

**Aché Laboratórios
Farmacêuticos S.A.**
Parent company and consolidated
financial statements at December 31, 2021
and independent auditor's report

São Paulo, March 31, 2022

Dear Stockholders,

The Management of Aché Laboratórios Farmacêuticos S.A., in compliance with legal and statutory provisions, submits to its shareholders the Management Report and the related Parent Company and Consolidated Financial Statements, accompanied by the independent auditor's report for the year ended December 31, 2021. All comparisons in this report consider consolidated data in relation to the same period in 2020, in accordance with accounting practices adopted in Brazil and the International Financial Reporting Standards (IFRS), established by the International Accounting Standards Board (IASB).

Message from Management

In 2021, Aché showed great capacity to react, in a positive, agile, and innovative way, to a very challenging scenario, given the continuity of the Coronavirus pandemic and its effects on economic activity, inflation, exchange rates and interest rates. We continue to fulfill our objectives and the 2025 Strategic Planning, always ensuring the preservation of the health of our employees and the continuity of our business.

The Company posted a growth in Net Revenue of 15.8% when compared to 2020 and an EBITDA of R\$ 1.051 billion, with a margin of 26.1%, results that show the commitment of Geração Aché to implement the strategy, delivering transformative projects that contributed to this growth.

The continuous focus on Innovation enabled the launch of 35 new products, expanding our portfolio and allowing us to enter new segments, such as Ophthalmology, with the launch of two innovative, preservative-free drugs: a non-hormonal anti-inflammatory indicated for the postoperative phase and an ocular lubricant indicated for the treatment of dry eye.

With an investment of R\$ 153 million (15% of EBITDA) intended to renew the portfolio, we strengthened our pipeline, composed of 193 projects, expanding the offer of solutions aimed at unmet needs and increasing the convenience and ease of dosing for consumers, through the newly created Innovatech Lab that brings together several technological platforms to leverage the Company's incremental innovation.

The use of digital technology has been fundamental, whether for increasing connectivity and engagement of our teams with stakeholders, for greater assertiveness in discovering new molecules, as well as for increasing productivity in our industrial operations. We accelerated the construction of facilities at the Cabo de Santo Agostinho (PE) plant with investments of R\$ 170 million, which will allow us to start manufacturing operations this year.

The issues related to *ESG – Environment, Social and Governance* gained even more relevance within the company, with the hiring of a specialized consultancy to support the construction of goals and initiatives, transversal communication, and the engagement of all employees in the action plans, the principles of our code of conduct and the commitments to the LGPD – General Data Protection Law.

In terms of the environment, we went beyond legal requirements by carrying out an inventory of greenhouse gas emissions, reforesting areas in Pernambuco and improving gas consumption indicators, among others.

We allocated R\$ 13.3 million to people at social risk, through tax incentive laws and in support of the treatment and relief of symptoms caused by Covid-19, reinforcing our purpose of bringing more life to people, wherever they are.

Aché remains committed to the evolution of its business and to the generation of value for shareholders, employees, consumers, healthcare professionals and business partners.

Governance

- **Net Revenue of R\$4.030 billion**, a 15.8% increase compared to 2020
- **EBITDA of R\$ 1.051 billion**, with a 26.1% margin
- **Profit of R\$654.3 million** and Earnings per Share of R\$10.2 in the year
- **R\$ 2.398 billion** of value added distributed
- **Net leverage of 0.60 x EBITDA**
- **AAA rating** with a stable outlook, by the *Fitch* and *Standard & Poor's* agencies

Social

- **R\$ 13.3 million** invested in projects aimed at communities and health professionals
- **5,173 employees**
- **2,670** employees in our Sales and Demand Force
- **R\$ 14.9 million** invested in people development
- **396 thousand** hours of training

Environment

- **R\$ 222.7 million** invested in operational excellence and quality
- **Reforestation of 4.5 hectares** (45 thousand m²) in Suape - PE
- **8%** reduction in the consumption of natural gas
- **260 tons** of waste used in energy recovery
- **1.7 thousand** ton of waste destined for recycling
- **223 million** of cartridges and **304 million** of leaflets from reforestation wood
- **7 million** of boxes for transporting products from certified reforestation areas and **543 thousand** sugarcane pulp

Key Financial indicators - Consolidated

(R\$ million)	2020	2021	Var (%)
Net revenue	3.477,3	4.028,3	15,8%
Gross profit	2.343,2	2.565,5	9,5%
<i>% Net revenue</i>	<i>67,4%</i>	<i>63,7%</i>	<i>-3,7 p.p</i>
EBITDA	1.046,8	1.051,2	0,4%
Adjusted EBITDA ¹	994,1	1.040,0	4,6%
<i>% Net revenue</i>	<i>30,1%</i>	<i>26,1%</i>	<i>-4,0 p.p</i>
<i>% Net revenue (Adjusted EBITDA)</i>	<i>28,6%</i>	<i>25,8%</i>	<i>-2,8 p.p</i>
Profit for the year	631,4	654,3	3,6%
<i>% Net revenue</i>	<i>18,2%</i>	<i>16,2%</i>	<i>-1,9 p.p</i>
Earnings per share	9,9	10,2	

Adjusted EBITDA¹: Considers the operating result, excluding extemporaneous ICMS and PIS/COFINS tax credits of R\$11.2M in 2021 and R\$52.7M in 2020.

Business profile

Aché is a 100% national company, founded 55 years ago, positioned among the five largest pharmaceutical corporations in Brazil according to the PPP (Pharmacy Purchase Price) methodology. Focused on innovation and on the relationship with health professionals and business partners, it has one of the largest sales and demand forces in Brazil, which provides a wide reach to promote its products, share scientific knowledge and offer a complete portfolio with proven quality and safety to the final consumer. The continuous evolution of the business and the consistent construction of results year after year are possible due to the competence and commitment of its more than 5,500 employees.



Diversity is one of the main characteristics of Geração Aché. There are different skills, experiences, thoughts, beliefs, ethnicities, ages, genders, cultures, and knowledge that add up, making Aché a successful company in its trajectory.

Operations in Brazil

The Company has five industrial plants located in São Paulo (SP), Guarulhos (SP), Anápolis (GO), Londrina (PR) and Cabo de Santo Agostinho (PE). It also holds interests in the biotechnology company Bionovis, whose plant is under construction in the city of Valinhos (SP) and is expected to be completed in 2024, however, in 2021, phase IIA, a very important phase, which enables the production of medicines, was completed.



Balanced portfolio

With solid and consistent investments in innovation and quality, Aché offers the market new therapeutic options every year, meeting the expectations of healthcare professionals and consumer needs, as well as fulfilling its purpose of bringing more life to people, wherever they are.



The renewal of the portfolio is one of the Company's main strategic priorities. In addition to benefiting consumers and healthcare professionals with effective, safe and innovative therapeutic solutions, it drives the Company's growth and longevity.

978
Presentations

363 Brands

147
Therapeutic
Classes

19 Medical
Specialties

The Company has a close relationship with its consumers. That is why, for more than ten years, it has benefited patients in the sector through the complete relationship program Cuidados Pela Vida. It has more than 18 million registered patients, 28 thousand accredited drugstores in the country, 103 participating products in 2021 and more than 87 million units sold since the beginning of the program.

Awards in 2021

Aché's delivery of value to each of its stakeholders and the excellence in everything it does are recognized by the market every year. In 2021, the Company stood out in several rankings and awards that assessed its capacity for innovation, corporate governance, marketing and sales strategies, financial and management results, and customer service.

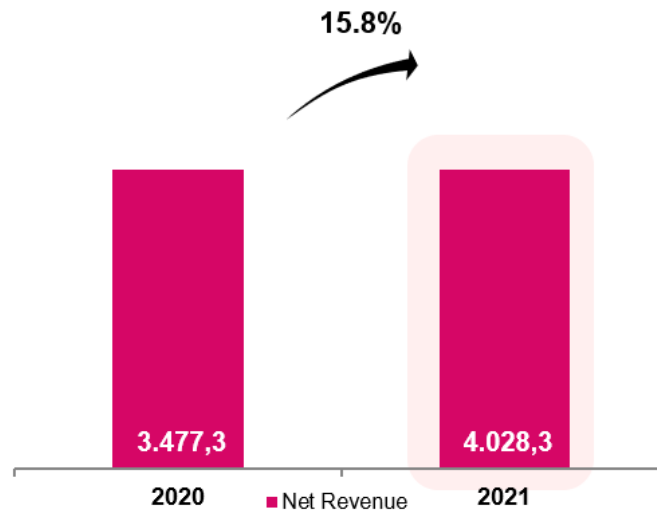
- 🏆 **Value Innovation Award 2021** - Winner in the "Pharmaceuticals and Life Sciences" category for the seventh consecutive year.
- 🏆 **Estadão Empresas Mais** - 1st place in the "Pharmaceutical" sector
- 🏆 **Época Negócios 360º Yearbook** - 1st place in Corporate Governance.
- 🏆 **Modern Consumer Award** - 1st place in the Pharmaceutical Industry category with Excellence in Customer Service.
- 🏆 **Reclame Aqui 2021** - 2nd place in the Chemicals and Pharmaceuticals category
- 🏆 **Lupa de Ouro 2021 Sindusfarma** - Three Lupas de Ouro + 8 Lupas (top 5)

Consolidated Results

(R\$ million)	2020	on NR	2021	on NR
Net revenue	3.477,3		4.028,3	
Gross profit	2.343,2	67,4%	2.565,5	63,7%
Selling and administrative expenses	(1.343,7)	-38,6%	(1.605,4)	-39,9%
Other operating expenses	(85,7)	-2,5%	(48,5)	-1,2%
Operating profit (EBIT)	913,8	26,3%	911,6	22,6%
Finance result, net	(96,6)	-2,8%	(70,3)	-1,7%
Profit before income tax and social contribution	817,2	23,5%	841,3	20,9%
Profit for the year	631,4	18,2%	654,3	16,2%
EBITDA	1.046,8	30,1%	1.051,2	26,1%
Adjusted EBITDA	994,1	28,6%	1.040,0	25,8%
Earnings per share	9,9		10,2	

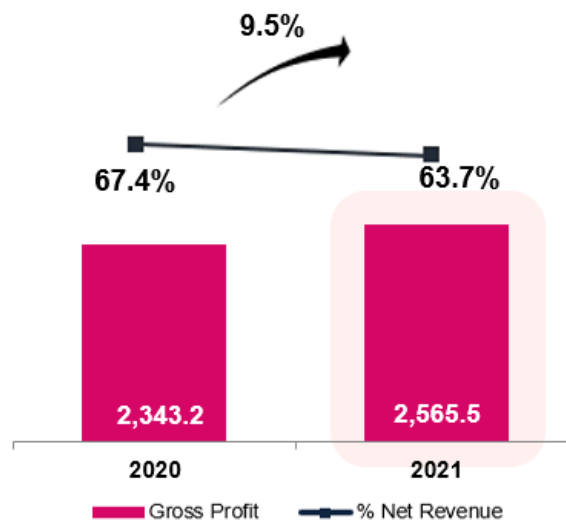
Net Revenue

In 2021, the company's Net Revenue increased by 15.8% when compared to the previous year, driven by all Business Units.



Gross Profit

In 2021, Gross Profit was R\$ 2.6 billion, 9.5% higher than the previous year, reaching a margin of 63.7% on Net Revenue. The margin reduction compared to 2020 was due to (i) the mix of products sold; (ii) exchange rate variation and (ii) inflation in inputs.



Selling, general and administrative expenses

Selling and administrative expenses increased by R\$ 261.7 million in 2021, when compared to the same period of the previous year, mainly due to (i) the resumption of promotional actions and medical visits, which were constrained in 2020 due to social isolation due to the pandemic, (ii) the increase in the level of spending on innovation and (iii) non-recurrence of payroll incentives related to the reduction of working hours carried out in 2020.

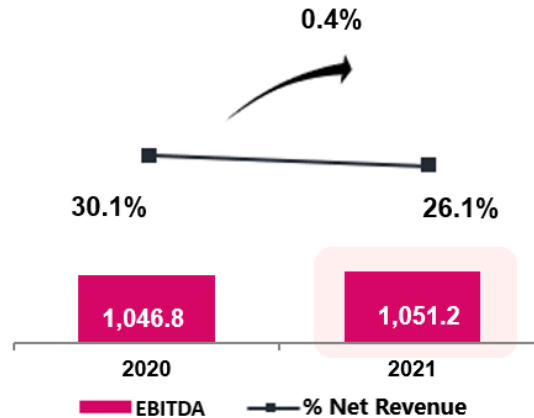
The variation in other operating expenses showed a reduction of R\$ 37.2 million when compared to the same period of the previous year, mainly due to (i) the phasing of strategic projects and (ii) the incorporation of technological platforms by the operation.

(R\$ million)	2020	on NR	2021	on NR
Selling expenses	1.049,5	30,2%	1.260,7	31,3%
Allowance for expected credit losses	(0,5)	0,0%	1,3	0,0%
Freight expenses	77,4	2,2%	87,8	2,2%
General and administrative expenses	210,9	6,1%	263,0	6,5%
Provisions (reversals) for contingencies	6,4	0,2%	(7,4)	-0,2%
Selling and administrative expenses	1.343,7	38,6%	1.605,4	39,9%
Other Operating Expenses	85,7	2,5%	48,5	1,2%

EBITDA

EBITDA (earnings before interest, taxes, depreciation and amortization) reached R\$1.051 billion in 2021, representing an increase of 0.4%, despite the growth in Net Revenue of 15.8%. The lower growth in relation to Net Revenue was due to (i) the increase in the cost of goods sold due to mix, exchange variation and inflation in inputs; (ii) the increase in selling expenses compared to 2020, when we had a reduction in expenses with promotional actions, a lower number of free samples and events with doctors, as well as a deceleration in administrative expenses due to the reduction of working hours and the implementation of remote work for the teams, due to the Covid-19 Pandemic and (iii) an increase in the level of investment in new products development.

EBITDA (R\$ million)	2020	2021	Var (%)
Profit for the year	631,4	654,3	3,6%
Provision for income tax and social contribution	185,8	187,0	0,6%
Finance result, net	96,6	70,3	-27,2%
Depreciation and amortization	133,0	139,6	5,0%
EBITDA	1.046,8	1.051,2	0,4%
Adjusted EBITDA	994,1	1.040,0	4,6%



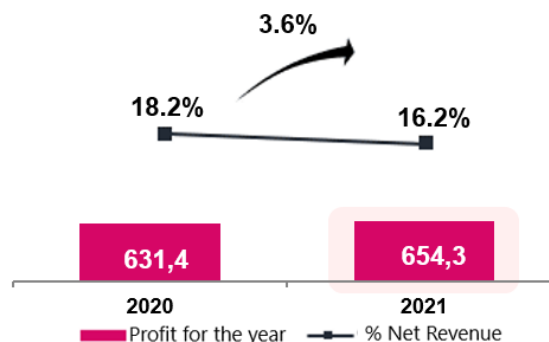
Finance Result

The net finance result for 2021 totaled a finance cost of R\$70.3 million, with a positive variation of R\$ 26.3 million when compared to the same period of the previous year, mainly due to the lower exchange variation resulting from a lower depreciation of the Real (variation of 7% in 2021 against 29% in 2020).

(R\$ million)	2020	on NR	2021	on NR
Finance result	(65,0)	-1,9%	(66,1)	-1,6%
Foreign exchange variation	(31,6)	-0,9%	(4,2)	-0,1%
Finance result	(96,6)	-2,8%	(70,3)	-1,7%

Profit

Profit for 2021 was R\$ 654.3 million, an increase of 3.6% when compared to 2020, mainly reflected by: (i) the reduction in gross margin due to mix, exchange rate variation and inflation in inputs; (ii) the increase in promotional expenses due to the resumption of visitation and medical promotion and (iii) the increase in the level of investment in new products development.



Net Debt

The Company ended 2021 with a net debt of R\$ 633.6 million. Gross debt totals R\$ 890.7 million and has long-term characteristics.

(R\$ million)	Balance in Dec/20	Balance in Dec/21	Var (%)
Borrowings and Debentures			
Current	515,7	103,3	-80,0%
Non-current	381,4	787,4	106,4%
Gross Debt	897,1	890,7	-0,7%
Cash and cash equivalents	(284,5)	(257,1)	-9,6%
Net Debt	612,6	633,6	

The change in net debt and in the debt ratio is substantially related to a lower level of Cash and Cash Equivalents, due to the formation of inventories related to critical items and with risk of shortage and resumption of investments in CAPEX and Research and Development.

In 2021, the Company extended its debt profile through its 1st (first) issuance of simple, non-convertible, unsecured, in a single series debenture, with public distribution and restricted efforts, pursuant to the Instruction of the Brazilian Securities Commission ("CVM") No. 476, of January 16, 2009. The Debentures have a term of 5 years and do not have guarantees.

Debt Ratio

The Company has financing instruments that are subject to covenants. In 2021, the Company is in compliance with these contractual commitments.

(R\$ million)	Balance in Dec/20	Balance in Dec/21
Borrowings	897,1	482,3
Debentures	-	408,4
Cash and cash equivalents	(284,5)	(257,1)
Net Debt	612,6	633,6
(/) EBITDA	1.046,8	1.051,2
Debt Ratio	0,59	0,60

Statement of value added

Value added, which is an indicator of the wealth added to society by the Company in its economic activity, totaled R\$2.398 billion. The complete statement is part of the financial statements.

(R\$ million)	2020	2021
Revenue	3.995,4	4.478,2
Gross value added	2.397,1	2.467,2
Total added value to distribute	2.315,7	2.398,4
Economic value distributed		
Employee salaries and benefits	775,8	823,9
Payment to the government (taxes)	754,7	750,1
Debt remuneration	153,7	170,1
Equit remuneration	631,4	654,3
Distribution of value added	2.315,7	2.398,4

Capital expenditures (CAPEX)

In 2021, capital expenditures totaled R\$ 246.9 million, including R\$146.6 million allocated to the implementation of the new plant and the modern vertical warehouse in Cabo de Santo Agostinho - Pernambuco (R\$100.5 million in 2020).

Dividends and interest on capital

The Bylaws ensure a minimum mandatory dividend corresponding to 25% of the profit for each year, less a legal reserve of 5% of the profit, and allow dividend payment based on semiannual or interim balance sheets.

(R\$ million)	2021
Profit for the year	654,3
Tax incentive reserve - Sudene	(38,1)
Minimum mandatory dividend - 25%	154,1
(-) Interest on capital	(63,7)
(-) Prepaid dividends	(10,9)
Balance of minimum mandatory dividends	79,5
Realization of reserves	2,0
Tax incentive reserve - Sudene	(38,1)
Dividends	464,2

Rating

	Global Scale	National Scale
Ratings	Foreign currency	National
Fitch Ratings (Outlook)	Long Term BB (Negative)	Long Term AAA (bra) (Stable)
Standard and Poor's (Outlook)	BB+ (Stable)	(br) AAA (Stable)

The unchanged Ratings assigned by Fitch and Standard & Poor's agencies reflect the resilience of the pharmaceutical industry, which has little cash flow volatility, and Achē's outstanding position in the prescription drug segment, its low portfolio risk, strong cash generation and commitment to an unleveraged capital structure.

Acknowledgments

We thank our shareholders for their trust, our employees for their dedication and commitment, especially in this challenging year marked by the pandemic, our customers and consumers for their preference, and our suppliers and partners for their support in the development of our business.

The Management

Aché Laboratórios Farmacêuticos S.A. and Subsidiaries

Financial statements

December 31, 2021

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Independent auditor's report

To the Board of Directors and Stockholders
Aché Laboratórios Farmacêuticos S.A.

Opinion

We have audited the accompanying parent company financial statements of Aché Laboratórios Farmacêuticos S.A. ("Company" or "Parent company"), which comprise the balance sheet as at December 31, 2021 and the statements of income, comprehensive income, changes in equity and cash flows for the year then ended, as well as the accompanying consolidated financial statements of Aché Laboratórios Farmacêuticos S.A. and its subsidiaries ("Consolidated"), which comprise the consolidated balance sheet as at December 31, 2021 and the consolidated statements of income, comprehensive income, changes in equity and cash flows for the year then ended, and notes to the financial statements, including a summary of significant accounting policies.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Aché Laboratórios Farmacêuticos S.A. and of Aché Laboratórios Farmacêuticos S.A. and its subsidiaries as at December 31, 2021, and the financial performance and the cash flows for the year then ended, as well as the consolidated financial performance and the cash flows for the year then ended, in accordance with accounting practices adopted in Brazil and with the International Financial Reporting Standards (IFRS) as issued by the International Accounting Standards Board (IASB).

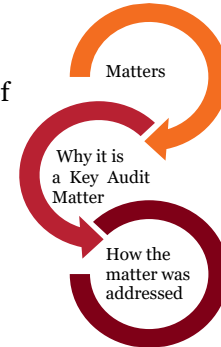
Basis for opinion

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



Key audit matters

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



Why it is a Key Audit Matter

How the matter was addressed in the audit

Provision for tax, civil and labor risks (Note 19)

The Company and its subsidiaries are defendants in administrative and judicial proceedings arising from the normal course of their activities.

Tax proceedings relate to different interpretations of tax standards, assessment notices, among others. Management, supported by its internal and external legal advisors, estimates the possible outcomes for these matters and records provisions for those considered as probable losses.

The determination of the provision amount and of the contingent liabilities disclosed involves critical judgment by management regarding terms, likelihood of loss and settlement amounts. Any changes in estimates or assumptions which impact the determination of loss may have material impacts on the Company's financial statements.

Therefore, this was considered a key audit matter.

Our audit procedures included, among others, the understanding of the processes established by management to identify and monitor the progress of tax proceedings, as well as the respective disclosures in explanatory notes.

With the support of our tax experts, we analyzed and understood the main ongoing lawsuits, obtained the documents supporting management's assessment and the opinion of the external specialists hired, and assessed the reasonableness of management's conclusions.

We requested and obtained direct confirmation from the external legal advisors responsible for the proceedings at the administrative and judicial levels.

We verified that management's conclusions and the supporting documents, including the positions of the internal and external legal advisors, are consistent with each other and with our understanding of the subject matters of the proceedings, as well as with the disclosures in the explanatory notes.



Other matters

Statements of value added

The parent company and consolidated Statements of Value Added for the year ended December 31, 2021, prepared under the responsibility of the Company's management and presented as supplementary information for IFRS purposes, were submitted to audit procedures performed in conjunction with the audit of the Company's financial statements. For the purposes of forming our opinion, we evaluated whether these statements are reconciled with the financial statements and accounting records, as applicable, and if their form and content are in accordance with the criteria defined in Technical Pronouncement CPC 09 - "Statement of Value Added". In our opinion, these statements of value added have been properly prepared, in all material respects, in accordance with the criteria established in the Technical Pronouncement and are consistent with the parent company and consolidated financial statements taken as a whole.

Audit of prior-year information

The financial statements of the Company and its subsidiaries for the year ended December 31, 2020 were audited by other independent auditors whose report thereon, dated March 30, 2021, contained an unqualified opinion.

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

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

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

In connection with the audit of the parent company and consolidated financial statements, our responsibility is to read the Management Report and, in doing so, consider whether this report is materially inconsistent with the financial statements or with 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 in the Management Report, we are required to report that fact. We have nothing to report in this regard.

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

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

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

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



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

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

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

- Identify and assess the risks of material misstatement of the parent company and consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the internal control of the Company and its subsidiaries.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the parent company and consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Company to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the parent company and consolidated financial statements, including the disclosures, and whether these financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the parent company and consolidated financial statements. We are responsible for the direction, supervision and performance of the Group audit. We remain solely responsible for our audit opinion.

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

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



because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

São Paulo, March 31, 2022

PricewaterhouseCoopers
Auditores Independentes Ltda.
CRC 2SP000160/O-5

Daniel Vinícius Fumo
Contador CRC 1SP256197/O-9

Aché Laboratórios Farmacêuticos S.A. and Subsidiaries

Balance sheet

December 31, 2021 and 2020

(All amounts in thousands of reais unless otherwise stated)

	Note	Parent company		Consolidated	
		12/31/2021	12/31/2020	12/31/2021	12/31/2020
Assets					
Current assets					
Cash and cash equivalents	3	246,902	271,781	257,129	284,487
Trade receivables	4	1,018,645	880,503	608,052	611,211
Inventories	5	718,955	739,940	798,149	802,150
Taxes recoverable	6	44,751	78,391	143,135	157,123
Dividend's receivable	16	2,769	4,098	2,769	4,098
Prepaid expenses		128,436	120,222	129,002	120,727
Other receivables		56,706	17,512	14,026	15,871
Total current assets		2,217,164	2,112,447	1,952,262	1,995,667
Non-current assets					
Financial investments	3	6,747	3,579	6,747	3,579
Judicial deposits	19	73,981	111,418	73,981	111,424
Taxes recoverable		37,093	35,126	113,604	35,280
Other receivables		13,915	14,250	14,092	14,334
Deferred income tax and social contribution	7	-	11,387	-	11,387
Investments	9	64,114	108,553	46,923	33,936
Property, plant and equipment	10	1,506,733	1,333,939	1,523,886	1,374,611
Right-of-use assets	13	37,441	37,991	112,868	97,191
Intangible assets	11	293,847	256,898	303,280	295,764
Total non-current assets		2,033,871	1,913,141	2,195,381	1,977,506
Total assets		4,251,035	4,025,588	4,147,643	3,973,173

Aché Laboratórios Farmacêuticos S.A. and Subsidiaries

Balance sheet

December 31, 2021 and 2020

(All amounts in thousands of reais unless otherwise stated)

	Note	Parent company		Consolidated	
		12/31/2021	12/31/2020	12/31/2021	12/31/2020
Liabilities and equity					
Current liabilities					
Borrowings	12	93,017	512,471	93,017	515,715
Debentures	12	10,300	-	10,300	-
Lease liabilities	13	30,736	38,195	40,274	45,573
Trade payables	14	517,421	338,532	509,372	337,424
Tax obligations	15	19,346	133,364	23,898	137,431
Labor and social security obligations	17	130,040	124,067	130,715	125,641
Dividends and interest on capital payable	16	119,725	128,378	119,725	128,378
Accounts payable		107,336	86,494	47,220	47,981
Other payables	18	44,225	63,225	45,489	64,247
Total current liabilities		1,072,146	1,424,726	1,020,010	1,402,390
Non-current liabilities					
Borrowings	12	389,356	375,112	389,356	381,406
Debentures	12	398,052	-	398,052	-
Lease liabilities	13	16,292	9,115	85,346	65,724
Deferred income tax and social contribution	7	42,457	-	42,457	-
Provision for tax, civil and labor risks	19	202,536	247,375	202,802	247,513
Other payables	18	53,299	45,022	53,313	45,029
Allowance for investment loss	9	120,590	93,127	-	-
Total non-current liabilities		1,222,582	769,751	1,171,326	739,672
Total liabilities		2,294,728	2,194,477	2,191,336	2,142,062
Equity					
Share capital	21	440,959	440,959	440,959	440,959
Capital reserves	21	120,246	120,246	120,246	120,246
Revaluation reserve	21	1,871	2,293	1,871	2,293
Carrying value adjustments	21	124,539	126,083	124,539	126,083
Revenue reserves	21	1,268,692	1,141,530	1,268,692	1,141,530
Total equity		1,956,307	1,831,111	1,956,307	1,831,111
Total liabilities and equity		4,251,035	4,025,588	4,147,643	3,973,173

The accompanying notes are an integral part of these financial statements.

Aché Laboratórios Farmacêuticos S.A. and Subsidiaries

Statement of income

Years ended December 31, 2021 and 2020

(All amounts in thousands of reais unless otherwise stated, except earnings per share)

	Note	Parent company		Consolidated	
		12/31/2021	12/31/2020	12/31/2021	12/31/2020
Net operating revenue	22	4,015,046	3,593,473	4,028,347	3,477,273
Cost of sales	23	(1,433,983)	(1,166,683)	(1,462,887)	(1,134,076)
Gross profit		2,581,063	2,426,790	2,565,460	2,343,197
Operating income (expenses)					
Selling expenses	23	(1,349,768)	(1,122,186)	(1,349,710)	(1,126,437)
General and administrative expenses	23	(253,629)	(207,231)	(255,713)	(217,293)
Employee and management profit sharing	28	(57,045)	(53,723)	(57,429)	(54,408)
Equity in the results of subsidiaries	9	(18,720)	(89,361)	11,659	16,832
Other operating income (expenses), net	24	(3,998)	(47,820)	(2,692)	(48,086)
Operating profit before finance result		897,903	906,469	911,575	913,805
Finance result					
Finance income	25	40,611	11,060	45,186	11,410
Finance costs	25	(105,691)	(82,187)	(111,294)	(88,462)
Derivative financial instruments	25	9	12,028	9	12,028
Foreign exchange variation, net	25	(4,173)	(31,032)	(4,172)	(31,566)
Profit before income tax and social contribution		828,659	816,338	841,304	817,215
Income tax and social contribution					
Current	8	(120,472)	(287,139)	(133,117)	(288,016)
Deferred	8	(53,844)	102,182	(53,844)	102,182
Profit for the year		654,343	631,381	654,343	631,381
Attributable to Owners of the Company		654,343	631,381	654,343	631,381
Earnings per share - R\$					
Basic and diluted	29	10.24	9.88	10.24	9.88

The accompanying notes are an integral part of these financial statements.

Aché Laboratórios Farmacêuticos S.A. and Subsidiaries

Statement of comprehensive income

Years ended December 31, 2021 and 2020

(All amounts in thousands of reais unless otherwise stated)

	Parent company		Consolidated	
	12/31/2021	12/31/2020	12/31/2021	12/31/2020
Profit for the year	654,343	631,381	654,343	631,381
Other comprehensive income	-	-	-	-
Total comprehensive income for the year	654,343	631,381	654,343	631,381
Attributable to				
Owners of the Company	654,343	631,381	654,343	631,381
	654,343	631,381	654,343	631,381

The accompanying notes are an integral part of these financial statements.

Aché Laboratórios Farmacêuticos S.A. and Subsidiaries

Statement of changes in equity

December 31, 2021 and 2020

(All amounts in thousands of reais unless otherwise stated)

	Capital reserves				Carrying value adjustments Own assets	Revenue reserves					Retained earnings	Total
	Share capital	Special goodwill reserve	Share premium reserve	Revaluation reserve		Legal reserve	Tax incentive reserve	Reserve for new products and R&D	Reserve for investment in PP&E	Unpaid profits reserve		
At December 31, 2019	440,959	113,801	6,445	2,741	127,628	43,807	982	93,353	324,557	542,956	-	1,697,229
Realization of revaluation reserve	-	-	-	(448)	-	-	-	-	-	-	448	-
Realization of adjustments of deemed cost	-	-	-	-	(1,545)	-	-	-	-	-	1,545	-
Transfer to revenue reserves	-	-	-	-	-	-	-	-	-	459,474	(459,474)	-
Allocation of profits for capital expenditure	-	-	-	-	-	-	-	-	198,616	(198,616)	-	-
Proposed additional dividends for 2019	-	-	-	-	-	-	-	-	-	(344,340)	-	(344,340)
Profit for the period	-	-	-	-	-	-	-	-	-	-	631,381	631,381
SUDENE tax incentive	-	-	-	-	-	-	18,748	-	-	-	(18,748)	-
Interest on capital according to the Minutes of Meeting held on Feb 15, 2020	-	-	-	-	-	-	-	-	-	-	(56,997)	(56,997)
Prepaid dividends 2020	-	-	-	-	-	-	-	-	-	-	(16,553)	(16,553)
Minimum mandatory dividends	-	-	-	-	-	-	-	-	-	-	(79,609)	(79,609)
Realization of reserves	-	-	-	-	-	-	-	-	-	1,993	(1,993)	-
At December 31, 2020	440,959	113,801	6,445	2,293	126,083	43,807	19,730	93,353	523,173	461,467	-	1,831,111
Realization of revaluation reserve	-	-	-	(422)	-	-	-	-	-	-	422	-
Realization of adjustments of deemed cost	-	-	-	-	(1,544)	-	-	-	-	-	1,544	-
Transfer to revenue reserves	-	-	-	-	-	-	-	-	-	541,672	(541,672)	-
Allocation of profits for capital expenditure	-	-	-	-	-	-	-	-	86,375	(86,375)	-	-
Proposed additional dividends for 2020	-	-	-	-	-	-	-	-	-	(375,092)	-	(375,092)
Profit for the year	-	-	-	-	-	-	-	-	-	-	654,343	654,343
SUDENE tax incentive	-	-	-	-	-	-	38,121	-	-	-	(38,121)	-
Interest on capital as per the Minutes of Meeting held on Dec 20, 2021	-	-	-	-	-	-	-	-	-	-	(63,670)	(63,670)
Prepaid dividends 2021	-	-	-	-	-	-	-	-	-	-	(10,880)	(10,880)
Minimum mandatory dividends	-	-	-	-	-	-	-	-	-	(79,505)	-	(79,505)
Realization of reserves	-	-	-	-	-	-	-	-	-	1,966	(1,966)	-
At December 31, 2021	440,959	113,801	6,445	1,871	124,539	43,807	57,851	93,353	609,548	464,133	-	1,956,307

The accompanying notes are an integral part of these financial statements.

Aché Laboratórios Farmacêuticos S.A. and Subsidiaries

Statement of cash flows

Years ended December 31, 2021 and 2020

(All amounts in thousands of reais unless otherwise stated)

	Parent company		Consolidated	
	12/31/2021	12/31/2020	12/31/2021	12/31/2020
Cash flows from operating activities				
Profit before income tax and social contribution	828,659	816,338	841,304	817,215
Adjustments to reconcile profit before income tax and social contribution to net cash provided by operating activities:				
Depreciation and amortization	127,372	121,969	139,588	132,992
Loss on disposal of property, plant and equipment	6,953	12,652	6,955	14,835
Provision for tax, civil and labor risks	(24,129)	27,408	(23,994)	27,460
Provision for inventory losses	62,655	37,511	62,655	37,613
Equity in the results of subsidiaries	18,720	89,361	(11,659)	(16,832)
Other provisions	(10,723)	(25,341)	(10,474)	(26,707)
Debt charges and monetary and exchange variations	79,547	59,189	85,030	65,315
Impairment of property, plant and equipment	(2,587)	2,587	(2,587)	2,587
Allowance for expected credit losses	1,464	(477)	1,908	(436)
Lease discounts	-	(2,866)	-	(2,866)
Others - write-off of interest on leases	-	-	(3,378)	-
	1,087,931	1,138,331	1,085,348	1,051,176
(Increase) decrease in operating assets:				
Trade receivables	(132,051)	(290,445)	1,251	(17,896)
Inventories	(33,748)	(193,781)	(58,654)	(251,581)
Taxes recoverable	31,112	21,125	(65,697)	(55,708)
Prepaid expenses and other receivables	(9,554)	(46,044)	31,255	(44,192)
Trade payables	176,689	56,643	171,948	56,956
Labor and social security obligations	4,997	11,260	5,074	11,522
Taxes payable	(17,171)	(10,616)	(16,590)	(6,812)
Provision for tax, civil and labor risks paid	(20,717)	(11,390)	(20,717)	(11,390)
Other payables	20,750	44,430	(761)	2,429
Payment of interest on borrowings	(77,303)	(24,866)	(77,303)	(25,118)
Interest on lease agreement paid	(3,697)	(7,623)	(9,475)	(11,990)
Income tax and social contribution paid	(219,424)	(197,121)	(228,699)	(198,386)
Net cash provided by operating activities	807,814	489,903	816,980	499,010
Cash flows from investing activities				
Dividends received	-	708	-	-
Purchases of property, plant and equipment and intangible assets	(215,497)	(117,915)	(217,691)	(120,352)
Advances on property, plant and equipment	(47,096)	(44,555)	(47,096)	(44,555)
Non-current financial investments	(3,168)	(1,992)	(3,168)	(1,992)
Cash and cash equivalents merged by the parent company Melcon	2,105	-	-	-
Net cash used in investing activities	(263,656)	(163,754)	(267,955)	(166,899)
Cash flows from financing activities				
New borrowings and debentures	1,261,819	819,639	1,261,819	819,638
Repayment of borrowings and debentures	(1,266,503)	(459,420)	(1,266,503)	(460,506)
Payment of lease liabilities	(24,469)	(32,478)	(31,815)	(37,156)
Dividends and interest on capital paid	(537,800)	(515,000)	(537,800)	(515,000)
Debentures costs (transaction costs)	(2,084)	-	(2,084)	-
Net cash used in financing activities	(569,037)	(187,259)	(576,383)	(193,024)
Increase (decrease) in cash and cash equivalents	(24,879)	138,890	(27,358)	139,087
Cash and cash equivalents at the beginning of the year	271,781	132,891	284,487	145,400
Cash and cash equivalents at the end of the year	246,902	271,781	257,129	284,487
Increase (decrease) in cash and cash equivalents	(24,879)	138,890	(27,358)	139,087

The accompanying notes are an integral part of these financial statements.

Aché Laboratórios Farmacêuticos S.A. and Subsidiaries

Statement of value added

Years ended December 31, 2021 and 2020

(All amounts in thousands of reais unless otherwise stated)

	Parent company		Consolidated	
	12/31/2021	12/31/2020	12/31/2021	12/31/2020
Revenue				
Gross sales and services	4,564,384	4,122,603	4,431,004	3,909,691
Allowance for expected credit losses	(1,319)	5,252	(1,758)	5,227
Other revenues	47,301	80,290	48,912	80,449
	4,610,366	4,208,145	4,478,158	3,995,367
Inputs acquired from third parties				
Raw materials consumed	1,211,443	942,311	1,229,772	882,468
Cost of sales and services Sold	13,979	-	19,918	15,773
Materials, energy, third-party services and other	775,210	698,207	764,009	698,474
Loss of asset values	(684)	(1,018)	(161)	(994)
Impairment of assets	(2,587)	2,587	(2,587)	2,587
	1,997,361	1,642,087	2,010,951	1,598,308
Gross value added	2,613,005	2,566,058	2,467,207	2,397,059
Depreciation and amortization	(127,372)	(121,969)	(139,588)	(132,992)
Net value added generated by the Company	2,485,633	2,444,089	2,327,619	2,264,067
Value added received through transfer				
Equity in the results of subsidiaries	(18,720)	(89,361)	11,659	16,832
Finance income	54,543	34,401	59,118	34,751
	35,823	(54,960)	70,777	51,583
Total added value to distribute	2,521,456	2,389,129	2,398,396	2,315,650
Distribution of value added	2,521,456	2,389,129	2,398,396	2,315,650
Personnel	818,511	761,783	823,906	775,848
Direct compensation	686,958	643,550	691,244	654,861
Benefits	84,717	75,320	85,561	77,301
Government Severance Indemnity Fund for Employees (FGTS)	46,836	42,913	47,101	43,686
Taxes and contributions	884,516	849,489	750,024	754,677
Federal	502,672	481,296	460,127	462,062
State	355,952	356,040	263,986	280,046
Municipal	18,047	9,733	18,051	9,771
Other taxes	7,845	2,420	7,860	2,798
Debt remuneration	164,086	146,476	170,123	153,744
Interest	123,785	124,533	129,389	131,339
Rentals	40,301	21,943	40,734	22,405
Equity remuneration	654,343	631,381	654,343	631,381
Interest on capital paid	74,550	153,158	74,550	153,158
Profits reinvested for the year	579,793	478,223	579,793	478,223

The accompanying notes are an integral part of these financial statements.

Aché Laboratórios Farmacêuticos S.A. and Subsidiaries

Notes to the parent company and consolidated financial statements--Continued

December 31, 2021

(All amounts in thousands of reais unless otherwise stated)

1. General information

Aché Laboratórios Farmacêuticos S.A. ("Company") is a closely-held corporation headquartered in the city of São Paulo, São Paulo state, engaged in the manufacturing, sale, import and export of pharmaceutical products for human consumption and operating in the main pharmaceutical segments, such as respiratory, muscular-skeletal, female health, central nervous system, cardiology, dermatology, vitamins, oncology and dermocosmetics, through its prescription, generic, over-the-counter (OTC) medicine, derma and special care business units.

The Company has five plants located in São Paulo (SP), Guarulhos (SP), Anápolis (GO), Londrina (PR) and Cabo de Santo Agostinho (PE). It also has an interest in the biotechnology company Bionovis, whose plant is being constructed in the city of Valinhos.

The Company holds ownership interests in the following companies:

Name	Core activity	Country	Interest	12/31/2021	12/31/2020
Aché International Ltd.	(a) Maintenance of partnerships with other international companies for the technical and operational development of its products.	British Virgin Islands	Direct	100%	100%
Raposo Participações Ltda. ("Raposo")	(a) Ownership interest in other companies as associate, member of shareholder.	Brazil	Direct	99.99%	99.99%
Indústria Farmacêutica Melcon do Brasil S.A. ("Melcon")	(b) Manufacturing, trade, import and export of hormones.	Brazil	Direct	-	100%
Labofarma Produtos Farmacêuticos Ltda. ("Labofarma")	(c) Distribution and sale of medicines.	Brazil	Direct	100%	100%
Neolog Armazém Geral Ltda ("Neolog")	(d) Storage and general warehouse, including for the storage and conservation of medicines, related products, cosmetics, hygiene products, perfumery, food, free samples and promotional material.	Brazil	Indirect	100%	100%
Bionovis S.A. ("Bionovis")	(e) Research, development, production, distribution and sale of biotechnological medicines.	Brazil	Jointly owned subsidiary	25%	25%
Nortis Farmacêutica Ltda. ("Nortis")	(f) Manufacturing of cephalosporin antibiotics for human consumption, OTC medicines and nutraceuticals.	Brazil	Direct	100%	100%
Innovatech Solutions Ltda. ("Innovatech")	(a) Provision of services in research and development of pharmaceutical products (medicines, cosmetics, food and medical devices); activities related to industrial analysis, design, development, solution and innovation of projects focused on technology.	Brazil	Direct	99.93%	99.93%
Laboratório Químico Farmacêutico Tiaraju Ltda. ("Tiaraju")	(g) Holder of registrations of phytomedications and functional foods.	Brazil	Direct	100%	100%

(a) These companies remain inactive, that is, no financial, accounting and corporate activities were conducted.

(b) The subsidiary Melcon was merged into the Company on January 1, 2021. See note 9.

(c) The subsidiary Labofarma was established on November 24, 2005. In 2019, the Company consolidated its logistics operations in a single distribution center in Guarulhos, SP.

Aché Laboratórios Farmacêuticos S.A. and Subsidiaries

Notes to the parent company and consolidated financial statements--Continued

December 31, 2021

(All amounts in thousands of reais unless otherwise stated)

- (d) Labofarma has a 99.99% interest in its subsidiary Neolog.
- (e) On March 22, 2012, the Company acquired 25% ownership interest in Bionovis, located in Valinhos - SP, a company engaged in the research and development of biotechnological medicines. In 2019, it started the construction of its plant with the installation of all utilities (infrastructure), laboratory and R&D center.
- (f) On March 14, 2016, the Company acquired Nortis, a laboratory specialized in the manufacture of cephalosporin antibiotics and sale of functional foods.
- (g) On March 4, 2016, the Company acquired phytomedicine registrations from Laboratório Químico Farmacêutico Tiaraju Ltda. that are classified under intangible assets.

1.1. Impacts of COVID-19

The Company had no material impact on its operations due to the Covid-19 pandemic.

The Company created a Crisis Committee on February 3, 2020 to monitor risks in relation to the Coronavirus and establish preventive guidelines to contribute to the safety, health and integrity of all its employees, the public with which it relates, and society as a whole.

Since August 2020, the Company counts on a consultancy from Hospital Sírio-Libanês to validate the plan to return to face-to-face work and the actions aimed at the safety of its employees.

The Company focused on projects to support growth in performance and efficiency (OEE), productivity and maintenance of manufacturing costs, even in a period with so many adversities and changes in demand imposed by the pandemic, such as changing the production mix, due to opportunities and new consumption patterns, which led to a differentiated management of inventories, continuing to operate regularly with full operation of its production, logistics and supply chain. With good management by the date of publication of this financial information, the Company's inventory levels are still capable of keeping its output capacity.

The Company is exposed to operational and market risks mainly due to foreign exchange differences on exposed liabilities. As an internal hedging policy, the Company uses derivative instruments to mitigate this kind of financial risks and expects to keep adopting the methodology it has been using to date.

A structured credit granting policy is in place aiming to hedge Trade Receivables through guarantees and continuous monitoring of the default risk. Even in the current scenario, the characteristics of the business and the customer profile mitigate the risk of default, however, the Company continues to monitor these indicators to maintain the sustainable level of business relations.

Aché Laboratórios Farmacêuticos S.A. and Subsidiaries

Notes to the parent company and consolidated financial statements--Continued

December 31, 2021

(All amounts in thousands of reais unless otherwise stated)

2. Basis of preparation and presentation of the financial statements and summary of significant accounting policies

These parent company and consolidated financial statements were approved for disclosure at the Board of Directors' Meeting held on March 31, 2022.

The parent company and consolidated financial statements were prepared in accordance with accounting practices adopted in Brazil, which comprise the provisions set forth in the Brazilian corporate law, provided for by Law 6,404/76, as amended by Law 11,638/07, Law 11,941/09 and Law 12,973/14, and the accounting pronouncements, interpretations and guidance issued by the Brazilian Accounting Pronouncements Committee (CPC) and the International Financial Reporting Standards (IFRS), issued by the International Accounting Standards Board (IASB).

The parent company and consolidated financial statements were prepared based on historical cost, except for certain financial instruments measured at their fair values when so required in the standards.

The financial statements were prepared and are presented in Reais (R\$), which is the Company's functional and presentation currency. The functional currency was determined according to the primary economic environment of its operations. All amounts presented in these financial statements are stated in thousands of reais, unless otherwise stated.

Transactions in foreign currency, that is, all transactions that are not carried out in the entity's functional currency, are translated at the exchange rate prevailing at the date the transactions are carried out. The balances of monetary assets and liabilities denominated in foreign currency are translated to the Company's functional currency at the exchange rate at the balance sheet date.

2.1 Accounting policies

The preparation of parent company and consolidated financial statements requires the use of accounting estimates based on both objective and subjective factors, in line with management's judgment for determining the appropriate amounts to be recorded in the parent company and consolidated financial statements.

Accounting estimates and judgments are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances.

The significant accounting policies adopted by the Company and the estimates that present significant risk of causing a material adjustment in the carrying amounts of assets and liabilities are described below.

Aché Laboratórios Farmacêuticos S.A. and Subsidiaries

Notes to the parent company and consolidated financial statements--Continued

December 31, 2021

(All amounts in thousands of reais unless otherwise stated)

2.1.1 Cash and cash equivalents

Cash and cash equivalents include cash on hand and financial investments with original maturity of three months or less as from the contracting date, readily convertible into known amounts of cash and subject to an immaterial risk of change in value and used by the Company to manage short-term obligations.

2.1.2 Financial assets and liabilities

Financial assets and liabilities are classified based on the individual characteristics of the instruments and on the management model of the asset or portfolio in which it is contained in accordance with IFRS 9/CPC 48 whose measurement and presentation categories are:

- (i) amortized cost.
- (ii) fair value through other comprehensive income.
- (iii) fair value through profit or loss.

Regular way purchases or sales of financial assets are recognized on the trade date, that is, the date on which the Company commits to purchase or sell the asset. Financial assets are derecognized when the rights to receive cash flows from investments have expired or when substantially all risks and benefits of ownership have been transferred.

The Company does not have any financial asset in the category of fair value through other comprehensive income.

(a) Financial assets measured at amortized cost

Are financial assets held by the Company (i) for the purpose of receiving their contractual cash flow rather than for sale with profit or loss, and (ii) the contractual terms of which give rise on specified dates to cash flows that exclusively comprise payments of principal and interest on the principal amount outstanding. Its variations are recognized under the line item of Finance result, net. Comprise the balance of cash and cash equivalents, trade receivables and judicial deposits.

(b) Financial assets measured at fair value through profit or loss

Financial assets that are not measured at amortized cost or at fair value through other comprehensive income are classified in this category. Their variations are recognized in profit or loss in the line-item Derivative financial instruments.

Aché Laboratórios Farmacêuticos S.A. and Subsidiaries

Notes to the parent company and consolidated financial statements--Continued

December 31, 2021

(All amounts in thousands of reais unless otherwise stated)

2.1.3 Revenue recognition

Revenues from contracts with customers are recognized as control of the products is transferred to the customers, represented by the ability to determine the use of the products and to obtain substantially all the remaining benefits from the products.

For this, the Company uses the 5-step model in accordance with IFRS 15/CPC 47, as follows:

- (i) identification of a contract with a customer.
- (ii) identification of performance obligations in the contract.
- (iii) determination of the transaction price.
- (iv) allocation of the transaction price to the performance obligations in the contract; and
- (v) revenue recognition when the performance obligation is met.

The Company's revenues are recognized net of applicable taxes, returns, rebates and discounts and on the accrual basis of accounting.

2.1.4. Inventories

Inventories are stated at the lower of cost or net realizable value. The inventory cost is determined using the weighted moving average method. The cost of finished products and work in progress comprises raw materials, direct labor, other direct costs and related overhead expenses. Inventories are presented net of provisions for losses and, in the consolidated, net of eliminations of unrealized profits from inventories.

The estimate for the assessment of the provision for inventory losses is reviewed monthly, and considers, among other aspects, the expire date of the products, as well as products blocked due to quality deviations.

2.1.5 Intangible assets

Goodwill is represented by the positive difference between the amount paid and/or payable for the acquisition of a business and the net amount of the assets and liabilities fair value of the acquiree. Goodwill is tested annually for impairment

Goodwill is classified as part of the investments that gave rise to it, as it forms part of the investment acquired. In the consolidated balance sheet, goodwill is reclassified to intangible assets as they refer to the expected future profitability of each subsidiary acquired.

Acquired trademarks are initially stated at acquisition value, have an indefinite useful life and are tested annually for impairment.

Computer software licenses purchased are capitalized based on the costs incurred to acquire and bring to use the specific software. These costs are amortized over their useful lives. Costs

Aché Laboratórios Farmacêuticos S.A. and Subsidiaries

Notes to the parent company and consolidated financial statements--Continued

December 31, 2021

(All amounts in thousands of reais unless otherwise stated)

associated with maintaining computer software programs are recognized as an expense as incurred.

2.1.6 Property, plant and equipment

Property, plant and equipment are measured at historical cost, net of straight-line depreciation and accumulated impairment losses.

Historical cost includes expenditure that is directly attributed to the acquisition of the items, and finance costs related to the acquisition of qualifying assets. The carrying amount of the replaced items or parts is derecognized. All other maintenance and repair costs are recorded as a balancing entry to profit or loss, when incurred.

Property, plant and equipment are depreciated from the date they are available for use, or, in the case of self-constructed assets, from the date that the asset is completed and ready for use.

Depreciation is calculated to amortize the costs of the items, net of their estimated residual values, over their estimated useful lives. Land is not depreciated.

2.1.7 Borrowings and debentures

Borrowings are recognized initially at fair value, net of transaction costs incurred, and are subsequently carried at amortized cost.

Any difference between the proceeds (net of transaction costs) and the total amount payable is recognized in the statement of income over the period of the borrowings using the effective interest rate method.

The effective interest rate is different from the contractual interest rate, as transaction costs incurred in each debt are considered. The transaction costs incurred in raising funds with third parties are allocated to profit or loss for the year over the term of the debt that originated them, using the amortized cost method. The use of the amortized cost method results in the calculation and allocation of financial charges based on the effective interest rate instead of the contractual interest rate of the instrument.

Borrowings are classified as current liabilities unless the Company has an unconditional right to defer settlement of the liability for at least 12 months after the reporting period.

Aché Laboratórios Farmacêuticos S.A. and Subsidiaries

Notes to the parent company and consolidated financial statements--Continued

December 31, 2021

(All amounts in thousands of reais unless otherwise stated)

2.1.8 Deferred income tax and social contribution

Deferred tax liabilities are recognized for all non-taxable temporary differences.

Deferred tax assets are recognized for all deductible temporary differences, unused tax credits and unused tax losses to the extent that it is probable that future taxable profits will be available against which the deductible temporary differences can be realized, and the tax credits and tax losses can be utilized.

Deferred tax assets arising from temporary differences will be realized as they are settled or realized within a period not exceeding 10 years.

Deferred tax assets and liabilities are measured at the tax rate determined by the tax legislation in effect at the balance sheet date and that is expected to be applicable on the date of realization of the assets or settlement of the liabilities that generated the deferred taxes.

Deferred taxes are recognized according to the transaction that gave rise to it, in profit or loss or in equity.

2.1.9 Lease liabilities and right-of-use assets

The Company assesses at the commencement date of the contract whether it is or contains a lease, that is, whether the contract conveys the right to control the use of an identified asset for a period in exchange for consideration.

Lease liabilities for making lease payments and right-of-use assets that represent the right to use the underlying assets are recognized by the Company.

At the commencement date of the lease, the Company recognizes lease liabilities measured at the present value of lease payments to be made over the lease term.

After the commencement date, the amount of the lease liability is increased to reflect the increase in interest and reduced for lease payments made. In addition, the amount of the lease liability is remeasured if there is an amendment, change in term or a change in the amount of the installments.

2.1.10 Statement of value added

The statement of value added is not required by IFRS and is presented as supplementary information in compliance with Brazilian corporate law. Its purpose is to disclose the wealth created by the Company in the year as well as to demonstrate its distribution among the various agents.

Aché Laboratórios Farmacêuticos S.A. and Subsidiaries

Notes to the parent company and consolidated financial statements--Continued

December 31, 2021

(All amounts in thousands of reais unless otherwise stated)

2.1.11 Recognition, measurement and realization of tax credits

The Company has taxes recoverable arising from its operations and timely assesses the realization of tax credits, the largest balance referring to ICMS related to the operations of the subsidiary Labofarma. The use of this credit is under study by the Company.

2.1.12 Estimated impairment of non-financial assets

The Company tests goodwill, trademarks and patents, property, plant and equipment and right-of-use assets for impairment, in accordance with CPC 01 - Impairment of assets. The test uses the cash-generating unit ("CGU") and the discounted cash flow methodology. The result of the impairment test carried out on December 31, 2021 considers the new scenario with Covid-19 and, even so, did not indicate any need for a provision for impairment.

The following assumptions were considered:

- Projections of operating costs considering the growth of the operation and macroeconomic variables.
- Investment needs in line with the Company's business plan.
- Discount rate for projected cash flows was 9.3% p.a. (7% p.a. in 2020).

The results of the impairment tests carried out on December 31, 2021 did not indicate any need for a provision for impairment.

2.1.13 Contingent liabilities

The Company classifies the risk of loss of proceedings based on the analysis of its legal advisors, which reasonably reflects the estimated probable losses established pursuant to CPC 25/IAS 37, and is sufficient to cover any losses arising from administrative and judicial proceedings.

The Company reviewed the monetary adjustment indexes and the likelihood of loss in specific proceedings included in the tax provision with the support of external consultants in the third quarter of 2021 (Note 19).

The Company is involved in certain administrative and judicial discussions with the Brazilian tax authorities related to certain tax positions in the calculation of the income tax and social contribution (IRPJ/CSLL). The current analysis of the result, based on internal and external legal counsel's assessment, is that these will probably be accepted by the courts of last instance. However, the outcome is uncertain and depends on factors not controlled by the Group, such as changes in case law and changes to tax laws and regulations.

Aché Laboratórios Farmacêuticos S.A. and Subsidiaries

Notes to the parent company and consolidated financial statements--Continued

December 31, 2021

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2.2 New pronouncements, interpretations and guidance

There are no accounting standards, guidance or pronouncements that became effective for the first time as from the year beginning on January 1, 2021. The Company has not early adopted any standards, interpretations or amendments that have been issued but are not yet effective.

2.2.1 New or amended pronouncements, but not yet effective

The following new pronouncements are not expected to have a significant impact on the Company's financial statements. If applicable to the businesses of the Company and its subsidiaries, new or amended pronouncements will be adopted as soon as their adoption enters into force.

New or amended pronouncements	Nature of the amendment	Effective for annual periods beginning on or after
CPC 27 - Property, plant and equipment	Provide guidance for accounting transactions involving sale of items produced before the asset is available for use – proceeds before intended use	January 1, 2022
Annual improvements to IFRSs 2018-2020 Cycle	Amendments to IFRS 01, IFRS 09, IFRS 16 and IAS 41	January 1, 2022
CPC 25 – Provisions, Contingent Liabilities and Contingent Assets	Onerous Contracts – Cost of Fulfilling a Contract	January 1, 2022
CPC 26 (R1) - Presentation of Financial Statements	Requirements for classification of current and noncurrent liabilities	January 1, 2023
CPC 50 – Insurance Contracts	Initial adoption	January 1, 2023

Aché Laboratórios Farmacêuticos S.A. and Subsidiaries

Notes to the parent company and consolidated financial statements--Continued
December 31, 2021

(All amounts in thousands of reais unless otherwise stated)

CPC 32 – Income Taxes:	Deferred Tax related to Assets and Liabilities arising from a Single Transaction	January 1, 2023
CPC 26 (R1) – Presentation of Financial Statements and CPC 23 – Accounting Policies, Changes in Accounting Estimates and Errors	Provide further guidance on materiality, judgments and changes in accounting policy disclosures.	January 1, 2023
CPC 23 - Accounting Policies, Changes in Accounting Estimates and Errors	Provide guidance on the distinction between accounting policies and accounting estimates.	January 1, 2023
CPC 36 (R3) – Consolidated Financial Statements and CPC 18 (R2) – Sale or Contribution of Assets between an Investor and its Associate or Joint Venture	Provide guidance for situations involving the sale or contribution of assets between an investor and its associates.	Not yet determined by IASB and CFC

3. Cash and cash equivalents and financial investments

	Parent company		Consolidated	
	12/31/2021	12/31/2020	12/31/2021	12/31/2020
Cash and banks	10,590	4,908	16,954	13,015
Financial investments	236,312	266,873	240,175	271,472
Total	246,902	271,781	257,129	284,487

	Parent company		Consolidated	
	12/31/2021	12/31/2020	12/31/2021	12/31/2020
Financial investments - non-current	6,747	3,579	6,747	3,579

Financial investments comprise Bank Deposit Certificates (CDB) bearing interest between 100.0% and 103.0% of the Interbank Deposit Certificate (CDI), with an average duration of 365 days (97.5% to 103.3% in 2020), and repurchase agreements with an average duration of 30 days and interest of 80% to 82% (80% in 2020) of the CDI, distributed among financial institutions with AAA rating (local currency), classified under Cash and cash equivalents, as they are considered financial assets with the possibility of immediate redemption and subject to an insignificant risk of change in value in agreed yield.

Aché Laboratórios Farmacêuticos S.A. and Subsidiaries

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(All amounts in thousands of reais unless otherwise stated)

The Company has an Investment Reserve Fund as a guarantee of a financing, bearing interest at 37.2% of the CDI (47.7% of the CDI in 2020). Because it is a guarantee for financing, this asset was accounted for as noncurrent investments, and does not qualify as a cash and cash equivalent as it cannot be immediately redeemed.

4. Trade receivables

Trade receivables are recorded at the original invoice amounts, less the allowance for expected credit losses.

	Parent company		Consolidated	
	12/31/2021	12/31/2020	12/31/2021	12/31/2020
Domestic customers	343,041	450,444	602,782	609,181
Foreign customers (Note 20 c.2)	8,358	3,360	8,358	3,360
Related parties (Note 16)	669,890	427,625	-	-
Allowance for expected credit losses (b)	(2,644)	(926)	(3,088)	(1,330)
Total	1,018,645	880,503	608,052	611,211

a) Aging list of trade receivables

	Parent company		Consolidated	
	12/31/2021	12/31/2020	12/31/2021	12/31/2020
Not yet due	1,005,646	874,124	589,797	604,093
Past due:				
From 1 to 60 days	11,181	4,239	15,976	4,853
From 61 to 120 days	1,479	1,295	1,782	1,393
121 to 180 days	339	845	497	872
Over 180 days	2,644	926	3,088	1,330
Total	1,021,289	881,429	611,140	612,541

The maximum exposure to credit risk at the reporting date is the carrying amount of each maturity age range as shown in the table above.

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Notes to the parent company and consolidated financial statements--Continued
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Changes in allowance for expected credit losses

b) Allowance for expected credit losses

For trade receivables, the Company applies the simplified approach permitted by IFRS 9/CPC 48, which requires expected lifetime losses to be recognized from initial recognition of the receivables.

	Parent company		Consolidated	
	12/31/2021	12/31/2020	12/31/2021	12/31/2020
Balance at the beginning of the year	(926)	(6,178)	(1,330)	(6,557)
Melcon merger balance (a)	(400)	-	-	-
Additions	(3,607)	(4,569)	(4,277)	(4,632)
Write-offs (actual losses)	146	4,775	150	4,791
Reversals due to amounts received	2,143	5,046	2,369	5,068
Balance at the end of the year	(2,644)	(926)	(3,088)	(1,330)

(a) These are the merged balances of the subsidiary Melcon, previously presented only in the consolidated.

5. Inventories

	Parent company		Consolidated	
	12/31/2021	12/31/2020	12/31/2021	12/31/2020
Finished products	283,524	316,824	362,636	371,799
Work in progress	135,375	100,295	135,457	101,800
Raw materials	306,054	306,133	306,054	311,891
Imports in transit	28,745	34,060	28,745	34,060
Provision for inventory losses	(34,743)	(17,372)	(34,743)	(17,400)
Total	718,955	739,940	798,149	802,150

Unrealized profits from the purchase of finished products among the group companies are eliminated upon consolidation. At December 31, 2021, unrealized profits on the Company's inventories, net of taxes, was R\$170,270 (R\$129,948 at December 31, 2020).

The Company expects its inventories to be realized in less than 12 months.

Aché Laboratórios Farmacêuticos S.A. and Subsidiaries

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(All amounts in thousands of reais unless otherwise stated)

a) Changes in the allowance for inventory losses

	Parent company		Consolidated	
	12/31/2021	12/31/2020	12/31/2021	12/31/2020
Balance at the beginning of the year	(17,372)	(40,069)	(17,400)	(40,093)
Melcon merger balance (a)	(28)	-	-	-
Additions	(76,824)	(50,853)	(76,824)	(50,955)
Reversals	14,169	13,342	14,169	13,342
Write-offs (actual losses)	45,312	60,208	45,312	60,306
Balance at the end of the year	(34,743)	(17,372)	(34,743)	(17,400)

(a) These are the merged balances of the subsidiary Melcon, previously presented only in the consolidated.

6. Taxes recoverable

	Parent company		Consolidated	
	12/31/2021	12/31/2020	12/31/2021	12/31/2020
Excise Tax (IPI)	5,307	2,924	5,307	2,928
Value-added Tax on Sales and Services (ICMS)				
(a)	11,122	27,383	106,093	104,104
Social Integration Program (PIS)	3,584	10,180	4,023	10,417
Social Contribution on Revenues (COFINS)	16,474	36,677	18,501	37,772
Corporate Income Tax (IRPJ) and Social Contribution on Net Income (CSLL)	7,682	-	8,352	-
Other taxes recoverable	582	1,227	859	1,902
Total	44,751	78,391	143,135	157,123

(a) In the consolidated, the ICMS balance refers to operations of the subsidiary Labofarma, on the difference in the rate of inputs and outputs (average rate of 14% on inputs and 8% on outputs). The use of the credit is under study, considering that these are amounts that can be recovered, with alternatives for implementation. These credits are subject to recovery and their triggering event arises from a risk-free operation, therefore there is no need for a loss allowance.

Aché Laboratórios Farmacêuticos S.A. and Subsidiaries

Notes to the parent company and consolidated financial statements--Continued

December 31, 2021

(All amounts in thousands of reais unless otherwise stated)

7. Deferred income tax and social contribution

The balances of deferred tax assets and liabilities are as follows:

	Parent company		Consolidated	
	12/31/2021	12/31/2020	12/31/2021	12/31/2020
Assets				
Deferred income tax and social contribution on:				
Temporarily non-deductible provisions:				
Provision for tax, civil and labor risks	68,862	84,108	68,862	84,108
Profit sharing	28,734	30,361	28,734	30,361
Allowance for expected credit losses	899	315	899	315
Provision for inventory losses	12,294	6,451	12,294	6,451
Provision for fleet maintenance	1,875	2,630	1,875	2,630
Provision for customer bonus	38,382	33,522	38,382	33,522
Unrealized profit	57,892	44,182	57,892	44,182
Provision for bill and hold sales	2,632	1,793	2,632	1,793
Incinerated materials	5,022	18,770	5,022	18,770
Provisions for project decommissioning	377	3,199	377	3,199
Provision for hedge	261	210	261	210
Other	9,685	7,796	9,685	7,796
Total	226,915	233,337	226,915	233,337
Liabilities				
Deferred income tax and social contribution on:				
Revaluation of assets	4,391	4,659	4,391	4,659
Deemed cost of property, plant and equipment and difference between useful life and tax depreciation rate	87,020	86,343	87,020	86,343
Amortized goodwill	73,232	73,232	73,232	73,232
Borrowing costs	20,281	18,676	20,281	18,676
Monetary adjustment on judicial deposits	4,703	14,585	4,703	14,585
Depreciation	18,495	21,808	18,495	21,808
Accelerated depreciation according to articles 319 and 320 of the RIR	45,628	-	45,628	-
Current account provision	15,356	2,380	15,356	2,380
Other	266	267	266	267
Total	269,372	221,950	269,372	221,950
Balance of deferred income tax and social contribution tax assets (liabilities)	42,457	(11,387)	42,457	(11,387)

Based on its projections of future taxable profits, management's expectation for realization of tax credits is shown below:

	Consolidated	
	12/31/2021	12/31/2020
2021	137,610	129,712
2022	12,499	12,751
2023	1,524	1,192
2024 onwards	75,282	89,682
Total	226,915	233,337

Aché Laboratórios Farmacêuticos S.A. and Subsidiaries

Notes to the parent company and consolidated financial statements--Continued

December 31, 2021

(All amounts in thousands of reais unless otherwise stated)

8. Reconciliation of income tax and social contribution expense

	Parent company		Consolidated	
	12/31/2021	12/31/2020	12/31/2021	12/31/2020
Profit before income tax and social contribution	828,659	816,338	841,304	817,215
Income tax and social contribution expense at statutory rate - 34%	(281,744)	(277,555)	(286,043)	(277,853)
Reconciliation of income tax and social contribution expense at effective rate:				
Equity in the results of subsidiaries	7,344	13,257	3,964	5,723
Tax benefit from technology research and development of technological innovation	35,549	31,093	35,549	31,093
Interest on capital	21,648	19,379	21,648	19,379
Non-deductible fines	(213)	-	(213)	-
Non-deductible donations	(5,067)	(4,533)	(5,067)	(4,536)
'Citizen maternity' allowance	(789)	(678)	(790)	(678)
Tax incentives	7,393	9,338	7,393	9,338
Tax incentives - Sudene	38,121	18,748	38,121	18,748
Goodwill Merger Melcon	3,712	-	3,712	-
PAT – Workers' Meal Program	5,029	9,552	5,029	9,552
Incinerated materials	(4,679)	(5,038)	(4,679)	(5,038)
Other	(620)	1,480	(5,585)	8,438
Effective income tax and social contribution expense	(174,316)	(184,957)	(186,961)	(185,834)
Current	(120,472)	(287,139)	(133,117)	(288,016)
Deferred	(53,844)	102,182	(53,844)	102,182
Effective rate	-21%	-23%	-22%	-23%

9. Investments and allowance for investment loss

Investments	Parent company		Consolidated	
	12/31/2021	12/31/2020	12/31/2021	12/31/2020
Subsidiaries	54,694	70,154	46,923	33,936
Goodwill - Asta Médica (a)	-	11,446	-	-
Goodwill - Melcon (a)	-	17,533	-	-
Goodwill - Nortis	9,420	9,420	-	-
Total	64,114	108,553	46,923	33,936
Allowance for investment loss				
Subsidiaries	120,590	93,127	-	-

(a) In the second quarter of 2021, the Company reviewed the presentation of goodwill arising from companies that had already been merged and reclassified the amounts of R\$11,446 related to the acquisition of Asta Médica and R\$17,533 related to the acquisition of Melcon to the line item of Intangible assets (Note 11).

Aché Laboratórios Farmacêuticos S.A. and Subsidiaries

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	Information on Subsidiaries					12/31/2021	12/31/2021	12/31/2020	12/31/2020
	Total	Total	Total	Unrealized	P&L for the	Investment	Equity in	Investment	Equity in
	assets	liabilities	equity	profit	period	balance	the results of subsidiaries	balance	the results of subsidiaries
Melcon (a)	-	-	-	-	-	-	-	25,531	6,494
Bionovis (b)	1,047,047	859,354	187,693	-	46,635	46,923	11,659	33,936	16,832
Nortis	9,196	1,425	7,771	-	(2,916)	7,771	(2,916)	10,687	(863)
Total						54,694	8,743	70,154	22,463
Allowance for investment loss Labofarma (c)	770,330	720,649	49,681	40,322	12,859	(120,590)	(27,463)	(93,127)	(111,824)
						(65,896)	(18,720)	(22,973)	(89,361)

(a) The investment balance of subsidiary Melcon was written off through the merger of Aché's balances in January 2021.

(b) As described in note 1, the Company holds interest in the joint venture Bionovis.

(c) This is an allowance for investment loss related to Labofarma, with an Investment balance of R\$49,681 and a balance of unrealized profit on the investment of R\$170,271.

The equity interest percentages are disclosed in Note 1.

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Changes in investments in subsidiaries and joint ventures

<u>Subsidiaries and joint ventures</u>	<u>12/31/2020</u>	<u>Equity in the results of subsidiaries</u>	<u>Write-offs of investment due to merger</u>	<u>Dividends (a)</u>	<u>12/31/2021</u>
Melcon	25,531	-	(25,531)	-	-
Bionovis	33,936	11,659	-	1,328	46,923
Nortis	10,687	(2,916)	-	-	7,771
Labofarma	(93,127)	(27,463)	-	-	(120,590)
Total	(22,973)	(18,720)	(25,531)	1,328	(65,896)

<u>Subsidiaries and joint ventures</u>	<u>12/31/2019</u>	<u>Equity in the results of subsidiaries</u>	<u>Dividends</u>	<u>12/31/2020</u>
Melcon	19,567	6,494	(530)	25,531
Bionovis	18,941	16,832	(1,837)	33,936
Nortis	11,550	(863)	-	10,687
Labofarma	18,697	(111,824)	-	(93,127)
Total	68,755	(89,361)	(2,367)	(22,973)

(a) Balance corresponds to (i) R\$ (4,098) referring to the reversal of dividends for 2020, and R\$2,769 referring to dividends approved in 2021.

Merger of Indústria Melcon Ltda.

According to the Extraordinary General Meeting held on December 31, 2020, the Merger and Justification Protocol was approved for the merger of Melcon into the Company, with the objective of rationalizing and unifying the administrative activities, as well as achieving gains and operational synergy. The appraisal report of the equity of the merged company was calculated based on the book values as of December 1, 2020, issued by an independent company. The merger into the Company's accounting records occurred on January 1, 2021, as shown below:

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	Parent company before merger	Net assets merged	Parent company after merger
	12/31/2021	01/01/2021	12/31/2021
Assets			
Current assets			
Cash and cash equivalents	244,797	2,105	246,902
Trade receivables	1,011,090	7,555	1,018,645
Inventories	711,034	7,921	718,955
Taxes recoverable	44,362	389	44,751
Dividends	2,769	-	2,769
Prepaid expenses	127,939	497	128,436
Other receivables	56,700	6	56,706
Total current assets	2,198,691	18,473	2,217,164
Financial investments	6,747	-	6,747
Judicial deposits	73,974	7	73,981
Taxes recoverable	36,952	141	37,093
Deferred income tax and social contribution	-	-	-
Investments	89,646	-	64,114
Property, plant and equipment	1,483,840	22,893	1,506,733
Right-of-use assets	37,441	-	37,441
Intangible assets	293,395	452	293,847
Other receivables	13,911	4	13,915
Total non-current assets	2,035,906	23,497	2,033,671
Total assets	4,234,597	41,970	4,251,035
Liabilities and equity			
Current liabilities			
Borrowings	89,772	3,245	93,017
Debentures	10,300	-	10,300
Lease liabilities	30,736	-	30,736
Trade payables	515,221	2,200	517,421
Tax obligations	16,150	3,196	19,346
Labor and social security obligations	129,064	976	130,040
Dividends and interest on capital payable	119,725	-	119,725
Accounts payable	106,815	521	107,336
Other payables	44,225	-	44,225
Total current liabilities	1,062,008	10,138	1,072,146
Non-current liabilities			
Borrowings	383,062	6,294	389,356
Debentures	398,052	-	398,052
Lease liabilities	16,292	-	16,292
Deferred income tax and social contribution	42,457	-	42,457
Provision for tax, civil and labor risks	202,529	7	202,536
Other payables	53,299	-	53,299
Allowance for investment loss	120,590	-	120,590
Total non-current liabilities	1,216,281	6,301	1,222,582
Share capital	440,959	11,235	440,959
Capital reserves	120,246	-	120,246
Revaluation reserve	1,871	-	1,871
Carrying value adjustments	124,539	-	124,539
Revenue reserves	1,268,692	14,296	1,268,692
Total equity	1,956,307	25,531	1,956,307
	4,234,596	41,970	4,251,035

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10. Property, plant and equipment

Property, plant and equipment items are measured at historical cost, less accumulated depreciation on a straight-line basis and accumulated impairment losses.

	Useful life (years)	Parent company					
		12/31/2021			12/31/2020		
		Cost	Accumulated depreciation	Net value	Cost	Accumulated depreciation	Net value
Land		132,966	-	132,966	130,801	-	130,801
Buildings	42	779,171	(198,005)	581,166	756,106	(178,942)	577,164
Facilities	10	185,214	(84,219)	100,995	168,796	(70,586)	98,210
Machinery and equipment	6	681,138	(318,084)	363,054	656,822	(270,129)	386,693
Furniture and fittings	10	24,662	(13,931)	10,731	22,890	(12,261)	10,629
Vehicles	5	1,729	(1,707)	22	1,586	(1,586)	-
IT equipment	4	90,301	(63,198)	27,103	81,681	(50,120)	31,561
Molds and dies/other	10	51,848	(20,045)	31,803	37,370	(15,620)	21,750
		1,947,029	(699,189)	1,247,840	1,856,052	(599,244)	1,256,808
Advances		36,295	-	36,295	18,830	-	18,830
Construction in progress (a)		222,598	-	222,598	60,888	-	60,888
(-) Impairment		-	-	-	(2,587)	-	(2,587)
Total		2,205,922	(699,189)	1,506,733	1,933,183	(599,244)	1,333,939

	Useful life (years)	Consolidated					
		12/31/2021			12/31/2020		
		Cost	Accumulated depreciation	Net value	Cost	Accumulated depreciation	Net value
Land		132,966	-	132,966	132,966	-	132,966
Buildings	42	779,171	(198,006)	581,165	779,031	(185,477)	593,554
Facilities	10	190,239	(86,871)	103,368	177,372	(73,727)	103,645
Machinery and equipment	6	700,004	(323,413)	376,591	682,460	(281,318)	401,142
Furniture and fittings	10	25,193	(14,136)	11,057	23,948	(12,830)	11,118
Vehicles	5	1,729	(1,707)	22	1,706	(1,706)	-
IT equipment	4	91,557	(63,664)	27,893	83,879	(51,040)	32,839
Molds and dies/other	10	51,878	(20,054)	31,824	37,400	(15,623)	21,777
		1,972,737	(707,851)	1,264,886	1,918,762	(621,721)	1,297,041
Advances (a)		36,296	-	36,296	18,830	-	18,830
Construction in progress (a)		222,704	-	222,704	61,327	-	61,327
(-) Impairment		-	-	-	(2,587)	-	(2,587)
Total		2,231,737	(707,851)	1,523,886	1,996,332	(621,721)	1,374,611

(a) This refers mostly to investments in the second phase of the new plant in the region of Cabo de Santo Agostinho - Pernambuco.

Aché Laboratórios Farmacêuticos S.A. and Subsidiaries

Notes to the parent company and consolidated financial statements--Continued

December 31, 2021

(All amounts in thousands of reais unless otherwise stated)

Changes in property, plant and equipment cost are as follows:

	Parent company					
	12/31/2020	Melcon merger balance (a)	Additions	Write-offs	Transfers/ Reclassifications	12/31/2021
Land	130,801	2,165	-	-	-	132,966
Buildings	756,106	22,925	-	-	140	779,171
Facilities	168,796	779	9,440	(38)	6,237	185,214
Machinery and equipment	656,822	10,121	13,459	(5,840)	6,576	681,138
Furniture and fittings	22,890	544	1,668	(469)	29	24,662
Vehicles	1,586	118	25	-	-	1,729
IT equipment	81,681	537	8,465	(385)	3	90,301
Molds and dies/other	37,370	-	11,256	-	3,222	51,848
Subtotal	1,856,052	37,189	44,313	(6,732)	16,207	947,029
Advances (b)	18,830	-	47,096	-	(29,631)	36,295
Construction in progress (b)	60,888	440	153,323	(3,156)	11,103	222,598
(-) Impairment	(2,587)	-	-	2,587	-	-
Total	1,933,183	37,629	244,732	(7,301)	(2,321)	205,922

	Parent company				
	12/31/2019	Additions	Write-offs	Transfers/ Reclassifications	12/31/2020
Land	120,501	-	-	10,300	130,801
Buildings	522,425	-	-	233,681	756,106
Facilities	104,197	11,586	(789)	53,802	168,796
Machinery and equipment	456,591	88,247	(8,399)	120,383	656,822
Furniture and fittings	20,245	1,675	(688)	1,658	22,890
Vehicles	2,587	-	(1,001)	-	1,586
IT equipment	64,398	4,002	(2,887)	16,168	81,681
Molds and dies/other	40,839	1,589	(10,064)	5,006	37,370
Subtotal	1,331,783	107,099	(23,828)	440,998	1,856,052
Advances	32,199	44,555	-	(57,924)	18,830
Construction in progress	449,194	8,749	(11,208)	(385,847)	60,888
(-) Impairment	-	(13,783)	11,196	-	(2,587)
Total	1,813,176	146,620	(23,840)	(2,773)	1,933,183

(a) These are the merged balances of the subsidiary Melcon, previously presented only in the consolidated.

(b) This refers mostly to investments in the second phase of the new plant in the region of Cabo de Santo Agostinho - Pernambuco.

Aché Laboratórios Farmacêuticos S.A. and Subsidiaries

Notes to the parent company and consolidated financial statements--Continued

December 31, 2021

(All amounts in thousands of reais unless otherwise stated)

	Consolidated				12/31/2021
	12/31/2020	Additions/Provisions	Write-offs	Transfers (b)	
Land	132,966	-	-	-	132,966
Buildings	779,031	-	-	140	779,171
Facilities	177,372	10,079	(38)	2,826	190,239
Machinery and equipment	682,460	14,853	(5,849)	8,540	700,004
Furniture and fittings	23,948	1,715	(470)	-	25,193
Vehicles	1,706	23	-	-	1,729
IT equipment	83,879	8,470	(385)	(407)	91,557
Molds and dies/other	37,400	11,257	-	3,221	51,878
Subtotal	1,918,762	46,397	(6,742)	14,320	1,972,737
Advances (a)	18,830	47,096	-	(29,630)	36,296
Construction in progress (a)	61,327	153,433	(3,156)	11,100	222,704
(-) Impairment	(2,587)	-	2,587	-	-
Total	1,996,332	246,926	(7,311)	(4,210)	2,231,737

	Consolidated				12/31/2020
	12/31/2019	Additions/Provisions	Write-offs	Transfers	
Land	122,666	-	-	10,300	132,966
Buildings	545,344	7	-	233,680	779,031
Facilities	112,655	11,704	(789)	53,802	177,372
Machinery and equipment	480,732	89,590	(8,404)	120,542	682,460
Furniture and fittings	21,339	1,692	(741)	1,658	23,948
Vehicles	2,705	-	(999)	-	1,706
IT equipment	66,542	4,086	(2,917)	16,168	83,879
Molds and dies/other	40,869	1,590	(10,066)	5,007	37,400
Subtotal	1,392,852	108,669	(23,916)	441,157	1,918,762
Advances	32,199	44,555	-	(57,924)	18,830
Construction in progress	449,355	9,188	(11,209)	(386,007)	61,327
(-) Impairment	-	(13,783)	11,196	-	(2,587)
Total	1,874,406	148,629	(23,929)	(2,774)	1,996,332

(a) This refers mostly to investments in the second phase of the new plant in the region of Cabo de Santo Agostinho - Pernambuco.

(b) Certain items in the cost of property, plant and equipment of R\$4,210 and depreciation of R\$1,887 were previously classified as construction in progress and were reclassified to the group of intangible assets, according to their nature. See Note 11.

Changes in depreciation of property, plant and equipment are as follows:

	Parent company					
	12/31/2020	Melcon merger balance (a)	Additions	Write-offs	Transfers	12/31/2021
Buildings	(178,942)	(6,534)	(12,529)	-	-	(198,005)
Facilities	(70,586)	(500)	(13,164)	31	-	(84,219)
Machinery and equipment	(270,129)	(6,797)	(43,417)	2,246	13	(318,084)
Furniture and fittings	(12,261)	(375)	(1,708)	413	-	(13,931)
Vehicles	(1,586)	(118)	(3)	-	-	(1,707)
IT equipment	(50,120)	(416)	(12,941)	279	-	(63,198)
Molds and dies/other	(15,620)	-	(4,412)	-	(13)	(20,045)
Total	(599,244)	(14,740)	(88,174)	2,969	-	(699,189)

Aché Laboratórios Farmacêuticos S.A. and Subsidiaries

Notes to the parent company and consolidated financial statements--Continued

December 31, 2021

(All amounts in thousands of reais unless otherwise stated)

	Parent company				12/31/2020
	12/31/2019	Additions	Write-offs	Transfers	
Buildings	(167,061)	(11,883)	-	2	(178,942)
Facilities	(60,232)	(11,130)	778	(2)	(70,586)
Machinery and equipment	(241,059)	(37,336)	8,248	18	(270,129)
Furniture and fittings	(11,467)	(1,536)	760	(18)	(12,261)
Vehicles	(2,587)	-	1,001	-	(1,586)
IT equipment	(40,632)	(12,331)	2,843	-	(50,120)
Molds and dies/other	(22,280)	(3,403)	10,063	-	(15,620)
Total	(545,318)	(77,619)	23,693	-	(599,244)

(a) These are the merged balances of the subsidiary Melcon, previously presented only in the consolidated.

	Consolidated				12/31/2021
	12/31/2020	Additions	Write-offs	Transfers (a)	
Buildings	(185,477)	(12,529)	-	-	(198,006)
Facilities	(73,727)	(13,600)	31	425	(86,871)
Machinery and equipment	(281,318)	(45,383)	2,253	1,035	(323,413)
Furniture and fittings	(12,830)	(1,748)	414	28	(14,136)
Vehicles	(1,706)	(1)	-	-	(1,707)
IT equipment	(51,040)	(13,315)	279	412	(63,664)
Molds and dies/other	(15,623)	(4,418)	-	(13)	(20,054)
Total	(621,721)	(90,994)	2,977	1,887	(707,851)

(a) Certain items in the cost of property, plant and equipment of R\$4,210 and depreciation of R\$1,887 were previously classified as construction in progress and were reclassified to the group of intangible assets, according to their nature. See Note 11.

	Consolidated				12/31/2020
	12/31/2019	Additions	Write-offs	Transfers	
Buildings	(172,679)	(12,800)	-	2	(185,477)
Facilities	(62,571)	(11,932)	778	(2)	(73,727)
Machinery and equipment	(250,041)	(39,547)	8,255	15	(281,318)
Furniture and fittings	(11,985)	(1,615)	786	(16)	(12,830)
Vehicles	(2,705)	-	999	-	(1,706)
IT equipment	(41,148)	(12,766)	2,874	-	(51,040)
Molds and dies/other	(22,282)	(3,407)	10,066	-	(15,623)
Total	(563,411)	(82,067)	23,758	(1)	(621,721)

In the year ended December 31, 2021, there was no change in the useful life of property, plant and equipment items.

Assets pledged as collateral

The Company and its subsidiaries have property, plant and equipment items pledged as collateral for borrowings, as described in Note 12 - Borrowings. There are also assets listed in the defense of legal proceedings.

Aché Laboratórios Farmacêuticos S.A. and Subsidiaries

Notes to the parent company and consolidated financial statements--Continued

December 31, 2021

(All amounts in thousands of reais unless otherwise stated)

11. Intangible assets

	Parent company		Consolidated	
	12/31/2021	12/31/2020	12/31/2021	12/31/2020
Trademarks	32,178	32,178	32,191	32,190
Software	17,059	20,778	17,059	21,233
Intangible assets in progress	11,689	-	11,689	-
Goodwill - Asta Médica Ltda. (a)	11,446	-	11,446	11,446
Goodwill - Biosintética (b)	203,942	203,942	203,942	203,942
Goodwill - Melcon (c)	17,533	-	17,533	17,533
Goodwill - Nortis (d)	-	-	9,420	9,420
Total	293,847	256,898	303,280	295,764

(a) Goodwill arising from the acquisition of subsidiary Asta Médica Ltda., merged into the Company in 2003.

(b) Includes the goodwill of subsidiary Biosintética, merged in July 2018; goodwill arises from the downstream merger of the then parent company Delta Participações Ltda., on March 31, 2006, after which both companies became wholly-owned subsidiaries of the Company.

(c) Goodwill arising from the acquisition of Melcon in August 2010, subsidiary merged in January 2021.

(d) Goodwill arising from the acquisition of subsidiary Nortis in March 2016.

In the second quarter of 2021, the Company reviewed the presentation of goodwill arising from companies that had already been merged and reclassified the amounts of R\$11,446 related to the acquisition of Asta Médica and R\$17,533 related to the acquisition of Melcon to the line item of Intangible assets.

Changes in intangible assets are as follows:

	Parent company		Consolidated	
	12/31/2021	12/31/2020	12/31/2021	12/31/2020
Balance at the beginning of the year	256,898	265,838	295,764	304,319
Melcon merger balance (a)	454	-	-	-
Goodwill reclassified after merger - Asta Médica and Melcon	28,979	-	-	-
Additions	17,861	2,067	17,861	2,495
Write-offs	-	(1,309)	-	(1,309)
Amortization - software	(12,666)	(12,471)	(12,668)	(12,516)
Transfers (b)	2,321	2,773	2,323	2,775
Balance at the end of the year	293,847	256,898	303,280	295,764

(a) These are the merged balances of the subsidiary Melcon, previously presented only in the consolidated.

(b) Reclassification of items previously classified as construction in progress.

In the year ended December 31, 2021, there was no change in the useful life of intangible assets compared to the prior year.

Aché Laboratórios Farmacêuticos S.A. and Subsidiaries

Notes to the parent company and consolidated financial statements--Continued

December 31, 2021

(All amounts in thousands of reais unless otherwise stated)

12. Borrowings

	Annual charges	Maturity	Parent company		Consolidated	
			12/31/2021	12/31/2020	12/31/2021	12/31/2020
Local currency:						
Bank Credit Bills (CCB) - Aché	CDI + 2.50% p.a. 2.85 % p.a.	2021	-	408,891	-	409,343
Working capital - Aché (a)	CDI + 0.88% p.a.	2026	133	-	133	-
FCO and FOMENTAR – Aché Go (b)	11.18% to 12.95%	2027	7,746	-	7,746	9,067
FINAME - Aché Go	-	2021	-	-	-	18
FINEP (c)	Fixed 5.0% p.a.	2024	3,513	4,716	3,513	4,716
Profarma - BNDES - Aché (d)	TLP +1.50% to 2.26%	2026	150,859	194,383	150,859	194,383
Profarma - BNDES - Aché (d)	4.16% to 7.34%	2026	147,557	181,538	147,557	181,538
Profarma - BNDES - Aché (e)	Fixed 4.0% to 4.5%	2023	4,299	7,740	4,299	7,740
Banco Do Nordeste(f)	IPCA +1.54% p.a.	2032	168,266	90,315	168,266	90,316
Debentures (g)	CDI + 1.30% p.a.	2026	408,352	-	408,352	-
Total			890,725	887,583	890,725	897,121
Current			103,317	512,471	103,317	515,715
Non-current			787,408	375,112	787,408	381,406
Total			890,725	887,583	890,725	897,121

- (a) The Company has a revolving credit facility limited to R\$300 million, maturing in April 2022, which can be withdrawn immediately if necessary, through the Working Capital instrument. The amount withdrawn is subject to interest at the CDI rate + 0.88% p.a. A commitment fee of 0.5% p.a. is charged on the unused balance of the credit facility. In December 2021, the line was 100% net of related withdrawal operations.
- (b) The financing is intended for construction and expansion of the manufacturing unit located in Anápolis-GO, and acquisition of manufacturing, laboratory and computer equipment, furniture and fittings. This financing is guaranteed by mortgage of the property located in Anápolis-GO, as well as chattel mortgage of the assets acquired with the credit of this instrument.
- (c) The financing obtained from the Financing Agency for Studies and Projects (FINEP) is intended for the research and development of products and is collateralized by bank guarantee.
- (d) Profarma Financing was obtained from BNDES for the construction and expansion of the industrial unit of Guarulhos - SP, for research and development of products, for the acquisition of Nortis Farmacêutica, a pharmaceutical company specialized in the manufacture of antibiotics, and for the construction of the manufacturing unit in Santo Agostinho-PE. This financing is guaranteed by mortgage of real estate, machinery and equipment owned, located in Guarulhos - SP.
- (e) The financing contracted with BNDES is intended for the Research and Development of Innovative Products within the Profarma Innovation program, guaranteed by the mortgage of the Guarulhos property.
- (f) Banco do Nordeste financing is intended for the construction of the industrial unit of Cabo de Santo Agostinho-PE (Phase I in addition to the financing granted by BNDES and Phase II). This financing is collateralized by bank guarantee and not subject to covenants.
- (g) Simple, non-convertible debentures, unsecured, in a single series, of the Company, with public distribution and restricted efforts, pursuant to Instruction of the Brazilian Securities Commission ("CVM") 476, of January 16, 2009. The funds raised through the Issue of Debentures will be used in the ordinary management of the Company's business.

Transaction costs incurred in raising funds from third parties in the amount of R\$2,084 will be allocated to profit or loss for the year over the term of the debt that originated them, using the amortized cost method. The use of the amortized cost method results in the calculation and allocation of finance charges based on the effective interest rate instead of the contractual interest rate of the instrument.

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Notes to the parent company and consolidated financial statements--Continued

December 31, 2021

(All amounts in thousands of reais unless otherwise stated)

Changes in borrowings are as follows:

	12/31/2020	Melcon merger balance	Unamortized cost	Parent company				Monetary adjustment	12/31/2021
				Amortization	Proceeds	Interest paid	Provision for interest		
Bank Credit Bills (CCB)	408,891	-	-	(1,188,000)	788,000	(23,060)	14,169	-	-
Working capital - Aché	-	452	-	(319)	-	-	-	-	133
FCO and FOMENTAR- Aché Go	-	9,067	-	(539)	-	(901)	119	-	7,746
FINAME - Aché Go	-	18	-	(18)	-	-	-	-	-
FINEP	4,716	-	-	(1,202)	-	(167)	166	-	3,513
Profarma - BNDES - Aché	194,383	-	-	(43,452)	-	(11,501)	11,429	-	150,859
Profarma - BNDES - Aché	181,538	-	-	(29,537)	-	(32,098)	12,488	15,166	147,557
Profarma - BNDES - Aché	7,740	-	-	(3,436)	-	(242)	237	-	4,299
Banco do Nordeste	90,316	-	-	-	73,819	(9,334)	13,465	-	168,266
Debentures	-	-	(2,084)	-	400,000	-	10,436	-	408,352
Total	887,584	9,537	(2,084)	(1,266,503)	1,261,819	(77,303)	62,509	15,166	890,725

	12/31/2019	Parent company				12/31/2020
		Amortization	Proceeds	Interest paid	Provision for interest	
Bank Credit Bills (CCB)	58,010	(421,300)	763,300	(7,229)	16,110	408,891
FINEP	5,923	(1,202)	-	(210)	205	4,716
Profarma - BNDES - Aché	216,659	(26,766)	5,614	(15,065)	13,941	194,383
Profarma - BNDES - Aché	164,433	(3,537)	2,317	(862)	12,332	181,538
Profarma - BNDES - Aché	14,366	(6,615)	-	(441)	430	7,740
Banco do Nordeste	39,563	-	48,408	(1,059)	3,338	90,315
Total	498,954	(459,420)	819,639	(24,866)	46,356	887,583

Aché Laboratórios Farmacêuticos S.A. and Subsidiaries

Notes to the parent company and consolidated financial statements--Continued

December 31, 2021

(All amounts in thousands of reais unless otherwise stated)

	12/31/2020	Unamortized cost	Amortization	Proceeds	Consolidated Interest paid	Provision for interest	Monetary adjustment	12/31/2021
Bank Credit Bills (CCB)	409,343	-	(1,188,319)	788,000	(23,060)	14,169	-	133
FCO and FOMENTAR- Aché Go	9,067	-	(539)	-	(901)	119	-	7,746
FINAME - Aché Go	18	-	(18)	-	-	-	-	-
FINEP	4,716	-	(1,202)	-	(167)	166	-	3,513
Profarma - BNDES - Aché	194,383	-	(43,452)	-	(11,501)	11,429	-	150,859
Profarma - BNDES - Aché	181,538	-	(29,537)	-	(32,098)	12,488	15,166	147,557
Profarma - BNDES - Aché	7,740	-	(3,436)	-	(242)	237	-	4,299
Banco do Nordeste	90,316	-	-	73,819	(9,334)	13,465	-	168,266
Debentures	-	(2,084)	-	400,000	-	10,436	-	408,352
Total	897,121	(2,084)	(1,266,503)	1,261,819	(77,303)	62,509	15,166	890,725

	12/31/2019	Amortization	Proceeds	Consolidated Interest paid	Provision for interest	Monetary adjustment	12/31/2020
Bank Credit Bills (CCB)	58,780	(421,618)	763,300	(7,229)	16,110	-	409,343
FCO and FOMENTAR- Aché Go	9,078	(740)	-	(250)	979	-	9,067
FINAME - Aché Go	45	(27)	-	(2)	2	-	18
FINEP	5,923	(1,202)	-	(210)	205	-	4,716
Profarma - BNDES - Aché	216,659	(26,766)	5,614	(15,065)	13,941	-	194,383
Profarma - BNDES - Aché	164,433	(3,538)	2,316	(862)	12,332	6,855	181,538
Profarma - BNDES - Aché	14,366	(6,615)	-	(441)	430	-	7,740
Banco do Nordeste	39,563	-	48,408	(1,059)	3,339	65	90,316
Total	508,847	(460,506)	819,638	(25,118)	47,338	6,920	897,121

Aché Laboratórios Farmacêuticos S.A. and Subsidiaries

Notes to the parent company and consolidated financial statements--Continued
December 31, 2021

(All amounts in thousands of reais unless otherwise stated)

Covenants

BNDES financing agreements include the following financial covenants: The financial indicators are:

- (i) General Indebtedness equal to or less than 0.75x.
- (ii) Total Net Debt/EBITDA equal to or less than 3.0x.
- (iii) EBITDA margin equal to or greater than 0.18x.

In the Debentures indenture, only the covenant of Total Net Debt/EBITDA equal to or less than 3.0x is provided.

At December 31, 2021, the Company was compliant with these contractual commitments.

13. Lease liabilities and right-of-use assets

The lease agreements refer to vehicles used by the Executive Board, administrative managers and sales force employees, and to the general warehouse of finished products in Guarulhos.

	Annual charges	Maturity	Parent company		Consolidated	
			12/31/2021	12/31/2020	12/31/2021	12/31/2020
Lease liabilities			47,028	47,310	125,620	111,297
Vehicles	10.19%, 11% and 13.30%	2023 and 2025	47,028	47,310	47,028	47,310
Properties	7.65%	2029	-	-	78,592	63,987
Current			30,736	38,195	40,274	45,573
Non-current			16,292	9,115	85,346	65,724

At December 31, 2021, changes in lease liabilities are as follows:

Lease liabilities	12/31/2020	Parent company				12/31/2021
		Additions/ Write-offs	Provision for interest	Interest paid	Amortization	
Vehicles	47,310	26,012	1,872	(3,697)	(24,469)	47,028
Total	47,310	26,012	1,872	(3,697)	(24,469)	47,028

Lease liabilities	12/31/2020	Consolidated				12/31/2021
		Additions/ Write-offs	Provision for interest	Interest paid	Amortization	
Vehicles	47,310	26,012	1,872	(3,697)	(24,469)	47,028
Properties	63,987	22,246	5,483	(5,778)	(7,346)	78,592
Total	111,297	48,258	7,355	(9,475)	(31,815)	125,620

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Notes to the parent company and consolidated financial statements--Continued

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At December 31, 2021, changes in right-of-use assets are as follows:

	Parent company - Cost			12/31/2021
	12/31/2020	Additions	Write-offs	
Vehicles - cost	89,621	46,271	(88,741)	47,151
Total	89,621	46,271	(88,741)	47,151
	Parent company - Amortization			12/31/2021
	12/31/2020	Additions	Write-offs	
Vehicles - depreciation	(51,630)	(26,563)	68,483	(9,710)
Total	(51,630)	(26,563)	68,483	(9,710)
Net value	37,991	19,708	(20,258)	37,441
	Consolidated - Cost			12/31/2021
	12/31/2020	Additions	Write-offs	
Vehicles	89,621	46,271	(88,741)	47,151
Properties	67,889	83,628	(67,889)	83,628
Total	157,510	129,899	(156,630)	130,779
	Consolidated - Amortization			12/31/2021
	12/31/2020	Additions	Write-offs	
Vehicles	(51,630)	(26,563)	68,483	(9,710)
Properties	(8,689)	(9,397)	9,885	(8,201)
Total	(60,319)	(35,960)	78,368	(17,911)
Net value	97,191	93,939	(78,262)	112,868

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14. Trade payables

	Parent company		Consolidated	
	12/31/2021	12/31/2020	12/31/2021	12/31/2020
Domestic suppliers	259,773	121,853	264,610	124,152
Foreign suppliers	148,912	164,189	148,912	165,764
Reverse factoring - local (a)	91,036	47,508	91,280	47,508
Reverse factoring - foreign (a)	4,570	-	4,570	-
Related parties (Note 16)	13,130	4,982	-	-
Total	517,421	338,532	509,372	337,424

(a) The Company and its subsidiaries have agreements signed with a first-tier financial institution in Brazil and a first-tier financial institution abroad, to structure the reverse factoring operation with its key suppliers. In this operation, suppliers transfer the rights to receive notes to the bank, which in turn becomes the creditor of the operation. At December 31, 2021, discount rates on assignment operations carried out by our suppliers with the financial institution in the domestic market varied were priced at CDI+1.20% p.a. and (CDI+1.20% p.a. at December 31, 2020) and in the international market Libor + 1.50% p.a. This operation did not substantially change the terms, prices and conditions previously established upon detailed analysis of the suppliers by category, therefore the Company and its subsidiaries present this operation under Trade payables.

15. Tax obligations

	Parent company		Consolidated	
	12/31/2021	12/31/2020	12/31/2021	12/31/2020
ICMS	9,672	20,861	11,847	25,256
PIS	1,195	1,930	1,210	1,930
COFINS	5,752	9,074	5,825	9,076
IRPJ	-	75,236	2,260	75,236
CSLL	-	24,808	840	24,808
Other	2,727	1,455	1,916	1,125
Total	19,346	133,364	23,898	137,431

16. Related parties

Transactions and balances with related parties are as follows:

	Parent company		Consolidated	
	12/31/2021	12/31/2020	12/31/2021	12/31/2020
Revenues:				
Sale of goods to Melcon (a)	-	422	-	-
Sale of goods to Labofarma (a)	3,210,869	1,225,317	-	-
Purchases:				
Purchase of products from Melcon	-	17,914	-	-
Purchase of products from Nortis	3,596	7,699	-	-
Purchase of services from Labofarma	1,804	10,586	-	-
Purchase of services from Neolog	12,193	-	-	-

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	Parent company		Consolidated	
	12/31/2021	12/31/2020	12/31/2021	12/31/2020
Current assets:				
Trade receivables - Labofarma (b) (Note 4)	669,880	427,618	-	-
Trade receivables - Nortis (b) (Note 4)	10	7	-	-
Dividend's receivable (c)	2,769	4,098	2,769	4,098
Total current assets	672,659	431,723	2,769	4,098
Current liabilities:				
Trade payables - Labofarma (b) (Note 14)	12,333	902	-	-
Trade payables - Nortis (b) (Note 14)	143	99	-	-
Trade payables - Melcon (b) (Note 14)	-	3,981	-	-
Trade payables - Neolog (b) (Note 14)	654	-	-	-
Trade payables Assoc - LARAMARA	517	361	517	361
Dividends and interest on capital payable	119,725	128,378	119,725	128,378
Total current liabilities	133,372	133,721	120,242	128,739

(a) Sales of goods.

(b) Balance of trade receivables and trade payables related to trading transactions, provision of services and reimbursement of common expenses among the companies.

(c) Dividends receivable from Bionovis.

Transactions with related parties are carried out under specific conditions agreed between the parties.

Key management personnel compensation

Compensation, including benefits, of officers and management of the Company and its subsidiaries is as follows:

	Parent company		Consolidated	
	12/31/2021	12/31/2020	12/31/2021	12/31/2020
Overall management compensation and charges	22,669	22,617	22,669	22,617

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17. Labor and social security obligations

	Parent company		Consolidated	
	12/31/2021	12/31/2020	12/31/2021	12/31/2020
Wages and salaries payable	62	-	70	209
Accrued vacation pay, 13th monthly salary and social charges	30,121	25,752	30,228	26,396
Social Security Contribution (INSS) payable	24,349	20,712	24,473	20,984
Government Severance Indemnity Fund for Employees (FGTS) payable	7,555	6,795	7,587	6,850
Profit sharing	49,588	54,374	49,880	54,643
Withholding Income Tax (IRRF) on payroll	15,431	14,116	15,500	14,230
Other	2,934	2,318	2,977	2,329
Total	130,040	124,067	130,715	125,641

18. Other payables

	Parent company		Consolidated	
	12/31/2021	12/31/2020	12/31/2021	12/31/2020
Advances from customers	2,589	1,667	2,589	1,667
Provision for freight payable	2,274	4,293	3,538	5,315
Provision for checking account (a)	38,254	48,403	38,254	48,403
Other provisions	1,108	8,862	1,108	8,862
Total current	44,225	63,225	45,489	64,247

(a) Provision for reimbursement to the customer referring to discounts granted to the final consumer.

	Parent company		Consolidated	
	12/31/2021	12/31/2020	12/31/2021	12/31/2020
Provision for maintenance of leased vehicles	5,514	7,737	5,526	7,744
Profit sharing payable	34,924	34,924	34,924	34,924
Advances from customers	12,861	2,361	12,863	2,361
Total non-current	53,299	45,022	53,313	45,029

19. Provisions for tax, civil and labor risks

The Company and its subsidiaries are parties to administrative and judicial proceedings involving tax, labor and civil matters, which are at different court levels. Based on its assessment and supported by the opinions of its legal advisors, management recognized a provision for contingencies for which an unfavorable outcome was assessed as probable. For labor cases that do not yet have a court decision, the provision is established based on the payment history for the last two years.

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The breakdown and changes in the provisions by nature are as follows:

	Parent company					12/31/2021
	12/31/2020	Additions	Reversals	Payments	Monetary adjustment	
Tax (a)	118,260	4,311	(30,895)	(14,672)	3,148	80,152
Labor (b)	104,210	29,517	(20,252)	(6,022)	(10,459)	96,994
Civil	5,731	2,258	(1,490)	(23)	1,115	7,591
Other litigations (c)	19,174	1,089	(2,491)	-	27	17,799
Total	247,375	37,175	(55,128)	(20,717)	(6,169)	202,536

	Parent company					12/31/2020
	12/31/2019	Additions	Reversals	Payments	Monetary adjustment	
Tax	114,987	5,368	(1,127)	(2,555)	1,587	118,260
Labor	94,935	25,911	(18,131)	(8,835)	10,330	104,210
Civil	3,477	1,761	(147)	-	640	5,731
Other litigations (c)	17,958	3,790	(2,587)	-	13	19,174
Total	231,357	36,830	(21,992)	(11,390)	12,570	247,375

	Consolidated					12/31/2021
	12/31/2020	Additions	Reversals	Payments	Monetary adjustment	
Tax (a)	118,260	4,311	(30,895)	(14,672)	3,148	80,152
Labor (b)	104,217	29,626	(20,260)	(6,022)	(10,451)	97,110
Civil	5,731	2,258	(1,490)	(23)	1,115	7,591
Other litigations (c)	19,305	1,111	(2,491)	-	24	17,949
Total	247,513	37,306	(55,136)	(20,717)	(6,164)	202,802

	Consolidated					12/31/2020
	12/31/2019	Additions	Reversals	Payments	Monetary adjustment	
Tax	114,987	5,368	(1,127)	(2,555)	1,587	118,260
Labor	94,939	25,952	(18,170)	(8,835)	10,331	104,217
Civil	3,477	1,761	(147)	-	640	5,731
Other litigations (c)	18,040	3,837	(2,587)	-	15	19,305
Total	231,443	36,918	(22,031)	(11,390)	12,573	247,513

(b) The decrease is mainly due to the reversals of the provisions for tax contingencies arising from (i) judicial decisions favorable to Aché; (ii) review of the likelihood of loss in specific proceedings by external firms; (iii) review of the calculation of the contingencies of the complete tax base by an external consulting firm; and (iv) payments of R\$14,672.

(c) The decrease is mainly due to reversals resulting from the change in labor claim monetary adjustment indexes, from the IPCA-e to the SELIC, as decided by the Federal Supreme Court (SFT) for eligible cases, with a decrease of R\$ 31,782, and reversals of the provision due to decisions favorable to Aché, partially offset by additions to provisions arising from decisions that support the increase in estimated losses or inclusions of contingencies from new proceedings, and review of criteria for the calculation of contingencies from suits for which a court decision has not been issued.

Refer to other provisions for contingencies not related to judicial proceedings.

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The main administrative and judicial proceedings involving tax matters are as follows:

	Consolidated	
	12/31/2021	12/31/2020
Government Severance Indemnity Fund for Employees (FGTS)	15,242	32,508
Social Integration Program (PIS) and Social Contribution on Revenues (COFINS)	24,099	25,449
Corporate Income Tax (IRPJ) and Social Contribution on Net Income (CSLL) (c)	14,071	32,296
Social Security Contribution (d)	7,076	8,151
Value-added Tax on Sales and Services (ICMS)	1,186	1,527
Anvisa fees (f)	8,881	8,922
Other (g)	9,597	9,407
Total	80,152	118,260

- (a) Rate increase - challenge of the 0.5% increase in FGTS contribution, calculated on employee payroll. In this claim, the Company states that there is no legal relationship that requires the collection of the increase in FGTS rates, created by Supplementary Law 110/2001.
- (b) The main process related to these taxes is administrative and refers to the disallowance of credits related to expenses with fleets in the commercial area.
- (c) The most significant proceedings that discuss the taxes at issue refer to the following: (i) amortization of goodwill in relation to the merger of Delta Participações, for the years 2006 to 2009; and (ii) collection of credit denied in proceeding No. 16624.000953/2006-74 (FINAM).
- (d) Social security contribution on fringe benefit (vehicle) and accounts referring to travel allowance. In the year ended December 31, 2019, the likelihood of loss changed from possible to probable for one of the proceedings and a provision of R\$3,866 million (updated through December 31, 2021) was set up.
- (e) Tax Enforcement or Administrative Proceedings filed by the São Paulo, Pernambuco, Sergipe and Minas Gerais State Departments addressing the collection of ICMS and ICMS-Tax Substitution.
- (f) Refer to the provisional remedy for guarantee due to the revocation of the preliminary injunction in collective writ of mandamus (on behalf of Sindusfarma), which discusses the unconstitutionality of the monetary adjustment of Anvisa fees, with a probable amount of R\$8,881 thousand.
- (g) This amount includes several actions discussing other taxes not listed above involving less significant amounts.

Management believes that the unfavorable outcome of its lawsuits, whether individually or in aggregate, will not have a material adverse effect on the Company's financial position or business.

Proceedings assessed as risk of possible loss

At December 31, 2021, the Company and its subsidiaries are parties to proceedings that are not provided for since they involve risk of loss classified by the legal advisors and by management as possible. Contingent liabilities are presented below:

	Consolidated	
	12/31/2021	12/31/2020
Tax	1,389,693	1,533,913
Labor	233,122	218,432
Civil	21,194	25,397
Total	1,644,009	1,777,742

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Concerning tax proceedings assessed as risk of possible loss, the matters are classified as follows:

	Consolidated	
	12/31/2021	12/31/2020
IRPJ and CSLL (a) (b) (c)	1,191,402	1,145,158
PIS and COFINS (d)	154,970	313,748
Social Security Contribution	7,120	34,704
ICMS	22,578	26,830
Other	13,623	13,473
Total	1,389,693	1,533,913

- a) Refer substantially to notice served on Biosintética (merged) requiring payment of IRPJ and CSLL from (i) 2006 to 2009; and (ii) 2010 to 2011 due to the claim of amortization of undue goodwill, paid upon acquisition of Delta Participações Farmacêuticas S.A. Amounts involved: (i) R\$ 615,586 and (ii) R\$ 198,231. Progress: (i) as to the merits, the discussion is currently at the tax foreclosure phase, for which a motion to stay execution was filed and the production of evidence was approved. As to the fine, the discussion is at the administrative level. The Special Appeal lodged by the Tax Authorities was issued a decision determining the redistribution of the suit. The risk of loss is possible tending to remote; (ii) the discussion is currently at the tax enforcement phase, in relation to which a motion to stay execution was filed. The matter is pending judgment.
- b) Tax notice drawn for collection of IRPJ and CSLL for calendar year 2011, due to the deduction of expenses with payment of interest on capital calculated on previous bases. The Company filed an Appeal to the Higher Court of Justice, which was dismissed. Upon publication of the decision, a writ of mandamus was filed at the judicial level by Aché, with the granting of the preliminary injunction and decision favorable to the Company. Management classified the proceeding as possible loss and the amount involved is R\$ 71,882, monetarily adjusted through December 31, 2021.
- c) Tax assessment notice requiring alleged IRPJ and CSLL payments related to 2008 and 2009, referring to goodwill amortization charges after the merger of the spun-off assets of Magenta Participações Ltda. As regards collection for 2009, management decided to join the REFIS program. In connection with 2008, estimated at R\$ 107,928 at the time (R\$ 160,469 monetarily adjusted through December 31, 2021), a decision on the Voluntary Appeal filed is being awaited. The Company believes that the grounds for defense are solid and should be granted.
- d) Refer mainly to the required payment of PIS/COFINS under the 'one-phase' regime for the 2011-2012 period, at the historical amount of R\$ 198,027 (R\$ 71,446 monetarily adjusted through December 31, 2021), mostly due to the disallowance of the PIS/COFINS deemed credit under the terms of article 3 of Law 10,147/00. On July 4, 2019, a partially favorable decision was handed down by the Brazilian IRS Judgment Office (DRJ). Due diligence procedures have been required by CARF; a decision is pending.

The external legal advisors assess the proceedings as possible losses, thus not requiring the recognition of provisions.

For items (a), (b) and (c) above related to IRPJ and CSLL, the current analysis of the result, based on internal and external legal counsel's assessment, is that these will probably be accepted by the courts of last instance.

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Judicial deposits

Balances of judicial deposits are as follows:

Consolidated	12/31/2021	12/31/2020
Tax (a)	32,086	70,101
Labor	26,886	26,705
Civil	15,009	14,618
Total	73,981	111,424

Decrease in judicial deposits related to tax matters referring mainly to the reversal of the monetary adjustment of judicial deposit regarding the proceeding claiming that there is no legal relationship that requires the collection of the increase in FGTS rates, created by Supplementary Law 110/2001, and payment arising from the release of amounts deposited in court for the Federal Government.

20. Financial instruments

a) Capital management

The Company's management manages its funds to ensure business continuity and maximize funds available for research and development of new products, as well as to provide return to shareholders.

From time to time, management reviews the capital structure and its ability to settle liabilities, as well as monitors, on a timely basis, the days purchase outstanding in relation to the average term of inventory turnover. Necessary actions are promptly taken when these balances result in assets more than liabilities

In line with other companies operating in the industry, the Company monitors capital based on the gearing ratio.

The net financial position at December 31, 2021 and December 31, 2020 are summarized as follows:

	Consolidated	
	12/31/2021	12/31/2020
Borrowings (Note 12)	482,373	897,121
Debentures (note 12)	408,352	-
Lease liabilities (Note 13)	125,620	111,297
Cash and cash equivalents (Note 3)	(257,129)	(284,487)
Financial investments - non-current (Note 3)	(6,747)	(3,579)
Derivatives, net	(767)	(617)
Net financial position (positive)/negative	751,702	719,735

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b) Financial instruments by category

	Amortized cost	Assets at fair value through profit or loss	12/31/2021
Financial assets as per balance sheet			
Cash and cash equivalents (Note 3)	257,129	-	257,129
Trade receivables (Note 4)	608,052	-	608,052
Financial investments - noncurrent (Note 3)	-	6,747	6,747
Judicial deposits (Note 19)	73,981	-	73,981
	<u>939,162</u>	<u>6,747</u>	<u>945,909</u>
Financial liabilities as per balance sheet			
	Amortized cost	12/31/2021	
Borrowings (Note 12)	482,373	482,373	
Debentures (note 12)	408,352	408,352	
Lease liabilities (Note 13)	125,620	125,620	
Trade payables (Note 14)	509,372	509,372	
Accounts payable	47,220	47,220	
Derivatives	767	767	
	<u>1,573,704</u>	<u>1,573,704</u>	

The carrying amounts of cash and cash equivalents (cash, banks and financial investments), trade receivables and trade payables are equivalent to their market value as their maturities are close to the reporting dates.

The balance of "Borrowings" is monetarily adjusted based on inflation indices and variable interests in view of market conditions and, therefore, the carrying amount at the reporting dates approximates the fair value.

c) Risk management

The Company is exposed to market risks, including currency risk, interest rate risk, credit risk and liquidity risk.

c.1) *Interest rate risk*

The Company has agreements in reais at floating interest rates pegged to the Long-Term Rate (TLP), the Extended Consumer Prices Index (IPCA), Interbank Deposit Certificate (CDI) and fixed rates. Contractual rates are stated in Note 12 - Borrowings.

Sensitivity to interest rates

For the sensitivity analysis of interest rate on borrowings and financial investments, the Company considered a 25% and 50% decrease and increase in rates for possible and remote scenarios, respectively. The rates estimated by management are reflected in the probable scenario. The

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calculation is made based on the remaining principal balance of the borrowings and financial investments at December 31, 2021. The impact on profit or loss could occur as follows:

	Consolidated			Probable scenario		Possible scenario (+25%)		Remote scenario (+50%)	
	Risk factor	Annual average rate	Exposed amounts at 12/31/2021	Annual average rate	Effect on P&L	Annual average rate	Effect on P&L	Annual average rate	Effect on P&L
Financial investments	CDI	9.15%	246,922	9.15%	-	11.44%	5,648	13.73%	11,297
Borrowings in local currency	TLP-IPCA-CDI	8.36%	(482,239)	5.28%	14,853	6.56%	8,656	7.85%	2,460
Debtentures in local currency	CDI	9.15%	(408,486)	11.50%	(9,599)	14.38%	(21,343)	17.25%	(33,087)
Gain (loss)			(643,803)		5,254		(7,039)		(19,330)

	Consolidated			Probable scenario		Possible scenario (-25%)		Remote scenario (-50%)	
	Risk factor	Annual average rate	Exposed amounts at 12/31/2021	Annual average rate	Effect on P&L	Annual average rate	Effect on P&L	Annual average rate	Effect on P&L
Financial investments	CDI	9.15%	246,922	9.15%	-	6.86%	(5,648)	4.58%	(11,297)
Borrowings in local currency	TLP-IPCA-CDI	8.36%	(482,239)	5.28%	14,853	3.99%	21,050	2.71%	27,246
Debtentures in local currency	CDI	9.15%	(408,486)	11.50%	(9,599)	8.63%	2,145	5.75%	13,889
Gain (loss)			(643,803)		5,254		17,547		29,838

c.2) Currency risk

The Company reduces its exposure to exchange rate volatility by entering forward (long) contracts of NDF in dollars. At December 31, 2021, there are unsettled contracts in force in the amount of USD 20,291 or R\$ 114,461 (USD 24,014 or R\$ 129,070 at December 31, 2020).

Sensitivity of derivatives

For calculating transactions in foreign currencies, a 25% and 50% decrease or increase in exchange rates were taken into consideration for possible and remote scenarios, respectively. The rates estimated by management are reflected in the probable scenario.

Gain or (loss) adjustments to transactions in foreign currency are as follows:

Sensitivity analysis of hedge - Derivatives (Currency term/NDF) - Adjustment (R\$ MM)

	Remote scenario -50%	Possible scenario -25%	Probable scenario	Possible scenario +25%	Remote scenario +50%
Parent company	(57,645)	(29,237)	(829,442)	(27,578)	(55,986)
Consolidated	(57,645)	(29,237)	(829,442)	(27,578)	(55,986)
Net impact - Parent company/consolidated	(56,816)	(28,508)	-	(28,408)	(56,816)
Loss/(gain)	(56,816)	(28,508)	-	(28,408)	(56,816)

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Probable scenario, FOCUS Report published as at December 31, 2021, considering R\$/USD 5.60 as the expected rate.

Amounts payable denominated in foreign currencies (US dollars, euros, Swiss francs, sterling pounds and Mexican pesos) are exposed to risks related to foreign currency fluctuations. Total assets and liabilities exposed to foreign exchange exposure and the corresponding currencies are as follows:

		Consolidated	
		12/31/2021	12/31/2020
In Euros:	EUR		
Assets		3,951	1,147
Liabilities		(3,198)	(4,599)
Net exposure		753	(3,452)
In US Dollars:	USD		
Assets		3,236	1,484
Liabilities		(23,323)	(27,079)
Net exposure		(20,087)	(25,595)
In Australian dollars:	AUD		
Liabilities		(12)	-
Net exposure		(12)	-
In sterling pounds:	GBP		
Liabilities		(403)	(64)
Net exposure		(403)	(64)
In Swiss Francs:	CHF		
Liabilities		-	(210)
Net exposure		-	(210)
Trade receivables - foreign currency - in R\$		8,268	3,446
Foreign exchange variations on trade receivables - in R\$		90	(86)
Balance of trade receivables in R\$ (a)		8,358	3,360
Trade payables - foreign currency - in R\$		(149,054)	(165,764)
Foreign exchange variations on trade payables - in R\$		(3,661)	118
Hedge trade payables in R\$		(767)	(617)
Balance of trade payables in R\$ (b)		(153,482)	(166,263)
Advances from customers - in R\$		(202)	(24)
Foreign exchange variations on advances from customers - in R\$		1	2
Balance of advances from customers - in R\$ (c)		(201)	(22)
Advances to suppliers - in R\$		33,987	11,732
Foreign exchange variations on advances to suppliers - in R\$		707	366
Balance of advances to suppliers - in R\$ (d)		34,694	12,098
Net exposure - (a+b+c+d) - foreign currency - in R\$		(110,631)	(150,827)

Sensitivity to exchange rate

For calculating transactions in foreign currencies, a 25% and 50% decrease or increase in exchange rates were considered in the possible and remote scenarios, respectively. The rates estimated by management are reflected in the probable scenario.

Aché Laboratórios Farmacêuticos S.A. and Subsidiaries

Notes to the parent company and consolidated financial statements--Continued

December 31, 2021

(All amounts in thousands of reais unless otherwise stated)

Gain or (loss) adjustments to transactions in foreign currency are as follows:

	Consolidated		Probable scenario		Possible scenario (+25%)		Remote scenario (+50%)		
	Risk factor	Annual average rate	Exposed amounts at 12/31/2021	Annual average rate	Effect on P&L	Annual average rate	Effect on P&L	Annual average rate	Effect on P&L
Long position - USD	USD	5.58	8,157	5.60	29	7.00	2,075	8.40	4,121
Short position - USD	USD	5.58	(118,788)	5.60	(415)	7.00	(30,216)	8.40	(60,017)
Net exposure (loss)			(110,631)		(386)		(28,141)		(55,896)

	Consolidated		Probable scenario		Possible scenario (-25%)		Remote scenario (-50%)		
	Risk factor	Annual average rate	Exposed amounts at 12/31/2021	Annual average rate	Effect on P&L	Annual average rate	Effect on P&L	Annual average rate	Effect on P&L
Long position - USD	USD	5.58	8,157	5.60	29	4.20	(2,018)	2.80	(4,064)
Short position - USD	USD	5.58	(118,788)	5.60	(415)	4.20	29,386	2.80	59,187
Net exposure gain/(loss)			(110,631)		(386)		27,368		55,123

c.3) Liquidity risk

Management monitors the level of liquidity of the Company and its subsidiaries, considering the expected cash flow and cash and cash equivalents. The table below shows the maturity of financial liabilities contracted in the consolidated figures:

	Within 1 year	Up to 2 years	3 to 4 years	After 4 years	Total
Trade payables	509,372	-	-	-	509,372
Borrowings	93,017	152,713	132,344	104,299	482,373
Debentures	10,300	-	265,292	132,760	408,352
Lease liabilities	40,274	12,972	32,525	39,849	125,620

c.4) Credit risk

The financial instruments that expose the Company and its subsidiaries to concentration of credit risk consist principally of banks, financial investments and trade receivables. Balances and investments in banks follow a strict policy of qualification of the entity according to its equity and rating, following the guideline of investing in low-risk securities with a liquidity profile that meets the Company's operational needs. The balance receivable from customers is mainly denominated in reais and is distributed among several customers. The Company has its own methodology for assessing the credit risk in which it submits all customers in the base, using cash receipts and guarantees, when necessary. The Company's term policy (average term of less than 67 days) also contributes to the management of customer credit risk, to allow for lower medium/long term exposures.

Aché Laboratórios Farmacêuticos S.A. and Subsidiaries

Notes to the parent company and consolidated financial statements--Continued

December 31, 2021

(All amounts in thousands of reais unless otherwise stated)

21. Equity

a) Share capital

Capital amounts to R\$440,959, comprising 63,900,000 registered common shares with no par value, fully subscribed and paid up.

b) Capital reserves

	<u>12/31/2021</u>	<u>12/31/2020</u>
Special goodwill reserve	113,801	113,801
Share premium reserve	6,445	6,445
Total	<u>120,246</u>	<u>120,246</u>

The special goodwill reserve refers to the balancing entry of the goodwill absorbed by the Company in prior years, less the provision for maintenance of integrity of shareholders' equity, whose net effect corresponds to the tax benefit to be generated on its realization and recognized as deferred income tax asset.

(c) Revenue reserves

	<u>Consolidated</u>	
	<u>12/31/2021</u>	<u>12/31/2020</u>
Legal reserve (a)	43,807	43,807
Reserve for new products, R&D and capital expenditure (b)	702,901	616,526
Tax incentive reserve (c)	57,851	19,730
Unpaid profits reserve (d)	464,133	461,467
Total	<u>1,268,692</u>	<u>1,141,530</u>

(a) This is set up at 5% of profit for each year, capped at 20% of the capital, except if the legal reserve plus capital reserve exceeds 30% of capital.

(b) Recognized to cover expenditures for launching new products, expenditures on research and development and investments in property, plant and equipment under the terms of the Company's Articles of Incorporation.

(c) Government grants are recognized in profit or loss on a systematic basis over the years in which the Company recognizes as expenses the related costs for which the grants are intended to offset and, subsequently, they are allocated to the tax incentive reserve, in equity. For the year ended December 31, 2021, the Company recognized the amount of R\$ 38,121 as Sudene income tax incentive.

(d) The amount of any distribution will be submitted to the approval of the Annual General Meeting.

d) Dividends and interest on capital

The Company's bylaws ensure minimum mandatory dividend of 25% of the profit for each year, less a legal reserve of 5% of profit, and allow dividend payment based on semiannual or interim balance sheets.

Aché Laboratórios Farmacêuticos S.A. and Subsidiaries

Notes to the parent company and consolidated financial statements--Continued
December 31, 2021

(All amounts in thousands of reais unless otherwise stated)

Changes in dividends and interest on capital are as follows:

<u>Total dividends paid in 2021</u>	
Dividends paid referring to 2020	454,700
Interest on capital paid referring to 2021	63,671
Prepaid dividends for 2021	10,880
Subtotal - dividends and/or interest on capital paid in 2021 (cash effect)	<u>529,251</u>
<u>Profit for 2021</u>	654,343
<u>Tax incentive reserve – SUDENE</u>	(38,121)
<u>Base profit for calculation of minimum mandatory dividend</u>	616,222
<u>Dividends payable</u>	
Minimum mandatory dividend - statutory (R\$ 616,222 x 25%)	154,056
Interest on capital paid referring to 2021	(63,671)
Prepaid dividends for 2021	(10,880)
Balance of dividends + minimum mandatory dividend	<u>79,505</u>
Balance of dividends for 2017	40,220
Total balance of dividends payable for 2021	119,725

e) Carrying value adjustments

	<u>Parent company</u>	
	<u>12/31/2021</u>	<u>12/31/2020</u>
Adjustment of deemed cost of property, plant and equipment	124,539	126,083
Total carrying value adjustments	<u>124,539</u>	<u>126,083</u>

22. Net operating revenue

	<u>Parent company</u>		<u>Consolidated</u>	
	<u>12/31/2021</u>	<u>12/31/2020</u>	<u>12/31/2021</u>	<u>12/31/2020</u>
Gross sales revenue	8,300,184	7,705,774	8,261,587	7,291,516
Returns, discounts and other	(3,735,800)	(3,583,171)	(3,830,583)	(3,381,825)
Sales taxes	(549,338)	(529,130)	(402,657)	(432,418)
Total	<u>4,015,046</u>	<u>3,593,473</u>	<u>4,028,347</u>	<u>3,477,273</u>

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Notes to the parent company and consolidated financial statements--Continued

December 31, 2021

(All amounts in thousands of reais unless otherwise stated)

23. Expenses by nature

	Parent company		Consolidated	
	12/31/2021	12/31/2020	12/31/2021	12/31/2020
Raw materials consumed	1,101,663	846,873	1,114,173	797,970
Materials, energy, third-party services and other	849,406	690,057	849,810	695,141
Personnel and taxes	757,425	697,463	762,439	710,509
Depreciation and amortization	127,355	118,910	139,569	129,932
Other taxes	157,612	133,897	157,007	134,863
Other selling, general and administrative expenses	43,919	8,900	45,312	9,391
	3,037,380	2,496,100	3,068,310	2,477,806
Cost of sales	1,433,983	1,166,683	1,462,887	1,134,076
Selling expenses	1,349,768	1,122,186	1,349,710	1,126,437
General and administrative expenses	253,629	207,231	255,713	217,293
Total	3,037,380	2,496,100	3,068,310	2,477,806

24. Other operating income (expenses), net

	Parent company		Consolidated	
	12/31/2021	12/31/2020	12/31/2021	12/31/2020
Credits referring to product development	13,080	13,306	13,081	13,306
Recovery of taxes	30,527	60,128	31,631	60,247
Other revenues	3,694	6,856	4,200	6,896
Total other revenues	47,301	80,290	48,912	80,449
Expenses with strategic projects	(22,967)	(110,888)	(22,963)	(111,287)
Expense referring to product development	(25,326)	(15,548)	(25,326)	(15,548)
Other expenses	(3,006)	(1,674)	(3,315)	(1,700)
Total other expenses	(51,299)	(128,110)	(51,604)	(128,535)
Total other operating income (expenses)	(3,998)	(47,820)	(2,692)	(48,086)

Aché Laboratórios Farmacêuticos S.A. and Subsidiaries

Notes to the parent company and consolidated financial statements--Continued

December 31, 2021

(All amounts in thousands of reais unless otherwise stated)

25. Finance income (costs)

	Parent company		Consolidated	
	12/31/2021	12/31/2020	12/31/2021	12/31/2020
Interest income	4,205	6,207	5,541	6,501
Income from lease write-offs	2,217	-	5,595	-
Monetary gains	33,094	4,603	32,951	4,621
Other finance income	1,095	250	1,099	288
Total finance income	40,611	11,060	45,186	11,410
Charges on debt, borrowings and debentures	(72,783)	(53,295)	(72,803)	(54,402)
Interest on lease	(4,089)	(5,913)	(9,572)	(11,010)
Monetary losses	(22,593)	(15,275)	(22,601)	(15,276)
Sundry fees	(3,790)	(4,403)	(3,800)	(4,444)
Other finance costs	(2,436)	(3,301)	(2,518)	(3,330)
Total finance costs	(105,691)	(82,187)	(111,294)	(88,462)
Income from hedge	13,932	23,341	13,932	23,341
Expense with hedge	(13,923)	(11,313)	(13,923)	(11,313)
Net result from hedge	9	12,028	9	12,028
Exchange losses	(48,742)	(82,232)	(48,741)	(82,954)
Exchange gains	44,569	51,200	44,569	51,388
Total exchange loss (gain), net	(4,173)	(31,032)	(4,172)	(31,566)
Finance result, net	(69,244)	(90,131)	(70,271)	(96,590)

26. Supplementary pension plan

The Company sponsors a supplementary pension plan that covers all its employees. This plan, known as PGBL, similar to a 401(k)-type plan, is administered by a private pension entity under a fully funded system. The amount of the benefit is calculated based on the mathematical reserve for unvested benefits at the retirement date.

The pension plan offered includes the following benefits:

- Retirement by age transferrable to a spouse.
- Retirement due to disability transferrable to a spouse.
- Spouse pension transferrable to children under 21 years old.

The risk benefits (retirement due to disability and spouse pension) were structured under a defined-contribution plan.

The Company does not have any liability in relation to technical risk related to survival during the capitalization period or mortality after a member begins to receive the benefit or disability risk during the capitalization period.

The Company's contributions to the supplementary pension plan for the year ended December 31, 2021 totaled R\$4,588 (R\$4,436 at December 31, 2020).

Aché Laboratórios Farmacêuticos S.A. and Subsidiaries

Notes to the parent company and consolidated financial statements--Continued

December 31, 2021

(All amounts in thousands of reais unless otherwise stated)

27. Insurance coverage

The Company adopts an insurance policy that considers risk concentration and its relevance, the nature of its activities and guidance from its insurance advisors. At December 31, 2021, the insurance coverage was taken out at the amounts indicated below, according to the insurance policies:

Insurance lines	Amounts insured
Property damage to PP&E	630,000
Civil liability	105,000
Civil construction - Pernambuco Plant	343,000

The audit scope does not include an opinion on the reasonableness of insurance coverage.

28. Employee and management profit sharing

The Company and its subsidiaries include in their human resources policy a profit-sharing plan (PPR) and bonuses for officers, not covered by any other variable compensation programs offered by these companies. Goals and criteria for defining and distributing funds awarded are agreed to between the parties, with objectives of gains in productivity and competitiveness and motivation and involvement of participants. The PPR posted to consolidated P&L for the year ended December 31, 2021 amounted to R\$ 57,045 (R\$ 53,723 in 2020), as follows:

	Parent company		Consolidated	
	12/31/2021	12/31/2020	12/31/2021	12/31/2020
Addition of provision for the year	64,925	58,769	65,262	59,069
Reversal of prior year provision	(7,880)	(5,046)	(7,833)	(4,661)
Employee and management profit sharing in P&L for the year	57,045	53,723	57,429	54,408

29. Earnings per share

	Parent company		Consolidated	
	12/31/2021	12/31/2020	12/31/2021	12/31/2020
Basic and diluted numerator				
Allocation of profit for the year to shareholders	654,343	631,381	654,343	631,381
Basic and diluted denominator				
Outstanding shares (in thousands) (Note 21)	63,900	63,900	63,900	63,900
Basic and diluted earnings per share – R\$	10.24	9.88	10.24	9.88

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Notes to the parent company and consolidated financial statements--Continued

December 31, 2021

(All amounts in thousands of reais unless otherwise stated)

Board of Directors

Raul Calfat	Chairman
Geraldo José Carbone	Vice Chairman
Adalberto Panzenboeck Dellape Baptista	Director
Jonas de Campos Siaulys	Director
José Luiz Depieri	Director
José Rogério Luiz	Director
Luiz Antonio dos Santos Pretti	Director
Mauro Silverio Figueiredo	Director
Ricardo Panzenboeck Dellape Baptista	Director

Statutory Board

Vânia de Azevedo Nogueira de Alcântara Machado	Chief Executive Officer
Francisco Luiz Malena	Competitive Intelligence, Supplies and Finance Officer
Marcio Reis de Freitas	Chief Operations Officer
Gabriela Mallmann	Chief Quality and Regulatory Affairs Officer
Argemiro Cintra dos Santos	Chief Sales Officer
Marcelo Neri	Chief Marketing and Demand Generation Officer

Accountant

Adriano Batizati
CRC-SP-249835/O-41