208,093
Labor obligations		10,282	8,390	38,048	11,123
Taxes payable		12,642	7,111	36,693	16,778
Dividends payable		-	665	-	665
Payables for investment acquisition	18	11,722	11,666	36,533	16,176
Total current liabilities		**340,575**	**431,362**	**760,570**	**633,104**
Loans and financing	17	204,099	111,835	218,365	111,835
Taxes payable		1,328	1,329	3,188	2,108
Payables to related parties	16	195,737	133,606	1,276	-
Provision for contingencies	19	509	7,128	9,524	7,400
Deferred income tax and social contribution		-	-	373	-
Payables for investment acquisition	18	116,383	61,838	151,581	64,079
Total non-current liabilities		**518,056**	**315,736**	**384,307**	**185,422**
Equity	20				
Share capital		834,510	312,016	834,510	312,016
Capital reserve		625,770	49,986	625,770	49,986
Profit reserve		130,455	100,209	130,683	100,209
Equity attributable to the owners of the Parent Company		**1,590,735**	**462,211**	**1,590,963**	**462,211**
Non-controlling interests		-	-	5,481	-
Total equity		**1,590,735**	**462,211**	**1,596,444**	**462,211**
Total liabilities and equity		**2,449,366**	**1,209,309**	**2,741,321**	**1,280,737**

The accompanying notes are an integral part of these Parent Company and Consolidated interim financial statements.

Elfa Medicamentos S.A.
Statement of income
Quarters ended September 30, 2020 and 2019
(In thousands of Reais unless otherwise stated)

		Parent Company			
		September 30, 2020		September 30, 2019	
	Note	Quarter	Nine-month period	Quarter	Nine-month period
Net operating revenue	21	331,543	921,503	287,895	828,124
Cost of goods sold	22	(300,283)	(835,846)	(258,533)	(755,340)
Gross profit		**31,260**	**85,657**	**29,362**	**72,784**
Selling expenses	22	(11,623)	(34,479)	(10,082)	(29,308)
(Impairment)/reversal of impairment of trade receivables	22	(38)	(4,700)	1,875	(4,281)
General and administrative expenses	22	(16,333)	(50,978)	(14,022)	(38,646)
Equity results	13	8,392	19,190	12,711	14,870
Other income	22	495	10,661	14,086	16,319
Other expenses	22	2,563	(2,237)	(926)	(2,283)
Operating profit before Financial result and taxes		**14,716**	**23,114**	**33,004**	**29,455**
Financial income	23	622	1,752	472	950
Financial expenses	23	(6,138)	(14,330)	(10,572)	(16,330)
Financial expenses, net		**(5,516)**	**(12,578)**	**(10,100)**	**(15,380)**
Profit before taxes		**9,200**	**10,536**	**22,904**	**14,075**
Income tax and social contribution	24				
Current		-	-	-	-
Deferred		5,266	19,710	(1,434)	8,735
Profit for the period		**14,466**	**30,246**	**21,470**	**22,810**
Basic earnings per share - R$	25	**0.04**	**0.08**	**0.09**	**0.09**
Diluted earnings per share - R$	25	**0.04**	**0.08**	**0.08**	**0.09**

The accompanying notes are an integral part of these Parent Company and Consolidated interim financial statements.

Elfa Medicamentos S.A.
Statement of income
Quarters ended September 30, 2020 and 2019
(In thousands of Reais unless otherwise stated)

		Consolidated			
		September 30, 2020		September 30, 2019	
	Note	Quarter	Nine-month period	Quarter	Nine-month period
Net operating revenue	21	788,027	1,797,199	488,480	1,284,154
Cost of goods sold	22	(688,511)	(1,585,724)	(425,960)	(1,148,673)
Gross profit		**99,516**	**211,475**	**62,520**	**135,481**
Selling expenses	22	(33,725)	(69,959)	(15,934)	(47,353)
(Impairment)/reversal of impairment of trade receivables	22	(96)	(7,586)	5,580	(4,335)
General and administrative expenses	22	(59,285)	(128,376)	(23,663)	(58,727)
Other income	22	7,173	19,607	9,893	13,912
Other expenses	22	921	(5,644)	(1,610)	(4,159)
Operating profit before Financial result and taxes		**14,504**	**19,517**	**36,786**	**34,819**
Financial income	23	4,543	6,072	573	1,700
Financial costs	23	(7,506)	(15,853)	(10,575)	(16,557)
Financial costs, net		**(2,963)**	**(9,781)**	**(10,002)**	**(14,857)**
Profit before taxes		**11,541**	**9,736**	**26,784**	**19,962**
Income tax and social contribution	24				
Current		(6,367)	(10,302)	(1,157)	(5,972)
Deferred		9,520	31,040	(4,157)	8,820
Profit for the period		**14,694**	**30,474**	**21,470**	**22,810**
Attributable to:					
Owners of the Parent Company		14,466	30,246	21,470	22,810
Non-controlling interests		228	228		
Basic earnings per share - R$	25	**0.04**	**0.08**	**0.09**	**0.09**
Diluted earnings per share - R$	25	**0.04**	**0.08**	**0.08**	**0.09**

The accompanying notes are an integral part of these Parent Company and Consolidated interim financial statements.

Elfa Medicamentos S.A.

Statement of comprehensive income

Quarters ended September 30, 2020 and 2019

(In thousands of Reais)

	Parent Company				Consolidated			
	September 30, 2020		September 30, 2019		September 30, 2020		September 30, 2019	
	Quarter	Nine-month period	Quarter	Nine-month period	Quarter	Nine-month period	Quarter	Nine-month period
Profit for the period	14,466	30,246	21,470	22,810	14,694	30,474	21,470	22,810
Comprehensive income for the period	14,466	30,246	21,470	22,810	14,694	30,474	21,470	22,810
Attributable to:								
Owners of the Parent Company	14,466	30,246	21,470	22,810	14,466	30,246	21,470	22,810
Non-controlling interests	-	-	-	-	228	228	-	-

The accompanying notes are an integral part of these Parent Company and Consolidated interim financial statements.

Elfa Medicamentos S.A.
Statement of changes in equity
(In thousands of Reais)

			Capital reserve		Profit reserves							
	Note	**Subscribed capital**	**Capital reserve**	**Options granted**	**Legal reserve**	**Retained profit reserve**	**Tax incentive reserve**	**Accumulated income (losses)**	**Resources for capital increase**	**Total**	**Non-controlling interests**	**Total**
Balance as of January 1, 2019		**312,016**	**25,994**	**18,421**	**3,734**	**9,286**	**48,277**	**-**	**2,700**	**420,428**		**420,428**
Profit for the period		-	-	-	-	-	-	22,810	-	22,810		22,810
Additional dividends paid		-	-	-	-	(2,683)	-	-	-	(2,683)		(2,683)
Share-based compensation		-	-	2,788	-	-	-	-	-	2,788		2,788
Transfer to profit retention reserve		-	-	-	-	22,810	-	(22,810)	-	-		-
Balance as of September 30, 2019		**312,016**	**25,994**	**21,209**	**3,734**	**29,413**	**48,277**	**-**	**2,700**	**443,343**	**-**	**443,343**
Balance as of January 1, 2020		**312,016**	**25,993**	**23,993**	**5,713**	**9,303**	**85,193**	**-**	**-**	**462,211**	**-**	**462,211**
Profit for the period		-	-	-	-	-	-	30,246	-	30,246	228	30,474
Transfer to profit retention reserve		-	-	-	-	30,246	-	(30,246)	-	-		-
Share-based compensation		-	-	3,553	-	-	-	-	-	3,553		3,553
Share capital increase	**17**	250,000	-	-	-	-	-	-	-	250,000		250,000
Capital increase, with repurchase of shares to be held in treasury		30,600	(30,600)	-	-	-	-	-	-	-		-
Share capital increase due to acquisition of Medcom and related capital surplus		2,674	214,665	-	-					217,339		217,339
Share capital increase due to acquisition of Atrial and related capital surplus		239,220	384,156	4,010	-	-	-	-	-	627,386	5,481	632,867
Balance as of September 30, 2020		**834,510**	**594,214**	**31,556**	**5,713**	**39,549**	**85,193**	**-**	**-**	**1,590,735**	**5,709**	**1,596,444**

The accompanying notes are an integral part of these Parent Company and Consolidated interim financial statements.

Elfa Medicamentos S.A.
Statement of cash flows
Quarters ended September 30, 2020 and 2019
(In thousands of Reais)

	Parent Company		Consolidated	
	9/30/2020	9/30/2019	9/30/2020	9/30/2019
Cash flows from operating activities				
Profit for the period	30,246	22,810	30,246	22,810
Adjustments to reconcile net income to cash from operations:				
Depreciation and amortization	3,934	4,409	32,053	15,782
Deferred and current taxes	(19,710)	(8,735)	(20,738)	(2,848)
Provision for impairment losses	4,700	4,281	7,586	4,335
Provision for contingencies	(212)	421	(328)	-
Provision for inventory losses	22	(1)	102	439
Write-off of property and equipment and intangible assets	-	6	-	-
Share-based compensation	3,553	4,179	3,553	4,179
Write-off of investment due to merger	330	-	-	-
Interest and monetary variations, net - loans and borrowings	12,050	10,900	12,050	10,900
Equity results and fair value amortization	(19,190)	(14,870)	-	-
(Increase) decrease in assets:				
Trade receivables	(42,782)	(34,454)	(90,759)	(14,307)
Inventories	(54,892)	3,034	(62,666)	(449)
Taxes recoverable	8,768	(3,284)	1,674	(13,364)
Related parties	57,693	64,194	1,276	(18,117)
Other receivables	(10,291)	(5,074)	(21,693)	4,897
(Decrease) increase in liabilities:				
Trade and other payables	21,090	(30,354)	36,892	(66,068)
Labor obligations	1,892	2,048	10,446	3,216
Taxes payable	(3,807)	7,551	(7,561)	7,349
Cash provided by (used in) operating activities	**(6,606)**	**27,061**	**(67,867)**	**(41,246)**
Payment of interest on borrowings	(12,104)	(14,940)	(13,854)	(14,940)
Income tax and social contribution paid	-	-	(10,302)	(5,972)
Cash generated by (used in) operating activities	**(18,710)**	**12,120**	**(92,023)**	**(62,158)**
Investing activities:				
Acquisition of property and equipment and intangible assets	(2,824)	-	(6,356)	(5,311)
Acquisition of subsidiaries, net of cash acquired	(82,184)	(72,638)	(76,348)	(73,168)
Net cash from acquisition of subsidiaries	-	-	42,741	-
Capital contribution in subsidiaries	-	(11,680)	-	-
Redemption/Financial investments			8,657	-
Advance for future capital increase	(104,082)	(45,997)	-	-
Net cash used in investing activities	**(189,090)**	**(130,315)**	**(31,306)**	**(78,479)**
Financing activities:				
Share capital increase	250,000	-	250,000	-
Proceeds from borrowings and leases	315,205	429,794	310,766	429,794
Payment of installments for previous acquisitions	(10,256)	(14,226)	(14,860)	(14,226)
Repayment of principal of borrowings	(338,636)	(367,017)	(395,826)	(367,687)
Dividends paid	(665)	(3,135)	(665)	(3,135)
Net cash from financing activities	**215,648**	**45,416**	**149,415**	**44,746**
Net (decrease) increase in cash and cash equivalents	**7,848**	**(72,778)**	**26,086**	**(95,891)**
Breakdown of net (decrease) increase in cash and cash equivalents:				
Cash and cash equivalents at January 1	50,357	102,684	120,560	154,039
Cash and cash equivalents at September 30	58,205	29,906	146,646	58,148
Net (decrease) increase in cash and cash equivalents	**7,848**	**(72,778)**	**26,086**	**(95,891)**

The accompanying notes are an integral part of these Parent Company and Consolidated interim financial statements.

Elfa Medicamentos S.A.
Statement of value added
Quarters ended September 30, 2020 and 2019
(In thousands of Reais)

	Parent Company		Consolidated	
	9/30/2020	9/30/2019	9/30/2020	9/30/2019
Revenues	**990,295**	**905,588**	**1,933,053**	**1,404,830**
Sales of goods and services	994,995	909,869	1,940,639	1,409,165
Provision for expected credit losses	(4,700)	(4,281)	(7,586)	(4,335)
Bought-in inputs	**(868,596)**	**(771,131)**	**(1,638,051)**	**(1,183,014)**
Cost of goods and services	(835,846)	(755,340)	(1,585,724)	(1,148,673)
Materials, energy, third-party services and other	(23,812)	(7,573)	(35,041)	(21,704)
Freight	(8,938)	(8,217)	(17,287)	(12,637)
Gross value added	**121,699**	**134,457**	**295,002**	**221,816**
Depreciation and amortization	(3,934)	(4,409)	(32,053)	(15,782)
Net value added generated by the Company	**117,764**	**130,048**	**262,949**	**206,034**
Value added received in transfer	**63,359**	**30,997**	**52,091**	**16,862**
Financial income	1,752	950	6,072	1,700
Equity results	19,190	14,870	-	-
Other	42,417	15,178	46,019	15,162
Total value added to be distributed	**181,124**	**161,046**	**315,040**	**222,896**
Distribution of value added	**(181,124)**	**(161,046)**	**(315,040)**	**(222,896)**
Personnel	**(44,426)**	**(36,412)**	**(108,324)**	**(50,175)**
Direct compensation	(33,639)	(25,104)	(90,856)	(35,446)
Benefits	(5,843)	(5,937)	(10,727)	(8,884)
Unemployment Compensation Fund (FGTS)	(1,396)	(1,192)	(3,194)	(1,666)
Share-based compensation	(3,548)	(4,179)	(3,548)	(4,179)
Taxes, charges and contributions	**(53,886)**	**(73,115)**	**(122,996)**	**(122,348)**
Federal	19,710	8,735	20,738	2,834
State	(73,492)	(81,745)	(143,440)	(125,012)
Municipal	(104)	(106)	(294)	(169)
Remuneration of third-party capital	**(52,565)**	**(28,708)**	**(53,246)**	**(27,562)**
Interest	(48,203)	(27,529)	(46,976)	(25,822)
Rentals	118	310	(232)	(40)
Fines	(226)	(252)	(609)	(463)
Other	(4,255)	(1,237)	(5,429)	(1,237)
Equity remuneration	**(30,247)**	**(22,811)**	**(30,475)**	**(22,811)**
Transfer to profit reserve	(30,247)	(22,811)	(30,475)	(22,811)

The accompanying notes are an integral part of these Parent Company and Consolidated interim financial statements.

(In thousands of Reais unless otherwise stated)

1 - Reporting entity

Elfa Medicamentos S.A. ("Company" or "Parent Company') is a privately held corporation headquartered in Brasília, Federal District, engaged in the wholesale trade of medicinal products for human use. The interim financial statements for the period ended September 30, 2020 include information on the Company and its subsidiaries, collectively referred to as "Elfa" or "Group").

The Group operates nationwide in the health sector, distributing and selling highly complex medications and hospital medical materials to the private (hospitals, clinics and healthcare plans) and public (federal, state and municipal) sectors.

From June 30, 2020, with the acquisition of Salus Latam Holding S.A., parent company of Atrial, (and indirectly of its subsidiaries), whose businesses are primarily focused on hospital medical products and health services, Elfa's portfolio started to offer two other important solutions, namely: (a) Specialties: high value added hospital medical solutions that require a highly specialized sales force for various hospital procedures and demands; e (b) Essentials: a range of products that includes gloves, syringes, masks, gases, sterilization solutions, and bandages, among others, which are distributed by Atrial on scale, with streamlined solutions supported by state-of-the-art technologies.

In combination with Atrial, the Company now offers a complete range of health solutions within its operating segments, with a comprehensive portfolio of health services and products that connect the different links in the health chain, and backed by specialized professionals and cutting-edge technologies. As a result of this transaction, the Group will report new operating segments from July 2020 onwards, as follows: "Specialties" and "Generics and Similar" (except Materials) will be combined into the single segment "Pharmaceutical Specialties", and a new segment, named "Medical and Hospital Materials" will be created, comprising "Materials, Nutrition, and Medical Hospital Equipment".

2 - List of subsidiary companies

The Group's subsidiaries and ownership interests are listed below:

	2020	2019
Direct subsidiaries		
Prescrita Medicamentos Ltda.	100%	100%
San Log Distribuidora de Medicamentos Ltda.	0%	100%
Cirúrgica Jaw Comércio de Material Médico Hospitalar Ltda.	100%	100%
Cristal Pharma Ltda.	100%	100%
Majela Medicamentos Ltda.	100%	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%	-
G.B. Distribuidora de Medicamentos e Produtos Hospitalares Ltda. (b)	100%	-
Salus Latam Holding S.A. ("Atrial") (c)	100%	-

(In thousands of Reais unless otherwise stated)

Indirect subsidiaries:		
Nacional Comercial Hospitalar S.A(“NCH”). (c) – Subsidiary of Salus	100%	-
MCM Comercial Ltda. - EPP(c) - Subsidiary of NCH	100%	-
Tino Participações S.A(c) - Subsidiary of NCH	100%	-
Makau Participações e Empreendimentos S.A. (c) - Subsidiary of NCH	100%	-
Comercial Commed Produtos Hospitalares Ltda (c) - Subsidiary of NCH	100%	-
Kauman Produtos Hospitalares Ltda (c) - Subsidiary of NCH	100%	-
Medical Alliance Produtos Médico Hospitalares Ltda (c) - Subsidiary of NCH	100%	-
Logicom Logística e Transporte Ltda (c) - Subsidiary of NCH	100%	-
Procifar Distribuidora Ltda. (c) - Subsidiary of NCH	70.3%	-
Vital Materiais Especiais Eireli ME (c) - Subsidiary of NCH	70.3%	-
Agilfarma Medicamentos Ltda. - Subsidiary of Prescrita	100%	100%

(a) These entities make up the group CDM.
(b) These entities make up the group Medcom.
(c) These entities make up the group Atrial Saúde.

The percentages above refer to the total ownership interest held by the Group. Although the Group owns all shares of its subsidiaries, less than 0.01% of interest in each subsidiary is held by another subsidiary of the Group, for compliance with the corporate legislation.

- **Prescrita Medicamentos Ltda. (“Prescrita”)**

Limited liability company, headquartered in João Pessoa, State of Paraíba, whose business purpose is the retail trade of pharmaceutical and dermatological products for human use, being able to use electronic means, particularly the Internet, to sell its products, and the investment in other companies, in Brazil and abroad.

- **San Log Distribuidora de Medicamentos Ltda. (“San Log”)**

San Log Distribuidora was extinguished on June 4, 2020, after having been dormant since 2017. Its operations were absorbed by other companies of the Group.

- **Cirúrgica Jaw Comércio de Material Médico Hospitalar Ltda. (“Cirúrgica JAW”)**

Limited liability company headquartered in the city of Palhoça, State of Santa Catarina, which, for more than three decades, has been engaged in distributing medicines and hospital supplies to public and private sectors in the southern region of Brazil

- **Cristal Pharma Ltda. (“Cristal”)**

Limited liability company headquartered in Contagem, State of Minas Gerais, with over 10 years of experience in sale and distribution of branded and generic medications to hospitals, clinics, municipalities, and public agencies throughout the State of Minas Gerais and southern region of Bahia.

- **Majela Medicamentos Ltda. (“Majela”)**

Limited liability company headquartered in Cabedelo, State of Paraíba, Majela is the reference distributor for the pharmaceutical market in the northeast region of Brazil.

- **Central Distribuidora de Medicamentos Ltda. and Prime Distribuidora de Medicamentos Ltda. ("Grupo CDM")**
Grupo CDM concentrates its activities on storage and distribution of medications throughout the Brazilian territory and is also engaged in the wholesale trade of medical and hospital supplies, with service units in the States of Pernambuco (PE), Bahia (BA), Ceara (CE) and Pará (PA).

- **Agilfarma Medicamentos Ltda. ("Agilfarma")**
Headquartered in Porto Alegre, State of Rio Grande do Sul, and with operating branches in Florianopolis and Curitiba, Agilfarma provides delivery service of growth hormones, medications for fertility, and special drugs, in addition to offering pharmaceutical assistance and injection rooms in all units.

- **Medcom Comércio de Medicamentos Ltda and G.B. Distribuidora de Medicamentos e Produtos Hospitalares Ltda ("Grupo Medcom")**
On April 9, 2020, the Company acquired all shares of Grupo Medcom, as detailed in Note 3.1. Grupo Medcom operates in the distribution of medications and hospital products primarily in the Midwest region of Brazil and has drugstores that provide delivery services in the cities of Goiânia, Brasília and Cuiabá.

Salus Latam Holding S.A. ("Atrial")
Grupo Atrial Saúde is comprised of Salus Latam Holding SA and its subsidiaries, established as a private limited liability company, and headquartered in the city and State of São Paulo.

Atrial resulted from the union of reference companies in the segment of medical hospital products, and has branches in São Paulo, Rio de Janeiro, Espírito Santo, Minas Gerais, Federal District, Bahia and Ceará.

3 - Acquisition of subsidiaries

3.1 Acquisition of Grupo CDM

On June 4, 2019, the Company acquired all shares of Grupo CDM, which is specialized in the sale of high-value Generic medications. In addition to strengthening operations in the North and Northeast regions of Brazil, the acquisition provided the Company with the know-how required to accelerate the creation of a new business unit

Consideration transferred and contingent consideration

The total acquisition price, of R$ 136,479, was paid as follows: R$ 72,637 was paid in cash and the remaining amount of R$ 63,842 was retained to cover possible contingencies arising from the period prior to the date of acquisition, as determined in the purchase and sale agreement.

The agreement provides for the retention of a portion of the purchase price for a period of five years from the closing date, in order to guarantee the seller's indemnity obligations. This amount, which is recorded at present value, can be totally or partially released.

The purchase price considers a contingent consideration (earn-out clause) in the amount of R$ 13,580, subject to the achievement of certain performance metrics by the investee. The total amount initially recorded will be paid in June 2022, as established in the purchase and sale agreement.

(In thousands of Reais unless otherwise stated)

Fair value of assets acquired and liabilities assumed

The fair value of the most relevant identifiable assets acquired and liabilities assumed from Grupo CDM was calculated based on an appraisal report prepared at the acquisition date, presented below:

Assets	**Fair value at 6/4/2019**
Cash and cash equivalents	5,445
Trade receivables	37,995
Inventories	25,590
Intangible assets - Customer portfolio	51,410
Intangible assets - Non-compete agreement	6,034
Intangible assets - Licenses	122
Other assets	878
	127,474
Liabilities	
Trade payables	(34,546)
Other liabilities	(2,540)
Total liabilities	(37,086)
Total identifiable assets, net	90,388
Goodwill on acquisition	46,091
Total consideration transferred	**136,479**

Assets acquired and liabilities assumed

The goodwill of R$ 46,091 relates to the expected future economic benefits from the acquisition.

Intangible assets in the amount of R$ 57,566 relate mainly to the fair value of the acquiree's customer portfolio, non-compete agreements, and licenses, which are the elements that enable the acquirer to access the products (medications) to be sold, the market and, consequently, the customers of the region in which the acquired company operates, in addition to providing competitive advantage.

The measurement method applied, and the useful life of the intangible assets are presented below:

Assets	**Useful life in years**	**Valuation technique**	**Description**
Customer portfolio	7.6	Multi period excess earnings method (MPEEM)	Considers the present value of net cash flows expected from the customer relations, excluding any cash flow related to contributory assets.
Non-compete agreements	5	With or without	Estimates the difference between the cash flow generated by the asset considering the effect of the existence of the non-compete agreement and a hypothetical scenario where the agreement did not exist.
Operation licenses	1	Replacement cost	Considers the time taken to obtain the license from the regulatory agency and all the direct costs involved.

In the period from January to September 2020, Grupo CDM's net operating revenue amounted to R$ 161,100 and net income amounted to R$ 4,908. In the comparative period, Grupo CDM's net operating revenue and net income amounted to R$ 74,097 and R$ 4,041, respectively. Had the acquisition taken place at January 1, 2019, the consolidated net operating revenue would have been R$ 1,371,330, and the consolidated net income, R$ 32,109.

(In thousands of Reais unless otherwise stated)

3.2 Agilfarma acquisition

On May 2, 2019, the Company acquired the controlling interest of Agilfarma Ltda through its subsidiary Prescrita Medicamentos Ltda.

The acquisition had the objective of improving the Company's portfolio of products, strengthening its presence in the South region and positioning Elfa as one of the market leaders in specialized pharmacies in Brazil.

Consideration transferred and contingent consideration

The total acquisition price, of R$ 12,037, was paid as follows: R$ 6,282 was paid in cash and the remaining amount of R$ 5,755 was retained to cover possible contingencies arising from the period prior to the date of acquisition, as determined in the purchase and sale agreement.

The agreement provides for the retention of a portion of the purchase price for a period of three years from the closing date, in order to guarantee the seller's indemnity obligations. This amount, which is recorded at present value, can be totally or partially released.

Fair value of assets acquired and liabilities assumed

The fair value of the identifiable assets acquired and liabilities assumed from Agilfarma was calculated based on an appraisal report prepared at the acquisition date, presented below:

	Fair value recognized on acquisition
Assets	
Cash and cash equivalents	306
Trade receivables	2,519
Inventories	2,270
Intangible assets - Customer portfolio	4,701
Intangible assets - Non-compete agreements	719
Intangible assets - Licenses	123
Other assets	324
	10,962
Liabilities	
Trade payables	(3,464)
Other liabilities	(162)
Total liabilities	(3,626)
Total identifiable assets, net	7,336
Goodwill on acquisition	4,701
Total consideration transferred	**12,037**

Assets acquired and liabilities assumed

The goodwill of R$ 4,701 relates to the expected future economic benefits from the acquisition.

Intangible assets in the amount of R$ 5,543 relate mainly to the fair value of the acquiree's customer portfolio, non-compete agreements, and licenses, which are the elements that enable the acquirer to access the customers of the region in which the acquired company operates, in addition to providing competitive advantage.

(In thousands of Reais unless otherwise stated)

The measurement method applied, and the useful life of the intangible assets are presented below:

Assets	Useful life in years	Valuation technique	Description
Customer portfolio	7.7	Multi period excess earnings method (MPEEM)	Considers the present value of net cash flows expected from the customer relations, excluding any cash flow related to contributory assets.
Non-compete agreements	5	With or without	Estimates the difference between the cash flow generated by the asset considering the effect of the existence of the non-compete agreement and a hypothetical scenario where the agreement did not exist.
Operation licenses	1	Replacement cost	Considers the time taken to obtain the license from the regulatory agency and all the direct costs involved.

In the period from January to September 2020, Agilfarma's net operating revenue amounted to R$ 43,115 and net income amounted to R$4,908. In the comparative period, Agilfarma's net operating revenue and net income amounted to R$ 17,351 and R$ 247, respectively. Had the acquisition taken place at January 1, 2019, the consolidated net operating revenue would have been R$ 1,294,259, and the consolidated net income, R$ 23,262.

3.3 Grupo Medcom acquisition

On April 9, 2020, the Company acquired all the shares of Grupo Medcom, through cash payments and future installments that will be settled according to the agreed schedule, and may be adjusted or discounted depending on events and contingencies prior to the acquisition date.

The acquisition of Grupo Medcom provided the Company with greater penetration in the Midwest region of Brazil, and the possibility of expanding its delivery channel to this region.

Consideration transferred and contingent consideration

The total acquisition price, of R$ 364,380, was paid as follows: R$ 299,523 was paid in cash and shares of the Company measured at fair value on the acquisition date, and the remaining amount of R$ 64,857 was retained to cover possible contingencies arising from the period prior to the acquisition, as determined in the purchase and sale agreement, and shown below:

Cash paid	82,184
Fair value of shares transferred (i)	217,339
Retained fund (includes contingent consideration - earn out clause) (ii)	64,857
Total consideration transferred	364,380

(i) Fair value of shares transferred (equity instruments issued) - The fair value of equity instruments issued (common shares) was based on the fair value of the Company's shares at the acquisition date.

(ii) The agreement provides for the retention of a portion of the purchase price for a period of three years from the closing date, in order to guarantee the seller's indemnity obligations. This amount, which is recorded at present value, can be totally or partially released.

(In thousands of Reais unless otherwise stated)

The consideration transferred includes an estimate, at the acquisition date, of the variable installments (earn-out clause) which are subject to the achievement of certain performance metrics by the investee, and will be revalued at the end of the period.

Fair value of assets acquired and liabilities assumed

The fair value of the identifiable assets acquired and liabilities assumed from Grupo Medcom was calculated based on an appraisal report prepared, on a preliminary basis, on the acquisition date. If new information about facts and circumstances existing on the date of acquisition is obtained within one year from the date of acquisition, requiring adjustments to the amounts mentioned below, or if any additional provision existing at the date of acquisition is identified, the purchase price allocation will be reviewed.

Assets	**Fair value at 4/9/2020**
Cash and cash equivalents	5,836
Trade receivables	47,741
Inventories	55,034
Taxes recoverable	5,678
Intangible assets - software	83
Property and equipment	5,452
Intangible assets– Distribution contract	105,582
Intangible assets - Licenses	581
Other assets	3,265
	229,252
Liabilities	
Trade payables	68,304
Loans and financing	31,096
Other liabilities	9,335
Total liabilities	108,735
Total identifiable assets, net	120,517
Goodwill on acquisition	243,863
Total consideration transferred	**364,380**

Assets acquired and liabilities assumed

At September 30, 2020, the investee Grupo Medcom identified the following adjustments to the opening balances: write-off of R$ 908 in inventories and write-off of R$ 2,357 in other assets whose recoverability was not probable at the acquisition date.

Intangible assets in the amount of R$ 106,163 relate mainly to the fair value of distribution contracts and licenses held by the acquiree.

The measurement method applied, and the useful life of these assets are presented below:

Assets	Useful life in years	Valuation technique	Description
Customer portfolio	7	Multi period excess earnings method (MPEEM)	Considers the present value of net cash flows expected from the customer relations, excluding any cash flow related to contributory assets.
Operation licenses	1	Replacement cost	Considers the time taken to obtain the license from the regulatory agency and all the direct costs involved.

The Company plans to merge this subsidiary in up to five years, and considers that the amounts of goodwill and capital gains will be tax deductible by the merger takes place.

From the date of acquisition to September 30, 2020, Medcom’s net operating revenue recorded in the consolidated interim financial statements totaled R$ 241,708, and net income totaled R$ 15,590. Had the acquisition taken place at January 1, 2020, the consolidated net operating revenue would have been R$ 1,852,169, and the consolidated net income, R$ 34,173.

3.4 Atrial acquisition

On June 30, 2020, the Company acquired all shares of Salus Latam Holding SA, parent company of Grupo Atrial, by issuing 78,166,378 new shares to Atrial shareholders at the fair value of R$ 623,375 on the acquisition date.

The fair value of the equity instruments issued (common shares) was based on an appraisal report prepared for the purposes of this acquisition.

No further consideration was paid and no other payment is expected to be made at future dates.

Atrial acquisition enables the Group to offer a complete set of solution to the health sector, by expanding the product portfolio through Atrial's expertise in medical and hospital materials.

The fair value of the identifiable assets acquired and liabilities assumed from Atrial was calculated based on an appraisal report prepared, on a preliminary basis, on the acquisition date. If new information about facts and circumstances existing on the date of acquisition is obtained within one year from the date of acquisition, requiring adjustments to the amounts mentioned below, or if any additional provision existing at the date of acquisition is identified, the purchase price allocation will be reviewed.

(In thousands of Reais unless otherwise stated)

Assets	**Fair value at 6/30/2020**
Cash and cash equivalents	42,741
Marketable securities	181,700
Trade receivables	77,540
Inventories	88,100
Taxes recoverable	6,066
Intangible assets - software	3,479
Property and equipment	25,667
Intangible assets - Customer portfolio	67,816
Other assets	3,079
	496,818
Liabilities	
Trade payables	(70,006)
Loans and financing	(27,434)
Leases payable	(12,918)
Labor and social security liabilities	(15,263)
Taxes payable	(12,800)
Payables for investment acquisition	(57,862)
Provision for contingencies	(565)
Other liabilities	(527)
Total liabilities	**(197,375)**
Total identifiable assets, net	299,443
Total non-controlling interests	5,274
Identifiable assets, net of non-controlling interests	294,169
Goodwill on acquisition	329,206
Total consideration transferred	**623,375**
Replace of share-based payments	4,010
Total goodwill arising from acquisition	**333,216**

Assets acquired and liabilities assumed

As of September 30, 2020, the investee Atrial identified the following adjustments to the opening balances: write-off of R$ 1,272 in inventories, write-off of R$ 437 in other assets whose recoverability was not probable on the acquisition date, increase of R$ 765 in taxes payable, and increase of R$ 436 in provision for contingencies.

The goodwill of R$ 333,216 relates to the expected future economic benefits from the acquisition.

The fair value of the identified assets is mainly related to customer portfolio, in the amount of R$ 49,261. The measurement method applied, and the useful life of these assets are presented below:

(In thousands of Reais unless otherwise stated)

Assets	Useful life in years	Valuation technique	Description
Customer portfolio	7.7	Multi period excess earnings method (MPEEM)	Considers the present value of net cash flows expected from the customer relations, excluding any cash flow related to contributory assets.

From the date of acquisition to September 30, 2020, Grupo Atrial's net operating revenue recorded in the consolidated interim financial statements totaled R$ 125,698, and net income totaled R$ 2,528. Had the acquisition taken place at January 1, 2020, the consolidated net operating revenue would have been R$ 1,974,433, and the consolidated net income, R$ 25,793.

Replacement of the share-based payment plan

In accordance with the terms and conditions of the sale and purchase agreement, the Group replaced the equity-settled share-based payment plan maintained by Atrial employees (plan of the acquired company) with an equity-settled share-based payment plan of the Group (new plan). Details of the acquired company's plan and the new plan are shown below:

Acquiree's plan	New plan
Granted on January 31, 2019	Granted on June 30, 2020
Granted on January 31, 2020	
Vesting date - January 10, 2023	Vesting date - June 9, 2024
Vesting date - January 10, 2023	
Fair value - R$ 4,010	Fair value - R$ 4,010

Atrial's service conditions were in effect at June 30, 2020.

4 - Basis of preparation

Statement of compliance

The interim consolidated financial statements have been prepared and are presented in accordance with the International Financial Reporting Standards ("IFRS"), issued by the International Accounting Standard Board ("IASB") and also in accordance with accounting practices adopted in Brazil, issued by the Accounting Pronouncements Committee ("CPC"), and approved by the Brazilian Securities and Exchange Commission ("CVM") and the Federal Accounting Council ("CFC").

The interim parent company financial statements were prepared in accordance with accounting practices adopted in Brazil. The issue of these interim financial statements was authorized by Management on November 17, 2020. After their issuance, only the shareholders have the authority to change the interim financial statements,

Details of the Company's accounting policies are presented in Note 8. All relevant information specific to the financial statements, and only such information, which is consistent with the information utilized by Management in the performance of its duties, is being disclosed.

Impacts of the COVID-19 pandemic on the Group's businesses

On March 11, 2020, the World Health Organization declared the COVID-19 a pandemic, recommending all member states to determine the best practices for preventive actions and treatment of the infected people. As a consequence, the outbreak of COVID-19 resulted in the imposition, by the governments of several countries, of restrictive measures, which included quarantine and lockdown around the world, in face of the wide and continuous spread of the virus. These measures, which led to restrictions on travels and public transportation, prolonged closure of workplaces, disruptions in the supply chain, and closure of stores with the consequent reduction of consumption in general, may result in volatility in the price of raw materials and other inputs, factors that taken together can affect significantly the global and the Brazilian economy.

In March and April 2020, government authorities, in several jurisdictions, imposed confinements or other restrictive measures to curb the spread of the virus. Several companies either suspended or reduced operations. Although still uncertain, the ultimate impact of the crisis on the global economy and financial markets is expected to be significant.

The Group is monitoring the developments related to COVID-19, and coordinating its operational response based on existing business continuity plans and guidelines from global health organizations, governments, and best practices in response to the pandemic. It is impossible to anticipate the moment when the social distancing measures will cease to apply, and management's perception is that the return to administrative activities in the offices should take place in a gradual manner, as these measures become less necessary and eventually disappear.

The main impacts on the Company's businesses are summarized below:

Compliance with the determinations established by the Ministry of Health such as the release of employees older than 60 years, pregnant women, and those belonging to the risk group from working onsite, in addition to social protocols and other guidelines related to prevention and hygiene.

Establishment of a Crisis Committee to discuss actions to restrain the spread of the disease in both administrative and operational areas;

Strengthening of the leadership role regarding the demand for productivity and telework arrangements, keeping the focus on results;

Intensive internal campaign on COVID-19, involving all employees working remotely or onsite, addressing topics such as the use of chartered transportation, distance protocol in cafeterias, changing rooms, common and production areas);

Reinforcement of safety procedures and use of individual protection equipment, provision of hand sanitizer, anticipation of vaccination campaign, information on physical health and emotional balance.

Elfa is monitoring the effects of the pandemic and no material financial impact has been identified so far. As the Company's operations are considered essential, they continue to run without interruptions, following the determinations set forth by the authorities in the regions where they take place.

Elfa, as a company in the sector of medications, must guarantee the population's access to medicines, whilst not losing sight of the safety and health of its employees and the communities with which it relates. Accordingly, the Company prepared and put in place a contingency plan covering several preventive measures necessary to ensure the continuity of its business and the safety of its employees and customers.

In addition, the management of inventory levels of raw materials, inputs and finished products and production reorganization was improved, actions were implemented to ensure a safe distance between employees and avoid crowding, all internal corporate events, face-to-face meetings, and travels were replaced with communication between units through electronic means, and teleworking was adopted at the corporate office.

Management believes that the proper measures have been taken to prevent the spread of COVID-19, as well as to ensure business continuity during the pandemic. Although the Company's operations, sales or financial position have not been significantly affected to date, Management cannot estimate or predict future developments related to the pandemic. The impacts on the Company's operations are permanently assessed, and any possible new scenario, as well as the measures to be adopted will be promptly informed.

5 - Functional and presentation currency

The interim accounting information is presented in thousands of Brazilian reais, which is the Company's functional and presentation currency. All financial information presented in reais has been rounded to the nearest thousand, unless otherwise stated.

6 - Use of estimates and judgments

The preparation of interim financial statements requires Management to make judgments, estimates and assumptions that affect the application of the Group's accounting policies and the reported amounts of assets, liabilities, revenues and expenses. The actual results may differ from these estimates.

Estimates and assumptions are reviewed continuously. Revisions of estimates are recognized on a forward-looking basis.

a. Judgments

Information on judgments made by Management in applying accounting policies that have significant effect on the amounts recognized in the interim financial statements is included in the following notes:

- Note 10 – Measurement of expected credit losses on trade receivables: key assumptions in determining the weighted-average loss rate;
- Note 24 - recognition of deferred tax assets: availability of future taxable profit against which deductible temporary differences and tax losses carried forward can be utilized;
- Note 27 – Fair value of options that are part of share-based payments.

b. Assumptions and estimation uncertainties

Information about uncertainties related to assumptions and estimates that have a significant risk of resulting in a material adjustment to the carrying amounts of assets and liabilities in the next fiscal year is included in the following notes:

- Notes 3.1, 3.2, 3.3 and 3.4 - Acquisition of subsidiary: fair value of the consideration transferred (including contingent consideration) and fair value of the assets acquired, and liabilities assumed.
- Note 11– Measurement of inventory losses;
- Note 14 - Impairment test of intangible assets and goodwill: key assumptions underlying the recoverable amounts.
- Note 19 - Recognition and measurement of provisions and contingencies: key assumptions about the likelihood and magnitude of an outflow of resources;

c. Fair value measurement

A number of the Company’s accounting policies and disclosures require the measurement of fair values, for both financial and non-financial assets and liabilities.

Management regularly reviews significant unobservable inputs and valuation adjustments. If third party information, such as broker quotes or pricing services, is used to measure fair values, Management assesses the evidence obtained from the third parties to support the conclusion that these valuations meet the IFRS and CPC requirements, including the level in the fair value hierarchy in which the valuations should be classified.

When measuring the fair value of an asset or liability, the Company uses, as much as possible, observable market data. The fair values are classified into different hierarchic levels, based on inputs used in valuation techniques, as follows:

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

7 - New standards and interpretations that are not yet effective

There are no other standards, amendments and interpretations to existing standards that are not yet effective, which the Company expects to have a material impact on its financial statements.

8 - Basis of measurement and significant accounting policies

Basis of measurement

The interim financial statements have been prepared on the historical cost basis except when mentioned otherwise.

Significant accounting policies

The accounting policies described below have been consistently applied to all of the years presented in these interim financial statements, unless otherwise stated.

a. Basis of consolidation

(i) Business combinations

Business combinations are recorded using the acquisition method (when the control is transferred to the Company). The consideration transferred on the acquisition, as well as the identifiable net assets acquired, is generally measured at fair value. Any goodwill generated in the transaction is tested annually for impairment. Any gain on a bargain purchase is recognized immediately, where applicable, in profit or loss. Transaction costs are expensed as incurred, except if related to the issue of debt or equity securities.

Any contingent consideration is measured at fair value at the date of acquisition. Contingent consideration is remeasured at fair value at each reporting date and subsequent changes in the fair value of the contingent consideration are recognized in profit or loss.

If the share-based payment plans held by the employees need to be replaced, all or part of the fair value the new plan issued by the acquirer will be included as part of the consideration exchanged in the business combination. Such determination is based on the replacement plan’s market value compared to the market value of the acquiree's share-based payment plan, to the extent that the replacement plan refers to services provided prior to the business combination.

(ii) Subsidiaries

The Company controls an entity when it is exposed or has rights to variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity. The financial statements of the subsidiaries are included in the Company's consolidated interim financial statements from the date that control begins until the date that control ceases.

In the parent company financial statements, the financial Information of subsidiaries is accounted for using the equity method.

(iii) Non-controlling interests

The Company elected to initially measure any non-controlling interest at their proportionate share of the acquiree’s identifiable net assets at the date of acquisition. Changes in the Company's interest in a subsidiary that do not result in loss of control are accounted for as equity transactions.

(iv) Loss of control

When the Company loses control over a subsidiary, it derecognizes the assets and liabilities of the subsidiary, and any related non-controlling interest and other components of equity. Any gain or loss on derecognition is recognized in profit or loss.

Any interest retained in the former subsidiary is measured at fair value on the date control is lost.

(v) Transactions eliminated on consolidation

Intra-group balances and transactions, and any unrealized income and expenses arising from intra-group transactions, are eliminated. Unrealized gains arising from transactions with equity accounted investees are eliminated against the investment to the extent of the Company’s interest in the investee. Unrealized losses are eliminated in the same way as unrealized gains, but only to the extent that there is no evidence of impairment.

b. Foreign currency

Transactions in foreign currencies are translated into the respective functional currencies of the Company`s entities at the exchange rates at the dates of the transactions.

Monetary assets and liabilities denominated in foreign currencies are translated into the functional currency at the exchange rate at the reporting date. Non-monetary assets and liabilities that are measured at fair value in a foreign currency are translated into the functional currency at the exchange rate when the fair value was determined. Non-monetary items that are measured based on historical cost in a foreign currency are translated at the exchange rate at the date of the transaction. Foreign currency differences are generally recognized in profit or loss.

c. Revenue from contracts with customers

Revenue is measured based on the consideration specified in a contract with the customer. The Company recognizes revenue when it transfers control over a good or service to a customer, which usually takes place on delivery, when the performance obligations are satisfied, and their respective risks are transferred to the buyer. Revenue is measured based on the consideration specified in a contract with the customer.

d. Employee benefits

(i) Short-term employee benefits

Short-term employee benefits are expensed as the related service is provided. A liability is recognized for the amount expected to be paid if the Company has a present legal or constructive obligation to pay this amount as a result of past service provided by the employee and the obligation can be estimated reliably. Such expenses are similar to salaries and other types of remuneration that to which the employee is entitled.

(ii) Share-based payment plans

The grant-date fair value of share-based payment agreements with employees is recognized as personnel expenses, with a corresponding increase in shareholders' equity, over the vesting period of the awards.

The amount recognized as an expense is adjusted to reflect the number of awards for which the related service and performance conditions are expected to be met, such that the amount ultimately recognized is based on the number of awards that meet the related service conditions at the vesting date.

e. Government grants

The Company and its subsidiaries benefit from the special taxation regime that provides for tax base reduction in the states of Paraíba, Goias and the Federal District.

These taxation regimes were recognized as tax benefits by the granting States and reinstated under the terms of Clause One of the ICMS Agreement No. 190/2017, of December 15, 2017.

In accordance with the applicable Brazilian tax legislation, the ICMS tax benefits validated by the National Council of Fiscal Policy (Confaz), are excluded from the IRPJ and CSLL tax bases, provided that they are recorded within the profit reserve, which can only be used for:

(i) offsetting losses, as long as the other reserves have already been fully absorbed, with the exception of the legal reserve or;

(ii) increasing capital. Any other allocation may subject the Company to IRPJ and CSLL taxation.

The Company and its subsidiaries recognize the result of these benefits in the statement of income and subsequently transfer such results to a special tax incentive reserve in accordance with the respective Income Tax and Social Contribution rules in force.

f. Financial income and financial expenses

The Company's financial income and expenses comprise substantially:

- Interest income;
- Interest expense, net of results from derivatives; and
- Gain/(loss) on financial assets and financial liabilities, net of foreign exchange variations.

Interest income and expenses are recognized in the statement of income using the effective interest method, which discounts the estimated future cash payments or receipts through the expected life of the financial instrument to:

- the gross carrying amount of the financial asset; or
- the amortized cost of the financial liability.

In calculating interest income or expense, the effective interest rate is applied to the gross carrying amount of the asset (when the asset is not credit-impaired) or to the amortized cost of the liability. However, for financial assets that have become credit-impaired subsequent to initial recognition, interest income is calculated by applying the effective interest rate to the amortized cost of the financial asset. If the asset is no longer credit-impaired, then the calculation of interest income reverts to the gross basis.

g. Income tax and social contribution

Current and deferred income tax and social contribution for the year are calculated based on the rate of 15% plus a 10% surcharge on taxable profit exceeding R$ 240 for income tax and 9% on taxable profit for social contribution; the calculation considers the offset of income tax and social contribution losses, limited to 30% of the annual taxable profit.

Income tax and social contribution expenses comprise current and deferred taxes, and are recognized in profit or loss unless they relate to a business combination, or items recognized directly in equity or other comprehensive income.

(i) Current income tax and social contribution expense

Current tax expense comprises the expected tax payable or receivable on the taxable profit or loss for the year and any adjustment to taxes payable in respect of previous years. The amount of current taxes payable or receivable is recognized in the balance sheet as a tax asset or liability, at the best estimate of the expected amount to be paid or received, which reflects the uncertainties related to its determination, if any. It is measured using tax rates enacted at the reporting date.

(ii) Deferred income tax and social contribution expenses

Deferred tax assets and liabilities are recognized in respect of temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes. Changes in deferred tax assets and liabilities for the year are recognized as deferred income tax and social contribution expenses.

Deferred tax assets are recognized for unused tax losses and deductible temporary differences to the extent that it is probable that future taxable profit will be available against which they can be used. Future taxable profit is determined based on the reversal of relevant taxable temporary differences. If the amount of taxable temporary differences is insufficient to recognize a deferred tax asset in full, then future taxable profit, adjusted for reversals of existing temporary differences, are considered, based on the business plans of the Company and of its subsidiaries, individually.

Deferred tax assets are reviewed at each reporting date and are reduced to the extent that it is no longer probable that the related tax benefit will be realized. Deferred tax assets and liabilities are measured at the tax rates that are expected to be applied to temporary differences at their reversal, using the tax rates enacted at the reporting date, and reflect the uncertainties related to income taxes, if any.

The measurement of deferred tax assets and liabilities reflects the tax consequences that result from the manner the Company expects to recover or settle its assets and liabilities.

h. Inventories

Inventories are measured at the lower of cost and net realizable value. The cost of inventories is based on the weighted average cost and includes all acquisition costs, as well as other costs incurred to bring the inventories to their present location and condition.

Net realizable value is the estimated selling price in the ordinary course of business less estimated completion costs and estimated selling expenses. Estimated losses on slow-moving or obsolete inventories are recognized when considered necessary by Management.

i. Property and equipment

(i) Recognition and measurement

Property and equipment items are measured at the historical cost of acquisition or construction, including capitalized borrowing costs, less any accumulated depreciation and, where applicable, accumulated impairment losses.

When significant parts of a property and equipment item have different useful lives, they are accounted for as separate items (major components). Any gain or loss on disposal of an item of property and equipment is recognized in profit or loss.

(ii) Subsequent expenditure

Subsequent expenditure is capitalized only if it is probable that future economic benefits associated with the expenditure will flow to the Company.

(iii) Depreciation

Depreciation is calculated to write off the cost of property and equipment items, net of their estimated residual values, using the straight-line method over the estimated useful lives of the items.

Depreciation is recognized in profit or loss. Land is not depreciated.

The estimated useful lives of property and equipment items are as follows:

- Leasehold improvements	according to the contractual term
- Machinery and equipment	3 to 12 years
- Furniture and fittings	5 to 10 years

The depreciation methods, useful lives and residual values are reviewed at each reporting date, and adjusted when necessary.

j. Intangible assets and goodwill

(i) Recognition and measurement

Goodwill
Goodwill is measured at cost less accumulated impairment losses.

Distribution contracts
Distribution contracts are initially recorded at fair value and are amortized over the contract term.

Customer portfolio
Customer portfolio is initially recorded at fair value and is amortized over its expected term, considering the annual turnover of the customer base (“Churn-rate”).

Non-compete agreements
Some acquisitions have specific clauses that require non competition from the seller in Elfa Group’ segment, for a certain period. The fair value of these agreements is based on the estimate gain due to the absence of the competitor in the market (“With or without method”)

Other intangible assets
Other intangible assets that are acquired by the Company and have finite useful lives are measured at cost less accumulated amortization and any accumulated impairment losses.

(ii)Subsequent expenditure

Subsequent expenditure is capitalized only when it increases the future economic benefits embodied in the specific asset to which it relates. All other expenditure, including that on internally generated goodwill and trademarks and patents, is recognized in profit or loss as incurred.

(iii) Amortization

Amortization is calculated to write off the cost of intangible assets less their estimated residual values using the straight-line method over their estimated useful lives and is generally recognized in profit or loss. Goodwill is not amortized.

The estimated useful lives of intangible assets are as follows:

Software licenses	5 years
Customer portfolio	From 7 to 7.7 years
Non-compete agreements	5 years
Operating licenses	1 year
Trademarks and patents	Indefinite

The depreciation methods, useful lives, and residual values are reviewed at each reporting date, and adjusted when necessary.

k. Financial instruments

(i) Initial recognition and measurement

Trade receivables are initially recognized when they are originated. All other financial assets and financial liabilities are initially recognized when the Company becomes a party to the provisions of the underlying contract.

A financial asset (unless it is a trade receivable without a significant financing component) or financial liability is initially measured at fair value plus, for an item not measured at fair value through profit or loss, transaction costs that are directly attributable to its acquisition or issue of the financial instrument. Trade receivables without a significant financing component are initially measured at the transaction price.

(ii) Classification and subsequent measurement

Financial assets

Financial assets are initially measured at amortized cost or at fair value through profit or loss.

Financial assets are not reclassified subsequent to their initial recognition unless the Company changes the business model under which they are managed. In such instance, all affected financial assets are reclassified on the first day of the first reporting period following the change in the business model.

A financial asset is measured at amortized cost if it meets both of the following conditions and has not been designated as measured at fair value through profit or loss:

- is held within a business model whose objective is to hold financial assets to receive contractual cash flows; and
- its contractual terms give rise, on specific dates, to cash flows that are solely payments of principal and interest on the principal amount outstanding.

A financial asset is measured at fair value through other comprehensive income if it meets both of the following conditions and has not been designated as measured at fair value through profit or loss:

- it is held within a business model whose objective is achieved by both collecting contractual cash flows and selling financial assets; and
- its contractual terms give rise, on specific dates, to cash flows that are solely payments of principal and interest on the principal amount outstanding.

Financial assets – Business model assessment

The Company assesses the objective of the business model under which a financial asset is held in the portfolio, as this reflects the way the business is managed, and the related information provided to Management includes:

- The policies and objectives set forth for the portfolio and the operation of those policies in practice. These include whether management's strategy focuses on earning contractual interest income, maintaining a particular interest rate profile, matching the duration of the financial assets to the duration of any related liabilities or expected cash outflows, or realizing cash flows through the sale of the assets.
- How the portfolio performance is evaluated and reported to the Company's management.
- The risks that affect the performance of the business model (and the financial assets held under that business model) and how the risks are managed;
- the frequency, volume, and timing of sales of financial assets in prior periods, the reasons for such sales and the expectations about future sales.
- Transfers of financial assets to third parties in transactions that do not qualify for derecognition are not considered sales in a manner consistent with the Company's continuing recognition of the assets.
- Financial assets that are held for trading or managed and whose performance is evaluated on a fair value basis are measured at fair value though profit and loss.

Financial assets - assessment of whether the contractual cash flows are solely payments of principal and interest:

For the purposes of this assessment, 'principal' is defined as the fair value of the financial asset on initial recognition. 'Interest' is defined as consideration for the time value of money and for the credit risk associated with the principal amount outstanding during a certain period of time, and for other basic lending risks and costs (e.g. liquidity risk and administrative costs), as well as considering a profit margin.

In assessing whether the contractual cash flows are solely payments of principal and interest, the Company considers the contractual terms of the instrument. This includes assessing whether the financial asset contains a contractual term that could change the timing or amount of contractual cash flows such that it would not meet this condition. In making this assessment, the Company considers:

- contingent events that would change the amount or timing of cash flows;
- terms that may adjust the contractual coupon rate, including variable-rate features;
- prepayment and extension features; and
- terms that limit the Company's claim to cash flows from specified assets (e.g. non-recourse features).

Financial assets – Subsequent measurement and gains and losses

Financial assets at fair value through profit or loss: these assets are subsequently measured at fair value. Net gains and losses, including any interest or dividend income, are recognized in profit or loss.

Financial assets at amortized cost: these assets are subsequently measured at amortized cost using the effective interest rate method. The amortized cost is reduced by impairment losses. Interest income, foreign exchange gains and losses and impairment losses are recognized in profit or loss. Any gain or loss on derecognition is recognized in profit or loss.

Financial liabilities – Subsequent measurement and gains and losses

Financial liabilities are classified as measured at amortized cost. A financial liability is measured at fair value through profit or loss if it is classified as held-for-trading, it is a derivative or has been designated as such on initial recognition. Other financial liabilities are subsequently measured at amortized cost using the effective interest rate method. Interest expense and foreign exchange gains and losses are recognized in profit or loss. Any gain or loss on derecognition is also recognized in profit or loss.

(iii) Derecognition

Financial assets

The Company derecognizes a financial asset when the contractual rights to the cash flows from the financial asset expire, or it transfers the rights to receive the contractual cash flows in a transaction in which substantially all of the risks and rewards of ownership of the financial asset are transferred or in which the Group neither transfers nor retains substantially all of the risks and rewards of ownership and it does not retain control of the financial asset.

Financial liabilities

The Company derecognizes a financial liability when its contractual obligation is discharged, canceled, or expires. The Company also derecognizes a financial liability when its terms are modified and the cash flows of the modified liability are substantially different, in which case a new financial liability based on the modified terms is recognized at fair value.

On derecognition of a financial liability, the difference between the carrying amount extinguished and the consideration paid (including any non-cash assets transferred or liabilities assumed) is recognized in profit or loss.

(iv) Offsetting

Financial assets and financial liabilities are offset and the net amount presented in the statement of financial position when, and only when, the Company has a legally enforceable right to offset the amounts and it intends either to settle them on a net basis or to realize the asset and settle the liability simultaneously.

l. Impairment

(i) Non-derivative financial assets

Financial instruments

The Company recognizes provisions for expected credit losses on financial assets measured at amortized cost.

Provisions for losses on trade receivables are always measured at an amount equal to lifetime expected credit losses.

When determining whether the credit risk of a financial asset has increased significantly since initial recognition and when estimating ECLs, the Company consider reasonable and supportable information that is relevant and available without undue cost or effort. This includes both quantitative and qualitative information and analysis, based on the Company's historical experience and credit assessment, which includes forward-looking information.

The Company assumes that the credit risk on a financial asset has increased significantly if it is more than 30 days past due. The Company considers a financial asset to be in default when:

- it is unlikely that the borrower will fully pay its credit obligations to the Company without resorting to measures, such as cashing a guarantee (if any); or
- the financial asset, from the private market, is more than 180 days past due;
- the debtor is from the public sector, with a balance past due for more than 360 days, and the credit obligations from previous year are unlikely to be paid and there is no administrative ruling or court order determining the payment.

The maximum period considered when estimating ECLs is the maximum contractual period over which the Company is exposed to credit risk.

Measurement of expected credit losses

Expected credit losses are a probability-weighted estimate of credit losses. Credit losses are measured as all cash shortfalls (i.e. the difference between the cash flows due to the Company in accordance with the contract and the cash flows that the Company expects to receive).

Credit-impaired financial assets

At each reporting date, the Company assesses whether financial assets carried at amortized cost are credit impaired. A financial asset is 'credit-impaired' when one or more events, which have a detrimental impact on its estimated future cash flows, take place.

In monitoring assets, customers are grouped according to their credit characteristics, including whether they are public or private customers, and taking into account the history of negotiations with the Group, and the existence of financial difficulties in the past.

The Group does not require guarantees for trade and other receivables, and has no trade receivables and contract assets for which no provision for loss is recognized due to guarantees provided.

Evidence that a financial asset is credit-impaired includes the following observable data:

- significant financial difficulty of the issuer or debtor;
- breach of contractual clauses, such as delinquency or late payment for more than 180 days;
- restructuring of an amount owed to the Company under conditions that would not be accepted in normal circumstances;
- the probability that the borrower will enter bankruptcy or other financial reorganization; or
- the disappearance of an active market for that financial asset because of financial difficulties.

Provision for expected credit losses in the statement of financial position

The provision for loss on financial assets measured at amortized cost is deducted from the gross carrying amount of the assets.

Write-off

The gross carrying amount of a financial asset is written off when the Company has no reasonable expectations of recovering the financial asset in full or in part. With respect to individual customers, the Company, based on historical experience of recoveries of similar assets, writes off assets that are past due for 360 days. For corporate customers, the Company makes an individual assessment with respect to the timing and amount of write-off based on whether there is a reasonable expectation of recovery, and expects no significant recovery from the amount written off. However, financial assets that are written off could still be subject to enforcement activities in order to comply with the Company's procedures to collect the amounts due.

(ii)Non-financial assets

At each reporting date, the Company reviews the carrying amounts of its non-financial assets (other than deferred tax assets and inventories) to determine whether there is any indication of impairment. If any such indication exists, the asset's recoverable amount is estimated. Goodwill is tested for impairment annually, at the level of the Company's two reportable segments (Cash Generating Units (CGUs)) (Note 28).

The recoverable value of an asset or CGU is the higher of its value in use and its fair value less costs to sell. Value in use is based on the estimated future cash flows, discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset or CGU.

Impairment losses are recognized in profit or loss. They are initially allocated to reduce the carrying amount of any goodwill allocated to the CGU (or group of CGUs), and then to reduce the carrying amount of other assets in the CGU (or group of CGUs) on a pro rata basis.

An impairment loss recognized for goodwill cannot be reversed in subsequent periods. An impairment loss is reversed only to the extent that the asset's new carrying amount does not exceed the carrying amount that would have been determined, net of depreciation or amortization, if no impairment loss had been recognized.

m. Provisions

Provisions are recognized when the Company has a present legal or constructive obligation as a result of past events that can be reliably estimated, and it is probable that an outflow of resources will be required to settle the obligation.

Provisions are recorded based on the best estimates of the risk involved. Liabilities related to lawsuits are provisioned at amounts deemed sufficient by management and legal advisors to settle unfavorable outcomes.

Basic and diluted earnings per share

Earnings per share are calculated based on the profit (loss) for the period attributable to the number of common shares outstanding and considers the impact of the dilution of the options granted at each reporting date.

n. Leases

The Company has applied CPC 6(R2) / IFRS 16 using the modified retrospective approach and therefore the comparative information has not been restated and continues to be reported under CPC 6 (R1) / IAS 17 and ICPC 3 / IFRIC 4. Details on accounting policies under CPC 6(R1) / IAS 17 and ICPC 3 / IFRIC 4 are disclosed separately.

(i) Determining whether a contract is, or contains, a lease

At inception of a contract, the Company assesses whether it is, or contains, a lease. A contract is, or contains, a lease if it conveys the right to control the use of an identified asset for a period of time in exchange for consideration. To assess whether a contract conveys the right to control the use of an identified asset, the Company uses the definition of lease provided for in CPC 6(R2) / IFRS 16.

(ii) The Company as a lessee

At the inception or modification of a contract that contains a lease component, the Company allocates the consideration in the contract to each lease component on the basis of its relative stand-alone prices. However, for leases of property, the Company has elected not to separate non-lease components, accounting for the lease and non-lease components as a single lease component.

The Company recognizes a right-of-use asset and a lease liability at the lease commencement date. The right-of-use asset is initially measured at cost, which comprises the initial amount of the lease liability adjusted for any lease payments made at or before the commencement date, plus any initial direct costs incurred by the lessee, and an estimate of costs to dismantle and remove the underlying asset or to restore the underlying asset or the site on which it is located, less any lease incentives received.

The right-of-use asset is subsequently depreciated using the straight-line method from the commencement date to the end of the lease term, unless the lease transfers ownership of the underlying asset to the Company by the end of the lease term or the cost of the right-of-use asset reflects that the Company will exercise a purchase option. In that case, the right-of-use asset will be depreciated over the useful life of the underlying asset, which is determined on the same basis as those of property and equipment. In addition, the right-of-use asset is periodically reduced by impairment losses, if any, and adjusted for certain remeasurements of the lease liability.

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

The Company determines its incremental borrowing rate based on interest rates from several external financing sources and makes certain adjustments to reflect the terms of the lease and the type of the asset leased.

Lease payments included in the measurement of the lease liability comprise the following:

- fixed payments, including in-substance fixed payments;
- variable lease payments that depend on an index or a rate, initially measured as at the commencement date;
- amounts expected to be payable under a residual value guarantee; and
- the exercise price under a purchase option that the Company is reasonably certain to exercise, and penalties for early termination of a lease unless the Company is reasonably certain not to terminate early.

The lease liability is measured at amortized cost using the effective interest rate method. It is remeasured in the following situations: if there is a change in future lease payments arising from a change in an index or rate, if there is a change in the Company's estimate of the amount expected to be payable under a residual value guarantee, if the Company changes its assessment of whether it will exercise a purchase, extension or termination option, or if there is a revised in-substance fixed lease payment.

When the lease liability is remeasured in this way, a corresponding adjustment is made to the carrying amount of the right-of-use asset, or is recorded in profit or loss if the carrying amount of the right-of-use asset has been reduced to zero.

(iii)Short-term leases and leases of low-value assets

The Group has elected not to recognize right-of-use assets and lease liabilities for leases of low-value assets and short-term leases, including IT equipment. The Company recognizes the lease payments associated with these leases as an expense on a straight-line basis over the lease term.

o. Fair value measurement

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date in the principal or, in its absence, the most advantageous market to which the Company has access at that date. The fair value of a liability reflects its non-performance risk.

A number of the Company's accounting policies and disclosures require the measurement of fair values, for both financial and non-financial assets and liabilities.

The Company measures the fair value of an instrument using the quoted price in an active market for that instrument, when its available. A market is regarded as 'active' if transactions for the asset or liability take place with sufficient frequency and volume to provide pricing information on an ongoing basis.

When a quoted price in an active market is not available, the Company uses valuation techniques that maximize the use of relevant observable inputs and minimize the use of unobservable inputs. The chosen valuation technique incorporates all of the factors that market participants would take into account in pricing a transaction.

(In thousands of Reais unless otherwise stated)

If an asset or a liability measured at fair value has a bid price and an ask price, the Company measures assets at the bid price and liabilities at the ask price.

The best evidence of the fair value of a financial instrument on initial recognition is usually the price of the transaction - that is, the fair value of the consideration given or received. If the Company determines that the fair value on initial recognition differs from the transaction price and the fair value is evidenced neither by a quoted price in an active market for an identical asset or liability, nor based on a valuation technique for which any unobservable inputs are judged to be insignificant in relation to the measurement, then the financial instrument is initially measured at fair value, adjusted to defer the difference between the fair value on initial recognition and the transaction price. Subsequently, that difference is recognized in profit or loss on an appropriate basis over the life of the instrument, but no later than when the valuation is wholly supported by observable market data, or the transaction is closed out.

9 - Cash and cash equivalents and marketable securities

	Parent Company		**Consolidated**	
	9/30/2020	**12/31/2019**	**9/30/2020**	**12/31/2019**
Cash	5	5	297	180
Bank balances	2,642	7,966	46,636	12,558
Short-term investments	55,558	42,386	99,713	107,822
	58,205	**50,357**	**146,646**	**120,560**
Marketable securities	-	-	173,043	-
	58,205	**50,357**	**319,689**	**120,560**

As of September 30, 2020, financial investments correspond to transactions carried out with financial institutions operating in the Brazilian financial market, contracted at market conditions and rates with low credit risk.

As of September 30, 2020 and December 31, 2019, the Company had highly liquid investments mainly in Bank Deposit Certificates (CDBs), repurchase agreements, and investment funds with yields that gradually increases up to 101% of the Brazilian Interbank Deposit Certificate (CDI), depending on the investment period.

As of September 30, 2020, marketable securities relate to shares acquired from Santander Argo Cash Management Fixed Income Referenced DI Investment Fund, regarding investments in an exclusive private credit multimarket investment fund for qualified investors, and duly registered with the CVM. The fund's shares have no maturity and can be redeemed at any time according to the Group's liquidity requirements. The fund's portfolio comprises Bank Deposit Certificates (CDBs), repurchase agreements, financial bills, treasury bonds and other funds as provided for in its investment policy.

(In thousands of Reais unless otherwise stated)

10 - Trade receivables

	Parent Company		Consolidated	
	9/30/2020	**12/31/2019**	**9/30/2020**	**12/31/2019**
Private sector customers	247,603	194,670	596,542	357,335
Public sector customers	66,967	78,328	122,757	133,394
Receivables from related parties (Note 15)	5,238	3,898	5,487	3,898
	319,808	**276,896**	**724,786**	**494,627**
(-) Provision for expected credit losses (a)	(27,324)	(22,493)	(69,629)	(47,151)
	292,484	**254,403**	**655,157**	**447,476**

The aging analysis of trade receivables is shown below:

	Parent Company		Consolidated	
	9/30/2020	**12/31/2019**	**9/30/2020**	**12/31/2019**
Not yet due	221,308	202,921	519,039	353,700
Past due up to 30 days	20,248	19,838	37,579	39,615
Past due from 31 to 90 days	17,738	18,966	35,192	27,497
Past due from 91 to 180 days	19,515	9,525	45,912	20,222
Past due for more than 181 days	40,999	25,646	87,064	53,593
Total	**319,808**	**276,896**	**724,786**	**494,627**
(-) Provision for expected credit losses	(27,324)	(22,493)	(69,629)	(47,151)
	292,484	**254,403**	**655,157**	**447,476**

(a) Expected credit losses

The Company assessed the expected credit losses as required by CPC 48 / IFRS 9. See Note 25 for details on the measurement of the provision.

Changes in the provision for expected credit losses are presented below:

	Parent Company		Consolidated	
	9/30/2020	**12/31/2019**	**9/30/2020**	**12/31/2019**
Opening balance	**(22,493)**	**(23,702)**	**(49,058)**	**(44,296)**
(Increase)/reversal	(4,831)	1,209	(10,187)	(2,855)
	-	-	(10,384)	(1,907)
Closing balance	**(27,324)**	**(22,493)**	**(69,629)**	**(49,058)**

(In thousands of Reais unless otherwise stated)

11 - Inventories

	Parent Company		Consolidated	
	9/30/2020	**12/31/2019**	**9/30/2020**	**12/31/2019**
Goods for resale	160,068	108,023	412,052	211,930
Goods on consignment	4,338	1,513	5,758	3,062
	164,406	**109,536**	**417,810**	**214,992**

Changes in the provision for inventory losses are presented below:

	Parent Company		Consolidated	
	9/30/2020	**12/31/2019**	**9/30/2020**	**12/31/2019**
Opening balance	(172)	(997)	(467)	(1,820)
(Provision)/reversal	2	825	(169)	1,447
	-	-	(499)	(94)
Closing balance	**(170)**	**(172)**	**(1,135)**	**(467)**

12 - Taxes recoverable and income tax and social contribution

	Parent Company		Consolidated	
	9/30/2020	**12/31/2019**	**9/30/2020**	**12/31/2019**
State Value-Added Tax (ICMS)	5,594	8,899	42,013	30,149
Contribution Tax on Gross Revenue for Social Integration Program (PIS) and for Social Security Financing (COFINS)	4,922	7,853	13,126	14,491
Other	293	2,825	1,930	3,646
Taxes recoverable	**10,809**	**19,577**	**57,069**	**48,286**
Income tax and social contribution	**24,224**	**13,720**	**35,008**	**19,516**

(In thousands of Reais unless otherwise stated)

13 - Investments (Parent company)

a. Investment breakdown

Investee	Ownership percentage		Equity		Increase in assets		Goodwill		Total investment	
	9/30/2020	12/31/2019	9/30/2020	12/31/2019	9/30/2020	12/31/2019	9/30/2020	12/31/2019	9/30/2020	12/31/2019
Prescrita	100%	100%	55,832	51,940	-	-	-	-	55,832	51,940
San Log	Extinct	100%	-	329	-	-	-	-	-	329
Cirúrgica Jaw	100%	100%	109,337	102,841	2,208	2,481	5,207	5,207	116,753	110,529
Cristal	100%	100%	41,851	41,423	4,126	4,682	8,569	8,569	54,545	54,674
Majela	100%	100%	120,910	117,062	24,009	30,483	87,235	87,235	232,154	234,780
Grupo CDM	100%	100%	50,842	43,839	46,705	52,823	46,091	46,091	143,638	142,753
Grupo Medcom	100%	0%	32,652	-	98,201	-	243,863	-	374,717	-
Atrial	100%	0%	229,496	-	65,340	-	333,216	-	628,052	-
Total			**640,920**	**357,434**	**240,589**	**90,469**	**724,181**	**147,102**	**1,605,691**	**595,005**

b. Financial Information summary

Investee	Current assets		Non-current assets		Current liabilities		Non-current liabilities		Equity		Profit/(loss)	
	9/30/2020	12/31/2019	9/30/2020	12/31/2019	9/30/2020	12/31/2019	9/30/2020	12/31/2019	9/30/2020	12/31/2019	9/30/2020	12/31/2019
Prescrita	128,648	61,642	34,120	31,127	75,025	31,869	1,538	8,960	55,832	51,940	4,833	10,213
San Log	-	541	-	129	-	65	-	276	-	329	-	-130
Cirúrgica Jaw	114,299	122,161	57,126	43,361	49,834	55,911	1,110	6,770	109,337	102,841	6,404	11,986
Cristal	30,543	30,719	26,975	23,042	11,929	12,338	456	-	41,851	41,423	234	-3,465
Majela	26,372	76,847	121,525	82,606	6,590	30,011	629	12,380	120,910	117,062	1,664	2,771
Grupo CDM	98,627	114,385	5,843	2,367	43,580	66,633	1,081	6,280	50,842	43,839	4,908	6,274
Grupo Medcom	185,735	-	12,020	-	108,874	-	6,594	-	32,652	-	15,590	-
Atrial	385,977	-	32,401	-	141,285	-	42,729	-	229,496	-	2,528	-
Total	**970,201**	**406,295**	**290,009**	**182,632**	**437,117**	**196,827**	**54,137**	**34,666**	**640,920**	**357,434**	**36,160**	**27,649**

(In thousands of Reais unless otherwise stated)

c. Changes in investments

	Prescrita	San Log	Cirúrgica Jaw	Cristal	Majela	Grupo CDM	Grupo Medcom	Atrial	Total
Balance as of January 1, 2019	**24,315**	**(541)**	**98,402**	**60,345**	**220,004**	**-**	**-**	**-**	**402,525**
Share capital increase	17,412	1,000	141	1,200	12,006	-	-	-	31,759
Paid dividends	-	-	-	(3,406)	-	-	-	-	(3,406)
Net assets (liabilities) acquired	-	-	-	-	-	90,387	-	-	90,387
Goodwill	-	-	-	-	-	46,090	-	-	46,090
Equity in the results of investees (i)	10,213	(130)	11,986	(3,465)	2,771	6,275	-	-	27,650
Balance as of December 31, 2019	**51,940**	**329**	**110,529**	**54,674**	**234,781**	**142,752**	**-**	**-**	**595,005**
Write-off due to extinction of San Log	-	(329)	-	-	-	-	-	-	(329)
Net assets (liabilities) acquired	-	-	-	-	-	-	123,783	294,169	426,181
Goodwill on acquisition	-	-	-	-	-	-	240,599	333,216	565,586
Equity in the results of investees (i)	3,886	-	6,224	(144)	(2,619)	842	10,334	666	19,190
Other	5			15	(8)	44	1	-	58
Balance as of September 30, 2020	**55,831**	**-**	**116,753**	**54,545**	**232,154**	**143,638**	**374,717**	**628,051**	**1,605,690**

(In thousands of Reais unless otherwise stated)

14 - Intangible assets

	Parent Company			
	September 30, 2020			2019
	Cost	Accumulated amortization	Net	Net
Definite useful life:				
Software licenses	5,505	(356)	5,149	4,376
Operating licenses	30	(30)	-	-
	5,535	(386)	5,149	4,376

	Consolidated			
	September 30, 2020			2019
	Cost	Accumulated amortization	Net	Net
Definite useful life:				
Software licenses	11,596	(906)	10,690	4,380
Trademarks and patents	28	-	28	24
Operating licenses	897	(445)	453	257
Non-compete agreements	6,753	(1,833)	4,920	5,948
Distribution contracts	289,544	(50,349)	239,196	90,409
	308,818	(53,532)	255,286	101,018
Indefinite useful life:				
Goodwill	728,889	-	728,889	151,810
	1,037,707	(53,532)	984,175	252,848

Changes in the Company's intangible assets are shown below:

	Parent Company	
	9/30/2020	12/31/2019
Opening balance	**4,376**	**1,015**
Additions		
Software licenses	768	2,566
Operating licenses	-	5
Amortizations		
Software licenses	5	(110)
Closing balance	**5,149**	**4,376**

(In thousands of Reais unless otherwise stated)

	Consolidated	
	9/30/2020	**12/31/2019**
Opening balance	**252,848**	**153,175**
Additions		
Software licenses	5,208	1,324
Software licenses (amortization)	(57)	-
Trademarks and patents	4	-
Additions due to acquisition of subsidiaries		
Software licenses	1,170	-
Operating licenses	581	271
Non-compete agreements	-	6,753
Distribution contracts (a)	173,399	56,111
Distribution contracts (amortization)	(1,553)	
Goodwill (b)	577,079	50,792
Other intangible assets		1,413
Amortizations:		
Software licenses	(9)	(286)
Distribution contracts	(23,082)	(15,672)
Non-compete agreements	(1,028)	(805)
Operating licenses	(385)	(228)
Closing balance	**984,175**	**252,848**

(a) Changes in the period comprise mainly the appreciation of intangible assets related to distribution rights computed in the acquisitions of Grupo Medcom, in the amount of R$ 106,163, and Atrial, in the amount of R$ 67,816.
(b) Changes in the period relate to goodwill based on expected future profitability arising from investments made on Medcom and Atrial, amounting to R$ 243,863 and R$ 333,216, respectively.

Goodwill abased on expected future profitability

Goodwill determined on acquisitions is based on the expected future profitability of acquired operations and amounts to R$ 716,650 as of September 30, 2020 (R$ 152,098 as of December 31, 2019).

The sensitivity analysis performed by the Group on the last impairment test did not identify any new impairment indicators that would require the performance of an interim test as of September 30, 2020.

(In thousands of Reais unless otherwise stated)

15 - Related-party transactions

	Parent Company		Consolidated	
	9/30/2020	**12/31/2019**	**9/30/2020**	**12/31/2019**
Current assets				
Trade receivables				
Med Imagem S/C (subsidiary of Athena Saúde) (Fund V)	356	314	472	314
Hospital Memorial Nossa Senhora das Neves	4,877	3,570	4,998	3,570
Hospital Oftalmológico de Brasília Ltda. (Fund V)	-	10	5	10
VJ Farma Ltda.(Fund V)	-	-	7	-
Brazil Senior Living S.A. (Fund IV)	4	4	4	4
	5,238	**3,898**	**5,487**	**3,898**
Non-current assets				
Debit notes				
Prescrita	3,353	2,619	-	-
Cirúrgica Jaw	2,357	1,299	-	-
Majela	3,600	3,301	-	-
CDM	4,373	-	-	-
Agilfarma	789	-	-	-
	14,472	**7,219**	**-**	**-**
Advances for future capital increase				
Prescrita	21,335	9,319	-	-
Cirúrgica Jaw	11,610	8,249	-	-
San Log	-	60	-	-
Cristal	3,680	-	-	-
Grupo CDM	12,713	7,348	-	-
Medcom	40,874	-	-	-
GB Distrib. De Med. E Prod. Hosp.	11,326	-	-	-
Majela	28,095	15,047	-	-
	129,633	**40,023**	**-**	**-**
Non-current liabilities				
Payables to related parties				
Prescrita	8,212	7,941	-	-
Cristal	19,713	36,454	-	-
Majela	116,599	16,584	-	-
Cirúrgica Jaw	49,613	72,627	-	-
Medcomerce	-	-	1,276	
Grupo CDM	1,600	-	-	-
	195,737	**133,606**	**1,276**	**-**

(In thousands of Reais unless otherwise stated)

	Parent Company		Consolidated	
	9/30/2020	9/30/2019	9/30/2020	9/30/2019
Profit/(loss)				
Net sales revenue				
Cirúrgica Jaw	26,759	293	-	-
Cristal	2,228	956	-	-
Grupo CDM	677	-	-	-
Majela	1,586	105	-	-
Med Imagem S/C (subsidiary of Athena Saúde) (Fund V)	2,327	1,541	2,729	1,849
Hospital Memorial Nossa Senhora das Neves	7,885	5,892	8,485	6,170
Hospital Oftalmológico de Brasília Ltda. (Fund V)	18	8	38	8
VJ Farma Ltda.(Fund V)	15	869	34	871
Brazil Senior Living S.A. (Fund IV)	2	1	2	1
	41,496	**9,664**	**11,288**	**8,898**
Cost of goods sold				
Cirúrgica Jaw	(26,570)	(295)	-	-
Prescrita	(277)	(605)	-	-
Cristal	(1,926)	(941)	-	-
Grupo CDM	(726)	-	-	-
Majela	(1,565)	(107)	-	-
	(31,065)	**(1,948)**	**-**	**-**
Cost of property leases				
Lle Participações Ltda	(661)	(137)	(661)	(137)
Egallo Participações Ltda - Epp	(76)	(80)	(76)	(239)
Thulio Coelho Moraes Guerra	-	-	(95)	(171)
Gestão e Transformação Consultoria S.A.	(649)	-	(649)	-
Wilson Gil Filho e Alessandra Moreno de Aguiar	-	-	(27)	(27)
	(1,386)	**(217)**	**(1,508)**	**(574)**
Cost of services				
Pátria Investimentos Ltda	(2,243)	(540)	(2,243)	(540)
Gran Coffee Comércio, Locação e Serviços S/A (Fund IV)	(4)	-	(4)	-
	(2,247)	**(540)**	**(2,247)**	**(540)**

All outstanding balances with these related parties in the parent company and consolidated are priced on an arm’s length basis and are to be settled in cash within market conditions and terms (two to three months), except for leases and rendering of services, which are paid monthly. None of the balances are backed by collateral.

No expense has been recognized in the current year or prior year for bad or doubtful debts in respect of amounts owed by related parties.

Key management compensation

Key management personnel compensation for the nine-month period ended September 30, 2020 totaled R$ 6,763 (R$ 14,300 as of December 31, 2019), including the share-based compensation plan expense.

(In thousands of Reais unless otherwise stated)

16 - Trade and other payables

Trade and other payables are mainly related to purchase of medical products from domestic and international suppliers.

	Parent Company		Consolidated	
	9/30/2020	**12/31/2019**	**9/30/2020**	**12/31/2019**
Pharmaceutical suppliers	206,657	185,101	515,368	354,236
Fixed asset suppliers	188	83	238	89
Consumer goods suppliers	67	162	190	202
Advances received and other accounts payable	13,806	15,217	42,377	24,401
Payables to related parties (Note 15)	195,737	133,606	1,276	-
Services payable	1,980	1,045	3,008	1,341
Total	**418,435**	**335,214**	**562,457**	**380,269**
Current	**222,698**	**201,608**	**561,181**	**380,269**
Non-current	**195,737**	**133,606**	**1,276**	**-**

17 - Loans and financing, leases payable and derivatives

			Parent Company		Consolidated	
Type	**Interest rate**	**Currency**	**9/30/2020**	**12/31/2019**	**9/30/2020**	**12/31/2019**
Working capital	CDI + 1.5% to 1.92% p.a.	Real	273,066	302,453	273,502	303,300
Leases payable	IGPM	Real	8,362	11,304	27,076	16,628
Loans and financing			**281,428**	**313,757**	**300,578**	**319,928**
Swap derivatives	CDI + 1.5% to 1.92% p.a.	Real	5,902	-	5,902	-
Total loans and financing and derivatives			**287,330**	**313,757**	**306,480**	**319,928**
Current liabilities - loans and financing			**83,231**	**201,922**	**88,115**	**208,093**
Non-current liabilities - loans and financing			**204,099**	**111,835**	**218,365**	**111,835**
Non-current liabilities - derivatives			**5,902**	**-**	**5,902**	**-**
Non-current assets - derivatives			**4,438**	**-**	**4,438**	**-**

Most of the loans and financing are raised in accordance with Central Bank Resolution 4131.

The Company is hedged against fluctuations in foreign currencies through swaps contracted concurrently with the borrowing, with perfectly matching terms. Average financial interest is equivalent to approximately 119% of the CDI rate at the parent company and consolidated levels. Derivatives are presented in the statement of financial position within "Derivatives".

Loans and financing are secured by fiduciary assignment of credit rights of the Company and its subsidiaries arising from trade bills, have restrictive clauses, as mentioned in Note 28, and were raised in Brazilian reais.

Bank	**Type**	**Index**	**Final maturity**	**Nominal amount**	**Carrying amount**
Santander	CCB	CDI + 3.26% p.a.	10/27/2020	30,000	30,694
Santander	4131+Swap	CDI + 1.91% p.a.	6/26/2024	100,000	100,796
Citi	4131+Swap	CDI + 2.70% p.a.	7/24/2023	100,000	97,157
Santander	CCB	CDI + 2.70% p.a.	6/29/2023	50,000	50,321
Itaú	CCB	9.25% p.a.	12/3/2021	462	436

(In thousands of Reais unless otherwise stated)

Changes in loans and financing are shown below:

	Parent Company		Consolidated	
	9/30/2020	**12/31/2019**	**9/30/2020**	**12/31/2019**
Opening balance	**302,453**	**238,598**	**303,300**	**238,598**
Additions due to the acquisition of subsidiaries	-	-	58,529	-
Funding	315,205	390,269	315,205	391,116
Interest incurred on loans and financing	12,050	17,282	12,050	17,282
Payment of principal of loans and financing	(338,636)	(325,119)	(395,826)	(325,119)
Payment of interest on loans and financing	(12,104)	(18,577)	(13,854)	(18,577)
Total loans and financing and derivatives	**278,968**	**302,453**	**279,404**	**303,300**
Leases payable	8,362	11,304	27,076	16,628
Total	**287,330**	**313,757**	**306,480**	**319,928**

Guarantees

The Group has R$ 159,971 in trade notes receivable pledged as guarantees for loans and financing agreements as of September 30, 2020 (R$ 214,377 as of December 31, 2019).

18 - Payables for investment acquisition

	Parent Company		Consolidated	
	9/30/2020	**12/31/2019**	**9/30/2020**	**12/31/2019**
Payables for investment acquisition	128,105	73,504	188,114	80,255
Current liabilities	11,722	11,666	36,533	16,176
Non-current liabilities	116,383	61,838	151,581	64,079

Relates to installments payable to former partners of the acquisitions performed by the Group; these amounts are adjusted based on each acquisition agreement and the payments will be made in up to 6 (six) years after the date of each acquisition. These installments, which are measured at present value, can also be retained as guarantee for possible contingencies from the pre-acquisition period.

As of September 30, 2020, the amortization schedule for the installments payable in respect of the acquisitions made by the Company is as follows:

2020	6,185
2021	53,678
2022	52,315
2023	50,884
2024	23,140
2025	1,112
2026	800
	188,114

(In thousands of Reais unless otherwise stated)

19 - Provision for contingencies

The Group is exposed to tax, civil and labor contingencies in the ordinary course of its business, and maintains a provision policy that considers the likelihood of the loss on the lawsuits. If the risk of loss on a lawsuit is assessed as probable by Management and its legal consultants, the amount involved is fully provided.

The Group has contingencies that arise, in whole or in part, from the period prior to the acquisition of certain subsidiaries, for which the former partners are liable, in accordance with the purchase and sale agreements. Accordingly, these contingent liabilities, as well as the receivables from former partners in connection with these lawsuits, are recognized by the Group within other receivables.

The provisions for contingencies and receivables from former partners, according to their nature, are presented below:

	Parent Company		Consolidated	
	9/30/2020	12/31/2019	9/30/2020	12/31/2019
Civil lawsuits	2	3	579	182
Labor lawsuits	140	1,336	3,973	1,576
Tax lawsuits	367	5,639	4,972	5,642
Total provision for contingencies	**509**	**7,128**	**9,524**	**7,400**
Other receivables	**369**	**6,776**	**8,763**	**6,877**

Changes in the provisions for contingencies is presented below:

	Parent Company				Consolidated			
	Civil lawsuits	Labor lawsuits	Tax lawsuits	Total	Civil lawsuits	Labor lawsuits	Tax lawsuits	Total
Balance as of December 31, 2019	153	1,336	5,639	7,128	182	1,576	5,642	7,400
Additions	-	-	-	-	397	2,619	-	3,016
Reductions	-	(222)	-	(222)	-	(222)	-	(222)
Reversals	(151)	(974)	(5,272)	(6,397)	-	-	(670)	(670)
Balance as of September 30, 2020	**2**	**140**	**367**	**509**	**579**	**3,973**	**4,972**	**9,524**

Most of the lawsuits classified as involving probable loss relate to labor claims filed by commercial representatives requesting the recognition of an employment relationship, for which the former partners are liable. The civil lawsuits classified as involving probable loss result from indemnity claims or burden of defeat (attorneys' fees payable by the losing party), in general with low value, and for which the former partners are liable in most cases. Among these lawsuits, the following is worth mentioning:

a) Tax lawsuit that disputes the annulment of IRRF, IRPJ, CSLL, PIS and COFINS entries due to alleged omissions of revenue in 2007 and alleged payment to an unidentified beneficiary, in the amount of R$ 4,065, for which the former shareholders are fully responsible.

As of September 30, 2020, the Company and its subsidiaries were parties to lawsuits with likelihood of loss considered as possible, amounting to R$ 49,399 (R$ 10,300 at December 31, 2019), of which R$ 38,944 are secured by former controlling shareholders. Among the lawsuits involving risk of possible loss, and therefore, not requiring provisions the following should be highlighted:

(In thousands of Reais unless otherwise stated)

a) Labor claim filed by Silas Cerino requesting recognition of employment relationship and related benefits, in addition to the payment of Government Severance Indemnity Fund for Employees (FGTS) for 25 years, in the amount of R$ 9,407. There has been no court decision on the merits of the case.

b) Execution proceedings filed by the State of Bahia to collect ICMS debts. Secured by Guarantee Insurance in the amount of R$ 9,194, for which the former partner is liable.

20 - Equity

Share capital

As of September 30, 2020, subscribed and paid-up share capital of R$ 834,510 (R$ 312,016 in 2019) corresponded to totaled R$ 803,910 (2019: R$ 312,016), corresponding to 455,694,714 common shares without par value (242,875,200 shares without par value), held as follows:

	2020	2019
Shareholders/Treasury	**Shares**	**Shares**
Pátria Brazilian Private Equity Fund IV - Fundo de Investimento em Participações Multiestratégia	308,470,651	214,511,429
Brazilian Private Equity Fund IV - Fundo de Investimento em Participações Multiestratégia	6,810,064	4,735,739
Brazilian Private Equity V – Fundo de Investimento em Participações Multiestratégia	78,166,378	-
JMV Participações e Gestão de Bens S.A.	19,558,458	13,601,011
Elmo Lopes Fernandes de Assis	6,865,249	4,774,115
Edalmo Leite Fernandes de Assis	6,338,679	4,407,937
Evelyn Leite Fernandes de Assis	950,801	661,190
Luis Renato Guimarães Liveri	264,277	183,779
Karla Ribeiro de Castro Branquinho	17,456,821	-
Guerino Anizelli Neto	918,781	-
Kamila Ribeiro de Castro Branquinho	4,699,914	-
Luiz Felipe de Castro Branquinho	4,699,914	-
Henrique Almeida Anizelli	494,727	-
Total treasury shares	10,000,000	-
	465,694,714	**242,875,200**

(i) Capital increase against cash contributions

At March 13, 2020, the shareholders approved a capital increase through the issue of 106,382,979 new shares in the total amount of R$ 250,000, fully paid in cash.

(ii) Capital increase, with repurchase of shares to be held in treasury

On August 7, 2020, the shareholders approved a capital increase through the issue of 10,000,000 (ten million) new common shares of the Company, all nominative and without par value, identical to the existing common shares, at the issuance price of R$3.06 (three reais and six cents) per share. These shares were subscribed by all shareholders in proportion to their interest in share capital and were bought back by Elfa on the same date, paid up using the capital reserve, and placed in treasury.

(iii) Capital increase through acquisition of Grupo Medcom

On April 9, 2020, the shareholders approved a capital increase through the issue of 28,270,157 new shares in the total amount of R$ 2,674, paid with 32.5% of the shares of Grupo Medcom, as mentioned in Note 3.3.

The fair value of these shares, which was determined by an independent expert's report issued at the transaction date as required by the Brazilian Corporate Law, amounted to R$ 217,339. The difference between the nominal value of the shares and their fair value, of R$ 214,665 was allocated to the share premium reserve.

(iv) Capital increase through acquisition of Atrial

On June 30, 2020, the shareholders approved a capital increase through the issue of 78,166,378 new shares in the total amount of R$ 239,220, paid with 100% of the shares of Atrial, as mentioned in Note 3.4.

The fair value of these shares, which was determined by an independent expert's report issued at the transaction date as required by the Brazilian Corporate Law, amounted to R$ 623,375. The difference between the nominal value of the shares and their fair value, of R$ 384,156 was allocated to the share premium reserve.

Profit reserve

(i) Retained profit reserve

This reserve is made up with the remaining portion of profit, after transfers to legal reserve, tax incentive reserve and mandatory minimum dividend, which should be approved through the issue of a corporate document at the shareholders' meeting that approves the interim financial statements

(ii) Tax incentive reserve

The Company and its subsidiaries benefit from the special taxation regime that provides for tax base reduction in the states of Paraíba, Goias, Minas Gerais, and the Federal District.

These taxation regimes were recognized as tax benefits by the granting States and reinstated under the terms of Clause One of the ICMS Agreement No. 190/2017, of December 15, 2017.

In addition, the Group benefits from the possibility of paying the tax under a special regime (tax substitute) in the States of Minas Gerais, Pernambuco, Bahia, Pará and Ceará, which establishes different basis for calculation.

In accordance with the applicable Brazilian tax legislation, the ICMS tax benefits validated by the National Council of Fiscal Policy (CONFAZ), are excluded from the IRPJ and CSLL tax bases, provided that they are recorded within the profit reserve, which can only be used for:

(i) offsetting losses, as long as the other reserves have already been fully absorbed, except for the legal reserve or;

(ii) increasing capital. Any other allocation may subject the Company to IRPJ and CSLL taxation.

The Company and its subsidiaries recognize these benefits in a special tax incentive reserve when there is sufficient profit for such allocation; otherwise the excess benefit is recognized against net income in future years, as required by law.

(iii) Capital reserve

Capital reserve results from the downstream merger of its parent company at December 29, 2017, in accordance with Article 227 of Law 6404/76.

(iv) Profit distribution

Pursuant to the Company's bylaws, annual profit is distributed as follows:

(a) transfer of 5% to the legal reserve, which shall not exceed 20% of the share capital, as provided for in Article 193 of Brazilian Corporate Law;

(b) a portion may be allocated to a reserve for contingencies, when proposed by management bodies, in accordance with Article 195 of Brazilian Corporate Law;

(c) the portion arising from government grants, which may be excluded from the calculation basis of minimum mandatory dividends, 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 realized portion of the profit for the year, the General Shareholders' Meeting may, at the proposal of the management bodies, decide to allocate the excess to an unrealized profit reserve, in compliance with the provisions of Article 197 of the Brazilian Corporate Law;

(e) a portion no greater than the difference between (i) 75% (seventy-five percent) of the annual profit adjusted as provided for in Article 202 of the Brazilian Corporate Law (including, therefore, any allocation of a portion of the profit to a reserve for contingencies) and (ii) the reserve mentioned in item (c) above, may be allocated to create a reserve for investments and working capital, the purpose of which will be to fund investments for growth and expansion and finance the Company's working capital, provided that the accumulated balance of this reserve does not exceed 100% (one hundred percent) of the Company's share capital; and

(f) the remaining balance will be distributed as dividends to the shareholders, ensuring the payment of minimum mandatory dividends, not lower than 25% (twenty-five percent) of the adjusted net income, as provided for in Article 202 of the Brazilian Corporate Law.

(In thousands of Reais unless otherwise stated)

21 - Net operating revenue

Parent Company

	September 30, 2020		September 30, 2019	
	Quarter	**Nine-month period**	**Quarter**	**Nine-month period**
Gross revenue				
Sale of goods - private sector customers	317,790	876,622	253,174	755,790
Sale of goods - public sector customers	44,237	131,933	68,174	167,211
Total gross revenue	**362,027**	**1,008,555**	**321,348**	**923,001**
Deductions from gross revenue				
Sales returns - private sector customers	(3,738)	(10,233)	(3,747)	(9,371)
Sales returns - public sector customers	(1,003)	(2,092)	(1,439)	(2,185)
Discounts granted	(488)	(1,235)	(565)	(1,576)
Taxes on sales	(25,255)	(73,492)	(27,702)	(81,745)
Total revenue deductions	**(30,484)**	**(87,052)**	**(33,453)**	**(94,877)**
Net operating revenue	**331,543**	**921,503**	**287,895**	**828,124**

Consolidated

	September 30, 2020		September 30, 2019	
	Quarter	**Nine-month period**	**Quarter**	**Nine-month period**
Gross revenue				
Sale of goods - private sector customers	749,603	1,678,242	452,217	1,151,127
Sale of goods - public sector customers	135,126	315,866	91,192	278,048
Total gross revenue	**884,729**	**1,994,108**	**543,409**	**1,429,175**
Deductions from gross revenue				
Sales returns - private sector customers	(13,159)	(26,253)	(6,330)	(13,451)
Sales returns - public sector customers	(5,598)	(8,159)	(2,634)	(4,200)
Discounts granted	(686)	(1,700)	(732)	(2,358)
Taxes on sales	(77,259)	(160,797)	(45,233)	(125,012)
Total revenue deductions	**(96,702)**	**(196,909)**	**(54,929)**	**(145,021)**
Net operating revenue	**788,027**	**1,797,199**	**488,480**	**1,284,154**

Revenue is measured based on the consideration specified in a transaction with a customer. The Group recognizes revenue when the control over a good or service is transferred to a customer.

The invoices issued must be paid on the due date, usually in 30 days. No additional discounts in connection with the loyalty program are applied to the invoice amount, and returns are only accepted if the goods are proven to be faulty or incorrectly delivered.

(In thousands of Reais unless otherwise stated)

22 - Costs and expenses by function and nature

	Parent Company			
	September 30, 2020		September 30, 2019	
	Quarter	Nine-month period	Quarter	Nine-month period
By function				
Cost of goods sold	(300,283)	(835,846)	(258,533)	(755,340)
Selling expenses	(11,623)	(34,479)	(10,082)	(29,308)
General and administrative expenses	(16,333)	(50,978)	(14,022)	(38,646)
Provision for impairment losses	(38)	(4,700)	1,875	(4,281)
Other income	495	10,661	14,086	16,319
Other expenses	2,563	(2,237)	(926)	(2,283)
	(325,219)	**(917,579)**	**(267,602)**	**(813,539)**
By nature				
Cost of resale of goods	(300,283)	(835,846)	(258,533)	(755,340)
Salaries and payroll charges	(13,342)	(40,170)	(10,837)	(29,640)
Share-based compensation	(1,183)	(3,548)	(1,419)	(4,179)
Sales commissions	(296)	(708)	(948)	(2,593)
Freight and hauling	(3,388)	(8,921)	(2,615)	(8,217)
Depreciation and amortization	(906)	(3,934)	(1,440)	(4,409)
Condo fees and other occupancy expenses	(52)	(415)	(83)	(150)
Services provided by legal entities	(1,022)	(19,994)	(270)	(12,274)
Provision for impairment losses	(38)	(4,700)	1,875	(4,281)
Other expenses	(5,218)	(10,018)	(7,416)	(8,773)
Other income	509	10,675	14,084	16,317
	(325,219)	**(917,579)**	**(267,602)**	**(813,539)**

	Consolidated			
	September 30, 2020		September 30, 2019	
	Quarter	Nine-month period	Quarter	Nine-month period
By function				
Cost of goods sold	(688,511)	(1,585,724)	(425,960)	(1,148,673)
Selling expenses	(33,725)	(69,959)	(15,934)	(47,353)
General and administrative expenses	(59,285)	(128,376)	(23,663)	(58,727)
Provision for impairment losses	(96)	(7,586)	5,580	(4,335)
Other income	7,173	19,607	9,893	13,912
Other expenses	921	(5,644)	(1,610)	(4,159)
	(773,523)	**(1,777,682)**	**(451,694)**	**(1,249,335)**
By nature				
Cost of resale of goods	(688,511)	(1,585,724)	(425,960)	(1,148,673)
Salaries and payroll charges	(57,219)	(102,882)	(16,021)	(41,968)
Share-based compensation	(1,183)	(3,548)	(1,419)	(4,179)
Sales commissions	(759)	(1,895)	(1,178)	(4,038)
Freight and hauling	(7,212)	(17,261)	(4,496)	(12,637)
Depreciation and amortization	(14,871)	(32,053)	(6,770)	(15,782)
Condo fees and other occupancy expenses	692	(1,121)	(444)	(847)
Services provided by legal entities	3,197	(23,721)	2,407	(14,955)
Provision for impairment losses	(96)	(7,586)	5,580	(4,335)
Other expenses	(11,186)	(17,753)	(13,284)	(15,833)
Other income	3,625	15,862	9,891	13,912
	(773,523)	**(1,777,682)**	**(451,694)**	**(1,249,335)**

(In thousands of Reais unless otherwise stated)

23 - Financial result

	Parent Company			
	September 30, 2020		September 30, 2019	
	Quarter	Nine-month period	Quarter	Nine-month period
Financial costs				
Interest on loans and financing	(5,441)	(12,004)	(10,572)	(16,330)
Other Financial costs	(697)	(2,326)	-	-
	(6,138)	**(14,330)**	**(10,572)**	**(16,330)**
Financial income				
Income from financial investments	622	1,752	472	950
	622	**1,752**	**472**	**950**
Financial result	**(5,516)**	**(12,578)**	**(10,100)**	**(15,380)**

	Consolidated			
	September 30, 2020		September 30, 2019	
	Quarter	Nine-month period	Quarter	Nine-month period
Financial costs				
Interest on loans and financing	(6,855)	(13,505)	(10,575)	(16,557)
Other Financial costs	(651)	(2,348)	-	-
	(7,506)	**(15,853)**	**(10,575)**	**(16,557)**
Financial income				
Income from marketable securities	3,818	3,897	-	-
Income from financial investments	725	2,175	573	1,700
	4,543	**6,072**	**573**	**1,700**
Financial result	**(2,963)**	**(9,781)**	**(10,002)**	**(14,857)**

24 - Income tax and social contribution

Income tax (IRPJ) and social contribution (CSLL) expense is shown below::

	Parent Company		Consolidated	
Current:	**9/30/2020**	**9/30/2019**	**9/30/2020**	**9/30/2019**
IRPJ	-	-	(7,575)	(4,391)
CSLL	-	-	(2,727)	(1,581)
	-	-	(10,302)	(5,972)
Deferred:				
IRPJ	14,493	7,815	22,824	6,485
CSLL	5,217	2,814	8,216	2,335
	19,710	10,629	31,040	8,820

Reconciliation of the effective tax rate

The reconciliation between the income tax and social contribution expense at the effective and nominal rates is as follows:

(In thousands of Reais unless otherwise stated)

	Parent Company		Consolidated	
	9/30/2020	9/30/2019	9/30/2020	9/30/2019
Profit before taxes	10,536	12,181	9,736	19,962
Combined statutory rates	34%	34%	34%	34%
Income tax and social contribution at statutory rates	(3,583)	(4,142)	(3,311)	(6,787)
Adjustments to profit that affect the result for the year:				
Equity results	6,525	13,272	-	
Investment grants	16,416	6,306	22,376	17,619
Amortization of goodwill - merged companies	537	537	537	537
Offset of tax losses	-	-	1,465	-
Other additions and exclusions, net	(185)	(5,344)	(329)	(8,521)
Additions and exclusions, net	23,293	14,771	24,049	9,635
Total income tax and social contribution expense	19,710	10,629	20,738	2,848

Deferred income tax and social contribution

Based on the expected generation of future taxable income, the Company and its subsidiaries recognized deferred tax credits on temporary differences and on the balance of tax losses and negative basis of social contribution.

Deferred tax assets are as follows:

	Parent Company		Consolidated	
	9/30/2020	12/31/2019	9/30/2020	12/31/2019
Provisions:				
Provision for impairment losses	7,852	7,648	14,241	13,600
Provision for inventory losses	58	58	216	159
Sundry provisions	3,168	3,008	4,505	2,904
Share-based compensation	10,727	8,158	10,728	8,158
Amortization of capital gains	-	-	16,983	8,871
Goodwill	8,845	10,383	9,257	10,383
Income tax and social contribution losses	55,283	38,136	60,877	44,336
	85,934	67,391	116,807	88,411

Technical feasibility studies prepared by Management indicate that the Group´s operations are fully capable of realizing the deferred taxes through future taxable income in subsequent years. Such studies correspond to Management’s best estimates of the performance of the Company and its subsidiaries and the market in which they operate as presented below:

	Parent Company		Consolidated	
Year	**9/30/2020**	**12/31/2019**	**9/30/2020**	**12/31/2019**
2019	-	-	-	-
2020	-	-	-	-
2021	-	-	11,214	8,167
2022	19,876	13,711	32,651	23,780
2023	57,739	39,830	54,689	39,830
2024 up to 2025	84,983	58,624	80,495	58,625
	162,598	112,165	179,049	130,402

25 - Earnings per share

a) Basic earnings per share

Basic earnings per share are calculated by dividing the profit attributable to the Company's shareholders by the average number of common shares outstanding during the period.

The calculation of basic earnings per share for the periods ended September 30, 2020 and 2019 is shown below:

	September 30, 2020		September 30, 2019	
	Quarter	**Nine-month period**	**Quarter**	**Nine-month period**
Profit for the period	14,694	30,474	21,470	22,810
Weighted average number of shares - in thousands	367,084	367,084	242,875	242,875
Basic earnings per share - R$	0.04	0.08	0.09	0.09

b) Diluted earnings per share

Diluted earnings per share are calculated by the weighted average number of common shares outstanding in the period, adjusted to assume conversion of all potentially dilutive shares. The Company has dilutive common stock options. For this category, a calculation is made to determine the number of shares that could have been acquired at fair value. The number of shares is calculated as described above and compared with the number of shares outstanding, assuming the exercise of the stock options.

	September 30, 2020		September 30, 2019	
	Quarter	**Nine-month period**	**Quarter**	**Nine-month period**
Profit for the period	14,694	30,474	21,470	22,810
Weighted average number of shares - in thousands	367,084	367,084	242,875	242,875
Adjustments for stock options	14,319	14,319	11,321	11,321
Weighted average number of diluted shares - in thousands	381,403	381,403	254,196	254,196
Diluted earnings per share - R$	0.04	0.08	0.08	0.09

(In thousands of Reais unless otherwise stated)

26 - Financial instruments

Information related to the Company's financial instruments and their respective analysis are presented below:

a. Accounting classifications and fair values

The table below presents the carrying amounts of financial assets and liabilities and their classification: The carrying amounts of these financial instruments. approximate their fair values.

	Classification	Parent Company		Consolidated	
		9/30/2020	12/31/2019	9/30/2020	12/31/2019
Assets, as per balance sheet					
Cash and cash equivalents	(i)	58,205	50,357	146,646	120,560
Marketable securities	(ii)	-	-	173,043	-
Trade receivables	(i)	292,484	254,403	655,157	447,476
Other assets	(i)	29,015	21,726	71,402	45,222
Derivatives	(ii)	4,438	-	4,438	-
Receivables of contingencies - former partners' liabilities	(i)	369	909	8,761	7,067
Liabilities, as per balance sheet					
Trade and other payables	(iii)	222,698	201,608	561,181	380,269
Loans and financing	(iii)	287,330	313,757	306,480	319,928
Dividends payable	(iii)	-	665	-	665
Payables for investment acquisition	(iii)	128,105	73,504	188,114	80,255
Payables to related parties	(iii)	195,737	133,606	1,276	-

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

b. Financial risk management

The Company's financial instruments expose it to the following risks:

- Credit risk
- Liquidity risk
- Market risk

c. Risk management framework

Management has overall responsibility for the establishment and oversight of the Company's risk management framework.

The Company's risk management policies are established to identify and analyze the risks to which the Company is exposed, to set appropriate risk limits and controls, and to monitor risks and adherence to the limits defined. Risk management policies and systems are reviewed regularly to reflect changes in market conditions and the Company's activities. Through its rules, and training and management procedures, the Company seeks to develop an environment of discipline and control, in which all employees are aware of their responsibilities and obligations.

Credit risk

This is the Company's risk of incurring financial losses if a customer or counterparty to a financial instrument fails to meet its contractual obligations, which arises mainly from trade receivables and financial instruments.

The carrying amounts of financial assets represent the maximum credit exposure. Impairment losses on financial assets and contract assets recognized in profit or loss are presented in Note 10.

Trade receivables

The Company's exposure to credit risk is influenced mainly by the individual characteristics of each customer. However, Management also considers the factors that may influence credit risk of its customer base, including the default risk associated with the industry and country in which customers operate. Details of concentration of revenue are included in Note 21.

Management has established a credit policy under which each new customer is analyzed individually for creditworthiness before the Company's standard payment and delivery terms and conditions are offered. The Company's review includes external ratings, if they are available, financial statements, credit agency information, industry information, and in some cases, bank references. Credit limits are established for each customer and reviewed annually.

The Company limits its exposure to credit risk from trade receivables by establishing a maximum payment period of one and four months for private and public customers, respectively.

Credit risk monitoring is performed by grouping customers based on their credit characteristics, including whether they are individual or legal entities, wholesalers, resellers or end customers, their geographic area, industry segment, history of negotiations with the Company, and the existence of financial difficulties in the past.

The Company does not require guarantees in relation to trade and other receivables and does not rely on guarantees when a provision for loss is considered applicable.

As of September 30, 2020, the Company has no customer accounting for more than 5% (five percent) of the balance of trade and other receivables.

Assessment of expected credit loss as of September 30, 2020 and 2019

An expected credit loss rate is calculated for each type of customer (from private or public sector) based on the characteristics observed historically and on the default condition in the past three years.

The following table provides information on the exposure to credit risk and expected credit losses on trade and other receivables as of September 30, 2020 and 2019, which is part of the provision for impairment losses:

(In thousands of Reais unless otherwise stated)

	Weighted average loss rate	Gross revenue	Provision for ECL
September 30, 2020			
Public sector customers	0.56%	242,255	1,357
Private sector customers	0.68%	1,753,838	11,926
Total	0.67%	1,996,093	13,283

	Weighted average loss rate	Gross revenue	Provision for ECL
September 30, 2019			
Public sector customers	0.85%	226,552	1,926
Private sector customers	0.52%	1,202,623	6,254
Total	0.57%	1,429,175	8,179

Cash and cash equivalents

As of September 30, 2020, the Company's cash and cash equivalents amounted to R$ 146,646. (R$ 120,560 as of December 31, 2019). "Cash and cash equivalents" are held with banks and financial institutions rated between AA- and AA + (low credit risk), based on the main rating agencies. The same rating policy is applied for contracting derivative financial instruments.

Liquidity risk

Liquidity risk is the risk that the Company will encounter difficulty in meeting the obligations associated with its financial liabilities that are settled by delivering cash or another financial asset. The Company's approach to managing liquidity is to ensure that it will always have sufficient liquidity to pay its obligations as they fall due, under normal or stress conditions, without incurring unacceptable losses or adversely affecting its reputation.

The Company aims to maintain the level of its cash and cash equivalents and other highly marketable debt investments at an amount in excess of expected cash outflows on financial liabilities (other than trade payables) over the next 60 days. The Company also monitors the level of expected cash inflows on trade and other receivables together with expected cash outflows on trade and other payables.

Exposure to liquidity risk

The contractual maturities of financial liabilities at the reporting date are presented below. The amounts are presented gross and undiscounted, and include contractual interest payments and exclude the impact of netting agreements.

(In thousands of Reais unless otherwise stated)

		Consolidated				
		Contractual cash flows				
September 30, 2020	**Carrying amount**	**Total**	**1 - 12 months**	**1 to 2**	**2 - 5 years**	**More than 5 years**
Non-derivative financial liabilities						
Bank loans	279,404	285,822	82,066	89,452	114,304	-
Lease	27,076	27,076	22,563	4,513		-
Trade and other payables	562,457	562,457	562,457	-		-
Payables for investment acquisition	188,114	188,114	59,863	103,199	25,052	-
	1,057,051	**1,063,469**	**726,949**	**197,164**	**139,356**	**-**

		Consolidated				
		Contractual cash flows				
December 31, 2019	**Carrying amount**	**Total**	**1 - 12 months**	**1 to 2**	**2 - 5 years**	**More than 5 years**
Non-derivative financial liabilities						
Loans and financing	319,928	327,277	210,203	66,874	50,200	-
Trade and other payables	380,269	380,269	380,269	-	-	-
Dividends payable	665	665	665	-	-	-
Payables for investment acquisition	80,255	80,255	16,176	24,254	39,047	**778**
	781,117	**788,466**	**607,313**	**91,128**	**89,247**	**778**

The Group has contracted a bank loan with a guarantee that contains a restrictive covenant, which was complied with on the base date. Future to comply with this restrictive covenant may require the Group to repay the loan before the dates indicated in the table above.

The restrictive covenant, net financial debt/EBITDA ratio, is calculated based on the last 12 consolidated financial statements and proforma financial data for 12 months of acquired subsidiaries, regardless of the date when control was obtained. This indicator is regularly monitored by the treasury department and periodically reported to Management to ensure compliance of the contract.

Market risk

Market risk is the risk that changes in market prices, such as those arising from foreign exchange rates, interest rates and equity prices, will affect the Company's income or the value of its financial instruments. The objective of market risk management is to manage and control exposures to market risk within acceptable parameters, while optimizing the return.

Foreign exchange risk

As the Company is not significantly exposed to foreign exchange risk, Management chose not to present the exchange rate sensitivity analysis.

The exchange rate risk arises from future and current commercial operations, generated mainly by the purchase of imported goods denominated in US dollars. The Company currently holds foreign currency liabilities recorded under loans. All loans denominated in foreign currency are hedged by derivative contracts that mitigate the Company's exposure to fluctuations in exchange rates. The Company does apply hedge accounting.

(In thousands of Reais unless otherwise stated)

Interest rate risk

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

	Consolidated	
	Nominal amount	
	9/30/2020	12/31/2019
Floating rate instruments		
Financial assets	146,646	120,560
Financial liabilities	(306,480)	(319,928)
Net exposure	**(159,834)**	**(199,368)**

Sensitivity analysis for fixed rate instruments

The Company does not have any financial assets or liabilities with fixed interest rate at fair value through profit or loss, and does not designate derivatives (interest rate swaps) as hedge instruments using the fair value hedge accounting model.

		Consolidated				
		Sensitivity analysis				
September 30, 2020	Carrying amount	Total	25%	50%	-25%	-50%
Non-derivative financial liabilities						
Bank loans	279,404	279,404	349,255	419,106	209,553	139,702
	279,404	**279,404**	**349,255**	**419,106**	**209,553**	**139,702**

		Consolidated				
		Sensitivity analysis				
December 31, 2019	Carrying amount	Total	25%	50%	-25%	-50%
Non-derivative financial liabilities						
Bank loans	319,928	319,928	399,910	479,892	239,946	159,964
	319,928	**319,928**	**399,910**	**479,892**	**239,946**	**259,964**

27 - Share-based compensation

The accounting policy on share-based payments is described in Note 8(d)(ii).

a. Description of the share-based payment arrangements

As of September 30, 2020, the Company's long-term incentives grant employees equity-settled stock options.

Under these incentive plans, the options can be exercised at pre-established prices at the grant date when the following conditions for exercising are met: (i) liquidity event for the controlling shareholder; (ii) minimum expected return to the controlling shareholder and (iii) minimum service period. If an employee decides to leave the Company before the three conditions above are met, the options are canceled.

Plan	Grant date	Number of options (in thousands)	Total in thousands of Reais	Vesting period
Incentive 2014	December 1	6,929	12,612	48 months from grant date
Incentive 2015	December 1	1,106	3,139	48 months from grant date
Incentive 2017	August 24	410	812	48 months from grant date
Incentive 2018	February 9	605	5,789	48 months from grant date
Incentive 2019	January 9	1,423	3,214	48 months from grant date
Incentive 2020	January 9	1,571	1,768	48 months from grant date
Incentive Atrial Merger	June 30	2,275	4,010	48 months from grant date
Total stock options		14,319	31,344	

Recognized in the statement of income for the period, in accordance with the respective vesting period, against capital reserve.

b. Fair value measurement

The stock option plans are payable in shares and the fair value was measured based on the Black-Scholes model.

Service and non-market performance conditions were not considered when measuring fair value.

The following information is used to measure the fair values at the grant date:

Long-term incentive plans	**2014**	**2015**	**2017**	**2018**	**2019**	**2020**
Fair value at the grant date	1.78	2.85	2.52	6.54	7.15	5.93
Stock price at the grant date	2.61	4.09	4.37	8.79	10.37	11.58
Exercise price	1.46	2.15	2.44	2.91	3.84	6.17
Expected volatility (weighted average)	23%	26%	19%	22%	18%	18%
Expiration time (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%

The expected volatility was estimated considering the market historical volatility of BOVESPA index in a period proportional to the expected maturity. The expected maturity of the instruments was based on the historical experience and the general behavior of the option holder.

The valuation method used was Black-Scholes.

a. Expenses recognized in the statement of income

The Company recognized the total amount related to the above mentioned plans as salaries and charges expenses in the statement of income, as shown below:

(In thousands of Reais unless otherwise stated)

Plan	9/30/2020	9/30/2019
Incentive 2014	-	-
Incentive 2015	-	595
Incentive 2017	196	196
Incentive 2018	555	1,688
Incentive 2019	822	1,688
Incentive 2020	1,975	-
Total expense recognized in the period	3,548	4,167

28 - Segment reporting

Segment information below is used by Management to evaluate the performance of the operating segments and to make decisions regarding the allocation of resources. The gross margin is the measure used by Management to assess the performance of operating segments, as mentioned in Note 1. For assessment and analysis of equity value, Management considers the consolidated balances, irrespectively of the segment.

As from July 2020, the Company started to analyze its results based on two new segments: Pharmaceutical Specialties, which comprise specialties, generic medication and similar drugs; and Hospital Medical Supplies, which comprise hospital material and equipment and nutrition.

All Company's operations are carried out in Brazil and there are no customers representing 10% or more of each segment's revenue.

9/30/2020	Pharmaceutical Specialties	Hospital Medical Supplies	Corporate amounts unallocated	Consolidated
Net operating revenue	1,612,914	184,285	-	1,797,199
Cost of goods sold	(1,441,535)	(144,189)	-	(1,585,724)
Gross profit	**171,380**	**40,096**	**-**	**211,475**
Selling expenses	(55,132)	(14,827)	-	(69,959)
Contribution margin	**116,247**	**25,269**	**-**	**141,516**
Impairment (reversal of impairment) of trade receivables	-	-	(7,586)	(7,586)
General and administrative expenses	-	-	(128,376)	(128,376)
Other income	-	-	19,607	19,607
Other expenses	-	-	(5,644)	(5,644)
Operating profit before Financial result and taxes	**116,247**	**25,269**	**(121,999)**	**19,518**

(In thousands of Reais unless otherwise stated)

9/30/2019	Pharmaceutical Specialties	Hospital Medical Supplies	Corporate amounts unallocated	Consolidated
Net operating revenue	1,258,527	25,627	-	1,284,154
Cost of goods sold	(1,126,693)	(21,979)	-	(1,148,673)
Gross profit	**131,834**	**3,647**	**-**	**135,481**
Selling expenses	(46,533)	(820)	-	(47,353)
Contribution margin	**85,301**	**2,827**	**-**	**88,128**
Impairment (reversal of impairment) of trade receivables	-	-	(4,335)	(4,335)
General and administrative expenses	-	-	(58,726)	(58,726)
Other income	-	-	13,801	13,801
Other expenses	-	-	(4,048)	(4,048)
Operating profit before Financial result and taxes	**85,301**	**2,827**	**(53,308)**	**34,820**

29 - Insurance coverage

The Company contracts fire and multiple peril insurance for its facilities and related assets (e.g.: inventory goods), in amounts considered sufficient by Management to cover possible losses on claims, considering the nature of its activity, the risks involved in its operations and the advice from insurance advisors.

30 - Subsequent events

Dupatri acquisition

On December 22, 2017, the Company signed a purchase and sale agreement for the acquisition of all the shares of Dupatri Hospitalar Comércio, Importação e Exportação Ltda (“Dupatri”), a company operating in the distribution of medications and hospital products primarily in the Southeast region. The transaction was approved by the Brazilian antitrust agency, Administrative Council for Economic Defense (CADE), in 2018.

On October 17, 2018, an arbitration proceeding was initiated in which compliance with the conditions precedent and obligation to close were discussed.

On September 8, 2020, the Arbitration Court of the Center for Arbitration and Mediation of the Chamber of Commerce Brazil-Canada handed down a partial decision recognizing (i) the parties' compliance with the conditions precedent and (ii) the Company's right to close the transaction. The close was determined by the aforementioned decision, and the Arbitration Court is in the process of clarifying specific issues in the award.

Also according to the arbitration award, the price to be paid for the acquisition corresponds to the amount established in the contract for purchase and sale of shares, of R$145,000 (one hundred and forty-five million reais), to be paid as follows: (i) 50% in cash at the close/registration date of the corporate document providing for the transfer of shares, discounted from this amount any Dupatri's net debt existing on the close; (ii) 25% on the business day subsequent to the first anniversary of the close date; (iii) 25% less R$10,000 (ten million) on the business day subsequent to the first anniversary of the close date; and (iv) R$10,000 (ten million) on the business day subsequent to the sixth anniversary of the close date, except in the event of retention due to contingencies, as established in the contract.

This contract also provides for a performance bonus (earn-out clause).

Any requests for price adjustments (including in relation to earn-out), compensations required by the parties and payment of legal fees required by the parties, will be analyzed in a second part of the arbitration that shall be initiated after the close.

The Company, which has sufficient cash to honor the obligation, has already provisioned the resources to pay for the acquisition of Dupatri.

Biohosp acquisition

On August 31, 2020, the Company signed a purchase and sale agreement for the acquisition of all the shares of Biohosp Produtos Hospitalares S.A. The acquisition was approved by CADE on October 21, 2020 and is subject to other conditions precedent that are usual in M&A transactions.

Biohosp is a company headquartered in Belo Horizonte, State of Minas Gerais, operating in the segment of medications, hospital medical products, and nutrition.

Pursuant to the terms of the purchase and sale contract, 93% of BioHosp's share capital shall be acquired through a cash payment and the remaining shares (7%) will be merged into the Company.

The contract establishes that the value of 100% of the acquiree's shares shall not exceed R$ 276,000, considering BioHosp's net debt equal to zero at the close of the transaction. However, the exact value of the acquisition will only be known at the completion of the process of auditing BioHosp's EBITDA for the 12-month period ended June 30, 2020.

Accordingly, the price portion referring to the merger of shares shall not exceed R$19.320. For the purpose of defining the exchange ratio, it was agreed that each share of the Company shall be valued at 90% of the price per share defined in the initial public offering of shares to be held by the Company ("Offering"). Upon the merger of shares, the Company's share capital shall be increased through the issuance of new shares of the Company, all common, nominative and without par value, in the total amount of the equity book value of the shares merged.

Oncorio acquisition

On November 13, 2020, the Company's subsidiary Cirúrgica Jaw completed the acquisition of all quotas representing the capital of Oncorio Distribuidora de Medicamentos Ltda. for R$ 34,356. The acquisition price may be increased by up to R$ 6,120 by means of a possible contingent consideration (earn-out), which is conditional upon the achievement of certain targets, as specified in the transaction documents.

Oncorio is a company specialized in the distribution of oncological drugs, headquartered in Rio Claro, State of São Paulo.

Completion of Fenergy acquisition

On October 16, 2020, the Company's indirect subsidiary NCH completed the acquisition of all quotas representing the capital of Fenergy Comércio de Produtos Médico Hospitalares Ltda. for R$ 18,000. The acquisition price may be increased by up to R$ 6,000, by means of a possible contingent consideration (earn-out), which is conditional upon the achievement of certain targets, as specified in the transaction documents.

Fenergy is engaged in the distribution of medical hospital materials primarily in the Southern region, with a portfolio focused on supplies for highly complex surgeries.

Completion of Surya Dental acquisition

On October 27, 2020, the Company's indirect subsidiary NCH, completed the acquisition of 71.87% of the quotas and control of Surya Dental Comércio de Produtos Odontológicos e Farmacêuticos Ltda. for R$ 37,000.

Surya Dental operates in the distribution of products intended for dental clinics primarily in the South region, but with a capacity to serve all regions of Brazil.

Completion of Mostaert acquisition

On October 30, 2020, the Company completed the acquisition of all quotas representing the capital of Comercial Mostaert Ltda. for R$ 40.655. The acquisition price may be increased by up to R$ 14.500, by means of a possible contingent consideration (earn-out), which is conditional upon the achievement of certain targets, as specified in the transaction documents.

Headquartered in the State of Pernambuco, Mostaert is specialized in the distribution of hospital medications, antibiotics, injectables and oncological drugs.

Initial Public Offering (IPO)

IN view of the high volatility of the market caused by the COVID-19 pandemic, and considering the macroeconomic scenario, the Group's Management has decided to postpone the initial public offering of shares.