Table of Contents

Company Data / Capital Stock

Number of Shares (in thousands)	Current quarter 12/31/2020
Paid-in Capital	
Common	339,000,000
Preferred	-
Total	**339,000,000**
Treasury Shares	
Common	997,696
Preferred	-
Total	997,696

Individual Financial statements / Balance Sheet – Assets

(in thousands)

Code of the account	Description of the code	Last year 12/31/2020	Next to last year 12/31/2019	Last but two year 12/31/2018
1	Total Assets	9,730,512	8,101,914	7,450,170
1.01	Current Assets	3,869,655	2,320,833	2,180,903
1.01.01	Cash and Cash Equivalents	1,212,873	348,312	350,896
1.01.02	Financial Investments	16,413	16,392	0
1.01.02.03	Financial Investments Valued at Amortized Cost	16,413	16,392	0
1.01.03	Trade Accounts Receivable	959,907	957,325	946,653
1.01.03.01	Clients	959,907	957,325	946,653
1.01.04	Inventory	1,216,061	799,044	711,716
1.01.06	Recoverable Taxes	398,887	162,535	121,046
1.01.06.01	Current Recoverable Taxes	398,887	162,535	121,046
1.01.07	Prepaid Expenses	10,224	7,736	6,256
1.01.08	Other Current Assets	55,290	29,489	44,336
1.01.08.03	Other	55,290	29,489	44,336
1.01.08.03.02	Derivative Financial Instruments	23,794	7,963	23,925
1.01.08.03.20	Other Credits	31,496	21,526	20,411
1.02	Non-current Assets	5,860,857	5,781,081	5,269,267
1.02.01	Long-term Assets	618,591	597,129	226,645
1.02.01.03	Financial Investments Valued at Amortized Cost	3,306	3,782	13,053
1.02.01.04	Trade Accounts Receivable	0	263	1,941
1.02.01.04.01	Clients	0	263	1,941
1.02.01.10	Other Non-current Assets	615,285	593,084	211,651
1.02.01.10.03	Judicial Deposits	263,819	257,434	129,704
1.02.01.10.04	Recoverable Taxes	293,008	273,880	77,107
1.02.01.10.05	Tax Incentives/Other Credits	6,776	3,997	2,896
1.02.01.10.06	Indemnity Assets	51,682	57,773	1,944
1.02.02	Investments	106,363	112,349	1,571,529
1.02.02.01	Shareholdings	51,750	57,124	1,549,185
1.02.02.01.02	Subsidiaries	170	132	1,531,478
1.02.02.01.03	Interest in Subsidiaries	50,692	56,104	17,567
1.02.02.01.04	Other Shareholdings	888	888	140
1.02.02.02	Investment Properties	54,613	55,225	22,344
1.02.03	Property, Plant and Equipment	3,416,539	3,349,190	2,600,385
1.02.03.01	Property, Plant and Equipment in Operation	2,859,573	2,908,075	2,076,162
1.02.03.02	Right-of-use in Leasing	179,512	100,094	132
1.02.03.02.01	Leased properties, Plants and Equipment	0	0	132
1.02.03.02.02	Right-of-Use	179,512	100,094	0
1.02.03.03	Property, Plant and Equipment in Progress	377,454	341,021	524,091
1.02.04	Intangible	1,719,364	1,722,413	870,708
1.02.04.01	Intangible	1,719,364	1,722,413	870,708
1.02.04.01.02	Brands and Patents	551,595	543,847	225,288
1.02.04.01.03	Software	68,533	67,250	63,324
1.02.04.01.04	Goodwill	944,412	944,412	582,096
1.02.04.01.05	Customer Relationships	154,341	166,214	0
1.02.04.01.06	Non-compete agreement	483	690	0

Individual Financial statements / Balance Sheet – Liabilities

(in thousands)

Code of the account	Description of the code	Last year 12/31/2020	Next to last year 12/31/2019	Last but two year 12/31/2018
2	Total Liabilities	9,730,512	8,101,914	7,450,170
2.01	Current Liabilities	1,634,730	1,154,542	1,159,126
2.01.01	Social and Labor Liabilities	176,483	167,344	137,845
2.01.01.01	Social Liabilities	52,265	53,238	42,654
2.01.01.02	Labor Liabilities	124,218	114,106	95,191
2.01.02	Suppliers	361,646	149,219	127,888
2.01.02.01	Domestic Suppliers	361,087	148,713	127,865
2.01.02.02	Foreign Suppliers	559	506	23
2.01.03	Tax Obligations	55,553	83,646	96,796
2.01.03.01	Federal Tax Obligations	19,188	19,449	35,798
2.01.03.01.01	Income Tax and Social Contribution	1,778	0	0
2.01.03.01.02	Other Federal Tax Obligations	17,410	19,449	35,798
2.01.03.02	State Tax Obligations	34,711	62,829	59,988
2.01.03.03	Municipal Tax Obligations	1,654	1,368	1,010
2.01.04	Loans and Financing	776,028	608,190	641,426
2.01.04.01	Loans and Financing	776,028	608,190	641,426
2.01.04.01.01	National Currency	439,570	108,999	72,944
2.01.04.01.02	Foreign Currency	336,458	499,191	568,482
2.01.05	Other Obligations	265,020	146,143	155,171
2.01.05.02	Other	265,020	146,143	155,171
2.01.05.02.01	Proposed dividends	58,978	36,929	87,313
2.01.05.02.04	Advances of Clients	11,144	10,164	6,928
2.01.05.02.05	Government Subsidies	12,375	4,799	13,539
2.01.05.02.06	Derivative Financial Instruments	18,125	1,887	2,658
2.01.05.02.07	Leasing	41,109	15,075	0
2.01.05.02.20	Other Debts	123,289	77,289	44,733
2.02	Non-current Liabilities	1,450,214	912,419	729,201
2.02.01	Loans and Financing	812,989	371,487	392,514
2.02.01.01	Loans and Financing	812,989	371,487	392,514
2.02.01.01.01	National Currency	293,319	371,487	392,514
2.02.01.01.02	Foreign Currency	519,670	0	0
2.02.02	Other Obligations	191,514	122,173	11,738
2.02.02.02	Other	191,514	122,173	11,738
2.02.02.02.03	Tax Obligations	0	968	968
2.02.02.02.04	Other Debts	37,633	34,301	10,770
2.02.02.02.07	Leasing	153,881	86,904	0
2.02.03	Deferred Taxes	226,601	205,214	222,662
2.02.03.01	Deferred Income Tax and Social Contribution	226,601	205,214	222,662
2.02.04	Provisions	219,110	213,545	102,287
2.02.04.01	Provisions Tax, Social Security, Labor and Civil	219,110	213,545	102,287
2.02.04.01.01	Tax Provisions	103,127	102,824	51,427
2.02.04.01.02	Labor and Social Security Provisions	104,245	101,536	44,490
2.02.04.01.04	Civil Provisions	11,738	9,185	6,370
2.03	Shareholders’ Equity	6,645,568	6,034,953	5,561,843
2.03.01	Realized Capital Stock	2,567,941	2,508,400	2,258,633
2.03.02	Capital Reserves	27,595	26,343	21,506
2.03.02.08	Special Reserve	16,529	16,529	16,529

Individual Financial statements / Balance Sheet – Liabilities

(in thousands)

Code of the account	Description of the code	Last year 12/31/2020	Next to last year 12/31/2019	Last but two year 12/31/2018
2.03.02.09	Granted Recognized Shares	11,066	9,814	4,977
2.03.04	Profit Reserves	4,057,414	3,500,089	3,281,587
2.03.04.01	Legal Reserves	320,874	308,459	300,685
2.03.04.02	Statutory Reserves	2,008,788	1,928,920	1,866,219
2.03.04.07	Tax Incentive Reserve	1,671,758	1,214,635	1,062,993
2.03.04.08	Additional Proposed Dividend	95,570	48,075	51,690
2.03.04.09	Treasury shares	-39,576	0	0
2.03.06	Equity Adjustments	-7,541	0	0
2.03.06.01	Gains (Losses) on Cash-Flow Hedge	-11,053	0	0
2.03.06.02	Tax effects on Cash-Flow Hedge	3,512	0	0
2.03.07	Accumulated Translation Adjustments	159	121	117

Individual Financial statements / Statement of Income
(in thousands)

Code of the account	Description of the code	Last year 01/01/2020 to 12/31/2020	Next to last year 01/01/2019 to 12/31/2019	Last but two year 01/01/2018 to 12/31/2018
3.01	Revenue from Sale of Goods and/or Services	7,252,524	5,460,773	5,597,140
3.01.01	Gross sales and /or Services	8,826,471	6,759,310	6,968,896
3.01.02	Returns, Discounts and Cancellations	-1,573,947	-1,298,537	-1,371,756
3.02	Cost of Goods Sold and/or Services Rendered	-4,871,711	-3,592,487	-3,494,282
3.02.01	Cost of Goods Sold	-5,263,499	-3,891,191	-3,766,575
3.02.02	Tax Incentives (ICMS)	391,788	298,704	272,293
3.03	Gross Income	2,380,813	1,868,286	2,102,858
3.04	Operating Income/Expenses	-1,666,360	-1,344,290	-1,365,027
3.04.01	Selling Expenses	-1,551,943	-1,129,188	-1,060,074
3.04.01.01	Selling Expenses	-1,506,405	-1,110,147	-1,049,269
3.04.01.02	Depreciation and Amortization	-45,538	-19,041	-10,805
3.04.02	General and Administrative Expenses	-311,609	-258,135	-237,326
3.04.02.01	Administrative Expenses	-278,091	-239,357	-221,007
3.04.02.04	Depreciation and Amortization	-33,518	-18,778	-16,319
3.04.04	Other Operating Income	388,761	209,615	67,145
3.04.05	Other Operating Expenses	-185,994	-155,871	-141,091
3.04.06	Equity in net Income of Subsidiaries	-5,575	-10,711	6,319
3.05	Income Before Financial Results and Tax	714,453	523,996	737,831
3.06	Financial Results	81,071	40,265	51,568
3.06.01	Financial Income	335,294	239,424	223,237
3.06.02	Financial Expenses	-254,223	-199,159	-171,669
3.07	Income Before Tax	795,524	564,261	789,399
3.08	Income Tax and Social Contribution	-31,680	-7,377	-65,902
3.08.01	Current	-6,781	-14,912	-5,949
3.08.02	Deferred	-24,899	7,535	-59,953
3.09	Net Income from the Continuing Operations	763,844	556,884	723,497
3.11	Income for the period	763,844	556,884	723,497

Individual Financial statements / Statement of Income
(in thousands

Code of the account	Description of the code	Last year 01/01/2020 to 12/31/2020	Next to last year 01/01/2019 to 12/31/2019	Last but two year 01/01/2018 to 12/31/2018
3.99	Earnings per Share - (Reais / Share)			
3.99.01	Basic Earnings per Share			
3.99.01.01	Common	2.25323	1.64273	2.13421
3.99.02	Diluted Earnings per Share			
3.99.02.01	Common	2.25606	1.64093	2.13281

Individual Financial statements / Statements of Comprehensive Income

(in thousands)

Code of the account	Description of the code	Last year 01/01/2020 to 12/31/2020	Next to last year 01/01/2019 to 12/31/2019	Last but two year 01/01/2018 to 12/31/2018
4.01	Net Profit for the Period	763,844	556,884	723,497
4.02	Other Comprehensive Income	-7,503	4	18
4.02.01	Gains (Losses) on Cash-Flow Hedges	-11,053	0	0
4.02.02	Accumulated Translation Adjustments	38	4	18
4.02.03	Tax effects on Cash-Flow Hedges	3,512	0	0
4.03	Comprehensive Income for the Period	756,341	556,888	723,515

Individual Financial statements / Statement of Cash Flow - Indirect Method

(in thousands)

Code of the account	Description of the code	Last year 01/01/2020 to 12/31/2020	Next to last year 01/01/2019 to 12/31/2019	Last but two year 01/01/2018 to 12/31/2018
6.01	Net Cash from Operating Activities	692,534	648,822	741,585
6.01.01	Cash Generated from Operations	688,738	636,593	986,583
6.01.01.01	Net Income before Income Tax and Social Contribution	795,524	564,261	789,399
6.01.01.02	Depreciation and Amortization	259,707	169,149	145,122
6.01.01.03	Cost of Sale of Fixed Assets	1,819	5,689	1,084
6.01.01.04	Equity in Net Income of Subsidiaries	5,575	10,711	-6,319
6.01.01.05	Loans, Investments and Exchange Variations Interests	218,531	64,688	77,440
6.01.01.06	Updated judicial deposits	-4,244	-4,372	-4,936
6.01.01.07	Estimated losses due to the reduction in the recoverable amount of taxes	779	0	0
6.01.01.08	Tax Credits and Updates	-533,951	-275,499	-47,376
6.01.01.09	Provision for Civil, Labor and Tax Risks	44,711	44,478	37,220
6.01.01.10	Provision for Impairment Losses of Customers	22,952	27,103	17,686
6.01.01.11	Impairment Losses on Inventory	8,408	6,483	-765
6.01.01.13	Granted Recognized Shares	6,642	4,837	3,514
6.01.01.14	Lease update	17,427	5,640	0
6.01.01.15	Provision arising from swap derivative contracts	-159,764	-12,513	-36,437
6.01.01.16	Update Provision for Civil, Labor and Tax Risks	9,009	22,861	8,250
6.01.01.17	Provision for Income tax on financing	3,312	3,077	2,701
6.01.01.18	Reversal of provision for impairment of assets	-7,699	0	0
6.01.02	Changes in Assets and Liabilities	89,270	93,957	-169,604
6.01.02.01	(Increase) Decrease in Trade Accounts Receivable	-25,271	92,359	-154,971
6.01.02.02	(Increase) Decrease in Inventories	-431,262	-37,890	-67,832
6.01.02.03	(Increase) Decrease in Recoverable Taxes	345,314	63,066	56,155
6.01.02.04	(Increase) Decrease in Financial Investments	-21	-16,392	0
6.01.02.06	(Increase) Decrease in Other Credits	-11,115	1,858	7,709
6.01.02.07	Increase (Decrease) in Suppliers	212,426	1,022	-8,446
6.01.02.08	Increase (Decrease) in Taxes and Contributions	-18,191	-8,684	41,249
6.01.02.09	Increase (Decrease) in Government Subsidies	7,577	-8,741	5,897
6.01.02.12	Increase (Decrease) in Other Debts	9,813	7,359	-49,365
6.01.03	Other	-85,474	-81,728	-75,394
6.01.03.02	Interests Paid	-42,747	-27,472	-23,119
6.01.03.03	Income tax and Social Contributions Paid	-53,316	-43,176	-52,265
6.01.03.04	Release of Incentives for Reinvestment	0	0	5,764
6.01.03.05	Receipts (payments) of resources for settlement of derivative transactions	133,338	25,272	7,260
6.01.03.06	Exchange Variations Paid	-122,749	-36,352	-13,034
6.02	Net Cash from Investment Activities	-237,702	-290,485	-1,632,708
6.02.01	Acquisition of Property and Intangible Assets	-215,149	-281,075	-294,869
6.02.02	Amortization of Debt Acquisition of Companies	-22,947	-6,840	-23,775
6.02.03	Financial Investment in the Long Term	0	-6,208	0
6.02.04	Acquisition of equity interest	0	0	-1,306,364
6.02.06	Redeem Financial Investment in the Long Term	557	9,579	0
6.02.07	Financial Investments	-163	-39,716	-7,700
6.02.10	Cash and Cash Equivalents Incorporated	0	33,775	0
6.03	Net Cash from Financing Activities	409,729	-360,921	316,767
6.03.01	Interest on Equity paid	-84,999	-139,000	-132,370
6.03.02	Acquisition Financing	1,822,050	401,553	779,901
6.03.03	Financing Payment	-1,246,207	-611,246	-330,764
6.03.04	Acquisition of Company 's Shares	-43,836	0	0
6.03.05	Lease Payment	-37,279	-12,228	0
6.05	Increase (decrease) in Cash and Cash Equivalents	864,561	-2,584	-574,356
6.05.01	Opening Balance of Cash and Cash Equivalents	348,312	350,896	925,252
6.05.02	Closing Balance of Cash and Cash Equivalents	1,212,873	348,312	350,896

Individual Financial statements / Statement of Changes in Shareholders´ Equity - 01/01/2020 to 12/31/2020

(in thousands)

Code of the account	Description of the code	Capital Stock	Capital Reserves, Options Granted and Shares in Treasury	Profit Reserves	Retained Earnings or Accumulated Losses	Comprehensive Income	Shareholders' Equity
5.01	Opening Balance	2,508,400	26,343	3,500,089	0	121	6,034,953
5.03	Adjusted Opening Balance	2,508,400	26,343	3,500,089	0	121	6,034,953
5.04	Capital Transactions with Associates	59,541	-38,324	-12,399	-154,544	0	-145,726
5.04.01	Increase in Capital Stock	59,541	0	-59,541	0	0	0
5.04.04	Acquisition of Treasury Shares	0	-43,836	0	0	0	-43,836
5.04.08	Minimum Compulsory Dividends	0	0	0	-58,974	0	-58,974
5.04.09	Proposed additional dividends	0	0	95,570	-95,570	0	0
5.04.10	Approval of Additional Dividends	0	0	-48,075	0	0	-48,075
5.04.11	Granted Recognized Shares	0	6,642	0	0	0	6,642
5.04.12	Realization of restricted share options exercised	0	-1,130	-353	0	0	-1,483
5.05	Total Comprehensive Income	0	0	0	763,844	-7,503	756,341
5.05.01	Net Profit for the Period	0	0	0	763,844	0	763,844
5.05.02	Other Comprehensive Income	0	0	0	0	-7,503	-7,503
5.05.02.01	Adjustments of Financial Instruments	0	0	0	0	-7,541	-7,541
5.05.02.04	Conversion Adjustments for the Period	0	0	0	0	38	38
5.06	Internal Changes in Equity	0	0	609,300	-609,300	0	0
5.06.01	Constitution of Reserves	0	0	609,300	-609,300	0	0
5.07	Closing Balance	2,567,941	-11,981	4,096,990	0	-7,382	6,645,568

Individual Financial statements / Statement of Changes in Shareholders´ Equity - 01/01/2019 to 12/31/2019

(in thousands)

Code of the account	Description of the code	Capital Stock	Capital Reserves, Options Granted and Shares in Treasury	Profit Reserves	Retained Earnings or Accumulated Losses	Comprehensive Income	Shareholders' Equity
5.01	Opening Balance	2,258,633	21,506	3,281,587	0	117	5,561,843
5.03	Adjusted Opening Balance	2,258,633	21,506	3,281,587	0	117	5,561,843
5.04	Capital Transactions with Associates	249,767	4,837	-253,382	-85,000	0	-83,778
5.04.01	Increase in Capital Stock	249,767	0	-249,767	0	0	0
5.04.08	Minimum Compulsory Dividends	0	0	0	-36,925	0	-36,925
5.04.09	Additional Dividends	0	0	48,075	-48,075	0	0
5.04.10	Approval of Additional Dividends	0	0	-51,690	0	0	-51,690
5.04.11	Granted Recognized Shares	0	4,837	0	0	0	4,837
5.05	Total Comprehensive Income	0	0	0	556,884	4	556,888
5.05.01	Net Profit for the Period	0	0	0	556,884	0	556,884
5.05.02	Other Comprehensive Income	0	0	0	0	4	4
5.05.02.04	Conversion Adjustments for the Period	0	0	0	0	4	4
5.06	Internal Changes in Equity	0	0	471,884	-471,884	0	0
5.06.01	Constitution of Reserves	0	0	471,884	-471,884	0	0
5.07	Closing Balance	2,508,400	26,343	3,500,089	0	121	6,034,953

Individual Financial statements / Statement of Changes in Shareholders´ Equity - 01/01/2018 to 12/31/2018

(in thousands)

Code of the account	Description of the code	Capital Stock	Capital Reserves, Options Granted and Shares in Treasury	Profit Reserves	Retained Earnings or Accumulated Losses	Comprehensive Income	Shareholders' Equity
5.01	Opening Balance	1,765,278	17,992	3,208,542	0	99	4,991,911
5.03	Adjusted Opening Balance	1,765,278	17,992	3,208,542	0	99	4,991,911
5.04	Capital Transactions with Associates	493,355	3,514	-511,452	-139,000	0	-153,583
5.04.01	Increase in Capital Stock	493,355	0	-493,355	0	0	0
5.04.08	Minimum Compulsory Dividends	0	0	0	-87,310	0	-87,310
5.04.09	Additional Dividends	0	0	51,690	-51,690	0	0
5.04.10	Approval of Additional Dividends	0	0	-69,787	0	0	-69,787
5.04.11	Granted Recognized Shares	0	3,514	0	0	0	3,514
5.05	Total Comprehensive Income	0	0	0	723,497	18	723,515
5.05.01	Net Profit for the Period	0	0	0	723,497	0	723,497
5.05.02	Other Comprehensive Income	0	0	0	0	18	18
5.05.02.04	Conversion Adjustments for the Period	0	0	0	0	18	18
5.06	Internal Changes in Equity	0	0	584,497	-584,497	0	0
5.06.01	Constitution of Reserves	0	0	584,497	-584,497	0	0
5.07	Closing Balance	2,258,633	21,506	3,281,587	0	117	5,561,843

Individual Financial statements / Statement of Value Added

(in thousands)

Code of the account	Description of the code	Last year 01/01/2020 to 12/31/2020	Next to last year 01/01/2019 to 12/31/2019	Last but two year 01/01/2018 to 12/31/2018
7.01	Revenues	8,647,505	6,484,201	6,519,935
7.01.01	Sale of Goods, Products and Services	8,239,164	6,236,277	6,405,031
7.01.02	Other Revenues	380,209	207,168	66,731
7.01.03	Related to Construction of Own Assets	43,385	67,859	65,859
7.01.04	Provision/Reversal of Doubtful Accounts	-15,253	-27,103	-17,686
7.02	Input Acquired from Third Parties	-5,915,541	-4,285,839	-4,069,660
7.02.01	Costs of Products, Goods and Services Sold	-3,723,682	-2,664,705	-2,497,306
7.02.02	Materials, Energy, Third Party Services and Other	-2,180,445	-1,598,815	-1,551,319
7.02.04	Other	-11,414	-22,319	-21,035
7.02.04.01	Materials related to Construction of Own Assets	-11,414	-22,319	-21,035
7.03	Gross Value Added	2,731,964	2,198,362	2,450,275
7.04	Retention	-259,707	-169,149	-145,122
7.04.01	Depreciation, Amortization and Depletion	-259,707	-169,149	-145,122
7.05	Net Value Added Produced	2,472,257	2,029,213	2,305,153
7.06	Value Added Received Through Transfer	329,719	228,713	229,556
7.06.01	Equity in net Income of Subsidiaries	-5,575	-10,711	6,319
7.06.02	Financial Revenue	335,294	239,424	223,237
7.07	Total Value Added to Distribute	2,801,976	2,257,926	2,534,709
7.08	Distribution of Value Added	2,801,976	2,257,926	2,534,709
7.08.01	Personnel	1,103,351	929,530	899,119
7.08.01.01	Direct Compensation	709,473	586,047	582,222
7.08.01.02	Benefits	327,060	282,972	266,868
7.08.01.03	Severance fund (FGTS)	66,818	60,511	50,029
7.08.02	Taxes, Fees and Contributions	655,235	543,075	706,924
7.08.02.01	Federal	283,910	299,190	426,175
7.08.02.02	State	356,171	233,832	272,779
7.08.02.03	Municipal	15,154	10,053	7,970
7.08.03	Remuneration of third party capital	279,546	228,437	205,169
7.08.03.01	Interest Rates	254,223	199,159	171,669
7.08.03.02	Rentals	25,323	29,278	33,500
7.08.04	Remuneration of Own Capital	248,309	170,554	389,340
7.08.04.01	Interest on Own Capital	154,544	85,000	139,000
7.08.04.03	Retained Earnings/Losses for the Period	93,765	85,554	250,340
7.08.05	Other	515,535	386,330	334,157
7.08.05.01	Government subsidies	515,535	386,330	334,157

Consolidated Financial statements / Balance Sheet - Assets

(in thousands)

Code of the account	Description of the code	Last year 12/31/2020	Next to last year 12/31/2019	Last but two year 12/31/2018
1	Total Assets	9,729,858	8,101,031	7,807,466
1.01	Current Assets	3,870,602	2,321,779	2,449,247
1.01.01	Cash and Cash Equivalents	1,213,007	348,377	451,000
1.01.02	Financial Investments	16,413	16,392	0
1.01.02.03	Financial Investments Valued at Amortized Cost	16,413	16,392	0
1.01.03	Trade Accounts Receivable	960,058	957,533	1,043,026
1.01.03.01	Clients	960,058	957,533	1,043,026
1.01.04	Inventory	1,216,085	799,068	765,620
1.01.06	Recoverable Taxes	398,893	162,537	132,167
1.01.06.01	Current Recoverable Taxes	398,893	162,537	132,167
1.01.07	Prepaid Expenses	10,305	7,788	7,774
1.01.08	Other Current Assets	55,841	30,084	49,660
1.01.08.03	Other	55,841	30,084	49,660
1.01.08.03.02	Derivative Financial Instruments	23,794	7,963	23,925
1.01.08.03.20	Other credits	32,047	22,121	25,735
1.02	Non-current Assets	5,859,256	5,779,252	5,358,219
1.02.01	Long-term Assets	618,596	597,131	399,551
1.02.01.03	Financial Investments Valued at Amortized Cost	3,306	3,782	13,053
1.02.01.04	Trade Accounts Receivable	0	263	2,684
1.02.01.04.01	Clients	0	263	2,684
1.02.01.10	Other Non-current Assets	615,290	593,086	383,814
1.02.01.10.03	Judicial Deposits	263,827	257,439	243,032
1.02.01.10.04	Recoverable Taxes	293,008	273,880	77,107
1.02.01.10.05	Tax Incentives/Other Credits	6,773	3,994	5,902
1.02.01.10.06	Indemnity assets	51,682	57,773	57,773
1.02.02	Investments	101,902	108,098	38,106
1.02.02.01	Shareholdings	47,289	52,873	15,762
1.02.02.01.04	Interest in subsidiaries	46,401	51,985	14,874
1.02.02.01.05	Other Shareholdings	888	888	888
1.02.02.02	Investment Properties	54,613	55,225	22,344
1.02.03	Property, Plant and Equipment	3,419,394	3,351,610	3,190,488
1.02.03.01	Property, Plant and Equipment in Operation	2,862,428	2,910,496	2,658,933
1.02.03.02	Right-of-use in Leasing	179,512	100,093	132
1.02.03.02.01	Leased properties, Plants and Equipment	0	0	132
1.02.03.02.02	Right-of-Use	179,512	100,093	0
1.02.03.03	Property, Plant and Equipment in Progress	377,454	341,021	531,423
1.02.04	Intangible	1,719,364	1,722,413	1,730,074
1.02.04.01	Intangible	1,719,364	1,722,413	1,730,074
1.02.04.01.02	Brands and Patents	551,595	543,847	543,798
1.02.04.01.03	Software	68,533	67,250	63,625
1.02.04.01.05	Goodwill	944,412	944,412	943,716
1.02.04.01.06	Customer Relationships	154,341	166,214	178,038
1.02.04.01.07	Non-compete agreement	483	690	897

Consolidated Financial statements / Balance Sheet - Liabilities

(in thousands)

Code of the account	Description of the code	Last year 12/31/2020	Next to last year 12/31/2019	Last but two year 12/31/2018
2	Total Liabilities	9,729,858	8,101,031	7,807,466
2.01	Current Liabilities	1,634,008	1,153,607	1,280,830
2.01.01	Social and Labor Liabilities	176,568	167,428	166,102
2.01.01.01	Social Liabilities	52,324	53,303	49,164
2.01.01.02	Labor Liabilities	124,244	114,125	116,938
2.01.02	Suppliers	361,738	149,044	152,356
2.01.02.01	Domestic Suppliers	361,179	148,538	151,889
2.01.02.02	Foreign Suppliers	559	506	467
2.01.03	Tax Obligations	55,611	83,819	106,942
2.01.03.01	Federal Tax Obligations	19,245	19,619	42,628
2.01.03.01.01	Income Tax and Social Contribution	1,778	71	0
2.01.03.01.02	Other Federal Tax Obligations	17,467	19,548	42,628
2.01.03.02	State Tax Obligations	34,711	62,829	63,253
2.01.03.03	Municipal Tax Obligations	1,655	1,371	1,061
2.01.04	Loans and Financing	776,028	608,190	696,937
2.01.04.01	Loans and Financing	776,028	608,190	696,937
2.01.04.01.01	National Currency	439,570	108,999	128,455
2.01.04.01.02	Foreign Currency	336,458	499,191	568,482
2.01.05	Other Obligations	264,063	145,126	158,493
2.01.05.02	Other	264,063	145,126	158,493
2.01.05.02.01	Proposed dividends	58,978	36,929	87,313
2.01.05.02.04	Advances of Clients	11,144	10,164	8,163
2.01.05.02.05	Government Subsidies	12,375	4,799	13,539
2.01.05.02.06	Derivative Financial Instruments	18,125	1,887	2,658
2.01.05.02.08	Mercantile Leasing	41,109	15,075	0
2.01.05.02.20	Other debts	122,332	76,272	46,820
2.02	Non-current Liabilities	1,450,282	912,471	964,793
2.02.01	Loans and Financing	812,989	371,487	555,848
2.02.01.01	Loans and Financing	812,989	371,487	555,848
2.02.01.01.01	National Currency	293,319	371,487	555,848
2.02.01.01.02	Foreign Currency	519,670	0	0
2.02.02	Other Obligations	191,582	122,225	11,894
2.02.02.02	Other	191,582	122,225	11,894
2.02.02.02.03	Tax Obligations	0	968	968
2.02.02.02.04	Other debts	37,701	34,353	10,926
2.02.02.02.07	Mercantile Leasing	153,881	86,904	0
2.02.03	Deferred Taxes	226,601	205,214	208,714
2.02.03.01	Deferred Income Tax and Social Contribution	226,601	205,214	208,714
2.02.04	Provisions	219,110	213,545	188,337
2.02.04.01	Provisions Tax, Social Security, Labor and Civil	219,110	213,545	188,337

Consolidated Financial statements / Balance Sheet - Liabilities

(in thousands)

Code of the account	Description of the code	Last year 12/31/2020	Next to last year 12/31/2019	Last but two year 12/31/2018
2.02.04.01.01	Tax Provisions	103,127	102,824	102,792
2.02.04.01.02	Labor and Social Security Provisions	104,245	101,536	77,320
2.02.04.01.04	Civil Provisions	11,738	9,185	8,225
2.03	Shareholders' Equity	6,645,568	6,034,953	5,561,843
2.03.01	Realized Capital Stock	2,567,941	2,508,400	2,258,633
2.03.02	Capital Reserves	27,595	26,343	21,506
2.03.02.08	Special Reserve	16,529	16,529	16,529
2.03.02.09	Granted Recognized Shares	11,066	9,814	4,977
2.03.04	Profit Reserves	4,057,414	3,500,089	3,281,587
2.03.04.01	Legal Reserves	320,874	308,459	300,685
2.03.04.02	Statutory Reserves	2,008,788	1,928,920	1,866,219
2.03.04.07	Tax Incentive Reserve	1,671,758	1,214,635	1,062,993
2.03.04.08	Additional Proposed Dividend	95,570	48,075	51,690
2.03.04.09	Treasury shares	-39,576	0	0
2.03.06	Equity Adjustments	-7,541	0	0
2.03.06.01	Gains (Losses) on Cash-Flow Hedges	-11,053	0	0
2.03.06.02	Tax effects on Cash-Flow Hedges	3,512	0	0
2.03.07	Accumulated Translation Adjustments	159	121	117

Consolidated Financial statements / Statement of Income

(in thousands)

Code of the account	Description of the code	Last year 01/01/2020 to 12/31/2020	Next to last year 01/01/2019 to 12/31/2019	Last but two year 01/01/2018 to 12/31/2018
3.01	Revenue from Sale of Goods and/or Services	7,252,524	6,103,608	6,025,054
3.01.01	Gross sales and / or Services	8,826,471	7,573,325	7,513,676
3.01.02	Returns, discounts and cancellations	-1,573,947	-1,469,717	-1,488,622
3.02	Cost of Goods Sold and/or Services Rendered	-4,871,478	-3,942,336	-3,730,735
3.02.01	Cost of Goods Sold	-5,263,266	-4,250,464	-4,006,955
3.02.02	Tax Incentives (ICMS)	391,788	308,128	276,220
3.03	Gross Income	2,381,046	2,161,272	2,294,319
3.04	Operating Income/Expenses	-1,666,483	-1,622,754	-1,543,512
3.04.01	Selling Expenses	-1,551,943	-1,333,934	-1,186,245
3.04.01.01	Selling Expenses	-1,506,405	-1,303,457	-1,173,026
3.04.01.02	Depreciation and Amortization	-45,538	-30,477	-13,219
3.04.02	General and Administrative Expenses	-312,298	-293,252	-269,460
3.04.02.01	Administrative Expenses	-278,780	-272,152	-252,231
3.04.02.04	Depreciation and Amortization	-33,518	-21,100	-17,229
3.04.04	Other Operating Income	389,364	223,084	72,285
3.04.05	Other Operating Expenses	-186,022	-217,763	-158,674
3.04.06	Equity in net Income of Subsidiaries	-5,584	-889	-1,418
3.05	Income Before Financial Results and Tax	714,563	538,518	750,807
3.06	Financial Results	81,069	30,461	46,261
3.06.01	Financial Income	335,296	252,857	233,107
3.06.02	Financial Expenses	-254,227	-222,396	-186,846
3.07	Income Before Tax	795,632	568,979	797,068
3.08	Income Tax and Social Contribution	-31,788	-12,095	-73,571
3.08.01	Current	-6,889	-37,170	-11,379
3.08.02	Deferred	-24,899	25,075	-62,192
3.09	Net Income from the Continuing Operations	763,844	556,884	723,497
3.11	Income for the Period	763,844	556,884	723,497
3.11.01	Awarded to Members of the Parent Company	763,844	556,884	723,497

Consolidated Financial statements / Statement of Income

(in thousands)

Code of the account	Description of the code	Last year 01/01/2020 to 12/31/2020	Next to last year 01/01/2019 to 12/31/2019	Last but two year 01/01/2018 to 12/31/2018
3.99	Earnings per Share - (Reais / Share)			
3.99.01	Basic Earnings per Share			
3.99.01.01	Common	2.25323	1.64273	2.13421
3.99.02	Diluted Earnings per Share			
3.99.02.01	Common	2.25606	1.64093	2.13281

Consolidated Financial statements / Statements of Comprehensive Income

(in thousands)

Code of the account	Description of the code	Last year 01/01/2020 to 12/31/2020	Next to last year 01/01/2019 to 12/31/2019	Last but two year 01/01/2018 to 12/31/2018
4.01	Net Profit for the Period	763,844	556,884	723,497
4.02	Other Comprehensive Income	-7,503	4	18
4.02.01	Gains (Losses) on Cash-Flow Hedges	-11,053	0	0
4.02.02	Accumulated Translation Adjustments	38	4	18
4.02.03	Tax effects on Cash-Flow Hedges	3,512	0	0
4.03	Comprehensive Income for the Period	756,341	556,888	723,515
4.03.01	Awarded to Members of the Parent Company	756,341	556,888	723,515

Consolidated Financial Statements / Statement of Cash Flow - Indirect Method

(in thousands)

Code of the account	Description of the code	Last year 01/01/2020 to 12/31/2020	Next to last year 01/01/2019 to 12/31/2019	Last but two year 01/01/2018 to 12/31/2018
6.01	Net Cash from Operating Activities	693,197	682,087	753,854
6.01.01	Cash Generated from Operations	688,855	705,741	1,047,067
6.01.01.01	Net Income before Income Tax and Social Contribution	795,632	568,979	797,068
6.01.01.02	Depreciation and Amortization	259,707	233,536	182,313
6.01.01.03	Cost of Sale of Fixed Assets	1,819	7,393	1,807
6.01.01.04	Equity in Net Income of Subsidiaries	5,584	889	1,418
6.01.01.05	Loans, Investments and Exchange Variations Interests	218,531	79,371	89,824
6.01.01.06	Updated judicial deposits	-4,244	-8,292	-7,478
6.01.01.07	Estimated losses due to the reduction in the recoverable amount of taxes	779	0	0
6.01.01.08	Tax Credits and Updates	-533,951	-284,996	-47,376
6.01.01.09	Provision for Civil, labor and Tax Risks	44,711	44,210	34,835
6.01.01.10	Provision for Impairment losses of Customers	22,952	30,658	17,393
6.01.01.11	Impairment Losses on Inventory	8,408	6,483	-765
6.01.01.13	Granted Recognized Shares	6,642	4,837	3,514
6.01.01.14	Lease update	17,427	8,307	0
6.01.01.15	Provision arising from swap derivative contracts	-159,764	-12,513	-36,437
6.01.01.16	Update Provision for Civil, Labor and Tax Risks	9,009	23,802	8,250
6.01.01.17	Provision for Income tax on financing	3,312	3,077	2,701
6.01.01.18	Reversal of provision for impairment of assets	-7,699	0	0
6.01.02	Changes in Assets and Liabilities	89,996	78,200	-209,821
6.01.02.01	(Increase) Decrease in Trade Accounts Receivable	-25,213	57,255	-166,663
6.01.02.02	(Increase) Decrease in Inventories	-430,939	-27,869	-70,892
6.01.02.03	(Increase) Decrease in Recoverable Taxes	345,311	73,048	67,865
6.01.02.04	(Increase) Decrease in Financial Investments	-21	-16,392	0
6.01.02.06	(Increase) Decrease in Other Credits	-11,105	-3,273	-47,111
6.01.02.07	Increase (Decrease) in Suppliers	212,694	-3,312	-11,746
6.01.02.08	Increase (Decrease) in Taxes and Contributions	-18,236	-5,925	27,847
6.01.02.09	Increase (Decrease) in Government Subsidies	7,577	-8,741	5,897
6.01.02.12	Increase (Decrease) in Other Debts	9,928	13,409	-15,018
6.01.03	Other	-85,654	-101,854	-83,392
6.01.03.02	Interests Paid	-42,747	-45,329	-31,108
6.01.03.03	Income Tax and Social Contributions Paid	-53,496	-45,445	-52,274
6.01.03.04	Release of Incentives for Reinvestment	0	0	5,764
6.01.03.05	Receipts (payments) of resources for settlement of derivative transactions	133,338	25,272	7,260
6.01.03.06	Exchange Variations Paid	-122,749	-36,352	-13,034
6.02	Net Cash from Investment Activities	-238,296	-361,059	-1,524,194
6.02.01	Acquisition of Property, Plant and Equipment and Intangible Assets	-215,906	-319,590	-300,025
6.02.02	Amortization of Debt Acquisition of Companies	-22,947	-6,840	-23,775
6.02.03	Financial investment in the Long Term	0	-6,208	0
6.02.04	Acquisition of equity interest	0	0	-1,306,364
6.02.05	Cash and Cash Equivalents Acquired	0	0	113,670
6.02.06	Redeem Financial Investment in the Long Term	557	9,579	0
6.02.07	Financial Investments	0	-38,000	-7,700
6.03	Net Cash from Financing Activities	409,729	-423,651	295,418
6.03.01	Interest on Equity Paid	-84,999	-139,000	-132,370

Code of the account	Description of the code	Last year 01/01/2020 to 12/31/2020	Next to last year 01/01/2019 to 12/31/2019	Last but two year 01/01/2018 to 12/31/2018
6.03.02	Acquisition Financing	1,822,050	401,553	779,901
6.03.03	Financing Payment	-1,246,207	-663,497	-352,113
6.03.04	Acquisition of Company 's Shares	-43,836	0	0
6.03.05	Lease Payment	-37,279	-22,707	0
6.05	Increase (Decrease) in Cash and Cash Equivalents	864,630	-102,623	-474,922
6.05.01	Opening Balance of Cash and Cash Equivalents	348,377	451,000	925,922
6.05.02	Closing Balance of Cash and Cash Equivalents	1,213,007	348,377	451,000

Consolidated Financial Statements / Statement of Changes in Shareholders´ Equity - 01/01/2020 to 12/31/2020

(in thousands)

Code of the account	Description of the code	Capital Stock	Capital Reserves, Options Granted and Shares in Treasury	Profit Reserves	Retained Earnings or Accumulated Losses	Comprehensive Income	Shareholders' Equity	Participation of Non-Controlling	Consolidated Shareholders' Equity
5.01	Opening Balance	2,508,400	26,343	3,500,089	0	121	6,034,953	0	6,034,953
5.03	Adjusted Opening Balance	2,508,400	26,343	3,500,089	0	121	6,034,953	0	6,034,953
5.04	Capital Transactions with Associates	59,541	-38,324	-12,399	-154,544	0	-145,726	0	-145,726
5.04.01	Increase in Capital Stock	59,541	0	-59,541	0	0	0	0	0
5.04.04	Acquisition of treasury shares	0	-43,836	0	0	0	-43,836	0	-43,836
5.04.08	Minimum Compulsory Dividends	0	0	0	-58,974	0	-58,974	0	-58,974
5.04.09	Proposed additional dividends	0	0	95,570	-95,570	0	0	0	0
5.04.10	Approval of Additional Dividends	0	0	-48,075	0	0	-48,075	0	-48,075
5.04.11	Granted Recognized Shares	0	6,642	0	0	0	6,642	0	6,642
5.04.12	Realization of restricted share options exercised	0	-1,130	-353	0	0	-1,483	0	-1,483
5.05	Total Comprehensive Income	0	0	0	763,844	-7,503	756,341	0	756,341
5.05.01	Net Profit for the Period	0	0	0	763,844	0	763,844	0	763,844
5.05.02	Other Comprehensive Income	0	0	0	0	-7,503	-7,503	0	-7,503
5.05.02.01	Adjustments of Financial Instruments	0	0	0	0	-7,541	-7,541	0	-7,541
5.05.02.04	Conversion Adjustments for the Period	0	0	0	0	38	38	0	38
5.06	Internal Changes in Equity	0	0	609,300	-609,300	0	0	0	0
5.06.01	Constitution of Reserves	0	0	609,300	-609,300	0	0	0	0
5.07	Closing Balance	2,567,941	-11,981	4,096,990	0	-7,382	6,645,568	0	6,645,568

Consolidated Financial Statements / Statement of Changes in Shareholders´ Equity - 01/01/2019 to 12/31/2019

(in thousands)

Code of the account	Description of the code	Capital Stock	Capital Reserves, Options Granted and Shares in Treasury	Profit Reserves	Retained Earnings or Accumulated Losses	Comprehensive Income	Shareholders' Equity	Participation of Non-Controlling	Consolidated Shareholders' Equity
5.01	Opening Balance	2,258,633	21,506	3,281,587	0	117	5,561,843	0	5,561,843
5.03	Adjusted Opening Balance	2,258,633	21,506	3,281,587	0	117	5,561,843	0	5,561,843
5.04	Capital Transactions with Associates	249,767	4,837	-253,382	-85,000	0	-83,778	0	-83,778
5.04.01	Increase in Capital Stock	249,767	0	-249,767	0	0	0	0	0
5.04.08	Minimum Compulsory Dividends	0	0	0	-36,925	0	-36,925	0	-36,925
5.04.09	Additional Dividends	0	0	48,075	-48,075	0	0	0	0
5.04.10	Approval of Additional Dividends	0	0	-51,690	0	0	-51,690	0	-51,690
5.04.11	Granted Recognized Shares	0	4,837	0	0	0	4,837	0	4,837
5.05	Total Comprehensive Income	0	0	0	556,884	4	556,888	0	556,888
5.05.01	Net Profit for the Period	0	0	0	556,884	0	556,884	0	556,884
5.05.02	Other Comprehensive Income	0	0	0	0	4	4	0	4
5.05.02.04	Conversion Adjustments for the Period	0	0	0	0	4	4	0	4
5.06	Internal Changes in Equity	0	0	471,884	-471,884	0	0	0	0
5.06.01	Constitution of Reserves	0	0	471,884	-471,884	0	0	0	0
5.07	Closing Balance	2,508,400	26,343	3,500,089	0	121	6,034,953	0	6,034,953

Consolidated Financial Statements / Statement of Changes in Shareholders´ Equity - 01/01/2018 to 12/31/2018

(in thousands)

Code of the account	Description of the code	Capital Stock	Capital Reserves, Options Granted and Shares in Treasury	Profit Reserves	Retained Earnings or Accumulated Losses	Comprehensive Income	Shareholders' Equity	Participation of Non-Controlling	Consolidated Shareholders' Equity
5.01	Opening Balance	1,765,278	17,992	3,208,542	0	99	4,991,911	0	4,991,911
5.03	Adjusted Opening Balance	1,765,278	17,992	3,208,542	0	99	4,991,911	0	4,991,911
5.04	Capital Transactions with Associates	493,355	3,514	-511,452	-139,000	0	-153,583	0	-153,583
5.04.01	Increase in Capital Stock	493,355	0	-493,355	0	0	0	0	0
5.04.08	Minimum Compulsory Dividends	0	0	0	-87,310	0	-87,310	0	-87,310
5.04.09	Additional Dividends	0	0	51,690	-51,690	0	0	0	0
5.04.10	Approval of Additional Dividends	0	0	-69,787	0	0	-69,787	0	-69,787
5.04.11	Granted Recognized Shares	0	3,514	0	0	0	3,514	0	3,514
5.05	Total Comprehensive Income	0	0	0	723,497	18	723,515	0	723,515
5.05.01	Net Profit for the Period	0	0	0	723,497	0	723,497	0	723,497
5.05.02	Other Comprehensive Income	0	0	0	0	18	18	0	18
5.05.02.04	Conversion Adjustments for the Period	0	0	0	0	18	18	0	18
5.06	Internal Changes in Equity	0	0	584,497	-584,497	0	0	0	0
5.06.01	Constitution of Reserves	0	0	584,497	-584,497	0	0	0	0
5.07	Closing Balance	2,258,633	21,506	3,281,587	0	117	5,561,843	0	5,561,843

Consolidated Financial Statements / Statement of Value Added

(in thousands)

Code of the account	Description of the code	Last year 01/01/2020 to 12/31/2020	Next to last year 01/01/2019 to 12/31/2019	Last but two year 01/01/2018 to 12/31/2018
7.01	Revenues	8,648,108	7,262,478	7,041,202
7.01.01	Sale of Goods, Products and Services	8,239,164	7,004,640	6,926,005
7.01.02	Other Revenues	380,812	220,637	66,731
7.01.03	Related to Construction of Own Assets	43,385	67,859	65,859
7.01.04	Provision/Reversal of Doubtful Accounts	-15,253	-30,658	-17,393
7.02	Input Acquired from Third Parties	-5,915,821	-4,678,600	-4,308,342
7.02.01	Costs of Products, Goods and Services Sold	-3,723,448	-2,815,103	-2,615,081
7.02.02	Materials, Energy, Third Party Services and Other	-2,180,959	-1,841,178	-1,672,226
7.02.04	Other	-11,414	-22,319	-21,035
7.02.04.01	Materials related to Construction of Own Assets	-11,414	-22,319	-21,035
7.03	Gross Value Added	2,732,287	2,583,878	2,732,860
7.04	Retention	-259,707	-233,536	-182,313
7.04.01	Depreciation, Amortization and Depletion	-259,707	-233,536	-182,313
7.05	Net Value Added Produced	2,472,580	2,350,342	2,550,547
7.06	Value Added Received Through Transfer	329,712	251,968	231,689
7.06.01	Equity in net Income of Subsidiaries	-5,584	-889	-1,418
7.06.02	Financial Revenue	335,296	252,857	233,107
7.07	Total Value Added to Distribute	2,802,292	2,602,310	2,782,236
7.08	Distribution of Value Added	2,802,292	2,602,310	2,782,236
7.08.01	Personnel	1,103,497	1,110,402	1,012,288
7.08.01.01	Direct Compensation	709,586	697,993	659,659
7.08.01.02	Benefits	327,070	323,981	295,007
7.08.01.03	Severance fund (FGTS)	66,841	88,428	57,622
7.08.02	Taxes, Fees and Contributions	655,389	682,278	814,234
7.08.02.01	Federal	284,018	381,698	495,183
7.08.02.02	State	356,213	289,073	310,377
7.08.02.03	Municipal	15,158	11,507	8,674
7.08.03	Remuneration of Third Party Capital	279,562	252,746	232,217
7.08.03.01	Interest Rates	254,227	222,396	186,846
7.08.03.02	Rentals	25,335	30,350	45,371
7.08.04	Remuneration of Own Capital	248,309	155,475	385,413
7.08.04.01	Interest on Own Capital	154,544	85,000	139,000
7.08.04.03	Retained Earnings/Losses for the Period	93,765	70,475	246,413
7.08.05	Other	515,535	401,409	338,084
7.08.05.01	Government subsidies	515,535	401,409	338,084

(A free translation of the original in Portuguese)

Message from Management

Dear all,

The year 2020 transformed the world and social relations. It required great resilience and the ability to reinvent ourselves. At M. Dias Branco, I believe we have outdone ourselves especially in three competencies and skills: adaptability, innovation and agility. Amidst a scenario rife with uncertainty, once again the Company showed its potential, coming up with quick and effective solutions in extremely challenging circumstances. Supported by the strength of our brands; the excellent, respectful and transparent relationship with our suppliers, customers and consumers; and, of course, the Company's financial soundness and great infrastructure, we have not been intimidated. We did not deny the existence of a crisis, but we remained on the lookout for the opportunities that would certainly arise. Our team did not lose heart, because it is in our nature to believe that, in the face of the greatest difficulties, great opportunities are created. Therefore, we have soldiered on with a fearless spirit, with resilience, courage, faith and, above all, a great sense of responsibility. We had losses, it is true, but our ability to adapt was exceptional. We have created opportunities and managed to respond to the needs of society, fulfilling our mission to continue offering extremely high quality food for the well-being of society and the happiness of people.

Amidst 366 unprecedented days in recent human history, which increased demand for food, driven by a temporary frenzy of consumption and, consequently, an exponential increase in the cost of agricultural commodities, linked to the appreciation of the U.S. dollar, M. Dias Branco used its experience acquired over its almost 70 years of existence to design solid strategies, strengthening its cash position and cash generation through a strong sales policy that included the expansion of exports. The *Multiplique* (Multiply) Project also led to achievements and efficiency and productivity gains that stood out thanks to certain initiatives implemented in 2020, such as the launch of our hedging policy and the largest investment in marketing in the Company's history, in addition to the adoption of a new dividend policy, increasing the share of profit distributed to shareholders and the frequency of payments. In particular, we mention two extremely important achievements in Sustainability: our inclusion in the Corporate Sustainability Index (ISE) and the Carbon Efficient Index (ICO2 B3), both of B3 (Brasil, Bolsa, Balcão). We also began reporting our emissions through the Carbon Disclosure Project (CDP).

All these results - despite the extremely turbulent context - were only possible thanks to the efforts of everyone, which enabled the Company to respond quickly and efficiently. Immediately, given the need to keep our industrial units in operation, since ours is an essential sector, we created a Crisis Committee to review the entire operation from north to south in order to guarantee the health and safety of our more than 17,000 employees and their families. All our employees who can work remotely are doing so. Those who needed to continue working in the factories and the market followed strict safety protocols, based on the guidelines of the competent health authorities and the World Health Organization (WHO).

Aware of our social role, we have run the #VoceDoaaGenteDoa (#YouDonateWeDonate) campaign to encourage blood donation. All in all, we donated R$1.2 million in funds to blood centers from six states and another R$1.2 million in food to charity institutions in Ceará, Pernambuco, Bahia, Rio de Janeiro, São Paulo and Rio Grande do Sul. For each bag of blood collected at the blood centers, M. Dias Branco donated 500 products to the *Mesa Brasil* (Brazil Table) program, the food bank of the Commerce Social Service (*Serviço Social do Comércio* - Sesc). A total of 7,867 bags of blood were collected, so we donated 413.3 tons of Fortaleza, Vitarella, Piraquê, Adria and Isabela pasta, cookies and crackers. All in all, including food donations to 159 institutions near our units, we donated over 3,460 tons of products, equivalent to R$17.3 million.

After 2020, which was a completely atypical year, nothing will ever be the same. Aiming at an increasingly latent future/present in the lives of customers and consumers, we have made substantial progress in the virtual market, e-commerce, with the sale of products directly at the consumer's home, through partnerships with delivery apps, connecting us to the market digital transformation process, which has been changing consumption habits.

In conclusion, we are moving forward, united and cohesive, even stronger, so we can continue our growth strategy, with respect for the environment, attentive to society issues and improvements in governance practices. We firmly believe in our country's potential, the talent and cooperation of our human capital and the strength of our work to overcome challenges, confident that we are on the path to success.

Ivens Dias Branco Júnior
CEO

Economic and financial performance

Net Revenue

Net revenue rose by **18.8%** from 2019 to **2020**, due to the **12.1%** increase in volumes and **6.1%** increase in average prices.

NET REVENUE BY SEGMENT *									
Segment	2020			2019			Variation		
	Net Revenue	Weight	Average Price	Net Revenue	Weight	Average Price	Net Revenue	Weight	Average Price
Cookies and Crackers	3,702.2	574.6	6.44	3,287.0	514.5	6.39	12.6%	11.7%	0.8%
Pasta	1,687.9	451.1	3.74	1,318.2	369.7	3.57	28.0%	22.0%	4.8%
Wheat Flour and Bran	1,297.0	855.3	1.52	1,025.7	789.0	1.30	26.5%	8.4%	16.9%
Margarine and Vegetable Shortening	420.6	90.1	4.67	334.5	84.1	3.98	25.7%	7.1%	17.3%
Other products **	144.8	15.8	9.16	138.2	14.5	9.53	4.8%	9.0%	-3.9%
TOTAL	**7,252.5**	**1,986.9**	**3.65**	**6,103.6**	**1,771.8**	**3.44**	**18.8%**	**12.1%**	**6.1%**

* Net Revenue in R$ million, Weight excluding returned sales in thousand tonnes and Net Average Price in R$/Kg.

** Cakes, snacks, cake mix, juice powder and packaged toast.

Cookies and Crackers

Net cookies and crackers revenue rose by **12.6%** in **2020** compared with 2019, due to the **11.7%** increase in volumes and **0.8%** increase in average prices.

The increase in volumes occurred across all strategic geographies, especially the Attack region (South, Southeast regions and Midwest) and exports. The higher average price, in turn, was due to different price adjustments being made in regions, subcategories and brands over the course of 2020.

The greatest growth in subcategories in terms of both net revenue and volume was experienced by Maria/Maizena, Water and Salt/Cream Crackers and sandwich cookies, all reporting double-digit growth.

Pasta

Net pasta revenue rose by **28.0%** in **2020** compared with 2019, due to the **22.0%** increase in volumes and **4.8%** increase in average prices.

The volume growth was driven by higher household consumption, as a result of bars and restaurants having to close their doors because of social distancing measures introduced to counter the COVID-19 pandemic. The increase in average prices was due to specific pricing tailored to each region, subcategory and brand over the course of 2020, as well as cookie prices.

Volumes grew notably in the Northeast, Southeast and Exports. The main increase occurred in the subcategories instant noodles, semolina and common pasta.

Flour and Bran

In **2020**, net revenue from flour and bran grew by **26.5%** on 2019, driven by an **8.4%** increase in volumes and average price increase of **16.9%**.

Home baking flour sales rose sharply, making up for the downturn in industrial flour.

The main growth in our regions occurred in the South, Southeast and Exports, spearheaded by our Finna Brand, also because of the expanded portfolio by launching Isabela brand wheat flour in conventional paper packaging, of 1 Kg and 5 Kg.

- ### Margarine and Vegetable Shortening

Net revenue from margarine and shortening rose by **25.7%** in **2020** compared with 2019, with a **7.1%** increase in volumes and **17.3%** in average prices.

Our export volume rose meaningfully, especially in the household subcategory for the Adorita brand, and in the Northeast region, in the industrial subcategory with the brand Puro Sabor.

Cost of Goods Sold

Cost of goods sold accounted for **72.6%** of net revenue in **2020** (69.6% in 2019).

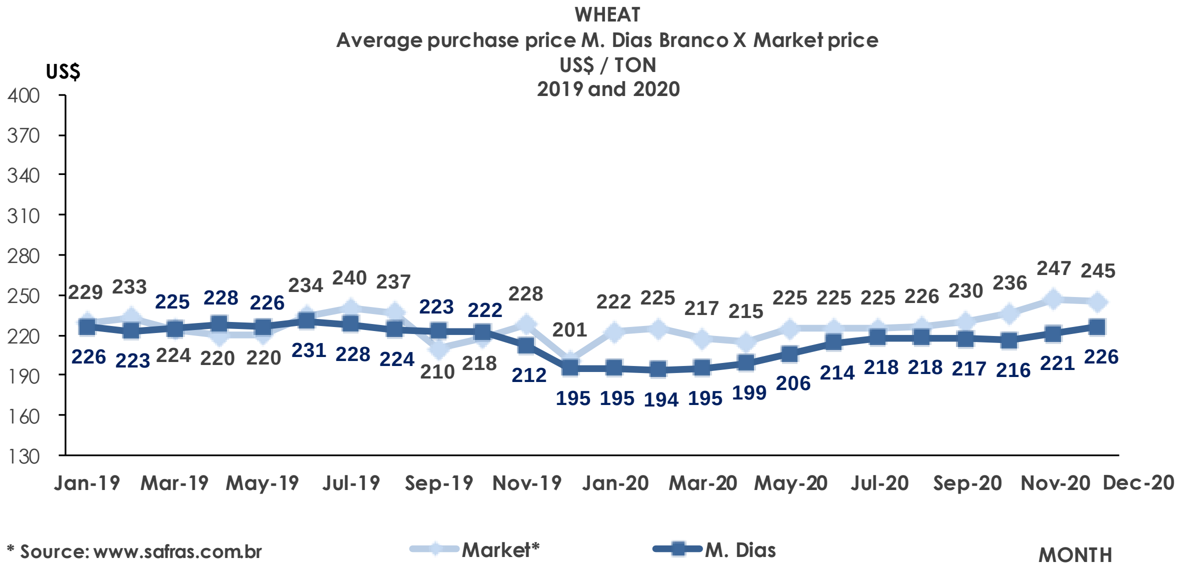
Operating Costs (R$ million)	2020	% Net Rev.	2019	% Net Rev.	Variation	
Raw material	**3,532.2**	**48.7%**	**2,688.9**	**44.1%**	**31.4%**	**4.6 p.p.**
Wheat	2,371.1	32.7%	1,729.2	28.3%	37.1%	4.4 p.p.
Vegetable Oil	588.1	8.1%	380.3	6.2%	54.6%	1.9 p.p.
Sugar	182.6	2.5%	147.5	2.4%	23.8%	0.1 p.p.
Third Party Flour	16.3	0.2%	139.9	2.3%	-88.3%	-2.1 p.p.
Third Party Vegetable Shortening	2.9	0.0%	5.0	0.1%	-42.0%	-0.1 p.p.
Other	371.2	5.1%	287.0	4.7%	29.3%	0.4 p.p.
Packages	**478.3**	**6.6%**	**414.4**	**6.8%**	**15.4%**	**-0.2 p.p.**
Labor	**623.6**	**8.6%**	**568.1**	**9.3%**	**9.8%**	**-0.7 p.p.**
Indirect costs	**452.6**	**6.2%**	**412.2**	**6.8%**	**9.8%**	**-0.6 p.p.**
Depreciation and amortization	**176.6**	**2.4%**	**165.9**	**2.7%**	**6.4%**	**-0.3 p.p.**
Other	**0.0**	**0.0%**	**1.0**	**0.0%**	**-100.0%**	**0 p.p.**
TOTAL	**5,263.3**	**72.6%**	**4,250.5**	**69.6%**	**23.8%**	**3 p.p.**

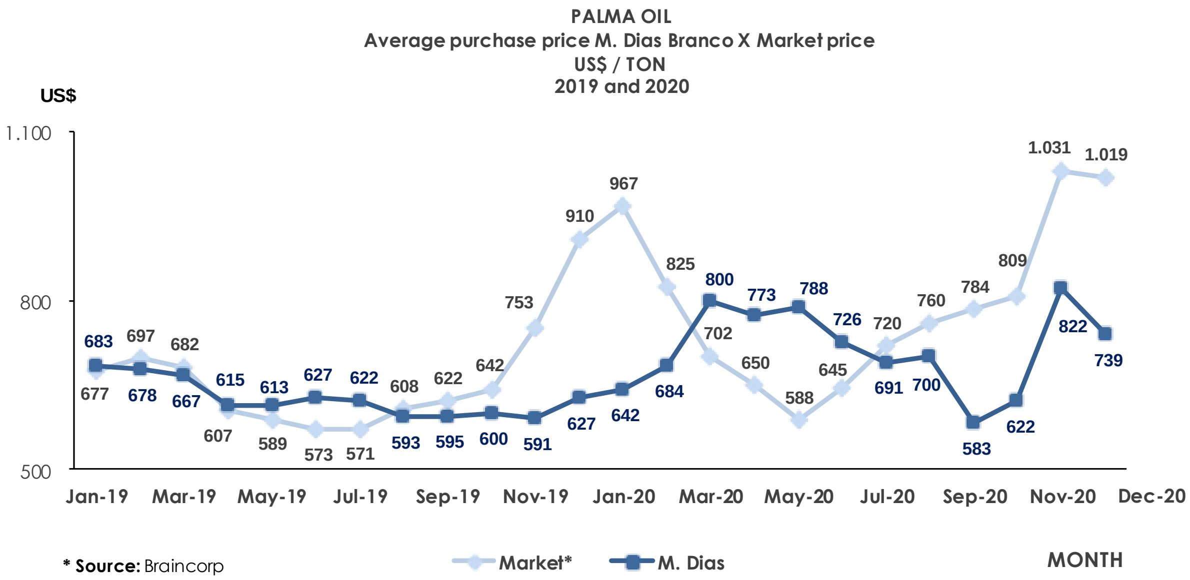
The **3p.p.** increase in COGS as a percentage of revenue in **2020** compared to 2019 reflected the following:

- ↑ 14.3% increase in the average cost of wheat (BRL);
- ↑ 48.9% upturn in the average cost of oil (BRL);
- ↑ 17.3% increase in the average cost of sugar (BRL);
- ↓ Greater dilution of fixed costs, due to a 14.7% increase in production volume;
- ↓ Structural efficiency and optimization gains from the *Multiplique* (Multiply) Project;
- ↓ Higher wheat flour vertical integration.

Average Purchase Price of Principal Raw Materials X Market Price

The graphs below track the prices of wheat and palm oil for the 2019 and 2020 years:





Note: M. Dias Branco is no longer disclosing the graph showing the average purchase price of soybean oil in its inventory in the Management Report, but it will continue to disclose this information on its Investor Relations website: https://ri.mdiasbranco.com.br/.

Production and Utilization of Production Capacity

Effective Production / Production Capacity *	Cookies and Crackers		Pasta		Wheat Flour and Bran		Margarine and Vegetable Shortening		Other products **		Total	
	2020	2019	2020	2019	2020	2019	2020	2019	2020	2019	2020	2019
Total Production	598.4	550.8	462.0	391.0	1,765.1	1,503.5	192.1	185.2	17.0	15.2	3,034.6	2,645.7
Total Production Capacity	896.1	868.6	580.8	556.6	2,319.6	1,962.9	385.7	401.3	38.7	39.5	4,220.9	3,828.9
Capacity Utilization	**66.8%**	**63.4%**	**79.5%**	**70.2%**	**76.1%**	**76.6%**	**49.8%**	**46.2%**	**43.9%**	**38.5%**	**71.9%**	**69.1%**

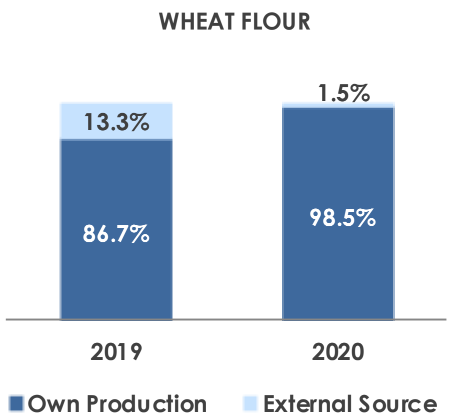
* Thousand tonnes

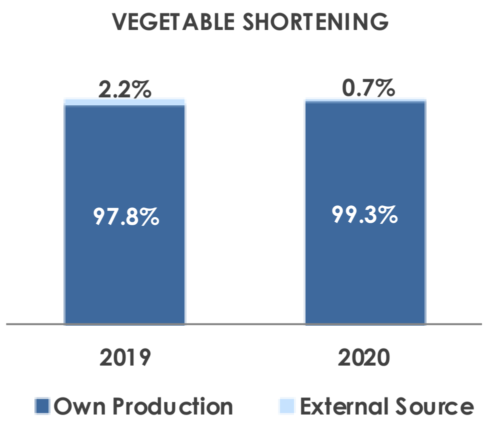
* * Cakes, snacks, cake mix and packaged toast.

Note: Total production capacity refers to the maximum yield that can be extracted from the equipment, considering the losses caused by maintenance stoppages, setup time, line clean-up, restrictions on the maximum number of shifts in each plant, etc.

In **2020**, the Company increased its production capacity and total production by **10.2%** and **14.7%**, respectively. This performance is related to investments made in recent years, such as the mill in Bento Gonçalves (RS), opened in 2019. In order to meet the growing demand witnessed over the course of 2020, especially in 2Q20 and 3Q20, production lines were activated and new production shifts adopted.

• Vertical Integration





In **2020** the level of vertical integration for flour was **98.5%** (vs 86.7% in 2019). The increase reflects the start of operations at the Bento Gonçalves (RS) mill in 2H19, which is now supplying flour to the South and Southeast. The level of vertical integration for fat was **99.3%** in **2020** vs 97.8% in 2019, up 1.5 p.p.

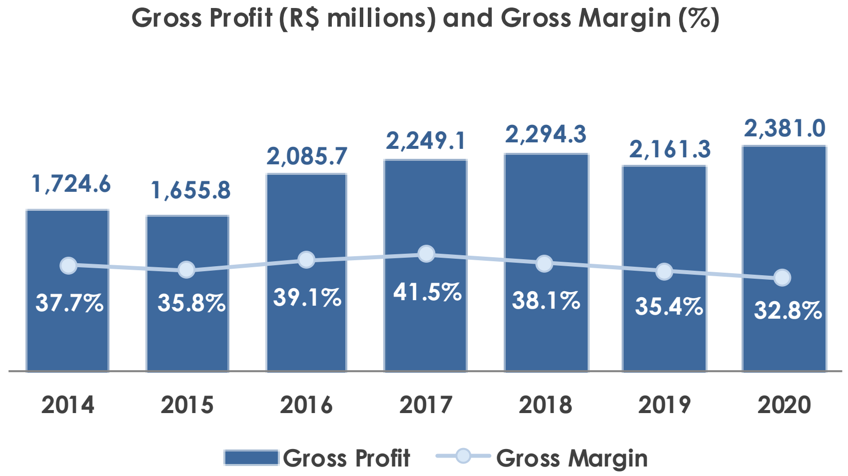
• State Investment Subsidies

Tax incentives (ICMS) (R$ million)	2020	% Net Rev.	2019	% Net Rev.	Variation	
Tax incentives (ICMS)	391.8	5.4%	308.2	5.0%	27.1%	0.4 p.p.

The higher amount of state investment subsidies is primarily due to the higher cost of purchasing wheat.

• Gross Profit

Gross profit rose by **10.2%** in nominal terms and gross margin shrank by **2.6p.p.**, pressured by the effects of oil and wheat costs, owing to the devaluation of the Brazilian currency against the US dollar.



Operating expenses

Operating expenses rose **2.4%** in **2020** compared to 2019, a **3.7p.p.** decline as a percentage of net revenue. In addition to efficiency and productivity gains from the *Multiplique* (Multiply) Project, the 12.1% increase in sales volume contributed to greater dilution of fixed expenses. We also recorded R$ 304.1 million in positive non-recurring items (R$ 348.5 million in revenue from tax credits from prior periods and R$ 44.4 million in non-recurring restructuring expenses and expenses related to the pandemic, among others).

Operating Expenses (R$ million)	2020	% Net Rev.	2019	% Net Rev.	Variation	
Selling	1,506.4	20.8%	1,303.4	21.4%	15.6%	-0.6 p.p.
Administrative	263.6	3.6%	258.2	4.2%	2.1%	-0.6 p.p.
Management fees	15.2	0.2%	14.0	0.2%	8.6%	0 p.p.
Taxes	32.0	0.4%	34.8	0.6%	-8.0%	-0.2 p.p.
Depreciation and amortization	83.1	1.1%	67.7	1.1%	22.7%	0 p.p.
Other operating expenses/(revenues)	-239.4	-3.3%	-56.2	-0.9%	n/a	-4.2 p.p.
TOTAL	**1,660.9**	**22.9%**	**1,621.9**	**26.6%**	**2.4%**	**-3.7 p.p.**

Note: In the presentation of Financial Statements, depreciation and amortization expenses were included in selling and administrative expenses, and tax expenses were added to other expenses (income), net. For further information see Note 28 to the financial statements for the year ended December 31, 2020.

Financial Result

The Company recorded a positive financial result of **R$ 81.0 million** (R$ 30.5 million in 2019). The improvement was mainly due to monetary restatements of tax credits from prior periods (exclusion of ICMS tax from the PIS and COFINS tax base). Furthermore, in 2019, R$ 20.7 million was recognized as a complement to the monetary restatement of labor provisions based on the IPCA-E (special extended consumer price index), a determination given by the Superior Labor Court (TST), which was not repeated in 2020.

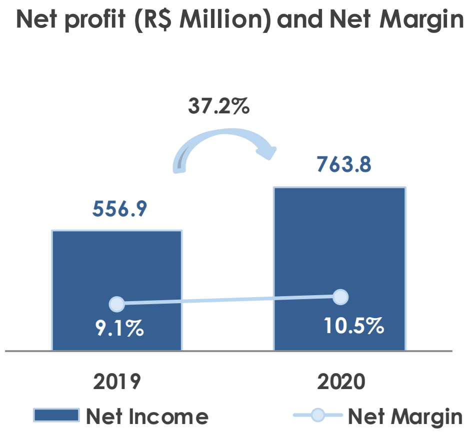
It is worth mentioning that M. Dias Branco is reiterating its commitment to a conservative policy by maintaining swap contracts, through which the foreign exchange risk plus a fixed rate is swapped for a percentage of the CDI rate to hedge financing of working capital and input imports. Swap contracts are recognized at fair value under the financial result.

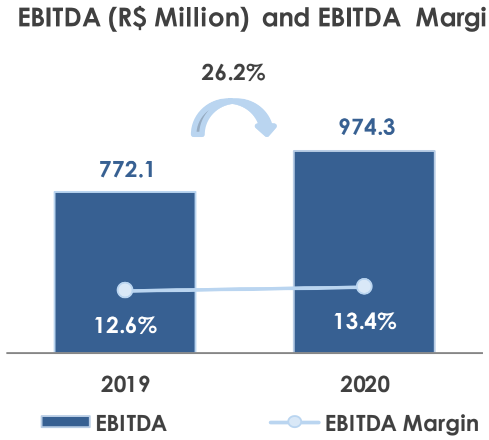
Financial Income (R$ million)	2020	2019	Variation
Financial Revenue	182.3	151.6	20.3%
Financial Expenses	-92.5	-105.1	-12.0%
Exchange Variation	-168.6	-28.6	n/a
Losses / Gains on derivatives	159.8	12.6	n/a
TOTAL	**81.0**	**30.5**	**165.6%**

Net Profit and Ebitda

Income rose from R$ 556.9 million in financial year 2019 to **R$ 763.8 million** in **2020** (**10.5%** of net revenue), a growth of **37.2%**. EBITDA was **R$ 974.3 million** in **2020** (**13.4%** of net revenue), a **26.2%** increase compared to 2019.

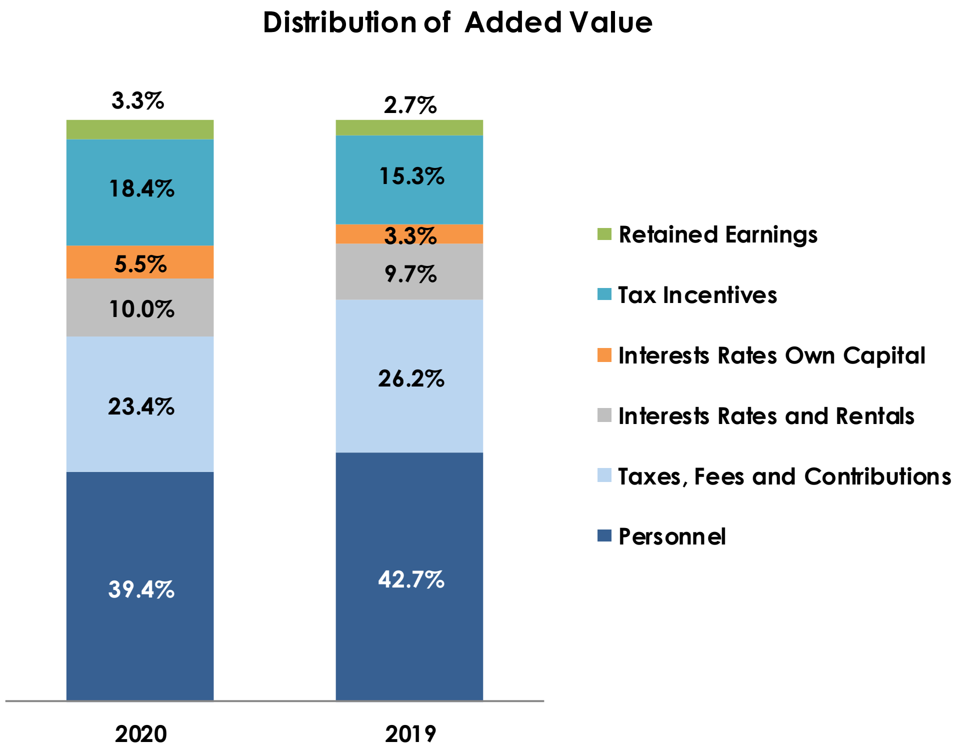
In short, the 2020 result was positively impacted by revenue growth, and negatively affected by higher costs, as a result of the depreciation of the real against the U.S. dollar, and the increase in commodity prices in U.S. dollars. On the other hand, the results of the *Multiplique* (Multiply) Project, implemented in 2020 and aimed at efficiency and productivity gains, as well as the publication of the hedging policy in July 2020, which was gradually implemented in the subsequent months, mitigated the unfavorable effects of the exchange rate and the increase in commodity prices.





Value Added

The chart below shows the distribution of the wealth created by the Company in 2020:

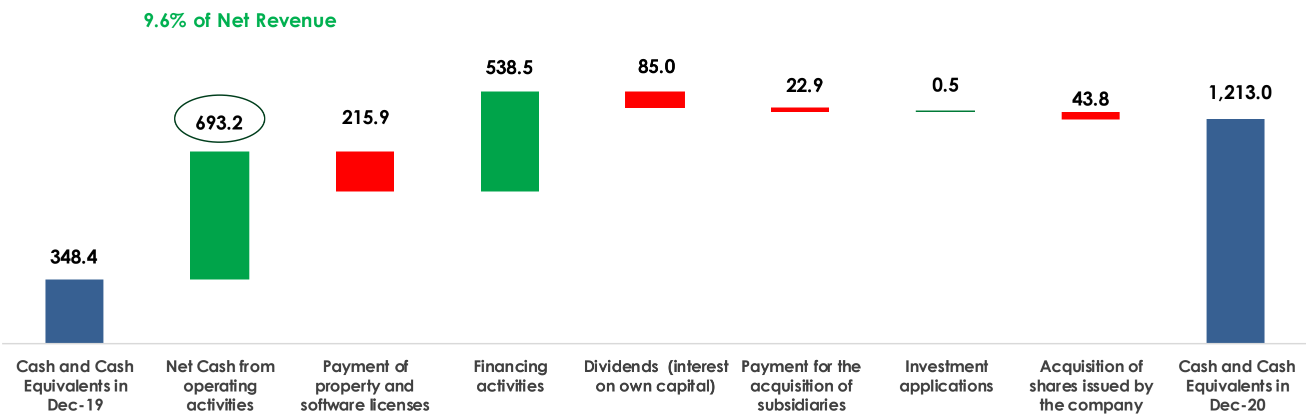


Capitalization, Debt and Cash Flow

Capitalization (R$ million)	2020	2019	Variation
Cash	1,213.0	348.4	n/a
Financial Investments Short Term	16.4	16.4	0.0%
Financial Investments Long Term	3.3	3.8	-13.2%
Total Indebtedness	**-1,589.1**	**-979.7**	**62.2%**
(-) Short Term	-776.1	-608.2	27.6%
(-) Long Term	-813.0	-371.5	n/a
Derivatives Financial Instruments	**5.7**	**6.1**	**-6.6%**
(=) Net Cash (Net Debt)	**-350.7**	**-605.0**	**-42.0%**
Shareholder's Equity	6,645.6	6,034.9	10.1%
Capitalization	**8,234.7**	**7,014.6**	**17.4%**

The Company's cash equivalents rose in **2020**, closing the period at **R$ 1.2 billion** (R$ 348.4 million in 2019). This growth was primarily due to the higher volume of net financing flows coupled with greater equivalents from operating activities, which amounted to **R$ 693.2 million** in 2020.

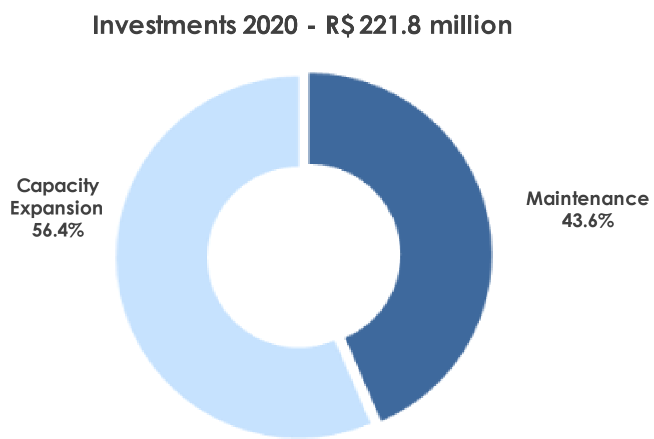
R$ Million



Investments

Investments (R$ Million)	2020	2019	Variation
Buildings	26.4	51.5	-48.7%
Machinery and equipment	121.0	156.6	-22.7%
Construction in progress	43.5	69.3	-37.2%
Vehicles	0.3	0.6	-50.0%
IT Equipment	4.0	9.8	-59.2%
Furniture and Fixtures	8.8	12.9	-31.8%
Land	3.8	2.9	31.0%
Software Use License	12.1	15.8	-23.4%
Others	1.9	1.9	0.0%
Total	**221.8**	**321.3**	**-31.0%**

Note: In total investments we will include license to use software, trademarks and patents, without considering the value of investment with acquisition of companies.



Investments totaled **R$ 221.8 million** in **2020** (R$ 321.3 million in 2019), distributed between expansion and maintenance. The main investments in 2020 were (i) the acquisition of equipment and expansion of the new milling unit in Bento Gonçalves (RS); (ii) the construction of a truck yard for wheat trucks in Bento Gonçalves (RS); (iii) the renovation of the distribution center in the Rio de Janeiro unit; (iv) adjustment and new long pasta line at the Piraquê unit; (v) an effluent treatment plant for the Maracanaú unit; and (vi) the restructuring of the São Caetano do Sul unit (SP).

The Company maintained investments in subsidiaries. The relevant changes and details are disclosed in Note 10 to the financial statements for the year ended December 31, 2020.

Market Information

• Sales Channels

We closed 2020 with gross revenue less discounts distributed more evenly amongst our channels. It is worth noting the growth of the Distributors channels, which played an important role in our growth in the Attack region (South, Southeast and Midwest).

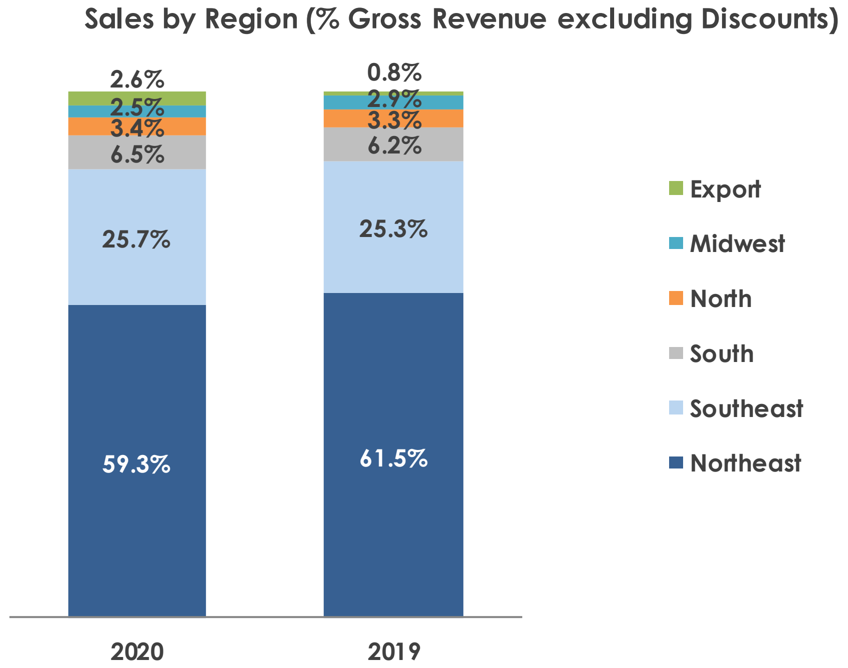
Client Mix	2020	2019	Variation
Small Retail	26.8%	29.8%	-3 p.p
Wholesale	22.4%	24.2%	-1.8 p.p
Key Accounts / Regional Chains	20.8%	20.6%	0.2 p.p
Cash and Carry	18.2%	18.9%	-0.7 p.p
Distributors	7.3%	4.5%	2.8 p.p
Industry	1.0%	0.9%	0.1 p.p
Other	3.5%	1.1%	2.4 p.p
TOTAL	**100.0%**	**100.0%**	

Major Clients		Sales 2020 (R$ million) *	Participation in Gross Revenue excluding Discount Sales	
Sequence	Accumulated		Individual	Accumulated
Major Client	1	910.0	10.5%	10.5%
49 Subsequent	50	2,417.4	27.9%	38.4%
50 Subsequent	100	662.5	7.6%	46.0%
900 Subsequent	1,000	2,483.1	28.6%	74.6%
Other Clients	All clients	2,201.4	25.4%	100.0%
TOTAL		**8,674.4**		

* Gross Revenue excluding Discount Sales

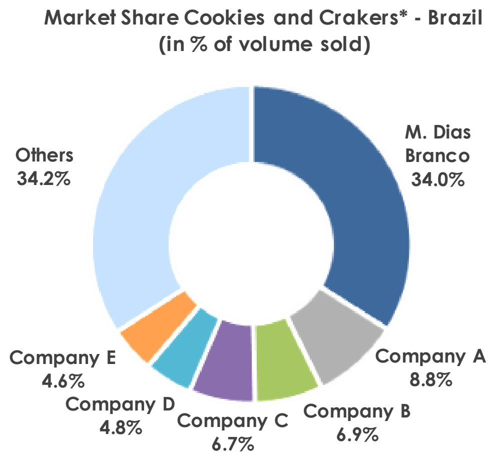
• Sales by Region

In line with our geographic sales diversification strategy, the combined share of the Attack region grew from 34.4% in 2019 to 34.7% in 2020. We highlight the performance of Exports in the period, which reached 44 countries (35 in 2019), with gross revenue of R$ 235.2 million (+278.2% vs 2019).

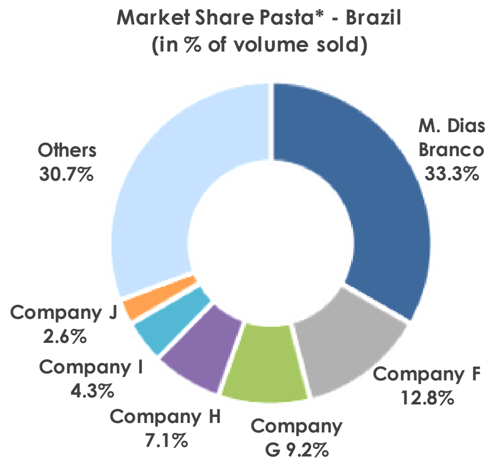


• *Market Share*

The graph below shows the Brazilian market share (in % of sales volume) of M. Dias Branco, the national leader in the cookies & crackers and pasta markets, and its main competitors between January and December 2020.



* NIELSEN data from January to December of 2020.



* NIELSEN data from January to December of 2020.

Brands and Product Development

• M. Dias Branco: main branding initiatives

In 2020 we undertook the largest marketing investment in our history, including product launches, point-of-sale initiatives and important progress on communication plans. Investments were strategically targeted to six main brands — Piraquê, Vitarella, Adria, Fortaleza, Richester and Isabela — and included substantial investment in campaigns such as “Original Creations”, “More flavor together”, “Life is in the details” and “Care in each detail”.

In May 2020, during the worst of the COVID-19 pandemic, we ran a campaign under the slogan, "You Donate. We Donate", that encouraged people to donate blood at blood banks as stocks began to run worryingly low. The campaign ran in six Brazilian states: Bahia, Ceará, Pernambuco, Rio de Janeiro, Rio Grande do Sul and São Paulo, through the brands Adria, Fortaleza, Isabela, Piraquê and Vitarella. Our brands matched each donated blood bag with a donation of 500 food product items to charities. A total of R$ 1.2 million in cash and R$ 1.2 million in food products were donated. The initiative generated donations of more than 7,000 blood bags and 500 metric tons of food products.

• Research and Development of New Products

M. Dias Branco has a proprietary innovation model that is designed to drive financial results and expand market share. Well-structured activities support the targeted development of new products and packaging that are responsive to consumers' diverse needs and tastes, local and international market trends, and technological developments. We also implement optimization and cost reduction projects, as well as sensory assessments and analyses of our products.

M. Dias Branco's Research & Development (R&D) activities span across different fronts, including new product launches, improving existing products, cutting costs with no loss of product quality, new technologies and ingredients, manufacturing process and other support, regulatory matters, and innovation management across product categories.

In 2020 we invested R$ 10.7 million in R&D, slightly less than the investment in the previous year as part of a strategy to downscale new product launches in the year due to the global pandemic. A total of 62 new products were launched in the year. These, combined with product launches in the previous 24 months, generated a total of R$ 357 million in revenue, accounting for 4.5% of gross revenue. We refer to this percentage as our innovation rate, which is monitored on a quarterly basis by our innovation management function. Innovation projects are monitored using tools and methodologies such as Stage Gate, Project Builder and dashboards.

Working with the Marketing department, we identified five food-market megatrends as key innovation drivers in the year: healthiness, indulgence, sustainability, local ingredients and convenience. We also held an ideation workshop organized around these innovation drivers, which will help to inform the development of a project pipeline for the medium and long term.

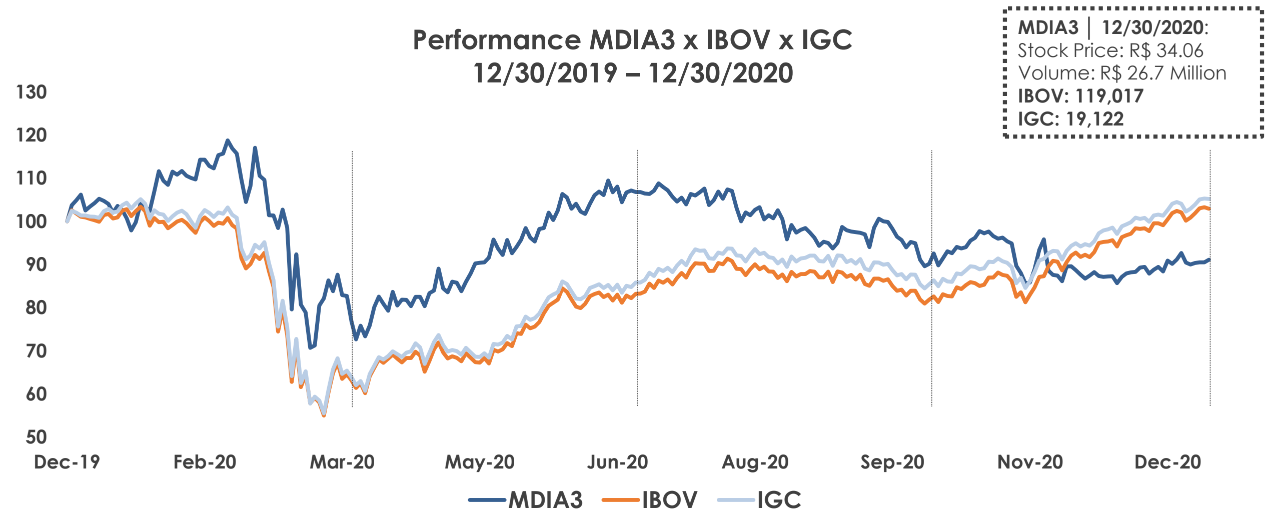
In 2020, we continued the *Germinar* program launched in partnership with the Industry Training Service (SENAI) in Ceará to accelerate innovation through collaborations with startups across Brazil. The focus of this year's edition of the program is technology and advancing industry 4.0.

Selected projects will receive funding to develop a proof of concept which, if successful, will progress to validation, prototyping and testing. Each project will have a maximum duration of 12 months, and will receive an investment ranging from R$ 250,000 to R$ 400,000. The current edition is expected to be completed in February 2022.

Stock Performance

The Company's shares are traded on B3 (Brasil, Bolsa e Balcão) under the ticker MDIA3 and are listed in the Novo Mercado segment. On December 30, 2020, there were 83,703,722 outstanding shares, representing 24.7% of the Company's capital stock, priced at R$ 34.06 each, totaling R$2,850.3 million. The average number of trades of MDIA3 shares was 7,037 in 2020 (3,814 in 2019), and the average daily trading financial volume was R$ 45.7 million in 2020 (R$ 28.7 million in 2019).

The graph below compares the performance of MDIA3 shares against the Ibovespa and IGC indexes for 2020.



***Note:** IBOV is the most important indicator of the average performance of stocks traded on B3. It is formed by the stocks with the highest volume traded in recent months. IGC is an indicator of the average performance of the quotes of the assets of listed companies in the Novo Mercado or in Levels 1 or 2 of Corporate Governance of B3.*

M. Dias Branco is part of important stock indexes: ISE (Corporate Sustainability Index), ICO2 (Carbon Efficient Index), IBrX-100 (Brazil 100 Index), IBrA (Brazil Broad-Based Index), ICON (Consumer Index), IGC (Special Corporate Governance Stock Index), IGC-NM (Novo Mercado Corporate Governance Equity Index), IGCT (Corporate Governance Trade Index), INDX (Industrials Index), ITAG (Special Tag-Along Stock Index) and SMLL (Small Cap Index).

Corporate Governance

• Governance Framework

Our Company has been listed on the B3 Novo Mercado segment since 2006. We have only common shares providing tag-along rights, with a National Long-Term Rating of AAA(bra) and a stable outlook. The serving Board of Directors was elected with 50% independent members and 33% women. In addition, since 2014 separate individuals have held the positions of Company CEO and Chairman of the Board of Directors.

The primary integrity mechanisms in place at M. Dias Branco include: our Code of Ethics, which outlines our principles and values; an Ethics Hotline that supports UN Sustainable Development Goal 16 – Peace, Justice and Strong Institutions, as a channel for receiving reports on conduct in violation of our Code of Ethics; an Ethics Committee; and a non-statutory Audit Committee, which has only independent members and aims to strengthen our commitment to transparency in disclosures.

As 2020 came to a close, we were proud to have delivered on our commitment to maintaining food production, marketing and distribution at sufficient levels to prevent a shortage of essential products for people unable to leave home during this unprecedented period. Amid the COVID-19 pandemic, M. Dias Branco made every effort to protect the health and safety of its employees and their families through a range of prevention and protection initiatives in the workplace, following recommendations from the World Health Organization (WHO) and the Brazilian Ministry of Health.

A crisis committee was created to ensure an efficient pandemic response, with representatives from different departments. A 24/7 hotline was also launched that employees can contact to address concerns with our medical team.

To ensure our continued operation, we hired temporary employees, took steps to improve cash flows, adjusted our production planning, and developed new distribution channels. These were some of the measures that have been taken to keep our operations running at sufficient levels to cater to market demand.

The Crisis Committee remains alert to judicial, government, legislative and regulatory developments, supporting the Company in making currently informed decisions.

Besides the health crisis, year 2020 was also marked by fluctuation in commodities prices and foreign exchange rates, two factors that affect our planning. To strengthen our resilience against these fluctuations, the Board of Directors unanimously approved a hedging policy with guidelines on pricing and monitoring commodities and foreign currencies, identifying risks from exposure to pricing volatility, and monitoring foreign-exchange exposure, in order to support the Company in achieving its budgetary and strategic goals.

As part of Management's commitment to creating shareholder value, in 2020 we approved a new dividend policy establishing a target dividend of 60% (sixty percent) of adjusted net income for the financial year, paid in 5 installments in the year, including 4 installments of a fixed amount of R$ 0.05 per share and a fifth installment for the residual amount, following approval by the General Meeting of the financial statements for the relevant financial year.

In search of continuous evolution, we track an internal indicator, the M. Dias Branco Corporate Governance Index (iMDB) which covers the requirements of:

- Novo Mercado regulations (mandatory);
- Brazilian Corporate Governance Code (apply or explain);
- Dow Jones Sustainability Index (market reference);
- Corporate Sustainability Index (ISE) (market reference).

Therefore, considering the main market benchmarks, we can direct improvement efforts and measure our progress against consolidated demand in the market and society, with objectivity and pragmatism.

• Investor Relations

2020 was marked by achievements that contributed to the development of our Investor Relations program.

We incorporated interaction with shareholders and other market participants into our routine through digital media channels, such as live streams, in order to increase our market visibility and interact more closely with investors, especially individual investors.

As a result, the number of individual investors with holdings in M. Dias Branco shares increased from 57,053 in 2019 to 79,724 at year-end 2020.

MDIA3 stock liquidity also improved in 2020, with volumes traded on B3 increasing from R$ 28.7 million in 2019 to R$ 45.7 million in 2020, as previously described.

In addition, we published a new dividend policy; we launched a share buyback program; and we issued a hedging policy in order to hedge, increase the predictability of, and optimize the Company's results of operations in the face of fluctuations in commodities prices and foreign-exchange rates.

In 2020, Fitch Ratings reaffirmed the Company's National Long-Term Rating of AAA (BRA) for the third consecutive year, with a stable outlook.

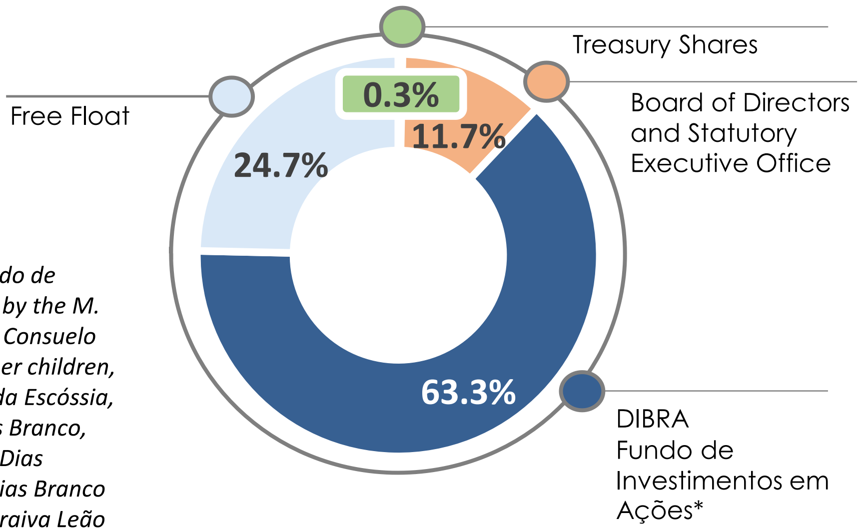
Recognition

In 2020, M. Dias Branco's management and market practices earned recognition from several organizations:

- We were presented with our fourth consecutive Transparency Trophy from the Brazilian Association of Finance, Management and Accounting Executives (ANEFAC), which recognizes outstanding transparency and quality in financial statements;
- M. Dias Branco was recognized as the top company in the Food category in the 17th edition of business magazine *IstoÉ Dinheiro*'s Melhores da Dinheiro awards;
- Adria ranked 1st place and Vitarella 4th place in the Food category of the *Folha* Top of Mind awards;
- We were listed among the 100 top innovators in Brazil by 100 Open Startups, a platform that connects startups to large corporates in Brazil;
- M. Dias Branco was listed by Forbes as one of the 100 most charitable companies in Brazil during the COVID-19 pandemic;
- We were named to the list of 11 companies selected by BB Investimentos for ESG performance, based on criteria such as emissions control, resource efficiency, diversity, combating child labor, and anti-corruption.

Shareholding Control

On December 31, 2020, M. Dias Branco's capital totaled R$ 2,567.9 million, fully subscribed and paid-in and divided into 339,000,000 common nominative shares, with no par value. The Company's shares are distributed as follows:



** Share ownership of Dibra Fundo de Investimentos em Ações is held by the M. Dias Branco family (Mrs. Maria Consuelo Saraiva Leão Dias Branco and her children, Maria das Graças Dias Branco da Escóssia, Maria Regina Saraiva Leão Dias Branco, Francisco Cláudio Saraiva Leão Dias Branco, Francisco Ivens de Sá Dias Branco Júnior and Francisco Marcos Saraiva Leão Dias Branco).*

Shareholder Remuneration

The Board of Directors' meeting held December 18, 2020 approved the credit of R$ 154.5 million for shareholders as interest on equity ("JSCP"), which was included in the minimum mandatory dividend for year 2020, pursuant to article 9 of Law no. 9,249/95, as amended by Law no. 9,430/96, and to article 24 (2) of the Company's Bylaws. The JSCP per share amounts to R$ 0.4572271386.

The credit was made on December 31, 2020 based on the shareholdings in place at the close of trading at B3 on December 23, 2020, with shareholder payments to be made on May 03, 2021. The shares will be considered "ex-interest on equity" from December 28, 2020.

• Arbitration Commitment Clause

In accordance with the New Market Regulations and the Company's bylaws, the Company, its shareholders, management and the B3 agree to resolve, by means of arbitration, all and any dispute or controversy that could arise between them, related to the statutory norms, market regulation and pertinent legislation.

• Relationship with the Independent Auditors

PricewaterhouseCoopers Auditores Independentes (PWC) has been engaged to audit the individual and consolidated financial statements and review the interim (quarterly) financial information for the year ended December 31, 2020. The firm provides no conflicting services as required by CVM Instruction 308. The non-financial information of the Company as well as Management's expectations of the future performance of the Company and its subsidiaries were not audited by PWC.

In compliance with the ruling in CVM Instruction 381/2003, the Company confirms that during 2019, other services were contracted from PWC, for the total amount of R$ 1.1 million, which corresponds to approximately 220% of the audit fees. Services provided by our independent auditors included the evaluating tax regulations relating to non-appealable decisions with respect to the exclusion of ICMS tax from the PIS/COFINS tax base and issuance of comfort letters on the issue of agribusiness receivables certificates.

Management vouches that these services did not compromise the independence of our auditors. As part of Company policy, any services rendered by independent auditors require the Audit Committee's prior approval to avoid any conflicts of interests.

Developing and Recognizing Human Capital

At year-end 2020 we had a workforce of 17,100 employees, a decrease of 3.18% from 2019 reflecting restructuring efforts throughout the year at different departments. Our Strategic Drivers for the 2020-2024 cycle were revised to incorporate quality of life at the workplace and the personal and professional development of our workforce.

The Performance Management program for the continual improvement of employee performance reached out to 1,700 people, 5.94% more than in the previous year.

Some of our initiatives in the year to empower employees in advancing their careers included: a web series about career management, including a description of the *Mundo VUCA* program, career programs at M. Dias, career planning tools, and career ownership; A Career icon on the *Vamos Juntos* website linking to a web series about the internal training curriculum and performance management; a Knowledge Journey with information about careers (career ownership, non-linear/Y careers, experience abroad, and tools); and a reformulated Performance Management Program to enhance employee ownership of their careers.

Shelter-in-place measures in the year required us to modify our approach to employee development and implement new distance-learning solutions to allow employees at all operations to connect from wherever they are. Distance-learning solutions enabled us to increase our offering of on-demand online training courses.

In compensation and benefits, we provided dental insurance at operations previously not covered by this benefit, with the Company paying 70% of insurance premiums for all employees. We also adjusted our health insurance plan, with the Company now paying 100% of monthly premiums for all employees and interns.

Throughout 2020 we implemented 40 preventive health initiatives in our operations, including campaigns on preventing the dengue, Zica and chikungunya viruses and infectious and contagious diseases, women's health campaigns, and hearing health campaigns. As part of our COVID-19 response, we identified and monitored at-risk employees through routine health checkups. A 24/7 telehealth channel was launched to monitor and assist employees with flu symptoms or who report having had contact with a person diagnosed with COVID-19. A total of approximately 4,885 telehealth cases have been handled by physicians and nursing staff.

Corporate Sustainability

Through its management practices, we seek to make our commitment to sustainability increasingly effective. We believe that the pillars - finances, people, society and the environment - are crucial for achieving sustainable development.

Reflecting initiatives implemented at M. Dias Branco in recent years, in 2020 we were named to the B3 Corporate Sustainability Index (ISE) and Carbon Efficient Index, for a period from January to April 2021.

As another significant milestone in 2020, M. Dias Branco responded for the first time to the CDP (Carbon Disclosure Project) questionnaire.

We remain confident in the sustainable growth potential of M. Dias Branco, as we strongly believe we are making the necessary investments and working hard to create value for the Company and make our brands increasingly recognized and desired by our clients and consumers.

Strategies and Outlook

Our strategy aims to strengthen M. Dias Branco as a domestic food-industry player while laying the groundwork for international expansion. This includes efforts to: enhance operational efficiency by optimizing our use of natural resources, such as energy and water, and minimizing packaging; diversify into new businesses; develop more nutritious products; and deliver on our dividend policies.

We plan to achieve expansion through both organic growth and acquisition opportunities that can create value for the business, while upholding our commitment to the highest standards of sustainable development, business management and corporate governance.

Our focus is on developing new ways of achieving growth alongside increased productivity, customer/consumer satisfaction and value creation for both shareholders as well as other stakeholders, including the communities surrounding our operations. In pursuing this strategy we rely on a team of dedicated and highly skilled professionals whose compensation is aligned with short- and long-term goals.

We will continue to grow across geographies and product categories through a commercial strategy executed with discipline, consistent investments in marketing, targeted pricing models, and technology-enabled business models and strategies.

Some of the key uncertainties affecting our continued growth over time include fluctuations in commodities prices and foreign-exchange rates, and our ability to maintain a product portfolio that is responsive to consumer market demand.

Management Declaration

In accordance with the rulings stated in CVM Instruction 480/2009, management declares that it has discussed and reviewed the opinions expressed in the independent auditors' report with which it fully agrees and it approves the financial statements for the year ended December 31, 2020.

1. Operations

M. Dias Branco S. A. Indústria e Comércio de Alimentos ("Company") is a publicly traded corporation listed on B3 S.A. - Brasil, Bolsa, Balcão in the *Novo Mercado* segment (MDIA3), and is a constituent of the B3 Brazil Index (IbrX), Corporate Sustainability Index (ISE), Carbon Efficient Index (ICO2), and other indexes. The Company started to operate in 1951 and its head office is located at Rodovia BR 116, KM 18, in Eusébio, State of Ceará. Its corporate activities principally comprise the industrialization, sale and distribution of food products derived from wheat, mainly biscuits, pastas and wheat flour/bran and the manufacture, sale and distribution of vegetable fats and margarines, cakes, cake mixes, packaged toast and snacks. The Company operates through an integrated and vertical production process, producing the majority of the two main raw materials used to produce biscuits, crackers and pastas: flour and vegetable fats. Five of its wheat mills are physically integrated within the biscuits, crackers and pasta factories, which eliminates the costs of transporting the flour used in the production of these two main items.

On December 27, 2019 the Company approved the acquisition of Indústria de Produtos Alimentícios Piraquê S.A. (Piraquê), a Brazilian company producing and marketing pasta, cookies, crackers, snacks and powdered beverages. The acquisition was concluded on May 16, 2018. Piraquê has two production sites in the state of Rio de Janeiro, one in Madureira, where the company produces cookies, crackers, pasta and vegetable fat, and another in Queimados, producing cookies and crackers. The two sites are integrated with storage and/or distribution facilities in the states of Rio de Janeiro, Espírito Santo, São Paulo, Minas Gerais, Paraná and Bahia.

Following the acquisition, the Company now has 14 production sites, eight of which are located in the Northeast (Bahia, Ceará, Paraíba, Pernambuco and Rio Grande do Norte), four in the Southeast (São Paulo and Rio de Janeiro) and two in the South (Rio Grande do Sul and Paraná). These units operate seven wheat mills, nine pasta factories, nine biscuit factories, two manufacturers of vegetable fat and margarines, one manufacturer of snacks and cakes, one manufacturer of cake mix and one factory for toasted biscuits. The Company has thirty-eight distribution centers, integrated with this production structure, for storage, sales and/or distribution of its products, located in the following states: Alagoas, Bahia, Ceará, Distrito Federal, Espírito Santo, Maranhão, Minas Gerais, Pará, Paraíba, Paraná, Pernambuco, Piauí, Rio de Janeiro, Rio Grande do Norte, Rio Grande do Sul, São Paulo and Sergipe.

The Company has the following brands in the domestic market: Adria, Aldente, Basilar, Bonsabor, Estrela, Fortaleza, Finna, Isabela, Pelágio, Pilar, Piraquê, Predilleto, Richester, Salsito, Treloso, Vitarella, and Zabet.

2. Effects of the COVID-19 pandemic

In March 2020 the World Health Organization (WHO) declared that COVID-19 was a pandemic. In response, governments around the world, including Brazilian authorities, implemented a range of restrictions to contain the virus.

We have since monitored developments in Brazil and the pandemic's impacts on the business. This has supported us in maintaining food production and distribution operations running while providing the conditions needed to protect the health of our employees. The initiatives we have implemented, coupled with Government efforts to keep companies in the food industry in operation, have enabled us to maintain our facilities in normal operation and ensure a continued supply of our products on the market.

To this end the Company has set up a crisis committee comprised of managers from multiple departments in order to address and steer the initiatives being taken by the Company in a more agile fashion, on the following main fronts: (i) people management; (ii) client and brand management; (iii) supply chain management; and, (iv) financial management, as per the press release published on March 27, 2020.

To protect the health of our employees, M. Dias Branco has taken a prudent approach and a range of measures primarily based on recommendations issued by the World Health Organization and Brazilian government authorities.

We have taken a range of preventive measures since the outbreak of the COVID-19 coronavirus pandemic. These measures have included:

- Systematic monitoring of daily reports on employees placed on sick leave due to COVID-19;
- Hygiene and social distancing protocols for direct and third-party employees;
- Enhanced facilities hygiene, layout reorganization and distancing measures;
- Installing physical barriers, issuing masks to employees, providing gel-based hand sanitizers, temperature screening, and H1N1 vaccination;
- Internal awareness campaigns; a dedicated 24/7 hotline to our medical teams;
- Implementing remote working where feasible;
- Investments in communications and collaboration technologies;
- Restricting travel and attendance at in-person events;
- Psychological counseling and mental health support for employees;
- Training and events primarily held online;
- An online program of health-related (e.g. occupational exercise) and cultural activities;
- A hotline for reporting violations of hygiene and social distancing protocols; and
- Provision of computers and ergonomic chairs.

We also implemented business continuity measures, including:

- Contingency plan with the opening of five hundred (500) new temporary vacancies to continue to meet market demands;
- A phased re-induction plan for employees working from home, including distancing arrangements and provision of personal hygiene materials for all employees;
- Providing financial incentives for high attendance rates for operators working on-site;
- Intensified monitoring to guarantee service to our clients and the continuity of our entire supply chain;
- Adjustment of our production planning and incentive to development of new distribution channels, such as online retail;
- Measures to preserve and maximize the Company's cash, designed to maintain the Company's renowned financial strength.

The Committee understands the importance of continually updating the Company's decisions in accordance with judicial and administrative decisions and the legislation and regulations in force.

Recognizing our social role as a corporate citizen, we amplified donations to needy communities surrounding our operations, donating a total of R$ 17.3 million in food products in the year as part of our donations policy. We also made cash donations of R$ 1.2 million to blood banks in six states - Pernambuco, Bahia, Rio de Janeiro, São Paulo and Rio Grande do Sul - to help them set up mobile blood collection and blood testing stations.

(All amounts in thousands of Reais, except if stated otherwise)

A summary of the above expenses as reported in the statement of income for the period is provided below:

Statement of income (R$ Thousands)	2020
Cost of goods sold	27,827
Selling expenses	8,131
Administrative expenses	8,488
Total	**44,446**

The Company clarifies that to date it has not observed significant impacts from COVID-19 on its operations constituting adjusting events that would result in changes in the adopted critical accounting estimates.

3. Corporate reorganization

As previously described, an Extraordinary General Meeting held on December 27, 2019 approved the merger of Piraquê into the Company.

The net assets acquired by the Company have the following composition:

Assets of Piraquê	12/27/2019
Current assets	234,062
Non-current assets	519,335
Assets Total	**753,397**
Current liabilities	129,978
Non-current liabilities	184,057
Non-current liabilities Total	**314,035**
Net assets incorporated	**439,362**

This corporate restructuring aimed to streamline the Company's corporate structure, as well as gaining synergy by decreasing operating costs by sharing structures, especially the administrative structure.

Because Piraquê was a wholly-owned subsidiary, the merger had no effects on the Company's consolidated asset position, results or ownership structure.

4. Basis of preparation of the financial statements

The individual and consolidated financial statements have been prepared according the accounting practices adopted in Brazil, consisting of the standards issued by the Brazilian Securities Commission (CVM) and pronouncements issued by the Accounting Pronouncements Committee (CPC), which are in accordance with the International Financial Reporting Standards (IFRS) issued by the International Accounting Standards Board (IASB), and evidence all material information of the financial statements, and that alone, which are consistent with those used by Company management in the management process.

The authorization to issue these financial statements was given by Board of Directors at its meeting held on March 26, 2021.

(a) Basis for measurement

The individual and consolidated financial statements were prepared based on historic cost, except when stated otherwise.

(All amounts in thousands of Reais, except if stated otherwise)

(b) Functional currency

The individual and consolidated financial statements are presented in Brazilian reais, which is the Company's functional currency. All the amounts reported in Reais in the financial statements have been rounded to the nearest thousand, except when stated otherwise.

(c) Significant accounting judgments, estimates and assumptions

The preparation of individual and consolidated financial statements in accordance with CPCs and IFRS requires Company management to make judgments, estimates and assumptions that affect the application of accounting policies. The actual results could differ from these estimates.

Estimates and assumptions are continually reviewed. Revisions to accounting estimates are recognized in the period in which the estimates are revised and in any future periods affected. Assets and liabilities subject to estimates and assumptions include:

- Allowance for doubtful accounts - Note 7, Inventory - Note 8 and indefinite-lived intangible assets - Note 13;
- Measurement and recognition of tax credits - Note 9;
- Residual value of property, plant and equipment - Note 12;
- Leases - Note 14;
- Provision for judicial claims - Note 23;
- Deferred income and social contribution taxes - Note 24;
- Fair value measurement of financial instruments - Note 18;
- Share-based compensation plan - Note 26.

5. Significant accounting policies

The significant accounting policies adopted by the Company and its subsidiaries are described in specific notes. Those which apply, in general, to different aspects of the financial statements are described in detail below.

a) Consolidation

i. *Subsidiaries*

For purposes of preparing the individual and consolidated financial statements, the financial information of the subsidiaries was used that ends on the same reporting date and has accounting policies consistent with those of the Company.

Equity interest in subsidiaries

Description	Investment interest (%)			
	2020		2019	
	Direct	Indirect	Direct	Indirect
M.Dias Branco International Trading LLC (a)	100.00	-	100.00	-
M.Dias Branco International Trading Uruguay S.A (a)	-	100.00	-	100.00
M.Dias Branco Argentina S.A. (a)	100.00	-	100.00	-
Indústria de Produtos Alimentícios Piraquê S.A (b)	-	-	100.00	-

Notes: *(a) Foreign Investments;*
(b) Company incorporated on December 27, 2019.

Characteristics of the main subsidiaries

M. Dias Branco International Trading LLC

This direct subsidiary is located in the United States of America, and its core activity is intermediating in the purchase of raw materials, mainly wheat, for milling and vegetable oil that the Company uses in its production process. The company is not operational and is therefore beginning to initiate the procedure of closing down this subsidiary.

M. Dias Branco International Trading Uruguay S.A.

This indirect subsidiary is located in Uruguay, and its core activity is intermediating in the purchase of raw materials, mainly wheat, for milling that the Company uses in its production process. The company is not operational and initiated the procedures to close the entity.

M. Dias Branco Argentina S.A.

The Company incorporated a publicly traded corporation, with its head office in Buenos Aires, in order to purchase, import and export wheat grain, wheat flour and derivatives. However, this company did not undertake any activities and the Company decided to discontinue the process, initiating the procedures to close the entity.

ii. Jointly controlled entities

Joint operations are those in which the Company has contractually agreed joint control, and which require the unanimous consent of the parties sharing control for strategic and operational decisions.

Joint Operation

Terminal de Grãos de Fortaleza Ltda ("Tergran")

The Company shares control of Tergran with Moinho Cearense S.A and J. Macêdo S.A, which each have an interest of 33.33% in the capital of, and jointly appoint the managing director of Tergran. The Company considers that its investment in Tergran should be classified as a joint operation, or joint arrangement, and the assets, liabilities, income and expenses are recognized in relation to its investment only in the consolidated statements, considering that Tergran was constituted as a separate legal entity. Consequently, the investment is recognized in the individual financial statements using the equity method.

Tergran operates port facilities and provides wheat unloading and storage services at the port in Fortaleza, with the primary objective being to increase productivity and reduce the costs of unloading ships carrying wheat for its three partners.

Jointly controlled enterprise

Terminal de Trigo do Rio de Janeiro - Logística S.A.

The Company has an interest in a joint venture with Companhia Bunge Alimentos S.A (Bunge), in which each party has an interest of 50% in the capital. The Terminal de Trigo do Rio de Janeiro - Logística S.A. is the lessee in the contract entered in September 21, 2017 with the government, in the form of the Ministry of Transportation, Ports and Civil Aviation, which addresses the leasing of public infrastructure and land to handle and store solid vegetable bulk, especially wheat, located in the port of Rio de Janeiro/RJ. The Company recognizes its investment in relation to its participation in the operation under the equity method, both in the individual and consolidated financial statements.

The Company's participation in this business is part of its strategy of improving logistics to supply inputs intended for the manufacturing plants in the Southeast.

The Terminal de Trigo do Rio de Janeiro - Logística S.A. initiated operations on January 8, 2020.

b) Conversion of foreign currency balances

i. Foreign currency transactions and balances

Foreign currency transactions are initially recorded at the exchange rates of the functional currency prevailing at the respective transaction dates. Monetary assets and liabilities denominated in foreign currencies at the reporting date are converted into the functional currency at the exchange rate at that date.

All foreign exchange variance is recognized in the statement of income, except that variance arising from transactions in foreign currency used for hedging against the risk of changes in foreign exchange rates are recognized in equity.

ii. Foreign operations

The values of assets and liabilities of the foreign subsidiaries are translated to Reais using the exchange rate at the reporting date, and the related statements of income are translated at the exchange rates on the dates of the transactions. Exchange differences resulting from the translations are recognized separately in shareholders' equity. In the event of a foreign subsidiary being sold, the accumulated deferred amount recognized in shareholders' equity relating to this subsidiary is recognized in the statement of income.

c) Impairment losses

i. Financial assets

Upon the initial recognition of a financial asset, the Company classifies its assets as: at amortized cost or fair value through profit or loss and fair value through other comprehensive income. Financial assets are not reclassified subsequently to initial recognition, unless the Company changes its business model to financial asset management.

Financial assets at amortized cost

These assets are measured subsequently to the amortized cost using the effective interest rate method. The amortized cost is reduced for impairment. Revenue from interest, exchange variance gains and losses and impairment are recognized directly in profit or loss.

The Company should look for any objective evidence that a financial asset or group of financial assets has been subject to impairment and consequently record the estimated asset impairment. To record the estimated allowance for doubtful accounts, the Company adopted a hybrid expected and incurred impairment model with a simplified approach, recording expected losses throughout the life-cycle of trade accounts receivable.

Financial assets stated at fair value through profit or loss

These assets are subsequently stated at fair value. The net income including interest is recognized directly in profit or loss.

Financial assets stated at fair value through other comprehensive income

These assets are subsequently stated at fair value. Net income, including interest, is recognized in other comprehensive income under equity and upon derecognition, the cumulative change in fair value through other comprehensive income is reclassified to profit or loss.

At each reporting period the Company evaluates expected losses on instruments measured at amortized cost and debt instruments measured through other comprehensive income. Losses and/or reversals of losses are recognized in profit or loss.

ii. Non-financial assets

Assets that have undefined useful lives, such as goodwill and brands, are not amortized, and are tested for impairment. The impairment tests of goodwill and the brands are realized at least annually, or more frequently if events or changes in circumstances indicate possible impairment.

At each reporting date, management revises the net carrying values of its assets and other non-financial assets, subject to depreciation and amortization in order to assess any events or changes in economic, operational or technological circumstances that could indicate a deterioration or impairment. When such evidence is identified, and the net carrying value exceeds the recoverable value, a loss for impairment is recorded, and the net carrying value is adjusted to the recoverable value.

d) Employee benefits

The Company provides short-term benefits to its employees, which are measured on a non-discounted basis and incurred as expenses as the related service is provided. The liability is recognized for the amount expected to be paid in respect of short-term cash bonus or profit sharing plans. Profit sharing is recognized in profit or loss as operational costs and expenses.

For the non-statutory board there is also a share-based remuneration plan, as explained in Note 26, to which registered officers are entitled.

e) Revenue recognition

The Company recognizes revenue from the sale of goods in the course of ordinary activities at the moment when the control over the products is transferred and at the fair value of the consideration received or receivable, recognized when: (i) there was convincing evidence that the control of a product or service has been transferred to the customer, which generally occurs upon delivery; (ii) the amount the entity expected to be entitled to in exchange for transferring the product or service and (iii) the associated costs and possible return of goods could be reliably estimated. If it was probable that discounts would be granted and the amount can be measured reliably, then the discount was recognized as a reduction against revenue over the period the sales were recognized.

Note that delivery occurs when the products have been sent to the specified location, the client has accepted the products pursuant to the sale contract and the acceptance terms have been agreed, or the Company has objective evidence that all acceptance criteria have been met.

f) Segment reporting

The Company operates in the food segment with the following product lines: biscuits, crackers, pasta, flour, margarine and vegetable fats, cakes, cake mix, packaged toast and snacks. The production and sale of the food products by the Company does not involve measuring operational profits or losses on an individual basis that is regularly reviewed by management, either to support investment decisions or to assess performance separately.

Consequently, considering that all decisions are taken based on consolidated reports and that decisions related to strategic planning, financing, purchases, investments and the application of funds are taken on a consolidated basis, the Company concluded that it has only one segment to report.

g) Business combination and goodwill

Business combinations are stated on the acquisition date – i.e. when control is transferred to the Company. Assets acquired and liabilities assumed in a business combination are recognized at their respective fair values on the acquisition date.

The Company measures goodwill on the acquisition date as:

- the fair value of the amount transferred that includes the contingent consideration of the price; plus
- the recognized amount of any NCI interest acquired; plus
- if the acquisition is conducted in stages, fair value of any interest held in the acquired party prior to acquisition; less
- indemnity assets; and less
- the net amount (at fair value) of identifiable assets acquired and liabilities undertaken.

After initial recognition, goodwill is measured at cost less any accrued impairment losses.

When the surplus is negative, a gain deriving from the advantageous purchase is immediately recognized in profit or loss for the year.

Transaction costs other than those associated with securities or equity debt issues that the Company incurs under business combinations, are expensed as/when incurred.

h) Leases IFRS 16 / CPC 06 (R2)

On January 01, 2019, the Company adopted the guidelines of IFRS 16/CPC 06 (R2) - "Leases", a standard which determined the lessees recognize as from the transition date the right-of-use over the leased asset and the liability for future payments for lease contracts and for contracts of a leasing nature, i.e. those that convey the right to control the use of an identified asset and obtain the benefits for a period of time in exchange for consideration. The standard also establishes a recognition exemption for short-term leases, i.e. those that have a remaining term at the date of adoption equal to or shorter than twelve months and the contracts for which the underlying asset is covered has low value.

A simplified retrospective transition approach was adopted upon initial recognition and the effects of the change brought by this standard can be seen in Note 14.

i) Uncertainty over income tax treatments IFRIC 23 / ICPC 22

The new interpretation, effective as of January 1, 2019, clarifies how to apply the recognition and measurement requisites of CPC 32 – Income Taxes (IAS 12 – Income Taxes) when the tax treatment is uncertain, as a result of any tax procedures adopted to determine the Corporate Income Tax (IRPJ) or Social Contribution on Net Income (CSLL), which could be contested by the tax authorities and consequently result in an increase or decrease in current and deferred tax assets and liabilities.

The Company has evaluated the effects of the amended standard and concluded that there are no significant impacts from ICPC 22, as described in Note 24.

j) Changes in accounting policies and disclosures

Hedge accounting

In July 2020, the Company initiated adoption of hedge accounting under CPC 40 (R1) – Financial Instruments: Disclosure and CPC 48 – Financial Instruments, for transactions of derivative financial instruments for the purpose of hedging against the risk of fluctuation in commodities prices and foreign-exchange rates. The hedging relationship is a cash flow hedge, which consists of hedging against variability in cash flows that is attributable to a particular risk associated with a recognized asset or liability, or a highly probable forecast transaction, and which could affect profit or loss.

In this hedge category, the effective portion of the gain or loss on the hedging instrument is recognized in equity as other comprehensive income, under "Gains (losses) on cash-flow hedges", and the ineffective portion, where applicable, is recognized in finance revenue (expense). Accumulated gains and losses are reclassified to profit or loss or to the statement of financial position when the hedged item is recognized, with a corresponding adjustment to the item in which the relevant hedged item was recorded.

It is important to note that deferred tax effects on gains and losses recognized in equity are also recognized in other comprehensive income under "tax effects on gains (losses) on cash-flow hedges".

Hedge accounting is discontinued prospectively from the date on which the hedging relationship ceases to meet the qualifying criteria, whether in its entirety or in part. The conditions for discontinuing hedge accounting are satisfied when: i) in a cash flow hedge, the hedged item is recognized in the Company's statement of financial position. In this case, the amount recognized in equity is included in the same period and component in which the hedged item is recognized (statement of financial position or statement of income); ii) the hedging instrument is terminated. In this case, the amount recognized in equity is recognized on the accrual date on which the hedged item is recognized; iii) there is no longer a hedging relationship as the risk management objective has changed; and iv) there is no longer an economic relationship between the hedged item and the hedging instrument or the effect of credit risk starts to dominate the hedging relationship.

If hedge accounting is discontinued as described in iii and iv above, all gains and losses that have been accrued in similar hedging relationships and recognized in equity are immediately transferred to profit or loss.

The Company assesses the effectiveness of its derivative financial instruments at each annual reporting date or upon a significant change in the circumstances affecting the hedge effectiveness requirements, whichever comes first.
The effects of hedge accounting are described in Note 18.

(All amounts in thousands of Reais, except if stated otherwise)

k) New standards, interpretations and amendments effective after January 1, 2021

There are no other CPC/IFRS standards or ICPC/IFRIC interpretations that have not yet come into force which could have a significant impact on the Company's financial statements.

6. Cash and cash equivalents

Description	Parent		Consolidated	
	2020	2019	2020	2019
Cash and banks	**4,519**	3,202	**4,527**	3,267
Fixed-income marketable securities	**1,208,354**	345,110	**1,208,480**	345,110
Total	**1,212,873**	348,312	**1,213,007**	348,377

The balance of fixed-income marketable securities, at December 31, 2020, consists exclusively of floating Bank Deposit Certificates (CDB), remunerated by the variation in the CDI - Interbank Deposit Rate at the average rate of 102.91% of the CDI (101.52% at December 31, 2019). These marketable securities are held for immediate trading and used in Company operations.

7. Trade accounts receivable

Trade accounts receivables are amounts due for the sale of products in the ordinary course of the Company's business and are recognized at the original selling price less discounts awarded, customer credits and estimated losses and are presented as follows:

Breakdown of balances	Parent		Consolidated	
	2020	2019	2020	2019
Domestic	**966,899**	1,012,360	**967,050**	1,012,568
Foreign	**69,079**	27,112	**69,079**	27,112
(-) Estimated losses for doubtful accounts	**(76,071)**	(81,884)	**(76,071)**	(81,884)
Total	**959,907**	957,588	**960,058**	957,796
Current	**959,907**	957,325	**960,058**	957,533
Non-current	**-**	263	**-**	263

Aging list	Parent		Consolidated	
Description	2020	2019	2020	2019
Not yet due	**910,040**	877,762	**910,191**	877,970
Overdue	**125,938**	161,710	**125,938**	161,710
1 to 30 days	**31,016**	60,135	**31,016**	60,135
31 to 60 days	**7,800**	6,223	**7,800**	6,223
61 to 90 days	**10,684**	8,040	**10,684**	8,040
91 to 180 days	**8,484**	13,529	**8,484**	13,529
181 to 360 days	**15,694**	24,665	**15,694**	24,665
Over 360 days	**52,260**	49,118	**52,260**	49,118
Subtotal	**1,035,978**	1,039,472	**1,036,129**	1,039,680
(-) Estimated losses for doubtful accounts	**(76,071)**	(81,884)	**(76,071)**	(81,884)
Trade accounts receivable	**959,907**	957,588	**960,058**	957,796

(All amounts in thousands of Reais, except if stated otherwise)

The Company adopts a hybrid expected and incurred loss model, recording expected losses throughout the life-cycle of trade accounts receivable. The model assesses sales made in a 12-month period and the amount considered uncollectible during this period. From the calculated result, the default rates by receivable range which is applied to the accounts receivables balance.

The changes in the estimated losses for doubtful accounts were as follows:

Change details	Parent	Consolidated
Balance at December 31, 2018	**57,885**	**74,714**
Acquisition assets	7,520	-
Estimated losses for the year	27,103	30,658
Write-off	(10,624)	(23,488)
Balance at December 31, 2019	**81,884**	**81,884**
Estimated losses for the year	**22,952**	**22,952**
Write-off	**(28,765)**	**(28,765)**
Balance at December 31, 2020	**76,071**	**76,071**

8. Inventories

Inventories are assets held for sale in the ordinary course of business, in the process of production for such sale, in the form of materials or supplies to be consumed in the production process, or in the rendering of services.

The cost of inventories is based on average weighted cost and includes all expenses incurred for transportation, storage, non-recoverable taxes and other costs incurred to bring the inventories to their existing locations and conditions. In the case of manufactured, in progress and finished products, the costs include the general factory overhead expenses based on normal operating capacity.

The balances of inventories are presented as follows:

Description	Parent		Consolidated	
	2020	2019	2020	2019
Finished products	**301,043**	213,134	**301,043**	213,134
Work in progress	**36,554**	25,231	**36,554**	25,231
Raw materials	**494,788**	308,026	**494,788**	308,026
Warehouse and packaging materials	**223,522**	154,154	**223,522**	154,154
Auxiliary and maintenance materials	**69,644**	31,910	**69,668**	31,934
Imports in transit [1]	**90,467**	61,172	**90,467**	61,172
Advances to suppliers	**43**	5,417	**43**	5,417
Total	**1,216,061**	799,044	**1,216,085**	799,068

[1] These refer to imported wheat and oil.

The Company adopts the policy of evaluating inventory obsolescence, based on the expiry dates of inventory items and the analysis of those items that have not moved for more than 180 days. At December 31, 2020, the Company recorded an impairment loss for inventories of R$ 11,577 (R$ 8,533 at December 31, 2019).

The changes in the impairment loss for inventories were as follows:

(All amounts in thousands of Reais, except if stated otherwise)

Change details	Parent and Consolidated
Balance at December 31, 2018	**4,885**
Estimated losses for the year	3,902
Write-off	(254)
Balance at December 31, 2019	**8,533**
Estimated losses for the year	**8,545**
Write-off	**(5,501)**
Balance at December 31, 2020	**11,577**

9. Taxes recoverable

The Company recognizes tax credits at the time it deems it has a legal and technical basis on which to recognize the right and reliably measure the amount to be offset or refunded.

The Company's recoverable tax balances are as follows:

Description	Parent		Consolidated	
	2020	2019	2020	2019
ICMS (i)	**85,412**	107,480	**85,412**	107,480
Income tax and social contribution (ii)	**44,232**	32,060	**44,232**	32,060
PIS and Cofins (iii)	**488,478**	194,606	**488,478**	194,606
Withholding tax	**6,773**	4,371	**6,775**	4,373
IRPJ credit from the PAT incentive (iv)	**8,136**	7,713	**8,136**	7,713
Extemporaneous IOF Credits	**3,991**	3,967	**3,991**	3,967
IPI on Packaging	**-**	44,836	**-**	44,836
INSS (v)	**40,568**	36,136	**40,568**	36,136
Extemporaneous Credit - PIS and Cofins (vi)	**11,196**	-	**11,196**	-
Others	**3,109**	5,246	**3,113**	5,246
Total	**691,895**	436,415	**691,901**	436,417
Current	**398,887**	162,535	**398,893**	162,537
Non-current	**293,008**	273,880	**293,008**	273,880

The main origins of recoverable taxes are highlighted:

(i) ICMS: these are substantially credits from the acquisition of property, plant and equipment and ICMS reimbursement paid in the form of tax substitution of operations with wheat, net of estimated losses for impairment, in the amount of R$ 38,631;

(ii) Income Tax (IRPJ) and Social Contribution on Net Income (CSLL), resulting from the annual adjustment of the corporate income tax return and CSLL 92 - Unappealable decision;

(iii) Social Integration Program (PIS) and Social Contribution on Revenues (COFINS) credits from overpayment, credits on acquisitions of inputs and extemporaneous credits arising from lawsuits or administrative proceedings, especially for the exclusion of ICMS in the PIS/COFINS calculation basis, in the amount of R$ 420,881;

(iv) IRPJ credit from the Workers' Meal Program (PAT);

(v) INSS credit arising from a partially *res judicata* decision in proceedings (prior notice indemnities and 1/3 vacation payments), in the amount of R$ 40,658; and

(vi) Post-claimed PIS and COFINS credits arising from legal proceedings regarding exports eligible for REINTEGRA tax benefits under Decree no. 8,415/15 from 2012 to 2019.

Social Integration Program (PIS) and Tax for Social Security Financing (COFINS)

The High Court of Justice, in its ruling on Special Appeal no. 1.221.170/PR in February 2017, expanded the concept of inputs for the purpose of recognizing PIS and COFINS credits, then a highly disputed and controversial tax matter. Following this decision, the Company commissioned legal opinions and technical reports to determine the extent to which certain expenses in its value chain are essential and material to the business, especially marketing expenses and the costs of transporting finished products. Relying on those opinions and reports, the Company recognized post-claimed tax credits of R$ 83,049 in 2020 for the previous 5 years.

In relation to the recognition of tax credits arising from the exclusion of ICMS from the PIS and COFINS tax base, final and unappealable decisions have been issued in nine actions relating to this matter in the period from December 2018 to November 2019, including three brought by M. Dias Branco S.A. Indústria e Comércio de Alimentos and the remainder brought by acquired companies.

In 2019 the Company initiated measurement and recognition of these credits, while noting in the financial statements the difficulties encountered in compiling information, especially for periods prior to 2004, as it had not yet been able to locate the physical documentation needed to fully support those credits due to the absence of appropriate digital systems. The Company is exploring alternative methods of measuring credits for those periods based on a review of tax filings.

The Company also noted that there had been various corporate events (acquisition of the companies Adria, Vitarella, Pelágio and Santa Lúcia) and several meaningful changes to the legislation related to its operations (COTEPE Acts 28/11, 53,11, ICMS Protocols 184/09, 81/10 and 86/10, amongst others), requiring more complex analyses to determine all the amounts.

In this context, the Company preliminarily recognized credits of R$ 174,351 in 2019 based on ICMS amounts paid, this being the amount the Company was able to determine as recoverable at that time based on its best estimates and available supporting documentation. The Company noted in its financial statements for that year that it would continue to identify and recognize credits using the methodology established in the decision on the lead case by the High Court of Justice.

In 2020 the Company refined its methodology and completed its assessment of additional credits in accordance with the criteria established by the High Court of Justice, and duly recognized R$ 368,833 in credits, restated for inflation at the SELIC rate.

There remain certain periods for which outstanding credits have not been recognized as either the Company was unable to locate the physical documentation supporting those credits or there were no digital systems suited to do so, especially periods prior to 2004. However, the Company has continued to explore alternative methods of fully measuring the amounts outstanding.

The periods pending recognition of tax credits are shown below:

(All amounts in thousands of Reais, except if stated otherwise)

Company/ Case no.	Period with outstanding credits
M. Dias Branco S.A Ind. e Com. de Alimentos / 2000.81.00.010313-1	1990 to 2005
NPAP Alimentos S.A./ 2007.83.00.014726-1	2002 to 2012
Moinho Santa Lúcia /2008.81.00.004326-1	2003 to 2007 -2009
Pelágio Oliveira S.A /0011868-02.2007.4.05.810	2002
Indústria de Produtos Alimentícios Piraquê S.A / 2006.51.01.019578-6	2001 to 2019

Credits arising out of claims brought by acquired companies (with the exception of Indústria de Alimentos Bomgosto Ltda and Adria Alimentos do Brasil Ltda) for periods prior to the acquisition date will be refunded to their former owners, as these credits are a component of earnout for these acquisitions.

The Company has applied to opt into the tax credit scheme resulting from case no. 0007508-19.2010.4.05.8100 (for the period 2009-2014) and case no. 08037981120174.05.8100 (for the period 2015 to July 2019). These applications have been accepted by the tax authorities and the Company has initiated recognition of the relevant tax credits. In addition, after the relevant taxes were declared unconstitutional by the High Court of Justice, the Company adjusted its recognition policies for those credits and began to recognize them concurrently with the relevant taxes, generating additional credits of R$ 74,035 (2018 to 2020).

The Company will continue to assess and recognize credits as they are determined to exist for the periods involved, and estimates it will complete the assessment and recognition by June 30, 2021.

The realization of taxes recoverable, recorded in non-current assets, is anticipated as follows:

Maturity	Parent and Consolidated
	2020
2022	**266,459**
2023	**4,969**
2024	**2,622**
2025	**9,956**
2026 on	**9,002**
Total	**293,008**

10. Investments

In the parent company’s financial statements, the investments in subsidiaries and jointly controlled are valued using the equity method.

Other permanent investments are valued at acquisition cost less any impairment losses, when applicable.

(All amounts in thousands of Reais, except if stated otherwise)

a. Breakdown of balances

Description	Parent		Consolidated	
	2020	**2019**	**2020**	**2019**
Investments in subsidiaries and jointly controlled entities	**48,983**	54,520	**46,401**	51,985
Advance for capital subscription	**1,879**	1,716	**-**	-
Others	**888**	888	**888**	888
Total	**51,750**	57,124	**47,289**	52,873

b. Changes in investments in direct subsidiaries

Change details	Parent							Consolidated		
	Tergran – Terminal de Grãos de Fortaleza Ltda.	M. Dias Branco Argentina S. A.	M. Dias Branco International Trading LLC	Terminal de Trigo do Rio de Janeiro – Logística S. A	Indústria de Produtos Alimentícios Piraquê S.A.(2)	Others	Total	Terminal de Trigo do Rio de Janeiro – Logística S. A	Others	Total
Balances at December 31, 2018	**2,694**	**2**	**126**	**14,874**	**1,531,350**	**139**	**1,549,185**	**14,874**	**888**	**15,762**
Equity income (1)	(291)	-	-	(889)	15,904	-	14,724	(889)	-	(889)
Unrealized profits on operations with subsidiaries (1)	-	-	-	-	(2,810)	-	(2,810)	-	-	-
Depreciation, amortization and write-down of net assets (1)	-	-	-	-	(22,625)	-	(22,625)	-	-	-
Acquisition of company share	-	-	-	-	696	-	696	-	-	-
Capital increase	-	-	-	38,000	-	-	38,000	38,000	-	38,000
Advance for capital subscription	1,716	-	-	-	-	-	1,716	-	-	-
Foreign exchange variations	-	(1)	5	-	-	-	4	-	-	-
Acquisition assets	-	-	-	-	(436,651)	749	(435,902)	-	-	-
Transfer of goodwill, negative goodwill on net assets and unrealized profits	-	-	-	-	(1,085,864)	-	(1,085,864)	-	-	-
Balances at December 31, 2019	**4,119**	**1**	**131**	**51,985**	**-**	**888**	**57,124**	**51,985**	**888**	**52,873**
Equity income (1)	**9**	**-**	**-**	**(5,584)**	**-**	**-**	**(5,575)**	**(5,584)**	**-**	**(5,584)**
Foreign exchange variations	**-**	**-**	**38**	**-**	**-**	**-**	**38**	**-**	**-**	**-**
Advance for capital subscription	**163**	**-**	**-**	**-**	**-**	**-**	**163**	**-**	**-**	**-**
Balances at December 31, 2020	**4,291**	**1**	**169**	**46,401**	**-**	**888**	**51,750**	**46,401**	**888**	**47,289**

(1)The equity income recorded in FY 2019 amounted to (R$ 10,711), where R$ 14,724 denotes the equity income in subsidiaries, (R$ 22,625) the amortization of asset goodwill and (R$ 2,810) the reversal of unrealized profits on subsidiary operations. The equity income recorded in FY 2020 amounted to (R$ 5,575), (2) Indústria de Alimentos Piraquê was merged into the Company on December 27, 2019.

11. Investment properties

Investment properties are stated at their historical acquisition costs, less accumulated depreciation and impairment, when applicable. Depreciation is calculated on the depreciable amount of an asset using the straight-line method at established rates, and takes account of the estimated useful life of the assets, thus reflecting the expected pattern of consumption of the future economic benefits embodied in the assets.

The weighted depreciation rate expressing the useful life of assets classified as investment property was 4.60% in 2020 (4.55% in 2019).

(All amounts in thousands of Reais, except if stated otherwise)

a. Changes in investment properties

Change details	Parent and Consolidated		
	Buildings	Land	Total
Balance at December 31, 2018	**11,181**	**11,163**	**22,344**
Addition [1]	12,502	27,677	40,179
Disposals [2]	-	(1,875)	(1,875)
Depreciation	(5,423)	-	(5,423)
Balance at December 31, 2019	**18,260**	**36,965**	**55,225**
Reclassification	**(453)**	**453**	**-**
Depreciation	**(612)**	**-**	**(612)**
Balance at December 31, 2020	**17,195**	**37,418**	**54,613**

[1] *Reclassification of property, plant and equipment to investment property;*
[2] *Partial sale of land in Moinho Santa Lúcia.*

In 2019, following the decision not to build the proposed manufacturing plant in Juiz de Fora, the land purchased for the plant was transferred to investment property, as well as a property in Recife previously hosting distribution operations that have now been transferred to a new distribution center in Paulista/PE. Our investment properties now comprise six properties in Bahia, Ceará, Pernambuco, Piauí and Minas Gerais.

At December 31, 2020, the fair value of these properties is R$ 121,056 (R$ 112,782 at December 31, 2019), based on appraisal reports issued by independent appraisers.

12. Property, plant and equipment

Items of property, plant and equipment are stated at historic purchase or construction cost, less accumulated depreciation and impairment losses, when applicable. Depreciation is calculated on the depreciable values, using the straight-line method at the rates stated which take into consideration the estimated useful lives of the assets, since this method best reflects the standard usage of the future economic benefits of the asset.

The depreciation methods, useful lives and residual values are revised at the end of each financial period, and any adjustments are recognized prospectively.

The weighted depreciation and amortization rates that express the useful lives of property, plant and equipment and the right-of-use assets, respectively, are presented below:

Depreciation rate % (p.a)				
Description	Parent		Consolidated	
	2020	2019	2020	2019
Buildings	**1.8**	1.67	**1.8**	1.61
Machinery and equipment	**6.14**	5.94	**6.14**	5.92
Fixtures and fittings	**9.57**	9.48	**9.57**	8.19
Vehicles	**6.88**	6.88	**6.88**	6.91
Facilities	**5.47**	5.72	**5.47**	5.33
Right-of-use [1]	**14.79**	11.93	**14.79**	14.73
Others	**4.98**	4.95	**4.98**	4.95

[1] *See Note 14.*

(All amounts in thousands of Reais, except if stated otherwise)

a) Changes in property, plant and equipment

Parent

Cost	Buildings	Machinery and equipment	Fixtures and fittings	Vehicles	Facilities	Assets in progress	Others	Total
Balances at December 31, 2018	**768,984**	**2,128,744**	**82,605**	**62,941**	**339,279**	**524,091**	**215,423**	**4,122,067**
Additions	2,317	7,830	2,245	565	1,580	271,051	4,298	289,886
Recognition of tax credits	(16,232)	(6,343)	-	-	-	-	-	(22,575)
Acquisition assets	184,440	417,729	10,583	31,191	21,158	39,092	15,451	719,644
Goodwill on assets	91,271	78,397	1,050	(87)	-	-	76,865	247,496
Right-of-use (1)	78,219	-	-	7,609	-	-	1,185	87,013
Disposals	(794)	(5,966)	(294)	(2,944)	(32)	(82)	(164)	(10,276)
Transfers	249,518	198,783	6,948	460	29,181	(493,265)	8,375	-
Reclassification (2)	(12,432)	-	-	-	(888)	134	(26,860)	(40,046)
Balances at December 31, 2019	**1,345,291**	**2,819,174**	**103,137**	**99,735**	**390,278**	**341,021**	**294,573**	**5,393,209**
Additions	**1,308**	**9,841**	**2,138**	**254**	**475**	**191,586**	**3,955**	**209,557**
Recognition of tax credits	**(815)**	**(5,586)**	**-**	**-**	**(210)**	**-**	**(2)**	**(6,613)**
Right-of-use	**27,306**	**62,714**	**-**	**17,805**	**-**	**-**	**4,866**	**112,691**
Disposals	**(1)**	**(1,989)**	**(433)**	**(2,516)**	**1**	**-**	**(231)**	**(5,169)**
Transfers	**14,152**	**112,716**	**3,572**	**1**	**21,252**	**(155,461)**	**3,768**	-
Reclassification (2)	**-**	**(209)**	**153**	**-**	**(287)**	**308**	**5**	**(30)**
Balances at December 31, 2020	**1,387,241**	**2,996,661**	**108,567**	**115,279**	**411,509**	**377,454**	**306,934**	**5,703,645**

(1) See Note 14; (2) Reclassification mainly of property, plant and equipment to investment properties R$ 40,179 in 2019 and from intangible to property, plant and equipment of R$ 134 in 2019 and R$ 30 in 2020.

Depreciation	Buildings	Machinery and equipment	Fixtures and fittings	Vehicles	Facilities	Assets in progress	Others	Total
Balances at December 31, 2018	**(204,753)**	**(1,005,478)**	**(55,545)**	**(43,186)**	**(134,001)**	**-**	**(78,719)**	**(1,521,682)**
Depreciation	(13,992)	(107,305)	(5,221)	(2,676)	(18,609)	-	(7,133)	(154,936)
Acquisition assets	(30,139)	(286,311)	(7,195)	(8,861)	(9,129)	-	(8,518)	(350,153)
Goodwill on assets	(4,334)	(13,900)	(202)	73	-	-	(366)	(18,729)
Amortization of the right-of-use (1)	(5,833)	-	-	(3,158)	-	-	(1,094)	(10,085)
Disposals	24	3,259	230	2,838	14	-	155	6,520
Transfers	56	12	(33)	-	(7)	-	(28)	-
Reclassification (2)	5,106	-	-	-	757	-	(817)	5,046
Balances at December 31, 2019	**(253,865)**	**(1,409,723)**	**(67,966)**	**(54,970)**	**(160,975)**	**-**	**(96,520)**	**(2,044,019)**
Depreciation	**(22,649)**	**(151,481)**	**(6,670)**	**(2,698)**	**(20,825)**	**-**	**(9,186)**	**(213,509)**
Amortization of the right-of-use	**(14,524)**	**(4,905)**	**-**	**(11,903)**	**-**	**-**	**(1,941)**	**(33,273)**
Disposals	**1**	**921**	**191**	**2,434**	**-**	**-**	**-**	**3,547**
Transfers	**3,084**	**(3,004)**	**(166)**	**(116)**	**28**	**-**	**174**	**-**
Reclassification (2)	**-**	**16**	**(153)**	**-**	**287**	**-**	**(2)**	**148**
Balances at December 31, 2020	**(287,953)**	**(1,568,176)**	**(74,764)**	**(67,253)**	**(181,485)**	**-**	**(107,475)**	**(2,287,106)**
Net balances								
Balances at December 31, 2019	1,091,426	1,409,451	35,171	44,765	229,303	341,021	198,053	3,349,190
Balances at December 31, 2020	**1,099,288**	**1,428,485**	**33,803**	**48,026**	**230,024**	**377,454**	**199,459**	**3,416,539**

(1) See Note 14; (2) Reclassification to investment properties of R$ 5,046 in 2019 and from intangible to property, plant and equipment of R$ 148 in 2020.

(All amounts in thousands of Reais, except if stated otherwise)

At December 31, 2020, the balance of R$ 199,459, recorded in "other", refers mainly to land (R$ 147,839), improvements (R$ 34,666), computers and peripheral equipment (R$ 9,375) and other fixed assets (R$ 7,579).

Consolidated

Cost	Buildings	Machinery and equipment	Fixtures and fittings	Vehicles	Facilities	Assets in progress	Others	Total
Balances at December 31, 2018	**1,046,175**	**2,626,505**	**93,391**	**64,284**	**360,786**	**531,423**	**310,371**	**5,032,935**
Additions	3,434	11,802	2,842	565	1,993	303,759	3,557	327,952
Recognition of tax credits	(16,232)	(6,343)	-	-	-	-	-	(22,575)
Right-of-use [1]	79,561	-	-	37,408	-	-	2,016	118,985
Disposals	(795)	(6,823)	(2,641)	(2,982)	(33)	(785)	(2,165)	(16,224)
Transfers	249,518	199,028	6,948	460	29,181	(493,510)	8,375	-
Reclassification [2]	(12,311)	(2,254)	2,673	-	(890)	134	(27,338)	(39,986)
Balances at December 31, 2019	**1,349,350**	**2,821,915**	**103,213**	**99,735**	**391,037**	**341,021**	**294,816**	**5,401,087**
Additions	**1,352**	**10,143**	**2,138**	**254**	**879**	**191,586**	**3,962**	**210,314**
Recognition of tax credits	**(815)**	**(5,586)**	**-**	**-**	**(210)**	**-**	**(2)**	**(6,613)**
Right-of-use [1]	**27,306**	**62,714**	**-**	**17,805**	**-**	**-**	**4,866**	**112,691**
Disposals	**(1)**	**(1,989)**	**(433)**	**(2,516)**	**1**	**-**	**(231)**	**(5,169)**
Transfers	**14,152**	**112,716**	**3,572**	**1**	**21,252**	**(155,461)**	**3,768**	-
Reclassification [2]	**-**	**(209)**	**153**	**-**	**(287)**	**308**	**5**	**(30)**
Balances at December 31, 2020	**1,391,344**	**2,999,704**	**108,643**	**115,279**	**412,672**	**377,454**	**307,184**	**5,712,280**

[1] See Note 14; [2] Reclassification mainly of property, plant and equipment to investment properties of R$ 40,179 and from intangible to property, plant and equipment of R$ 134 in 2019 and R$ 30 in 2020.

Depreciation	Buildings	Machinery and equipment	Fixtures and fittings	Vehicles	Facilities	Assets in progress	Others	Total
Balances at December 31, 2018	**(230,145)**	**(1,274,636)**	**(62,859)**	**(44,241)**	**(142,505)**	**-**	**(88,061)**	**(1,842,447)**
Goodwill	(2,600)	(8,389)	(74)	44	-	-	(218)	(11,237)
Depreciation	(22,006)	(137,358)	(4,636)	(1,490)	(19,557)	-	(7,664)	(192,711)
Amortization of the right-of-use [1]	(6,893)	-	-	(10,895)	-	-	(1,104)	(18,892)
Disposals	24	6,922	1,257	1,613	14	-	934	10,764
Transfers	56	12	(33)	-	(7)	-	(28)	-
Reclassification [2]	5,106	1,368	(1,671)	-	756	-	(513)	5,046
Balances at December 31, 2019	**(256,458)**	**(1,412,081)**	**(68,016)**	**(54,969)**	**(161,299)**	**-**	**(96,654)**	**(2,049,477)**
Depreciation	**(22,843)**	**(151,491)**	**(6,674)**	**(2,699)**	**(20,901)**	**-**	**(9,223)**	**(213,831)**
Amortization of the right-of-use [1]	**(14,524)**	**(4,905)**	**-**	**(11,903)**	**-**	**-**	**(1,941)**	**(33,273)**
Disposals	**1**	**921**	**191**	**2,434**	**-**	**-**	**-**	**3,547**
Transfers	**3,084**	**(3,004)**	**(166)**	**(116)**	**28**	**-**	**174**	**-**
Reclassification [2]	**-**	**16**	**(153)**	**-**	**287**	**-**	**(2)**	**148**
Balances at December 31, 2020	**(290,740)**	**(1,570,544)**	**(74,818)**	**(67,253)**	**(181,885)**	**-**	**(107,646)**	**(2,292,886)**
Net balances								
Balances at December 31, 2019	1,092,892	1,409,834	35,197	44,766	229,738	341,021	198,162	3,351,610
Balances at December 31, 2020	**1,100,604**	**1,429,160**	**33,825**	**48,026**	**230,787**	**377,454**	**199,538**	**3,419,394**

[1] See Note 14; [2] Reclassification to investment properties of R$ 5,046 in 2019 and from intangible to property, plant and equipment of R$ 148 in 2020.

(All amounts in thousands of Reais, except if stated otherwise)

As of December 31, 2020, the balance of R$ 199,538, recorded in "other", refers mainly to land (R$ 147,839), improvements (R$ 34,666) and computers and peripheral equipment (R$ 9,453) and other fixed assets (R$ 7,580).

Depreciation recognized in the consolidated statement of income for the period ended December 31, 2020 amounted to R$ 237,070 (R$ 211,156 at December 31, 2019).

b) Improvements to leased properties

The Company has lease contracts for port areas where three manufacturing plants are installed, located in the cities of Cabedelo (PB), Fortaleza (CE) and Natal (RN). Improvements are made to the real estate, and the costs are amortized over the shorter of the lease contract period and the useful life of the asset. The balance as of December 31, 2020 totaled R$ 34,948 (R$ 37,630 at December 31, 2019).

A detailed description of assets classified as improvements to third-party property is provided below:

Description	Parent and Consolidated	
	2020	2019
Improvements to buildings	73,857	73,218
Accumulated depreciation	(38,909)	(35,588)
	34,948	**37,630**

c) Guarantees

At December 31, 2020, the value of assets securing various operations amounted to R$ 664,005 (R$ 939,135 at December 31, 2019), excluding accumulated depreciation.

d) Impairment testing of assets

The Company's property, plant and equipment are subject to impairment tests to ensure that the carrying amounts do not exceed the recoverable values. Based on an analysis of external and internal information, it was concluded that the assets do not present any indications of impairment, devaluation or physical damage that could affect the Company's future cash flows.

13. Intangible assets

Intangible assets are valued at acquisition cost, less accumulated amortization and impairment losses, when applicable. If the intangible assets are acquired in a business combination, they are stated at fair value on the acquisition date.

The Company's intangible assets comprise:

(All amounts in thousands of Reais, except if stated otherwise)

Description	Parent and Consolidated	
	2020	2019
Assets with defined useful life		
Software	**82,345**	88,730
Software in progress [1]	**37,353**	26,841
(-) Accumulated amortization	**(51,165)**	(48,321)
	68,533	67,250
Other Intangible assets		
Non-contractual relationship with customers	**185,921**	185,921
Non-competition agreements	**1,035**	1,035
(-) Accumulated amortization	**(32,132)**	(20,052)
	154,824	166,904
Assets with indefinite useful life		
Brands		
Vitarella	**107,011**	107,011
Pilar	**33,815**	33,815
Estrela, Pelágio and Salsito	**75,559**	75,559
Predilleto and Bonsabor	**11,530**	11,530
Piraquê and Aldente	**318,510**	318,510
(-) Estimated losses for impairment of assets [2]	**-**	(7,699)
Others	**5,170**	5,121
	551,595	543,847
Goodwill		
Adria Alimentos do Brasil Ltda.	**34,037**	34,037
Vitarella	**400,710**	400,710
Pilar	**27,941**	27,941
Pelágio and J. Brandão	**67,661**	67,661
Moinho Santa Lúcia	**42,363**	42,363
Piraquê	**362,316**	362,316
Others [3]	**9,384**	9,384
	944,412	944,412
	1,719,364	1,722,413

[1] The software implementation projects in progress have an estimated time for completion by 2021; [2] Provision (Reversion) for impairment of the Predilleto brand; [3] Goodwill arising from the net worth of the company Craiova Participações Ltda., incorporated in Adria Alimentos do Brasil Ltda. on August 27, 2002.

Software is amortized over a period of five years, with the exception of the ERP system, which is amortized over ten years, which is the period defined as the estimated useful life of the asset and which reflects the economic benefit of the intangible asset. The non-contractual relationship with customers and non-competition agreements, assets identified in the process of allocating the acquisition price of Piraquê, have a defined useful life of 15.6 years and 5 years, respectively. Assets are amortized using the straight-line method over their estimated useful life.

The goodwill paid for future profitability is not amortized and its recoverable value, at minimum, is tested annually.

(All amounts in thousands of Reais, except if stated otherwise)

a) Changes in intangible assets

Parent

Change details	Software	Brands	Non-contractual customers relationship	Non-competition agreement	Goodwill	Total
Balances at December 31, 2018	**63,324**	**225,288**	**-**	**-**	**582,096**	**870,708**
Additions [1]	13,715	49	-	-	-	13,764
Acquisition assets	471	-	-	-	-	471
Goodwill	-	318,510	166,214	690	362,316	847,730
Disposals	(58)	-	-	-	-	(58)
Reclassification [2]	(134)	-	-	-	-	(134)
Amortizations	(10,068)	-	-	-	-	(10,068)
Balances at December 31, 2019	**67,250**	**543,847**	**166,214**	**690**	**944,412**	**1,722,413**
Additions [1]	**12,156**	**49**	**-**	**-**	**-**	**12,205**
Reclassification [2]	**(118)**	**-**	**-**	**-**	**-**	**(118)**
Amortizations	**(10,558)**	**-**	**(11,873)**	**(207)**	**-**	**(22,638)**
Disposals	**(197)**	**-**	**-**	**-**	**-**	**(197)**
Reversal of provision for impairment of assets	**-**	**7,699**	**-**	**-**	**-**	**7,699**
Balances at December 31, 2020	**68,533**	**551,595**	**154,341**	**483**	**944,412**	**1,719,364**

[1] This refers primarily to the following projects: ADP (payroll; R$ 5,293); HCM (human capital management; R$ 4,833) and other projects (R$ 2,606) in 2019; and Digital Desktop (R$ 3,221); HCM (human capital management; R$ 2,552); Incoming invoice automation (R$ 1,920); Procurement platform implementation (R$1,215); Trademaster credit limit underwriting automation (R$ 572); Hyperion Planning-PHASE V-FF (R$ 468); ADP (payroll; R$ 460); and CGF (improvements to the supplier contract management system; R$ 213) in financial year 2020; and Reclassification of property, plant and equipment (R$ 134) in financial year 2019 and (R$ 118) in financial year 2020.

Consolidated

Change details	Software	Brands	Non-contractual customers relationship	Non-competition agreement	Goodwill	Total
Balances at December 31, 2018	**63,625**	**543,798**	**178,038**	**897**	**943,716**	**1,730,074**
Business Combination-Piraquê	-	-	-	-	696	696
Goodwill amortizations	-	-	(11,824)	(207)	-	(12,031)
Additions	14,164	49	-	-	-	14,213
Disposals	(57)	-	-	-	-	(57)
Reclassification	(134)	-	-	-	-	(134)
Amortizations	(10,348)	-	-	-	-	(10,348)
Balances at December 31, 2019	**67,250**	**543,847**	**166,214**	**690**	**944,412**	**1,722,413**
Additions	**12,156**	**49**	**-**	**-**	**-**	**12,205**
Reclassification	**(118)**	**-**	**-**	**-**	**-**	**(118)**
Amortizations	**(10,558)**	**-**	**(11,873)**	**(207)**	**-**	**(22,638)**
Disposals	**(197)**	**-**	**-**	**-**	**-**	**(197)**
Reversal of provision for impairment of assets	**-**	**7,699**	**-**	**-**	**-**	**7,699**
Balances at December 31, 2020	**68,533**	**551,595**	**154,341**	**483**	**944,412**	**1,719,364**

The Company expensed research and development costs of R$ 10,730 for the year ended on December 31, 2020 (R$ 11,620 at December 31, 2019).

b) Impairment testing of goodwill and brands

As a result of the plan to resume the Predilleto brand ramped up over the course of the first half of 2020 and future performance projections, at June 30, 2020 the Company carried out a brand impairment test, which showed it was necessary to reverse the recognized impairment loss of R$ 7,699.

At December 31, 2020, the Company realized impairment testing of the carrying values of goodwill and brands registered as intangible assets, based on value-in-use, utilizing the discounted cash flow model.

It is important to highlight that the process to estimate the value-in-use involves assumptions, judgments and forecasts of future cash flows, growth rates and discount rates. Therefore, the assumptions for the model are based on expected growth presented in the Company's annual budgets and in the strategic planning, approved by the directors, historic performance, and also market data, and therefore represent management's best estimates regarding the economic conditions that could prevail during the economic useful lives of the assets that are responsible for generating the cash flows.

According to the Company's valuation techniques, the assessment of value-in-use was made for a period of 5 years to perpetuity, and the model was based on the following fundamental assumptions:

- net revenue was forecast considering average annual growth of 9.3% (volume 2.3% and price 7.4%), based on historic performance and expected future performance;

- operational costs and expenses were forecast based on the Company's historic performance and expectations regarding the rising costs of supplies within the context of the forecast increase in sales;

- the investments in capital assets were estimated based on the infrastructure required to support forecast sales growth;

- the estimated future cash flows were discounted using a single discount rate of 10.3% (8.9% in 2019). The growth rate utilized to extrapolate the forecasts beyond a period of 5 years was 4.2% (4.0% at December 31, 2019).

In this assessment process, the value of the Company obtained from testing the recoverable values of its intangible assets did not result in the need to recognize impairment, because the carrying value of these assets did not exceed their estimated value-in-use.

14. Leases

The Company recognizes the right of use of the leased asset and the liability for future payments for lease contracts and for contracts of a leasing nature, i.e. those that convey the right to control the use of an identified asset and obtain the benefits for a period of time in exchange for consideration.

The recognized assets and liabilities are initially measured at present value. Lease liabilities are measured at the net present value of the remaining payments, discounted at the incremental rate on loans, grouped by general nature of asset and contractual term. Right-of-use assets are measured at cost according to the value of the initial measurement of the lease liability and depreciated over the lease term by the straight-line method.

The Company maintains assets and liabilities arising from lease agreements for port areas where three plants are installed, as specified in Note 12, letter b, property rental agreements, printers, vehicle rental and during the year of 2020, the Company recognized rights of use for forklifts under an eight-year contract, representing an addition of R$ 62,714. Rights of use were also added in respect of four properties and rented vehicles.

(All amounts in thousands of Reais, except if stated otherwise)

See below the initial measurement of the assets and liabilities and changes in the year ended December 31, 2020 and December 31, 2019:

a) Right-of-use

Parent	Properties (1)	Machinery and equipment	Vehicles	Computers and Peripherals	Total
Initial recognition on January 1, 2019	**33,324**	**-**	**7,119**	**2,027**	**42,470**
Additions	45,090	-	-	-	45,090
Acquisition assets	282	-	22,062	822	23,166
Agreements adjustment	(195)	-	489	(842)	(548)
Amortization	(5,833)	-	(3,158)	(1,094)	(10,085)
Balances as of December 31, 2019	**72,668**	**-**	**26,512**	**913**	**100,093**
Additions	27,305	62,714	17,805	4,867	112,691
Amortization	(14,524)	(5,603)	(11,903)	(1,243)	(33,273)
Balances as of December 31, 2020	**85,449**	**57,111**	**32,414**	**4,537**	**179,511**

(1) Initial recognition considers the balance of deferred expenses at December 31, 2018 for prepayment of the lease contract in the amount of R$ 2,667.

Consolidated	Properties (1)	Machinery and equipment	Vehicles	Computers and Peripherals	Total
Initial recognition on January 1, 2019	**34,617**	**-**	**36,550**	**2,829**	**73,996**
Additions	45,090	-	369	-	45,459
Agreements adjustment	(146)	-	488	(813)	(471)
Amortization	(6,893)	-	(10,895)	(1,103)	(18,891)
Balances as of December 31, 2019	**72,668**	**-**	**26,512**	**913**	**100,093**
Additions	27,305	62,714	17,805	4,867	112,691
Amortization	(14,524)	(5,603)	(11,903)	(1,243)	(33,273)
Balances as of December 31, 2020	**85,449**	**57,111**	**32,414**	**4,537**	**179,511**

(1) Initial recognition considers the balance of deferred expenses at December 31, 2018 for prepayment of the lease contract in the amount of R$ 2,667.

The average discount rates used in initial measurement, based on quotes provided by financial institutions, the contract expiration dates and the relevant weighted amortization rates expressing the timing of the realization of rights-of-use, are as follows:

Nature of contracts	Average discount rate	Maturity (1)	Amortization rate
			Parent and Consolidated
Port properties	**12.27%**	May/32	**8.06%**
Properties	**8.48%**	Aug/29	**16.01%**
Machinery and equipment	**6.80%**	Oct/27	**14.29%**
Vehicles	**10.06%**	May/23	**22.50%**
Printer	**9.52%**	Jan/25	**21.25%**

(1) Considered the last maturity of the group of contracts.

(All amounts in thousands of Reais, except if stated otherwise)

b) Lease liability

Change details	Parent	Consolidated
Initial recognition on January 1, 2019	**39,803**	**71,329**
Additions	45,090	45,459
Acquisition assets	24,221	-
Disposals	(547)	(409)
Interest	5,640	8,307
Payments	(12,228)	(22,707)
Balances as of December 31, 2019	**101,979**	**101,979**
Additions	112,691	112,691
Reclassification	172	172
Interest	17,427	17,427
Payments	(37,279)	(37,279)
Balances as of December 31, 2020	**194,990**	**194,990**
Current	**41,109**	**41,109**
Non-current	**153,881**	**153,881**

(1) Recognition of the right-of-use forklifts, properties and rented vehicles.

The amounts recorded as non-current liabilities at December 31, 2020 mature as follows:

Maturity	Parent and Consolidated
2022	**38,490**
2023	**32,607**
2024	**25,277**
2025	**15,694**
2026 to 2032	**41,813**
Total	153,881

c) Amounts recognized in profit or loss

Change details	Parent		Consolidated	
	2020	2019	2020	2019
Amortization of rights-of-use	**33,273**	10,085	**33,273**	18,891
Interest on lease liabilities	**17,427**	5,640	**17,427**	8,307
Payments not included in the measurement of lease liabilities	**2,231**	1,435	**2,231**	1,510

14.1 CVM/SNC/SEP/Official Circular No. 02/2019

On December 18, 2019 the Brazilian Securities Commission (CVM) issued CVM/SNC/SEP/Official Circular No. 02/2019 containing guidance on requirements contained in CPC 06 (R2) – IFRS 16 that are applicable to the preparation of the financial statements of lessees for the financial year ended December 31, 2019.

In compliance with the above Circular, the Company is presenting comparative balances of lease liabilities, rights-of-use, finance expense and depreciation expense taking account of the effect of projected future inflation on cash flows under the lease contracts, discounted at the nominal rate:

(All amounts in thousands of Reais, except if stated otherwise)

	December 31, 2020												
	Consolidated												
	2020	2021	2022	2023	2024	2025	2026	2027	2028	2029	2030	2031	2032
Liability													
IFRS 16	194,990	153,398	114,749	82,099	56,775	41,031	24,338	14,620	9,855	6,158	3,817	1,188	-
CVM Official	220,712	181,649	139,794	103,351	74,157	55,389	34,490	21,792	15,170	9,803	6,204	1,971	-
	13.2%	18.4%	21.8%	25.9%	30.6%	35.0%	41.7%	49.1%	53.9%	59.2%	62.5%	65.9%	-
Right-of-use													
IFRS 16	179,512	138,518	100,992	70,715	47,151	32,590	18,262	10,401	6,748	4,048	2,366	684	-
CVM Official	200,425	156,487	115,208	81,557	55,063	38,352	21,849	12,672	8,278	5,003	2,924	845	-
	11.6%	13.0%	14.1%	15.3%	16.8%	17.7%	19.6%	21.8%	22.7%	23.6%	23.6%	23.5%	-
Financial expense													
IFRS 16	17,427	15,197	11,811	8,736	6,048	4,488	3,243	2,069	1,420	917	594	307	35
CVM Official	21,975	17,870	14,278	10,902	7,850	6,036	4,520	3,021	2,147	1,434	954	502	58
	26.1%	17.6%	20.9%	24.8%	29.8%	34.5%	39.4%	46.0%	51.2%	56.4%	60.6%	63.8%	66.2%
Amortization													
IFRS 16	33,272	40,026	37,525	30,277	23,565	14,561	14,328	7,861	3,652	2,700	1,682	1,682	684
CVM Official	37,690	43,938	41,279	33,601	26,494	16,762	16,503	9,177	4,394	3,275	2,079	2,079	845
	13.3%	9.8%	10.0%	11.0%	12.4%	15.1%	15.2%	16.7%	20.3%	21.3%	23.6%	23.6%	23.5%

A statement of potentially recoverable PIS/COFINS tax credits embedded in the lease consideration over the relevant payment periods is presented below:

Cash flow	2020		2019	
	Par value	Adjusted to present value	Par value	Adjusted to present value
Consideration for the lease	250,383	194,990	146,743	101,979
Potential PIS/ COFINS (9.25%)	23,160	18,037	13,574	9,433

15. Related-party transactions

Related-party transactions principally originate from transactions between the Company and its subsidiaries, key management professionals and other parties related directly or indirectly to the controlling shareholder. These operations were carried out under market conditions that were satisfactory for the Company's interests, taking into consideration management's analysis of each operation. The Company's controlling shareholder is DIBRA Fundo de Investimentos em Participações.

Presented below is a list of related companies with which the Company carries out transactions:

Related parties	Nature of the transactions
Subsidiaries (1)	
M. Dias Branco International Trading LLC	Purchase of raw materials, but no transactions during the year
M. Dias Branco International Trading Uruguay S. A.	Purchase of raw materials, but no transactions during the year
M. Dias Branco Argentina S. A.	Not operating and in the process of being liquidated
Indústria de Produtos Alimentícios Piraquê S.A	Purchase and sale of industrialized products, however the Company was taken over on December 27, 2019.
Jointly controlled (1)	
Tergran – Terminal de Grãos de Fortaleza Ltda.	Services related to unloading wheat
Terminal de Trigo do Rio de Janeiro - Logística S.A.	Provision of raw material unloading services and other services.

Related parties	Nature of the transactions
Companies whose controller is the Company's chairman of the board of directors	
Dias Branco Administração e Participação Ltda. (2)	Rent of property
Idibra Participações S. A.	Civil constructions and equipment leasing
Praia Centro Hotel Viagens e Turismo Ltda.	Services related to accommodation for employees and other professionals
Terminal Portuário Cotegipe S. A.	Services related to unloading wheat and other services
Companhia Industrial de Cimento Apodi	Purchase of materials used in civil works
Companies in which the Company's president or vice president are registered as the partners	
LDB Transporte de Cargas Ltda.	Cargo transport
LDB Logística e Transporte Ltda.	Cargo transport
AET – Engenharia e Soluções Tecnológicas Avançadas Ltda.	Equipment installation and maintenance services rendered
BS Engenharia e Automação S.A.	Equipment installation and maintenance services rendered
Colemont Seg Consultoria, Gerência de Riscos e Corretagem de Seguros S.A.	Advisory or consultancy services
Companies in which the Company's vice presidents are registered as shareholders	
Coemdibra – Cooperativa de Empregados do M. Dias Branco	Sale of industrialized products Purchase of consumer materials

Notes: (1) *the percentage equity interest and its chacacteristics are disclosed in Note 5;* (2) Termination in August 2019 with Dias Branco Administração e Participação Ltda.

The following companies are related to the controlling shareholder or to the vice president and meet the criteria of CPC 05, and are also considered related parties. However, the Company does not carry out any transactions with them: Apodi Transporte e Locação Ltda., Apodi Distribuição e Logística Ltda., Hotel Praia Mar Ltda., Aquiraz Investimentos Turísticos S. A., CDB Participações Ltda-EPP, Praia do Futuro Empreendimentos Imobiliários Ltda., Equatorial Participações e Negócios S. A., Dias Branco Incorporadora SPE 001 Ltda., Dias Branco Incorporadora SPE 002 Ltda., Dias Branco Incorporadora SPE 003 Ltda, Dias Branco Incorporadora SPE 004 Ltda, Dias Branco Incorporadora SPE 005 Ltda., Dias Branco Incorporadora SPE 006 Ltda., Ponta da Praia Empreendimentos Imobiliários SPE 001 Ltda.; Aquiraz Golf Clubs Administração e Comércio Ltda., Lago das Praias Belas Empreendimentos Imobiliários Ltda, Aveiro Multimercado FD Invest Credito Privado Investimento Exterior, Águas Claras Participações Ltda., Bronze Administração e Participações S/A., Ouro Administração e Participações S/A., Prata Administração e Participações S/A., Platina Administração e Participações S/A., Titânio Administração, Participações S/A, Apodi Concreto Ltda, IDB Condominium Incorporações SPE Ltda, Riviera Lazer S.A. 3L Administração e Participações Ltda., Lavanda Brasil Indústria e Comércio de Cosméticos Ltda., Universo Pet II SCP, and Wef Engenharia e Automação Ltda.

a) Terms of the transactions with the main related parties

Related-party transactions are realized under conditions satisfactory for the Company, and the prices charged vary depending on the type of service provided and the products sold. In general, payments are made against Invoices.

Assets and liabilities with the related parties are presented below:

(All amounts in thousands of Reais, except if stated otherwise)

Description	Parent		Consolidated	
	2020	2019	2020	2019
Assets				
Current				
Accounts receivable				
Coemdibra – Cooperativa de Empregados do M. Dias Branco	**34**	31	**34**	31
LDB Logística e Transporte Ltda.	**9**	3	**9**	3
LDB Transporte de Cargas Ltda.	**1**	23	**1**	23
Idibra Participações S. A.	**1**	-	**1**	-
Praia Centro Hotéis, Viagens e Turismo Ltda.	**-**	1	**-**	1
	45	58	**45**	58
Liabilities				
Current				
Suppliers				
LDB Transporte de Cargas Ltda.	**280**	203	**280**	203
LDB Logística e Transporte Ltda.	**214**	142	**214**	142
AET – Engenharia e Soluções Tecnológicas Avançadas Ltda.	**82**	91	**82**	91
Terminal Portuário Cotegipe S. A.	**-**	1,018	**-**	1,018
Idibra Participações S. A.	**1**	513	**1**	513
Coemdibra – Cooperativa de Empregados do M. Dias Branco	**3**	1	**3**	1
Tergran – Terminal de Grãos de Fortaleza Ltda.	**21**	769	**-**	-
BS Engenharia e Automação S.A.	**65**	-	**65**	-
Colemont Seg Consultoria, Gerência de Riscos e Corretagem de Seguros S.A.	**132**	-	**132**	-
	778	2,737	**777**	1,968
Other accounts payable				
Tergran – Terminal de Grãos de Fortaleza Ltda.	**1,188**	1,188	**-**	-
	1,188	1,188	**-**	-
Non-current liabilities				
Accounts payable				
M.Dias Branco Trading LLC	**3**	3	**-**	-
Terminal Portuário Cotegipe S. A.	**1,238**	1,238	**1,238**	1,238
	1,241	1,241	**1,238**	1,238

b) Transactions carried out with related parties are presented below:

Description	Parent		Consolidated	
	2020	2019	2020	2019
Sale of products				
AET – Engenharia e Soluções Tecnológicas Avançadas Ltda.	**-**	2	**-**	2
Terminal Portuário Cotegipe S. A.	**4**	8	**4**	8
Coemdibra – Cooperativa de Empregados do M. Dias Branco	**507**	541	**507**	541
LDB Transporte de Cargas Ltda.	**19**	11	**19**	11
LDB Logística e Transporte Ltda.	**30**	52	**30**	52
Idibra Participações S/A	**2**	2	**2**	2
Praia Centro Hotéis, Viagens e Turismo Ltda.	**6**	28	**6**	28
Indústria de Produtos Alimentícios Piraquê S.A	**-**	38,845	**-**	-
	568	39,489	**568**	644
Purchase of products				
Indústria de Produtos Alimentícios Piraquê S.A	**-**	35,629	-	-
	-	35,629	**-**	**-**
Sale of fixed assets / other				
Coemdibra – Cooperativa de Empregados do M. Dias Branco	**4**	4	**4**	4
Terminal Portuário Cotegipe S. A.	**-**	1	**-**	1

(All amounts in thousands of Reais, except if stated otherwise)

Description	Parent		Consolidated	
	2020	2019	2020	2019
Dias Branco Administração e Participações Ltda.	**13**	-	**13**	-
LDB Logística e Transporte Ltda.	**-**	11	**-**	11
Indústria de Produtos Alimentícios Piraquê S.A	**-**	3,390	**-**	-
	17	3,406	**17**	16
Purchase of fixed assets / others				
Coemdibra – Cooperativa de Empregados do M. Dias Branco	**142**	132	**142**	132
AET – Engenharia e Soluções Tecnológicas Avançadas Ltda.	**432**	1,605	**432**	1,605
Dias Branco Administração e Participações Ltda.	**-**	8	**-**	8
BS Engenharia e Automação S.A.	**384**	-	**384**	-
Indústria de Produtos Alimentícios Piraquê S.A	**-**	646	**-**	-
	958	2,391	**958**	1,745
Hiring of services				
LDB Transporte de Cargas Ltda.	**13,815**	16,387	**13,815**	16,387
LDB Logística e Transporte Ltda.	**14,031**	10,624	**14,031**	10,624
Terminal Portuário Cotegipe S. A.	**7,247**	6,895	**7,247**	6,895
Tergran – Terminal de Grãos de Fortaleza Ltda.	**6,039**	7,956	**-**	-
Praia Centro Hotéis, Viagens e Turismo Ltda.	**639**	2,056	**639**	2,056
Idibra Participações S. A.	**1,840**	820	**1,840**	820
AET – Engenharia e Soluções Tecnológicas Avançadas Ltda.	**2,049**	2,341	**2,049**	2,341
BS Engenharia e Automação S.A.	**783**	-	**783**	-
Colemont Seg Consultoria, Gerência de Riscos e Corretagem de Seguros S.A.	**316**	-	**316**	-
Indústria de Produtos Alimentícios Piraquê S.A	**-**	68	**-**	-
	46,759	47,147	**40,720**	39,123

Other matters

The Company is the lessee of certain property items owned by Dias Branco Administração e Participações Ltda. and Idibra Participações S.A.

As regards the submission of security for the Company's loan agreements in force, Mrs. Maria Consuelo Saraiva Leão Dias Branco, the Chairperson of the Board of Directors, is the guarantor for most loans. A number of statutory officers also appear as guarantors in some of these loans in conjunction with Mrs. Maria Consuelo.

As at December 31, 2020, the guaranteed balance for consolidated financing was R$ 43,704 (R$ 414,914 at December 31, 2019).

Remuneration paid to key management personnel

Key management personnel are considered to be members of the statutory board of directors and the members of the Company's Board of Directors.

At December 31, 2020, the Company recognized R$ 26,251 (R$ 34,935 at December 31, 2019) in compensation for key management personnel, including salaries, management fees, bonuses, short-term benefits, especially profit-sharing, and long-term benefits for registered employees appointed as statutory officers, as described in Note 26.

It should be noted that the amount of management fees evidenced in Note 28 refers only to direct remuneration, comprising items such as salaries, fees and bonuses. Thus, variable remuneration and benefits granted to key management personnel have not been included in the management fees.

(All amounts in thousands of Reais, except if stated otherwise)

The Company's bylaws do not provide for Management to receive profit shares, and no amount has therefore been recorded for profit sharing for the years ended December 31, 2020 and 2019.

16. Suppliers and "Drawee's Risk" Transactions

Description	Parent		Consolidated	
	2020	2019	2020	2019
Domestic suppliers	**302,001**	148,713	**302,093**	148,538
Foreign suppliers	**559**	506	**559**	506
	302,560	149,219	**302,652**	149,044
"Drawee's risk" transactions	**59,086**	-	**59,086**	-
Total	**361,646**	149,219	**361,738**	149,044

In 2020 the Company initiated "drawee's risk" (risco sacado) transactions with suppliers to allow them to transfer their rights under receivables to a financial institution and receive an advance of those receivables for goods and services purchased by the Company. The decision to opt into these transactions remains exclusively with the supplier.

In these transactions the financial institution agrees to pay an advance to our suppliers in exchange for a discount on the receivables. The supplier transfers its rights in these receivables to the bank. The Company pays the full amount of the original price to the financial institution on the original due date.
These transactions have no effect on the prices, terms or other conditions initially agreed and therefore on the amount, nature or timing of the original liability, and the Company does not incur any financial charges from the financial institution. In addition, no guarantees are provided by the Company. The Company therefore continues to recognize these liabilities as "Trade payables" and the effects from these transactions are recognized under operational activities in the statement of cash flows.

17. Financing and borrowings

Loans and financing are recognized as financial liabilities carried at amortized cost, and are measured at their restated amounts using the contractual rates. The fair values of these loans are the same as their carrying amounts, as they are financial instruments of a specific nature deriving from specifically created sources.

The financing and borrowings of the Company are monetarily restated, when applicable, for the related contractual charges, and any financing subject to foreign exchange variation is restated using the respective selling exchange rate in force on the last business day of the period.

General and specific loan costs that are directly attributed to the acquisition, construction or production of a qualifying asset, i.e. an asset that requires a long time to be concluded for the purpose of use or sale, are capitalized as part of the asset's cost when it is probable that they will result in future economic benefits for the entity and that such costs can be reliably measured. Other loan costs are recorded as an expense in the period they are incurred in.

(All amounts in thousands of Reais, except if stated otherwise)

Financing and borrowings recorded at December 31, 2020 in the amount of R$ 1,589,017 (R$ 979,677 at December 31, 2019) are distributed between four categories, as follows: financing and borrowings with financial institutions, financing for taxes, direct financing and promissory notes.

17.1 Financing and borrowings with financial institutions

Description	Index	Interest (p.a.)	Parent and Consolidated Maturity [1]	2020	2019
Domestic currency					
BNDES-FINAME	**TJLP**	**2.17**	**08/15/2024**	**14,228**	18,281
BNDES-PSI [2]	**R$**	**2.98**	**01/15/2024**	**73,573**	105,607
BNDES-FINEM	**IPCA**	**8.63**	**08/15/2024**	**39,204**	49,456
BNDES-PROGEREN	**IPCA**	**6.28**	**10/15/2022**	**40,176**	57,653
FINIMP	**CDI**	**3.80**	**04/01/2021**	**138,070**	-
Working Capital	**CDI**	**1.30**	**11/17/2021**	**200,780**	-
				506,031	230,997
Foreign currency					
Financing for imported supplies (FINIMP) and Working Capital (Law 4,131)	**USD**	**2.09**	**12/22/2025**	**856,128**	365,248
Working Capital (Law 4,131)	**EUR**	**0.18**	**05/07/2020**	**-**	133,943
				856,128	499,191
Total				**1,362,159**	730,188
Current liabilities				**743,764**	568,677
Non-current liabilities				**618,395**	161,511

[1] *Final maturity for the group of contracts;* [2] *Contracts signed for the purchase of fixed assets.*

The grace period for the contracts signed involving resources from the National Bank for Economic and Social Development (BNDES) is between 12 and 36 months. In most of the contracts, the interest is paid quarterly during the grace period and after this period has lapsed, the payments are made monthly, except in some direct operations with BNDES in which the principal sum and interest are paid annually. The financing for importing supplies falls due annually for the principal and interest. Working capital loans have a grace period of 6 months; interest payments are made every six months and the principal is paid on maturity.

See below the changes in loans and financing:

Change details	Parent	Consolidated
Balance at December 31, 2018	**783,394**	**1,002,239**
Release	392,104	392,104
Acquisition assets	163,421	-
Provision for interest, commission and tax	28,061	40,471
Exchange and monetary variation	29,155	33,947
Amortizations	(602,205)	(656,974)
Interest payment	(63,742)	(81,599)
Balance at December 31, 2019	**730,188**	**730,188**
Release	**1,617,103**	**1,617,103**
Provision for interest, commission and tax	**38,897**	**38,897**
Exchange and monetary variation	**176,127**	**176,127**
Amortizations	**(1,035,313)**	**(1,035,313)**
Interest payment	**(164,843)**	**(164,843)**
Balance at December 31, 2020	**1,362,159**	**1,362,159**

(All amounts in thousands of Reais, except if stated otherwise)

The amounts recorded in non-current liabilities at December 31, 2020 mature as follows:

Maturity	Parent and Consolidated
2022	**62,265**
2023	**25,581**
2024	**10,879**
2025	**519,670**
Total	**618,395**

Some consolidated financing and borrowings are secured by real estate mortgage, bank guarantee, promissory notes (see Note 15), Standby Letter of Credit and/or chattel mortgages over the assets financed, in the amount of R$ 1,081,379 (R$ 730,188 at December 31, 2019).

The credit contracts for importing supplies, external financing, financing through credit facilities from BNDES are subject to covenants, common for these types of operations. Non-compliance with these covenants could result in the early maturity of these operations.

These covenants, amongst other conditions, restrict the Company's autonomy in the case of any alterations to its corporate structure. It is not possible to alter the capital structure or implement the takeover, spin-off or merger of the Company, directly or indirectly transfer or assign its controlling interest, without the prior express consent of the creditor financial institutions. The contracts determine that the Company does not have: (i) legal protests, (ii) pending actions, demands or processes, or any that are in the process of being filed, which, if decided against the Company, would have an adverse effect on its financial position, or which could affect its ability to fulfill the contractual terms; and also require that any transfer or assignment of rights or obligations arising from the contract be approved by the financial institution and by the Government Agency for Machinery and Equipment Financing (FINAME). In addition to the above-mentioned clauses (i) certain ratio percentages should be preserved during the contract's lifetime: Net Indebtedness / Ebitda and Shareholders' Equity / Total Liabilities and (ii) maintaining the workforce presented in the financing release request and the company committing (i) not to use funds secured in financial transactions that could be used in terrorist activities or result in breaches of any applicable anticorruption or antiterrorism legislation as far as it is aware; and (ii) ensure that each of its associated companies, subsidiaries and all individuals acting on its behalf or under the management of the Company or any of its subsidiaries conduct themselves in accordance with the anticorruption legislation applicable in jurisdictions where the company or any of its associated companies or subsidiaries do business. As of December 31, 2020, the Company was in compliance with all covenants in its contracts.

17.2 Tax financing - PROVIN

The Company is the beneficiary of investment subsidies from the government, as explained in Note 22. The financing classified here denotes the non-incentive portion of the taxes and is based on monthly ICMS due.

Tax financing payments (Provin) are restated monthly by the TJPL rate and can mature every two or three years.

The balances of tax financing amounts at December 31, 2020 totaled the amount of R$ 9,893 (R$ 10,661 at December 31, 2019) and the portion recorded in non-current liabilities mature as follows:

(All amounts in thousands of Reais, except if stated otherwise)

Maturity	Parent and Consolidated
2022	**2,965**
2023	**3,656**
Total	**6,621**

17.3 Direct financing - Acquisition of Companies

Description	Parent and Consolidated	
	2020	2019
Current liabilities		
Shares in Pelágio	**2,985**	2,609
Shares in Pilar	**2,108**	2,206
Quotas in Moinho Santa Lúcia	**-**	7
Quotas in Piraquê	**23,899**	29,358
	28,992	34,180
Non-current liabilities		
Shares in Pelágio	**5,417**	2,462
Shares in Moinho Santa Lúcia	**667**	-
Shares in Piraquê	**181,889**	202,186
	187,973	204,648
Total	**216,965**	238,828
Current	**28,992**	34,180
Non-current	**187,973**	204,648

The direct financing is composed of retained portions of the acquisition price to guarantee any contingencies that may arise, at the rate equivalent to 100% of the CDI variation, and for the quota of the contingent price in the acquisition of Piraquê.

The amount of R$ 205,788 related to the acquisition of Piraquê is composed of:

i) retained quota of the price in the amount of R$ 139,749, which will be settled in 4 installments, maturing on May/2021, May/2022, May/2023 and December/2023, discounted from the paid contingencies of the seller responsibilities;

ii) a contingent portion of the acquisition price, in the amount of R$ 66,039, arising from the expected realization of tax credits payable to sellers, which will be paid as they are converted into income in favor of Piraquê or set off. During 2018 and 2019, R$ 9,098 was settled of the total recognized contingent price (R$ 75,137).

17.4 Promissory notes

On April 15, 2020, the Board of Directors approved the first issue of commercial promissory notes for public distribution, with restricted distribution efforts. In order to bolster cash reserves, on April 23, 2020 the Company issued 20 promissory notes in a single series worth R$ 200,000.

Promissory notes mature 183 days after the issuance date, and carry compensatory interest on the respective nominal unit value, equal to 100% of the CDI rate, plus 3.13% p.a. The promissory notes were settled on October 23, 2020.

18. Financial instruments and risk management

The Company classifies its non-derivative financial assets in the following categories, depending on the purpose for which they were acquired or contracted: (i) measured at amortized cost and (ii) at fair value through profit or loss. Non-derivative financial liabilities are measured at amortized cost using the effective interest rate method, when applicable.

The Company has derivative financial instruments to hedge its exposure to foreign currency risk and interest rate variations in financing contracts (wheat and oil) and working capital. It also initiated NDF - Non Deliverable Forwards, currency and commodity options and futures contracts, for the sole purpose of hedging the exchange variance risk posed by its consumable acquisitions.

Derivative financial instruments are stated at fair value and are presented as financial assets when the instrument's fair value is positive and as liabilities when the fair value is negative. Any gains or losses arising from changes in the fair value of derivatives during the year are recorded directly in profit or loss, except when qualified as cash-flow hedges, in which case they are recognized in equity as other comprehensive income and, upon settlement, accumulated gains and losses are adjusted in the hedged item, affecting profit or loss at the time the hedged item is realized. Any portion of the hedge relationship which is deemed ineffective is transferred/reclassified to finance revenue (expense).

All financial instruments are recognized in the accounting records and are restricted to cash and cash equivalents, short-term investments, trade accounts receivable, other receivables, borrowings, leases, financing, trade payables, accounts payable and derivative contracts.

These instruments are managed by means of operational strategies, aimed at ensuring liquidity, profitability and security. The control policy consists of permanently accompanying the rates contracted compared to the market rates.

(All amounts in thousands of Reais, except if stated otherwise)

a) Financial instruments by category and disclosure of fair value

Description	Index	Parent				Consolidated			
		Carrying amount 2020	Fair value 2020	Carrying amount 2019	Fair value 2019	Carrying amount 2020	Fair value 2020	Carrying amount 2019	Fair value 2019
Financial assets									
Financial assets measured at amortized cost									
Cash and cash equivalents		**1,212,873**	**1,212,873**	348,312	348,312	**1,213,007**	**1,213,007**	348,377	348,377
Trade accounts receivable		**959,907**	**959,907**	957,588	957,588	**960,058**	**960,058**	957,796	957,796
Other receivables		**31,496**	**31,496**	21,526	21,526	**32,047**	**32,047**	22,121	22,121
Financial investments		**19,719**	**19,721**	20,174	20,179	**19,719**	**19,721**	20,174	20,179
Financial assets measured at fair value									
Derivative financial instruments		**23,794**	**23,794**	7,963	7,963	**23,794**	**23,794**	7,963	7,963
Swap contracts		**16,268**	**16,268**	7,963	7,963	**16,268**	**16,268**	7,963	7,963
Non Deliverable Forwards (NDFs)		**4,340**	**4,340**	-	-	**4,340**	**4,340**	-	-
Option contracts		**2,602**	**2,602**	-	-	**2,602**	**2,602**	-	-
Future contracts		**584**	**584**	-	-	**584**	**584**	-	-
Financial liabilities									
Financial liabilities stated at amortized cost									
Trade payables		**361,646**	**361,646**	149,219	149,219	**361,738**	**361,738**	149,044	149,044
Financing with financial institutions		**1,362,159**	**1,347,339**	730,188	746,651	**1,362,159**	**1,347,339**	730,188	746,651
BNDES - Transfer operations	TJLP	**14,228**	**14,228**	18,281	18,281	**14,228**	**14,228**	18,281	18,281
BNDES PSI-Pré	Fixed-rate	**73,573**	**71,374**	105,607	101,658	**73,573**	**71,374**	105,607	101,658
BNDES – FINEM (Capital)	IPCA	**39,204**	**39,966**	49,456	53,069	**39,204**	**39,966**	49,456	53,069
BNDES PROGEREN (Capital)	IPCA	**40,176**	**39,616**	57,653	58,948	**40,176**	**39,616**	57,653	58,948
Financing for imported supplies (FINIMP)	CDI	**138,070**	**139,113**	-	-	**138,070**	**139,113**	-	-
External financing (FINIMP and Working capital)	USD	**856,128**	**842,765**	365,248	380,752	**856,128**	**842,765**	365,248	380,752
Working capital	CDI	**200,780**	**200,277**	133,943	133,943	**200,780**	**200,277**	133,943	133,943
Direct financing	CDI	**216,965**	**216,965**	238,828	238,828	**216,965**	**216,965**	238,828	238,828
Leases		**194,990**	**194,990**	101,979	101,979	**194,990**	**194,990**	101,979	101,979
Accounts payable		**160,922**	**160,922**	111,590	111,590	**160,033**	**160,033**	110,625	110,625
Financial liabilities stated at fair value									
Derivative financial instruments		**18,125**	**18,125**	1,887	1,887	**18,125**	**18,125**	1,887	1,887
Swap contracts		**6,393**	**6,393**	1,887	1,887	**6,393**	**6,393**	1,887	1,887
Non Deliverable Forwards (NDFs)		**7,789**	**7,789**	-	-	**7,789**	**7,789**	-	-
Option contracts		**3,943**	**3,943**	-	-	**3,943**	**3,943**	-	-

b) Measuring fair value

The estimated fair values of the Company's assets and liabilities were determined based on information available in the market and appropriate valuation methodologies. However, considerable judgment was required to interpret the market data to determine the most appropriate estimated realizable values. Consequently, the above estimates do not necessarily indicate the amounts that could be realized in a current active market. The use of different market methodologies could have a material effect on the estimated realizable values.

The Company has swap contracts, Non Deliverable Forwards (NDFs), options and future contracts recorded at fair value, for which the measurement process used is classified as Level 2, as established in CPC 40 - Financial Instruments: Disclosure.

c) Criteria, assumptions and limitations used in the calculation of market values

Marketable securities (cash equivalents)

The values of the marketable securities recorded in the financial statements as cash equivalents approximate their realizable values, considering that the operations are based on floating interest rates and are immediately available for realization.

Short-term investments (amortized cost)

The fair value was determined based on the present value of the principal and future cash flows, discounted by the variation of 100% of future DI determined at the reporting date.

Financing and borrowings

The fair value of working capital financing denominated in TJLP and IPCA was determined by the future cash flows, discounted by the average borrowing rates in the current operations, with spreads of between 2.17% p.a. and 7.44% p.a. (2.17% p.a. and 7.38% p.a. at December 31, 2019, respectively).

The fair value of pre-fixed financing was determined based on the present value of the principal sum and future cash flows, discounted at the market interest rate determined at the reporting date of the financial statements. The rate used was 5.57% p.a of the Finame-PSI operations (5.32% p.a. at December 31, 2019).

The fair value of material financing and working capital indexed by the CDI rate was determined on the basis of future cash flows discounted by the market interest rate prevailing on the reporting date. A spread of 1.50% p.a. was used.

The fair value of material financing and working capital denominated in US dollars was determined on the basis of future cash flows discounted by the market interest rate prevailing on the reporting date. A spread of 2.20% p.a. was used for contracts denominated in US dollars (2.50% p.a. at December 31, 2019), respectively.

The fair value of the debts in respect of the acquisition of Pilar, Pelágio and Moinho Santa Lúcia and Piraquê, which, according to the contract, are restated by the CDI, was determined considering the same percentage of CDI, in order to reflect market conditions.

Derivative *contracts*

The fair value of derivative financial instruments is determined based on future rates at the reporting dates, with the resulting amount discounted to its present value.

This information is also checked against that provided by the institutions involved.

Leases

A lease liability is initially recognized at the present value of the lease payments that are unpaid, and discounted using the interest rate implicit in the lease, and subsequently measured at amortized cost using the effective interest rate method.

The accounts receivable, other receivables, trade payables and short-term accounts payable

It is estimated that the carrying amounts reasonably approximate their fair values, considering the short-term nature of the operations realized.

d) Financial risk management

The Company analyzes its major financial risks, defines risk mitigation actions, and monitors any economic impact on its performance. The Company's approach to these risks is discussed and defined at the Board of Directors' meetings.

During the normal course of business, the Company is exposed to the following financial risks: credit risk, liquidity risk and market risk (including currency, interest rate and commodities price risks). In this context, in order to optimize and hedge the Company's results of operations against the risk of variability in foreign exchange rates and commodities prices, on July 10, 2020 the Board of Directors approved a hedging policy designed to ensure that strategic business goals are met. It outlines guidelines and roles and responsibilities for the process of pricing and monitoring commodities and foreign exchange rates and managing foreign-exchange effects on the Company's operations.

i. Credit risk

Credit risk arises from the possibility of the Company not recovering amounts from sales or credits held with institutions, such as deposits and marketable securities. To minimize this risk, the sales policies adopted by the Company are subordinated to the credit policies determined by Management and seek to minimize any problems arising from customer default. Management achieves this objective through the careful selection of the customer portfolio, which considers the ability to make payments (credit analysis) and the diversity of sales (risk spread). In addition, the Company has credit insurance to protect against defaults by specific customers, which ensures an indemnity of 90% of any net losses on receivables due from these customers. The maximum compensation is R$ 35,000, effective for the period from September 30, 2020 to September 30, 2021. Currently, credit insurance coverage is provided against approximately 159 clients, totaling R$ 231,997 (R$ 203,056 at December 31, 2019). In addition, there is approximately R$ 45,603 in guarantees contracted through mortgages and bank sureties.

Furthermore, the Company recorded estimated losses for doubtful accounts, in the consolidation, in the amount of R$ 76,071 (R$ 81,884 at December 31, 2019) representing 7.34% (7.88% at December 31, 2019) of the balance of trade accounts receivable to cover the credit risk.

With respect to marketable securities, the Company only invests in financial institutions that have been classified by rating agencies as representing a low credit risk. In addition, there is a maximum limit for the investments at each institution.

ii. Liquidity risk

The main sources of financial resources used by the Company are its own funds derived from selling its products - characterized as a strong source for generating cash and low defaults - in addition to the amounts received as State and Federal subsidies for investments (related to the implantation/expansion of manufacturing plants). In addition to these amounts, the Company earns income from investing its available cash.

The Company's funds are required for investments to expand and modernize its production and logistics facilities, to acquire other companies and to amortize its indebtedness, pay taxes, distribute dividends and for other operational expenditure.

The Company has generally had no need for additional working capital, but amid the uncertainties in fiscal 2020, the Company decided early in the year to obtain working capital loans with maturities of up to 360 days to bolster its cash flows. As the maturities for these loans approached, the Company decided to re-profile its debt, lengthening maturities and reducing debt service costs. The proceeds from these loans are used towards purchases of key raw materials (wheat and vegetable oil), with longer maturities than the payment periods granted to its customers to pay for the products they purchase. Therefore, management believes that the Company presents the solid financial and equity conditions required to implement its business plan and to fulfill its short, medium and long term obligations.

The schedule for settling the long-term installments on borrowings and financing is presented in Note 17.

It should be noted that the Company has limits approved by tier-one banks. However, these approved limits are not used to cover the Company's liquidity shortfall, since they are not suitable for this purpose.

iii. Market risk: Commodities prices

The prices of raw materials and supplies used in the production process are volatile. If there are significant changes in the prices, the Company may not be able to fully pass through these increases to the prices of its products, which could affect its profit margin. Furthermore, the Company's practice is to maintain stocks of wheat (including contracts negotiated for future delivery), its main raw material, which can fluctuate between 2 and 4 months of usage, depending on the time of year and the seasonal nature of the crop. This procedure could result in variations between the average price of inventory and the market value on a specific date.

In addition, the Company monitors the international commodities market, monitoring the factors that have an impact on prices, such as harvest periods, climatic events, and political decisions regarding the economy, among others, with support from specialized consultants and online information systems with the main international commodities exchanges. Based on these factors, the Company evaluates the most opportune moment to purchase these commodities, and may agree purchase contracts for the future delivery of raw materials, with fixed or variable commodity prices, but subject to the risk of commodity and/or exchange variations.

(All amounts in thousands of Reais, except if stated otherwise)

As at December 31, 2020, the Company had contracts for the purchase of wheat and oil for future payment and delivery, for a volume of 290,066 tons (437,506 tons as at December 31, 2019), 92,000 tonnes of oil were priced. Thus, considering the market value for these cases and the price established for the contracts, they represented an amount equivalent to US$ 43,035 of wheat and US$ 99,125 of oil (US$ 39,445 of oil and US$ 76,149 of wheat as of December 31, 2019).

Due to the risk of fluctuations in oil prices, the Company has prepared a sensitivity analysis for the portion of oil without fixed pricing of oil (92,000 tons), assuming three possible price fluctuation scenarios and the consequent future impacts. The probable scenario used oil prices of USD 915.91, at the same level of the market value at December 30, 2020. The other scenarios, remote and possible, factor in a price increase for the commodities of 25% and 50%, respectively.

Description	Exposure (tonnes)	Risk	Probable scenario	Possible scenario (US$) [(1)]	Remote scenario (US$) [(1)]
Future oil contracts (price to be fixed)	92,000	Increase in the commodity	-	(21,066)	(42,132)

[(1)] *Value in US$ thousand.*

The Company also entered into futures contracts for palm oil on the Bursa exchange (Malaysia) as outlined in its approved hedging policy. These instruments mature in November 2021, and the relevant receivables have a fair value at December 31, 2020 of R$ 773.

Description	Objeto de proteção	Index	Amount (in ton)	Fair Value
Future + Put Options	Commodity price	Palm Oil – Bursa stock exchange (Malaysia)	2,700	773

These financial instruments have been designated as cash-flow hedges, and their effects are described in item "e" of this note on hedge accounting.

iv. Exchange rate risk

The results reported by the Company are susceptible to significant variations due to the volatility of foreign exchange rates, especially on liabilities tied to foreign currency US dollars and Euro, arising mainly from the import of wheat grain and soya and palm vegetable oils, its main raw materials, in addition to working capital.

As a strategy to prevent and reduce the effects on results of variations in exchange rates, Management seeks to avoid or minimize mismatches between assets and liabilities indexed in foreign currencies, by assessing the contracting of hedge operations, normally swap operations.

At December 31, 2020, the Company accordingly has seventeen existing contracts in force for swap operations related to import financing for the purchase of wheat (FINIMP) and working capital, maturing at various times up to December 22, 2025, for which the asset position receives, on average, the US Dollar rate plus 2.4624% and the liability position pays, on average, 176.16% of the CDI. The (notional) reference values totaled

(All amounts in thousands of Reais, except if stated otherwise)

R$ 818,738 and the gross fair value receivable from these derivative instruments as at December 31, 2020 was R$ 14,022.

Swap contracts	Reference value		Curve value		Fair value	
	2020	2019	2020	2019	2020	2019
Asset position						
Foreign currency (USD)	**818,738**	339,803	**856,128**	365,232	**877,164**	364,794
Foreign currency (EUR)	**-**	130,000	**-**	133,943	**-**	133,165
Liability position						
CDI	**818,738**	469,803	**827,955**	489,710	**863,142**	489,779
Result	**-**	-	**28,173**	9,465	**14,022**	8,180

Accordingly, as of December 31, 2020, the Company did not present significant mismatches in the position of assets and liabilities sensitive to exchange variation, as shown below:

Description	Parent		Consolidated	
	2020	2019	2020	2019
Foreign currency loans/financing (a)	**856,128**	499,191	**856,128**	499,191
Swap contracts (b)	**(856,128)**	(499,175)	**(856,128)**	(499,175)
Foreign-currency assets (b)	-	-	**(7)**	(6)
Surplus (a-b)	**-**	16	**(7)**	10

As a strategy to prevent and reduce the effects on results from variance in exchange rates, the Company implemented a hedge accounting policy and began contracting operations based on future cash flow projections compiled from budgetary and interim forecasts, consisting of Non-Deliverable Forwards – NDFs and options contracts.

At December 31, 2020 the Company had 55 forward contracts maturing up to 7/1/2021 and 38 option contracts maturing up to 5/3/2021, with the notional amounts and fair values specified below:

Description	Hedged item	Reference currency (notional)	Reference value (notional)	Fair value receivable (payable)
NDF - US$ /R$	Currency	US$	119,819	(3,449)
Options - US$ /R$	Currency	US$	49,621	(1,530)
Total			169,440	(4,979)

These financial instruments have been designated as cash-flow hedges, and their effects are described in item "e" of this note on hedge accounting.

As described in "Market risk: Commodities prices", the Company signed contracts for the purchase of wheat and oil for future delivery in return for the payment of US$ 99,125 for oil and US$ 43,035 for wheat, subject to foreign exchange risk (US$ 115,594 as at December 31, 2019).

Sensitivity analysis of the variation in the US dollar for contracts to purchase wheat for future delivery

The sensitivity analysis considered the possibility of three U.S. dollar exchange scenarios and the future results of oil and wheat that would be generated. The probable scenario considered the dollar exchange rate of R$ 5.1967, the same closing rate as December 31, 2020. The remaining scenarios, possible and remote, consider increases in the dollar exchange rate of 25% (R$ 6.4959) and 50% (R$ 7.7951), respectively.

(All amounts in thousands of Reais, except if stated otherwise)

Description	Exposure (USD)	Risk	Probable scenario	Possible scenario (R$)	Remote scenario (R$)
Contracts for purchase of wheat	142,160	Rise in USD	-	(184,691)	(369,381)

v. Interest rate risk

The Company is exposed mainly to variations in CDI and TJLP interest rates on its financial investments and borrowings and financings.

Description	Parent		Consolidated	
	2020	2019	2020	2019
Financial assets				
Financial investments indexed to the CDI	**1,228,073**	365,284	**1,228,199**	365,284
Financial liabilities				
Foreign currency derivative operations tied to CDI (1)	**(856,128)**	(499,191)	**(856,128)**	(499,191)
Financing indexed to the CDI and TJLP	**(579,936)**	(267,770)	**(579,936)**	(267,770)
Assets – Liabilities	**(207,991)**	(401,677)	**(207,865)**	(401,677)

(1) *See item iv - Exchange rate risk.*

Analysis of sensitivity to variations in the CDI

The following table demonstrates the projected loss that would be recognized for the next 12 months, if the Company were to maintain the same position for assets indexed to the CDI, net of liabilities linked to CDI and TJLP, of R$ 207,865.

Description	Risk position	Risk	Probable scenario	Possible scenario	Remote scenario
Net liabilities	(207,865)	CDI increase	-	(987)	(1,975)

The probable scenario considered the CDI quotation at December 31, 2020 of 1.90% p.a. The other scenarios, possible and remote, considered an increase in the quotation of 25% (2.38% p.a.) and 50% (2.85% p.a.), respectively.

Company management believes that there is a low risk of significant changes in the CDI during 2021, taking into consideration the history of the base interest rate in the Brazilian economy and the market forecast.

e) Hedge accounting

The Company has implemented since July 2020 hedge accounting in non-deliverable forward (NDF), options and future transactions, with prospective effects, to the extent that they qualify as a cash-flow hedging relationship. All hedging instruments used for hedge accounting purposes are fully consistent with the Company's risk management objectives and strategy.

At the inception of the hedging relationship, the Company provides a formal designation and documentation of the hedging relationship, including: identification of the hedging instrument, identification of the hedged item, the nature of the hedged risk, the hedging relationship, and an assessment of hedge effectiveness, demonstration of an economic relationship between the hedged item and the hedge instrument, the hedge ratio and how effectiveness will be assessed.

In general, the hedged item is future cash flow from purchases of commodities subject to foreign exchange risk (wheat, oil, sugar and cocoa), based on budgetary projections and interim forecasts. The hedged item (future purchases of imported commodities) is therefore deemed a highly probable transaction and qualifies as a hedged item, since these commodities are essential for the Company's production process.

The derivative instruments used to hedge against foreign exchange risk have a direct economic relationship with the hedged item, as they are transactions in the same currencies in which commodities imports are denominated.

In determining the hedge ratio, the number of hedge instruments designated as hedge accounting instruments does not exceed the number of items which the Company effectively wishes to hedge based on the hedging strategy approved by the hedging committee, and there is no imbalance between hedging instruments and hedged items. When the Company's hedging relationship no longer satisfies the hedge ratio criterion, but its risk management objective remains the same for that hedging relationship, the Company may "rebalance" the hedge ratio so that it meets the hedging criteria.

In assessing hedge effectiveness, the Company uses the dollar offset method (ratio analysis), which involves comparing the ratio of changes in the fair value of the hedging instrument with the changes in the fair value of the hedged item. This is done prospectively at the inception of the hedge relationship. Subsequent effectiveness testing is conducted at each annual reporting date or upon a significant change in the circumstances affecting the hedge effectiveness requirements, whichever comes first.

The primary sources of hedge ineffectiveness are potential mismatches between instrument maturities and the dates on which purchases occur. However, those mismatches are limited to the month of inception, and will not affect the hedging relationship. The Company therefore believes there are no material sources of hedge ineffectiveness which could affect the hedging relationship.

The effects of formally designated hedging relationships are shown below:

Description	Parent and Consolidated
	Cash-flow hedge
Gains in derivative instruments	16,323
(-) Adjustment to raw materials costs hedged item	(16,161)
Changes in the fair value of derivative contracts	11,053
(-) Reclassification for financial results	(162)
Balances at December 31, 2020	**11,053**

A breakdown of the cash-flow hedge reserve balance recorded under other comprehensive income is provided below:

(All amounts in thousands of Reais, except if stated otherwise)

Description	Parent and Consolidated
Cash-flow hedge balance at December 31, 2019	-
Changes in the fair value of derivative contracts	(11,053)
Tax effects on the fair value of the hedging instrument	3,512
Cash-flow hedge balance at December 31, 2020	**(7,541)**

f) Capital management

The Company's objectives for managing its capital are to safeguard its future as a going concern, in order to offer a return to its shareholders and benefits to other stakeholders, and to maintain an ideal capital structure to reduce this cost.

The Company monitors its capital by analyzing its financial and indebtedness position, based on a financial leverage index (net debt / total capital), since it understands that this index most adequately reflects its indebtedness and ability to pay. Net debt consists of financing and borrowings, less the balances of cash and cash equivalents and long-term marketable securities and derivative financial instruments.

The indexes for financial leverage at December 31, 2020 and December 31, 2019 were as follows:

Consolidated	2020	2019
Debt from financing and borrowings	**1,589,017**	979,677
(-) Cash and cash equivalents	**(1,213,007)**	(348,377)
(-) Short-term financial investments	**(16,413)**	(16,392)
(-) Long-term financial investments	**(3,306)**	(3,782)
(-) Derivative financial instruments	**(5,669)**	(6,076)
Net debt (net cash) (A)	**350,622**	605,050
Shareholders' equity	**6,645,568**	6,034,953
Total capital (B)	**6,996,190**	6,640,003
Financial leverage index (C = A / B x 100)	**5.01%**	9.11%

The change in the Company's financial leverage ratio is represented by the ratio of net debt to equity. The figure in the period ended December 31, 2020 was 5.01% compared with 9.11% at December 31, 2019. The decrease was primarily due to cash holdings outgrowing debt, with a resulting decrease of approximately R$ 254,428 in net debt.

The amounts recorded in current and non-current liabilities at December 31, 2020 and 2019 mature as follows:

Consolidated	Less than a year	Between one and three years	Between three and five years	Greater than five years
At December 31, 2020	**1,634,008**	**518,899**	**648,218**	**283,165**
Financing and borrowings	776,028	293,319	519,670	-
Derivative financial instruments	18,125	-	-	-
Payables and other obligations	839,855	225,580	128,548	283,165
At December 31, 2019	**1,153,607**	**570,426**	**141,171**	**200,874**
Financing and borrowings	608,190	310,429	61,058	-
Derivative financial instruments	1,887	-	-	-
Payables and other obligations	543,530	259,997	80,113	200,874

(All amounts in thousands of Reais, except if stated otherwise)

19. Net financial results

Description	Parent		Consolidated	
	2020	2019	2020	2019
Financial income				
Income from marketable securities	**28,613**	32,632	**28,615**	37,990
SELIC interest on tax credits	**142,464**	95,743	**142,464**	95,737
Restatement of judicial deposits	**4,244**	4,372	**4,244**	8,292
Foreign exchange variations - assets	**152,889**	101,203	**152,889**	101,257
Others	**7,084**	5,474	**7,084**	9,581
	335,294	239,424	**335,296**	252,857
Financial expenses				
Interest on financing	**(35,694)**	(25,352)	**(35,694)**	(42,950)
Interest on debt from equity investments	**(3,842)**	(8,946)	**(3,842)**	(8,946)
Interest on leases	**(17,427)**	(5,640)	**(17,427)**	(7,697)
Interest on promissory notes	**(5,492)**	-	**(5,492)**	-
Foreign exchange variations - liabilities	**(321,486)**	(129,773)	**(321,486)**	(129,806)
Gains (loss) from derivative transactions	**159,764**	12,513	**159,764**	12,513
Commission and bank expenses	**(9,510)**	(6,981)	**(9,511)**	(8,636)
Update on contingencies provisions	**(17,069)**	(27,929)	**(17,069)**	(27,929)
Others	**(3,467)**	(7,051)	**(3,470)**	(8,945)
	(254,223)	(199,159)	**(254,227)**	(222,396)
Net financial results	**81,071**	40,265	**81,069**	30,461

Financial income comprises interest income from funds invested, gains on the disposal of financial assets, monetary restatement of tax credits, judicial deposits and fair value gains on financial assets stated at fair value through profit or loss. Interest income is recognized in profit or loss, using the effective interest rate method.

Financial expenses comprise interest expenses on borrowings, net of the discounting to present value of provisions, interest on leasing, and fair value losses on financial assets stated at fair value through profit or loss, impairment losses recognized on financial assets, other than losses from credit risks which are recognized as selling expenses and updating of tax, civil and labor contingencies.

In addition to the amounts recognized in other comprehensive income, in the year ended December 31, 2020 the Company recognized R$ 9,915 in net gains/losses on derivatives contracts not qualified for hedge accounting.

Borrowing costs are recognized as expenses when incurred, with the exception of costs capitalized as part of the cost of the asset. Borrowing costs include interest expenses and other borrowing costs incurred.

20. Social security and labor liabilities

The balances comprise the following provisions and charges:

(All amounts in thousands of Reais, except if stated otherwise)

Description	Parent		Consolidated	
	2020	2019	2020	2019
Labor provisions				
Provision for profit sharing	**59,788**	55,193	**59,788**	55,193
Provision for vacation pay	**61,137**	55,787	**61,163**	55,806
Others	**3,293**	3,126	**3,293**	3,126
	124,218	114,106	**124,244**	114,125
Social and labor charges				
INSS	**39,328**	40,860	**39,378**	40,908
FGTS	**11,228**	10,809	**11,237**	10,826
Others	**1,709**	1,569	**1,709**	1,569
	52,265	53,238	**52,324**	53,303
Total	**176,483**	167,344	**176,568**	167,428

21. Tax liabilities

The balances comprise the following tax obligations:

Description	Parent		Consolidated	
	2020	2019	2020	2019
PIS/Cofins	**1,014**	7,602	**1,041**	7,675
Income tax	**15,264**	11,093	**15,290**	11,114
Other federal tax liabilities	**2,910**	1,722	**2,914**	1,798
ICMS	**34,711**	62,829	**34,711**	62,829
ISS	**1,654**	1,368	**1,655**	1,371
Total	**55,553**	84,614	**55,611**	84,787
Current	**55,553**	83,646	**55,611**	83,819
Non-current	**-**	968	**-**	968

22. Government subsidies

Government subsidies received by the Company are for investments, divided between state and federal, and all are monetary subsidies, recorded at their nominal values.

The funds received are for the purpose of replacing the capital invested in the economic enterprises resulting from the investment projects implemented by the Company which qualify for the respective public programs to encourage development. All of the subsidies for investments are onerous (because of certain conditions) and granted for a specific period.

To determine the value of subsidies for investments that should be recorded in profit or loss, the Company adopts the accrual basis, recognizing the subsidies irrespective of when they are realized in financial terms, considering the following factors: (i) the history of complying with the legal and contractual requirements in order to receive these subsidies; and (ii) its ability to guarantee compliance with the requirements necessary to receive the subsidies from the respective public entities.

At the close of the financial year, the portion of the profit corresponding to the investment subsidies is allocated to constitute the tax incentive reserve, included in shareholders' equity, and is excluded from the dividend calculation base, considering that the nature of the subsidies is the allocation of capital for investment purposes, and has therefore to be reinvested in the Company.

(All amounts in thousands of Reais, except if stated otherwise)

22.1 State tax incentives

The value of the subsidies for investments received from the States is determined based on the ICMS due and charged on the commercial activities realized by the manufacturing plants receiving the incentives. The units are those that have been constructed and implanted according to the terms of the investment projects for new economic enterprises presented to and approved by the respective States, within the ambit of their public policies to foment industrial development.

In the majority of cases, the state government subsidies are calculated based on the ICMS value attributed to the cost of production, and are allocated to profit or loss, in a line in the statement of income immediately below the cost of goods sold.

At December 31, 2020, the Company received R$ 391,788 (R$ 308,128 at December 31, 2019), as a result of the following state incentives:

State tax incentives / Unit receiving the incentive	Percentage reduction of ICMS	Valid until
DESENVOLVE - State of Bahia: Discount on part of the ICMS payment due on the purchase of wheat grain for the wheat mill.		
Wheat mill and biscuits and pasta factory (Salvador-BA)	Up to 81%	Jun 2025
PROVIN - State of Ceará: deferment of part of the ICMS payment due on the purchase of wheat for the wheat mill and the ICMS due on the operations involving special fats and margarines, settled using funds from FDI - Industrial Development Fund for both units		
Wheat mill (Fortaleza-CE)	74.25%	Nov 2024
Wheat mill integrated with the biscuits and pasta factory (Eusébio-CE)	74.25%	Jul 2025
Vegetable fats and margarines industrial factory (Fortaleza-CE)	56.25%	Nov 2024
PROEDI – Rio Grande do Norte: presumed credit on monthly ICMS debit balance		
Wheat mill and pasta factory (Natal-RN)	Up to 79%	Jun 2032
FAIN - State of Paraíba: discount of part of the ICMS on purchases of wheat grain		
Wheat mill and pasta factory (Cabedelo-PB)	81%	Dec 2032
PRODEPE - State of Pernambuco: calculated at the rate of 75% of the ICMS charged on wheat grain consumed in the equivalent of flour, in addition to 5% of the freight due on sales outside of the Northeastern Region, provided that the total value of the subsidy does not exceed the equivalent of 85% of the ICMS on the wheat grain included in the wheat flour consumed.		
Biscuits and pasta factory (Jaboatão dos Guararapes-PE)	75% or 85%	Mar 2024
Special Tax Treatment – Rio de Janeiro (Piraquê Unit) – Reduction of tax so that the tax burden results in a percentage equal to 3% of the value of own production dispatches in internal and interstate operations, by sale and transfer.		
Biscuits and pasta factory (Queimados-RJ)	75% or 85%	Sep 2038

In relation to state of Rio de Janeiro (Piraquê unit), which is stated as being valid to September 2038, based on ICMS Agreement No. 190, dated December 15, 2017, the validity of the relevant tax incentives is limited to December 2032, and therefore the benefit will only be valid until that date.

Treatment of presumed credit as investment subsidies

Based on Complementary Act 160 (August 7, 2017), in 2019 the Company began treating as investment subsidies the tax incentives awarded in the form of presumed/awarded tax credits under the ICMS Regulations of the states of Rio de Janeiro, Paraná, São Paulo and Rio Grande do Sul, on the transactions of industrial and commercial operations involving food products. As of December 31, 2020 the Company was entitled to recognize R$ 90,926 (R$ 63,637 at December 31, 2019) in presumed tax credits.

(All amounts in thousands of Reais, except if stated otherwise)

State Fund for Tax Equalization

ICMS Arrangement 42/2016 was published on May 6, 2016, which authorizes the states and the Federal District to award tax incentives conditional on the deposit of at least 10%, calculated on the value of the respective tax incentives received by taxpayers, into a tax equilibrium fund. This arrangement applies to all taxpayers that have qualified for financial tax incentives and benefits, including those arising from special arrangements.

This arrangement normally requires that at least 10% of awarded incentives be deposited in a tax equilibrium fund. However, certain states, such as Ceará, Pernambuco, Paraíba and Rio Grande do Norte, established rules waiving this deposit when tax revenue during the month increased in comparison with the same period of the previous year, as well as permitting tax payers to only make a deposit to complement the minimum limit when the increase in tax revenue is lower than 10%. In addition, in January 2020 the state of Ceará established a minimum percentage of 7% for the purposes of exemption or supplementary payment. Based on the specific rules of each state during the term of the Funds, the Company could therefore be released from the deposit or make deposits of less than percentage of 10% and 7% of the incentives.

The Company's operations in the states of Bahia, Ceará, Paraíba, Pernambuco, Rio Grande do Norte and Rio de Janeiro are currently subject to this standard and the term of the contribution to this fund has been extended, except in the state of Rio Grande do Norte.

State	Validity		Extension	
	Beginning	End	Beginning	End
Pernambuco	Aug/16	Jul/18	Aug/18	Dec/22
Ceará [1]	Sep/16	Aug/18	Jan/19	Dec/21
Bahia	Sep/16	Dec/18	Jan/19	Dec/22
Paraíba	Oct/16	Mar/19	Apr/19	Sep/21
Rio de Janeiro	Dec/16	Sep/20	-	-
Rio Grande do Norte	Jan/18	Dec/19	-	-

[1] Through Law no. 17,251(2020), the state of Ceará extended the FEEF, previously in force until 08/31/2020.

By way of Law 8,645/2019, Rio de Janeiro state replaced the State Fund for Fiscal Balance - FEEF - with the Temporary Budgetary Fund – FOT, effective from 3/10/2020, and will produce effects while the Fiscal Recovery Arrangement - RRF is in force in Rio de Janeiro state, which has a term of 36 months commencing 09/2017, and can be extended for an equal period. Note that only after the aforesaid law was regulated by Decree 47,057 issued May 04, 2020 did the state began demanding the new funds be paid from the accrual period 04.2020. The Tax Recovery Framework has not yet been extended, but an interim decision by the Federal Audit Court has extended the framework pending an assessment, which should occur within six months.

Through Law no. 17,251 (2020), the state of Ceará extended the FEEF to December 31, 2021, but has exempted taxpayers from payments in the period from March to December 2020.

At December 31, 2020, the expenses incurred by the Company related to this obligation amounted to R$ 16,744 (R$ 20,824 at December 31, 2019).

(All amounts in thousands of Reais, except if stated otherwise)

22.2 Federal tax incentive

The Company benefits from federal subsidies received as a result of making investments for the new manufacturing plants located in the area where SUDENE - Northeast Development Agency - operates.

The tax incentive is granted for a period of 10 (ten) years, for the industrial enterprises that provide evidence to SUDENE of having made investments in the Northeast of Brazil, through the installation, modernization, extension or diversification of manufacturing plants in this region, provided that they comply with all of the conditions and requirements determined in the legislation pertinent to the obtaining of the incentive from the Federal Government, within the public policies for the utilization of federal funds to encourage the development of the Northeast of Brazil.

The amount received from the government, over the concession period, consists of an amount equivalent to the results from investing up to 75% of the calculation base legally denominated as exploitation profit. The amount is settled by deducting the benefit from the income tax due, based on the taxable profit calculated.

The federal grant is presented in the income statement as a deduction from corporate income tax. At December 31, 2020, the Company was entitled to R$ 32,821 (R$ 29,644 at December 31, 2019).

The periods for receiving the federal subsidies granted are detailed below:

Manufacturing plants	Percentage reduction of IRPJ (%)	Valid period
Wheat mill, biscuits and pasta factory (Eusébio - CE)	75.00	Jan 2016 to Dec 2025
Toast factory (Eusébio - CE)	75.00	Jan 2016 to Dec 2025
Wheat mill (Fortaleza - CE)	75.00	Jan 2018 to Dec 2027
Special margarines and fats factory (Fortaleza - CE)	75.00	Jan 2018 to Dec 2027
Wheat mill (Natal - RN)	75.00	Jan 2018 to Dec 2027
Pasta factory (Natal - RN)	75.00	Jan 2014 to Dec 2023
Wheat mill and pasta factory (Cabedelo - PB)	75.00	Jan 2018 to Dec 2027
Biscuits and pasta factory (Salvador - BA)	75.00	Jan 2016 to Dec 2025
Wheat and ready cake mix mill (Salvador- BA)	75.00	Jan 2015 to Dec 2024
Biscuits and pasta factory (Jaboatão dos Guararapes - PE)	75.00	Jan 2018 to Dec 2027
Biscuits, cakes and snacks factory (Maracanaú - CE)	75.00	Jan 2016 to Dec 2025
Pasta factory (Maracanaú - CE)	75.00	Jan 2014 to Dec 2023

Company Management fulfilled all of the requirements to obtain these subsidies, particularly in relation to providing supporting evidence for the investments, the creation of jobs, production volumes and did not distribute subsidy funds in the form of dividends either.

Up to date, the Company has not defaulted on any of the conditions which would prevent it from continuing to be entitled to the benefits from the government subsidies awarded.

(All amounts in thousands of Reais, except if stated otherwise)

23. Provisions for civil, labor and tax risks, and contingent assets

The Company is party to judicial and administrative proceedings in courts and government agencies involving tax, civil, labor and other issues arising in the normal course of business.

Periodically, Management evaluates the civil, labor and tax risks, based on legal, economic and tax bases, with the purpose of classifying them as probable, possible or remote chances of defeat. The analysis is done in conjunction with the law firms handling the Company's lawsuits.

There are ongoing disputes in the administrative and judicial courts. At December 31, 2020, 7.86% of the total labor and civil processes are being tried at the administrative level and 92.14% at the judicial level. 50.75% of tax processes are being tried at the administrative level and 49.25% are being discussed in court.

As regards these processes, provisions were recorded only for the risks rated as probable losses, at amounts considered sufficient to cover estimated losses. However, as a result of the business combination (acquisition of Piraquê), provisions were also recognized for proceedings rated as a possible and remote loss existing at the acquisition date. In these cases, if the losses materialize, the relevant amounts are reimbursed by the former shareholders, and therefore are classified as an indemnifiable contingency.

The provisions for civil, labor and tax risks recorded represent Management's best estimates of the probable losses involved.

There are circumstances in which the Company is questioning the legitimacy of certain liabilities or claims filed against it. As a result of these questionings, because of a judicial order or based on the strategy adopted by management, the amounts in question can be deposited in court, without this being characterized as settlement of the liability.

At December 31, 2020 and 2019, the Company reported the following provisions and judicial deposits, related to civil, labor and tax risks:

Description	Provision		Judicial deposits			
	Parent and Consolidated		Parent		Consolidated	
	2020	2019	2020	2019	2020	2019
Civil and labor	**115,983**	110,721	**57,300**	52,147	**57,309**	**52,152**
Tax	**103,127**	102,824	**206,519**	205,287	**206,518**	**205,287**
Total	**219,110**	213,545	**263,819**	257,434	**263,827**	**257,439**

On December 31, 2020, the judicial deposits for cases rated as a probable loss amounted to R$ 79,774 (R$ 76,435 at December 31, 2019).

a) Changes in the processes during the year

Parent	Civil and labor	Tax	Total
Balances at December 31, 2018	**50,860**	**51,427**	**102,287**
Additions	32,784	4,358	37,142
Acquisition assets	9,715	32,640	42,355
Indemnifiable contingencies	23,985	19,667	43,652
Restatements/reversals	16,691	(138)	16,553
Write-off/reversals	(23,314)	(5,130)	(28,444)

(All amounts in thousands of Reais, except if stated otherwise)

Parent	Civil and labor	Tax	Total
Balances at December 31, 2019	**110,721**	**102,824**	**213,545**
Additions	**28,287**	**1,878**	**30,165**
Restatements/reversals	**7,393**	**1,615**	**9,008**
Write-off/reversals	**(30,418)**	**(3,190)**	**(33,608)**
Balances at December 31, 2020	**115,983**	**103,127**	**219,110**

Consolidated	Civil and labor	Tax	Total
Balances at December 31, 2018	**85,545**	**102,792**	**188,337**
Additions	33,876	4,358	38,234
Write-off/reversals	16,691	804	17,495
Restatements/reversals	(25,391)	(5,130)	(30,521)
Balances at December 31, 2019	**110,721**	**102,824**	**213,545**
Additions	**28,287**	**1,878**	**30,165**
Restatements/reversals	**7,393**	**1,615**	**9,008**
Write-off/reversals	**(30,418)**	**(3,190)**	**(33,608)**
Balances at December 31, 2020	**115,983**	**103,127**	**219,110**

b) Changes in judicial deposits during the year

Parent	Civil and labor	Tax	Total
Balances at December 31, 2018	**38,386**	**91,318**	**129,704**
Additions	30,980	679	31,659
Acquisition assets	9,762	112,152	121,914
Restatements/reversals	832	3,540	4,372
Write-off	(27,813)	(2,402)	(30,215)
Balances at December 31, 2019	**52,147**	**205,287**	**257,434**
Additions	**38,503**	**20,339**	**58,842**
Restatements/reversals	**401**	**3,843**	**4,244**
Reclassification	**3,201**	**(3,201)**	**-**
Write-off	**(36,952)**	**(19,749)**	**(56,701)**
Balances at December 31, 2020	**57,300**	**206,519**	**263,819**

Consolidated	Civil and labor	Tax	Others	Total
Balances at December 31, 2018	**40,876**	**197,135**	**5,021**	**243,032**
Additions	35,730	756	-	36,486
Restatements	1,029	7,214	101	8,344
Write-off	(27,889)	(2,534)	-	(30,423)
Reclassification	2,406	2,716	(5,122)	-
Balances at December 31, 2019	**52,152**	**205,287**	**-**	**257,439**
Additions	**38,507**	**20,339**	**-**	**58,846**
Restatements	**401**	**3,843**	**-**	**4,244**
Reclassification	**3,201**	**(3,201)**	**-**	**-**
Write-off	**(36,952)**	**(19,750)**	**-**	**(56,702)**
Balances at December 31, 2020	**57,309**	**206,518**	**-**	**263,827**

(All amounts in thousands of Reais, except if stated otherwise)

The expected realization timing as of December 31, 2020 is as follows:

Maturity	Parent and Consolidated
	2020
2022	**521**
2023	**9,821**
2024	**32,497**
2025	**15,473**
2026 on	**44,815**
Total	**103,127**

c) Nature of processes

Civil and labor

The Company is the defendant in approximately 1,120 cases (949 at December 31, 2019) involving labor and civil matters, for which the likelihood of loss has been rated as probable, in the amounts of R$ 104,245 and R$ 11,738, respectively (R$ 78,303 and R$ 8,433 at December 31, 2019), and by virtue of the business combination, also for cases rated as possible and remote risks, of R$ 14,731. The labor claims to which the Company is party primarily concern: recognition of employment relationships, overtime and related charges, occupational injury compensation, joint liability, moral and property damages, and other matters. Most civil actions involve problems that are normal and specific to the business, consisting of claims for indemnity due to incorrect referral to the credit protection agencies, actions for rescission of clauses in distribution contracts, actions for compensation for damages, among others.

Tax

At December 31, 2020 and 2019 the provision for tax risks comprised the following:

Description	Parent and Consolidated			
	2020		2019	
	Contingencies	Judicial deposits	Contingencies	Judicial deposits
IPI – judicial deposit (a)	**6,394**	**6,394**	6,325	6,294
IRPJ – judicial deposit (b)	**32,516**	**32,516**	32,082	31,885
IPTU – judicial deposit (d)	**2,895**	**4,664**	2,895	4,549
ICMS (d)	**18,145**	**-**	17,932	-
Legal fees (e)	**19,456**	**-**	20,995	-
Indemnifiable contingencies (f)	**19,667**	**-**	19,667	-
Others	**4,054**	**2,003**	2,928	2,289
	103,127	**45,577**	102,824	45,017

(a) The Company has filed for an injunction against the requirement to pay IPI tax on leased aircraft imported on a temporary basis. The Company made a deposit for the full amount of the tax, and was defeated in the proceedings. The case is currently pending a decision by the 1st Region Federal Court in relation to overpaid tax amount, as the aircraft was in Brazil for less than the time stipulated in the contract.

(b) The incorporated Company Piraquê filed an ordinary lawsuit seeking the cancellation of the administrative collection of IRPJ, due to the limitation of 30% (thirty percent) of the tax loss carryforward (article 42 of Law 8,981/1995). It is claimed the occurrence of a limitation, under the terms of article 156 (V) and 174 of the National Tax Code, and proceeded with the court deposit in its entirety to stay the enforceability of the tax credit. The lawsuit was deemed partly to have grounds by the lower court, and 85.64% of the tax assessment notice was canceled. The Federal Government filed an appeal, which is awaiting judgment by the 2nd Region's Federal Regional Court. The Federal Government successfully appealed. Piraquê filed a Special Appeal that was rejected, and an interlocutory appeal has been brought that is currently pending a decision by the High Court of Justice.

Piraquê filed writs of mandamus against having to add to net profit the portions of amortization, depletion or cost of assets written down for any reason, in order to define the IRPJ calculation base for the monthly base periods ended on 1.31.1992 and 2.28.1992, equal to the monetary restatement difference according to the IPC and Fiscal BTN rates for 1990, pursuant to articles 39 and 41 of decree no. 332/91. Piraquê made the court deposit covering the liability's full amount. The case is pending a Federal Supreme Court decision on extraordinary appeal no. 545.796.

(c) The Company filed a declaratory action with claim for refund of overpayment, questioning the tax assessment relating to the property tax for 2014, for Grande Moinho Aratu, based on the argument that the increase in such tax did not have any legal grounds. The Company made a judicial deposit for the value of the debt. The process is pending judgment at the lower courts of the State of Bahia Court of Appeal.

(d) Amounts demanded by the State of Ceará related to the alleged recording of a larger ICMS credit deferred by the Fiscal Management Unit for Tax Replacement and Foreign Trade (CESUT) originated from the refund of overpayment of wheat grain operations that occurred between the validity of Protocol 46/00 and the date protocol 50/06 was published.

(e) Refers to legal fees that will be due if there is a positive outcome of the claims. These fees are calculated based on the related amounts involved with risk of loss considered to be possible or remote, and take into consideration the progress of the cases.

(f) Denotes the compensatory tax proceedings of the taken over company Piraquê, due to the sellers' obligation to return or deduct from the retained portion of the price any contingencies that materialize.

Contingent liabilities – probability of loss rated as possible

In addition to the provisions made, the Company has several labor, civil and tax contingencies in progress, in which they are the defendants, and the likelihood of loss, based on the opinions of the internal and external legal advisors, is considered possible. The contingencies amount to approximately R$ 1,100,150 (R$ 1,081,918 at December 31, 2019).

The most significant tax processes involve the following matters: i) Investment grants amounting to R$ 368,337; ii) ICMS credits incorrectly granted, totaling R$ 335,961; iii) Undue ICMS credit - Value Added Margin - ICMS Protocol 46, totaling R$ 35,010 and (iv) IPI rate zero, in the amount of R$ 144,111.

With respect to the tax claims disputing the issue of "investment subsidies", the Brazilian Tax Authorities filed assessments against the Company, demanding payment of IRPJ, CSLL, PIS and Cofins, because of the reduction in calculation bases for these taxes, as the calculations did not include the incentives received from the States.

We point out that the Attorney General of the National Treasury, after partial judgment proceeding from the administrative proceedings 10380.009928/2004-18 in the Administrative Council for Tax Appeals - CARF, extinguished part of the tax credit, leaving the judicial dispute remaining.

In addition, the amount payable under case no. 10380.723251/2012-34 in relation to investment subsidies has been excluded by the CARF, with the proceedings now limited to a dispute over IRPJ tax on non-necessary expenses (leased aircraft).

"ICMS credit incorrectly awarded" refers to tax assessments issued based on the argument that the Company was not entitled to the credit granted by the State, since it already benefited from other credits on receiving the products.

The topic “ICMS-Added Value Margin – ICMS Protocol 46” deals with tax enforcements by the State of Piauí in connection with ICMS tax credits covered by five deficiency notices for an alleged ICMS tax underpayment for the period from May to December 2001 and financial years 2002, 2003, 2004 and 2005 due to non-compliance with Added Value Margin.

The "IPI Zero Rate" disputes refer to tax foreclosures filed because the Company offset credits resulting from the lawsuit. This lawsuit questioned the use of the IPI - Excise Tax credit balance prior to January 1999 on the acquisition of inputs (raw materials, intermediary goods and packaging materials) applied in processing tax-exempt goods or those taxed at a zero rate, against IPI due on other outgoing goods pursuant to Law no. 9,779/99, without the limitations found in IN/SRFB no. 33/99, as this is an effect of the Non-Cascade Principle.

Contingent assets

The Company has filed proceedings they expect to prevail in, according to the opinion of their legal advisers. As the proceedings are not final and unappealable, these potential assets are considered contingent, and for that reason, are not recognized until their materialization is considered to be a foregone conclusion.

Of these proceedings, the most significant is case no. 0014056-09.1987.4.03.6100, brought by Zabet S/A Indústria, a company acquired by M. Dias Branco, which is seeking the exclusion of Value Added Tax on Sales and Services (“ICMS”) from the tax base for Social Integration Program Tax (“PIS”) and Social Security Tax (“COFINS”).

Considering the procedures used to recognize tax credits under *res judicata* decisions regarding the same matters, as described in Note 9, it is likely that the appraisal of the relevant credit amounts will involve a number of variables, including whether supporting documentation is available, interpretation of the rules and regulations applicable in each appraisal period, and other factors with varying levels of complexity.

24. Current and deferred income tax and social contribution

Current and deferred income tax and social contribution are calculated based on rates of 15%, plus a surtax of 10% on taxable profit in excess of R$ 240, for income tax and 9% on taxable profit for social contribution.

The current income tax and social contribution expense is calculated based on tax laws and norms enacted by the reporting date, in accordance with Brazilian taxation regulations.

Management periodically assesses the positions assumed in the tax declarations with respect to situations where the applicable tax legislation is subject to interpretation that could possibly differ and makes provisions, when appropriate, based on amounts it anticipates will have to be paid to the tax authorities.

(All amounts in thousands of Reais, except if stated otherwise)

The deferred income tax and social contribution assets are recorded to reflect the future tax effects attributable to temporary differences between the tax basis of assets and liabilities and their respective net carrying amounts.

24.1 Reconciliation of the tax and social contribution calculated by applying the combined tax rates

Description	Parent		Consolidated	
	2020	2019	2020	2019
Accounting profit before Income tax and social contribution [A]	**795,524**	564,261	**795,632**	568,979
Combined tax rate [B]	**34%**	34%	**34%**	34%
[A X B] Income tax and social contribution at the combined tax rate	**270,478**	191,849	**270,515**	193,453
Permanent additions [C]	**18,979**	15,580	**19,047**	8,076
Non-deductible expenses	**16,855**	5,799	**16,923**	7,769
Equity income from subsidiaries	**2,124**	9,781	**2,124**	307
Permanent exclusions [D]	**(224,956)**	(170,408)	**(224,953)**	(159,790)
Equity income from subsidiaries	**(229)**	(15,007)	**(229)**	(224)
State tax incentives [1]	**(164,123)**	(121,273)	**(164,123)**	(126,400)
Tax benefit - Interest on equity	**(52,545)**	(28,900)	**(52,545)**	(28,900)
Other items	**(8,059)**	(5,228)	**(8,056)**	(4,266)
[A X B+C-D] Income tax and social contribution recorded in profit or loss before exemption	**64,501**	37,021	**64,609**	41,739
Income exempt from income tax (Government subsidy) [E] [1]	**(32,821)**	(29,644)	**(32,821)**	(29,644)
Income tax and social contribution recorded in profit or loss after exemption [F]	**31,680**	7,377	**31,788**	12,095
Current income tax and social contribution	**6,781**	14,911	**6,889**	37,170
Deferred income tax and social contribution	**24,899**	(7,534)	**24,899**	(25,075)
[F/A] Effective rate	**3.98%**	1.31%	**4.00%**	2.13%

[1] 2019 incentive supplement.

The Company assessed the probability of accepting the tax authorities' tax treatment of income taxes considered uncertain and concluded there are no impacts from IFRIC 23/ ICPC 22, providing the procedures adopted to determine and recognize income taxes follow the tax regulations and suitable interpretations based on administrative and judicial precedent and decisions.

24.2 Breakdown of deferred income tax and social contribution assets and liabilities

Description	Parent and Consolidated	
	2020	2019
Deferred tax assets		
Estimated losses for doubtful accounts	**10,529**	11,413
Provision for litigation and lawsuits	**51,067**	64,366
Provision for logistics expenses and contractual costs	**22,248**	11,160
Estimated losses on tax credits	**13,134**	17,119

(All amounts in thousands of Reais, except if stated otherwise)

Description	Parent and Consolidated	
	2020	2019
Provision for legal fees	**15,382**	14,715
PLR provisions and other events	**20,735**	19,568
Provision for impairment losses on assets	**222**	2,840
Provision for inventory impairment	**3,936**	2,901
Amortization of the balance sheet at fair value	**13,780**	1,338
Other provisions	**18,185**	15,340
	169,218	160,760
Deferred tax liabilities		
Differences in depreciation (useful lives and tax rates)	**179,505**	167,088
Tax amortization of goodwill paid for future profitability	**196,652**	185,922
Restatement of judicial deposits	**9,498**	11,294
Losses (gains) on swap contracts	**5,070**	3,063
Other provisions (reversals)	**5,094**	(1,393)
	395,819	365,974
Net deferred tax liabilities	**226,601**	205,214

The Company expects to recover the tax credits arising from the temporary differences within a maximum of ten years, based on the expected realization of the provisions that generated them.

The estimates for recovering the tax credits were based mainly on the expected outcomes for the processes that generated the provisions for contingencies and also the tax legislation criteria for the deductibility of losses on doubtful receivables.

Based on the past realization of liabilities representing tax, labor and civil risks, among others, and allowances for impairment losses, the expected realization of deferred income tax and social contribution in the financial statements is as follows:

Maturity	Parent and Consolidated
2022	**62,782**
2023	**18,862**
2024	**17,078**
2025	**16,546**
2026 to 2028	**53,950**
Total	**169,218**

25. Shareholders' equity

a) Capital - Parent

On December 31, 2019, the Company made a capital increase of R$ 2,508,400 represented by 339,000,000 common shares.
On March 06, 2020, the members of the Board of Directors approved a capital increase of R$ 59,541, without altering the number of shares, through the capitalization of fiscal incentive reserves for the reduction of income tax and reinvestment, related to the calendar years 2018, increasing the capital to R$ 2,567,941.

At December 31, 2020, the Company had a free float of 83,703,722 common shares, which represented 24.69% (25.00% at December 31, 2019).

Authorized capital comprises 459,200,000 common, nominative shares, with no par value, which can be increased, without altering the bylaws, after a decision by the Board of Directors, through the capitalization of reserves, with or without altering the number of shares.

b) Reserves

Legal reserve

In compliance with article 193 of Act 6,404/76, the reserve is recorded at a rate of 5% of net income for the year, less the portion relating to investment subsidies, up to a limit of 20% of the Company's share capital. At December 31, 2020, the Company's legal reserve amounted to R$ 320,874 (R$ 308,459 at December 31, 2019).

Tax incentive reserve

This reserve is constituted annually based on the portion of profit arising from the subsidies for investments received by the Company, as detailed in Note 22. At December 31, 2020, the tax incentive reserves totaled R$ 1,670,629 (R$ 1,214,635 at December 31, 2019).

Reserve for investment plan

This reserve is established in the Company's bylaws, and is constituted based on the remaining profit, i.e. profit for the year, net of the tax incentive reserve, the legal reserve and proposed dividends, except if decided otherwise at the General Shareholders Meeting. The purpose of this reserve is to bolster the Company's working capital and to reinvest funds generated internally. This reserve can, after a decision by the Board of Directors, be capitalized, used to absorb losses or distributed as dividends to shareholders. At December 31, 2019 the investment plan reserve totaled R$ 2,009,917 (R$ 1,928,920 at December 31, 2019). This reserve is limited to 95% of Capital.

According to the Company's bylaws, the balance of revenue reserves, with the exception of the tax incentive reserve, cannot exceed capital. If it exceeds this limit, the General Meeting of Shareholders will determine how the excess amount should be used, either for a capital increase or a dividend distribution.

Special reserve - Law 8,200/1991

Prior to 1995, the Company recorded special monetary restatement on permanent assets, in accordance with article 2 of Law 8,200/1991. At December 31, 2020 and December 31, 2019, the special reserve amounted to R$ 16,529.

Treasury shares

At the Board of Directors' meeting held January 20, 2020 the Company approved the share buyback plan in order to meet the long-term incentive program with restricted shares, as detailed in Note 26, and to maximize the creation of value for shareholders, in the maximum amount of 8,472,614 common shares. The share buyback operations will be supported by the overall capital and profit reserves available, except the legal reserve, unrealized profits reserve, special undistributed dividend reserve and the tax incentives reserve, as applicable. The share buyback operations will be settled within a maximum of 18 (eighteen) months, terminating July 21, 2021.

On December 31, 2020 the Company had acquired Treasury stock of 997,696 shares at an average price of R$ 39.67 per share, for the minimum and maximum prices of R$ 37.28 and

(All amounts in thousands of Reais, except if stated otherwise)

R$ 42.13 respectively, amounting to a total of R$ 39,576.

c) Shareholders' Remuneration

The Company's bylaws provide for the distribution of a minimum dividend of 25% of the net profit for the year, adjusted in accordance with art. 202 of Law 6,404/1976, and also permits payments to shareholders, in the form of interest on own capital, within the limits provided by Law. The amount calculated for interest on own capital should always be considered as part of the compulsory dividend.

The Board of Directors meeting held on December 18, 2020 approved a credit in the amount of R$ 154,544, for the shareholders, as interest on own capital. The credit was made on December 31, 2020, based on the shareholding positions at the close of trading at B3 on December 23, 2019 and the shareholders will be paid on May 03, 2021.

During the same meeting, the Company approved a new dividend policy, effective from January 1, 2021, establishing a target dividend of 60% of adjusted net income for the relevant financial year, paid in 5 installments in the year, including 4 quarterly installments of a fixed amount of R$ 0.05 (five cents) per share and an annual payment of the residual amount following approval by the General Meeting of the financial statements for the relevant financial year. The Board of Directors may extraordinarily approve payments of less than the target dividend depending on macroeconomic conditions, the Company's financial position, and the conditions of the markets in which the Company operates.

The proposal will be submitted for approval at the General Shareholders Meeting, to be held on April 30, 2021.

The dividend calculation is shown below:

Description	2020	2019
Net profit for the year [1]	**763,844**	556,884
(-) Legal reserve (5%)	**(12,415)**	(7,774)
(-) State tax incentive reserve	**(482,714)**	(371,765)
(-) Federal tax incentive reserve	**(32,821)**	(29,644)
(=) Calculation base for minimum dividends	**235,894**	147,701
Compulsory minimum dividends (25%)	**58,974**	**36,925**
Value exceeding the minimum mandatory dividend [2]	**95,570**	**48,075**
Gross remuneration - Interest on own capital	**154,544**	**85,000**
(-) Withholding income tax on interest on own capital	**(7,264)**	**(3,925)**
Shareholders' remuneration, net of withholding tax	**147,280**	**81,075**
Remuneration as a percentage of the calculation base	**65.51%**	57,55%
Average number of shares - thousand (ex-shares in treasury)	**339,000**	339,000
Dividends per share paid to corporate shareholders, exempt from withholding tax	**0.4559**	**0.2507**
Dividends per share paid to individual shareholders, net of withholding tax	**0.4345**	**0.2392**

[1] Calculated in accordance with accounting practices adopted in Brazil. [2] The excess amount corresponding to 2020 was recorded in equity as "Additional dividend" because it has still not been approved at the Annual General Meeting, which will be held on 04/30/2021, as well as the amount for 2019, approved at the Annual General Meeting held on 04/09/2020.

d) Equity appraisal adjustment

This item is used to recognize the effects of positive and negative changes in gains/losses on cash-flow hedges.

e) Accumulated conversion adjustments

The accumulated conversion adjustments refer to exchange variations on foreign investments.

26. Share-based remuneration plan

The Company has a share-based remuneration plan, approved on April 13, 2017, with the aim of permitting eligible participants to acquire shares in order to: (a) create a sense of ownership, fostering the feeling of being an "owner of the business", thereby intensifying and strengthening the bond between the Company and its executives (non-statutory board of directors); (b) foster the attainment of high levels of sustainable performance in the short and long term; (c) nurture the development of senior leadership; (d) make possible the existence of a "win-win" rewards model based on the return created for shareholders; and (e) ensure the competitiveness of the total compensation package and the retention of key leaders.

This is a long-term incentive program in which participants are awarded restricted shares. The program was initially limited to non-statutory directors but has since been modified to include statutory directors hired under the Consolidated Labor Regulations as from 2019, under a resolution passed by the Extraordinary General Meeting held on December 27, 2019.

The shares are awarded annually, for a 4-year plan term, vested annually in May, documented in an accession to the plan between the Company and the beneficiaries. For potential beneficiaries hired in or after 2019, shares are awarded in proportion to their length of service at the Company, and the amount used as a basis for determining the price of the shares is the same as for other beneficiaries in the relevant year. The shares awarded cannot exceed 0.25% of the Company's total shares over the plan period.

For each annual concession there will be a three-year grace period and at the end of the vesting period, the shares will be transferred to the executive if performance criteria have been met. Under this model, no financial disbursements are required by the executive.

In May 2017, the first plan accessions were signed under which 132,535 restricted shares were distributed among 17 executives, who acquired ownership rights in April 2020.

In May 2018, new terms of adherence to the plan were signed, in which 154,836 restricted shares were distributed among 18 executives, with the right to ownership of the shares in April 2021.

In May 2019, new plan accessions were signed under which 170,872 restricted shares were distributed among 17 executives, who will acquire ownership rights in April 2022. On December 27, 2019, six executives hired in 2019 joined the plan and were awarded 59,883 restricted shares.

In May 2020 new plan accessions were signed under which 355,433 restricted shares were distributed among 23 executives, who will acquire ownership rights in April/2023. On this date an amount equal to 117,071 restricted shares awarded at the end of 2017 were transferred, after meeting the performance criteria.

(All amounts in thousands of Reais, except if stated otherwise)

The changes in the number of restricted shares are presented below:

Descrição	Number of restricted shares
Balance at December 31, 2018	**287,371**
Granted shares	230,755
Awards canceled	(64,481)
Balance at December 31, 2019	**453,645**
Granted shares	355,433
Transferred shares	(148,014)
Awards canceled	(51,192)
Balance at December 31, 2020	**609,872**

The restricted shares are measured at fair value at the concession date and are recognized as expenses over the period in which the right is vested and charged to shareholders' equity, as granted shares.

The expense denoting the fair value of the restricted shares, recognized in the period ended December 31, 2020 in accordance with the term lapsed for acquiring the right to the restricted shares was R$ 4,657 (R$ 4,813 at December 31, 2019).

27. Net revenue

Description	Parent		Consolidated	
	2020	2019	2020	2019
Gross revenue	**8,826,471**	6,759,310	**8,826,471**	7,573,325
Domestic market	**8,591,270**	6,698,202	**8,591,270**	7,511,130
Foreign market	**235,201**	61,108	**235,201**	62,195
Returns, discounts and cancellations	**(587,307)**	(523,033)	**(587,307)**	(568,685)
Taxes on sales	**(986,640)**	(775,504)	**(986,640)**	(901,032)
Net revenue	**7,252,524**	5,460,773	**7,252,524**	6,103,608

The net revenue by product line of the Company and its subsidiaries as of December 31, 2020 and 2019 is as follows:

Description	Parent		Consolidated	
	2020	2019	2020	2019
Cookies and Crackers	**3,702,220**	2,746,257	**3,702,220**	3,287,015
Pasta	**1,687,960**	1,194,482	**1,687,960**	1,318,183
Wheat flour and bran	**1,297,023**	1,055,418	**1,297,023**	1,025,747
Margarine and vegetable shortening	**420,580**	330,764	**420,580**	334,476
Other products [1]	**144,741**	133,852	**144,741**	138,187
Net revenue	**7,252,524**	5,460,773	**7,252,524**	6,103,608

[1] *Refers to the other product lines: cakes, snacks, cake mix, juice powder and packaged toast.*

(All amounts in thousands of Reais, except if stated otherwise)

28. Results by nature

The Company opted to present the statement of income by function. The composition of the cost of goods sold and significant expenses by nature are presented below:

Cost of goods sold	Parent		Consolidated	
	2020	2019	2020	2019
Raw materials	**(3,532,393)**	(2,539,478)	**(3,532,159)**	(2,688,917)
- Wheat	**(2,371,220)**	(1,729,921)	**(2,370,986)**	(1,729,226)
- Oil	**(588,127)**	(356,101)	**(588,127)**	(380,283)
- Sugar	**(182,624)**	(135,695)	**(182,624)**	(147,464)
- Sourced flour	**(16,325)**	(58,497)	**(16,325)**	(139,851)
- Sourced vegetable shortening	**(2,889)**	(5,052)	**(2,889)**	(5,050)
- Others	**(371,208)**	(254,212)	**(371,208)**	(287,043)
Packaging	**(478,263)**	(383,033)	**(478,263)**	(414,410)
Labor	**(623,590)**	(506,684)	**(623,591)**	(568,143)
General factory costs [1]	**(452,597)**	(332,849)	**(452,597)**	(412,156)
Depreciation and amortization	**(176,615)**	(129,147)	**(176,615)**	(165,879)
Cost of goods resold	**(41)**	-	**(41)**	(959)
Total	**(5,263,499)**	(3,891,191)	**(5,263,266)**	(4,250,464)

Expenses	Parent		Consolidated	
	2020	2019	2020	2019
Selling expenses				
Marketing and sales	**(562,649)**	(400,829)	**(562,649)**	(452,626)
Salaries and employee benefits	**(478,004)**	(387,062)	**(478,004)**	(507,644)
Freight	**(465,752)**	(322,256)	**(465,752)**	(343,187)
Depreciation and amortization	**(45,538)**	(19,041)	**(45,538)**	(30,477)
Total	**(1,551,943)**	(1,129,188)	**(1,551,943)**	(1,333,934)
Administrative and general expenses				
Salaries and employee benefits	**(140,707)**	(137,537)	**(140,862)**	(150,230)
Others administrative expenses	**(122,193)**	(87,853)	**(122,727)**	(107,955)
Management fees	**(15,191)**	(13,967)	**(15,191)**	(13,967)
Depreciation and amortization	**(33,518)**	(18,778)	**(33,518)**	(21,100)
Total	**(311,609)**	(258,135)	**(312,298)**	(293,252)
Other income (expenses) net [2]				
Tax expenses	**(31,963)**	(30,076)	**(32,009)**	(34,807)
Depreciation and amortization	**(4,036)**	(2,183)	**(4,036)**	(16,079)
Other income (expenses)	**238,766**	86,003	**239,387**	56,207
Total	**202,767**	53,744	**203,342**	5,321

[1] Refers to the powerhouse, maintenance and other costs; [2] See Note 29.

29. Other operational income (expenses), net

See below the other operational (income) expenses:

(All amounts in thousands of Reais, except if stated otherwise)

Description	Parent		Consolidated	
	2020	2019	2020	2019
Other operating income				
Sale of damaged goods and scrap	**11,811**	4,769	**11,811**	5,116
Sale of property, plant and equipment	**1,358**	6,140	**1,358**	5,676
Extemporaneous credit - Refund of debts	**1,014**	22,914	**1,014**	22,914
Reversal of operating provisions	**740**	1,690	**740**	1,690
Expense recovery	**7,264**	2,007	**7,867**	2,007
Extemporaneous credit - PIS/Cofins (1)	**327,823**	142,413	**327,823**	146,256
Extemporaneous credit – ICMS	**19,659**	14,631	**19,659**	20,286
Extemporaneous credit – INSS on revenues	**-**	1,558	**-**	1,558
Claim merchandise refund	**1,982**	2,446	**1,982**	2,446
Reversal of provision for impairment of assets	**7,699**	-	**7,699**	-
Others	**9,411**	11,047	**9,411**	15,135
	388,761	**209,615**	**389,364**	**223,084**
Other operating expenses				
Provisions for civil, labor and tax contingencies and success fees	**(48,502)**	(44,478)	**(48,502)**	(45,137)
Cost of sales of property, plant and equipment	**(1,819)**	(5,689)	**(1,819)**	(7,440)
Inmetro tax	**(1,344)**	(3,437)	**(1,344)**	(3,437)
Provisions (reversals) estimated or realized in inventories	**(21,221)**	(16,715)	**(21,221)**	(21,865)
State fund for tax equalization	**(16,103)**	(20,824)	**(16,103)**	(20,824)
Cost of selling sweeps, scrap and inputs	**(42,283)**	(15,470)	**(42,283)**	(15,470)
Restructuring expenses	**(5,928)**	(10,782)	**(5,928)**	(42,140)
Tax assessment	**(31,963)**	(30,076)	**(32,009)**	(34,807)
Depreciation and amortization expenses	**(4,036)**	(2,183)	**(4,036)**	(16,079)
Others	**(12,795)**	(6,217)	**(12,777)**	(10,564)
	(185,994)	(155,871)	**(186,022)**	(217,763)
Total	**202,767**	**53,744**	**203,342**	**5,321**

(1) See note 9.

30. Earnings per share

Basic earnings per share are calculated based on net income attributable to shareholders and the proportional weighted average number of shares outstanding in the year.

Diluted earnings per share for share options are calculated based on net income attributable to shareholders and the adjusted weighted average number of shares that would have been outstanding assuming the conversion of all dilutive potential shares, as follows:

Description	Parent and Consolidated	
	2020	2019
Net profit for the period	**763,844**	556,884
Weighted average number of common shares (a)	**339,000**	339,000
Basic earnings per share (R$)	**2.25323**	1.64273
Adjustments for restricted shares (b)	**572**	371
Treasury shares (c)	**(998)**	-
Weighted average shares (thousand) (a + b + c)	**338,574**	339,371
Diluted earnings per share (R$)	**2.25606**	1.64093

(All amounts in thousands of Reais, except if stated otherwise)

31. Insurance coverage

The Company adopts the policy of contracting insurance coverage for the main items subject to risks, at amounts considered sufficient to cover possible claims. The assets covered by insurance are determined based on an analysis of the nature of the activity involved, the efficiency of the protection and security measures adopted for the construction and operation of the Company's plants and facilities, the logistical distribution of its industrial plants and distribution centers, as well as the relationship between potential damage from a possible accident and the insurance cost.

As part of its policy for managing risks and permanently evaluating the sufficiency of the existing insurance, the Company has a policy of contracting services to analyze the operational risks to which it is subject, in order to verify the quality of the assumptions adopted in determining which assets to insure and the sufficiency of the amounts insured by the insurance policies contracted.

The Company maintains insurance policies for buildings, products, raw materials, products in process, packing materials, machinery, tools, furniture, fixtures and facilities. The policies in force contain the following coverage:

Description	Indemnity ceiling	Period of policy
Fire (including due to disturbances), lightning at the location and explosion of any nature	300,000	12/04/2020 to 12/04/2021
Crashes of airplanes or any aircraft	300,000	12/04/2020 to 12/04/2021
Storms, hurricane, cyclone, tornado, hailstorm, impact of land vehicles and smoke damage	20,000	12/04/2020 to 12/04/2021
Collapse (landslides)	10,000	12/04/2020 to 12/04/2021
Riots, strikes and lock-out	5,000	12/04/2020 to 12/04/2021
Machinery breakdown - Material damage	4,500	12/04/2020 to 12/04/2021
Sprinkler spillage or leakage and hydrants network	2,000	12/04/2020 to 12/04/2021
Own fermentation and spontaneous combustion	2,000	12/04/2020 to 12/04/2021

32. Subsequent events

On January 22, 2021 the Board of Directors approved a 3rd issue of ordinary, nonconvertible, unsecured debentures in two series maturing on March 13, 2028 and March 13, 2031, respectively.

The debentures were issued on March 15, 2021, underlying the issuance of Agribusiness Receivables Certificates (CRAs) totaling R$ 811,644. Interest rates were set for each series in a book building procedure on March 3, 2021. The first and second series of debentures carry six-monthly interest of respectively 3.7992% and 4.1369% on the basis of 252 business days, plus indexation by the IPCA index.

The funds will be used to promote and encourage sustainable agriculture by the company's suppliers, ensuring the continuous improvement of food and nutritional security of the products offered to consumers. This initiative is part of the strategy to encourage the supply of raw materials in the long term, committing suppliers and the company to the sustainable development objectives of the United Nations (UN), and reinforces M. Dias Branco's position as a reference in sustainability in Brazil.

Francisco Ivens de Sá Dias Branco Júnior
President and Industrial Vice-President - Biscuits, Pasta and Margarines

Maria das Graças Dias Branco da Escóssia
Vice-President - Finance

Maria Regina Saraiva Leão Dias Branco
Vice-President - Administration and Development

Francisco Cláudio Saraiva Leão Dias Branco
Industrial Vice-President - Milling

Gustavo Lopes Theodozio
Vice-President - Investments and Controllership

Rômulo Ruberti Calmon Dantas
Vice-President - Sales

Magali Carvalho Façanha
Accountant CRC - CE 12410/O-6

Other Information Deemed as Relevant by the Company

Share Ownership

Our capital stock on December 31, 2020, is R$ 2,567.9 million, fully subscribed, paid-up and divided into 339,000,000 shares, all non-par, common, registered, book-entry shares.

The table below shows the number of shares directly or indirectly held on this date by the Controlling Shareholder and members of our Board of Directors and Board of Executive Officers:

CONSOLIDATED SHAREHOLDING OF CONTROLLING SHAREHOLDERS, MANAGERS AND OUTSTANDING SHARES Shareholding on 12/31/2019				
Shareholder	**Number of Common Shares (In units)**	**%**	**Total Number of Shares (In units)**	**%**
Controlling Shareholder	**214,650,000**	**63.32**	**214,650,000**	**63.32**
Managers	**39,614,359**	**11.69**	**39,614,359**	**11.69**
Board of Directors	13,901,715	4.10	13,901,715	4.10
Board of Executive Officers	25,712,644	7.58	25,712,644	7.58
Treasury Shares	**-**	**-**	**-**	**-**
Other Shareholders	**84,735,641**	**25.00**	**84,735,641**	**25.00**
Total	**339,000,000**	**100.00**	**339,000,000**	**100.00**
Outstanding Shares	**84,735,641**	**25.00**	**84,735,641**	**25.00**

CONSOLIDATED SHAREHOLDING OF CONTROLLING SHAREHOLDERS, MANAGERS AND OUTSTANDING SHARES Shareholding on 12/31/2020				
Shareholder	**Number of Common Shares (In units)**	**%**	**Total Number of Shares (In units)**	**%**
Controlling Shareholder	**214,650,000**	**63.32**	**214,650,000**	**63.32**
Managers	**39,648,582**	**11.70**	**39,648,582**	**11.70**
Board of Directors	13,915,014	4.10	13,915,014	4.10
Board of Executive Officers	25,733,568	7.59	25,733,568	7.59
Treasury Shares	**997,696**	**0.29**	**997,696**	**0.29**
Other Shareholders	**83,703,722**	**24.69**	**83,703,722**	**24.69**
Total	**339,000,000**	**100.00**	**339,000,000**	**100.00**
Outstanding Shares	**83,703,722**	**24.69**	**83,703,722**	**24.69**

Note: There are no Members of the Board of Directors and Board of Executive Officers holding more than 5% of the shares.

In accordance with Article 20 of our social status, the Fiscal Concil has not found permanent and is installed on December 31, 2019 and 2020.

Other Information Deemed as Relevant by the Company

CAPITAL STOCK DISTRIBUTION OF CORPORATE ENTITY (COMPANY SHAREHOLDER), UP TO THE INDIVIDUAL LEVEL				
Company: DIBRA Fundo de Investimentos em Participações	Shareholding on 12/31/2020 (In units of quotas)			
Unitholders	Quotas		Total	
	Number	%	Number	%
Maria Consuelo Saraiva Leão Dias Branco	270.30	50.00	270.30	50.00
Francisco Ivens de Sá Dias Branco Júnior	54.06	10.00	54.06	10.00
Maria das Graças Dias Branco da Escóssia	54.06	10.00	54.06	10.00
Maria Regina Saraiva Leão Dias Branco	54.06	10.00	54.06	10.00
Francisco Marcos Saraiva Leão Dias Branco	54.06	10.00	54.06	10.00
Francisco Claúdio Saraiva Leão Dias Branco	54.06	10.00	54.06	10.00
Total	**540.61**	**100.00**	**540.61**	**100.00**

SHAREHOLDING OF THOSE HOLDING MORE THAN 5% OF THE SHARES OF EACH TYPE AND CLASS OF THE COMPANY'S CAPITAL STOCK, UP TO THE INDIVIDUAL LEVEL				
Company: M DIAS BRANCO S.A IND E COM DE ALIMENTOS Shareholding on 12/31/2020 (In units of shares)				
Shareholder	Common Shares		Total	
	Number	%	Number	%
DIBRA Fundo de Investimentos em Ações	214,650,000	63.32	214,650,000	63.32
Board of Directors and Executive Officers	39,648,582	11.70	39,648,582	11.70
Treasury Shares	997,696	0.29	997,696	0.29
Other Shareholders	83,703,722	24.69	83,703,722	24.69
Total	**339,000,000**	**100.00**	**339,000,000**	**100.00**

SHAREHOLDING OF THOSE HOLDING MORE THAN 5% OF THE SHARES OF EACH TYPE AND CLASS OF THE COMPANY'S CAPITAL STOCK, UP TO THE INDIVIDUAL LEVEL				
Company: M DIAS BRANCO S.A IND E COM DE ALIMENTOS Shareholding on 12/31/2019 (In units of shares)				
Shareholder	Common Shares		Total	
	Number	%	Number	%
DIBRA Fundo de Investimentos em Ações	214,650,000	63.32	214,650,000	63.32
Broad of Directors and Executive Officers	39,614,359	11.69	39,614,359	11.69
Treasury Shares	-	-	-	-
Other Shareholders	84,735,641	25.00	84,735,641	25.00
Total	**339,000,000**	**100.00**	**339,000,000**	**100.00**

(A free translation of the original in Portuguese)

Independent auditor's report

To the Board of Directors and Stockholders
M. Dias Branco S. A. Indústria e Comércio de Alimentos

Opinion

We have audited the accompanying parent company financial statements of M. Dias Branco S.A. Indústria e Comércio de Alimentos ("Company" or "Parent company"), which comprise the balance sheet as at December 31, 2020 and the statements of income, comprehensive income, changes in equity and cash flows for the year then ended, as well as the accompanying consolidated financial statements of M. Dias Branco S.A. Indústria e Comércio de Alimentos and its subsidiaries ("Consolidated"), which comprise the consolidated balance sheet as at December 31, 2020 and the consolidated statements of income, comprehensive income, changes in equity and cash flows for the year then ended, and notes to the financial statements, including a summary of significant accounting policies.

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

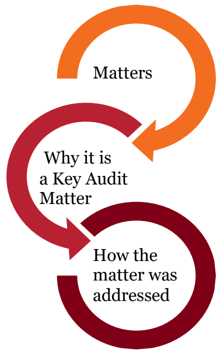
Basis for opinion

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

Opinions and Declarations / Special Review Report – unqualified

Key audit matters

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



Our audit for the year ended December 31, 2020 was planned and performed considering that the operations of the Company and its subsidiaries did not present significant modifications in relation to the prior year. In this context, the Key Audit Matters, as well as our audit approach, remained substantially aligned with those of the prior year, except for the inclusion of the KAM related to the adoption of hedge accounting during the year.

Why it is a Key Audit Matter	How the matter was addressed in the audit

Revenue recognition (Notes 5 and 27)

a. Timing of revenue recognition

The Company dispatches its sales from 14 production plants located in nine Brazilian states, and from 38 distribution centers in 17 states. Controls over the revenue recognition are required to ensure that sales revenues are recognized in the correct accrual period.

These controls must be sufficiently versatile to cover different contractual conditions and terms, depending on the nature of the transaction.

Continued focus was given, during our audit, to address recognition of revenue in the correct period and the basis thereof. Estimates and assumptions are used to book revenues, including: (a) analysis of products billed and in transit at December 31, for each delivery region, since estimates are made for sale cut-off based on average delivery times; and (b) establishing key sales performance metrics for internal sales targets.

Audit evidence was obtained through a combination of tests of controls and of transactions, among which:

(i) Updating our understanding and testing the effectiveness of key controls over revenue recognition timings;

(ii) Applying alternative procedures, on a sample basis, of subsequent receipts of amounts due and inspection of dispatch documents supporting evidence of delivery;

(iii) Examining documents for sale transactions, on a sample basis, before and after the year end, to confirm revenue was recognized in the proper period;

(iv) Inspecting delivery statements for selected sales transactions, comparing the actual delivery date with the date estimated by the Company for the sales cut-off adjustments;

(v) Comparing, on a test basis, the accounting entries with the respective client orders, invoices, and the amounts effectively received for the sales, noting the issue invoice sequential numbers; and

(vi) Assessing the appropriateness of the

Opinions and Declarations / Special Review Report – unqualified

Why it is a Key Audit Matter	How the matter was addressed in the audit
	Company's disclosures with regard to this matter. We consider that the criteria and assumptions adopted by management to recognize revenue in the correct accrual period to be consistent with the information we obtained during our audit.

b. Measurement of revenue

Why it is a Key Audit Matter	How the matter was addressed in the audit
The Company has several commercial agreements with its customers which include sales trade discounts for different quantities and types of products sold. Most discounts are reflected in the sales prices or are presented as fixed percentages linked to product volumes sold. The large number of agreements and numerous sales points increase the risk of error, particularly in applying the correct discounts and accrual period. Therefore, we again decided to focus on this area in our audit.	To address this matter, we performed the following audit procedures, among others: (i) Updated our understanding and tested the effectiveness of the controls over trade discounts, their calculation and booking; (ii) Inspected, on a sample basis, agreements to analyze contractual terms and recalculated the trade discounts; and (iii) Checked to the selected accounting entries, confirming amounts recorded, the accrual period, presentation and disclosure in the financial statements. The result of our procedures provided sufficient and appropriate audit evidence.

Provisions for civil, labor and tax risks (Note 23)

Why it is a Key Audit Matter	How the matter was addressed in the audit
The Company is party to judicial and administrative proceedings with certain government agencies and courts. The estimates of losses for these proceedings are periodically evaluated by management, under the advice of the legal counsel accompanying the proceedings. Estimate of probable losses, as well as the measurement of the corresponding provisions for contingencies, involve management's judgment and depend on the stage of the proceedings and judicial precedents, which may change over time. We decided to focus again on this area in our audit due to the high degree of judgment involved in the determination of the likelihood of loss for each proceeding. Changes in judgment and/or estimates might significantly affect the Company's reported financial position and results of operations.	With the support of our tax specialists, we carried out the following procedures, among others: (i) Understanding the internal controls involving the identification of the risks, recording the liabilities and/or disclosures in the notes; (ii) Reviewing minutes of meetings and discussing with management the status of judicial proceedings; (iii) Obtaining confirmations, directly from the external legal advisors, on the proceedings, including their estimate of the likelihood of loss, and compared data with management's analytical reports and the accounting balances; and (iv) Assessing whether the disclosures of the more significant contingencies were adequately presented in the explanatory

Opinions and Declarations / Special Review Report – unqualified

Why it is a Key Audit Matter	How the matter was addressed in the audit
	notes. We consider that the criteria and assumptions adopted by management to determine the provision for contingent liabilities and/or corresponding disclosures to be consistent with the information we obtained during our audit.
Recognition and measurement of tax credits (Note 9)	
In 2020, the Company recognized additional tax credits relating to the right to exclude the Value-added Tax on Sales and Services (ICMS) from the calculation bases for the Social Integration Program (PIS) and the Social Contribution on Revenues (COFINS) taxes for the periods covered by the lawsuits. We decided to focus on this area in our audit because (i) the amounts involved are significant; (ii) judgment is required in applying assumptions to support the asset measurement; and (iii) changes in assumptions could significantly affect the amounts recorded in the financial statements.	Our audit procedures included, among others: (i) With the support of our tax specialists, we read the court decisions and reviewed existing legal opinions. We discussed with management and its legal advisors the choice of criteria for recognizing the credits; (ii) We confirmed, on a sample basis, the existence and origin of the PIS and COFINS balances recoverable based on the supporting documentation; (iii) We tested, on a sample basis, management's calculations in determining the taxes recoverable and, when applicable, the corresponding indexation for inflation for the relevant period of the claim. (iv) We discussed with management its assessment of the Company's ability to recover the tax credits; and (v) We read the related disclosures in the explanatory notes. We consider the assumptions and criteria adopted by management to be consistent with the disclosures made in the explanatory notes and with the information we obtained during our audit.
Adoption of hedge accounting (Notes 5.j and 18.d) In July 2020, the Company's management approved the adoption of the hedge accounting policy with prospective effects. At December 31, 2020, the reference value of the forward contracts used in hedge accounting is US$ 169,440 thousand. The measurement and designation of these financial instruments as foreign exchange hedge of	Our audit procedures included, among others, understanding the Company's risk management process, the hedging policy, and the hedge accounting framework. We assessed the application of hedge accounting by the Company taking into consideration the requirements of IFRS 9/CPC 48. We assessed the methodology used by the

Opinions and Declarations / Special Review Report – unqualified

Why it is a Key Audit Matter	How the matter was addressed in the audit
highly probable future purchases, as well as the measurement of their effectiveness, require the fulfillment of certain formal obligations and the need for the Company to make significant judgments regarding the actual hedge of the foreign exchange and price risks. Due to the significance of the hedged financial instruments, the complexity of the criteria required for the adoption of hedge accounting, and the assumptions and judgments used in the fair value measurement of the derivatives used for hedging, we consider this to be a key audit matter.	Company for the measurement of its derivative financial instruments and, with the advice of our experts in financial instruments, we recalculated, on a sample basis, the fair value measurement of these derivatives. We also evaluated the reasonableness of the main assumptions used by management to estimate future imports considered as "highly probable". We analyzed the supporting documentation of the designation of financial instrument and the effectiveness test prepared by the Company's management. We read the related disclosures in the explanatory notes. We consider that the assumptions and judgments adopted by management in applying hedge accounting to be reasonable and the disclosures to be consistent with the data and information obtained.

Other matters

Statements of value added

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

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

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

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

In connection with the audit of the parent company and consolidated financial statements, our responsibility is to read the Management Report and, in doing so, consider whether this report is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If, based on the work we have performed, we

Opinions and Declarations / Special Review Report – unqualified

conclude that there is a material misstatement in the Management Report, we are required to report that fact. We have nothing to report in this regard.

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

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

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

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

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

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

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

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

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

- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the parent

Opinions and Declarations / Special Review Report – unqualified

company and consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Company to cease to continue as a going concern.

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

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

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

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

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

Recife, March 31, 2021

PricewaterhouseCoopers
Auditores Independentes
CRC 2SP000160/O-5

Vinícius Ferreira Britto Rêgo
Contador CRC 1BA024501/O-9

Reports and Statements / Audit Committee’s Report

AUDIT COMMITTEE REPORT

The members of the Audit Committee of M. Dias Branco S.A. Indústria e Comércio de Alimentos ("Company"), in the exercise of their legal duties, pursuant to the Audit Committee Bylaws and based on current legislation, have examined and analyzed the financial statements and the accompanying independent auditors' report for the year ended December 31, 2020 and, considering the information provided by the Company's management and by PRICEWATERHOUSECOOPERS AUDITORES INDEPENDENTES, they have approved, by a unanimous vote, the Financial Statements, and recommended the approval of the documents by the Company's Board of Directors, in accordance with Corporate Legislation.

São Paulo/SP, March 31, 2021.

Carlos Roberto de Albuquerque Sá
Committee Coordinator

Elionor Farah Jreige Weffort
Committee Member

Jorge Roberto Manoel
Committee Member

Guilherme Affonso Ferreira
Committee Member

Reports and Statements/Statement from Directors on the financial statements

We declare, as the directors of M. Dias Branco S.A. Indústria e Comércio de Alimentos, a publicly traded corporation with its registered office in the Municipality of Eusébio, State of Ceará, at Rodovia BR 116 KM 18, s/n, Jabuti, CEP 61760-000, registered with CNPJ under number 07.206.816/0001-15, that we have revised, discussed and approved the financial statements for the year ended December 31, 2020.

Eusébio, March 31, 2021.

Francisco Ivens de Sá Dias Branco Júnior
President and Industrial Vice-President - Biscuits, Pasta and Margarines

Maria das Graças Dias Branco da Escóssia
Vice-President – Finance

Maria Regina Saraiva Leão Dias Branco
Vice-President - Administration and Development

Francisco Cláudio Saraiva Leão Dias Branco
Industrial Vice-President - Milling

Gustavo Lopes Theodozio
Vice-President - Investments and Controllership

Rômulo Ruberti Calmon Dantas
Vice-President - Sales

Reports and Statements/Statement from Directors on the Report of Independent Auditors

We declare, as the directors of M. Dias Branco S.A. Indústria e Comércio de Alimentos, a publicly traded corporation with its registered office in the Municipality of Eusébio, State of Ceará, at Rodovia BR 116 KM 18, s/n, Jabuti, CEP 61760-000, registered with CNPJ under number 07.206.816/0001-15, that we have revised, discussed and agreed the financial statements for the year ended December 31, 2020.

Eusébio, March 31, 2021.

Francisco Ivens de Sá Dias Branco Júnior
President and Industrial Vice-President - Biscuits, Pasta and Margarines

Maria das Graças Dias Branco da Escóssia
Vice-President – Finance

Maria Regina Saraiva Leão Dias Branco
Vice-President - Administration and Development

Francisco Cláudio Saraiva Leão Dias Branco
Industrial Vice-President - Milling

Gustavo Lopes Theodozio
Vice-President - Investments and Controllership

Rômulo Ruberti Calmon Dantas
Vice-President - Sales