Separate and Consolidated Financial Statements

União Química Farmacêutica Nacional S.A.

December 31, 2021, 2020 and 2019
with Independent auditor's report

União Química Farmacêutica Nacional S.A.

Separate and consolidated financial statements

December 31, 2021, 2020 and 2019

Contents

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A free translation from Portuguese into English of Independent Auditor's Report on Separate and Consolidated Financial Statements prepared in Brazilian currency in accordance with the accounting practices adopted in Brazil and the International Financial Reporting Standards (IFRS), issued by International Accounting Standards Board (IASB)

Independent auditor's report on separate and consolidated financial statements

To the Shareholders, Board of Directors and Officers of
União Química Farmacêutica Nacional S.A.
São Paulo - SP

Opinion

We have audited separate and consolidated financial statements of União Química Farmacêutica Nacional S.A. (the "Company"), identified as separate and consolidated, respectively, which comprise the statement of financial position as at December 31, 2021, and the statements of income, of comprehensive income, of changes in equity and of cash flows for the year then ended, and notes to the financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying financial statements present fairly, in all material respects, the separate and consolidated financial position of the Company as at December 31, 2021, its separate and consolidated financial performance and its separate and consolidated cash flows for the year then ended, in accordance with the accounting practices adopted in Brazil and the International Financial Reporting Standards (IFRS) issued by the International Accounting Standards Board (IASB).

Basis for opinion

We conducted our audit in accordance with the Brazilian and International Standards on Auditing. Our responsibilities under those standards are further described in the Auditor's responsibilities for the audit of the separate and consolidated financial statements section of our report. We are independent of the Company and its subsidiaries in accordance with the relevant ethical principles set forth in the Code of Professional Ethics for Accountants and the professional standards issued by Brazil's National Association of State Boards of Accountancy ("CFC"), 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.

Emphasis of matter

Restatement of the separate and consolidated financial statements

On March 4, 2021 and March 5, 2020, we issued an unmodified opinion on the Company's separate and consolidated financial statements for the years ended December 31, 2020 and 2019, respectively, which are now being restated. We draw attention to Note 2.4 to the separate and consolidated financial statements for the years ended December 31, 2020 and 2019, which have been changed and are being restated by the Company to include the effects of adopting CVM rules and reflect the correction of errors, as described in referred to note. Our opinion remains unmodified, since the financial statements and their corresponding amounts to prior periods have been adjusted retrospectively.

Key audit matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the financial statements of the current period. These matters were addressed in the context of our audit of the separate and consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide an separate opinion on these matters. For each matter below, our description of how our audit addressed the matter, including any commentary on the findings or outcome of our procedures, is provided in that context.

We have fulfilled the responsibilities described in the “Auditor’s responsibilities for the audit of the separate and consolidated financial statements” section of our report, including in relation to these matters. Accordingly, our audit included the performance of procedures designed to respond to our assessment of the risks of material misstatement of the financial statements. The results of our audit procedures, including the procedures performed to address the matters below, provide the basis for our audit opinion on the accompanying separate and consolidated financial statements.

Recognition of sales revenue - Separate and Consolidated

Notes 2.d and 23

Due to the relevance of net sales revenue to the Company’s separate and consolidated financial statements and considering that sales revenue is recognized at the time of the sale (billing), with a subsequent adjustment to reflect the time of transfer of the significant risks and rewards of the transaction to the buyer, there is a risk that revenues will not be recognized in the appropriate year. As such, we consider this a key audit matter.

How our audit addressed this matter

Our audit procedures included the following, among others: (i) obtaining an understanding of the revenue recognition flow, considering the nature of the sale, the channels used, types of customers, etc.; (ii) evaluating the design, implementation and effectiveness of the significant internal controls determined by the executive board over revenue recognition; (iii) obtaining an understanding of the main systems used in sales, pricing and trade discounts; (iv) selecting sales transactions throughout the year on a sampling basis and crosschecking with the related supporting documentation to check if they represented valid revenues consistent with the Company’s ordinary course of business; (v) checking the effect of revenue cutoff through subsequent event tests with actual delivery date, on a sampling basis; and (vi) considering whether the disclosures in the financial statements are appropriate. As a result of our procedures, adjustments were identified indicating the need to reduce sales revenues, which were recorded by the Company even considering their immateriality on the financial statements taken as a whole.

Based on the results of the audit procedures performed, which are consistent with the executive board's assessment, we consider the Company's revenue recognition policies acceptable, in order to support the judgments and information included in the context of the separate and consolidated financial statements taken as a whole.

Contingent liabilities and provisions for civil, tax and labor legal proceedings – Separate and Consolidated

Notes 2.d and 21

The Company and its subsidiaries figure as plaintiff in legal and administrative proceedings of civil, tax and labor nature, arising in the ordinary course of their activities. Some laws and regulations in Brazil are highly complex; therefore, the measurement, recognition and disclosure of provisions and contingent liabilities relating to proceedings and/or, in certain cases, compliance with laws and regulations, require a significant professional judgment by the Company, jointly with its internal and external legal advisors. Such complexity may result in substantial changes in the balances of provisions when new facts arise or as the proceedings are reviewed in court. Due to the significance, complexity and judgment involved in the evaluation, measurement, definition of the timing for recognition and disclosures related to contingent liabilities, we consider this a key audit matter.

How our audit addressed this matter

As audit response, we performed the following procedures, among others: (i) obtained the list of legal advisors that support the Company and its subsidiaries in the lawsuits and compared the contingency and liability information for civil, tax and labor contingencies used by the Company and its subsidiaries with that used by inside and outside lawyers and with accounting information, including classifications with respect to loss estimates; (ii) assessed the adequacy of measurement, sufficiency and recognition of the provision for civil, tax and labor contingencies, on a sampling basis, and analysis of data and historical information; (iii) carried out a selection of cases based on representative sampling and, for these cases, we involved our team of specialists to analyze the assigned amounts and likelihood of loss; and (iv) assessed whether the significant associated disclosures were made in the financial statements as required by accounting practices adopted in Brazil and the IFRS. As a result of our procedures, an adjustment was identified indicating the need to supplement the provision, which was recorded by the Company even considering its immateriality for the financial statements taken as a whole.

Based on the audit procedures performed, which are consistent with the executive board's assessment, we consider that the Company's practices relating to the recognition of provision for legal proceedings for civil, tax and labor are appropriate, as well as the information disclosed in the separate and consolidated financial statements taken as a whole.

Other matters

Statements of value added

The separate and consolidated statements of value added for the year ended December 31, 2021, prepared under the responsibility of the Company’s executive board, and presented as supplementary information for IFRS purposes, were submitted to audit procedures conducted together with the audit of the Company's financial statements. To form our opinion, we evaluated if these statements are reconciled to the financial statements and accounting records, as applicable, and if their form and content comply with the criteria defined by NBC TG 09 - Statement of Value Added. In our opinion, these statements of value added were prepared fairly, in all material respects, in accordance with the criteria defined in the above-mentioned accounting pronouncement, and are consistent in relation to the overall separate and consolidated financial statements.

Other information accompanying the separate and consolidated financial statements and the auditor’s report

The executive board is responsible for such other information, which comprise the Management Report.

Our opinion on the separate and consolidated financial statements does not cover the Management Report and we do not express any form of assurance conclusion thereon.

In connection with our audit of the separate 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 conclude that there is a material misstatement of the Management Report, we are required to report that fact. We have nothing to report in this regard.

Responsibilities of the executive board and those charged with governance for the separate and consolidated financial statements

The executive board is responsible for the preparation and fair presentation of the separate and consolidated financial statements in accordance with the accounting practices adopted in Brazil and with the International Financial Reporting Standards (IFRS), issued by the International Accounting Standards Board (IASB), and for such internal control as the executive board 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 separate and consolidated financial statements, the executive board 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 the executive board either intends to liquidate the Company and its subsidiaries or to cease operations, or has no realistic alternative but to do so.

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

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

Our objectives are to obtain reasonable assurance about whether the separate 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 the 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 the Brazilian and International Standards on Auditing, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identified and assessed risks of material misstatements of the separate and consolidated financial statements, whether due to fraud or error, designed and performed audit procedures responsive to those risks, and obtained sufficient appropriate audit evidence 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.
- Obtained 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 Company's and its subsidiaries' internal control.
- Evaluated the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the executive board;
- Concluded on the appropriateness of the executive board'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 i separate 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 future conditions may cause the Company to cease to continue as a going concern.
- Evaluated the overall presentation, structure and content of the financial statements, including the disclosures, and whether the separate and consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

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 may have identified during our audit.

We also provide those charged with governance with a statement that we have complied with relevant ethical requirements, including applicable independence requirements, and 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 period 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.

Brasília, March 9, 2022.

ERNST & YOUNG
Auditores Independentes S.S.
CRC-2SP015199/O-6

Wagner dos Santos Junior
Accountant CRC-1SP216386/O-T

A free translation from Portuguese into English of Separate and Consolidated Financial Statements prepared in Brazilian currency in accordance with the accounting practices adopted in Brazil and the International Financial Reporting Standards (IFRS), issued by International Accounting Standards Board (IASB)

União Química Farmacêutica Nacional S.A.

Statements of financial position
December 31, 2021, 2020 and 2019
(In thousands of reais)

		Separate			Consolidated		
Assets	**Note**	**12/31/2021**	**12/31/2020 restated**	**12/31/2019 restated**	**12/31/2021**	**12/31/2020 restated**	**12/31/2019 restated**
Current assets							
Cash and cash equivalents	**4**	**325,866**	343,236	89,676	**758,901**	350,146	95,735
Accounts receivable	**5**	**1,015,448**	706,092	528,542	**911,182**	661,315	511,667
Inventories	**6**	**725,772**	583,124	407,080	**925,217**	722,808	492,201
Taxes recoverable	**7**	**35,275**	16,976	71,764	**81,932**	60,979	103,305
Other assets	**8**	**12,599**	9,001	10,618	**20,091**	12,829	13,416
Derivative financial instruments	**9**	**26,347**	15,947	6,094	**26,347**	15,947	6,094
Prepaid expenses		**8,816**	5,487	5,112	**10,841**	6,355	6,445
		2,150,123	1,679,863	1,118,886	**2,734,511**	1,830,379	1,228,863
Noncurrent assets							
Other assets	**8**	**4,165**	4,666	5,029	**4,990**	5,011	5,223
Transactions with related parties	**10**	**96,637**	50,793	39,884	**8,803**	8,193	8,539
Deferred taxes	**19.3**	**4,797**	5,166	-	**21,694**	15,699	1,004
Long-term financial investments		**-**	889	870	**-**	889	870
Taxes recoverable	**7**	**6,769**	4,359	13,929	**45,031**	30,157	24,357
Judicial deposits	**21**	**11,702**	26,675	26,531	**13,344**	27,924	27,837
Prepaid expenses		**1,616**	961	884	**1,647**	985	888
Investments	**11**	**758,127**	309,598	265,098	**46,923**	33,936	18,941
Property, plant and equipment	**12**	**496,080**	405,046	341,027	**840,557**	722,199	648,457
Intangible assets	**13**	**186,794**	85,789	63,451	**199,238**	85,900	64,876
		1,566,687	893,942	756,703	**1,182,227**	930,893	800,992
Total assets		**3,716,810**	2,573,805	1,875,589	**3,916,738**	2,761,272	2,029,855

See accompanying notes.

União Química Farmacêutica Nacional S.A.

Statements of financial position
December 31, 2021, 2020 and 2019
(In thousands of reais)

		Separate			Consolidated		
Liabilities and equity	**Note**	**12/31/2021**	**12/31/2020 restated**	**12/31/2019 restated**	**12/31/2021**	**12/31/2020 restated**	**12/31/2019 restated**
Current liabilities							
Suppliers	**15**	**296,871**	256,741	173,970	**363,620**	321,928	201,858
Assignment of credits by suppliers	**16**	**19,416**	17,371	9,652	**32,391**	33,018	17,943
Loans and financing	**17**	**205,851**	297,188	214,046	**208,511**	307,698	215,802
Labor and tax obligations	**18**	**150,600**	127,492	93,620	**187,838**	154,568	121,648
Income and social contribution taxes	**19.2**	**-**	20,818	2,161	**550**	23,155	3,843
Derivative financial instruments	**9**	**-**	2,542	-	**-**	2,542	-
Dividends	**22.5**	**19,682**	9,933	5,546	**19,682**	9,933	5,546
Provision for legal proceedings	**21**	**3,253**	-	-	**3,253**	-	-
Supply agreement - manufacturing	**11.4**	**-**	-	-	**13,210**	13,210	12,352
Other liabilities	**20**	**41,771**	35,913	25,965	**46,470**	38,248	28,671
		737,444	767,998	524,960	**875,525**	904,300	607,663
Noncurrent liabilities							
Loans and financing	**17**	**1,423,792**	624,844	397,520	**1,433,179**	627,977	401,152
Transactions with related parties	**10**	**-**	-	-	**8,816**	73	522
Provision for legal proceedings	**21**	**89,234**	81,091	36,667	**93,049**	83,872	37,752
Deferred taxes	**19.3**	**-**	-	17,748	**3,073**	-	19,444
Labor and tax obligations	**18**	**8,875**	11,792	7,961	**8,885**	11,792	7,961
Supply agreement - manufacturing	**11.4**	**-**	-	-	**28,086**	41,294	57,055
Other liabilities	**20**	**23,182**	39,714	31,386	**31,842**	43,598	38,959
		1,545,083	757,441	491,282	**1,606,930**	808,606	562,845
Equity							
Capital stock	**22.1**	**738,499**	440,077	440,077	**738,499**	440,077	440,077
Capital reserve		**1,680**	1,680	1,680	**1,680**	1,680	1,680
Legal reserve	**22.2**	**58,816**	36,400	27,445	**58,816**	36,400	27,445
Retained profit reserve	**22.3**	**271,187**	298,197	169,506	**271,187**	298,197	169,506
Tax incentive reserve	**22.4**	**369,771**	271,930	220,652	**369,771**	271,930	220,652
Equity adjustments		**(5,670)**	82	(13)	**(5,670)**	82	(13)
		1,434,283	1,048,366	859,347	**1,434,283**	1,048,366	859,347
Total liabilities and equity		**3,716,810**	2,573,805	1,875,589	**3,916,738**	2,761,272	2,029,855

See accompanying notes.

União Química Farmacêutica Nacional S.A.

Statements of income
December 31, 2021, 2020 and 2019
(In thousands of reais, except for earnings per share - in reais)

		Separate			Consolidated		
	Note	12/31/2021	12/31/2020 restated	12/31/2019 restated	12/31/2021	12/31/2020 restated	12/31/2019 restated
Net revenue	**23**	**2,957,940**	2,055,311	1,523,427	**3,331,799**	2,384,620	1,851,910
Cost of sales and services	**24**	**(1,519,121)**	(1,028,382)	(743,639)	**(1,723,501)**	(1,209,510)	(946,811)
Gross profit		**1,438,819**	1,026,929	779,788	**1,608,298**	1,175,110	905,099
Operating income and expenses:							
General and administrative expenses	**24**	**(356,297)**	(343,408)	(263,289)	**(509,766)**	(468,414)	(376,255)
Selling expenses	**24**	**(474,777)**	(371,520)	(353,100)	**(483,118)**	(379,683)	(360,491)
Other operating income, net	**25**	**17,339**	30,262	52,684	**19,388**	32,972	51,146
Equity accounting	**11.1**	**12,638**	46,370	4,533	**11,658**	16,832	9,639
Operating income before finance income (expense)		**637,722**	388,633	220,616	**646,460**	376,817	229,138
Finance income	**26**	**287,566**	247,475	132,669	**294,365**	263,136	134,140
Finance expense	**26**	**(329,054)**	(352,637)	(188,668)	**(343,821)**	(361,047)	(194,593)
Finance expense, net:		**(41,488)**	(105,162)	(55,999)	**(49,456)**	(97,911)	(60,453)
Income before income taxes		**596,234**	283,471	164,617	**597,004**	278,906	168,685
Provision for income taxes							
Current	**19.1**	**(147,557)**	(75,996)	(21,545)	**(151,618)**	(82,656)	(24,469)
Deferred	**19.1**	**(369)**	22,914	(4,126)	**2,922**	34,139	(5,270)
Net income for the year		**448,308**	230,389	138,946	**448,308**	230,389	138,946
Basic and diluted earnings per share attributable to shareholders (in R$)	**22.7**	**0.7938**	0.6070	0.3661	**0.7938**	0.6070	0.3661

See accompanying notes.

União Química Farmacêutica Nacional S.A.

Statements of comprehensive income
December 31, 2021, 2020 and 2019
(In thousands of reais)

	Separate			Consolidated		
	12/31/2021	**12/31/2020 restated**	**12/31/2019 restated**	**12/31/2021**	**12/31/2020 restated**	**12/31/2019 restated**
Net income for the year	**448,308**	230,389	138,946	**448,308**	230,389	138,946
Equity adjustments	**(5,752)**	95	(69)	**(5,752)**	95	(69)
Comprehensive income for the year	**442,556**	230,484	138,877	**442,556**	230,484	138,877

See accompanying notes.

União Química Farmacêutica Nacional S.A.

Statements of changes in equity
December 31, 2021, 2020 and 2019
(In thousands of reais)

	Capital				Income reserve					
	Subscribed capital	Unpaid capital	Capital stock	Capital reserve	Legal reserve	Retained profit reserve	Tax incentive reserve	Other comprehensive income (loss)	Retained earnings	Total
Balances at December 31, 2018	440,301	(224)	440,077	1,680	22,580	88,985	179,000	56	-	732,378
Net income for the year	-	-	-	-	-	-	-	-	138,946	138,946
Net income allocation	-	-	-	-	4,865	86,883	41,652	-	(133,400)	-
Mandatory minimum dividends	-	-	-	-	-	-	-	-	(5,546)	(5,546)
Additional proposed dividends	-	-	-	-	-	(6,362)	-	-	-	(6,362)
Equity adjustments	-	-	-	-	-	-	-	(69)	-	(69)
Balances at December 31, 2019 (restated)	440,301	(224)	440,077	1,680	27,445	169,506	220,652	(13)	-	859,347
Net income for the year	-	-	-	-	-	-	-	-	230,389	230,389
Net income allocation	-	-	-	-	8,955	128,691	51,278	-	(188,924)	-
Mandatory minimum dividends	-	-	-	-	-	-	-	-	(10,209)	(10,209)
Interest on equity (IOE)	-	-	-	-	-	-	-	-	(31,256)	(31,256)
Equity adjustments	-	-	-	-	-	-	-	95	-	95
Balances at December 31, 2020 (restated)	440,301	(224)	440,077	1,680	36,400	298,197	271,930	82	-	1,048,366
Capital stock increase	**298,198**	**224**	**298,422**			**(298,197)**	-	-	-	**225**
Net income for the year	-	-	-	-	-	-	-	-	**448,308**	**448,308**
Net income allocation	-	-	-	-	**22,416**	**271,187**	**97,841**	-	**(391,444)**	-
Mandatory minimum dividends	-	-	-	-	-	-	-	-	**(19,682)**	**(19,682)**
Interest on equity (IOE)	-	-	-	-	-	-	-	-	**(37,182)**	**(37,182)**
Equity adjustments	-	-	-	-	-	-	-	**(5,752)**	-	**(5,752)**
Balances at December 31, 2021	**738,499**	**-**	**738,499**	**1,680**	**58,816**	**271,187**	**369,771**	**(5,670)**	**-**	**1,434,283**

See accompanying notes.

União Química Farmacêutica Nacional S.A.

Statements of cash flows
December 31, 2021, 2020 and 2019
(In thousands of reais)

	Separate			Consolidated		
	12/31/2021	12/31/2020 restated	12/31/2019 restated	12/31/2021	12/31/2020 restated	12/31/2019 restated
Cash flow from operating activities						
Income before income taxes	**596,234**	283,471	164,617	**597,004**	278,906	168,685
Adjustments to reconcile net income to cash from:						
Expected credit losses	**10,243**	1,080	2,917	**11,069**	1,279	4,877
Allowance for inventory losses	**31,018**	49,106	22,608	**35,393**	54,449	28,062
Equity accounting	**(12,638)**	(46,370)	(4,533)	**(11,658)**	(16,832)	(9,639)
Finance charges and foreign exchange differences	**81,534**	107,940	45,983	**83,949**	109,166	47,413
Provision for legal proceedings	**13,921**	51,001	21,063	**15,826**	52,860	22,099
Impairment of assets - trademarks	**4,487**	-	-	**4,487**	-	-
Income from tax incentives	**-**	-	(4,613)	**-**	-	(4,613)
Gain (loss) on disposal of property, plant and equipment	**297**	1,211	218	**297**	1,210	(838)
Interest and present value adjustment	**(2,017)**	1,189	(1,748)	**(1,334)**	1,189	(1,748)
Fair value of derivative financial instruments	**(60,329)**	(31,272)	(3,362)	**(60,329)**	(31,272)	(3,362)
Amortization of supply agreement	**-**	-	-	**(13,208)**	(14,903)	(16,072)
Unrealized profits in inventories	**165**	3,250	2,638	**-**	-	-
Income from tax credits	**(6,424)**	(27,636)	(43,719)	**(6,424)**	(27,636)	(43,719)
Reversal of manufacturing agreement	**-**	-	-	**-**	(865)	(2,081)
Depreciation and amortization	**44,335**	33,196	30,818	**77,254**	67,521	70,270
	700,826	426,166	232,887	**732,326**	475,072	259,334
Changes in current and noncurrent assets and liabilities:						
Accounts receivable	**(314,918)**	(178,630)	(60,904)	**(255,328)**	(150,062)	(85,267)
Inventories	**(173,666)**	(225,150)	(103,944)	**(237,802)**	(277,095)	(119,773)
Taxes recoverable	**(14,285)**	9,155	14,417	**(34,564)**	(18,695)	4,366
Other assets	**(4,308)**	22	(5,489)	**(5,873)**	(935)	(4,442)
Prepaid expenses	**(3,984)**	(372)	(790)	**(5,148)**	3,155	4,674
Trade accounts payable	**44,759**	78,490	66,894	**45,563**	108,070	69,558
Assignment of credits by suppliers	**2,045**	7,719	9,652	**(627)**	15,075	17,943
Labor and tax obligations	**(11,456)**	75,410	20,099	**408**	76,741	16,328
Other liabilities	**(20,992)**	(2,001)	(8,955)	**(11,908)**	(5,175)	8,178
Income and social contribution taxes paid	**(120,694)**	(11,755)	(27,642)	**(129,370)**	(18,274)	(29,431)
Net cash flow from operating activities	**83,327**	179,054	136,225	**97,677**	207,877	141,468
Cash flow from investing activities						
Acquisition of property, plant and equipment items	**(111,130)**	(91,192)	(38,932)	**(157,992)**	(133,490)	(62,206)
Acquisition of intangible assets	**(110,828)**	(1,593)	(3,422)	**(111,379)**	(1,643)	(4,209)
Long-term financial investments	**889**	(19)	1,512	**889**	(19)	1,512
Proceeds from sales of property, plant and equipment	**-**	365	4,080	**-**	368	4,080
Intercompany loan receivable	**(43,393)**	(10,040)	(26,315)	**-**	346	(4,467)
Acquisition of subsidiary, net of cash	**(15,935)**	-	-	**(15,904)**	-	-
Capital contribution	**(424,544)**	-	-	**-**	-	-
Net cash used in investing activities	**(704,941)**	(102,479)	(63,077)	**(284,386)**	(134,438)	(65,290)

União Química Farmacêutica Nacional S.A.

Statements of cash flows (Continued)
December 31, 2021, 2020 and 2019
(In thousands of reais)

	Separate			Consolidated		
	12/31/2021	12/31/2020 restated	12/31/2019 restated	12/31/2021	12/31/2020 restated	12/31/2019 restated
Cash flow from financing activities						
Loans and financing taken out	**960,271**	588,038	261,126	**961,623**	597,748	267,038
Repayment of principal of loans and financing	**(247,987)**	(328,522)	(249,442)	**(250,996)**	(330,510)	(256,137)
Payment of interest on loans and financing	**(43,420)**	(31,649)	(32,540)	**(43,931)**	(32,016)	(32,751)
Payment of leases	**(17,505)**	(13,803)	(12,498)	**(20,190)**	(16,722)	(14,938)
Interest on equity	**(37,182)**	(31,256)	-	**(37,182)**	(31,256)	-
Dividends paid out to shareholders	**(9,933)**	(5,823)	(10,001)	**(9,933)**	(5,823)	(10,001)
Transactions with related parties	**-**	-	-	**(3,927)**	(449)	(146)
Net cash from (used in) financing activities	**604,244**	176,985	(43,355)	**595,464**	180,972	(46,935)
Increase (decrease) in cash and cash equivalents	**(17,370)**	253,560	29,793	**408,755**	254,411	29,243
Cash and cash equivalents at beginning of year	**343,236**	89,676	59,883	**350,146**	95,735	66,492
Cash and equivalents at end of year	**325,866**	343,236	89,676	**758,901**	350,146	95,735
	(17,370)	253,560	29,793	**408,755**	254,411	29,243

See accompanying notes.

União Química Farmacêutica Nacional S.A.

Statements of value added
December 31, 2021, 2020 and 2019
(In thousands of reais)

	Separate			Consolidated		
	12/31/2021	**12/31/2020**	**12/31/2019**	**12/31/2021**	**12/31/2020**	**12/31/2019**
Revenues						
Sales of goods, products and services	**3,400,431**	2,361,961	1,771,227	**3,872,588**	2,746,075	2,136,098
Allowance for expected credit losses	**(10,243)**	(1,080)	(2,917)	**(11,069)**	(1,279)	(4,877)
Other income	**17,755**	35,617	60,315	**22,196**	38,987	65,644
	3,407,943	2,396,498	1,828,625	**3,883,715**	2,783,783	2,196,865
Inputs acquired from third parties						
Cost of goods and products sold and services rendered	**(1,278,592)**	(839,423)	(559,131)	**(1,286,159)**	(868,596)	(627,797)
Materials, electric power, outsourced services and other	**(344,779)**	(323,741)	(287,711)	**(418,340)**	(384,257)	(339,978)
Impairment loss of assets	**(4,486)**	-	-	**(4,486)**	-	-
	(1,627,857)	(1,163,164)	(846,842)	**(1,708,985)**	(1,252,853)	(967,775)
Gross value added	**1,780,086**	1,233,334	981,783	**2,174,730**	1,530,930	1,229,090
Depreciation and amortization	**(44,335)**	(33,196)	(30,818)	**(77,254)**	(67,521)	(70,270)
Net value added produced by the Company	**1,735,751**	1,200,138	950,965	**2,097,476**	1,463,409	1,158,820
Value added received in transfer						
Equity accounting	**12,638**	46,370	4,533	**11,658**	16,832	9,639
Finance income	**287,566**	247,475	132,669	**294,365**	263,136	134,140
	300,204	293,845	137,202	**306,023**	279,968	143,779
Total value added to be distributed	**2,035,955**	1,493,983	1,088,167	**2,403,499**	1,743,377	1,302,599
Distribution of value added	**2,035,955**	1,493,983	1,088,167	**2,403,499**	1,743,377	1,302,599
Personnel						
Salaries and wages	**449,453**	366,226	315,354	**612,515**	489,006	417,559
Benefits	**75,090**	60,732	58,378	**113,598**	89,448	84,903
FGTS (Severance Pay Fund)	**30,872**	27,486	24,579	**41,629**	36,004	34,005
	555,415	454,444	398,311	**767,742**	614,458	536,467
Taxes, charges and contributions						
Federal	**433,735**	271,609	208,694	**508,155**	315,537	249,959
State	**262,545**	175,614	144,632	**324,283**	208,505	169,828
Local	**952**	893	872	**3,314**	3,471	3,116
Municipal	**1,610**	4,153	3,835	**2,784**	5,149	4,920
	698,842	452,269	358,033	**838,536**	532,661	427,823
Debt remuneration						
Interest, foreign exchange differences and other	**329,054**	352,637	188,668	**343,821**	361,047	194,593
Rentals	**4,336**	4,244	4,209	**5,092**	4,822	4,770
	333,390	356,881	192,877	**348,913**	365,869	199,363
Equity remuneration						
Dividends and Interest on Equity (IOE)	**56,864**	41,465	5,546	**56,864**	41,465	5,546
Retained profits for the year	**391,444**	188,924	133,400	**391,444**	188,924	133,400
	448,308	230,389	138,946	**448,308**	230,389	138,946

See accompanying notes.

1. Operations

União Química Farmacêutica Nacional S.A., a privately-held corporation ("União Química", the "Company" or the "Parent Company"), and its subsidiaries (jointly, the "Group") are primarily engaged in manufacturing, compounding, selling and distributing pharmaceutical products for human and veterinary use, biological products for pest control, cosmetics, dietary and personal care products, concentrating their operations on the following lines: Ophthalmologicals, Central Nervous System and Pain, Prescription-Free Medicines, Over-the-Counter (OTC) Medicines, Hospital Medicines, Ethical and Generic Medicines.

The Company and its subsidiaries have currently eight (8) manufacturing plants located in the cities of Embu-Guaçu, Guarulhos, Taboão da Serra and São Paulo, all in the state of São Paulo, two in the city of Pouso Alegre, state of Minas Gerais, and two in Brasília, Federal District; they also have two distribution centers located in Brasília and Pouso Alegre, and two offices: the administrative and sales office in the city and state of São Paulo, and the sales and representation office in the city and state of Rio de Janeiro.

The Company holds interest in the following companies: i) Bionovis S.A. - - joint venture - engaged in the research, development, production, distribution and sales of biotechnology products; and in subsidiaries ii) Anovis Industrial Farmacêutica Ltda. iii) Inovat Industria Farmacêutica Ltda. iv) Union Quimica Farmacêutica Internacional S.A. v) UQ Indústria Gráfica e de Embalagens Ltda. and vi) Songbook Holding BV.

<u>Plant adaptation for vaccine production</u>

On October 13, 2020, União Química and LIMITED LIABILITY COMPANY "HUMAN VACCINE" (HV), a company that belongs to the Russian Direct Investment Fund (RDIF), entered into an agreement for transfer of technology for the complete production of the Sputnik V vaccine indicated to fight the coronavirus (COVID 19). This agreement does not provide for payment of royalties and União Química will be solely responsible for all investments in equipment and people.

On March 30, 2021, the Brazilian National Health Surveillance Agency ("Anvisa") confirmed the certification of good practices necessary to ensure the quality, effectiveness and safety of medicines from Inovat Indústria Farmacêutica, to produce vaccines against Covid-19. Inovat will be one of the plants nominated by União Química Farmacêutica S.A. to carry out the formulation, sterilization and filling operations of the vaccine (aseptic process). The active pharmaceutical ingredient must be manufactured at the facilities of the Company's branch (Bthek), located in Brasília (DF).
The Company made investments to adapt production and filling by means of construction works and equipment of the branch (Bthek) and of subsidiary Inovat, certified plants that are in the context of producing vaccines against Covid-19.

The entire process of technology transfer and sale is under analysis by the regulators of the industry, and production will begin as soon as authorized.

1. **Operations** (Continued)

Plant adaptation for vaccine production (Continued)

As of the financial statement issue date, no financial commitment has been made, with no impact on these financial statements.

Acquisition of Schering do Brasil Química e Farmacêutica Ltda.

On October 20, 2021, Order No. 1549/2021 was published in the Federal Official Gazette, in which the Supervisory Office of CADE (the Brazilian Antitrust Agency) approves, without restrictions, the Merger No. 08700.003276/2021-05 on the sale of Schering do Brasil Química e Farmacêutica Ltda. controlled by Bayer, for the Company.

The closing of the transaction is subject to certain conditions precedent set out in the contract, such as renewals of licenses to operate and completion of a technology transfer plan, described in the contract between the parties of March 2021, to be completed in the coming months.

This transaction contemplates the acquisition of 100% of the Schering capital, including its production unit in Cancioneiro, located in the city and state of São Paulo. The unit occupies an area of 15 thousand square meters and produces female hormones, such as contraceptives and hormone replacement pills, and has a production capacity of approximately 70 million blisters per year. The agreement also covers the transfer, by Bayer, of established brands of the following female contraceptives: Femiane, Microvlar, Miranova, Neovlar, Triquilar and medicines Climene, Primolut Nor, Primosiston and Proviron aimed at hormone replacement that are sold both in Brazil and in Latin American countries. The amount of this transaction is approximately US$112,000 thousand.

Acquisition of Laboratil Farmacêutica Ltda.

On February 18, 2021, the Company entered into an “Agreement for Purchase of Units of Interest” with Robferma Administração e Participações Ltda. and MM&I Administração e Participações Ltda., which held joint control, for the acquisition of 99.99% of the units of interest of the capital of Laboratil Farmacêutica Ltda. (“Laboratil”). On March 5, 2021, after registration of this instrument by the competent authorities, the Company took control over Laboratil. Headquartered in São Paulo, Laboratil is engaged in the manufacturing and sale of pharmaceutical and related products. The purpose of the acquisition was to expand the medicine toll manufacturing segment.

(In thousands of reais, unless otherwise stated)

1. Operations (Continued)

Acquisition of Laboratil Farmacêutica Ltda. (Continued)

Details of Laboratil's acquisition price on the acquisition date, as defined by Accounting Pronouncement CPC 15/IFRS 3 - Business Combinations, are allocated and broken down as follows:

Assets	**Book value**	**Surplus value**	**Fair value**
Cash and cash equivalents	31	-	31
Accounts receivable	809	-	809
Taxes recoverable	643	-	643
Other assets	979	-	979
Property, plant and equipment, net	2,941	12,513	15,454
	5,403	12,513	17,916
Liabilities:			
Labor and tax obligations	1,136	-	1,136
Transactions with related parties	12,060	-	12,060
Other liabilities	661	-	661
	13,857	-	13,857
Equity	**(8,454)**	**12,513**	**4,059**
Consideration	**-**	**-**	**15,935**
Goodwill based on future profitability	**-**	**-**	**11,876**

Incorporation of new companies

On May 11, 2021, the Company incorporated Songbook Holding B.V. located in Amsterdam, Netherlands. Songbook Holding holds 100% of the units of interest of subsidiary Songbook B.V., engaged in the acquisition of pharmaceutical product brands for subsequent sublicensing to companies of the União Química group, upon receipt of royalties. On December 2, 2021, the Company made a capital contribution in the amount of R$424,544 and holds 99.99% of the subsidiary's units of interest.

2. Significant accounting policies

a) Statement of compliance (regarding IFRS and CPC pronouncements)

The Company's separate and consolidated financial statements were prepared and are presented in accordance with the accounting practices adopted in Brazil, which comprise the rules issued by the Brazilian Securities and Exchange Commission ("CVM"), the pronouncements, interpretations and guidance issued by Brazil's Financial Accounting Standards Board ("CPC"), approved by Brazil's National Association of State Boards of Accountancy ("CFC"), and the International Financial Reporting Standards (IFRS) issued by the International Accounting Standards Board (IASB).

All significant information that is inherent in the separate and consolidated financial statements, and only such information, is being disclosed and corresponds to that used to manage the Company's operations.

The issue of the separate and consolidated financial statements was authorized by the Company's Executive Board on March 9, 2022.

b) Basis of preparation and presentation of separate and consolidated financial statements

The separate and consolidated financial statements have been prepared on a historical cost basis, except for certain asset and liability items measured at fair value, as indicated in this Note.

c) Basis of consolidation

The following accounting policies are applied in the preparation of the consolidated financial statements:

Subsidiaries

Subsidiaries are all entities over which the Company has the power to determine financial and operating policies, generally involving ownership interest of more than half of their capital. The subsidiaries are fully consolidated as from the date when the control is transferred to the Company. The consolidation is discontinued as from the date when such control ends.

(In thousands of reais, unless otherwise stated)

2. Significant accounting policies (Continued)

c) Basis of consolidation (Continued)

Intercompany transactions, balances and unrealized gains on transactions between the Company's entities are eliminated. Unrealized losses are also eliminated, unless the transaction provides evidence of an impairment loss of the asset transferred.

Accounting policies of subsidiaries are changed where necessary to ensure consistency with the policies adopted by the Company.

Entities included in the consolidated financial statements

The consolidated financial statements include the financial statements of União Química Farmacêutica Nacional S.A. and of its direct subsidiaries Anovis Industrial Farmacêutica Ltda., Union Quimica Farmacêutica Internacional S.A., Inovat Indústria Farmacêutica Ltda., UQ Indústria Gráfica e de Embalagens Ltda., Laboratil Farmacêutica Ltda. and Songbook Holding B.V. The Company holds 99.9% interest in the subsidiaries, which are accounted for using the equity method in the separate financial statements. The following table summarizes the subsidiaries' financial information:

At 12/31/2021	Current assets	Noncurrent assets	Current liabilities	Noncurrent liabilities	Equity	Net revenue	Statement of income
Anovis Industrial Farmacêutica Ltda.	**185,557**	**157,761**	**219,013**	**25,750**	**98,555**	**418,129**	**(5,384)**
Union Quimica Farmacêutica Internacional S.A.	**582**	**-**	**-**	**(196)**	**778**	**-**	**(27)**
Inovat Indústria Farmacêutica Ltda.	**169,750**	**141,040**	**96,727**	**69,858**	**144,205**	**313,546**	**526**
UQ Indústria Gráfica e de embalagens Ltda.	**20,952**	**24,307**	**15,519**	**10,489**	**19,251**	**61,656**	**4,495**
Laboratil Farmacêutica Ltda.	**2,716**	**8,396**	**2,800**	**15,694**	**(7,382)**	**11,434**	**1,076**
Songbook Holding B.V.	**418,657**	**-**	**88**	**-**	**418,569**	**-**	**(219)**

At 12/31/2020	Current assets	Noncurrent assets	Current liabilities	Noncurrent liabilities	Equity	Net revenue	Statement of income
Anovis Industrial Farmacêutica Ltda.	140,463	142,639	162,503	16,661	103,938	286,158	6,846
Union Quimica Farmacêutica Internacional S.A.	870	-	-	73	797	-	10
Inovat Indústria Farmacêutica Ltda.	119,699	115,061	60,164	30,916	143,680	255,856	14,867
UQ Indústria Gráfica e de embalagens Ltda.	16,483	26,132	23,038	4,821	14,756	59,056	5,957

At 12/31/2019	Current assets	Noncurrent assets	Current liabilities	Noncurrent liabilities	Equity	Net revenue	Statement of income
Anovis Industrial Farmacêutica Ltda.	100,085	123,220	114,439	11,774	97,092	58,057	(4,884)
Union Quimica Farmacêutica Internacional S.A.	1,214	-	-	522	692	-	(41)
Inovat Indústria Farmacêutica Ltda.	90,311	96,591	30,088	28,001	128,813	44,567	(2,065)
UQ Indústria Gráfica e de embalagens Ltda.	11,097	19,030	14,296	7,032	8,799	6,615	1,956

(In thousands of reais, unless otherwise stated)

2. Significant accounting policies (Continued)

c) Basis of consolidation (Continued)

Subsidiaries - Separate financial statements

In the separate financial statements, subsidiaries are accounted for under the equity method. The adjustments are made to both separate and consolidated financial statements in order to reach the same earnings/(losses) and equity attributable to the Company’s shareholders.

Joint ventures

Joint ventures are entities in which the Company has joint control, which is contractually agreed and requires the unanimous consent about strategic and operational decisions.

The financial information of joint ventures is recorded in the separate and consolidated financial statements under the equity method.

A summary of financial information of Bionovis S.A. (joint venture) is as follows:

	Current assets	Noncurrent assets	Current liabilities	Noncurrent liabilities	Equity	Net revenue	Statement of income
12/31/2021	687,211	359,835	545,531	313,822	187,693	833,917	46,631
12/31/2020	573,786	284,159	356,083	366,118	135,744	944,557	67,328
12/31/2019	201,539	135,839	182,186	79,428	75,764	506,700	38,077

d) Summary of significant accounting policies

General principles and criteria for revenue recognition

Sales revenue is recognized in the statement of income upon billing and adjusted to reflect complete satisfaction of the performance obligations of the products and goods sold, also considering an analysis of the potential realization of amounts owed to the Company and its subsidiaries, and when management is no longer involved with the goods/products. Sales revenue is presented net of deductions, including taxes on sales.

2. Significant accounting policies (Continued)

c) Basis of consolidation (Continued)

Cash and cash equivalents

Cash and cash equivalents include cash, bank demand deposits and temporary investments with maturity and grace period of up to 90 days as from the investment date, or maturing after 90 days, but considered as highly liquid, since there is the intention and possibility of being redeemed in the short term from the instrument issuer for an amount of cash subject to an insignificant risk of change in value.

Financial instruments

A financial instrument is a contract that gives rise to a financial asset of one entity and a financial liability or equity instrument of another entity.

Financial instruments are only recognized as from the date the Company and its subsidiaries become a party to such instruments' contractual provisions. They are initially recognized at fair value plus transaction costs directly attributable to their acquisition or issue (where applicable). They are subsequently measured at each reporting date in accordance with the rules established for each type of classification of financial assets and liabilities, as described in Note 28.

Financial assets are classified, at initial recognition, as subsequently measured at amortized cost, fair value through other comprehensive income (OCI), and at fair value through profit or loss.

Temporary investments are initially recognized at cost to subsequently include earnings based on the effective interest rate through the reporting date (amortized cost), which do not exceed their market value or realizable value. These comprise investments redeemable above 90 days from the investment date, or those redeemable within 90 days, and that cannot be redeemed earlier without significant risk of change in value.

Nonderivative financial liabilities are all measured at amortized cost.

Derivative financial instruments are initially recognized at fair value on the date on which a derivative contract is entered into and are subsequently remeasured at fair value every month through to year-end. Any gains or losses are recognized in profit or loss for the year in finance income (costs).

2. Significant accounting policies (Continued)

d) Summary of significant accounting policies (Continued)

Accounts receivable

Accounts receivable correspond to receivables for sale of goods and rendering of services in the ordinary course of business. The Company and its subsidiaries normally grant an average of 85 days for customers to pay, a term deemed by management as part of the commercial conditions inherent in the operations of the Company and of its subsidiaries. Consequently, sales transactions are not subject to present value adjustments at the reporting date. All receivables are measured at amortized cost after initial recognition.

The Company and its subsidiaries adopt, as a procedure, an allowance for expected credit losses taking into account the characteristics of customers and due dates of trade notes, together with the separate analysis of its customer portfolio and expected losses.

Impairment of financial assets

The Company and its subsidiaries assess, at each reporting date, whether there is objective evidence that a financial asset or a group of financial assets is impaired. A financial asset or a group of financial assets is deemed to be impaired if, and only if, there is an objective evidence of impairment as a result of one or more events that have occurred after the initial recognition of the asset (an incurred “loss event”) and that loss event has an impact on the estimated future cash flows of the financial asset or group of financial assets that can be reliably estimated. Evidence of impairment loss may include indicators that the borrower is going through significant financial difficulties. It is probable that they will go bankrupt or other financial reorganization, that there will be default or late payment of interest or principal and when there are indicators of a measurable drop in the estimated future cash flows, such as changes in maturity or economic conditions related to defaults.

2. Significant accounting policies (Continued)

d) Summary of significant accounting policies (Continued)

Inventories

Inventories are measured at the lower of cost and net realizable value. The raw material cost is determined using the weighted average method. The cost of finished products and work-in-process comprise raw materials, direct labor and other direct production costs and overhead. The net realizable value is the estimated selling price for the ordinary course of business, less production costs and selling expenses and, where applicable, the provision for losses due to expiration date, rejection by quality control and damages.

Judicial deposits

Judicial deposits are demand cash deposits made in court to back lawsuits filed against the Company. They are tested for impairment periodically.

Investments

The Company's investments in subsidiaries and joint ventures are measured and recorded under the equity method in the separate financial statements, initially recognized at cost, with changes posted in the statement of income for the year or directly in equity, as applicable. Where necessary, the accounting policies of the investees are adjusted to ensure consistency with the policies adopted by the Company (investor).

Business combination

Business combinations are accounted for using the acquisition method. The cost of an acquisition is measured as the aggregate of the consideration transferred, which is measured at acquisition date fair value, and the amount of any noncontrolling interests in the acquiree. For each business combination, the Company measures the noncontrolling interest in the acquiree at fair value or at the proportionate share of the acquiree's identifiable net assets. Costs directly attributable to the acquisition are accounted for as an expense, as incurred.

2. Significant accounting policies (Continued)

d) Summary of significant accounting policies (Continued)

Business combination (Continued)

Upon acquiring a business, the Company assesses financial assets and liabilities assumed so as to classify and allocate them in accordance with contractual terms, economic circumstances and relevant conditions on the acquisition date, including the segregation, by the acquiree, of embedded derivatives existing in host contracts in the acquiree.

Any contingent consideration to be transferred by the acquirer will be recognized at fair value at the acquisition date. Subsequent changes in the fair value of the contingent consideration classified as an asset or liability shall be recognized in accordance with CPC 48 in the statement of income.

Property, plant and equipment

Property, plant and equipment items are segregated into well-defined classes related to its operating activities. The industry in which the Company and its subsidiaries operate is significantly impacted by the technological development, which requires that management review the recoverable amounts and estimates of useful lives of property, plant and equipment items frequently.

Land and buildings comprise mainly plants. Property, plant and equipment items are measured at their historical cost, less accumulated depreciation. The historical cost includes costs directly attributable to the acquisition of the items and financing costs related to the acquisition of assets.

Costs subsequently incurred are included in the carrying amount of the asset or recognized as a separate asset, as appropriate, only if it is probable that future economic benefits associated with the item will flow to the entity and the cost of the item can be measured reliably. The carrying amount of replaced items or parts is written off. All other repair and maintenance costs are recorded as a matching entry to profit or loss for the year as incurred.

Land is not depreciated. The depreciation rate of other assets is calculated under the straight-line method for allocation of their costs to their residual values over the estimated useful life, as detailed in Note 12. The useful life of assets is reviewed and adjusted at year-end, as appropriate.

2. Significant accounting policies (Continued)

d) Summary of significant accounting policies (Continued)

Property, plant and equipment (Continued)

The carrying amount of an asset is immediately discounted to its recoverable amount when the carrying amount exceeds the estimated recoverable amount.

Gains and losses from sale of assets are determined by comparing profit or loss and carrying amount, and are recognized in “Other income (expenses), net” in the statement of income.

Intangible assets

i) *Goodwill*

Goodwill represents the positive difference between the amount paid and/or payable for a business acquisition and the net fair value of assets and liabilities of the acquiree. Goodwill on acquisitions of subsidiaries is recorded as “Intangible assets” in the Consolidated financial statements and as “Investment” in the Separate financial statements. Goodwill is annually tested for impairment. Goodwill is recorded at cost less any accumulated impairment losses. Impairment losses recognized on goodwill are not reversed. Gains and losses on disposal of an entity include the carrying amount of goodwill relating to the entity sold.

ii) *Trademarks*

Trademarks and licenses acquired separately are initially recognized at acquisition cost.

If part of the amount paid in the business combination relates to trademarks, they are recognized in a specific intangible asset account and measured at their fair value on the acquisition date.

Subsequently, trademarks are annually tested for impairment, since they have an indefinite useful life.

iii) *Software*

Acquired software licenses are capitalized based on costs incurred to acquire the software and make it ready for use. These costs are amortized over the five-year estimated average useful life thereof.

2. Significant accounting policies (Continued)

d) Summary of significant accounting policies (Continued)

Intangible assets (Continued)

iii) *Software* (Continued)

Costs associated with the maintenance of software are recognized as expenses, as incurred.

iv) *Research and development of products*

Research expenses, when incurred, are recorded directly in profit or loss. Development expenses are capitalized only when development costs can be reliably measured, the product or process is technically and commercially feasible, future economic benefits are likely to flow to the Company and it intends and has sufficient funds to complete the development and use or sell the asset.

The other development expenditures are recognized in statement of income as incurred. After their initial recognition, capitalized development expenditures are measured at cost, less accumulated amortization and impairment losses, if any.

Provision for impairment of non-financial assets

Assets with indefinite useful lives, such as goodwill, are not subject to amortization and are tested for impairment on an annual basis. The assets subject to amortization are tested for *impairment* whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognized at the amount by which the asset's carrying amount exceeds its recoverable amount. Recoverable amount is the higher of an asset's fair value less costs to sell and its value in use. For the purposes of assessing *impairment*, assets are grouped at the lowest levels for which there are separately identifiable cash flows (i.e., cash-generating units - CGUs).

Non-financial assets other than goodwill that suffered impairment are reviewed for possible reversal of such impairment at the reporting date.

2. Significant accounting policies (Continued)

d) Summary of significant accounting policies (Continued)

Suppliers

Suppliers are obligations payable for goods or services acquired from suppliers in the ordinary course of business, and are classified as current liabilities if payment is due within one year or less. Otherwise, suppliers are stated as noncurrent liabilities.

The days purchase outstanding of suppliers is 105 days, which follows the Company's usual conditions and the arm's length principle; consequently, no present value adjustment was applied.

Assignment of credit by suppliers

Certain suppliers have the option of assigning their notes, without the right of recourse, to financial institutions. In this transaction, the supplier is entitled to reduce its financial costs because the financial institution takes the Company's credit risk into consideration. The Company's accounting practice is to segregate these operations in the statement of financial position under "Assignment of credits by suppliers". However, for the Company there is no change in the nature of the transaction or in the cash flows in connection with the invoices originally issued.

Loans and financing

Loans and financing are initially recognized at fair value, net of transaction costs incurred, and are subsequently carried at amortized cost. Any difference between the funds raised (net of transaction costs) and the amount repayable is recognized in the statement of income over the period the loans remain outstanding, using the effective interest rate method.

The rates paid when loans are taken out are recognized as transaction costs, and are capitalized as prepayment of liquidity services and amortized over the period of the loan to which they relate.

Leases

The Company and its subsidiaries assess, on the commencement date, whether the agreement is or contains a lease, in other words, whether the agreement transfers the right to control use of an identified asset for a period in exchange for consideration.

2. Significant accounting policies (Continued)

d) Summary of significant accounting policies (Continued)

Leases (Continued)

The Company and its subsidiaries apply a single recognition and measurement approach for all leases, except for short-term leases and leases of low-value assets. The Company and its subsidiaries recognize lease liabilities to make lease payments and right-of-use assets that represent the right of use the underlying assets.

Right-of-use assets

The Company and its subsidiaries recognize right-of-use assets on the lease commencement date (that is, the date on which the underlying asset is available for use).

Right-of-use assets are measured at cost, less any accumulated depreciation and impairment, and adjusted for any new remeasurement of lease liabilities. The cost of right-of-use assets includes the lease liability amount recognized, initial direct costs incurred and lease payments made until commencement date, less any lease incentives received. Right-of-use assets are depreciated on a straight-line basis over the shortest period between the lease term and the estimated useful life of the assets, as follows:

- Properties: from 3 to 4 years;
- Vehicles and equipment: from 2 to 4 years.

In certain cases, if the ownership of the leased asset is transferred to the Company and its subsidiaries at the end of the lease term or if the cost represents the exercise of a purchase option, depreciation is calculated using the estimated useful life of the asset.

Right-of-use assets are also subject to impairment.

2. Significant accounting policies (Continued)

d) Summary of significant accounting policies (Continued)

Leases (Continued)

Lease liabilities

At the commencement date of the lease, the Company and its subsidiaries recognize lease liabilities measured at the present value of lease payments to be made over the lease term. The lease payments include fixed payments (including in-substance fixed payments) less any lease incentives receivable, variable lease payments that depend on an index or rate, and amounts expected to be paid under residual value guarantees. The lease payments also include the exercise price of a purchase option reasonably certain to be exercised by the Company and its subsidiaries and payments of penalties for terminating the lease, if the lease term reflects the Company and its subsidiaries exercising the option to terminate the lease.

Variable lease payments that do not depend on an index or a rate are recognized as expenses (unless they are incurred to produce inventories) in the period in which the event or condition that triggers the payment occurs.

In calculating the present value of lease payments, the Company and its subsidiaries use the incremental borrowing rates at the lease commencement date because the interest rate implicit in the lease is not readily determinable. After commencement date, the lease liability amount is increased to reflect the interest added and reduced for the lease payments made. In addition, the book value of lease liabilities is remeasured if there is a modification, a change in the lease term, a change in the lease payments (e.g., changes to future payments resulting from a change in an index or rate used to determine such lease payments) or a change in the assessment of an option to purchase the underlying asset.

Short-term leases and leases of low value assets

The Company and its subsidiaries apply the short-term lease recognition exemption to their short-term leases of machinery and equipment (that is, leases whose lease term is equal to or less than 12 months from the commencement date and that do not contain a purchase option).

2. Significant accounting policies (Continued)

d) Summary of significant accounting policies (Continued)

Leases (Continued)

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

The Company also applies the low-value asset recognition exemption to leases of office equipment considered of low value. Payments relating to short-term leases and leases of low-value assets are recorded on a straight-line basis over the lease term.

Current and deferred income and social contribution taxes

These taxes are calculated based on the effective income and social contribution tax rates and consider the offsetting of income and social contribution tax losses for payment requirement determination purposes.

Tax expenses for the period comprise current and deferred income and social contribution taxes. Income taxes are recognized in the statement of income, except where they refer to items directly recognized in equity. In this case, this tax is also recognized in equity or comprehensive income.

Corporate Income Tax (IRPJ) is calculated based on taxable income adjusted for additions and exclusions determined by tax legislation in force, at a rate of 15%, plus a 10% surtax, as applicable. Social Contribution Tax on Net Profit (CSLL) is calculated at 9% of pre-tax income adjusted as required by the applicable legislation.

Deferred IRPJ and CSLL are calculated on temporary differences between the tax bases of assets and liabilities and their carrying amounts in the financial statements. CPC 32 establishes conditions for recording deferred tax assets arising from temporary differences and IRPJ and CSLL tax losses. These conditions include a history of profitability and expected future taxable profits, supported by a technical feasibility study, that allow the realization of deferred tax assets.

Deferred IRPJ and CSLL liabilities are fully recognized, while the related tax assets depend on the expected future realization.

Deferred tax assets and liabilities are presented net when there is a legal or constructive right to offset tax asset against tax liability and deferred taxes relate to the same taxpaying entity and are subject to the same tax authority.

2. Significant accounting policies (Continued)

d) Summary of significant accounting policies (Continued)

Other assets and liabilities (current and noncurrent)

An asset is recognized in the statement of financial position when its future economic benefits are likely to flow to the Company and its subsidiaries, and its cost or value can be reliably measured. A liability is recognized in the statement of financial position when the Company has a legal or constructive obligation as a result of a past event, and it is probable that an economic resource is required to settle it. When applicable, the corresponding charges, monetary variations or foreign exchange differences incurred are added thereto. Provisions are set up reflecting the best estimates of the risk involved.

Assets and liabilities are classified as current when their realization or settlement is likely to occur within the next twelve months. Otherwise, they are stated as noncurrent.

Provisions for legal proceedings tax, civil and labor

The Company and its subsidiaries are parties to various legal and administrative proceedings. Provisions are recognized for all legal proceedings in connection with legal proceedings for which it is likely that a cash outflow will be required to settle the contingency/obligation and a reasonable estimate can be made. The assessment of the likelihood of loss includes analyses of available evidence, the hierarchy of laws, available case law, the most recent court decisions and their relevance in the legal system, as well as the opinion of external legal advisors. The provisions are reviewed and adjusted to take into consideration changes in circumstances, such as the applicable statute of limitations, outcomes of tax audits or additional exposures identified based on new matters or court decisions.

Functional currency and transactions in foreign currency

The functional currency of the Company and its main subsidiaries is the Brazilian real (R$), which is their presentation currency. Foreign currency-denominated transactions are translated into the functional currency of the Company and its subsidiaries at the exchange rates prevailing on the transaction dates. The balances of accounts in the statement of financial position are translated at the exchange rate prevailing at the reporting date. Foreign exchange gains and losses resulting from settlement of these transactions are recognized in statement of income for the year. The effects referring to the translation of the statements of financial position of foreign companies into Brazilian real are recorded in equity as Other comprehensive income.

2. Significant accounting policies (Continued)

d) Summary of significant accounting policies (Continued)

Profit sharing

The Company and its subsidiaries recognize a liability and an expense for employee profit sharing, which is contingent on achieving operational goals and specific objectives determined and approved at the beginning of each year. The Company and its subsidiaries recognize a provision when they are contractually bound or when a past practice created an obligation that was not formalized.

There are no other benefits for employees and officers after leaving the Company and its subsidiaries (post-employment benefits).

Distribution of dividends and interest on equity

The distribution of dividends to the Company’s shareholders are recognized as liabilities in the financial statements at the year end, pursuant to the Company’s articles of incorporation.

Shareholders may declare interim dividends to the income reserve account existing in the last annual statement of financial position. In addition, dividends can be paid using the profit earned based on the Company's quarterly information. These quarterly periodical dividends cannot exceed the amounts recorded in the capital reserve accounts. Any payment of periodical dividends will be offset against the amount of the mandatory distributions for the year in which the periodical dividends have been paid. Furthermore, shareholders may decide on the payment or credit of interest on equity to the shareholders, calculated in accordance with applicable legislation, which will be considered as prepayment of the mandatory dividends.

Earnings per share

Basic and diluted earnings (loss) per share are calculated by dividing income (loss) for the year attributed to holders of the Company’s common shares by the weighted average number of common shares available in the year.

Government grants

Government grants are recognized when there is reasonable certainty that the benefit will be received and that all the related conditions will be fulfilled. When the benefit refers to an expense item, it is recognized as revenue along the benefit period, on a systematic basis in relation to the costs the benefit intends to offset. Whenever the benefit relates to an asset, it is recognized as deferred revenue and posted to profit or loss in equal amounts throughout the expected useful life of the corresponding asset. When the Company receive non-monetary benefits, the relevant item and the benefit are recorded at par value and reflected in the statement of income over the expected useful life of the asset in equal annual portions.

2. Significant accounting policies (Continued)

d) Summary of significant accounting policies (Continued)

Government grants (Continued)

The loan or financial support is initially recognized or measured at fair value. Government grants are measured as the difference between the initial carrying amount of the loan and income earned. The loan is subsequently measured in accordance with the accounting policy.

Statement of cash flows

The Company classifies the payment of interest and monetary variations on loans and debentures as financing activities, in its cash flow. This classification is adopted because it refers to costs and obtaining financial resources.

Statement of Value Added

Prepared based on information from the accounting records and in accordance with Accounting Pronouncement CPC 09 - Statement of Added Value, approved by the Brazilian SEC ("CVM") through Rule No. 557/08. It discloses the wealth generated by the Company and its distribution, as required by Brazilian corporation law for publicly-held companies as part of their separate and consolidated financial statements. As they are not required by IFRS, this statement is treated as supplementary financial information.

Segment reporting

The Management of the Company and its subsidiaries identified three operating segments: Human Health, Animal Health and Toll Manufacturing, which are reportable based on the reports used for strategic decision making. The Company and its subsidiaries assess the performance of these segments based on gross revenue, as Management understands that such information is more relevant in assessing the results of segments.

2. Significant accounting policies (Continued)

d) Summary of significant accounting policies (Continued)

Segment reporting (Continued)

- Human Health - A business division comprising pharmaceutical medicines with a portfolio that includes: prescription, branded, generic and OTC medicines, serving all regions of the country. The division also has medicines applied in treatments in public and private hospitals, clinics and distributors.
- Animal Health - Business division comprising medicines for pet animals, production animals (Cattle, Horses, Sheep, Goats and Pigs) and animal reproduction.
- Toll Manufacturing - Business division that produces medicines for other national and international pharmaceutical industries.

Information regarding the revenues of each segment is presented in Note 23 a).

2.1. New or revised pronouncements adopted for the first time in 2021

The Company and its subsidiaries applied for the first time certain standards and amendments that are effective for annual reporting periods beginning on or after January 1, 2021 (unless otherwise stated). The Company and its subsidiaries decided against the early adoption of any other standard, interpretation or amendment issued but not yet effective.

Amendments to CPC 06 (R2), CPC 11, CPC 38, CPC 40 (R1), and CPC 48: Interest Rate Benchmark Reform

The amendments to CPC 38 and 48 provide temporary reliefs which address the financial reporting effects when an Interbank Deposit Certificate (“CDI”) rate is replaced with an alternative nearly risk-free interest rate (RFR). The amendments include the following practical expedients:

- A practical expedient to require contractual changes, or changes to cash flows that are directly required by the reform, to be treated as changes to a floating interest rate, equivalent to a movement in a market rate.
- Permit changes required by reform to be made to hedge designations and hedge documentation without the hedging relationship being discontinued.
- Provide temporary relief to entities from having to meet the separately identifiable requirement when an RFR instrument is designated as a hedge of a risk component.

2. Significant accounting policies (Continued)

2.1. New or revised pronouncements adopted for the first time in 2021 (Continued)

Amendments to CPC 06 (R2), CPC 11, CPC 38, CPC 40 (R1), and CPC 48: Interest Rate Benchmark Reform -- (Continued)

These amendments had no impact on the separate and consolidated financial statements of the Company. The Company and its subsidiaries intend to use the practical expedients in future periods if they become applicable.

Amendments to CPC 06 (R2): Covid-19 related rent concessions beyond June 30, 2021

The amendments provide relief to lessees from applying CPC 06 (R2) guidance on lease modification accounting for rent concessions arising as a direct consequence of the Covid-19 pandemic. As a practical expedient, a lessee may elect not to assess whether a Covid-19 related rent concession from a lessor is a lease modification. A lessee that makes this election accounts for any change in lease payments resulting from the Covid-19 related rent concession the same way it would account for the change under CPC 06 (R2), if the change were not a lease modification.

The amendment was intended to be applied until June 30, 2021, but as the impact of the Covid-19 pandemic is continuing, on March 31, 2021, Brazil's FASB ("CPC") extended the period of application of the practical expedient to June 30, 2022. The amendment applies to annual reporting periods beginning on or after January 1, 2021. However, the Company and its subsidiaries have not received Covid-19-related rent concessions, but plans to apply the practical expedient if it becomes applicable within allowed period of application.

2.2. Standards issued but not yet effective

New and amended standards and interpretations issued but not yet in effect until the issue date of the Company's financial statements, are disclosed below. The Company and its subsidiaries intend to adopt these new and amended standards and interpretations, if applicable, when they become effective.

2. Significant accounting policies (Continued)

2.2. Standards issued but not yet effective (Continued)

IFRS 17 – Insurance contracts

In May 17, the IASB issued IFRS 17 - Insurance Contracts (CPC 50 - Insurance Contracts that replaced CPC 11 - Insurance Contracts), a new comprehensive accounting standard for insurance contracts that includes recognition and measurement, presentation and disclosure. Upon taking effect, IFRS 17 (CPC 50) replaced IFRS 4 - Insurance Contracts (CPC 11) issued in 2005. IFRS 17 applies to all types of insurance contracts (life, non-life, direct insurance and reinsurance), regardless of the type of entity issuing them, as well as certain guarantees and financial instruments with discretionary participation characteristics. Certain scope exceptions apply.

The general objective of IFRS 17 is to provide an accounting model for insurance contracts that is more useful and consistent for insurers. In contrast to the requirements of IFRS 4, which are largely based on local accounting policies in force in prior periods, IFRS 17 provides a comprehensive model for insurance contracts, covering all relevant accounting aspects. The core of IFRS 17 is the general model, complemented by:

- A specific adaptation to contracts with direct participation characteristics (variable rate approach).
- A simplified approach (premium allocation approach) mainly for short-term contracts.

IFRS 17 and CPC 50 is effective for annual reporting periods beginning on or after January 1, 2023, and presentation of comparative figures is required. Early adoption is permitted if the entity also adopts IFRS 9 and IFRS 15 on the same date or before the first-time adoption of IFRS 17. This standard does not apply to the Company and its subsidiaries.

Amendments to IAS 1: Classification of liabilities as current and noncurrent

In January 2020, the IASB issued amendments to paragraphs 69 to 76 of IAS 1, correlated with CPC 26, to specify the requirements for classifying liabilities as current or noncurrent. The amendments clarify:

- What is meant by a right to defer settlement;
- That a right to defer must exist at the end of the reporting period;
- That classification is unaffected by the likelihood that an entity will exercise its deferral right;
- That only if an embedded derivative in a convertible liability is itself an equity instrument would the terms of a liability not impact its classification.

2. Significant accounting policies (Continued)

2.2. Standards issued but not yet effective (Continued)

Amendments to IAS 1: Classification of liabilities as current and noncurrent (Continued)

The amendments are effective for annual reporting periods beginning on or after January 1, 2023 and must be applied retrospectively. The Company is currently assessing the impact the amendments will have on current practice and whether existing loan agreements may require renegotiation.

Amendment to IAS 8: Definition of accounting estimates

In February 2021, the IASB issued amendments to IAS 8 (correlated to CPC 23), in which it introduces a definition of 'accounting estimates'. The amendments clarify the distinction between changes in accounting estimates and changes in accounting policies and the correction of errors. Also, they clarify how entities use measurement techniques and inputs to develop accounting estimates.

The amendments are effective for annual reporting periods beginning on or after January 1, 2023 and apply to changes in accounting policies and changes in accounting estimates that occur on or after the start of that period. Earlier adoption is permitted as long as this fact is disclosed.

These amendments are not expected to significantly impact the Company's financial statements.

Amendments to IAS 1 and IFRS Practice Statement 2: Disclosure of accounting policies

In February 2021, the IASB issued amendments to IAS 1 (correlated to CPC 26 (R1)) and IFRS Practice Statement 2 Making Materiality Judgements, in which it provides guidance and examples to help entities apply materiality judgements to accounting policy disclosures. The amendments aim to help entities provide accounting policy disclosures that are more useful by replacing the requirement for entities to disclose their significant accounting policies with a requirement to disclose their material accounting policies and adding guidance on how entities apply the concept of materiality in making decisions about accounting policy disclosures.

Amendments to IAS 1 are applicable for annual reporting periods beginning on or after January 1, 2023, and earlier adoption is permitted. Since the amendments to the Practice Statement 2 provide non-mandatory guidance on the application of the definition of material to accounting policy information, an adoption date for these amendments is not necessary.

The Company is currently assessing the impacts of these amendments on the accounting policies disclosed.

2. Significant accounting policies (Continued)

2.3. Use of accounting estimates

The separate and consolidated financial statements were prepared in accordance with various measurement bases used in accounting estimates. The accounting estimates involved in preparing the financial statements were based on both objective and subjective factors, and in line with management's judgment to determine the appropriate amount to be recorded in the financial statements.

The settlement of transactions involving these estimates may result in amounts significantly different from those recorded in the financial statements due to uncertainties inherent in the estimate process. The Company and its subsidiaries review their estimates at least annually.

Significant assumptions regarding sources of uncertainty in future estimates and other major sources of uncertainty in estimates at the reporting date, involving a significant risk that a material adjustment to the book value of assets and liabilities may be required in the next financial year are discussed below:

- Notes 2.d 5 - Allowance for expected credit losses.
- Notes 2.d and 6 – Provision for inventory losses.
- Notes 2.d, 12 and 13 - Useful lives of property, plant and equipment and period of amortization of intangible assets with finite useful lives.
- Notes 2.d and 14 - Analysis of indications of impairment of non-financial assets.
- Notes 2.d, 12 and 20 - Right-of-use assets and lease liabilities.
- Notes 2.d and 21 - Provision for legal proceedings and contingent liabilities.
- Notes 2.d and 19 - Recognition, measurement and realization of deferred tax assets.

2.4. Restatement of financial statements

The separate and consolidated financial statements for the years ended December 31, 2020 and 2019, originally issued on March 4, 2021 and March 5, 2020, respectively, are being restated to reflect the following effects:

(i) Supplement of provision for contingencies;
(ii) Supplement of the balance of tax obligations related to monetary restatement;
(iii) Reprocessing of the calculation of mandatory minimum dividends, legal reserve and income reserve;
(iv) Reclassification between suppliers and assignment of credits by suppliers, related to the confirming/forfaiting/drawee risk operation;
(v) Reclassification between Finance charges and foreign exchange differences and Interest and present value adjustment in the Statement of Cash Flow;

(In thousands of reais, unless otherwise stated)

2. Significant accounting policies (Continued)

2.4 Restatement of financial statements (Continued)

(vi) Reclassification of lease payments (CPC 06) between Other liabilities, to Payment of leases, in the Statement of Cash Flow in financing activities;
(vii) Reclassification of operations initially presented in Other Assets or Other Liabilities, to a specific account of Transactions with related parties in the statement of financial position.

In addition, in view of the application for registration as a publicly-held company with the Brazilian Securities and Exchange Commission ("CVM"), in which the Company is inserted and in line with Accounting Guidance OCPC 07 - Disclosure of Financial Reporting for General Purposes, the Company is also restating the other explanatory information for the benefit of its users.

The effects of adjustments and reclassifications are presented below:

			12/31/2019					
			Separate			Consolidated		
Assets	**RE.**		**Originally stated**	**Adjustments**	**Restated**	**Originally stated**	**Adjustments**	**Restated**
Current assets								
Cash and cash equivalents		**4**	89,676	-	89,676	95,735	-	95,735
Accounts receivable		**5**	528,542	-	528,542	511,667	-	511,667
Inventories		**6**	407,080	-	407,080	492,201	-	492,201
Taxes recoverable		**7**	71,764	-	71,764	103,305	-	103,305
Other assets		**8**	10,618	-	10,618	13,416	-	13,416
Derivative financial instruments		**9**	6,094	-	6,094	6,094	-	6,094
Prepaid expenses			5,112	-	5,112	6,445	-	6,445
			1,118,886	-	1,118,886	1,228,863	-	1,228,863
Noncurrent assets								
Other assets	**(vii)**	**8**	44,913	(39,884)	5,029	13,762	(8,539)	5,223
Transactions with related parties	**(vii)**	**10**	-	39,884	39,884	-	8,539	8,539
Deferred taxes		**19.3**	-	-	-	1,004	-	1,004
Long-term financial investments			870	-	870	870	-	870
Taxes recoverable		**7**	13,929	-	13,929	24,357	-	24,357
Judicial deposits		**21**	26,531	-	26,531	27,837	-	27,837
Prepaid expenses			884	-	884	888	-	888
Investments		**11**	265,098	-	265,098	18,941	-	18,941
Property, plant and equipment		**12**	341,027	-	341,027	648,457	-	648,457
Intangible assets		**13**	63,451	-	63,451	64,876	-	64,876
			756,703	-	756,703	800,992	-	800,992
Total assets			1,875,589	-	1,875,589	2,029,855	-	2,029,855

(In thousands of reais, unless otherwise stated)

2. Significant accounting policies (Continued)

2.4 Restatement of financial statements (Continued)

Liabilities and equity			12/31/2019					
			Separate			Consolidated		
Current liabilities	**RE.**		**Originally stated**	**Adjust ments**	**Restated**	**Originally stated**	**Adjust ments**	**Restated**
Suppliers	**(iv)**	**15**	183,622	(9,652)	173,970	219,801	(17,943)	201,858
Assignment of credits by suppliers	**(iv)**	**16**	-	9,652	9,652	-	17,943	17,943
Loans and financing		**17**	214,046	-	214,046	215,802	-	215,802
Labor and tax obligations	**(ii)**	**18**	91,744	1,876	93,620	119,772	1,876	121,648
Income and social contribution taxes		**19.2**	2,161	-	2,161	3,843	-	3,843
Dividends	**(iii)**	**22.5**	5,822	(276)	5,546	5,822	(276)	5,546
Supply agreement - manufacturing		**11.4**	-	-	-	12,352	-	12,352
Other liabilities		**20**	25,965	-	25,965	28,671	-	28,671
			523,360	1,600	524,960	606,063	1,600	607,663
Noncurrent liabilities								
Loans and financing		**17**	397,520	-	397,520	401,152	-	401,152
Transactions with related parties		**10**	-	-	-	-	522	522
Provision for legal proceedings	**(i)**	**21**	33,698	2,969	36,667	34,783	2,969	37,752
Deferred taxes		**19.3**	17,748	-	17,748	19,444	-	19,444
Labor and tax obligations		**18**	7,961	-	7,961	7,961	-	7,961
Supply agreement - manufacturing		**11.4**	-	-	-	57,055	-	57,055
Other liabilities		**20**	31,386	-	31,386	39,481	(522)	38,959
			488,313	2,969	491,282	559,876	2,969	562,845
Equity								
Capital stock		**22.1**	440,077	-	440,077	440,077	-	440,077
Capital reserve			1,680	-	1,680	1,680	-	1,680
Legal reserve	**(iii)**	**22.2**	27,687	(242)	27,445	27,687	(242)	27,445
Retained profit reserve	**(i, ii, iii)**	**22.3**	173,833	(4,327)	169,506	173,833	(4,327)	169,506
Tax incentive reserve		**22.4**	220,652	-	220,652	220,652	-	220,652
Equity adjustments			(13)	-	(13)	(13)	-	(13)
			863,916	(4,569)	859,347	863,916	(4,569)	859,347
Total liabilities and equity			1,875,589	-	1,875,589	2,029,855	-	2,029,855

(In thousands of reais, unless otherwise stated)

2. Significant accounting policies (Continued)

2.4 Restatement of financial statements (Continued)

	Capital				Income reserve					
	Subscribed capital	Unpaid capital	Capital stock	Capital reserve	Legal reserve	Retained profit reserve	Tax incentive reserve	Other comprehensive income (loss)	Retained earnings	Total
Balances at December 31, 2018	440,301	(224)	440,077	1,680	22,580	88,985	179,000	56	-	732,378
Net income for the year	-	-	-	-	-	-	-	-	143,791	143,791
Net income allocation	-	-	-	-	5,107	91,210	41,652	-	(137,969)	-
Mandatory minimum dividends	-	-	-	-	-	-	-	-	(5,822)	(5,822)
Additional proposed dividends	-	-	-	-	-	(6,362)	-	-	-	(6,362)
Equity adjustments	-	-	-	-	-	-	-	(69)	-	(69)
Balances at December 31, 2019, originally stated	440,301	(224)	440,077	1,680	27,687	173,833	220,652	(13)	-	863,916
Restatement impacts	-	-	-	-	(242)	(4,327)	-	-	276	(4,569)
Balances at December 31, 2018	440,301	(224)	440,077	1,680	22,580	88,985	179,000	56	-	732,378
Net income for the year	-	-	-	-	-	-	-	-	138,946	138,946
Net income allocation	-	-	-	-	4,865	86,883	41,652	-	(133,400)	-
Mandatory minimum dividends	-	-	-	-	-	-	-	-	(5,546)	(5,546)
Additional proposed dividends	-	-	-	-	-	(6,362)	-	-	-	(6,362)
Equity adjustments	-	-	-	-	-	-	-	(69)	-	(69)
Balances at December 31, 2019, restated	440,301	(224)	440,077	1,680	27,445	169,506	220,652	(13)	-	859,347

(In thousands of reais, unless otherwise stated)

2. Significant accounting policies (Continued)

2.4 Restatement of financial statements (Continued)

	RE.		12/31/2019					
			Separate			Consolidated		
			Originally stated	Adjustments	Restated	Originally stated	Adjustments	Restated
Net revenue		23	1,523,427	-	1,523,427	1,851,910	-	1,851,910
Cost of sales and services		24	(743,639)	-	(743,639)	(946,811)	-	(946,811)
Gross profit			779,788	-	779,788	905,099	-	905,099
Operating income and expenses:								
General and administrative expenses	(i)	24	(260,320)	(2,969)	(263,289)	(373,286)	(2,969)	(376,255)
Selling expenses		24	(353,100)	-	(353,100)	(360,491)	-	(360,491)
Other operating income, net		25	52,684	-	52,684	51,146	-	51,146
Equity accounting		11.1	4,533	-	4,533	9,639	-	9,639
Operating income before finance income (expense)			223,585	(2,969)	220,616	232,107	(2,969)	229,138
Finance income		26	132,669	-	132,669	134,140	-	134,140
Finance expense	(ii)	26	(186,792)	(1,876)	(188,668)	(192,717)	(1,876)	(194,593)
Finance expense, net:			(54,123)	(1,876)	(55,999)	(58,577)	(1,876)	(60,453)
Income (loss) before income taxes			169,462	(4,845)	164,617	173,530	(4,845)	168,685
Provision for income taxes:								
Current		19.1	(21,545)	-	(21,545)	(24,469)	-	(24,469)
Deferred		19.1	(4,126)	-	(4,126)	(5,270)	-	(5,270)
Net income for the year			143,791	(4,845)	138,946	143,791	(4,845)	138,946
Basic and diluted earnings per share attributable to shareholders (in R$)		22.7	0.3790	(0.0128)	0.3661	0.3790	(0.0128)	0.3661

		Separate			Consolidated		
	RE.	12/31/2019 Originally stated	Adjustments	12/31/2019 restated	12/31/2019 Originally stated	Adjustments	12/31/2019 restated
Net income for the year	(i, ii)	143,791	(4,845)	138,946	143,791	(4,845)	138,946
Equity adjustments		(69)	-	(69)	(69)	-	(69)
Comprehensive income for the year		143,722	(4,845)	138,877	143,722	(4,845)	138,877

(In thousands of reais, unless otherwise stated)

2. Significant accounting policies (Continued)

2.4 Restatement of financial statements (Continued)

		12/31/2019					
		Separate			Consolidated		
		Originally stated	Adjust ments	Restated	Originally stated	Adjust ments	Restated
Cash flow from operating activities							
Income before income taxes		169,462	(4,845)	164,617	173,530	(4,845)	168,685
Adjustments to reconcile net income (loss) to cash from:							
Allowance for expected credit losses		2,917	-	2,917	4,877	-	4,877
Allowance for inventory losses		22,608	-	22,608	28,062	-	28,062
Equity pickup		(4,533)	-	(4,533)	(9,639)	-	(9,639)
Finance charges and foreign exchange differences	**(ii,v)**	42,722	3,261	45,983	44,998	2,415	47,413
Provision for legal proceedings	**(i)**	18,094	2,969	21,063	19,130	2,969	22,099
Income from tax incentives		(4,613)	-	(4,613)	(4,613)	-	(4,613)
Gain (loss) on disposal of property, plant and equipment		218	-	218	(838)	-	(838)
Interest and present value adjustment	**(v)**	(363)	(1,385)	(1,748)	(1,209)	(539)	(1,748)
Fair value adjustment of unsettled financial instruments		(3,362)	-	(3,362)	(3,362)	-	(3,362)
Amortization of supply agreement		-	-	-	(16,072)	-	(16,072)
Unrealized income in inventories		2,638	-	2,638	-	-	-
Income from tax credits		(43,719)	-	(43,719)	(43,719)	-	(43,719)
Reversal of manufacturing agreement		-	-	-	(2,081)	-	(2,081)
Depreciation and amortization		30,818	-	30,818	70,270	-	70,270
		232,887	-	232,887	259,334	-	259,334
Changes in current and noncurrent assets and liabilities:							
Accounts receivable		(60,904)	-	(60,904)	(85,267)	-	(85,267)
Inventories		(103,944)	-	(103,944)	(119,773)	-	(119,773)
Taxes recoverable		14,417	-	14,417	4,366	-	4,366
Other assets		(5,489)	-	(5,489)	(4,442)	-	(4,442)
Prepaid expenses		(790)	-	(790)	4,674	-	4,674
Suppliers		76,546	(9,652)	66,894	87,501	(17,943)	69,558
Assignment of credits by suppliers	**(iv)**	-	9,652	9,652	-	17,943	17,943
Labor and tax obligations	**(iv)**	20,099	-	20,099	16,328	-	16,328
Other liabilities	**(vi)**	(21,453)	12,498	(8,955)	(4,320)	12,498	8,178
Income and social contribution taxes paid		(27,642)	-	(27,642)	(29,431)	-	(29,431)
Net cash flow from operating activities:		123,727	12,498	136,225	128,970	12,498	141,468

(In thousands of reais, unless otherwise stated)

2. Significant accounting policies (Continued)

2.4 Restatement of financial statements (Continued)

		12/31/2019					
		Separate			Consolidated		
	RE.	Originally stated	Adjustments	Restated	Originally stated	Adjustments	Restated
Cash flow from investing activities							
Acquisition of property, plant and equipment items		(38,932)	-	(38,932)	(62,206)	-	(62,206)
Acquisition of intangible assets		(3,422)	-	(3,422)	(4,209)	-	(4,209)
Long-term financial investments		1,512	-	1,512	1,512	-	1,512
Proceeds from sales of property, plant and equipment		4,080	-	4,080	4,080	-	4,080
Intercompany loan receivable		(26,315)	-	(26,315)	(4,467)	-	(4,467)
Net cash used in investing activities		(63,077)	-	(63,077)	(65,290)	-	(65,290)
Cash flow from financing activities:							
Loans and financing taken out		261,126	-	261,126	267,038	-	267,038
Repayment of principal of loans and financing		(249,442)	-	(249,442)	(256,137)	-	(256,137)
Payment of interest on loans and financing		(32,540)	-	(32,540)	(32,751)	-	(32,751)
Payment of leases	**(vi)**	-	(12,498)	(12,498)	(2,440)	(12,498)	(14,938)
Dividends paid out to shareholders		(10,001)	-	(10,001)	(10,001)	-	(10,001)
Transactions with related parties		-	-	-	(146)	-	(146)
Net cash used in financing activities:		(30,857)	(12,498)	(43,355)	(34,437)	(12,498)	(46,935)
Increase (decrease) in cash and cash equivalents		29,793	-	29,793	29,243	-	29,243
Cash and cash equivalents at beginning of year		59,883	-	59,883	66,492	-	66,492
Cash and equivalents at end of year		89,676	-	89,676	95,735	-	95,735
		29,793	-	29,793	29,243	-	29,243

(In thousands of reais, unless otherwise stated)

2. Significant accounting policies (Continued)

2.4 Restatement of financial statements (Continued)

			12/31/2020					
			Separate			Consolidated		
Assets			**Originally stated**	**Adjustments**	**Restated**	**Originally stated**	**Adjustments**	**Restated**
Current assets								
Cash and cash equivalents		**4**	343,236	-	343,236	350,146	-	350,146
Accounts receivable		**5**	706,092	-	706,092	661,315	-	661,315
Inventories		**6**	583,124	-	583,124	722,808	-	722,808
Taxes recoverable		**7**	16,976	-	16,976	60,979	-	60,979
Other assets		**8**	9,001	-	9,001	12,829	-	12,829
Derivative financial instruments		**9**	15,947	-	15,947	15,947	-	15,947
Prepaid expenses			5,487	-	5,487	6,355	-	6,355
			1,679,863	-	1,679,863	1,830,379	-	1,830,379
Noncurrent assets								
Other assets	**(vii)**	**8**	55,459	(50,793)	4,666	13,204	(8,193)	5,011
Transactions with related parties	**(vii)**	**10**	-	50,793	50,793	-	8,193	8,193
Deferred taxes		**19,3**	5,166	-	5,166	15,699	-	15,699
Long-term financial investments			889	-	889	889	-	889
Taxes recoverable		**7**	4,359	-	4,359	30,157	-	30,157
Judicial deposits		**21**	26,675	-	26,675	27,924	-	27,924
Prepaid expenses			961	-	961	985	-	985
Investments		**11**	309,598	-	309,598	33,936	-	33,936
Property, plant and equipment		**12**	405,046	-	405,046	722,199	-	722,199
Intangible assets		**13**	85,789	-	85,789	85,900	-	85,900
			893,942	-	893,942	930,893	-	930,893
Total assets			2,573,805	-	2,573,805	2,761,272	-	2,761,272

(In thousands of reais, unless otherwise stated)

2. Significant accounting policies (Continued)

2.4 Restatement of financial statements (Continued)

			12/31/2020					
Liabilities and equity			Separate			Consolidated		
Current liabilities			Originally stated	Adjustments	Restated	Originally stated	Adjustments	Restated
Suppliers	(iv)	15	274,112	(17,371)	256,741	339,299	(17,371)	321,928
Assignment of credits by suppliers	(iv)	16	-	17,371	17,371	15,647	17,371	33,018
Loans and financing		17	297,188	-	297,188	307,698	-	307,698
Labor and tax obligations		18	127,492	-	127,492	154,568	-	154,568
Income and social contribution taxes		19.2	20,818	-	20,818	23,155	-	23,155
Derivative financial instruments		9	2,542	-	2,542	2,542	-	2,542
Dividends		22.5	9,933	-	9,933	9,933	-	9,933
Supply agreement - manufacturing		11.4	-	-	-	13,210	-	13,210
Other liabilities		20	35,913	-	35,913	38,248	-	38,248
			767,998	-	767,998	904,300	-	904,300
Noncurrent liabilities								
Loans and financing		17	624,844	-	624,844	627,977	-	627,977
Transactions with related parties		10	-	-	-	-	73	73
Provision for legal proceedings		21	81,091	-	81,091	83,872	-	83,872
Labor and tax obligations		18	11,792	-	11,792	11,792	-	11,792
Supply agreement - manufacturing		11.4	-	-	-	41,294	-	41,294
Other liabilities		20	39,714	-	39,714	43,671	(73)	43,598
			757,441	-	757,441	808,606	-	808,606
Equity								
Capital stock		22.1	440,077	-	440,077	440,077	-	440,077
Capital reserve			1,680	-	1,680	1,680	-	1,680
Legal reserve		22.2	36,400	-	36,400	36,400	-	36,400
Retained profit reserve		22.3	298,197	-	298,197	298,197	-	298,197
Tax incentive reserve		22.4	271,930	-	271,930	271,930	-	271,930
Equity adjustments			82	-	82	82	-	82
			1,048,366	-	1,048,366	1,048,366	-	1,048,366
Total liabilities and equity			2,573,805	-	2,573,805	2,761,272	-	2,761,272

(In thousands of reais, unless otherwise stated)

2. Significant accounting policies (Continued)

2.4 Restatement of financial statements (Continued)

			12/31/2020					
			Separate			Consolidated		
			Originally stated	Adjustments	Restated	Originally stated	Adjustments	Restated
Net revenue		23	2,055,311	-	2,055,311	2,384,620	-	2,384,620
Cost of sales and services		24	(1,028,382)	-	(1,028,382)	(1,209,510)	-	(1,209,510)
Gross profit			1,026,929	-	1,026,929	1,175,110	-	1,175,110
Operating income and expenses:								
General and administrative expenses	(i)	24	(346,377)	2,969	(343,408)	(471,383)	2,969	(468,414)
Selling expenses		24	(371,520)	-	(371,520)	(379,683)	-	(379,683)
Other operating income, net		25	30,262	-	30,262	32,972	-	32,972
Equity accounting		11.1	46,370	-	46,370	16,832	-	16,832
Operating income before finance income (expense)			385,664	2,969	388,633	373,848	2,969	376,817
Finance income		26	247,475	-	247,475	263,136	-	263,136
Finance expense	(ii)	26	(354,513)	1,876	(352,637)	(362,923)	1,876	(361,047)
Finance expense, net:			(107,038)	1,876	(105,162)	(99,787)	1,876	(97,911)
Income before taxes			278,626	4,845	283,471	274,061	4,845	278,906
Provision for income taxes:								
Current		19.1	(75,996)	-	(75,996)	(82,656)	-	(82,656)
Deferred		19.1	22,914	-	22,914	34,139	-	34,139
Net income for the year			225,544	4,845	230,389	225,544	4,845	230,389
Basic and diluted earnings per share attributable to shareholders (in R$)		22.7	0.5975	0.0098	0.6070	0.5975	0.0098	0.6070

		Separate			Consolidated		
	RE.	12/31/2020 Originally stated	Adjustments	12/31/2020 Restated	12/31/2020 Originally stated	Adjustments	12/31/2020 Restated
Net income for the year	(i, ii)	225,544	4,845	230,389	225,544	4,845	230,389
Equity adjustments		95	-	95	95	-	95
Comprehensive income for the year		225,639	4,845	230,484	225,639	4,845	230,484

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Notes to separate and consolidated financial statements (Continued)
December 31, 2021, 2020 and 2019
(In thousands of reais, unless otherwise stated)

2. Significant accounting policies (Continued)

2.4 Restatement of financial statements (Continued)

		12/31/2020					
		Separate			Consolidated		
	RE.	Originally stated	Adjust ments	Restated	Originally stated	Adjust ments	Restated
Cash flow from operating activities							
Income before income taxes		278,626	4,845	283,471	274,061	4,845	278,906
Adjustments to reconcile net income (loss) to cash from:							
Allowance for expected credit losses		1,080	-	1,080	1,279	-	1,279
Allowance for inventory losses		49,106	-	49,106	54,449	-	54,449
Equity pickup		(46,370)	-	(46,370)	(16,832)	-	(16,832)
Finance charges and foreign exchange differences	**(ii,v)**	109,816	(1,876)	107,940	111,042	(1,876)	109,166
Provision for legal proceedings	**(i)**	53,970	(2,969)	51,001	55,829	(2,969)	52,860
Gain (loss) on disposal of property, plant and equipment		1,211	-	1,211	1,210	-	1,210
Interest and present value adjustment		1,189	-	1,189	1,189	-	1,189
Fair value adjustment of unsettled financial instruments		(31,272)	-	(31,272)	(31,272)	-	(31,272)
Amortization of supply agreement		-	-	-	(14,903)	-	(14,903)
Unrealized income in inventories		3,250	-	3,250	-	-	-
Income from tax credits		(27,636)	-	(27,636)	(27,636)	-	(27,636)
Reversal of manufacturing agreement		-	-	-	(865)	-	(865)
Depreciation and amortization		33,196	-	33,196	67,521	-	67,521
		426,166	-	426,166	475,072	-	475,072
Changes in current and noncurrent assets and liabilities:							
Accounts receivable		(178,630)	-	(178,630)	(150,062)	-	(150,062)
Inventories		(225,150)	-	(225,150)	(277,095)	-	(277,095)
Taxes recoverable		9,155	-	9,155	(18,695)	-	(18,695)
Other assets		22	-	22	(935)	-	(935)
Prepaid expenses		(372)	-	(372)	3,155	-	3,155
Suppliers	**(iv)**	86,209	(7,719)	78,490	123,145	(15,075)	108,070
Assignment of credits by suppliers	**(iv)**	-	7,719	7,719	-	15,075	15,075
Labor and tax obligations		75,410	-	75,410	76,741	-	76,741
Other liabilities	**(vi)**	(1,395)	(606)	(2,001)	(4,486)	(689)	(5,175)
Income and social contribution taxes paid		(11,755)	-	(11,755)	(18,274)	-	(18,274)
Net cash flow from operating activities:		179,660	(606)	179,054	208,566	(689)	207,877

(In thousands of reais, unless otherwise stated)

2. Significant accounting policies (Continued)

2.4 Restatement of financial statements (Continued)

	12/31/2020						
		Separate			Consolidated		
	RE.	Originally stated	Adjust ments	Restated	Originally stated	Adjust ments	Restated
Cash flow from investing activities							
Acquisition of property, plant and equipment items		(91,192)	-	(91,192)	(133,490)	-	(133,490)
Acquisition of intangible assets		(1,593)	-	(1,593)	(1,643)	-	(1,643)
Long-term financial investments		(19)	-	(19)	(19)	-	(19)
Proceeds from sales of property, plant and equipment		365	-	365	368	-	368
Intercompany loan receivable		(10,040)	-	(10,040)	346	-	346
Net cash used in investing activities		(102,479)	-	(102,479)	(134,438)	-	(134,438)
Cash flow from financing activities:							
Loans and financing taken out		588,038	-	588,038	597,748	-	597,748
Repayment of principal of loans and financing		(328,522)	-	(328,522)	(330,510)	-	(330,510)
Payment of interest on loans and financing		(31,649)	-	(31,649)	(32,016)	-	(32,016)
Payment of leases	**(vi)**	(14,409)	606	(13,803)	(17,411)	689	(16,722)
Interest on equity		(31,256)	-	(31,256)	(31,256)	-	(31,256)
Dividends paid out to shareholders		(5,823)	-	(5,823)	(5,823)	-	(5,823)
Transactions with related parties		-	-	-	(449)	-	(449)
Net cash from financing activities		176,379	606	176,985	180,283	689	180,972
Increase in cash and cash equivalents		253,560	-	253,560	254,411	-	254,411
Cash and cash equivalents at beginning of year		89,676	-	89,676	95,735	-	95,735
Cash and equivalents at end of year		343,236	-	343,236	350,146	-	350,146
		253,560	-	253,560	254,411	-	254,411

(In thousands of reais, unless otherwise stated)

2. Significant accounting policies (Continued)

2.4 Restatement of financial statements (Continued)

	Capital				Income reserve					
	Subscribed capital	Unpaid capital	Capital stock	Capital reserve	Legal reserve	Retained profit reserve	Tax incentive reserve	Other comprehensive income (loss)	Retained earnings	Total
Balances at December 31, 2019, originally stated	440,301	(224)	440,077	1,680	27,687	173,833	220,652	(13)	-	863,916
Net income for the year	-	-	-	-	-	-	-	-	225,544	225,544
Net income allocation	-	-	-	-	8,713	124,364	51,278	-	(184,355)	-
Mandatory minimum dividends	-	-	-	-	-	-	-	-	(9,933)	(9,933)
Interest on equity (IOE)	-	-	-	-	-	-	-	-	(31,256)	(31,256)
Equity adjustments	-	-	-	-	-	-	-	95	-	95
Balances at December 31, 2020, originally stated	440,301	(224)	440,077	1,680	36,400	298,197	271,930	82	-	1,048,366
Adjustment	-	-	-	-	242	4,327	-	-	(276)	4,569
Balances at December 31, 2019, restated	440,301	(224)	440,077	1,680	27,445	169,506	220,652	(13)	-	859,347
Net income for the year	-	-	-	-	-	-	-	-	230,389	230,389
Net income allocation	-	-	-	-	8,955	128,691	51,278	-	(188,924)	-
Mandatory minimum dividends	-	-	-	-	-	-	-	-	(10,209)	(10,209)
Interest on equity (IOE)	-	-	-	-	-	-	-	-	(31,256)	(31,256)
Equity adjustments	-	-	-	-	-	-	-	95	-	95
Balances at December 31, 2020, restated	440,301	(224)	440,077	1,680	36,400	298,197	271,930	82	-	1,048,366

3. Financial instrument risk management

3.1. Financial risk factors

The Company's and its subsidiaries' activities expose them to certain financial risks, such as market risk, credit risk and liquidity risk.

The Company and its subsidiaries follow a risk management control that guides transactions and requires diversification of transactions and of counterparties. Based on this control, the nature and the general position of financial risks are regularly monitored and managed in order to assess profit or loss and the financial impact on cash flow.

The risk management control of the Company and its subsidiaries was defined by the Group's Executive Board. Under the terms of this control, market risks are hedged when supporting the corporate strategy is deemed necessary or when maintaining the financial flexibility level is required.

a) <u>Market risk</u>

i) *Interest rate risk*

Interest rate risk refers to the possibility of the Company and its subsidiaries incurring losses due to fluctuations in interest rates that increase finance expense relating to loans and financing raised in the market. The Company and its subsidiaries continually monitor market interest rates in order to assess whether renegotiation or early payment/receipt is required, or even enter into transactions in the financial market in order to hedge against the risk of rate fluctuations.

ii) *Currency risk*

The associated risk arises from the possibility of the Company and its subsidiaries incurring losses due to exchange rate fluctuations that increase the funds raised in the marketplace. At December 31, 2021, the Company's net exposure refers to loans in foreign currency amounting to US$48,870 thousand (US$49,267 thousand in 2020 and US$74,705 thousand in 2019); and import of raw materials and/or services amounting to US$20,605 (US$24,528 thousand in 2020 and US$13,246 thousand in 2019), with NDF and SWAP hedging part of this exposure as at December 31, 2021, totaling US$61,610 thousand (US$77,400 thousand in 2020 and US$46,922 thousand in 2019).

3. Financial instrument risk management (Continued)

3.1. Financial risk factors (Continued)

b) Credit risk

Credit risk is managed by the Executive Board of Company and its subsidiaries. Credit risk arises from cash and cash equivalents, credit exposure of outstanding accounts receivable and transactions with related parties. The credit analysis area assesses the customer's credit quality, taking into consideration its financial position, past experience, market behavior, credit analyses and other factors. Separate risk limits are determined based on internal ratings defined by management. The use of credit limits is regularly monitored. Sales to customers are usually suspended when there is evidence of default. The Company and its subsidiaries assess the risk concentration in relation to accounts receivable as low, since their customers are located in various locations and independent markets.

For customers with history of default, management requires early payment in some cases to release new orders.

Management does not expect any loss due to default of these counterparties, except for the allowance for expected credit losses shown in Note 5.

c) Liquidity risk

This is the risk of the Company and its subsidiaries not having sufficient liquidity to meet their financial commitments, due to the mismatch of terms or volume between expected receipts and payments.

To manage cash liquidity in domestic and foreign currency, future cash outflows and receivables assumptions are determined and monitored by the treasury department. See liquidity quantitative analysis in Note 28.

3.2. Capital risk management

The objectives of the Company and its subsidiaries when managing capital are to safeguard their ability to continue as a going concern in order to provide returns for shareholders and benefits for other stakeholders, and to maintain an optimal capital structure to reduce the cost of capital.

In order to maintain or adjust their capital structure, the Company and its subsidiaries may revise the policy for payment of dividends, return capital to shareholders, issue new shares, or sell assets to reduce their debt ratio, for example.

3. Financial instrument risk management (Continued)

3.2. Capital risk management (Continued)

Consistently with other companies operating in this industry, the Company and its subsidiaries monitor capital based on the financial leverage ratio. This ratio corresponds to the net debt divided by total capital. Net debt, in its turn, corresponds to total loans and financing (including short and long-term loans, as stated in the consolidated statement of financial position), deducted from cash and cash equivalents. Total capital is calculated through the sum of equity, as stated in the consolidated statement of financial position, with net debt.

The financial leverage is basically due to the following transactions:

(i) Finance lease (machinery, equipment and vehicles);

(ii) Import financing and re-financing;

(iii) Raising of working capital;

(iv) FINAME (Government Fund for Financing of Machinery and Equipment) - acquisition of machinery and equipment with at least 60% of their parts manufactured in Brazil; and

(v) Debentures.

3.3. Sensitivity analysis of financial assets and liabilities

The financial liabilities of the Company and its subsidiaries relate mostly to contracts pegged to the CDI variation, representing 84% of the consolidated financial liabilities at December 31, 2021. In addition, 8% of bank loans are pegged to fixed interest rates, 7% pegged to contracts with exchange differences, and 1% are restated by other monetary restatement indexes (such as the Long-Term Rate (TLP) and the National Consumer Price Index (INPC)).

CPCs 39, 40 and 48 provide for the presentation of information on financial instruments in a specific note, and for the disclosure of a sensitivity analysis table.

With a view to checking the sensitivity of the debt indexes to which the Company and its subsidiaries are exposed as at December 31, 2021, three different scenarios were estimated, considering the volume of total financing. Based on these consolidated amounts at December 31, 2021, the Company defined the Probable Scenario for the next 12-month period (Scenario I). Based on Scenario I (Probable), the Company simulated appreciation of 25% (Scenario II) and 50% (Scenario III) on projections of restatement indexes of each contract.

(In thousands of reais, unless otherwise stated)

3. Financial instrument risk management (Continued)

3.3. Sensitivity analysis of financial assets and liabilities (Continued)

Separate	Probable scenario	Scenario II		Scenario III	
		25% of oscillation		50% of oscillation	
Risk		Appreciation	Depreciation	Appreciation	Depreciation
Dollar quotation	5.58050	7.7146	4.6288	9.2576	3.0858
Euro quotation	6.30950	8.8138	5.2883	10.5764	3.5255
Foreign exchange differences	**129,099**	**178,647**	**107,188**	**214,376**	**71,459**
Projected finance expense	**13,819**	**35,729**	**(35,729)**	**71,459**	**(71,459)**
% - Variation		27.68%	-27.68%	55.35%	-55.35%
CDI	**1,480,787**	**1,731,593**	**1,642,611**	**1,776,084**	**1,598,119**
% - Remuneration rate	18.06%	24.11%	17.73%	27.30%	14.54%
Projected finance expense	**206,315**	**44,491**	**(44,491)**	**88,982**	**(88,982)**
% - Variation	206,315	3.00%	-3.00%	6.01%	-6.01%
Fixed rate	**10,217**	**10,574**	**10,574**	**10,574**	**10,574**
% - Remuneration rate	15.32%	21.23%	15.00%	24.34%	11.88%
Projected finance expense	**357**	**357**	**357**	**357**	**357**
% - Variation	3.49%	3.49%	3.49%	3.49%	3.49%
Other	**9,540**	**11,221**	**10,645**	**11,510**	**10,356**
% - Remuneration rate	11.88%	17.61%	11.57%	20.63%	8.54%
Projected finance expense	**1,392**	**288**	**(288)**	**577**	**(577)**
% - Variation	14.67%	3.02%	-3.02%	6.04%	-6.04%
Total bank indebtedness	**1,629,643**	**1,932,035**	**1,771,018**	**2,012,544**	**1,690,508**
Total projected finance expense	221,883	302,748	222,597	383,972	223,311
% - Total difference	13.62%	15.67%	12.57%	19.08%	13.21%

Consolidated	Probable scenario	Scenario II		Scenario III	
		25% of oscillation		50% of oscillation	
Risk		Appreciation	Depreciation	Appreciation	Depreciation
Dollar quotation	5.58050	7.7146	4.6288	9.2576	3.0858
Euro quotation	6.30950	8.8138	5.2883	10.5764	3.5255
Foreign exchange differences	**136,642**	**188,125**	**112,875**	**225,750**	**75,250**
Projected finance expense	**13,857**	**37,625**	**(37,625)**	**75,250**	**(75,250)**
% - Variation		27.54%	-27.54%	55.07%	-55.07%
CDI	**1,483,283**	**1,734,517**	**1,645,384**	**1,779,083**	**1,600,817**
% - Remuneration rate	18.06%	24.11%	17.73%	27.30%	14.54%
Projected finance expense	**206,667**	**44,566**	**(44,566)**	**89,132**	**(89,132)**
% - Variation	13.12%	3.00%	-3.00%	6.01%	-6.01%
Fixed rate	**10,217**	**10,574**	**10,574**	**10,574**	**10,574**
% - Remuneration rate	15.32%	21.23%	15.00%	24.34%	11.88%
Projected finance expense	**357**	**357**	**357**	**357**	**357**
% - Variation	3.49%	3.49%	3.49%	3.49%	3.49%
Other	**11,548**	**13,582**	**12,884**	**13,931**	**12,535**
% - Remuneration rate	11.88%	17.61%	11.57%	20.63%	8.54%
Projected finance expense	**1,684**	**349**	**(349)**	**698**	**(698)**
% - Variation	14.67%	3.02%	-3.02%	6.04%	-6.04%
Total bank indebtedness	**1,641,690**	**1,946,798**	**1,781,717**	**2,029,338**	**1,699,176**
Total projected finance expense	222,565	305,462	223,279	388,716	223,993
% - Total difference	13.56%	15.69%	12.53%	19.15%	13.18%

(In thousands of reais, unless otherwise stated)

3. Financial instrument risk management (Continued)

3.3. Sensitivity analysis of financial assets and liabilities (Continued)

The financial assets of the Company and its subsidiaries are pegged to the CDI variation. In order to assess the sensitivity of possible changes in CDI at December 31, 2021, the Company defined a Probable Scenario for the next 12-month period and thereafter and, based on this scenario, it simulated variations of 25% (Scenario II) and 50% (Scenario III) on index projections.

Separate	Scenario I - probable	Scenario II		Scenario III	
		25% of oscillation		50% of oscillation	
Separate		Appreciation	Depreciation	Appreciation	Depreciation
Investments - CDI	324,368	324,368	324,368	324,368	324,368
Projected finance income	38,243	47,812	28,674	57,381	19,138
Rate subject to variation	11.79%	14.74%	8.84%	17.69%	5.90%
Variation		9,569	(9,569)	19,105	(19,105)

Consolidated	Scenario I - probable	Scenario II		Scenario III	
		25% of oscillation		50% of oscillation	
		Appreciation	Depreciation	Appreciation	Depreciation
Investments - CDI	337,164	337,164	337,164	337,164	337,164
Projected finance income	39,752	49,698	29,805	59,644	19,893
Rate subject to variation	11.79%	14.74%	8.84%	17.69%	5.90%
Variation		9,946	(9,946)	19,893	(19,893)

The financial assets of the Company and its subsidiaries at December 31, 2021 are pegged to the daily yield equivalent to a percentage of the CDI variation, with daily liquidity. Part of the investments characterizes as automatic scheduled investments, based on the final balance available in the checking account. Another part of the investments was invested in CDBs with daily liquidity through specific amounts/lots traded and distributed in the main institutions with which the Company and its subsidiaries do business.

The Company also calculated the variations in the carrying amounts of financial instruments subject to exchange risk in three different scenarios, considering the possible variation of the dollar and the euro Ptax. In the construction of the probable scenario, the Company used the future dollar for each maturity of its financial instruments, obtained from B3 Bovespa as at December 31, 2021.

For each scenario, gross finance expense were calculated, not considering taxes and the aging list of each contract for 2021 and thereafter. The base date used was December 31, 2021, with projection of restatement indexes for each contract for the next 12 months and assessment of their sensitivity under each scenario.

(In thousands of reais, unless otherwise stated)

3. Financial instrument risk management (Continued)

3.3. Sensitivity analysis of financial assets and liabilities (Continued)

Scenario I - considered a benchmark by the Company and its subsidiaries: derived from the R$/US$ exchange rate and CDI rates, based on the compilation of market projections obtained from reports of leading consulting firms, national and international financial institutions, the Central Bank of Brazil and B3 BOVESPA at December 31, 2021.

Scenarios II and III - decrease in exchange rates and CDI - these scenarios consider 25% and 50% reductions (depreciation) in interest rates (marked to market) linked to derivative financial instruments entered into by the Company and its subsidiaries with outstanding positions on the closing date.

Scenarios IV and V - increase in exchange rates and CDI - these scenarios consider 25% and 50% increase (appreciation) in interest rates (marked to market) linked to derivative financial instruments entered into by the Company and its subsidiaries with outstanding positions on the closing date.

The sensitivity values shown in the table below are variations of derivative financial instruments under each scenario.

	12/31/2021				
	Scenario (I) - Probable	**Scenario (II) 25% depreciation**	**Scenario (III) 50% depreciation**	**Scenario (iv) 25% appreciation**	**Scenario (v) 50% appreciation**
NDF (banks)	**2,680**	**(47,113)**	**(96,205)**	**51,937**	**101,565**
Variation (R$)		(49,257)	(98,885)	49,257	98,885
Swap	**23,667**	**(51,813)**	**(127,294)**	**99,147**	**174,628**
Variation (R$)		(75,480)	(150,961)	75,480	150,961
Total fair value	**26,347**	**(98,926)**	**(224,201)**	**151.084**	**276.193**
Total variation (R$)	**-**	**(125,273)**	**(249,986)**	**125,273**	**249,986**

(In thousands of reais, unless otherwise stated)

4. Cash and cash equivalents

	Separate			Consolidated		
	12/31/2021	12/31/2020	12/31/2019	12/31/2021	12/31/2020	12/31/2019
Cash and banks	**1,498**	1,138	434	**421,737**	1,799	676
Financial investments	**324,368**	342,098	89,242	**337,164**	348,347	95,059
	325,866	343,236	89,676	**758,901**	350,146	95,735

Short-term investments in Bank Deposit Certificates (CDB) have an average yield of 97% (100% in 2020 and 98% in 2019) of the Interbank Deposit Certificate (CDI) rate. They comprise cash or cash equivalent amounts invested in notes issued by prime financial institutions with credit rating assigned by international credit rating agencies, which are highly liquid and redeemable at any time without any effective loss.

5. Accounts receivable

	Separate			Consolidated		
	12/31/2021	12/31/2020	12/31/2019	12/31/2021	12/31/2020	12/31/2019
Accounts receivable - domestic	**625,978**	479,440	375,145	**702,976**	543,973	436,503
Foreign customers	**851**	897	546	**12,733**	897	546
Transactions with related parties (Note 10)	**395,163**	228,765	156,063	**203,018**	120,086	79,839
	1,021,992	709,102	531,754	**918,727**	664,956	516,888
(-) Expected credit loss	**(6,544)**	(3,010)	(3,212)	**(7,545)**	(3,641)	(5,221)
	1,015,448	706,092	528,542	**911,182**	661,315	511,667

Changes in expected credit losses in 2021, 2020 and 2019 are as follows:

	Separate	Consolidated
Balance at 12/31/2018	(4,236)	(4,728)
Allowance	(9,081)	(14,415)
Reversal	6,164	9,538
Write-off (effective loss)	3,941	4,384
Balance at 12/31/2019	(3,212)	(5,221)
Allowance	(4,266)	(4,644)
Reversal	3,186	3,365
Write-off (effective loss)	1,282	2,859
Balance at 12/31/2020	(3,010)	(3,641)
Allowance	**(25,176)**	**(27,002)**
Reversal	**14,933**	**15,933**
Write-off (effective loss)	**6,709**	**7,165**
Balance at 12/31/2021	**(6,544)**	**(7,545)**

In 2021, the Company reassessed the expected credit loss on receivables from government entities in its accounting policies, considering the increase in sales to such customers, the current economic scenario and the likelihood of future losses. The Company emphasizes that all collection procedures, aimed at receiving the overdue portfolio, remain unchanged.

(In thousands of reais, unless otherwise stated)

5. Accounts receivable (Continued)

The aging list of accounts receivable is summarized below:

	Separate								
	12/31/2021			12/31/2020			12/31/2019		
	Private entities	Government entities	Total	Private entities	Government entities	Total	Private entities	Government entities	Total
Falling due	**816,001**	**31,741**	**847,742**	584,652	11,057	595,709	436,035	14,203	450,238
Overdue within 30 days	**34,062**	**6,766**	**40,828**	26,401	3,929	30,330	10,508	7,161	17,669
Overdue from 31 to 60 days	**12,430**	**880**	**13,310**	17,763	5,794	23,557	2,780	2,938	5,718
Overdue from 61 to 120 days	**24,283**	**3,962**	**28,245**	19,884	5,891	25,775	20,911	1,432	22,343
Overdue from 121 to 180 days	**21,967**	**4,732**	**26,699**	10,574	5,785	16,359	15,584	1,641	17,225
Overdue from 181 to 360 days	**53,068**	**4,272**	**57,340**	7,811	3,326	11,137	12,074	1,769	13,843
Overdue above 361 days	**2,046**	**5,782**	**7,828**	1,171	5,064	6,235	746	3,972	4,718
	963,857	**58,135**	**1,021,992**	668,256	40,846	709,102	498,638	33,116	531,754

	Consolidated								
	12/31/2021			12/31/2020			12/31/2019		
	Private entities	Government entities	Total	Private entities	Government entities	Total	Private entities	Government entities	Total
Falling due	**833,026**	**31,741**	**864,767**	609,273	11,057	620,330	469,254	14,203	483,457
Overdue within 30 days	**19,479**	**6,766**	**26,245**	9,696	3,929	13,625	8,426	7,161	15,587
Overdue from 31 to 60 days	**1,663**	**880**	**2,543**	2,059	5,794	7,853	682	2,938	3,620
Overdue from 61 to 120 days	**1,392**	**3,962**	**5,354**	1,045	5,891	6,936	622	1,432	2,054
Overdue from 121 to 180 days	**1,014**	**4,732**	**5,746**	42	5,785	5,827	632	1,641	2,273
Overdue from 181 to 360 days	**1,581**	**4,272**	**5,853**	276	3,326	3,602	1,641	1,769	3,410
Overdue above 361 days	**2,437**	**5,782**	**8,219**	1,719	5,064	6,783	2,515	3,972	6,487
	860,592	**58,135**	**918,727**	624,110	40,846	664,956	483,772	33,116	516,888

6. Inventories

	Separate			Consolidated		
	12/31/2021	12/31/2020	12/31/2019	12/31/2021	12/31/2020	12/31/2019
Finished products	**368,058**	345,360	177,870	**404,574**	368,525	201,469
Work-in-process	**60,410**	35,651	28,279	**78,780**	54,619	34,603
Raw materials	**219,657**	165,865	140,261	**315,963**	222,203	164,558
Packaging materials	**62,827**	36,915	32,640	**99,055**	66,585	47,415
Maintenance and safety materials	**28,802**	23,221	20,446	**47,105**	40,034	36,753
Advance for acquisition of supplies (i)	**8,744**	4,395	20,651	**12,659**	6,834	28,981
Other	**19,595**	21,423	13,900	**20,023**	22,002	14,182
(-) Provision for losses	**(42,321)**	(49,706)	(26,967)	**(52,942)**	(57,994)	(35,760)
	725,772	583,124	407,080	**925,217**	722,808	492,201

(i) This refers to advances for the acquisition of raw materials and imported medications for resale.

	Separate	Consolidated
Balance at 12/31/2018	(13,900)	(18,926)
Provision/reversal	(22,608)	(28,062)
Write-off (effective loss)	9,541	11,228
Balance at 12/31/2019	(26,967)	(35,760)
Provision/reversal	(49,106)	(54,449)
Write-off (effective loss)	26,367	32,215
Balance at 12/31/2020	(49,706)	(57,994)
Provision/reversal	**(31,018)**	**(35,393)**
Write-off (effective loss)	**38,403**	**40,445**
Balance at 12/31/2021	**(42,321)**	**(52,942)**

(In thousands of reais, unless otherwise stated)

7. Taxes recoverable

	Separate			Consolidated		
	12/31/2021	**12/31/2020**	**12/31/2019**	**12/31/2021**	**12/31/2020**	**12/31/2019**
State Value-added Tax (ICMS) (i)	**14,067**	12,021	24,050	**61,669**	51,122	46,624
PIS (ii)	**1,605**	708	13,265	**4,786**	3,872	15,006
COFINS (ii)	**7,275**	2,785	61,375	**21,007**	16,855	68,700
Income tax	**10,295**	2,814	6,644	**15,628**	5,609	7,797
Social contribution tax on net profit	**2,907**	1,038	4,133	**5,612**	2,863	5,160
Federal VAT (IPI)	**730**	193	1,022	**12,804**	8,594	8,953
Other	**5,165**	1,776	896	**5,457**	2,221	1,114
(-) Provision for tax credits	**-**	-	(25,692)	**-**	-	(25,692)
	42,044	21,335	85,693	**126,963**	91,136	127,662
Current	**35,275**	16,976	71,764	**81,932**	60,979	103,305
Noncurrent	**6,769**	4,359	13,929	**45,031**	30,157	24,357

(i) This refers mainly to ICMS credits arising from the acquisition of property, plant and equipment items, offsetable at the ratio of 1/48 per month and credits obtained in the purchase of imported and local inputs and medicines.

(ii) This refers to PIS and COFINS credits arising from the purchase of inputs for industrialization, which are expected to be offset with federal taxes over the next twelve months.

Exclusion of ICMS from PIS/COFINS base

On September 12, 2019, the Company obtained a favorable final decision regarding the proceeding that discussed the exclusion of ICMS from the PIS/COFINS base, with the original proceeding filed in 2007. The credits for the period from 2011 to 2018 were recognized by the Company in December 2019.

For the period from 2002 to 2010, for being an older period, the Company made a survey of sufficient information for credit approval. This work was completed in September 2020 and the provision of R$25,692 was fully reversed.

8. Other assets

	Separate			Consolidated		
	12/31/2021	**12/31/2020 Restated**	**12/31/2019 Restated**	**12/31/2021**	**12/31/2020 Restated**	**12/31/2019 Restated**
Advances to suppliers	**2,498**	2,914	3,266	**3,498**	3,764	3,292
Advances to employees	**8,697**	4,732	6,249	**14,201**	7,611	8,967
Pledges and collaterals	**1,340**	1,120	3,038	**1,340**	1,121	3,039
Other	**4,229**	4,901	3,094	**6,042**	5,344	3,341
	16,764	13,667	15,647	**25,081**	17,840	18,639
Current	**12,599**	9,001	10,618	**20,091**	12,829	13,416
Noncurrent	**4,165**	4,666	5,029	**4,990**	5,011	5,223

(In thousands of reais, unless otherwise stated)

9. Derivative financial instruments

	Counterparty	Consolidated and Separate 12/31/2021	12/31/2020	12/31/2019
Assets				
NDF (banks)	Bradesco/ Santander/ Itaú/ Citibank	**2,727**	-	1,527
Swap contract	Citibank	**23,620**	15,947	4,567
		26,347	15,947	6,094
Liabilities				
NDF (banks)	Bradesco/ Santander/ Itaú/ Citibank	**-**	(2,542)	-
		-	(2,542)	-
Financial instruments, net		**26,347**	13,405	6,094

	Consolidated and Separate 12/31/2021	12/31/2020	12/31/2019
Prior balance	**13,405**	6,094	13,186
New fundraisings	**73,271**	38,583	(3,730)
Settlements of financial instrument	**(47,387)**	(23,961)	(10,432)
Fair value measurement	**(12,942)**	(7,311)	7,070
	26,347	13,405	6,094

10. Transactions with related parties

Transactions with related parties and related balances are as follows:

	Separate			Consolidated		
	12/31/2021	12/31/2020 restated	12/31/2019 restated	12/31/2021	12/31/2020 restated	12/31/2019 restated
Revenues						
Sales to Anovis (i)	**107,739**	100,870	61,236	**-**	**-**	**-**
Sales to F&F Distribuidora (ii)	**508,311**	318,117	207,878	**508,311**	318,117	207,878
Sales to Inovat (i)	**34,159**	-	8	**-**	-	-
Sales to UQ Indústria Gráfica (i)	**2,241**	2,035	1,037	**-**	-	-
	652,450	421,022	270,159	**508,311**	318,117	207,878
Purchases						
Purchases from Anovis (i)	**177,905**	59,562	16,145	**-**	-	-
Purchases from Inovat (i)	**44,544**	49,033	-	**-**	-	-
Purchases from UQ Gráfica (i)	**57,167**	60,133	47,942	**-**	-	-
Purchases from Laboratil (ii)	**6,986**	7,325	10,257	**-**	7,325	10,257
Purchases from Union Agener (ii)	**173,799**	150,179	35,299	**173,799**	187,072	35,299
	460,401	326,232	109,643	**173,799**	194,397	45,556

(In thousands of reais, unless otherwise stated)

10. Transactions with related parties (Continued)

	Separate			Consolidated		
	12/31/2021	**12/31/2020 restated**	**12/31/2019 restated**	**12/31/2021**	**12/31/2020 restated**	**12/31/2019 restated**
Current assets						
Receivables from Anovis (i)	**157,868**	107,954	75,802	**-**	-	-
Receivables from F&F Distribuidora (ii)	**203,018**	120,086	79,839	**203,018**	120,086	79,839
Receivables from Inovat (i)	**34,187**	115	59	**-**	-	-
Receivables from UQ Indústria Gráfica (i)	**90**	610	363	**-**	-	-
	395,163	228,765	156,063	**203,018**	120,086	79,839
Noncurrent assets						
Other receivables from Union Agener (v)	**8,332**	7,945	6,904	**8,332**	7,945	8,380
Other receivables from F&F Distribuidora (iii)	**471**	248	159	**471**	248	159
Other receivables from Inovat (iii)	**64,347**	29,450	25,477	**-**	-	-
Other receivables from UQ Indústria Gráfica (iii)	**656**	608	495	**-**	-	-
Other receivables from Anovis (iii)	**17,292**	12,542	6,849	**-**	-	-
Other receivables from Laboratil (iii)	**5,539**	-	-	**-**	-	-
	96,637	50,793	39,884	**8,803**	8,193	8,539
Current liabilities						
Payables to Anovis (i)	**2,618**	3,874	144	**-**	-	-
Payables to UQ Gráfica (i)	**5,432**	5,627	3,858	**-**	-	-
Payables to Laboratil (i)	**306**	-	29	**-**	-	29
Payables to Inovat (i)	**4,622**	860	-	**-**	-	-
Payables to Union Agener (ii)	**47,184**	63,063	-	**47,184**	63,063	-
	60,162	73,424	4,031	**47,184**	63,063	29
Noncurrent liabilities						
Loan - indirect parent (iv)	**-**	-	-	**8,816**	73	522
	-	-	-	**8,816**	73	522

(i) Balances referring to transactions of purchase and sale of medicines and packaging materials, and receivables from shared services. These transactions were carried out under usual prices and conditions agreed by the parties;

(ii) Balances referring to purchase and sale of medicines under usual prices and conditions agreed by the parties. The Company, F&F Distribuidora and Laboratil have the same controlling shareholder;

(iii) Balances deriving from shared and mutual services presented at nominal value, the latter increased by 12% interest p.a. The maturity of all transactions is undetermined and there is no expectation for settlement in the next 12 months;

(iv) This refers to the loan balance obtained by Laboratil from its indirect controlling shareholder, stated at its nominal value translated into the functional currency, not subject to interest and with no fixed maturity;

(v) Union Agener, a company owned by the Company's controlling shareholder, received funds to pay expenses. The reimbursement is expected to take place until December 31, 2023, at the nominal value.

(In thousands of reais, unless otherwise stated)

10. Transactions with related parties (Continued)

a) Ultimate controlling shareholder

The Company's ultimate controlling shareholder is Mr. Fernando de Castro Marques, who holds direct control over Robferma Administração e Participações Ltda., which, in turn, holds direct control over the Company and indirect control over the other subsidiaries. See Note 22 - Equity.

b) Key management personnel compensation

At the Annual General Meeting held on April 21, 2021, the shareholders approved the global key management personnel compensation for 2021, which comprises fixed and variable amounts. The compensation paid and/or payable is as follows:

	Separate and Consolidated		
	12/31/2021	12/31/2020	12/31/2019
Payroll and related charges	**15,859**	12,535	7,858
Directors' fees	**431**	431	435
	16,290	12,966	8,293

11. Investments

11.1. Information on investments

		Separate		
	Direct interest	12/31/2021	12/31/2020	12/31/2019
Bionovis S.A. (joint venture)	25.00%	**46,923**	33,936	18,941
Anovis Industrial Farmacêutica Ltda.	99.99%	**101,892**	100,239	84,708
Union Quimica Farmacêutica Internacional S.A.	99.99%	**778**	797	692
Inovat Indústria Farmacêutica Ltda.	99.99%	**153,707**	159,870	151,958
UQ Indústria Gráfica e de Embalagens Ltda.	99.99%	**19,251**	14,756	8,799
Laboratil Farmacêutica Ltda.	99.99%	**17,007**	-	-
Songbook Holding B.V.	99.99%	**418,569**	-	-
Total		**758,127**	309,598	265,098

(In thousands of reais, unless otherwise stated)

11. Investments (Continued)

11.2. Changes in investments

	Bionovis (i)	Anovis (ii)	Union Química (iii)	Inovat (iv)	UQ Gráfica (v)	Claris Brasil (vi)	Laboratil (vi)	Songbook Holding (vii)	Total
Balance at December 31, 2018	11,563	82,244	802	161,220	6,843	3,206	-	-	265,878
Equity accounting	9,639	(4,884)	(41)	(2,065)	1,956	(826)	-	-	3,779
Depreciation - surplus of assets	-	(3,539)	-	(9,744)	-	(2,035)	-	-	(15,318)
Amortization of supply agreement	-	13,525	-	2,547	-	-	-	-	16,072
Income in inventories	-	(2,638)	-	-	-	-	-	-	(2,638)
Proposed dividends	(2,261)	-	-	-	-	-	-	-	(2,261)
Merger of Claris by União Química	-	-	-	-	-	(345)	-	-	(345)
Foreign exchange differences on translation of foreign transactions	-	-	(69)	-	-	-	-	-	(69)
Balance at December 31, 2019	18,941	84,708	692	151,958	8,799	-	-	-	265,098
Equity accounting	16,832	6,846	10	14,867	5,957	-	-	-	44,512
Depreciation - surplus of assets	-	(3,541)	-	(9,504)	-	-	-	-	(13,045)
Amortization of supply agreement	-	12,354	-	2,549	-	-	-	-	14,903
Inventory profits	-	(128)	-	-	-	-	-	-	(128)
Proposed dividends	(1,837)	-	-	-	-	-	-	-	(1,837)
Foreign exchange differences on translation of foreign transactions	-	-	95	-	-	-	-	-	95
Balance at December 31, 2020	33,936	100,239	797	159,870	14,756	-	-	-	309,598
Payment of capital	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**424,544**	**424,544**
Acquisition of investee	**-**	**-**	**-**	**-**	**-**	**-**	**4,059**	**-**	**4,059**
Equity accounting	**11,658**	**(5,384)**	**(27)**	**526**	**4,495**	**-**	**1,076**	**(219)**	**12,125**
Equity accounting - Depreciation of surplus of assets	**-**	**(3,461)**	**-**	**(9,234)**	**-**	**-**	**-**	**-**	**(12,695)**
Equity accounting - Amortization of the supply agreement	**-**	**10,663**	**-**	**2,545**	**-**	**-**	**-**	**-**	**13,208**
Goodwill based on future profitability	**-**	**-**	**-**	**-**	**-**	**-**	**11,876**	**-**	**11,876**
Inventory profits	**-**	**(165)**	**-**	**-**	**-**	**-**	**-**	**-**	**(165)**
Capital payment through dividends receivable	**4,098**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**4,098**
Proposed dividends	**(2,769)**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**(2,769)**
Foreign exchange differences on translation of foreign transactions	**-**	**-**	**8**	**-**		**-**	**-**	**(5,756)**	**(5,748)**
Other changes in equity of investee							**(4)**	**-**	**(4)**
Balance at December 31, 2021	**46,923**	**101,892**	**778**	**153,707**	**19,251**	**-**	**17,007**	**418,569**	**758,127**

(In thousands of reais, unless otherwise stated)

11. Investments (Continued)

11.2. Changes in investments (Continued)

(i) On April 2, 2012, the Company paid in R$2,500 of the capital in Bionovis S.A., the first Brazilian biotechnology product company founded by the Company and Aché Laboratórios Farmacêuticos S.A., EMS Participações S.A. and Hypera S.A. On April 30, 2021, a capital increase was carried out, using the income reserve of R$53,000, and R$16,392 were recorded as dividends to be distributed, of which R$13,250 and R$4,098 belong to the Company. The payment was proportional to all shareholders. Equity pickup of R$11,658 refers to the year 2021 (R$16,832 in 2020 and R$9,639 in 2019) the amount of R$2,769 refers to mandatory minimum dividends receivable.

(ii) Anovis Industrial Farmacêutica Ltda. was acquired on February 13, 2015 for R$83,147. This company operates in the medicine distribution and toll manufacturing segments. The equity pickup of R$(5,384) refers to income for 2021 (R$6,846 in 2020 and R$(4,884) in 2019). At December 31, 2021, the Company recognized in income for the year depreciation on the surplus value of tangible assets acquired in the business combination, in the amount of R$3,461 (R$3,541 in 2020 and R$3,539 in 2019), as well as amortization of the surplus value of the manufacturing agreement in the amount of R$10,663 (R$12,354 in 2020 and R$13,525 in 2019). The referred to amortization considered the contractual volumes up to December 31, 2021. These amounts represent 58.95% of the expected cumulative volume of the agreement up to 2024. The Company also recognized the amount of R$(165) relating to unrealized income in inventories, arising from sales of medicines to this subsidiary.

(iii) Cash remitted by the Company for investment and organization of "Union Química Farmacêutica Internacional", a company based in Uruguay. Equity pickup of R$(27) refers to income for 2021 (R$10 in 2020 and R$(41) in 2019).

(iv) Inovat Industrial Farmacêutica Ltda. was acquired on November 14, 2017 for R$159,746. This company operates in the veterinary medicines and toll manufacturing segments. The equity pickup of R$526 refers to income for 2021 (R$14,867 in 2020 and R$(2,065) in 2019). At December 31, 2021, the Company recognized in income for the year the depreciation on the surplus value of tangible assets acquired in the business combination, in the amount of R$9,234, as well as the amortization of the manufacturing agreement in the amount of R$2,545, based on contracted volumes.

(v) UQ Indústria Gráfica e de Embalagens Ltda. is engaged in the manufacturing and sale of paper, metal and other packaging. The equity pickup of R$4,495 refers to income for 2021 (R$5,957 in 2020 and R$1,956 in 2019).

(vi) Laboratil Farmacêutica Ltda. was acquired on February 18, 2021 for the amount of R$15,935. This company operates in the medicines and toll manufacturing segments. Equity pickup of R$1,076 refers to year 2021 under management of the parent company.

(vii) As described in Note 1, the Company made a capital contribution in the amount of R$424,544 in December 2021. Equity pickup in the amount of R$(219) refers to statement of income for the period under management of the parent company, and the amount of R$(5,756) refers to the difference in the translation of the statement of financial position into Brazilian real.

11.3. Breakdown of investments

	12/31/2021				
	Investment - Equity accounting	**Goodwill**	**Surplus value/supply agreement**	**FX differences and unrealized income**	**Investment balance**
Bionovis S.A.	**46,923**	**-**	**-**	**-**	**46,923**
Anovis Industrial Farmacêutica Ltda.	**98,555**	**-**	**7,888**	**(4,551)**	**101,892**
Union Quimica Farmacêutica Internacional S.A.	**690**	**-**	**-**	**88**	**778**
Inovat Indústria Farmacêutica Ltda.	**144,162**	**43**	**9,502**	**-**	**153,707**
UQ Indústria Gráfica e de embalagens Ltda.	**19,251**	**-**	**-**	**-**	**19,251**
Laboratil Indústria Farmacêutica Ltda.	**(7,382)**	**11,876**	**12,513**	**-**	**17,007**
Songbook Holding	**424,325**	**-**	**-**	**(5,756)**	**418,569**
	726,524	**11,919**	**29,903**	**(10,219)**	**758,127**

(In thousands of reais, unless otherwise stated)

11. Investments (Continued)

11.3. Breakdown of investments (Continued)

	12/31/2020				
	Investment - Equity accounting	Goodwill	Surplus value/supply agreement	FX differences and unrealized income	Investment balance
Bionovis S.A.	33,936	-	-	-	33,936
Anovis Industrial Farmacêutica Ltda.	103,938	-	687	(4,386)	100,239
Union Quimica Farmacêutica Internacional S.A.	717	-	-	80	797
Inovat Indústria Farmacêutica Ltda.	143,637	43	16,190	-	159,870
UQ Indústria Gráfica e de embalagens Ltda.	14,756	-	-	-	14,756
	296,984	43	16,877	(4,306)	309,598

	12/31/2019				
	Investment - Equity accounting	Goodwill	Surplus value/supply agreement	FX differences and unrealized income	Investment balance
Bionovis S.A.	18,941	-	-	-	18,941
Anovis Industrial Farmacêutica Ltda.	97,092	-	(8,126)	(4,258)	84,708
Union Quimica Farmacêutica Internacional S.A.	707	-	-	(15)	692
Inovat Indústria Farmacêutica Ltda.	128,770	43	23,145	-	151,958
UQ Indústria Gráfica e de embalagens Ltda.	8,799	-	-	-	8,799
	254,309	43	15,019	(4,273)	265,098

11.4. Changes in the supply agreement

	2021	2020	2019
Opening balance	**54,504**	69,407	85,479
Amortization	**(13,208)**	(14,903)	(16,072)
Total	**41,296**	54,504	69,407
Current	**13,210**	13,210	12,352
Noncurrent assets	**28,086**	41,294	57,055

(In thousands of reais, unless otherwise stated)

12. Property, plant and equipment

As mentioned in Note 17, the Company has collateralized property, plant and equipment items for loans intended for working capital and financing of assets, such as machinery, equipment, vehicles and properties.

Separate										
	Land	**Buildings and improvements**	**Machinery, equipment and facilities**	**Furniture and fixtures**	**Vehicles and other**	**Right of use**	**Total in operation**	**Advances to suppliers**	**Construction in progress (i)**	**Total**
Cost										
Book balance at 12/31/2018	16,733	122,786	241,907	18,355	26,840	-	426,621	220	6,824	433,665
Additions	-	1,888	28,236	1,387	2,112	34,159	67,782	3,259	2,050	73,091
Write-offs	(1,397)	-	(546)	(46)	(14,164)	-	(16,153)	-	-	(16,153)
Transfers	-	1,554	6,503	49	-	-	8,106	(943)	(7,163)	-
Book balance at 12/31/2019	15,336	126,228	276,100	19,745	14,788	34,159	486,356	2,536	1,711	490,603
Additions	-	270	20,660	1,155	49,595	6,455	78,135	7,199	12,313	97,647
Write-offs	-	-	(1,832)	(517)	(2,480)	-	(4,829)	-	(8)	(4,837)
Transfers	-	-	5,256	-	-	-	5,256	(5,256)	-	-
Book balance at 12/31/2020	15,336	126,498	300,184	20,383	61,903	40,614	564,918	4,479	14,016	583,413
Additions	**-**	**4,951**	**28,412**	**1,903**	**1,483**	**19,751**	**56,500**	**37,002**	**37,379**	**130,881**
Write-offs	**-**	**-**	**(1,466)**	**(41)**	**(1,390)**	**-**	**(2,897)**	**-**	**-**	**(2,897)**
Transfers	**-**	**-**	**37,855**	**24**	**1,018**	**-**	**38,897**	**(32,483)**	**(6,414)**	**-**
Book balance at 12/31/2021	**15,336**	**131,449**	**364,985**	**22,269**	**63,014**	**60,365**	**657,418**	**8,998**	**44,981**	**711,397**

(In thousands of reais, unless otherwise stated)

12. Property, plant and equipment (Continued)

Separate	Land	Buildings and improvements	Machinery, equipment and facilities	Furniture and fixtures	Vehicles and other	Right of use	Total in operation	Advances to suppliers	Construction in progress (i)	Total
Depreciation										
Book balance at 12/31/2018	-	(25,997)	(79,668)	(6,647)	(18,201)	-	(130,513)	-	-	(130,513)
Additions	-	(1,981)	(12,440)	(1,099)	(2,196)	(11,595)	(29,311)	-	-	(29,311)
Write-offs	-	-	285	33	9,930	-	10,248	-	-	10,248
Book balance at 12/31/2019	-	(27,978)	(91,823)	(7,713)	(10,467)	(11,595)	(149,576)	-	-	(149,576)
Additions	-	(2,000)	(13,247)	(1,127)	(2,514)	(12,553)	(31,441)	-	-	(31,441)
Write-offs	-	-	551	356	1,743	-	2,650	-	-	2,650
Book balance at 12/31/2020	**-**	**(29,978)**	**(104,519)**	**(8,484)**	**(11,238)**	**(24,148)**	**(178,367)**	**-**	**-**	**(178,367)**
Additions	**-**	**(2,095)**	**(14,856)**	**(1,237)**	**(4,649)**	**(16,162)**	**(38,999)**	**-**	**-**	**(38,999)**
Write-offs	**-**	**-**	**1,084**	**30**	**935**	**-**	**2,049**	**-**	**-**	**2,049**
Book balance at 12/31/2021	**-**	**(32,073)**	**(118,291)**	**(9,691)**	**(14,952)**	**(40,310)**	**(215,317)**	**-**	**-**	**(215,317)**
Net balance at 12/31/2018	16,733	96,789	162,239	11,708	8,639	-	296,108	220	6,824	303,152
Net balance at 12/31/2019	15,336	98,250	184,277	12,032	4,321	22,564	336,780	2,536	1,711	341,027
Net balance at 12/31/2020	15,336	96,520	195,665	11,899	50,665	16,466	386,551	4,479	14,016	405,046
Net balance at 12/31/2021	**15,336**	**99,376**	**246,694**	**12,578**	**48,062**	**20,055**	**442,101**	**8,998**	**44,981**	**496,080**
Depreciation rate	-	1.67% to 8.11%	5% to 6.67%	10%	6.6% to 20%	8.11% to 8.52%	-	-	-	-

(In thousands of reais, unless otherwise stated)

12. Property, plant and equipment (Continued)

	Consolidated									
	Land	Buildings and improvements	Machinery, equipment and facilities	Furniture and fixtures	Vehicles and other	Right of use	Total in operation	Advances to suppliers	Construction in progress (i)	Total
Cost										
Book balance at 12/31/2018	62,451	249,239	416,228	22,184	27,541	-	777,643	2,176	32,010	811,829
Additions	-	2,054	30,237	2,101	2,118	42,643	79,153	5,589	20,107	104,849
Write-offs	(1,397)	-	(9)	(156)	(14,304)	-	(15,866)	-	(23)	(15,889)
Transfers	-	1,632	24,193	49	-	-	25,874	(1,854)	(24,020)	-
Book balance at 12/31/2019	61,054	252,925	470,649	24,178	15,355	42,643	866,804	5,911	28,074	900,789
Additions	-	(1,435)	49,425	1,717	49,595	6,965	106,267	9,700	24,488	140,455
Write-offs	-	-	(2,321)	(637)	(2,563)	-	(5,521)	-	(8)	(5,529)
Transfers	-	19,889	12,789	9	-	-	32,687	(8,293)	(24,393)	1
Book balance at 12/31/2020	61,054	271,379	530,542	25,267	62,387	49,608	1,000,237	7,318	28,161	1,035,716
Acquisition of subsidiaries	**-**	**11,665**	**3,758**	**31**	**-**	**-**	**15,454**	**-**	**-**	**15,454**
Additions	**-**	**5,536**	**44,086**	**2,781**	**1,483**	**22,958**	**76,844**	**43,122**	**60,984**	**180,950**
Write-offs	**-**	**-**	**(2,278)**	**(58)**	**(1,401)**	**-**	**(3,737)**	**-**	**(5,352)**	**(9,089)**
Transfers	**-**	**1,202**	**48,306**	**71**	**1,018**	**-**	**50,597**	**(38,459)**	**(12,138)**	**-**
Book balance at 12/31/2021	**61,054**	**289,782**	**624,414**	**28,092**	**63,487**	**72,566**	**1,139,395**	**11,981**	**71,655**	**1,223,031**

(In thousands of reais, unless otherwise stated)

12. Property, plant and equipment (Continued)

	Consolidated									
	Land	**Buildings and improvements**	**Machinery, equipment and facilities**	**Furniture and fixtures**	**Vehicles and other**	**Right of use**	**Total in operation**	**Advances to suppliers**	**Constructio n in progress (i)**	**Total**
Depreciation										
Book balance at 12/31/2018	-	(49,379)	(121,233)	(9,743)	(18,793)	-	(199,148)	-	-	(199,148)
Additions	-	(10,590)	(36,070)	(2,107)	(2,247)	(13,794)	(64,808)	-	-	(64,808)
Write-offs	-	-	1,459	95	10,070	-	11,624	-	-	11,624
Book balance at 12/31/2019	-	(59,969)	(155,844)	(11,755)	(10,970)	(13,794)	(252,332)	-	-	(252,332)
Additions	-	(9,515)	(35,371)	(1,847)	(2,542)	(15,127)	(64,402)	-	-	(64,402)
Write-offs	-	-	904	487	1,826	-	3,217	-	-	3,217
Book balance at 12/31/2020	**-**	**(69,484)**	**(190,311)**	**(13,115)**	**(11,686)**	**(28,921)**	**(313,517)**	**-**	**-**	**(313,517)**
Additions	**-**	**(9,158)**	**(37,430)**	**(2,046)**	**(4,663)**	**(18,527)**	**(71,824)**	**-**	**-**	**(71,824)**
Write-offs	**-**	**-**	**1,876**	**45**	**946**	**-**	**2,867**	**-**	**-**	**2,867**
Book balance at 12/31/2021	**-**	**(78,642)**	**(225,865)**	**(15,116)**	**(15,403)**	**(47,448)**	**(382,474)**	**-**	**-**	**(382,474)**
Net balance at 12/31/2018	62,451	199,860	294,995	12,441	8,748	-	578,495	2,176	32,010	612,681
Net balance at 12/31/2019	61,054	192,956	314,805	12,423	4,385	28,849	614,472	5,911	28,074	648,457
Net balance at 12/31/2020	61,054	201,895	340,231	12,152	50,701	20,687	686,720	7,318	28,161	722,199
Net balance at 12/31/2021	**61,054**	**211,140**	**398,549**	**12,976**	**48,084**	**25,118**	**756,921**	**11,981**	**71,655**	**840,557**
Depreciation rate	-	1.67% to 8.11%	5% to 6.67%	10%	6.6% to 20%	8.11% to 8.52%	-	-	-	-

(i) Construction in progress

At December 31, 2021, in addition to the new facilities for the manufacturing of vaccine amounting to R$38,516, property, plant and equipment included the amount of R$17,003 in expenses related to the expansion of the plant and of the distribution center in the amount of R$6,379, expected to be completed within 12 months. Construction in progress will be recorded as “Facilities and buildings” after completion of construction.

(In thousands of reais, unless otherwise stated)

13. Intangible assets

	Separate			
	Trademarks and patents (i)	**Goodwill (ii)**	**Software (iii)**	**Total**
Cost				
Book balance at 12/31/2018	39,186	13,501	14,812	67,499
Additions	-	-	3,422	3,422
Acquisition of subsidiary	3,544	-	-	3,544
Book balance at 12/31/2019	42,730	13,501	18,234	74,465
Additions	22,500	-	1,593	24,093
Book balance at 12/31/2020	65,230	13,501	19,827	98,558
Additions	**106,381**	**-**	**4,447**	**110,828**
Provision for impairment	**(4,487)**	**-**	-	**(4,487)**
Book balance at 12/31/2021	**167,124**	**13,501**	**24,274**	**204,899**
Amortization				
Book balance at 12/31/2018	**-**	**-**	(9,507)	(9,507)
Additions	(407)	-	(1,100)	(1,507)
Book balance at 12/31/2019	(407)	**-**	(10,607)	(11,014)
Additions	-	-	(1,755)	(1,755)
Book balance at 12/31/2020	(407)	-	(12,362)	(12,769)
Additions	**(3,137)**	**-**	**(2,199)**	**(5,336)**
Book balance at 12/31/2021	**(3,544)**	**-**	**(14,561)**	**(18,105)**
Net balance at 12/31/2018	39,186	13,501	5,305	57,992
Net balance at 12/31/2019	42,323	13,501	7,627	63,451
Net balance at 12/31/2020	64,823	13,501	7,465	85,789
Net balance at 12/31/2021	**163,580**	**13,501**	**9,713**	**186,794**

(In thousands of reais, unless otherwise stated)

13. Intangible assets (Continued)

	Consolidated			
	Trademarks and patents (i)	Goodwill (ii)	Software (iii)	Total
Cost				
Book balance at 12/31/2018	44,765	13,501	20,377	78,643
Additions	1	-	4,209	4,210
Write-offs	-	-	(818)	(818)
Book balance at 12/31/2019	44,766	13,501	23,768	82,035
Additions	22,500	-	1,643	24,143
Book balance at 12/31/2020	67,266	13,501	25,411	106,178
Additions	**106,382**	**-**	**4,997**	**111,379**
Acquisition of subsidiary	**-**	**11,876**	-	**11,876**
Provision for impairment	**(4,487)**	**-**	**-**	**(4,487)**
Book balance at 12/31/2021	**169,161**	**25,377**	**30,408**	**224,946**
Amortization				
Book balance at 12/31/2018	-	-	(11,818)	(11,818)
Additions	(2,443)	-	(3,019)	(5,462)
Write-offs	-	-	121	121
Book balance at 12/31/2019	(2,443)	-	(14,716)	(17,159)
Additions	-	-	(3,119)	(3,119)
Book balance at 12/31/2020	(2,443)	-	(17,835)	(20,278)
Additions	**(3,137)**	**-**	**(2,293)**	**(5,430)**
Book balance at 12/31/2021	**(5,580)**	**-**	**(20,128)**	**(25,708)**
Net balance at 12/31/2018	44,765	13,501	8,559	66,825
Net balance at 12/31/2019	42,323	13,501	9,052	64,876
Net balance at 12/31/2020	64,823	13,501	7,576	85,900
Net balance at 12/31/2021	**163,581**	**25,377**	**10,280**	**199,238**

(i) This refers to the acquisition cost of trademarks and patents of certain products manufactured and sold by the Company, which are mostly not amortized. In the year ended December 31, 2021, trademarks and patents were tested for impairment, which indicated the need for recognition of impairment amounting to R$4,487 of brand Mucofan trademark. In July 2020, the Company acquired brand Neocopan from Hypera S.A. in the amount of R$22,500. The additions made in the year ended December 31, 2021 refer to the purchases of brands Xantinon and Slow K, in the amounts of R$95,000 and R$11,380 respectively.

(ii) This substantially refers to goodwill of R$2,466 paid for the acquisition of trademarks and patents of Bio Macro Laboratório Farmacêutico Ltda. merged in 2008, and R$10,992 referring to goodwill paid on investee Tecnopec Consultoria Comércio e Representações Ltda. in 2010, which was merged into the Company in 2011, and goodwill of R$11,876 paid in the acquisition of Laboratil Farmacêutica Ltda.

(iii) This refers to acquired software licenses amortized over a five-year period.

14. Impairment test of goodwill paid based on expected future profitability

At December 31, 2021, the Company and its subsidiaries tested goodwill and brands for impairment, based on their value in use, using the discounted cash flow model for the Cash-Generating Units (CGUs). The value-in-use estimate process involves the use of assumptions, judgment and estimates on future cash flows, and represents the Company's best estimate approved by management. The result of the impairment test performed by the Company indicated the need to recognize additional impairment losses.

<u>Significant assumptions used in calculating the value in use</u>

The calculation of value in use for all cash-generating units presented sensibility in relation to the following assumptions:

(i) Gross margins
(ii) Discount rates
(iii) CAPM calculation model
(iv) WACC rate for discounted cash flow
(v) Market share during the projection period
(vi) Investment in working capital – accounts receivable-inventories/accounts payable

Projections were made based on past performance and expected market development. The weighted average growth rates used are consistent with forecasts included in the reports of the industries in which the Company operates. The pre-tax discount rates were reassessed through interactive calculation based on the calculation of the after-tax discount rate. Accordingly, the discount rate of 12.98% (6.51% in 2020 and 10.2% in 2019) was calculated using the weighted average cost of capital (WACC) methodology, which corresponds to a pre-tax rate of 19.67% (9.86% in 2020 and 11.7% in 2019).

(In thousands of reais, unless otherwise stated)

15. Suppliers

The transactions between the Company and its subsidiaries with domestic and foreign suppliers are substantially represented by purchase of industrial equipment and specific inputs.

	Separate			Consolidated		
	12/31/2021	12/31/2020 restated	12/31/2019 restated	12/31/2021	12/31/2020 restated	12/31/2019 restated
Domestic suppliers	**168,890**	118,909	116,554	**237,993**	185,592	145,591
Foreign suppliers	**67,819**	64,408	53,385	**78,443**	73,273	56,238
Transactions with related parties (Note 10)	**60,162**	73,424	4,031	**47,184**	63,063	29
	296,871	256,741	173,970	**363,620**	321,928	201,858

The aging list of obligations with domestic and foreign suppliers is as follows:

	Separate			Consolidated		
	12/31/2021	12/31/2020 restated	12/31/2019 restated	12/31/2021	12/31/2020 restated	12/31/2019 restated
Overdue within 15 days (i)	**46,366**	64,448	1,312	**47,222**	65,760	2,669
Falling due within 30 days	**129,709**	69,287	68,401	**163,222**	102,158	77,185
Falling due from 31 to 60 days	**61,068**	50,418	39,975	**83,180**	67,832	46,678
Falling due from 61 to 120 days	**59,728**	72,588	64,282	**69,996**	86,178	75,326
	296,871	256,741	173,970	**363,620**	321,928	201,858

(i) Amounts overdue within 15 days are substantially represented by notes with Union Agener Inc., a company under common control and whose amounts are being negotiated for payment in 2022.

16. Assignment of credits by suppliers

	Separate			Consolidated		
	12/31/2021	12/31/2020 restated	12/31/2019 restated	12/31/2021	12/31/2020 restated	12/31/2019 restated
Domestic market (drawee risk)	**19,416**	17,371	9,652	**32,391**	33,018	17,943
	19,416	17,371	9,652	**32,391**	33,018	17,943

At December 31, 2021, the discount rates on assignment transactions conducted by suppliers with financial institutions in the domestic market were between 1.17% p.m. and 1.78% p.m. (0.75% p.m. and 1.39% p.m. in 2020, and 0.67% p.m. and 1.12% p.m. in 2019), with a weighted average of 1.39% p.m. (0.97% p.m. in 2020 and 0.93% p.m. in 2019). There were no assignment transactions conducted by suppliers with financial institutions in the foreign market.

(In thousands of reais, unless otherwise stated)

17. Loans and financing

Type			Separate			Consolidated		
Foreign currency:	**Average rate of charges %**	**Maturity**	**12/31/2021**	**12/31/2020**	**12/31/2019**	**12/31/2021**	**12/31/2020**	**12/31/2019**
FINIMP	Euro exchange differences plus 2.21% to 3.25% p.a.	2023-2024	**14,984**	8,648	7,587	**22,528**	16,334	7,587
FINIMP	US dollar exchange differences plus 3.17% to 3.25% p.a.	2023-2024	**114,114**	70,492	125,898	**114,114**	70,492	125,898
Loan – Resolution No. 4131 (i)	CDI + 1.84% p.a.	2024-2025	**147,706**	176,855	137,167	**147,706**	176,855	137,167
			276,804	255,995	270,652	**284,348**	263,681	270,652
Domestic currency:								
BNDES - FINAME	2.5% p.a. to 10.2% p.a. plus TLP/SELIC	2022-2026	**9,541**	9,123	2,179	**11,547**	11,060	4,402
Loan - Resolution No. 4131	CDI + 2.75% p.a.	2024-2025	**121,190**	30,252	30,463	**121,190**	30,252	30,463
Working capital	CDI + 1.62% to 9.48% p.a.	2023-2027	**378,828**	381,413	70,302	**378,828**	381,413	70,302
Finep	3.50% p.a. (fixed rate) and 6.845% p.a.	2023-2031	**51,706**	18,974	27,731	**51,706**	18,974	27,731
Debentures (a)	CDI + 1.63% to 1.90% p.a.	2023-2026	**727,802**	173,095	205,079	**727,802**	173,095	205,079
Leases	CDI + 2.08% p.a. to 11.19% p.a.	2022-2026	**63,772**	53,180	5,160	**66,269**	57,200	8,325
			1,352,839	666,037	340,914	**1,357,342**	671,994	346,302
			1,629,643	922,032	611,566	**1,641,690**	935,675	616,954
Current			**205,851**	297,188	214,046	**208,511**	307,698	215,802
Noncurrent			**1,423,792**	624,844	397,520	**1,433,179**	627,977	401,152

(i) Transaction entered into by the Company in accordance with Resolution No. 4131, including a swap contract that results in a final debt cost of CDI + 1.84% p.a.

Changes in loans:

	Separate			Consolidated		
	12/31/2021	**12/31/2020**	**12/31/2019**	**12/31/2021**	**12/31/2020**	**12/31/2019**
Prior balance	**922,032**	611,566	599,119	**935,675**	616,954	605,084
Funding	**960,271**	588,038	261,126	**961,623**	597,748	267,038
Interest incurred	**66,889**	31,161	36,779	**67,428**	31,698	37,202
Payment of principal	**(295,374)**	(352,483)	(259,874)	**(298,383)**	(354,471)	(266,569)
Payment of interest	**(43,420)**	(31,649)	(32,540)	**(43,931)**	(32,016)	(32,751)
Commission of debentures	**614**	498	1,135	**614**	498	1,135
Foreign exchange differences	**18,631**	74,901	5,821	**18,664**	75,264	5,815
Balance	**1,629,643**	922,032	611,566	**1,641,690**	935,675	616,954

(In thousands of reais, unless otherwise stated)

17. Loans and financing (Continued)

Aging list of debts:

	Separate			Consolidated		
	12/31/2021	**12/31/2020**	**12/31/2019**	**12/31/2021**	**12/31/2020**	**12/31/2019**
2020	**-**	-	214,046	**-**	-	215,802
2021	**-**	297,188	129,480	**-**	307,698	131,180
2022	**205,851**	271,962	128,617	**208,511**	274,202	129,643
2023	**483,270**	245,800	118,352	**492,046**	246,461	119,258
Above 2024	**940,522**	107,082	21,071	**941,133**	107,314	21,071
	1,629,643	922,032	611,566	**1,641,690**	935,675	616,954

FINAME and lease agreements are backed by machinery and equipment and financed vehicles, respectively. Other financing is guaranteed by letter of guarantee, statutory lien and/or chattel mortgage. The letter of guarantee with book value of R$17,695 was given as guarantee for the loan with FINEP.

Land and buildings of Inovat Indústria Farmacêutica Ltda. with a book value (cost) of R$50,396 are subject to mortgage as a guarantee of debentures issued.

The plant of União Química Farmacêutica Nacional S.A. in Brasília with a book value (cost) of R$96,609 is subject to mortgage as a guarantee of the loan (Resolution No. 4131).

a) Debentures

In July 2018, the Company carried out the 3rd public issue of unsecured debentures structured with the consortium formed by Santander and Bradesco banks. The total amount of the issue was R$200,000 (two hundred million reais) in a single series, with a total term of 60 months, with a 6-month grace period for payment of semiannual interest and 24-month grace period for amortization of semiannual principal installments. The debentures are not convertible into shares and are secured by real estate mortgage. The Company may redeem total outstanding debentures early, at its discretion and at any time. Due to the 3rd public issue of debentures, the Company settled the 2nd public issue of debentures in advance totaling R$141,322.

On October 13, 2021, the Company entered into the fourth issue of debentures with Bradesco and Santander, amounting to R$600,000 (with a total term of 60 months, and a 6-month grace period for amortization of semiannual interest and 24-month grace period for payment of semiannual principal installments). The debentures are not convertible into shares, have personal guarantees from guarantors Mr. Fernando de Castro Marques and Robferma Administração e Participações Ltda., and remuneration is based on 100% of the accumulated variation of the average daily CDI rates plus 1.90% p.a.

17. Loans and financing (Continued)

b) Covenants

The Company has loans and financing agreements subject to covenants usually applicable to this type of transactions, such as compliance with economic and financial indexes, cash generation and others.
The contractual provisions establish that for the year ended December 31, 2021, the Company's net debt (defined in contract as the total cash and cash equivalents less the total tax installment and total loans and financing) divided by the EBITDA (earnings before interest, taxes, depreciation and amortization, and equity pickup) for the last twelve months, cannot exceed the rate of 2.20. In addition, the agreement provides that the current liquidity rate (defined by current assets divided by current liabilities) must always remain above 1.20.

At December 31, 2021, 2020 and 2019, the Company is in compliance with all covenants.

(In thousands of reais, unless otherwise stated)

17. Loans and financing (Continued)

a) Book values and estimated contractual flows

The book values and estimated contractual flows of loans and financing are as follows:

Type		Separate			Contractual flow		
Foreign currency:	**(%) Average rate of charges**	**12/31/2021**	**12/31/2020**	**12/31/2019**	**12/31/2021**	**12/31/2020**	**12/31/2019**
FINIMP	Euro exchange differences plus 2.21% to 3.25% p.a.	**14,984**	8,648	7,587	**15,350**	8,837	7,593
FINIMP	US dollar exchange differences plus 3.17% to 3.25% p.a.	**114,114**	70,492	125,898	**120,464**	71,124	126,758
Loan - Resolution No. 4131 (i)	CDI + 1.84% p.a.	**147,706**	176,855	137,167	**200,813**	205,704	171,953
		276,804	255,995	270,652	**336,627**	285,665	306,304
Domestic currency:							
BNDES - FINAME	2.5% to 10.2% p.a. plus TLP/SELIC	**9,541**	9,123	2,179	**10,983**	10,685	2,630
Loan - Resolution No. 4131	CDI + 2.75% p.a.	**121,190**	30,252	30,463	**148,008**	32,864	36,784
Working capital	CDI + 1.62% to 9.48% p.a.	**378,828**	381,413	70,302	**472,182**	425,643	86,094
Finep	3.50% p.a. (fixed rate) and 6.845% p.a.	**51,706**	18,974	27,731	**64,541**	20,383	30,762
Debentures (a)	CDI + 1.63% to 1.90% p.a.	**727,802**	173,095	205,079	**960,314**	190,087	251,413
Leases	CDI + 2.08% p.a. to 11.19% p.a.	**63,772**	53,180	5,160	**79,004**	59,595	5,730
		1,352,839	666,037	340,914	**1,735,032**	739,257	413,413
		1,629,643	922,032	611,566	**2,071,659**	1,024,922	719,717

Type		Separate			Contractual flow		
Foreign currency:	**(%) Average rate of charges**	**12/31/2021**	**12/31/2020**	**12/31/2019**	**12/31/2021**	**12/31/2020**	**12/31/2019**
FINIMP	Euro exchange differences plus 2.21% to 3.25% p.a.	**22,528**	16,334	7,587	**23,270**	16,532	7,593
FINIMP	US dollar exchange differences plus 3.17% to 3.25% p.a.	**114,114**	70,492	125,898	**120,464**	71,124	126,758
Loan - Resolution No. 4131 (i)	CDI + 1.84% p.a.	**147,706**	176,855	137,167	**200,813**	205,704	171,953
		284,348	263,681	270,652	**344,547**	293,360	306,304
Domestic currency:							
BNDES - FINAME	2.5% p.a. to 10.2% p.a. plus TLP/SELIC	**11,547**	11,060	4,402	**13,086**	12,825	5,155
Loan - Resolution No. 4131	CDI + 2.75% p.a.	**121,190**	30,252	30,463	**148,008**	32,864	36,784
Working capital	CDI + 1.62% to 9.48% p.a.	**378,828**	381,413	70,302	**472,182**	425,643	86,094
Finep	3.50% p.a. (fixed rate) and 6.845% p.a.	**51,706**	18,974	27,731	**64,541**	20,383	30,762
Debentures (a)	CDI + 1.63% to 1.90% p.a.	**727,802**	173,095	205,079	**960,314**	190,087	251,413
Leases	CDI + 2.08% to 11.19% p.a.	**66,269**	57,200	8,325	**81,848**	64,007	9,464
		1,357,342	671,994	346,302	**1,739,979**	745,809	419,672
		1,641,690	935,675	616,954	**2,084,526**	1,039,169	725,976

(In thousands of reais, unless otherwise stated)

17. Loans and financing (Continued)

b) Reconciliation of changes in equity with cash flows from financing activities

	Separate							
	Liabilities				Derivatives (assets/liabilities) held for hedging of noncurrent loans			
	Loans and financing	Proposed dividends	Interest on equity (IOE)	Leases	Derivative financial instruments - assets	Derivative financial instruments - liabilities	Capital	Total
December 31, 2020	922,032	9,933	-	16,899	(15,947)	2,542	440,077	1,375,536
Changes in cash flows from financing activities								
Loans and financing taken out	**960,271**	**-**	**-**	**-**	**-**	**-**	**-**	**960,271**
Payment of loans - principal	**(295,374)**	**-**	**-**	**-**	**47,387**	**-**	**-**	**(247,987)**
Payment of loans - interest	**(43,420)**	**-**	**-**	**-**	**-**	**-**	**-**	**(43,420)**
Payment of leases	**-**	**-**	**-**	**(17,505)**	**-**	**-**	**-**	**(17,505)**
Payment of interest on equity	**-**	**-**	**(37,182)**	**-**	**-**	**-**	**-**	**(37,182)**
Dividends paid out	**-**	**(9,933)**	**-**	**-**	**-**	**-**	**-**	**(9,933)**
Total changes in cash flows from financing activities	**621,477**	**(9,933)**	**(37,182)**	**(17,505)**	**47,387**	**-**	**-**	**604,244**
Other changes								
Lease agreements	**-**	**-**	**-**	**19,751**	**-**	**-**	**-**	**19,751**
Recognized interest	**66,889**	**-**	**-**	**1,586**	**-**	**-**	**-**	**68,475**
Interest on equity	**-**	**-**	**37,182**	**-**	**-**	**-**	**-**	**37,182**
Mandatory minimum dividends	**-**	**19,682**	**-**	**-**	**-**	**-**	**-**	**19,682**
Fair value measurement	**-**	**-**	**-**	**-**	**(57,787)**	**(2,542)**	**-**	**(60,329)**
Foreign exchange differences	**18,631**	**-**	**-**	**-**	**-**	**-**	**-**	**18,631**
Capital increase - payment of reserves	**-**	**-**	**-**	**-**	**-**	**-**	**298,422**	**298,422**
Other changes	**614**	**-**	**-**	**-**	**-**	**-**	**-**	**614**
Total other changes related to liabilities	**86,134**	**19,682**	**37,182**	**21,337**	**(57,787)**	**(2,542)**	**298,422**	**402,428**
At December 31, 2021	**1,629,643**	**19,682**	**-**	**20,731**	**(26,347)**	**-**	**738,499**	**2,382,208**

(In thousands of reais, unless otherwise stated)

17. Loans and financing (Continued)

b) Reconciliation of changes in equity with cash flows from financing activities (Continued)

	Consolidated								
					Liabilities	Derivatives (assets/liabilities) held for hedging of noncurrent loans			
	Loans and financing	Proposed dividends	Interest on equity (IOE)	Transactions with related parties	Leases	Derivative financial instruments - assets	Derivative financial instruments - liabilities	Capital	Total
December 31, 2020	935,675	9,933	-	73	21,334	(15,947)	2,542	440,077	1,393,687
Changes in cash flows from financing activities									
Loans and financing taken out	**961,623**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**961,623**
Payment of loans - principal	**(298,383)**	**-**	**-**	**-**	**-**	**47,387**	**-**	**-**	**(250,996)**
Payment of loans - interest	**(43,931)**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**(43,931)**
Payment of leases	**-**	**-**	**-**	**-**	**(20,190)**	**-**	**-**	**-**	**(20,190)**
Payment of interest on equity	**-**	**-**	**(37,182)**	**-**	**-**	**-**	**-**	**-**	**(37,182)**
Intercompany loans - liabilities	**-**	**-**	**-**	**(3,927)**	**-**	**-**	**-**	**-**	**(3,927)**
Dividends paid out	**-**	**(9,933)**	**-**	**-**	**-**	**-**	**-**	**-**	**(9,933)**
Total changes in cash flows from financing activities	**619,309**	**(9,933)**	**(37,182)**	**(3,927)**	**(20,190)**	**47,387**	**-**	**-**	**595,464**
Other changes									
Lease agreements	**-**	**-**	**-**	**-**	**22,958**	**-**	**-**	**-**	**22,958**
Recognized interest	**67,428**	**-**	**-**	**-**	**1,952**	**-**	**-**	**-**	**69,380**
Interest on equity	**-**	**-**	**37,182**	**-**	**-**	**-**	**-**	**-**	**37,182**
Acquisition of subsidiary	**-**	**-**	**-**	**12,060**	**-**	**-**	**-**	**-**	**12,060**
Mandatory minimum dividends	**-**	**19,682**	**-**	**-**	**-**	**-**	**-**	**-**	**19,682**
Fair value measurement	**-**	**-**	**-**	**-**	**-**	**(57,787)**	**(2,542)**	**-**	**(60,329)**
Foreign exchange differences	**18,664**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**18,664**
Capital increase - payment of reserves	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**298,422**	**298,422**
Other changes	**614**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**614**
Total other changes related to liabilities	**86,706**	**19,682**	**37,182**	**12,060**	**24,910**	**(57,787)**	**(2,542)**	**298,422**	**418,633**
At December 31, 2021	**1,641,690**	**19,682**	**-**	**8,206**	**26,054**	**(26,347)**	**-**	**738,499**	**2,407,784**

(In thousands of reais, unless otherwise stated)

17. Loans and financing (Continued)

b) Reconciliation of changes in equity with cash flows from financing activities (Continued)

	Separate							
				Liabilities	Derivatives (assets/liabilities) held for hedging of noncurrent loans			
	Loans and financing	Proposed dividends	Interest on equity (IOE)	Leases	Derivative financial instruments - assets	Derivative financial instruments - liabilities	Capital	Total
December 31, 2019	611,566	5,546	-	23,045	(6,094)	-	440,077	1,074,140
Changes in cash flows from financing activities								
Loans and financing taken out	588,038	-	-	-	-	-	-	588,038
Payment of loans - principal	(352,483)	-	-	-	23,961	-	-	(328,522)
Payment of loans - interest	(31,649)	-	-	-	-	-	-	(31,649)
Payment of leases	-	-	-	(13,803)	-	-	-	(13,803)
Payment of interest on equity	-	-	(31,256)	-	-	-	-	(31,256)
Dividends paid out	-	(5,823)	-	-	-	-	-	(5,823)
Total changes in cash flows from financing activities	203,906	(5,823)	(31,256)	(13,803)	23,961	-	-	176,985
Other changes								
Lease agreements	-	-	-	6,455	-	-	-	6,455
Recognized interest	31,161	-	-	1,202	-	-	-	32,363
Interest on equity	-	-	31,256	-	-	-	-	31,256
Mandatory minimum dividends	-	10,209	-	-	-	-	-	10,209
Fair value measurement	-	-	-	-	(33,814)	2,542	-	(31,272)
Foreign exchange differences	74,901	-	-	-	-	-	-	74,901
Other changes	498	1	-	-	-	-	-	499
Total other changes related to liabilities	106,560	10,210	31,256	7,657	(33,814)	2,542	-	124,411
At December 31, 2020	922,032	9,933	-	16,899	(15,947)	2,542	440,077	1,375,536

(In thousands of reais, unless otherwise stated)

17. Loans and financing (Continued)

b) Reconciliation of changes in equity with cash flows from financing activities (Continued)

	Consolidated								
					Liabilities	Derivatives (assets/liabilities) held for hedging of noncurrent loans			
	Loans and financing	Proposed dividends	Interest on equity (IOE)	Transactions with related parties	Leases	Derivative financial instruments - assets	Derivative financial instruments - liabilities	Capital	Total
At December 31, 2019	616,954	5,546	-	522	29,475	(6,094)	-	440,077	1,086,480
Changes in cash flows from financing activities									
Loans and financing taken out	597,748	-	-	-	-	-	-	-	597,748
Payment of loans - principal	(354,471)	-	-	-	-	23,961	-	-	(330,510)
Payment of loans - interest	(32,016)	-	-	-	-	-	-	-	(32,016)
Payment of leases	-	-	-	-	(16,722)	-	-	-	(16,722)
Payment of interest on equity	-	-	(31,256)	-	-	-	-	-	(31,256)
Intercompany loans - liabilities	-	-	-	(449)	-	-	-	-	(449)
Dividends paid out	-	(5,823)	-	-	-	-	-	-	(5,823)
Total changes in cash flows from financing activities	211,261	(5,823)	(31,256)	(449)	(16,722)	23,961	-	-	180,972
Other changes									
Lease agreements	-	-	-	-	6,965	-	-	-	6,965
Recognized interest	31,698	-	-	-	1,616	-	-	-	33,314
Interest on equity	-	-	31,256	-	-	-	-	-	31,256
Mandatory minimum dividends	-	10,209	-	-	-	-	-	-	10,209
Fair value measurement	-	-	-	-	-	(33,814)	2,542	-	(31,272)
Foreign exchange differences	75,264	-	-	-	-	-	-	-	75,264
Other changes	498	1	-	-	-	-	-	-	499
Total other changes related to liabilities	107,460	10,210	31,256	-	8,581	(33,814)	2,542	-	126,235
At December 31, 2020	935,675	9,933	-	73	21,334	(15,947)	2,542	440,077	1,393,687

(In thousands of reais, unless otherwise stated)

17. Loans and financing (Continued)

b) Reconciliation of changes in equity with cash flows from financing activities (Continued)

	Separate						
			Liabilities	Derivatives (assets/liabilities) held for hedging of noncurrent loans			
	Loans and financing	Proposed dividends	Leases	Derivative financial instruments - assets	Derivative financial instruments - liabilities	Capital	Total
December 31, 2018	599,119	3,639	-	(15,721)	2,535	440,077	1,029,649
Changes in cash flows from financing activities							-
Loans and financing taken out	261,126	-	-	-	-	-	261,126
Payment of loans - principal	(259,874)	-	-	10,432	-	-	(249,442)
Payment of loans - interest	(32,540)	-	-	-	-	-	(32,540)
Payment of leases	-	-	(12,498)	-	-	-	(12,498)
Dividends paid out	-	(10,001)	-	-	-	-	(10,001)
Total changes in cash flows from financing activities	(31,288)	(10,001)	(12,498)	10,432	-	-	(43,355)
Other changes							
Lease agreements	-	-	34,159	-	-	-	34,159
Recognized interest	36,779	-	1,384	-	-	-	38,163
Mandatory minimum dividends	-	12,184	-	-	-	-	12,184
Fair value measurement	-	-	-	(827)	(2,535)	-	(3,362)
Foreign exchange differences	5,821	-	-	-	-	-	5,821
Other changes	1,135	(276)	-	22	-	-	881
Total other changes related to liabilities	43,735	11,908	35,543	(805)	(2,535)	-	87,846
At December 31, 2019	611,566	5,546	23,045	(6,094)	-	440,077	1,074,140

(In thousands of reais, unless otherwise stated)

17. Loans and financing (Continued)

b) Reconciliation of changes in equity with cash flows from financing activities (Continued)

	Consolidated							
				Liabilities	Derivatives (assets/liabilities) held for hedging of noncurrent loans			
	Loans and financing	Proposed dividends	Transactions with related parties	Leases	Derivative financial instruments - assets	Derivative financial instruments - liabilities	Capital	Total
At December 31, 2018	605,084	3,639	668	-	15,721	2,535	440,077	1,067,724
Changes in cash flows from financing activities								-
Loans and financing taken out	267,038	-	-	-	-	-	-	267,038
Payment of loans - principal	(266,569)	-	-	-	10,432	-	-	(256,137)
Payment of loans - interest	(32,751)	-	-	-	-	-	-	(32,751)
Payment of leases	-	-	-	(14,938)	-	-	-	(14,938)
Intercompany loans - liabilities	-	-	(146)	-	-	-	-	(146)
Dividends paid out	-	(10,001)	-	-	-	-	-	(10,001)
Total changes in cash flows from financing activities	(32,282)	(10,001)	(146)	(14,938)	10,432	-	-	(46,935)
Other changes								
Lease agreements	-	-	-	42,643	-	-	-	42,643
Recognized interest	37,202	-	-	1,770	-	-	-	38,972
Mandatory minimum dividends	-	12,184	-	-	-	-	-	12,184
Fair value measurement	-	-	-	-	(20,059)	(2,535)	-	(22,594)
Foreign exchange differences	5,815	-	-	-	-	-	-	5,815
Other changes	1,135	(276)	-	-	-	-	-	859
Total other changes related to liabilities	44,152	11,908	-	44,413	(20,059)	(2,535)	-	77,879
At December 31, 2019	616,954	5,546	522	29,475	6,094	-	440,077	1,098,668

(In thousands of reais, unless otherwise stated)

18. Labor and tax obligations

The balance of labor and tax obligations is broken down as follows:

	Separate			Consolidated		
	12/31/2021	**12/31/2020 restated**	**12/31/2019 restated**	**12/31/2021**	**12/31/2020 restated**	**12/31/2019 restated**
Labor obligations						
Accrued vacation pay and social charges	**35,118**	34,755	30,728	**51,386**	48,127	42,865
Social Security Tax (INSS) payable	**11,172**	8,890	7,497	**14,772**	11,857	9,980
Unemployment Compensation Fund (FGTS) payable	**3,549**	2,679	2,418	**4,661**	3,527	3,177
Provision for commissions and rewards	**4,377**	4,353	2,355	**4,377**	4,353	2,355
Provision for profit sharing and bonus	**45,465**	25,263	12,099	**56,530**	31,535	18,279
Other labor obligations	**3,135**	232	158	**5,601**	259	260
	102,816	76,172	55,255	**137,327**	99,658	76,916
Tax obligations						
ICMS payable	**24,908**	31,085	27,404	**25,456**	32,977	29,853
PIS and COFINS	**12,503**	10,154	3,994	**12,814**	10,354	6,658
ICMS - Installment payment (b)	**7,208**	9,817	9,027	**7,208**	9,817	9,027
IPI - ISS	**388**	352	307	**436**	471	415
Withholding Income Tax (IRRF)	**7,863**	5,911	5,323	**9,468**	7,075	6,461
ICMS IDEAS and Emprega-DF (a)	**3,789**	5,793	271	**3,789**	5,793	271
Tax on Financial Transactions (IOF)	**-**	-	-	**225**	215	8
	56,659	63,112	46,326	**59,396**	66,702	52,693
	159,475	139,284	101,581	**196,723**	166,360	129,609
Current	**150,600**	127,492	93,620	**187,838**	154,568	121,648
Noncurrent	**8,875**	11,792	7,961	**8,885**	11,792	7,961

(a) In December 2020, the Company enrolled with *Emprega DF* program through a Special Tax Regime ("TARE"), based on District Decree No. 39803 of May 2019. The program provides for a presumed ICMS credit on goods-out operations of its own manufacturing. During the entire period in which the program is in effect, the Company is required to comply with certain conditions related to the creation of jobs, tax compliance and maintenance of updated registration data.

(b) Includes ICMS payment in installment as follows:

‘	**Remaining installments**	**Installment amount (In reais)**	**Debt balance**
Federal District (i)	37	73,773	**2,730**
Minas Gerais (ii)	77	58,774	**2,927**
Minas Gerais (iii)	35	44,308	**1,551**
			7,208

(i) Installment payment referring to ICMS Pro-DF not granted by the Federal District Finance Department in the period from July through November 2010, in the amount of R$4,243, with down payment of R$114 and the other 83 installments payable in 120 months until December 31, 2021.

(ii) Installment payment related to ICMS ST on internal transactions in the State of Minas Gerais, from 2014 to 2018, totaling R$7,053 in 120 months, with the first installment settled in June 2018. The debt balance at December 31, 2021, amounting to R$2,927, is deducted from the amount of R$1,599, related to present value adjustment, to cover the differences between the rates used by the Company and the Minas Gerais Department of Finance.

(iii) Installment payment related to the ICMS supplement on internal transactions in the state of Minas Gerais, totaling R$1,579 in 36 months, with the first installment settled in October 2021. The debt balance at December 31, 2021 amounts to R$1,551.

(In thousands of reais, unless otherwise stated)

18. Labor and tax liabilities (Continued)

(c) Installment by maturity:

	Separate and Consolidated
2022	**2,122**
2023	**2,122**
2024	**2,078**
Above 2025	**886**
	7,208

19. Income taxes

19.1. Reconciliation of income tax expenses

The reconciliation between the income tax expenses at the statutory and effective rate is shown below:

	Separate			Consolidated		
	12/31/2021	12/31/2020	12/31/2019	12/31/2021	12/31/2020	12/31/2019
Income before income taxes	**596,234**	283,471	164,617	**597,004**	278,906	168,685
Combined statutory rate of taxes - %	**34**	34	34	**34**	34	34
Income and social contribution taxes	**(202,720)**	(96,380)	(55,970)	**(202,981)**	(94,828)	(57,353)
Adjustments for calculation at the effective rate:						
Equity pickup	**4,297**	15,766	1,541	**3,964**	5,723	3,277
Technology innovation	**41,617**	19,249	18,440	**41,617**	19,249	18,440
Donations and gifts	**(3,472)**	(3,305)	(1,478)	**(3,472)**	(3,305)	(1,478)
Investment grants	**33,266**	17,435	14,162	**33,266**	17,435	14,162
Interest on equity	**12,642**	10,627	-	**12,642**	10,627	-
Exclusion of ICMS from the PIS/COFINS base	**-**	(15,278)	14,949	**-**	(15,278)	14,949
Deductions - Workers' Meal Program (PAT)	**3,881**	1,915	737	**3,904**	2,626	737
Offset of income and social contribution tax losses	**-**	-	-	**7,169**	13,451	-
Deferred income and social contribution tax assets not recognized for the year	**-**	-	**-**	**-**	-	(4,060)
Other permanent additions and exclusions	**(37,437)**	(3,111)	(18,052)	**(44,805)**	(4,217)	(18,413)
Income tax expense in statement of income	**(147,926)**	(53,082)	(25,671)	**(148,696)**	(48,517)	(29,739)
Current taxes	**(147,557)**	(75,996)	(21,545)	**(151,618)**	(82,656)	(24,469)
Deferred taxes	**(369)**	22,914	(4,126)	**2,922**	34,139	(5,270)
Statement of income - current/deferred taxes	**(147,926)**	(53,082)	(25,671)	**(148,696)**	(48,517)	(29,739)
Effective rate	**24.81%**	18.73%	15.59%	**24.91%**	17.40%	17.63%

(In thousands of reais, unless otherwise stated)

19. Income taxes - Continued

19.2. Income taxes payable

Changes in income taxes payable

	Separate			Consolidated		
	12/31/2021	**12/31/2020**	**12/31/2019**	**12/31/2021**	**12/31/2020**	**12/31/2019**
Opening balance	**20,818**	2,161	5,022	**23,155**	3,843	6,961
Provision (i)	**96,137**	57,861	24,781	**100,198**	64,521	27,705
Taxes paid	**(120,694)**	(11,755)	(27,642)	**(129,370)**	(18,274)	(29,431)
Tax overpaid	**3,739**	-	-	**6,903**	893	252
Offsetting	**-**	(27,449)	-	**(336)**	(27,828)	(1,644)
Total	**-**	20,818	2,161	**550**	23,155	3,843

The difference between the amount of provision and the income and social contribution tax expense for the year refers to the portion of the Tax Relief Law (*Lei do Bem*) benefit, which is recorded against operating income in 2021 and 2020. In 2019 the difference refers to the prior years' payment.

19.3. Deferred income taxes

Deferred tax assets and liabilities are broken down as follows:

	Separate			Consolidated		
	12/31/2021	**12/31/2020**	**12/31/2019**	**12/31/2021**	**12/31/2020**	**12/31/2019**
Provisions	**73,286**	57,641	37,934	**81,868**	63,426	41,915
Sales recorded and not delivered	**7,492**	3,692	6,938	**7,695**	3,692	6,938
Impairment of assets	**2,592**	1,067	1,067	**2,592**	1,067	1,067
Tax loss	**-**	-	-	**16,162**	13,451	-
Other	**(1,664)**	(1,341)	(2,058)	**(1,664)**	(1,341)	(62)
	81,706	61,059	43,881	**106,653**	80,295	49,858
Leases	**(15,041)**	(12,293)	(4,906)	**(13,268)**	(11,375)	(4,906)
Depreciation - R&D assets	**(19,110)**	(9,187)	(4,596)	**(19,110)**	(9,187)	(4,596)
Depreciation - effects of review of new useful life	**(32,901)**	(28,956)	(25,472)	**(45,797)**	(38,577)	(32,141)
Derivative financial instruments	**(8,958)**	(4,558)	(2,072)	**(8,958)**	(4,558)	(2,072)
Tax credits	**-**	-	(23,684)	**-**	-	(23,684)
Bargain purchase	**(899)**	(899)	(899)	**(899)**	(899)	(899)
	(76,909)	(55,893)	(61,629)	**(88,032)**	(64,596)	(68,298)
Deferred tax - Asset	**4,797**	5,166	-	**21,694**	15,699	1,004
Deferred tax - liabilities	**-**	-	(17,748)	**(3,073)**	-	(19,444)

(In thousands of reais, unless otherwise stated)

19. Income taxes (Continued)

19.3. Deferred income taxes (Continued)

Changes in deferred income and social contribution taxes are as follows:

	Separate	Consolidated
Balance of deferred tax liabilities at December 31, 2018	(13,622)	(13,622)
Changes for the year ended December 31, 2019, net	(4,126)	(5,270)
Balance of deferred tax assets at December 31, 2019	-	1,004
Balance of deferred tax liabilities at December 31, 2019	(17,748)	(19,444)
Changes for the year ended December 31, 2020, net	22,914	34,139
Balance of deferred tax assets at December 31, 2020	5,166	**15,699**
Changes for the year ended December 31, 2021, net	**(369)**	**2,922**
Balance of deferred tax assets at December 31, 2021	**4,797**	**21,694**
Balance of deferred tax liabilities at December 31, 2021	**-**	**(3,073)**

Accumulated tax losses may be carried indefinitely, however, offsetting is limited to 30% of taxable income generated in each tax year.

The Company expects that deferred tax assets calculated on income tax losses will be realized as follows:

2022	2023	2024	2025	2026	2027 - 2029	Total
2,681	3,177	3,812	4,858	470	1,164	**16,162**

20. Other liabilities

	Separate			Consolidated		
	12/31/2021	12/31/2020	12/31/2019	12/31/2021	12/31/2020	12/31/2019
Novartis Biociências S.A. (i)	**9,144**	17,293	27,211	**14,131**	18,115	30,428
Hypera S.A (ii)	**15,363**	23,553	-	**15,363**	23,553	-
Provision for freight	**9,554**	4,278	5,946	**10,744**	4,850	6,396
Leases (iii)	**20,731**	16,899	23,045	**26,054**	21,334	29,475
Other obligations	**10,161**	13,604	1,149	**12,020**	13,994	1,331
	64,953	75,627	57,351	**78,312**	81,846	67,630
Current	**41,771**	35,913	25,965	**46,470**	38,248	28,671
Noncurrent	**23,182**	39,714	31,386	**31,842**	43,598	38,959

(i) This balance refers to debt relating to acquisition of Anovis Industrial Farmacêutica Ltda. from Novartis Biociências S.A. There remains only one installment for settlement of the balance. This amount is restated by reference to the Extended Consumer Price Index ("IPCA"), and over the year ended December 31, 2021, the amount of R$1,013 (R$841 in 2020 and R$881 in 2019) referring to interest, and the amount of R$1,025 in 2020 (R$1,799 in December 2019) referring to present value adjustment were recognized in "Finance income (costs)". In 2021, no present value adjustment was recorded.

(ii) This refers to debt arising from acquisition of brand Neocopan from Hypera S.A., with three installments remaining for settlement. This amount is restated by reference to the IPCA, and over the year ended December 31, 2021, the amount of R$2,100 (R$765 in 2020) referring to interest incurred, and R$2,088 (R$287 in 2020) referring to present value adjustment were recognized in "Finance income (costs) .

(iii) The balances are represented by leases of properties, vehicles and equipment, and the Company uses discount rates between 8.11% p.a. and 8.52% p.a.

(In thousands of reais, unless otherwise stated)

20. Other liabilities (Continued)

The changes in lease liability balances are shown below:

	Separate			Consolidated		
Right of use (recorded in property, plant and equipment)	**12/31/2021**	12/31/2020	12/31/2019	**12/31/2021**	12/31/2020	12/31/2019
Balance at beginning of year	**16,466**	22,564	-	**20,687**	28,849	-
New contracts and remeasurement of existing contracts	**19,751**	6,455	34,159	**22,958**	6,965	42,643
Depreciation	**(16,162)**	(12,553)	(11,595)	**(18,527)**	(15,127)	(13,794)
Balance at end of year	**20,055**	16,466	22,564	**25,118**	20,687	28,849

Leases payable (recorded in noncurrent liabilities)	**12/31/2021**	12/31/2020	12/31/2019	**12/31/2021**	12/31/2020	12/31/2019
Balance at beginning of year	**16,899**	23,045	-	**21,334**	29,475	-
New contracts and remeasurement of existing contracts	**19,751**	6,455	34,159	**22,958**	6,965	42,643
Write-off due to payment of lease liabilities	**(17,505)**	(13,803)	(12,498)	**(20,190)**	(16,722)	(14,938)
Interest on lease liabilities	**1,586**	1,202	1,384	**1,952**	1,616	1,770
Balance at end of year	**20,731**	16,899	23,045	**26,054**	21,334	29,475
Current	**12,080**	10,981	10,584	**15,558**	12,675	12,806
Noncurrent	**8,651**	5,918	12,461	**10,496**	8,659	16,669
	20,731	16,899	23,045	**26,054**	21,334	29,475
Depreciation expenses on lease	**(16,162)**	(12,553)	(11,595)	**(18,527)**	(15,127)	(13,794)
Finance expense of interest on lease liabilities	**(1,586)**	(1,202)	(1,384)	**(1,952)**	(1,616)	(1,770)
Lease effect	**(17,748)**	(13,755)	(12,979)	**(20,479)**	(16,743)	(15,564)

I accordance with CPC 06 (R2)/ IFRS 16, in the measurement and remeasurement of its lease liabilities and right of use, the Company used the discounted cash flow technique without considering the projected future inflation in the flows to be discounted, according to the prohibition imposed by CPC 06 (R2) / IFRS 16. This prohibition may generate material misstatement to the information to be provided, given the current reality of long-term interest rates in the Brazilian economic environment. The Company evaluated these effects, concluding that they are immaterial for its separate and consolidated financial statements.

a) Maturity of installments

At December 31, 2021, the lease amounts are broken down as follows:

	Separate			Consolidated		
	12/31/2021	12/31/2020	12/31/2019	**12/31/2021**	12/31/2020	12/31/2019
2020	**-**	-	12,739	**-**	-	14,880
2021	**-**	12,435	9,493	**-**	14,559	11,635
2022	**14,509**	4,185	3,064	**17,676**	6,037	5,206
2023	**5,772**	1,541	1,355	**7,535**	2,467	2,344
Above 2024	**2,981**	-	-	**4,188**	-	-
	23,262	18,161	26,651	**29,399**	23,063	34,065
(-) Present value adjustment	**(2,531)**	(1,262)	(3,606)	**(3,345)**	(1,729)	(4,590)
	20,731	16,899	23,045	**26,054**	21,334	29,475

(In thousands of reais, unless otherwise stated)

20. Other liabilities (Continued)

b) Cash flows from lease agreements and potential right to PIS/COFINS

The cash flows from lease agreements are mostly restated by reference to the IPCA, on an annual basis:

Separate				
Future payment flow	**2022**	**2023**	**2024**	**2025**
Disbursement flow without PVA	14,509	5,772	1,577	1,404
Scenario with inflation	15,239	6,259	1,757	1,607
Consolidated				
Future payment flow	**2022**	**2023**	**2024**	**2025**
Disbursement flow without PVA	17,677	7,535	2,207	1,981
Scenario with inflation	18,566	8,171	2,459	2,267
Inflation average rate (*)	**5.03%**	**8.44%**	**11.44%**	**14.44**

(*) Rates obtained through projections disclosed by Focus report.

The potential right to PIS/COFINS recoverable embedded in the lease consideration is as follows:

Separate				
Future payment flow	**2022**	**2023**	**2024**	**2025**
Disbursement flow without PVA	14,509	5,772	1,577	1,404
Potential PIS/COFINS	(1,342)	(534)	(146)	(130)
	13,167	**5,238**	**1,431**	**1,274**
Consolidated				
Future payment flow	**2022**	**2023**	**2024**	**2025**
Disbursement flow without PVA	17,677	7,535	2,207	1,981
Potential PIS/COFINS	(1,424)	(591)	(203)	(182)
	16,253	**6,944**	**2,004**	**1,799**

21. Judicial deposits and provision for contingencies

The Company and its subsidiaries are parties to legal and administrative proceedings before courts and government agencies arising from the ordinary course of their business, involving tax, social security, labor and civil matters. The provisions for contingencies are determined based on the analysis of ongoing lawsuits, official notices and risk assessments in which the likelihood of loss is deemed probable by management and legal advisors.

(In thousands of reais, unless otherwise stated)

21. Judicial deposits and provision for legal proceedings (Continued)

Judicial deposits

	Separate			Consolidated		
	12/31/2021	**12/31/2020**	**12/31/2019**	**12/31/2021**	**12/31/2020**	**12/31/2019**
Tax	**7,113**	21,749	21,171	**7,113**	21,749	21,171
Labor and social security	**3,587**	3,982	4,635	**5,003**	5,004	5,736
Civil	**1,002**	944	725	**1,228**	1,171	930
	11,702	26,675	26,531	**13,344**	27,924	27,837
Current	**-**	**-**	**-**	**-**	-	-
Noncurrent	**11,702**	26,675	26,531	**13,344**	27,924	27,837

Provision for contingencies

	Separate			Consolidated		
	12/31/2021	**12/31/2020 restated**	**12/31/2019 restated**	**12/31/2021**	**12/31/2020 restated**	**12/31/2019 restated**
Tax	**50,571**	42,888	5,013	**50,571**	42,888	5,013
Labor and social security	**28,118**	26,928	23,011	**31,288**	29,709	24,096
Civil	**13,798**	11,275	8,643	**14,443**	11,275	8,643
	92,487	81,091	36,667	**96,302**	83,872	37,752
Current	**3,253**	-	-	**3,253**	-	-
Noncurrent	**89,234**	81,091	36,667	**93,049**	83,872	37,752

(In thousands of reais, unless otherwise stated)

21. Judicial deposits and provision for legal proceedings (Continued)

Changes in provisions:

	Separate	Consolidated
Balance at 12/31/2018	21,444	21,862
Additions	3,696	4,785
Write-off due to loss	(5,840)	(6,209)
Write-off due to reversal	(933)	(1,009)
Restatement of balance	8,695	8,695
Change in prognosis	9,605	9,628
Balances at 12/31/2019 - restated	36,667	37,752
Additions	287	287
Write-off due to loss	(6,577)	(6,740)
Write-off due to reversal	(453)	(840)
Restatement of balance	1,437	1,612
Change in prognosis	49,730	51,801
Balances at 12/31/2020 - restated	81,091	83,872
Additions	**2,014**	**3,072**
Write-off due to loss	**(2,525)**	**(3,396)**
Write-off due to reversal	**(417)**	**(466)**
Restatement of balance	**8,284**	**8,142**
Change in prognosis	**4,040**	**5,078**
Balance at 12/31/2021	**92,487**	**96,302**

(In thousands of reais, unless otherwise stated)

21. Judicial deposits and provision for legal proceedings (Continued)

The nature of legal proceedings and obligations is summarized below:

Tax proceedings - refer to legal proceedings in which the lawfulness or constitutionality of certain taxes, charges and contributions, as well as the different interpretations on the calculation or offsetting methods applied to certain taxes are challenged. Such issues include lawsuits involving ISS collection by the São Paulo City Administration, ICMS collection by the Finance Department of Goiás, Minas Gerais and São Paulo states, challenges involving tax assessment notices referring to collection of IPI, PIS and COFINS on lease for acquisition of assets.

Labor and social security proceedings - refer primarily to claims filed by employees in connection with compensations paid in case of employment termination and employment relationship.

Civil proceedings - the main lawsuits are related to the results obtained from the use of medicines manufactured by the Company.

Possible losses not covered by provisions in the financial statements

The Company and its subsidiaries are parties to tax, civil and labor lawsuits involving risks of loss classified by the Company's legal advisors as possible, for which no provision is recorded, broken down as follows:

	Separate			Consolidated		
Possible	**12/31/2021**	**12/31/2020**	**12/31/2019**	**12/31/2021**	**12/31/2020**	**12/31/2019**
Tax	**141,044**	98,117	66,389	**142,285**	98,127	66,589
Labor and social security	**22,851**	17,681	25,589	**25,929**	21,199	31,370
Civil	**69,811**	35,410	34,287	**70,316**	35,626	34,482
	233,706	151,208	126,265	**238,530**	154,952	132,441

The Company’s and its subsidiaries’ main cases with a possible risk of loss, as determined by the legal advisors, are listed below:

Tax
(i) Administrative challenge relating to the Tax Violation Notice and Imposition of Fines relating to the disallowance of expenses used and considered nondeductible for the purpose of determining the Corporate Income Tax (IRPJ) and Social Contribution Tax (CSLL) bases. The defense submitted awaits review and judgment. The files were sent to the Federal Revenue Judgment Office where they await judgment. The protest letter submitted also awaits review and judgment.

21. Judicial deposits and provision for legal proceedings (Continued)

Possible losses not covered by provisions in the financial statements (Continued)

Tax (Continued)

(ii) Tax Delinquency Notice served by the Brazilian Internal Revenue Service in 2004, challenging the proof of costs of the goods and services sold and their related deductibility for the purpose of determining Corporate Income Tax (IRPJ) and Social Contribution Tax (CSLL) bases.

(iii) The São Paulo State Finance Office challenged the use of ICMS credits with the bookkeeping of invoices for the transfer of goods received from a branch unit located in the Federal District.

(iv) Tax assessment notice served by the Minas Gerais State Finance Department claiming an alleged difference in ICMS computed and not paid.

(v) Tax deficiency notice served due to allegedly non-payment of IRPJ and CSLL, on account of the non-deductibility of expenses recorded by the Company.

(vi) State VAT (ICMS)

(vii) Annulment Action aimed at canceling the tax assessment notices, due to the correct tax classification indicated by the Plaintiff when importing the lactulose product.

Civil
(i) Collection proceeding referring to indemnity for pain and suffering resulting from contractual termination with a commercial representative, whereby the plaintiff alleges that the termination was without cause.

(ii) Suit filed for termination of the logistics services contract, whereby the plaintiff states that the termination was without cause before the minimum period of 5 years established in the contract, causing losses thereto.

(iii) Allegation of health problems caused by allegedly medical malpractice or defective medications prescribed by the hospital. Compensation sought for pain and suffering, and aesthetic and property damages for reimbursement of medical expenses with medications and income due to the decrease in work capacity.

(iv) Collection proceeding referring to contractual rental issues, whereby the plaintiff alleges payment rights provided for in the contract.

(In thousands of reais, unless otherwise stated)

21. Judicial deposits and provision for legal proceedings (Continued)

Possible losses not covered by provisions in the financial statements (Continued)

Civil (Continued)

(vi) Lawsuit seeking the unenforceability of the slips issued, with a request to impede the placement of advertising.

(vii) Lawsuit on disputes involving credits arising from the rendering of medicine distribution services.

Labor
(i) The Company and its subsidiaries are parties to labor claims involving disputes seeking compensation for salary differences.

(ii) The other cases refer to claims for pain and suffering, property damages, as well as employment relationship.

22. Equity

22.1. Capital stock

According to the Minutes of the Special General Meeting held on April 12, 2021, the Company rectified the issue of shares made on April 27, 2017, changing the total number of shares on that date from 379,377,291 to 379,570,129.

On that same meeting, the Company increased its capital by R$298,187 with the balance of income reserve, by issuing 257,066,728 common shares.

Accordingly, as at December 31, 2021, paid-in capital was R$738,499 (R$440,077 in 2020 and 2019), comprising 636,636,857 (379,570,129 in 2020 and 2019) common shares, held as follows:

	12/31/2021		**12/31/2020 and 12/31/2019**	
	Shares	**%**	Shares	**%**
Robferma Administração e Participações Ltda.	**513,476,515**	**80.654538%**	306,140,533	80.654538%
MJP Adm. Participações S/S Ltda.	**72,453,162**	**11.380611%**	43,197,399	11.380611%
Cleita de Castro Marques	**25,353,590**	**3.982426%**	15,116,098	3.982426%
Cleide Marques Pinto	**25,353,590**	**3.982426%**	15,116,098	3.982426%
	636,636,857	**100.00%**	379,570,129	100.00%

(In thousands of reais, unless otherwise stated)

22. Equity (Continued)

22.2. Legal reserve

The legal reserve is set up on an annual basis at 5% of net income for the year, less the government grant portion, and shall not exceed 20% of capital. The purpose of the legal reserve is to ensure capital integrity and it may only be used to offset losses and/or increase capital.

22.3. Retained profit reserve

The retained profit reserve is set up annually in accordance with the proposal for the allocation of income for the year, as resolved at the annual general meeting. After setting up the legal reserve, distributions of dividends and interest on equity, the remaining balance is allocated, in accordance with article 196 of Law No. 6404/76, as a retained profit reserve, under the terms of the capital budget.

22.4. Tax incentive reserve

The Company has ICMS tax benefits granted in an administrative tax proceeding, supported by a law/decree of the Minas Gerais State Government and the Federal District Government, which required entering into an Agreement. Changes in this reserve is presented in the Statement of Changes in Equity. In 2021, Company management recognized the amount of R$97,841 (R$51,278 in 2020 and R$41,652 in 2019) regarding the Agreement with the Minas Gerais and Federal District Governments.

22.5. Mandatory minimum dividends

According to the Company's Articles of Incorporation, 6% of adjusted annual net income are allocated to pay mandatory minimum dividends, as provided for by article 202 of the Brazilian Corporation Law. The calculation of proposed dividends is presented below:

Description	12/31/2021
Net income for the year	**448,308**
Legal reserve (5%)	**(22,416)**
(-) Tax incentive reserve	**(97,841)**
Dividend calculation base	**328,051**
Mandatory minimum dividends (6%)	**(19,682)**
Interest on equity	**(37,182)**
Income reserve	**271,187**

(In thousands of reais, unless otherwise stated)

22. Equity (Continued)

22.5. Mandatory minimum dividends (Continued)

Changes in dividends are as follows:

Dividend payable - December 31, 2018	3,639
Payments in the year	(10,001)
Proposed additional dividend	6,362
Dividend payable - December 31, 2019 (restated)	5,546
Payments in the year	(5,823)
Mandatory minimum dividends for the year	10,209
Dividend payable - December 31, 2020 (restated)	9,933
Payments in the year	**(9,933)**
Mandatory minimum dividends for the year	**19,682**
Dividend payable - December 31, 2021	**19,682**

22.6. Interest on equity

At the Annual General Meeting held on April 12, 2021, the Company approved the distribution of interest on equity amounting to R$37,182.

22.7. Earnings per share

Basic and diluted earnings per share are calculated by dividing income for the year attributed to holders of the Company's common shares by the weighted average number of common shares available in the year.

There are no arrangements or agreements in place to issue common shares; thus, there is no event that may dilute the dividends attributable to the Company's shares.

The table below reflects the income and share data used to calculate basic and diluted earnings per share:

	01/01/2021 to 12/31/2021	**01/01/2020 to 12/31/2020**	**01/01/2019 to 12/31/2019**
Profit attributable to holders of common shares	**448,308**	230,389	138,946
Denominator			
Weighted average number of outstanding common shares - basic and diluted	**564,745,143**	379,570,129	379,570,129
Basic and diluted earnings per share (in R$)	**0.7938**	0.6070	0.3661

(In thousands of reais, unless otherwise stated)

23. Net revenue

Sales revenue is recognized when all significant risks and rewards of ownership of the products are transferred to the buyer, which usually occurs upon their delivery.

	Separate			**Consolidated**		
	12/31/2021	**12/31/2020**	**12/31/2019**	**12/31/2021**	**12/31/2020**	**12/31/2019**
Gross sales of products (a)	**3,477,327**	2,409,500	1,819,724	**3,527,652**	2,419,414	1,855,821
Gross sales of services (a)	**1,725**	2,447	1,944	**436,200**	383,020	332,369
(-) Sales taxes	**(442,271)**	(306,346)	(247,553)	**(507,600)**	(336,105)	(262,467)
(-) Sales and service taxes	**(220)**	(304)	(247)	**(33,189)**	(25,350)	(21,721)
(-) Promotional discounts	**(21,229)**	(9,256)	(8,462)	**(21,229)**	(9,256)	(8,462)
(-) Unconditional discounts	**(28,603)**	(22,226)	(24,789)	**(28,675)**	(22,386)	(20,311)
(-) Returns	**(28,789)**	(18,504)	(17,190)	**(41,360)**	(24,717)	(23,319)
	2,957,940	2,055,311	1,523,427	**3,331,799**	2,384,620	1,851,910

a) Segment reporting

	Separate			**Consolidated**		
	12/31/2021	**12/31/2020**	**12/31/2019**	**12/31/2021**	**12/31/2020**	**12/31/2019**
Human Health	**2,648,535**	1,861,985	1,455,741	**2,637,357**	1,848,656	1,466,232
Animal Health	**769,669**	503,233	363,983	**769,669**	503,233	363,983
Toll Manufacturing	**60,848**	46,729	1,944	**556,826**	450,545	357,975
	3,479,052	2,411,947	1,821,668	**3,963,852**	2,802,434	2,188,190

(In thousands of reais, unless otherwise stated)

24. Expenses by nature and function

	Separate			Consolidated		
	12/31/2021	**12/31/2020 restated**	**12/31/2019 restated**	**12/31/2021**	**12/31/2020 restated**	**12/31/2019 restated**
Raw material and consumer goods used	**(1,278,592)**	(839,423)	(559,131)	**(1,286,159)**	(868,596)	(627,797)
Sales commissions	**(67,254)**	(55,267)	(43,306)	**(67,254)**	(55,267)	(43,317)
Payroll and employee benefits	**(457,289)**	(371,691)	(330,426)	**(658,859)**	(523,187)	(459,145)
Social security charges	**(130,534)**	(112,812)	(98,970)	**(176,479)**	(147,265)	(131,564)
Depreciation and amortization	**(44,335)**	(33,196)	(30,818)	**(77,254)**	(67,521)	(70,270)
Transportation expenses	**(50,672)**	(38,742)	(35,808)	**(55,421)**	(43,991)	(40,951)
Advertising expenses	**(27,205)**	(18,490)	(24,428)	**(27,274)**	(18,565)	(24,489)
Research and development	**(15,248)**	(13,595)	(7,333)	**(18,467)**	(15,651)	(8,143)
Services rendered	**(65,699)**	(47,401)	(50,113)	**(82,769)**	(59,828)	(59,129)
Vehicle expenses	**(17,207)**	(10,359)	(11,819)	**(17,810)**	(10,680)	(12,302)
Utilities	**(17,892)**	(16,373)	(15,128)	**(33,570)**	(28,998)	(26,205)
Taxes and charges	**(9,555)**	(7,769)	(6,820)	**(13,382)**	(11,887)	(11,077)
Rental	**(4,336)**	(4,244)	(4,209)	**(5,092)**	(4,822)	(4,770)
Maintenance	**(38,747)**	(32,922)	(26,186)	**(63,040)**	(53,869)	(43,727)
Communications	**(1,026)**	(2,148)	(2,321)	**(1,347)**	(2,401)	(2,572)
Legal costs, net	**(20,775)**	(54,111)	(24,797)	**(23,451)**	(56,255)	(25,679)
Fines	**(3,096)**	(996)	(1,133)	**(3,286)**	(1,274)	(1,174)
Insurance	**(4,339)**	(2,453)	(2,798)	**(4,896)**	(3,269)	(3,406)
Gifts and donations	**(16,557)**	(18,174)	(14,527)	**(16,605)**	(18,186)	(14,544)
Travel and lodging	**(17,001)**	(11,374)	(18,344)	**(17,932)**	(11,939)	(19,388)
Fair and congresses	**(12,587)**	(15,338)	(18,221)	**(13,604)**	(15,962)	(18,647)
Expected credit losses	**(10,243)**	(1,080)	(2,917)	**(11,069)**	(1,279)	(4,877)
Other costs	**(40,006)**	(35,352)	(30,475)	**(41,365)**	(36,915)	(30,384)
	(2,350,195)	(1,743,310)	(1,360,028)	**(2,716,385)**	(2,057,607)	(1,683,557)
Cost of sales and services	**(1,519,121)**	(1,028,382)	(743,639)	**(1,723,501)**	(1,209,510)	(946,811)
General and administrative expenses	**(356,297)**	(343,408)	(263,289)	**(509,766)**	(468,414)	(376,255)
Selling expenses	**(474,777)**	(371,520)	(353,100)	**(483,118)**	(379,683)	(360,491)
	(2,350,195)	(1,743,310)	(1,360,028)	**(2,716,385)**	(2,057,607)	(1,683,557)

(In thousands of reais, unless otherwise stated)

25. Other operating income, net

	Separate			Consolidated		
	12/31/2021	**12/31/2020**	**12/31/2019**	**12/31/2021**	**12/31/2020**	**12/31/2019**
Recovery of expenses (i)	**6,954**	5,038	8,477	**8,671**	6,264	11,544
Net gain (loss) on disposal of property, plant and equipment items	**(297)**	(1,211)	(218)	**(297)**	(1,210)	838
Income from prior-year tax credits (ii)	**6,424**	27,636	43,719	**6,424**	27,636	43,719
Revenue from partnership agreements	**3,000**	1,375	-	**3,040**	1,375	-
Other, net	**1,258**	(2,576)	706	**1,550**	(1,093)	(4,955)
	17,339	30,262	52,684	**19,388**	32,972	51,146

(i) Substantially represented by reimbursement made by carriers for insurance claims and product damage as well as reimbursement of operating expenses.

(ii) Substantially represented by the credit arising from ICMS exclusion from the PIS/COFINS base recognized after a final decision has been handed down by the court (see Note 7).

26. Finance income (expense), net

	Separate			Consolidated		
	12/31/2021	**12/31/2020 restated**	**12/31/2019 restated**	**12/31/2021**	**12/31/2020 restated**	**12/31/2019 restated**
Finance income						
Short-term investment yield	**12,364**	4,124	4,386	**12,414**	4,148	4,426
Foreign exchange gain	**80,079**	94,842	82,404	**87,513**	109,349	84,800
Interest income, discounts received and other income	**5,707**	4,346	5,532	**4,221**	5,476	4,567
Present value adjustment	**4,407**	1,728	177	**5,208**	1,728	177
Gains - NDF	**152,437**	64,787	15,101	**152,437**	64,787	15,101
Fair value - Swap	**32,572**	77,648	25,069	**32,572**	77,648	25,069
	287,566	247,475	132,669	**294,365**	263,136	134,140
Finance expense						
Monetary variation and financial commissions	**(14,413)**	(10,279)	(9,141)	**(17,730)**	(11,507)	(10,843)
Interest expenses on loans and financing	**(66,889)**	(31,161)	(36,779)	**(67,428)**	(31,698)	(37,202)
Interest on other liabilities	**(3,791)**	(2,284)	(2,567)	**(3,797)**	(2,284)	(2,567)
Interest on leases – IFRS 16	**(1,586)**	(1,202)	(1,384)	**(1,952)**	(1,616)	(1,770)
Foreign exchange loss	**(105,774)**	(185,822)	(98,831)	**(114,386)**	(199,401)	(101,766)
Bank expenses and Tax on Financial transactions (IOF)	**(5,497)**	(10,187)	(1,233)	**(7,306)**	(2,839)	(1,712)
Present value adjustment	**(6,424)**	(539)	(1,925)	**(6,542)**	(539)	(1,925)
Losses - NDF	**(102,776)**	(62,027)	(10,496)	**(102,776)**	(62,027)	(10,496)
Fair value - Swap	**(21,904)**	(49,136)	(26,312)	**(21,904)**	(49,136)	(26,312)
	(329,054)	(352,637)	(188,668)	**(343,821)**	(361,047)	(194,593)
	(41,488)	(105,162)	(55,999)	**(49,456)**	(97,911)	(60,453)

(In thousands of reais, unless otherwise stated)

27. Insurance coverage

The insurance coverage at December 31, 2021 presented the following amounts, pursuant to the insurance policies, and are in accordance with the risk assessment made by management:

Insurance lines	Effective until	Sum insured
Operational risks, including fire in inventories and PPE items	03/28/2023	2,780,793
General civil liability	11/08/2022	60,000
Civil Liability Insurance – D&O	07/30/2022	50,000
National ground transportation	04/30/2022	3,998,702
International transportation	04/30/2022	USD 95,000
Vehicles and optional civil liability	08/13/2022	Market value - FIPE

28. Financial instruments

Capital management

The capital management policies of the Company and its subsidiaries involve maintaining a strong capital base to uphold relations of trust with investors, creditors and market players, also allowing future business development.

The primary objective of the Company and its subsidiaries when managing their capital is to ensure their ability to continue as a going concern in order to offer returns to shareholders and benefits to stakeholders, maintaining an adequate capital structure to reduce this cost. The Company and its subsidiaries manage their capital structure and make adjustments considering changes in economic conditions and requirements of financial covenants. The Company and its subsidiaries monitor their its capital through leverage ratios, which is net debt divided by total capital plus net debt.

	Separate			Consolidated		
	12/31/2021	**12/31/2020**	**12/31/2019**	**12/31/2021**	**12/31/2020**	**12/31/2019**
Loans, financing and debentures	**1,629,643**	922,032	611,566	**1,641,690**	935,675	616,954
Trade accounts payable	**296,871**	256,741	173,970	**362,620**	321,928	201,858
(-) Cash and cash equivalents	**(325,866)**	(343,236)	(89,676)	**(758,901)**	(350,146)	(95,735)
	1.600.648	1,600,648	695,860	**1,245,409**	907,4571	907,458
Equity	**1,434,283**	1,048,366	859,347	**1,434,283**	1,048,366	1,048,366
Equity and net debt	**3,034,931**	2,649,014	1,456,207	**2,679,692**	1,955,823	1,955,824
Leverage ratio	**53%**	60%	41%	**46%**	46%	46%

To achieve this general objective, the capital management of the Company and its subsidiaries, among other things, aims to ensure that they meet the financial commitments associated with the loans and financing that define the capital structure requirements.

(In thousands of reais, unless otherwise stated)

28. Financial instruments (Continued)

Capital management (Continued)

Violations in compliance with financial covenants would allow the bank to immediately request the liquidation of loans and financing. There were no breaches of the financial covenants of any interest-bearing loans and financing in the year.

There were no changes in objectives, policies or processes of capital management during the years ended December 31, 2021, 2020 and 2019.

a) *Classification of financial instruments*

The financial instruments held by the Company and its subsidiaries are classified in the following categories:

(i) Financial assets and liabilities measured at fair value through income; and

(ii) Amortized cost.

The Company's and its subsidiaries' financial instruments had the following positions as at December 31, 2021, 2020 and 2019:

		Separate			Consolidated		
Assets	**Category**	**12/31/2021**	**12/31/2020**	**12/31/2019**	**12/31/2021**	**12/31/2020**	**12/31/2019**
Current assets							
Cash and cash equivalents	(ii)	**325,866**	343,236	89,676	**758,901**	350,146	95,735
Long-term financial investments	(i)	**-**	889	870	**-**	889	870
Accounts receivable	(ii)	**1,015,448**	706,092	528,542	**911,182**	661,315	511,667
Other assets	(ii)	**16,764**	13,667	15,647	**25,081**	17,840	18,639
Derivative financial instruments	(i)	**26,347**	15,947	6,094	**26,347**	15,947	6,094
Judicial deposits	(ii)	**11,702**	26,675	26,531	**13,344**	27,924	27,837
		1,396,127	1,106,506	667,360	**1,734,855**	1,074,061	660,842
Liabilities							
Suppliers	(ii)	**296,871**	256,741	173,970	**363,620**	321,928	201,858
Assignment of credits by suppliers	(ii)	**19,416**	17,371	9,652	**32,391**	33,018	17,943
Derivative financial instruments	(i)	**-**	2,542	-	**-**	2,542	-
Loans and financing	(ii)	**1,629,643**	922,032	611,566	**1,641,690**	935,675	616,954
Other liabilities	(ii)	**64,953**	75,627	57,351	**78,312**	81,846	67,630
		2,010,883	1,274,313	852,539	**2,116,013**	1,375,009	904,385

28. Financial instruments (Continued)

Capital management (Continued)

b) *Fair value of financial instruments*

The estimated fair values of financial instruments for 2021 considered the following methods and assumptions:

- Cash and cash equivalents: these are stated close to their fair value, which approximates book value, as described in Note 4.
- Long-term investments: these are stated close to their fair value, which approximates book value.
- Accounts receivable from domestic and foreign markets: these derive directly from the Company's and its subsidiaries' transactions, classified as amortized cost and recorded at their original amounts, subject to the allowance for losses. The original amounts net of allowance are similar to fair values at the financial statement closing date, as described in Note 5.
- Derivative financial instruments: are disclosed at fair value and classified as financial assets and liabilities, as described in Note 9.
- Judicial deposits: these are stated close to their market value, which approximates book value. They are classified at amortized cost, and adjusted using the effective interest method.
- Trade accounts payable: these are classified as financial liabilities at amortized cost and the amounts approximate to the respective fair values of the obligations recorded under this item.
- Assignment of credits by suppliers: these are classified as financial liabilities at amortized cost and are accounted for at their contractual values, according to Note 16.
- Loans and financing (in local and foreign currency): these are classified as financial liabilities at amortized cost and are recorded at their contractual values, according to Note 17.
- Other liabilities: these are classified as loans and receivables, and adjusted using the effective interest rate method (amortized cost) and are stated close to their fair values.

(In thousands of reais, unless otherwise stated)

28. Financial instruments (Continued)

Capital management (Continued)

b) *Calculation of fair value of derivative financial instruments*

The calculation of fair value of derivative financial instruments for the separate and consolidated financial statements at December 31, 2021, 2020 and 2019 considered the following methods and assumptions:

- **Non-Deliverable Forward (NDF):** the market values of NDF contracts were obtained through information available in the active market where these financial instruments are traded.

- **Swap:** the fair value of interest rate swaps is measured at the present value of future cash flows estimated based on the yield curves adopted by the market.

Management believes that the results obtained from these derivative transactions comply with the price, currency and interest rate hedging strategies established by the Company and its subsidiaries.

The fair values of financial assets and liabilities are determined based on available market information and appropriate valuation methodologies. The use of different market assumptions and/or estimate methodology may have a different effect on the estimated fair values.

As of December 31, 2021, 2020 and 2019, the Company's and its subsidiaries' derivative financial instruments had the following positions:

	Separate and Consolidated							
	12/31/2021				12/31/2020		12/31/2019	
	Hedged item	Notional currency	Notional value (R$)	Fair value (R$)	Notional value (R$)	Fair value (R$)	Notional value (R$)	Fair value (R$)
Non-deliverable forwards	Foreign	USD	**35,165**	**2,727**	43,400	(2,542)	13,580	1,476
Non-deliverable forwards	Foreign	EUR	**-**	**-**	-	-	1,100	51
Swap	Foreign	USD	**26,445**	**23,620**	34,000	15,947	32,242	4,567
Total currency derivatives			**61,610**	**26,347**	77,400	13,405	46,922	6,094

Management believes that the Company's and its subsidiaries' internal controls are sufficient and adequate to manage derivative financial instruments and mitigate the risks associated with each market's operating strategy. Subsidiaries Anovis, Inovat, Union, UQ Gráfica, Laboratil and Songbook did not have transactions involving derivative financial instruments as at December 31, 2021, 2020 and 2019.

(In thousands of reais, unless otherwise stated)

28. Financial instruments (Continued)

Capital management (Continued)

c) *Fair value hierarchy*

The table below shows the financial instruments used by the Company and its subsidiaries, which are recorded at fair value. The different levels were defined as follows:

Level 1: quoted (unadjusted) prices in active markets for similar assets and liabilities.

Level 2: inputs, other than quoted prices included in Level 1 that are observable for the asset or liability, either directly (prices) or indirectly (derived from prices).

Level 3: assumptions, for assets or liabilities, which are not based on observable market inputs (unobservable inputs).

The Company and its subsidiaries show their respective derivative financial instruments in the table below, as well as their classifications at the abovementioned levels:

	Separate and Consolidated											
	12/31/2021				12/31/2020				12/31/2019			
	Level 1	Level 2	Level 3	Total	Level 1	Level 2	Level 3	Total	Level 1	Level 2	Level 3	Total
Derivative financial instruments	**-**	**26,347**	**-**	**26,347**	-	15,947	-	15,947	-	6,094	-	6,094
	-	**26,347**	**-**	**26,347**	-	15,947	-	15,947	-	6,094	-	6,094
Derivative financial instruments	**-**	**-**	**-**	**-**	**-**	(2,542)	-	(2,542)	**-**	-	-	-
	-	**-**	**-**	**-**	**-**	(2,542)	-	(2,542)	**-**	-	-	-

The Company and its subsidiaries recorded gains and losses on derivative financial instruments, as shown in the table below:

	Separate and Consolidated								
	Impact on assets and liabilities		Effects on statement of income	Impact on assets and liabilities		Effects on statement of income	Impact on assets and liabilities		Effects on statement of income
	12/31/2021			12/31/2020			12/31/2019		
	Current assets	Current liabilities		Current assets	Current liabilities		Current assets	Current liabilities	
Currency risks - NDF (banks)	**2,727**	**-**	**49,661**	-	(2,542)	2,760	1,527	-	4,605
Swap	**23,620**	**-**	**10,668**	15,947	**-**	28,512	4,567	**-**	(1,243)
	26,347	**-**	**60,329**	15,947	(2,542)	31,272	6,094	-	3,362

(In thousands of reais, unless otherwise stated)

28. Financial instruments (Continued)

Capital management (Continued)

d) *Foreign exchange rate risk, interest rate risk and transactions with derivative financial instruments*

The Company and its subsidiaries use derivative financial instruments, such as NDF and Swap transactions, to hedge any exposed positions subject to impacts from exchange rate and interest rate fluctuations. Derivative transactions do not have initial disbursements, and are only due at their respective maturities.

The prices of raw materials used by the Company and its subsidiaries are partially indexed to the U.S. dollar and the euro, while a significant part of the costs, expenses, investments and indebtedness are indexed to the Brazilian real. Therefore, the Company's cash flow is continuously exposed to the dollar and the euro volatility against the Brazilian real and interest rates, especially to the fluctuation of the U.S. currency, since part of the costs and expenses are in reais.

e) *Foreign exchange and interest rate risks and transactions with derivative financial instruments* (Continued)

In order to mitigate risk and reduce exposure to foreign currency volatility and its effects on the Company' accounts denominated in Brazilian reais, management has used derivative financial instruments, such as NDF and swap contracts, in order to cover any exposed positions subject to impacts from exchange rate fluctuations in the futures market and interest rates. Derivative transactions do not have initial disbursements, and are only due at their respective maturities.

Below is a summary of the net exposure of the Company and its subsidiaries to the exchange rate factor as at December 31, 2021, 2020 and 2019:

	Separate			**Consolidated**		
	US$ thousand 12/31/2021	**US$ thousand 12/31/2020**	**US$ thousand 12/31/2019**	**US$ thousand 12/31/2021**	**US$ thousand 12/31/2020**	**US$ thousand 12/31/2019**
Cash and cash equivalents	**-**	-	-	**5**	7	7
Accounts receivable - foreign market	**158**	168	131	**2,264**	168	131
Advances to foreign suppliers	**1,854**	984	5,250	**2,661**	1,436	7,692
Non-deliverable forwards	**35,165**	43,400	14,680	**35,165**	43,400	14,680
Swap	**26,445**	34,000	32,242	**26,445**	34,000	32,242
Total asset exposure	**63,622**	78,552	52,303	**66,540**	79,011	54,752
Loans and financing	**(48,870)**	(49,267)	(74,705)	**(50,222)**	(50,747)	(74,705)
Foreign suppliers	**(20,605)**	(24,528)	(13,246)	**(22,509)**	(26,234)	(13,895)
Total liability exposure	**(69,475)**	(73,795)	(87,951)	**(72,731)**	(76,981)	(88,600)
Net exposure	**(5,853)**	4,757	(35,648)	**(6,191)**	2,030	(33,848)

(In thousands of reais, unless otherwise stated)

29. Long-term commitments

Anovis and Inovat have future commitments resulting from supply agreements with their customers. At December 31, 2021, 2020 and 2019, the number of items is as follows:

	Consolidated		
	12/31/2021	**12/31/2020**	**12/31/2019**
2020	**-**	-	44,405,128
2021	**-**	45,269,437	45,269,437
2022	**34,639,202**	46,185,603	46,185,603
2023	**30,000,000**	30,000,000	30,000,000
2024	**30,000,000**	30,000,000	30,000,000
	94,639,202	151,455,040	195,860,168

30. Non-cash transactions

The following table shows the non-cash transactions, in the statement of cash flow, for the following years:

	Separate			Consolidated		
	12/31/2021	**12/31/2020**	**12/31/2019**	**12/31/2021**	**12/31/2020**	**12/31/2019**
Acquisition of brand Neocopan	**-**	23,265	-	**-**	23,265	-
Capital increase through transfer from income reserve	**298,422**	-	-	**298,422**	-	-
Capital increase in investee Bionovis	**4,098**	-	-	**4,098**	-	-
Proposed dividends for the year	**19,682**	9,933	5,546	**19,682**	9,933	5,546
Declared and unpaid dividend by subsidiary	**2,769**	1,837	2,261	**2,769**	1,837	2,261
Judicial deposits	**16,503**	-	-	**16,503**	-	-
Foreign exchange differences on translation of statements of financial position	**(5,752)**	95	(69)	**(5,752)**	95	(69)
Right of use	**19,751**	6,455	34,159	**22,959**	6,965	42,643
	355,473	41,585	41,897	**358,681**	42,095	50,381