Medquímica Indústria Farmacêutica Ltda.

Financial statements
March 31, 2022 and 2021
(free translation)

Contents

KPMG Auditores Independentes Ltda.
Rua Paraíba, 550 - 12º andar - Bairro Funcionários
30130-141 - Belo Horizonte/MG - Brasil
Caixa Postal 3310 - CEP 30130-970 - Belo Horizonte/MG - Brasil
Telefone +55 (31) 2128-5700
kpmg.com.br

Independent auditors' report on the financial statements

To the Quotaholders and Directors of
Medquímica Indústria Farmacêutica Ltda.
Juiz de Fora – MG

Opinion

We have audited the financial statements of Medquimica Indústria Farmacêutica Ltda. ("Company"), comprising the balance sheet as of March 31, 2022 and the related statements of operations, comprehensive income and changes in quotaholders' equity, and cash flows for the year then ended, as well as the corresponding notes, comprising the significant accounting policies and other clarifying information.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Medquímica Indústria Farmacêutica Ltda. as of March 31, 2022, the performance of its operations and its cash flows, for the year then ended, in conformity accounting practices adopted in Brazil.

Basis for opinion

Our audit was conducted in accordance with Brazilian and international standards on auditing. Our responsibilities, in compliance with such standards, are described in the following section, titled "Auditors' Responsibilities for the Audit of Financial Statements." We are independent in relation to the Company, according to the relevant ethical principles established in the Accountants' Professional Code of Ethics and the professional standards issued by the Federal Accounting Council, and we comply with the other ethical responsibilities according to these standards. We believe that the audit evidence obtained is sufficient and appropriate to provide a basis for our opinion.

Responsibility of management for the financial statements

The Management is responsible for the preparation and adequate presentation of the financial statements in accordance with the accounting practices adopted in Brazil, and the internal controls it deemed necessary to enable the preparation of financial statements free of material misstatements, regardless of whether caused by fraud or error.

In preparing the financial statements, Management is responsible for evaluating the Company's ability of continuity as a going concern, and disclosing – where applicable – matters related to its going concern and the use of this accounting basis in the preparation of the financial statements, unless Management intends to liquidate the Company or cease its operations, or has no realistic alternative to avert closing down operations.

Responsibilities of the auditors regarding the audit of financial statements

Our objectives are to obtain reasonable assurance that the financial statements, taken as a whole, are free from material misstatements, regardless of whether any such misstatement is caused by fraud or error, and issue an audit report containing our opinion. Reasonable assurance is a high level of assurance, but not a guarantee that the audit conducted pursuant to Brazilian and international auditing standards will always detect any existing material misstatements. Misstatements may be due to fraud or error and are considered material when, individually or taken as a whole, can influence, within a reasonable perspective, the economic decisions of users taken based on these financial statements.

As part of the audit conducted in accordance with Brazilian and international auditing standards, we exercise professional judgment and maintain our professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the 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 Company's internal control.
- 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, then we are required to draw attention in our auditors' report to the related disclosures in the 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 auditors' 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 financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

We communicate with management regarding, among other things, the planned scope, the timing of the audit and the significant findings of the audit, including any significant deficiencies in internal controls that we identified during our work.

Belo Horizonte, May 16, 2022

KPMG Auditores Independentes Ltda.
CRC SP-014428/O-6 F-MG

Original report in Portuguese signed by
Mateus Cunha Figueiredo
Accountant CRC MG-105612/O-0

Medquímica Indústria Farmacêutica Ltda.

Balance sheets at March 31, 2022 and 2021

(In thousands of reais)

Assets	**Note**	**31/03/2022**	**31/03/2021**
Cash and cash equivalents	7	10,522	6,146
Trade accounts receivable	8	76,912	69,616
Inventories	9	58,644	79,477
Recoverable taxes	10	349	344
Recoverable income tax and social contribution	10	6,487	3,566
Prepaid expenses		1,138	1,256
Derivative financial instruments	29	-	224
Other receivables	11	2,934	8,429
Total current assets		**156,986**	**169,058**
Interest earning bank deposits	12	2,566	2,431
Other receivables -	11	2,416	3,024
Total non-current assets		**4,982**	**5,455**
Property, plant and equipment	13	75,425	70,360
Right-of-use		1,493	2,279
Intangible assets	14	99,100	104,467
Total non-current assets		**181,000**	**182,561**
Total assets		**337,986**	**351,619**

Liabilities	**Note**	**31/03/2022**	**31/03/2021**
Suppliers	15	45,204	60,907
Loans and financing	16	199,454	195,545
Leases		389	1,069
Taxes payable	17	4,346	5,405
Social charges and labor legislation obligations	18	4,865	4,831
Derivative financial instruments	29	16,729	-
Other debits	19	2,568	4,574
Total current liabilities		**273,555**	**272,331**
Loans and financing	16	-	261
Leases		268	1,708
Taxes payable	17	448	610
Deferred tax liabilities	30	15,263	9,464
Provision for contingencies	20	4,605	716
Other debits	19	4,664	3,515
Total non-current liabilities		**25,248**	**16,274**
Quotaholders' equity	21		
Capital		269,738	269,738
Accumulated losses		(230,555)	(206,724)
Total quotaholders' equity		**39,183**	**63,014**
Total liabilities and quotaholders’ equity		**337,986**	**351,619**

See the accompanying notes to the financial statements.

Medquímica Indústria Famacêutica Ltda.

Statements of operations

Years ended March 31, 2022 and 2021

(In thousands of reais)

	Note	31/03/2022	31/03/2021
Revenue	23	223,519	238,720
Cost of sales	24	(162,317)	(160,063)
Gross income		**61,202**	**78,657**
Sales expenses	25	(37,520)	(48,533)
Administrative expenses	26	(40,133)	(41,982)
Other revenues (expenses), net	27	891	(2,105)
Income (loss) before net financial revenues (expenses) and taxes		**(15,560)**	**(13,963)**
Financial revenues		36,666	9,193
Financial expenses		(39,047)	(22,464)
Net financial income (loss)	28	**(2,381)**	**(13,271)**
Income (loss) before income taxes		**(17,941)**	**(27,234)**
Deferred income tax and social contribution	30	(5,799)	1,661
Current income tax and social contribution	30	(91)	-
Income tax and social contribution		**(5,890)**	**1,661**
Loss for the year		**(23,831)**	**(25,573)**

See the accompanying notes to the financial statements.

Medquímica Indústria Famacêutica Ltda.

Statements of comprehensive income

Year ended March 31, 2022 and 2021

(In thousands of reais)

	31/03/2022	31/03/2021
Net income for the year	(23,831)	(25,573)
Other comprehensive income for the year	-	-
Comprehensive income for the year	(23,831)	(25,573)

See the accompanying notes to the financial statements.

Medquímica Indústria Famacêutica Ltda.

Statements of changes in quotaholders' equity

Years ended March 31 2022 and 2021

(In thousands of reais)

	Capital	Accumulated losses	Total quotaholders' equity
Balance at March 31, 2020	**269,738**	**(181,151)**	**88,583**
Income (loss) for the year	-	(25,573)	(25,573)
Balance at March 31, 2021	**269,738**	**(206,724)**	**63,010**
Income (loss) for the year	-	(23,831)	-
Balance at March 31, 2022	**269,738**	**(230,555)**	**39,183**

See the accompanying notes to the financial statements.

Medquímica Indústria Farmacêutica Ltda.

Statements of cash flows

Years ended March 31, 2022 and 2021

(In thousands of reais)

		31/03/2022	31/03/2021
Cash flow from operating activities			
Loss for the year		(23,831)	(25,573)
Adjustments for:			
Depreciation and amortization	13|14	9,797	11,518
Allowance for doubtful accounts	8	1,058	1,712
Impairment of inventory (Obsolescence)	9	512	3,540
Losses in the processing of inventories		-	1,253
Disposal of Property, plant and equipment		-	11
Provision for sales commissions		-	331
Provision for bonus		-	3,807
Provision for recall of products		-	1,585
Formation (reversal) of contingencies	20	3,889	(565)
Gain with derivatives	29	16,729	(224)
Provisions for returns	8	(2,466)	4,015
Provision for termination		-	504
Other reversals		-	(530)
Current and deferred income tax and social contribution		5,890	(1,661)
Interest provisioned and exchange-rate change on loan	16	(23,192)	
Net financial income		9,946	13,540
		(1,668)	**13,263**
Changes:			
Trade accounts receivable		(5,888)	(19,165)
Inventories		20,321	(33,066)
Recoverable taxes		5	2,737
Other credits and prepaid expenses		6,103	(2,259)
Suppliers		(15,703)	18,653
Taxes payable		(1,221)	2,383
Social charges		34	(265)
Provision for contingencies		-	-
Other debits		(857)	1,891
Cash used in operating activities		**1,126**	**(15,828)**
Interest paid	16	(3,895)	(8,364)
Interest received		377	85
Net cash flow used in operating activities		**(2,392)**	**(24,107)**
Cash flow from investment activities			
Cash from disposal of property, plant and equipment	27	86	465
Acquisition of property, plant and equipment	13	(13,694)	(3,871)
Acquisition of intangible asset		-	(3,076)
Cash flow used in investment activities		**(13,608)**	**(6,482)**
Cash flow from financing activities			
Funds from loans	16	191,537	181,128
Payment of loans and financing	16	(160,802)	(159,889)
Lease payment		(732)	(1,187)
(Losses) Gains with derivatives		(9,627)	7,021
Net cash from financing activities		**20,376**	**27,073**
Net increase (decrease) in cash and cash equivalents		**4,376**	**(3,516)**
Cash and cash equivalents at the beginning of the period		6,146	9,662
Cash and cash equivalents at the end of the period		10,522	6,146
Net increase (decrease) in cash and cash equivalents		**4,376**	**(3,516)**

See the accompanying notes to the financial statements.

Notes to the financial statements

(In thousands of reais)

1 Operations

Medquímica Indústria Farmacêutica Ltda. ("Medquímica" or the "Company"), limited liability company headquartered in the municipality of Juiz de Fora, Minas Gerais State, MG, is a manufacturer of the pharmaceutical industry with over 40 years of history. On June 23, 2015, it became part of Lupin Group, global company of the pharmaceutical industry specialized in producing active ingredients, generic medications, similar medications, specialty and biotechnology products. With head office in Mumbai, India, Lupin is present in the world's main markets.

In the year ended March 31, 2022, the Company recognized losses in the year in the amount of R$ 23,831 (R$ 25,573 on March 31, 2021) and its current liabilities exceed current assets in the amount of R$ 116,569 (R$ 103,273 on March 31, 2021). The Company also has negative operating cash flow in the amount of R$ 2,392 on March 31, 2022 (R$ 24,107 on March 31, 2021).

Several strategic measures aimed at reversing the losses generated in operations, reducing liquidity risk and improving working capital management are being taken by the Company, among which the following stand out:

(1) Improvement in the cost management process;

(2) Development of effective sales strategies and product introduction with greater profitability;

(3) Improvement of plant process control procedures;

(4) Improvement in production efficiency and review of processes;

(5) Search for improvements in commercial contracts to obtain margin gains with distributors and clients; and

(6) Obtaining additional funding sources from external creditors and related parties.

In management's view, the losses for the year ended March 31, 2022 arise from the current portfolio, which presents low profitability. Medquimica, together with the parent company, drew up a plan for the development of new products over the next five years to help in the organic and sustainable growth of the company's profitability. There are also effects of the decision to stop selling imported products from the Derma line, which generated impacts on the obsolescence line, sales returns, financial discounts, and product disposals. It is worth highlighting that the Derma line consisted of products acquired from Lupin for resale in the Brazilian market and there is no discontinuity of operational activities (production lines) that result in a discontinued activity for the purposes of the financial statements. All accounting effects resulting from the change in strategy are duly reflected in the financial statements.

Assessment of the impact of the COVID-19 outbreak

After two years of pandemic, Medquimica recorded results above expectations compared to its budget for this period mainly owing to the fact that some products in its portfolio are directly or indirectly linked to the COVID-19 treatment, as evidenced by the molecules Azithromycin, Hydrochlorathiazide and Glyconyl. However, the company had negative impacts on products that suffered a decrease in consumption due to social distancing (Gripnew, Deltametril, among others) and the discontinuation of the Derma Cosmetics business unit due to the reduction in economic activity in this segment.

It is important highlighting that even during critical periods of social distancing and lockdowns, the Company has always maintained stable operational flows, from the acquisition of raw materials, production and sales, continuing the preventive measures implemented at the beginning of the pandemic, aiming to establish a contingency plan for its different business areas, as well as complying with the recommendations established by the World Health Organization and the Ministry of Health.

The raising of financial funds from quotaholders and other actions reported above stress that such measures serve to provide greater strength and liquidity to the Company's cash during this period of uncertainty and volatility of the current scenario, due to the global COVID-19 pandemic.

Therefore, regarding the financial statements as of March 31, 2022, Management evaluated the effects of COVID-19 and its impacts on: (i) the use of the going concern assumption; (ii) the liquidity management; (iii) the Company's exposure to client credit risk and the impacts on the industry in which it operates; (iv) the sensibility of assumptions regarding the asset impairment testing on the base date of the financial statements considering the budget review to reflect the impacts of COVID-19, concluding that there are no impacts to be recognized in these financial statements as a result of this matter, except for the possible need for cash from its majority quotaholder.

Lupin Group guarantees the required funds for the continuity of the Company's operations. The financial statements were prepared assuming the normal course of operations of the Company, not including any adjustment derived from this matter.

2 Preparation basis

Statement of conformity — regarding the Accounting Pronouncement Committee (CPC) standards

The financial statements include were prepared in accordance with accounting practices adopted in Brazil (BR GAAP).

The issue of financial statements was authorized by the Executive Board on May 16, 2022.

Details on the accounting policies are shown in Note 6.

All relevant information specific to the financial statements, and only such information, is being evidenced, and corresponds to the information used by company Management.

3 Functional and presentation currency

These financial statements are being presented in Brazilian Real, functional currency of the Company. All balances have been rounded to the nearest value, except otherwise indicated.

4 Use of estimates and judgments

The preparation of the financial statements according to accounting practices adopted in Brazil (CPC) and requires management to make judgments, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets, liabilities, revenues and expenses. Actual results may differ from these estimates.

Estimates and assumptions are reviewed in a continuous manner. Reviews in relation to accounting estimates are recognized in the year in which the estimates are reviewed and in any future years affected.

Information on uncertainties as to assumptions and estimates that pose a significant risk of resulting in a material adjustment within the next financial year are included in the following notes:

- **Note 8 – Trade accounts receivable –** measurement of expected credit loss for accounts receivable that requires judgment and estimates, including the history of losses and future expectations.

- **Note 8 – Provision for returns:** estimate on expected sales returns and revenue reversals.

- **Note 9** – **Inventories** – measurement of inventories with a probability of loss due to maturity or eventual problems of non-compliance or issues related to inventory turnover, as well as the assessment of losses arising from the assessment of the net realizable value of inventories.

- **Note 13 - Property, plant and equipment -** Impairment test of property, plant and equipment: main assumptions for the impairment test, such as sales projections, costs and expenses, discount rates, etc.;

- **Note 13** – **Property, plant and equipment –** useful lives of assets and depreciation estimates: assumptions related to determining the useful life of property, plant and equipment;

- **Note 14 – Intangible assets -** impairment test of intangible assets and goodwill due to expected future profitability: main assumptions for the impairment test, such as sales projections, costs and expenses, discount rates, etc.;

- **Note 14 – Intangible assets –** useful life of assets and amortization estimates: assumptions relating to the determination of the useful life of the intangible asset for which there is a defined useful life; and

- **Note 19 – Accounts payable arising from the merger** – fair value of the consideration to be transferred to former shareholders (contingent consideration) and whose balances were recognized after the merger;

- **Note 20 – Provision for contingency -** recognition and measurement of provisions and contingencies: main assumptions about the likelihood and magnitude of the outflows of funds; and

- **Note 30 – Deferred tax liabilities and assets –** assessment on the recognition and recoverability of deferred tax balances.

5 Measuring basis

The financial statements were prepared based on the historical cost, except for the following material items which are measured on each reporting date and recognized in the balance sheets:

- derivative financial instruments measured at fair value; and

- non-derivative financial instruments stated at fair value through profit or loss are measured at fair value.

6 Significant accounting policies

a. Foreign currency

(i) Foreign currency transactions

Foreign currency transactions are translated into the respective functional currencies at the foreign rates on the dates of the transactions. Monetary assets and liabilities denominated in foreign currencies at the reporting date are retranslated into the functional currency at the exchange rate at that date. Foreign exchange gain or loss in monetary items is the difference between the amortized cost of the functional currency at the beginning of the year, adjusted by interest and effective payments during the year, and the amortized cost in foreign currency at the exchange rate at the end of the presentation year. When applicable, non-monetary assets and liabilities denominated in foreign currencies that are measured at fair value are translated into the functional currency at the foreign exchange rate on the date the fair value was determined. Non-monetary items that are measured based on the historical cost in foreign currency are translated using the rate of the transaction date. Foreign currencies differences arising from reconversion are usually recognized in income (loss).

b. Financial instruments

Initial recognition and measurement

Trade accounts receivable and bonds issued are initially recognized on the date that they were originated. All other financial assets and liabilities are initially recognized when the Company becomes a party to the instrument's contractual provisions.

A financial asset (unless it is trade accounts receivable without a material financing component) or a financial liability is initially measured at fair value, plus, for an item not measured at FVTPL, transaction costs which are directly attributable to its acquisition or issuance. Trade accounts receivable without a significant financing component is initially measured at the price of operation.

Classification and subsequent measurement

Financial assets
In the initial recognition, a financial asset is classified as measured: at amortized cost; at FVTOCI - debt instrument; at FVTOCI - equity instrument; or at FVTPL.

Financial assets are not reclassified after initial recognition, unless the Company changes the business model for the management of financial assets, in which case all affected financial assets are reclassified on the first day of the reporting period subsequent to the change in the business model.

A financial asset is measured at amortized cost if it meets both conditions below and is not designated as measured at FVTPL:

- it is held within a business model whose purpose is to maintain financial assets to receive contractual cash flows; and
- its contractual terms generate, on specific dates, cash flows only related to the payment of principal and interest on outstanding principal value.

A debt instrument is measured at FVTOCI if it meets both conditions below and is not designated as measured at FVTPL.

- it is maintained within a business model whose purpose is achieved by both the receipt of contractual cash flows and the sale of financial assets; and
- its contractual terms generate, on specific dates, cash flows which are only payments of principal and interest on outstanding principal value.

In the initial recognition of an investment in an equity instrument not held for trading, the Company may irrevocably choose to present subsequent changes in the fair value of the investment in OCI. This choice is made on an investment basis. The Company does not have investments in equity instruments as of March 31, 2022 and 2021.

All financial assets not classified as measured at amortized cost as described above or at FVTOCI, are classified as FVTPL. It includes all derivative financial assets. At initial recognition, the Company may irrevocably designate a financial asset that otherwise meets the requirements to be measured at amortized cost or as FVTOCI, as FVTPL if it eliminates or significantly reduces an accounting mismatch that would otherwise arise.

Financial assets - Evaluation of business model
The Company carries out an evaluation of the purpose of the business in which a financial asset is held in the portfolio, since this better reflects the way in which the business is managed and the information is provided to Management. The information considered includes:

- the stated policies and objectives established for the portfolio and operation of those policies in practice. They include the question of whether Management's strategy focuses on obtaining contractual interest revenues, maintaining a certain interest rate profile, matching the duration of financial assets with the duration of related liabilities or expected cash outflows, or the realization of cash flows through the sale of assets;

- how the performance of the portfolio is evaluated and reported to the Company's management;

- the risks that affect the performance of the business model (and the financial assets held within that business model) and how those risks are managed;

- how managers are remunerated - e.g. whether remuneration is based on the fair value of the assets managed or the contractual cash flows collected; and

- the sales rate, volume and timing of sales of financial assets in prior periods, the reasons for such sales and future sales expectations.

Transfers of financial assets to third parties in transactions that do not qualify for derecognition are not considered sales, which is consistent with the ongoing recognition of the Company's assets.

Financial assets that are held for trading or are managed and whose performance is evaluated on fair value basis are measured at fair value through profit or loss (FVTPL).

Financial assets – evaluation whether the contractual cash flows represent solely payments of principal and interest

When applicable, for this evaluation purposes, “principal” is defined as the fair value of financial asset at initial recognition. “Interest” is defined as a consideration for the amount of cash at the time and for the credit risk associated to the outstanding principal value during a certain period and for other risks and base costs of loans (for example, liquidity risk and administrative costs), as well as for the profit margin.

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

- contingent events that change the amount or timing of cash flows;

- terms that may adjust the contractual coupon rate, including variable-rate features;

- prepayment and extension features; and

- the terms that limit the Company's access to cash flows of specific assets (for example, based on the performance of an asset).

The prepayment is consistent with the principal and interest payment criterion if the prepayment amount mostly represents the unpaid principal and interest amounts on the outstanding principal amount - which may include an reasonable offset due to the early termination of the contract. In addition, in relation to a financial asset acquired at a lower or higher value than contract’s nominal value, permission or requirement of pre-payment at an amount that represents contract nominal value plus accumulated (but not paid) contract interest (which may also include fair remuneration for early termination of contract) are treated as consistent with this criterion if prepayment fair value is immaterial at initial recognition.

Financial assets - Subsequent measurement and gains and losses

Financial assets at FVTPL	These assets are subsequently measured at fair value. Net income (loss), plus interest or dividend revenue, is recognized in income (loss). Derivatives designated as hedging instruments are not designated as cash flow hedges.
Financial assets at amortized cost	These assets are subsequently measured at amortized cost using the effective interest method. Amortized cost is reduced due to impairment losses. Interest revenue, foreign exchange gains and impairment losses are recognized in the income (loss). Any gain or loss on derecognition is recognized in income (loss).
Debt instruments at FVTOCI	These assets are subsequently measured at fair value. Interest revenue calculated using the effective interest method, foreign exchange gains and losses and impairment loss are recognized in the income (loss). Other net income (loss) is recognized in OCI. In derecognition, the retained earnings in OCI are reclassified to the income (loss). The Company does not have financial instruments classified in this category.
Equity instruments at FVTOCI	These assets are subsequently measured at fair value. Dividends are recognized as gain in income (loss) unless the dividend clearly represents a recovery of part of the investment cost. Other net income (loss) is recognized in OCI and are never reclassified to the income (loss). The Company does not have financial instruments classified in this category.

Financial liabilities – classification, subsequent measurement and gains and losses
Financial liabilities were classified as measured as amortized cost or at FVTPL. A financial liability is classified as measured at fair value through profit or loss if it is classified as held-for-trading it is a derivative or it is designated as such on initial recognition. Financial liabilities measured at FVTPL are measured at fair value and net income (loss), plus interest, is recognized in income (loss). Other financial liabilities are subsequently measured at amortized cost using the effective interest method. Interest expense, foreign exchange gains and losses are recognized in income (loss). Any gain or loss on derecognition is also recognized in income (loss).

See the note below which specifically addresses financial liabilities designated as hedging instruments.

(ii) Derecognition

Financial assets
The Company derecognizes a financial asset when the contractual rights to the cash flow of the asset expire, or when the Company transfers the contractual rights to the receipt of contractual cash flows over a financial asset in a transaction in which essentially all the risks and rewards of ownership of the financial asset are transferred or in which the Company nor transfers or maintains all ownership risks and rewards of the financial assets and also does not hold the control over the financial asset.

The Company carries out transactions in which it transfers assets recognized in the balance sheet, but retains all or substantially all risks and rewards of the assets transferred. In such cases, financial assets are not derecognized.

Financial liabilities
The Company derecognizes a financial liability when its contractual obligations are discharged or canceled or expired. The Company also derecognizes a financial liability when terms are modified, and the cash flows of the modified liability are substantially different if a new financial liability based on the terms changed is recognized at fair value.

In the derecognition of a financial liability, the difference between the extinct book value and the consideration paid (including assets transferred that do not pass through the cash or assumed liabilities) is recognized in the income (loss).

(iii) Offsetting

Financial assets and liabilities are offset and the net value reported in the balance sheet only when there is a legally enforceable right to set off and there is a current intention to settle on a net basis, or to realize the asset and settle the liability simultaneously.

(iv) Derivative financial instruments and hedge accounting

Derivative financial instruments and hedge accounting

The Company uses derivative financial instruments to hedge its exposures to foreign currency fluctuation risks. When applicable, embedded derivatives are separated from the host contracts and separately recorded when the host contract is not a financial asset and certain criteria are met.

Derivatives are initially measured at fair value. After the initial recognition, derivatives are measured at fair value and changes are normally recorded in profit or loss.

The Company does not designate derivatives as hedging instruments to hedge the variability of cash flows associated with highly likely forecasted transactions resulting from changes in exchange rates. Therefore, all derivative financial instruments have effects recognized in income (loss).

c. Property, plant and equipment

(i) Recognition and measurement

Property, plant and equipment items are stated at historical acquisition or construction cost, net of accumulated depreciation and impairment losses.

The cost includes expenditures that are directly attributable to the acquisition of assets. The cost of assets built by the Company includes:

- The cost of materials and direct labor;
- Any other costs attributable to bringing the assets to the location and condition required for them to operate in the manner intended by the Management;
- Borrowing costs on qualifiable assets.

Purchased software that is integral to the functionality of a piece of equipment is capitalized as part of that equipment.

(ii) Subsequent costs

Subsequent expenses are capitalized in accordance with the probability that associated future benefits may be earned by the Company. Maintenance expenses and recurring repairs are recorded in income (loss).

(iii) Depreciation

Items of property, plant and equipment are depreciated from the date they are available for use, or, in the case of assets constructed by the Company, as of the date the construction is concluded and the asset is available for use.

Depreciation is calculated to amortize the cost of items of property, plant and equipment, net of their estimated residual values, using the straight-line method based on estimated useful lives of such items. Depreciation is generally recognized in income (loss), unless the amount is included in the book value of another asset. Leased assets are depreciated over the shorter of the lease term or the estimated useful life of the asset, unless it is reasonably certain that the Company will obtain ownership at the end of the lease term. Land is not depreciated.

The useful lives estimated for the current and comparative year are as follows:

Buildings	33–46 years
Machinery and equipment	20 years
Vehicles	5 years
Computers and peripherals	5–10 years
Furniture and fixtures	10 years
Industrial facilities	5–10 years
Commercial facilities	10 years
Tools	10 years

d. Intangible assets

Goodwill
Goodwill is measured at cost, less accumulated impairment losses.

Other intangible assets
Other intangible assets acquired by the Company with finite useful lives are carried at cost, less accumulated amortization and impairment losses.

Amortization
The intangible assets are amortized on the straight-line method and the amortization is recognized in income (loss) based on the estimated useful life of the assets as of the date they are available for use. Estimated useful lives for current and comparative years are as follows:

Software	5 years
Distributors Relations	13 years
ANVISA records	12 years
Brands	Undefined
Non-competition agreement	5 years
Goodwill for future profitability	Undefined

e. Inventories

Inventories are measured at the lower of cost and net realizable value. The cost of inventories is based on the average cost principle and includes expenditure incurred in acquiring the inventories, production or conversion costs, as well as other costs incurred in bringing them to their existing location and condition.

The net realizable value is the estimated price at which inventories can be realized in the normal course of business, less the estimated completion costs and selling expenses.

f. Impairment

Non-derivative financial assets

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

The Company measures the provision for loss in an amount equal to credit loss expected for the whole life time, except for bank balances which are measured as credit loss expected for 12 months.

- Book balances for which the credit risk (i.e., default risk throughout the expected life of financial instrument) has not significantly increased since the beginning of initial recognition.

Provisions for trade receivables' losses are measured at a value equal to a credit loss estimated for the instrument's entire life.

When determining if the credit risk of a financial asset has significantly increased since the initial recognition and when estimating expected credit losses, the Company considers reasonable and tolerable information that is relevant and available without excessive cost or effort. This includes quantitative and qualitative information and analysis, based on the Company's historical experience, credit assessment, and considering forward-looking information.

The Company assumes that the credit risk in a financial asset increased significantly if it is more than 60 days overdue.

The Company considers a financial asset in default when:

- it is very unlikely that the debtor will fully pay its credit obligations to the Company, without having to resort to actions like the realization of guarantee (if any); or

- financial asset is overdue for more than 180 days.

Measurement of expected credit losses (ECLs)
Expected credit losses (ECLs) are probability-weighted estimate of credit losses. Credit losses are measured at present value based on all cash insufficiencies (that is, the difference between the cash flows owed to the Company in accordance with the contract and the cash flows that the Company expects to receive). The expected credit losses are discounted by the effective interest rate of the financial asset.

Credit-impaired financial assets
On each balance sheet date, the Company evaluates whether the financial assets accounted for at amortized cost and are experiencing recovery problems. A financial asset has "recovery problems" when one or more events with a negative impact on the estimated future cash flows of the financial asset occur.

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

- significant financial difficulties of the issuer;
- breach of contractual clauses, such as delinquency or late payment of more than 90 days;
- restructuring of a value payable to the Company under conditions that would not be accepted under normal conditions; or
- the probability that the borrower will enter bankruptcy or other financial reorganization.

Presentation of the expected credit losses in the balance sheet
Provision for losses for financial assets measured at amortized cost are deducted from the gross book value of assets.

Write-off
The gross book value of a financial asset is written off when the Company has no reasonable expectation of recovering the financial asset in full or in part. With respect to individual clients, the Company based on the history of recovery of similar assets, adopts the policy of writing off the gross book value when the financial asset is overdue for 180 days. The Company has no history of material losses on its financial assets, including trade accounts receivable.

(iv) Non-financial assets
The book values of the Company's non-financial assets, except for inventories and deferred tax assets are reviewed at each balance sheet date for indication of impairment. If such indication exists, the asset's recoverable amount is estimated.

For impairment tests, assets are grouped into the cash generating units (CGUs), that is, smallest identifiable group of assets that can generate cash inflows by continuous use, which are highly independent from cash inflows referring to other assets or cash generating units.

Recoverable value or CGU of an asset is the higher of value in use and fair value less selling costs. Value in use is based on estimated future cash flows discounted to present value using a discount rate before taxes that reflects current market evaluations of times value of money and the specific risks of the assets or CGU.

An impairment loss is recognized when the book value of an asset or its CGU exceeds its recoverable value. Impairment losses are recognized in income (loss).

Impairment losses are reversed only with the condition that the book value of the asset does not exceed the new book value that would have been calculated, net of depreciation or amortization, if the value loss had not been recognized.

g. Provisions

A provision is formed when the Company has a legal or constructive obligation which can be reliably estimated, and it is probable that an outflow of funds will be required to settle the obligation. Provisions are calculated by discounting the expected future cash flows at a pre-tax rate which reflects the current market evaluations as to the value of the cash over time and the specific risks of the liability. The financial costs incurred are recorded in the statements of operations.

h. Accounts payable arising from the merger

Accounts payable arising from the reverse merger that took place in February 2016 are recognized as a variable consideration to be transferred to the Company's former quotaholders. Changes in the fair value to be transferred are recognized against long-term financial investments linked to said transaction.

i. Leases

At the inception of an agreement, the Company evaluates whether the agreement is for or contains a lease.

A contract is, or contains, a lease if it conveys the right to control the use of an identified asset for a period of time in exchange for consideration. The Company follows the definition of lease under CPC 06 (R2) to assess whether an agreement transfer the right to control the use of an identified asset.

As a lessee

At the inception or amendment of a contract containing a lease component, the Company allocates the lease consideration to each lease and non-lease component based on its individual prices. However, when applicable, for real estate leases, the Company chooses to not separate non-lease components and lease and non-lease components are calculated as a single component.

The Company recognizes a right-of-use asset and a lease liability on the lease inception date. The right-of-use asset is initially measured at cost, which comprises the value of initial measurement of the lease liability adjusted to any lease payments made to the initial date, plus any initial direct costs incurred by the lessee and an estimate of the costs to be incurred by the lessee to disassemble and remove the underlying asset, by returning it to the place where it is located or returning the underlying asset to the state required under the lease terms and conditions, less any lease incentives received accordingly.

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

The lease liability is initially measured at the present value of the lease payments that are not paid at the inception date, and discounted using the interest rate implied in the lease or, if that rate cannot be immediately determined, the incremental loan rate of the Company. Usually, the Company uses their incremental loan rate as discount rate.

The Company sets its incremental rate on loans by obtaining interest rates from a number of external funding sources and making some adjustments to reflect the agreement terms and the type of leased asset.

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

- fixed payments, including in-substance fixed payments;
- variable lease payments based on an index or rate, initially measured based on the index or rate at the initial date;
- amounts expected to be paid by the lessee, in accordance with the residual value guarantees; and
- the call option exercise price if the lessee is reasonably certain to exercise such option, and payments of fines due to termination of the lease agreement, if the term of the lease reflects the fact that the lessee is exercising their option to terminate the lease agreement

The lease liability is measured at amortized cost using the effective interest method. It is remeasured when a change occurs in future lease payments as a result of a change in an index or rate, if there is a change in the amounts expected to be paid in accordance with the residual value guarantee, if the Company changes its assessment to exercise a call option, extend or terminate it, or if there is a payment of an initially fixed revised lease.

When the lease liability is thus remeasured, an adjustment corresponding to the book value of the right-of-use asset is made or recorded in income (loss) if the right-of-use asset is reduced to zero.

The Company presents right-of-use assets that fall outside the definition of investment property in “Right-of-use” and lease liabilities in “Lease” in the balance sheet.

Low-value asset leases
The Company opted not to recognize the assets of right-of-use and the lease liabilities for low-value lease assets and short-term lease, including IT equipment. The Company recognizes payments of those leases as a straight-line method expense during the lease term.

As a lessor
As of March 31, 2022, the Company has no asset lease agreements with third parties.

j. Operating revenue

Revenue is measured based on the consideration specified in the contract with the client. The Company recognizes the revenue when the control over the product or service is transferred to the client.

The table below provides information about the nature and time of the compliance with performance obligations under agreements with clients, including significant payment conditions and the policies of recognition of revenue.

Revenue	**Nature and timing of fulfillment of performance obligations, including significant payment terms**	**Revenue recognition**
Domestic Market/External Market	Customers gain control of the products when they are shipped from the Company's warehouse. The invoices are issued and revenue is recognized at that moment. At each accounting close, the Company assesses whether adjustments to recognize revenue on the correct accrual basis, as well as adjustments to expected returns, should be recognized to reduce the amount billed.	Revenue and cost are recognized when the goods are shipped from the Company's warehouse.

For certain customers, the Company has the practice of promoting promotional campaigns for its products at points of sale, classified in the financial statements as selling expenses. These transactions, in accordance with current accounting policies, consistent with CPC 47, are classified as a reduction in revenue.

k. Financial revenues and expenses

Financial revenues cover interest received from interest earning bank deposits and changes in the fair value of financial assets measured at fair value through profit or loss. Interest revenue is recognized in income (loss) under the effective interest method.

Financial expenses include expenses with interest on loans and other expenses related to bank operations. Borrowing costs which are not directly attributable to the acquisition, construction, or production of a qualifying asset are accounted for in profit or loss using the effective interest rate method.

l. Income tax and social contribution

The income tax and social contribution of the year, both current and deferred, are calculated based on the rates of 15% plus a surcharge of 10% on taxable income in excess of R$ 240 for income tax and 9% on taxable income for social contribution on net income, and consider the offsetting of tax loss carryforward and negative basis of social contribution, limited to 30% of the taxable income.

Expense with income tax and social contribution comprises both current and deferred taxes. Current taxes and deferred taxes are recognized in profit or loss unless they are related to the business combination, or items directly recognized in quotaholders' equity or other comprehensive income.

Current taxes are the taxes payable or receivable on the taxable income or loss for the year, at tax rates enacted or substantively enacted on the reporting date, and any adjustments to taxes payable in relation to prior years.

To determine current and deferred income tax, the Company takes into consideration the impact of uncertainties on positions taken on taxes and if the additional income tax and interest payment has to be made. The Company believes that the provision for income tax recorded in liabilities is adequate for all outstanding tax periods, based on its evaluation of several factors, including interpretations of tax laws and past experience. This evaluation is based on estimates and assumptions that may involve several judgments on future events. New information may be made available, leading the Company to change its judgment on the adequacy of existing provision; these changes will impact income tax expenses in the year in which they occur.

m. Measurement of fair value

Fair value is the price that would be received upon the sale of an asset or paid for the transfer of a liability in an non-forced transaction between market participants at the measurement date, on the primary market or, in the absence thereof, on the most advantageous market to which the Company has access on such date. The fair value of a liability reflects its risk of non-performance.

A series of accounting policies and disclosures of the Company requires the measurement of fair values, for financial and non-financial assets and liabilities.

When available, the Company measures the fair value of a security using the price quoted on an active market for such securities. A market is considered as ‘active’ if transactions for the asset or liability take place with sufficient frequency and volume to provide pricing information on an ongoing basis.

If there is no quoted price in an active market, then the Company uses valuation techniques that maximize the use of relevant observable inputs and minimize the use of unobservable inputs. The chosen valuation technique incorporates all the factors market participants would take into account when pricing a transaction.

If an asset or a liability measured at fair value has a purchase and a selling price, the Company measures the assets based on purchase prices and liabilities based on selling prices.

The best evidence of fair value of a financial instrument at initial recognition is normally the transaction price – i.e. the fair value of the consideration given or received. If the Company determines that fair value at initial recognition differs from transaction price and fair value is not evidenced, not even by price quoted in an active market for an identical asset or liability, neither based on evaluation technique for which non-observable data is judged as insignificant for measurement, then financial instrument is initially measured at adjusted fair value, to distinguish the difference between fair value at initial recognition and transaction price. This difference is subsequently recognized in income (loss) on an appropriate basis over the life of the instrument, or until such time when its valuation is fully supported by observable market data or the transaction is closed, whichever comes first.

n. New standards and interpretations not yet effective

The following standards and interpretations have been amended or become effective and are not expected to have a material impact on the Company’s financial statements.

- Onerous Contracts – Cost of Fulfilling a Contract (amendments to CPC 25);

- Deferred tax related to assets and liabilities arising from a single transaction (amendments to CPC 32)

- Other standards: New and amended standards are not expected to have a significant impact on the financial statements:

- Rental concessions related to COVID-19 as of June 30, 2021 (amendment to CPC 06);
- Property, plant and equipment: Revenues before Intended Use (amendments to CPC 27);
- Reference to the Conceptual Framework (Amendments to CPC 15);
- Classification of Liabilities as Current or Non-Current (amendments to CPC 26);
- Disclosure of Accounting Policies (Amendments to CPC 26) and
- Definition of Accounting Estimates (Amendments to CPC 23).

7 Cash and cash equivalent

	03/31/2022	**03/31/2021**
Cash and banks	10,522	6,146
	10,522	**6,146**

As of March 31, 2022 and 2021, the Company had no balances in interest earning bank deposits classified as cash and cash equivalents.

8 Trade accounts receivable

	03/31/2022	**03/31/2021**
Accounts receivable from third parties	88,201	82,313
(-) Expected losses in accounts receivable (b)	(9,740)	(8,682)
(-) Provision for sales returns (a)	(1,549)	(4,015)
	76,912	**69,616**

(a) Allowance for expected return on sales that result in a reduction in revenue.

Balance of accounts receivable per maturity is as follows:

Breakdown by maturity	**03/31/2022**	**03/31/2021**
Falling due	74,130	66,213
Overdue (days):		
00–30	434	808
31–90	129	859
91–120	57	409
121–180	-	1,175
>181 (b)	13,491	12,849
	88,201	**82,313**

(b) Of the amount of R$ 13,491, R$ 3,806 are under negotiation with clients (R$ 4,158 was under negotiation in 2021)

Based on historical analyses and after individualized analysis of overdue accounts receivable, the Company understands that a provision for losses must be recognized for notes overdue for more than 180 days. This assessment approximates management's expectations based on expected losses in accordance with CPC 48 and, for this reason, no additional provision is recognized.

Changes in the provision for estimated losses with doubtful accounts are shown below:

Changes in provision for expected loss	**03/31/2022**	**03/31/2021**
Opening balance	**(8,682)**	**(6,970)**
Additions	(1,897)	(2,120)
Reversals	839	409
Closing balance	**(9,740)**	**(8,682)**

Company's credit and currency risk exposure and impairment loss exposure related to trade accounts receivable (expected loss) are disclosed in Note 29.

9 Inventories

The breakdown of inventories is presented in the following table:

	03/31/2022	**03/31/2021**
Finished goods	23,207	54,396
Work in process	2,747	5,730
Raw material	28,874	16,629
Packaging Material	6,210	5,750
Storeroom and other inventories	5,103	3,957
Estimated losses in inventories	(7,497)	(6,985)
	58,644	**79,477**

The reduction in inventories as of March 31, 2022 compared to the previous year is mainly due to the high turnover in March 2022.

As of March 31, 2022, the loss due to impairment for items without a turnover in inventory for more than 180 days, overdue and obsolete in the amount of R$ 7,497 (R$ 6,985 as of March 31, 2021).

Changes in provision for inventory losses

Balance at March 31, 2020	**3,445**
Reversal of provisions	(504)

Recognized provisions	4,044
Balance at March 31, 2021	**6,985**
Reversal of provisions	-
Recognized provisions	512
Balance at March 31, 2022	**7,497**

10 Recoverable taxes and income and social contribution taxes

	03/31/2022	03/31/2021
Recoverable IPI	266	-
Recoverable PIS / COFINS	-	-
ICMS on property, plant and equipment	8	202
Recoverable ICMS	32	-
Recoverable ICMS - Sports Incentive	43	142
Indirect taxes	**349**	**344**
Recoverable income tax/social contribution (a)	6,487	3,566
Direct taxes	**6,487**	**3,566**
	6,836	**3,910**
Current	6,836	3,910
Non-current	-	-

(a) Income tax and social contribution to be offset arises from prepayments of income taxes realized by the estimate of taxable income and subsequent confirmation of tax loss and negative basis of social contribution at year-end. Such amount will be used to offset other balances payable for federal taxes and charges, including payroll. Offsetting is expected to occur over the next year.

11 Other receivables

	03/31/2022	03/31/2021
Judicial deposit	515	1,123
Credits with former quotaholders (a)	1,901	1,901
Advance to suppliers (b)	1,802	7,111
Reimbursement of expenses receivable (c)	927	1,082
Other receivables (d)	205	236
	5,350	**11,453**
Current	2,934	8,429
Non-current	2,416	3,024

(a) According to contract entered into with former quotaholders, liabilities deriving from actions of the Company's former management will be reimbursed by them, thus reducing obligations with these quotaholders and unblocking interest earning bank deposits given in guarantee of said amount. In case receiving proceedings are not successful, the Company's parent company guarantees reimbursement of balance (see Note 20). As of December 22, 2017, there was an out-of-court agreement to recompose accounts receivable with former quotaholders and an additional amount receivable was added for matters not covered by the purchase agreement ("SPA"). This amount is classified as noncurrents and will be paid according to the schedule established in the agreement, which in turn depend on events beyond the entity's control.

(b) Advance to suppliers of raw materials and inputs

(c) Advances to related parties are linked to the advance payment of raw material invoices to Lupine India.

(d) Other credits are advances to employees

12 Interest earning bank deposits

	03/31/2022	03/31/2021
Interest earning bank deposits	2,566	2,431
	2,566	**2,431**

Interest earning bank deposits linked to guarantees for balances payable by former quotaholders (see Note 11), and cannot be used by the Company in its cash management. There was no release in the last period. The increase in the balance was due to income from interest earning bank deposits in the restricted investment. The remaining balance is classified as non-current, consistently with the liability, since the releases of amounts depend on future events and there is no expectation on the part of the Company of that such events occurred within the next 12 months.

The amounts are invested with Banco BNP Paribas Brasil S/A. in a fixed-income investment fund, mainly composed of investments in government bonds, whose average yield rate for the year corresponds to 54.86% of the Interbank Deposit Certificate – CDI (91.8% for the 12 months ended March 31, 2021).

13 Property, plant and equipment

	Balance at April 1, 2021	Additions	Transfers	Disposal - cost	Depreciation	Disposal - Depreciation	Balance at March 31, 2022
Land and buildings	41,508	-	378	-	(750)	-	41,136
Machinery and equipment	25,264	-	2,740	(350)	(3,462)	311	24,503
Vehicles	51	-	-	(100)	(18)	74	7
Computers and peripherals	774	-	484	(1)	(402)	(48)	807
Furniture and fixtures	584	-	38	(5)	(145)	3	475
Leasehold improvements	17	-	-	-	-	-	17
Property, plant and equipment in progress	1984	9,478	(3,640)	-	-	-	7,822
Advances to suppliers	178	4,216	-	(3,736)	-	-	658
Total	**70,360**	**13,694**	**-**	**(4,233)**	**(4,777)**	**340**	**75,425**

	Balance at April 1, 2020	Additions	Transfers	Disposal - cost	Depreciation	Disposal - Depreciation	Balance at March 31, 2021
Land and buildings	41,864	-	373	-	(729)	-	41,508
Machinery and equipment	26,103	-	2,460	(85)	(3,294)	80	25,264
Vehicles	705	-	-	(1,137)	(203)	686	51
Computers and peripherals	1,224	-	10	(17)	(455)	12	774
Furniture and fixtures	729	-	21	(27)	(152)	13	584
Leasehold improvements	105	-	-	-	(88)	-	17
Constructions in progress	977	3,871	(2,864)	-	-	-	1,984
Advances to suppliers	-	178	-	-	-	-	178
Total	**71,707**	**4,049**	**-**	**(1,265)**	**(4,920)**	**789**	**70,360**

Cost and accumulated depreciation

The total cost of property, plant and equipment corresponds to R$ 99,418 and accumulated depreciation corresponds to R$ 29,058 as of March 31, 2022 (R$ 96,634 and R$ 24,927 as of March 31, 2021, respectively).

Useful life and residual value

The Company did not identify unexpected and relevant wear and break, technological obsolescence or changes in market prices that indicate that assets' residual value or useful lives needed to be changed last year.

Evaluation of impairment loss

The Company carried out a test to assess the recoverability of its assets, including property, plant, and equipment, whose results did not indicate a loss due to impairment to be recognized in the balance sheet. Considerations about the impairment test and its assumptions are provided in Note 14.

Guarantees

As of March 31, 2022, part of the Company's assets were linked to loan and financing guarantees (Finame Santander) and totaled R$ 81 (R$ 549 as of March 31, 2021).

Property, plant and equipment in progress

As of March 31, 2022, constructions in progress refer to operational improvements to the Company's industrial plant and acquisition of machinery and equipment.

14 Intangible assets

	Balance at April 1, 2021	Additions	Transfers	Disposal - cost	Write-offs - Amortization in the period	Disposal - Amortization in the period	Write-off – Advance	Balance at March 31, 2022
Trademarks/Licenses	6,701	-	99	-	(23)	(73)	-	6,705
Software	8,431	-	112	(1)	(1,908)	(485)	-	6,149
Goodwill for future profitability	61,733	-	-	-	-	-	-	61,733
Non-competition agreement	5,996	-	-	-	(139)	-	-	5,857
ANVISA records (a)	21,607	-	-	-	(2,950)	-	-	18,657
Total	**104,467**	**-**	**211**	**(1)**	**(5,020)**	**(558)**	**-**	**99,100**

	Balance at April 1, 2020	Additions	Transfers	Disposal - cost	Write-offs - Amortization in the period	Disposal - Amortization in the period	Write-off - Advance	Balance at March 31, 2021
Trademarks/Licenses	6,705	-	-	-	(4)	-	-	6,701
Software	8	-	9,431	-	(1,008)	-	-	8,431
Goodwill for future profitability	61,733	-	-	-	-	-	-	61,733
Non-competition agreement	6,936	-	-	-	(940)	-	-	5,996
ANVISA records (a)	25,064	-	-	-	(3,457)	-	-	21,607
Software under development	6,355	3,076	(9,431)	-	-	-	-	-
Advances to suppliers	1,938	-	-	-	-	-	(1,938)	-
Total	**108,738**	**3,076**	**-**	**-**	**(5,409)**	**-**	**(1,938)**	**104,467**

(a) Product registrations at the National Health Surveillance Agency (ANVISA) valued in the fair value allocation report upon the acquisition by Lupin.

Cost of intangible assets and accumulated amortization

The total cost of intangible assets corresponds to R$ 162,586 and accumulated amortization corresponds to R$ 58,119 as of March 31, 2022 (R$ 161,448 and R$ 52,710 as of March 31, 2022, respectively).

Asset impairment test

The Company carried out a test to assess the recoverability of its assets, including property, plant, and equipment, whose results did not indicate a loss due to impairment to be recognized in the balance sheet.

Goodwill for future profitability refers to merger transactions and corresponds to goodwill paid upon acquisition of investment transferred to the Company in accordance with appraisal report issued on December 14, 2015.

The Company evaluated the recoverable value of goodwill, other intangible assets, as well as property, plant, and equipment. Our assessment did not result in a loss and took as main assumptions:

(i) Cash flow determined in reais, which is the Company’s functional currency
(ii) Assumptions of terms for the projected flow of 10 years. The term of more than 5 years for the projected cash flow arises from the fact that the useful life of licenses and other relevant assets is equivalent to or greater than 10 years.
(iii) Future sales expectations based on the regular product line and new product lines – e.g. Central Nervous System (CNS) Products
(iv) New product launches and increased Market Share in the Brazilian market
(v) Expectations for operating costs based on estimated margins
(vi) Expectations regarding operating expenses that include marketing, sales, administrative and other expenses that may impact our results of operations
(vii) Amortization depreciation projections for future periods
(viii) Estimates of 2% of property, plant, and equipment related to maintenance expenses (CAPEX)
(ix) The effects of applicable income tax and social contribution were also estimated based on the combined rate of 34%
(x) The flows also included adjustments to the working capital estimate
(xi) Discount rate calculated based on the weighted average cost of capital (WACC) equivalent to 16.51%
(xii) Cash flows were also adjusted for any known impacts and estimated impacts for periods after the issuance of the financial statements related to the COVID-19 pandemic

15 Suppliers

	03/31/2022	03/31/2021
Domestic suppliers	13,114	11,310
Trade accounts payable - Foreign (a)	23,727	34,834
Provisions for payment of suppliers (b)	8,363	14,763
	45,204	**60,907**

(a) Including related party transactions

(b) Provision for payment of suppliers for whom the service was provided and/or goods delivered and whose documentation (invoice) has not yet been received by the Company.

Additional disclosures about related party transactions are in note 22.

16 Loans and financing

Current liabilities	03/31/2022	03/31/2021
Financing assets	81	293
Working capital loans	199,373	195,252
	199,454	**195,545**
Non-current liabilities		
Financing assets	-	261
	-	**261**
Total	**199,454**	**195,806**

For more information on the Company's interest rate and foreign currency risk exposure, see Note 29.

Balance at March 31, 2021	**195,806**
Loans and financing obtained	191,537
Net inflation adjustment and exchange rate change	(6,490)
Financial charges provisioned	(16,702)
Financial charges paid	(3,895)
Amortization of principal	(160,802)
Balance at March 31, 2022	**199,454**

Additional disclosures about related party transactions are in note 22.

a. Guarantees

The Company has loans and financing guaranteed by property, plant and equipment assets (see Note 14) and receivables from clients (see Note 9).

b. Compliance with contractual obligations (“covenants”)

Management monitors the covenants of the contracts in a timely manner and there is no cases of noncompliance with the covenants of any of the loan contracts.

c. Terms and schedule of debt amortization

The following statement provides information on schedule for settlement of debt based on terms of contracts for loans and financing recognized on March 31, 2022 and 2021, which are measured an amortized cost.

March 31, 2022:

Debt	Guarantee	Currency	Nominal interest rate p.a.	Year of maturity	Book value
Citibank	Shareholders	USD	6.39%	2022	47,443
MUFG Brasil	Shareholders	BLR	13.58%	2022	16,747
MUFG Brasil	Shareholders	BLR	10.70%	2022	34,839
Finame Santander	Well financed	BLR	6.60%	2022	50
Finame Santander	Well financed	BLR	6.60%	2022	31
Itáu	Shareholders	USD	7.11%	2022	46,085
Itaú	Shareholders	USD	6.96%	2022	16,352
Namomi	Shareholders	USD	3.00%	2022	37,907
				Total loans and financing	**199,454**

March 31, 2021:

Debt	Guarantee	Currency	Nominal interest rate p.a.	Year of maturity	Book value
Citibank (US$ 10 M)	Shareholders	USD	5.73%	2022	57,024
MUFG Brasil S.A.	Shareholders	BRL	5.80%	2021	17,091
MUFG Brasil S.A.	Shareholders	BRL	6.00%	2021	16,701
MUFG Brasil S.A.	Shareholders	BRL	5.40%	2021	17,191
Finame Santander	Well financed	BRL	6.60%	2022	261
Finame Santander	Well financed	BRL	6.60%	2022	293
Itaú	Shareholders	EUR	5.07%	2021	22,553
Itaú	Shareholders	USD	5.78%	2021	19,114
Nanomi	Shareholders	USD	3.00%	2022	45,578
				Total loans and financing	**195,806**

Payment flow

In thousands of reais

Payments up to 12 months (March 2022)	199,454
Total	**199,454**

17 Taxes payable

	03/31/2022	03/31/2021
PIS/COFINS payable	965	833
ICMS payable	1,885	1,527
IPI payable	(98)	70
Tax installment payment	605	759
IRRF payable	1,181	2,764
Other tax liabilities	256	62
	4,794	**6,015**
Current	4,346	5,405
Non-current	448	610

18 Social and labor charges

	03/31/2022	03/31/2021
Provision for vacation and 13th salary	3,530	3,839
INSS	846	763
FGTS	174	202
Other social security obligations	315	27
	4,865	**4,831**

19 Other debits

	03/31/2022	03/31/2021
Advances from clients	5	(103)
Sales representatives (a)	-	331
Accounts payable - Former shareholders (b)	3,513	3,515
Provision for bonus (c)	3,487	3,807
Other liabilities	227	539
	7,232	**8,089**
Current	2,568	4,574
Non-current	4,664	3,515

(a) Sales representatives are legal entities remunerated through on commission on sales. Balance arising from the provision referring to March 31, 2021. There is no remaining balance for such provision as of March 31, 2022.

(b) As of May 15, 2015, Lupin Farmacêutica do Brasil Ltda, a wholly-owned subsidiary of Lupin Group and holding company for the Group's operations in Brazil, acquired Medquimica through a Share Purchase and Sale Agreement ("SPA"). As part of this agreement, the parties established that Medquimica's former quotaholders would have part of the consideration withheld to meet labor and tax contingencies and other risks associated with the acquisition. Therefore, a liability was recognized for the obligation with former quotaholders in Lupin do Brasil and its corresponding balance in interest earning bank deposits (escrow account) as a guarantee that they will be transferred to shareholders upon compliance with the conditions set forth in agreements that include, among other provisions, the payment of labor lawsuits associated with the Company's previous management.

In February 2016, Lupin do Brasil (holding company) was merged into Medquimica and the obligations were transferred to the Company. An agreement ("settlement agreement") was signed on December 22, 2017, establishing the release of part of the funds and determining criteria for future releases. The balance is classified as non-current, as the releases of amounts depend on future events (e.g. court decisions) and the Company does not expect such events to occur in the next 12 months.

The changes in the balance of obligations with former quotaholders can be presented as follows:

Balance at March 31, 2021	**3,515**
Reversal of provisions	(2)
Balance at March 31, 2022	**3,513**

In the assessment of the Company's management, there is no expectation of material deviations in relation to the amount provisioned, and the positions of the Escrow Account (Note 12) correspond to guarantees for payment of liabilities.

(c) Provision for payment of bonus and profit sharing to Company's employees and directors.

20 Provision for contingencies

The Company is a party to lawsuits and administrative proceedings before courts and government agencies, deriving from the normal course of its operations and involving labor and tax lawsuits.

The Company recorded provisions for disputes and administrative proceedings for which it is probable there will be a present obligation on balance sheet date. The Company's management believes that possible disbursements, in excess to amounts recorded in provisions after conclusion of respective proceedings, will not materially affect its operating income neither its financial position. Probable lawsuits recognized as a provision for litigation, mainly labor lawsuits, amount to R$ 4,605 as of March 31, 2022 (R$ 716 as of March 31, 2021).

Balance at March 31, 2021	**716**
Reversals recorded in the year	(412)
Provisions recorded in the year	4,301
Update of the claim amount	-
Balance at March 31, 2022	**4,605**

It is worth highlighting that, in addition to the transactions indicated above, there are transactions provisioned in connection with obligations payable to former quotaholders (Note 20). The lawsuits contained in this item correspond only to legal and administrative proceedings not contemplated in the Share Purchase and Sale Agreement (SPA) by Lupin.

As of March 31, 2022, civil, tax and labor lawsuits whose likelihood of loss is possible total R$ 24,105 (R$ 1,416 as of March 31, 2021). The change in amounts arises from civil and tax lawsuits and administrative proceedings filed in the current year, as well as changes in the estimates of amounts involved, whose classification was evaluated by the Company's internal legal department together with its external legal advisors.

21 Quotaholders' equity

a. Capital

On November 21, 2021, the contractual amendment was recorded, according to 20th amendment in articles of association registered with Minas Gerais State Board of Trade (JUCEMG) under no. 734706 on November 21, 2021.

As of March 31, 2022 and 2021, subscribed and paid-up capital (domestic currency) is R$ 269,738, divided into 269,738,261 quotas, in the unit par value of R$ 1.00 each. The Company's quotas are fully owned by the Lupin Group.

b. Tax benefit

The Company has tax benefits (investment grant) granted by the Minas Gerais State Treasury, which reduces the rate and defers ICMS due on imports of goods and productive inputs. Considering the accumulated loss in operations in recent years, there is no recording of reserve for grant.

22 Related parties

The outstanding balances and transactions that impacted revenues, costs and expenses in the income (loss) can be demonstrated as follows:

	Balance sheet Equity	**Balance sheet Equity**
	03/31/2022	**03/31/2021**
Refund of expense receivable (c)	927	-
Advances	-	1,082
	927	**1,082**
Suppliers (b)	28,167	29,112
Loans obtained from quotaholders (a)	37,909	45,578
	66,076	**74,690**

	Income (loss)	**Income (loss)**
	03/31/2022	**03/31/2021**
Payment of personnel expenses	-	13
Consulting and related party services	(4,303)	(4,606)
Licenses and technical support	(702)	(647)
Other revenues and expenses, net	-	(2)
Interest and exchange-rate change, net	4,227	(136)
	(778)	**(5,378)**

The related party transactions are broken down by:

(a) Loans raised with partners in foreign currency and executed through contract that include principal value and interest of 3.0% p.a., and estimated maturity for the next fiscal year. For further details, see Note 16.

(b) Balance of suppliers and accounts payable in the amount of R$ 28,167, mainly related to the purchase of goods and inputs.

(c) Debit Note for reimbursement of Pregabalin destruction expenses due to a quality issue.

Remuneration of key management personnel

The remuneration of Company's key management personnel totaled R$ 5,078 in the period from April 1, 2021 to March 31, 2022 (R$ 4,661 as of March 31, 2020). This amount includes salaries and charges, profit sharing and benefits for the Company's main executives.

23 Revenue

	03/31/2022	03/31/2021
Gross revenue	253,928	273,306
(-) returns and discounts (a)	(3,473)	(3,566)
(-) sales taxes (b)	(26,936)	(31,020)
Net revenue	**223,519**	**238,720**

(a) Sales returns include R$ 1,549 corresponding to provisions for inventories of products with a shelf life of less than 12 months and with a commitment to return them to customers.

(b) Sales taxes are composed of taxes and contributions levied on the sale of products, as follows: PIS and COFINS, ICMS and IPI.

24 Cost of sales

Sales cost is comprised of inputs used for production of medications, direct labor, and general manufacturing expenditures. The breakdown can be shown as follows:

	03/31/2022	03/31/2021
Inputs	(100,972)	(118,824)
Direct labor	(14,613)	(8,690)
Depreciation	(3,810)	(3,559)
Manufacturing general expenses (a)	(40,807)	(24,293)
Other costs (b)	(2,115)	(4,697)
	(162,317)	**(160,063)**

(a) General manufacturing costs comprise indirect costs associated with the production process and include, among others:

- Indirect labor (R$ 17,254 on 03/31/2022 / R$ 15,768 on 03/31/2021);
- Electricity, water, and other utilities (R$ 2,673 on 03/31/2022 / R$ 2,465 on 03/31/2021);
- Maintenance expenses (R$ 1,099 on 03/31/2022 / R$ 1,128 on 03/31/2021);
- Materials for use and consumption (R$ 3,638 on 03/31/2022 / R$ 4,826 on 03/31/2021); and
- Outsourced services (R$ 214 on 03/31/2022 / R$ 106 on 03/31/2021).

(b) Other costs comprise costs with obsolescence of materials and products

25 Sales expenses

	03/31/2022	03/31/2021
Sales commissions – Sales representatives	(4,119)	(3,094)
Freight on sales	(8,963)	(10,006)
Marketing expenses	(874)	(3,802)
Other sales expenses	(8,784)	(12,171)
Salaries and payroll charges	(14,780)	(19,460)
	(37,520)	**(48,533)**

26 Administrative expenses

	03/31/2022	03/31/2021
Insurance	(287)	(214)
Depreciation and amortization	(7,805)	(6,834)
Maintenance, conservation and repair	(2,134)	(1,970)
Materials for use and consumption	(629)	(1,393)
Taxes, duties and contributions	(921)	(2,243)
Professional services	(5,516)	(7,424)
Utilities and services	(294)	(262)
Legal expenses	(390)	(271)
General expenses	(3,620)	(4,302)
Salaries and payroll charges	(18,537)	(17,069)
	(40,133)	**(41,982)**

27 Other revenues (expenses), net

	03/31/2022	03/31/2021
Revenue from sale of scrap	86	36
Income (loss) from disposal of property, plant and equipment	25	(11)
Other expenses (a)	(714)	(1,066)
Research and development expenses (b)	1,608	(1,650)
Reversal (provision) for contingencies	(28)	586
	891	**(2,105)**

(b) Provisions for loss due to obsolescence, inventories with no expectation of turnover, or losses due to shelf life loss.

(c) Balance of research and development (R&D) projects not eligible for capitalization as an intangible asset.

28 Net financial income (loss)

	03/31/2022	03/31/2021
Financial expenses		
IOF	(25)	(56)
Liability interest	(9,032)	(8,005)
Foreign exchange costs	-	(11,170)
Bank fees and expenses	(1,123)	(1,166)
Expense with derivative instruments	(26,356)	(1,916)
Interest payable – leases	(130)	(150)
	(36,666)	**(22,464)**
Financial revenues		
Asset interest	307	83
Active discounts	73	-
Yield of interest earning bank deposit	-	-
Holding gain	-	-
Exchange-rate change	38,667	172
Revenue from derivative financial instrument	-	8,937
	39,047	**9,193**
Net financial income (loss)	**(2,381)**	**(13,271)**

29 Financial instruments

Management of risks and financial instruments

The Company takes part in transactions involving financial assets and liabilities for the purpose of managing financial resources generated by operation. Risks associated to these instruments are managed using conservative strategies, aiming at liquidity, profitability and safety. The evaluation of such financial assets and liabilities in relation to market values, was prepared based on information available and appropriate assessment methodologies. Nevertheless, the interpretation of market data and the valuation methods require considerable judgment and estimates in order to calculate the best estimate of their realizable value Accordingly, estimates presented may differ in case different hypotheses and methodologies are used. Investments are always of the fixed-income type, in accordance with index percentages published by the Central Bank of Brazil and Official Government Agencies.

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

- Credit risk;
- Liquidity risk; and
- Market risk.

a. *Credit risk*

Credit risk is the risk of the Company incurring losses due to a client or financial instrument counterparty, resulting from failure in complying with contract obligations. Risk is mainly due to trade accounts receivable, and of financial instruments, as follows.

Credit risk exposure

The book values of financial assets classified as loans and receivables represent the maximum credit exposure. The maximum credit risk exposure on financial statements' date was:

Financial assets	Note	03/31/2022	03/31/2021
Cash equivalents	7	10,522	6,146
Trade accounts receivable	8	78,461	73,631
Interest earning bank deposits	12	2,566	2,431
Derivative financial instruments	29	-	224
Total assets		**91,549**	**82,432**

Trade accounts receivable

The Company has a credit policy in line with its annual plan. Through a credit approval matrix, the Company is exposed to the minimum risk possible. Portfolio of receivables is distributed to several clients and has low concentration. Through a careful monthly analysis of all active clients, the Company minimizes existing risks by evaluating credit quality of clients, their good repute and financial capacity to amortize debt, their history with the Company, information collected by sellers themselves, and market behavior. When a certain limit is reached, sales to clients are generally interrupted. The Company does not expect default losses, except for the allowance for doubtful accounts, presented in note 6.

Cash and cash equivalents, interest earning bank deposits, and derivative financial instruments

Cash equivalents, interest earning bank deposits and derivative financial instruments are maintained with Banks and financial institutions, which are rated, based on Standard &Poor's agency, as follows:

Financial institution	Brazil Rating
Itaú (*)	AAA
Bradesco	B
Banco do Brasil	BB
Santander	B
CEF	B
BNP Paribas (***)	B
Citibank (**)	B

(*) The company has an NDF agreement with the aforementioned financial institution.

(**) The company has a Swap agreement with the aforementioned financial institution.

(***) Financial institution responsible for the management of restricted interest earning bank deposits – Escrow account

b. *Market risks*

- **Interest-rate risk:** This associated risk arises from the possibility that the Company might incur in losses due to fluctuations in interest rates that might increase its financial expenses on loans and financing obtained in the market. The Company continuously monitors market interest rates in order to assess the possible need to renegotiate operations. Currently, all of the Company's lines of credit have fixed rates. In turn, the only relevant exposure as of March 31, 2022, refers to interest earning bank deposits to pay the acquisition obligations (Escrow account) – see Note 12.

- **Currency risk:** The Company is exposed to foreign exchange risk resulting from exposures to some currencies, basically US dollars. Foreign exchange risk arises when future commercial transactions or recognized assets and liabilities. Management established a policy that requires administrating its foreign exchange risk in relation to its functional currency (Reais) and annual plan. In case of exposure versus annual plan, the Company is required to protect its loan positions with hedge operations (swap and NDF contracts) traded with local banks. The Company's exposure as of March 31, 2022 is related to foreign currency loan, raw material imports and accounts payable with related parties.

  A summary of the risk exposure of the Company is as follows:

USD exposure	**March 31, 2022**		**March 31, 2021**	
	R$	**USD**	**R$**	**USD**
Suppliers	30,914	(6,525)	(29,189)	(5,123)
Loans	147,788	(31,193)	(121,438)	(21,315)
Net balance sheet exposure	**(178,702)**	**(37,718)**	**(150,627)**	**(26,438)**
Balance of derivatives - Gain (loss)	**(16,729)**	**(3,531)**	**(1,159)**	**(203)**
Net exposure	**(195,431)**	**(41,249)**	**(151,786)**	**(26,641)**

  The following exchange rates were applied:

Closing rate on the date of the financial statements	
03/31/2022	**03/31/2021**
4.7378	5.6973

EUR exposure	**March 31, 2022**		**March 31, 2021**	
	R$	**EUR**	**R$**	**EUR**
Supplier	-	-	(979)	(146)
Loans	-	-	(22,483)	(3,360)
Net balance sheet exposure	**-**	**-**	**(23,462)**	**(3506)**
Balance of derivatives – Gain (loss)	**-**	**-**	**1,383**	**206**
Net exposure	**-**	**-**	**(22,079)**	**(3,300)**

The following exchange rates were applied:

Closing rate on the date of the financial statements	
03/31/2022	**03/31/2021**
5.2561	6.6915

Derivative financial instruments

The outstanding derivative financial instruments and their respective maturities and domestic values are detailed below.

SWAP

Consideration	**Start date**	**Maturity date**	BRL	**USD**	**Initial parity**	**Index - Liabilities**	**Rate**	**Interest**	**MTM**	
itau	11/30/2021	06/01/2022	53,157	9,500	5.5955	CDI	100%	7.11%	-R$	10,334
Citibank	11/30/2021	06/07/2022	50,050	10,000	5.0050	CDI	100%	6.39%	-R$	3,012
									BRL	13,346

NDF

Consideration	**Start date**	**Maturity date**	BRL	**USD**	**Initial parity**	**Index - Liabilities**	**Rate**	**Interest**	**MTM**	
itau	01/12/2022	07/14/2022	18,887	3,400	5.555	CDI	100%	6.96%	-R$	3,383
									-R$	3,383
									-R$	**16,729**

The Company’s hedge strategy is directly linked to the protection against the exchange change of loans in foreign currencies (Euro and U.S. Dollar). The hedged amount covers part of the balance in U.S. Dollars and reduces the exposure to foreign exchange changes, as shown in the following section. The Company defined at the initial moment of contracting these financial instruments that such derivatives would not be linked to a cash flow hedge, with all gains and losses recognized in profit or loss.

Sensitivity analysis of financial assets and liabilities

The Company’s financial liability is composed of 77.87% in financing agreements linked to agreements with exchange change (Euro and U.S. Dollar) and exposure to foreign currencies. However, all loans are linked to fixed interest rates and there is no exposure to interest rate changes.

The Company's financial assets have exposure to the U.S. Dollar. The exposure to floating-rate interest is mainly linked to interest earning bank deposits to pay the acquisition obligations (Escrow account).

Exposure to foreign exchange risk (U.S. Dollar)
In order to verify the sensitivity of the Company's assets and liabilities to changes in the U.S. Dollar exchange rate on March 31, 2022, 3 different scenarios were estimated. We defined the Probable Scenario for the 12 months from the date of the financial statements based on projections by Banco Itaú, which has an expected exchange rate for the U.S. dollar against the real for 2022 of 5.47 (Scenario I). From Scenario I (Probable), we simulated an increase of 25% for Scenario II (Possible) and 50% for Scenario III (Remote). The results obtained with the scenarios described are below:

Risk	**Current**	**Probable**	**Possible**	**Remote**
Exchange rate	**4.73**	**5.47**	**6.83**	**8.20**
Net exposure	(199,627)	(195,136)	(201,777)	(210,342)
Impact on income (loss)	3,427	(11,473)	(22,300)	(53,227)

Exposure to foreign exchange risk (CDI)
In order to verify the sensitivity of the Company's interest earning bank deposits (Escrow account) to changes in the CDI rate on March 31, 2022, 3 different scenarios were estimated. We defined the Probable Scenario for the 12 months from the date of the financial statements based on projections by Banco Itaú, which has an expected CDI quotation – annualized rate – for 2022 of 6.01% (Scenario I). From Scenario I (Probable), we simulated an increase of 25% for Scenario II (Possible) and 50% for Scenario III (Remote). The results obtained with the scenarios described are below:

Risk	**Current**	**Probable**	**Possible**	**Remote**
Interest rate	**8.45%**	**6.01%**	**7.51%**	**9.015%**
Net exposure	2,566	2,301	2,876	3,452
	135			
Impact on income (loss)	-	96	120	144

c. *Liquidity risks*

The Company's risk is not to have sufficient funds to honor its financial commitments due to mismatch between receipt and payment periods. To avoid this risk, a financial plan is structured to project cash flow for a 12-month period. Through its planning, the Company believes that cash flows of operating activities, cash and cash equivalents, and available credit facilities are sufficient to finance future financial commitments.

d. *Fair value estimate*

Fair value of financial assets and liabilities is included in the value by which the instrument may be exchanged in a current transaction between parties that are willing to negotiate, and not in a forced sale or settlement. The following methods and assumptions were adopted to estimate the fair value:

Cash and cash equivalents, trade accounts receivable, accounts payable, trade accounts payable, other short-term obligations approximate their respective book value mostly due to the short-term maturity of these instruments.

The fair value of receivables does not differ significantly from the book balances, as they have an inflation adjustment consistent with market rates and/or are adjusted by provision for impairment.

Loan and financing interest rates are floating and are consistent with market rates; accordingly, the book balances informed are close to the respective fair values.

The fair values of the financial assets and liabilities, together with the book values presented in the financial statement, are as follows:

March 31, 2021	**Note**	**Book value**	**Fair value**
Amortized cost			**Level 2**
Cash equivalents	7	6,146	6,146
Trade accounts receivable	8	73,631	73,631
Interest earning bank deposits	12	2,431	2,431
Fair value			
Derivative financial instruments		9,464	9,464
Total assets		**91,672**	**91,672**
Other financial liabilities			
Suppliers	15	60,907	60,907
Loans and financing	16	195,806	195,806
Total liabilities		**256,713**	**256,713**

March 31, 2022	**Note**	**Book value**	**Fair value**
Amortized cost			**Level 2**
Cash equivalents	7	10,522	10,522
Trade accounts receivable	8	78,461	78,461
Interest earning bank deposits	12	2,566	2,566
Fair value			
Derivative financial instruments		16,729	16,729
Total assets		**91,549**	**91,549**
Other financial liabilities			
Suppliers	15	54,952	54,952
Loans and financing	16	199,454	199,454
Total liabilities		**254,406**	**254,406**

30 Income tax and social contribution

For the fiscal years ended on March 31, 2022 and 2021, the Company opted for the Quarterly Taxable Income System. Taxes on income are calculated based on taxable income which, as a result of prevailing law, differs from accounting income due to adjustments (additions and exclusions). A breakdown of the calculation and reconciliation of the effective rate is presented below:

	03/31/2022	03/31/2021
Statement of taxable income		
Net income (loss)	**(17,941)**	**(27,234)**
(+) Additions	**34,833**	**23,655**
Allowance for doubtful accounts, net	1,134	1,712
Net impairment of inventory	3,559	3,494
Provision for commission on net sales	3,877	331
Nondeductible provisions	0	(1,119)
Other provisions	0	3,844
Depreciation of right-of-use – Leases	392	326
Reduction of surplus of assets	1,096	1,191
Provision for sales returns	754	3,541
Adjustment for revenue cut-off	2,120	773
Hedge operations	21,901	9,562
(-) Exclusions	**(16,412)**	**(15,066)**
Provision for net contingency	-	-
Amortization liabilities – Leases	-	(1,187)
Exchange-rate change	(8,927)	-
Future profitability goodwill	-	(13,879)
Reversal of provisions	(16,412)	-
Tax income (loss)	**(5,793)**	**(16,985)**
Current tax	91	-
Effective rate	**21.74%**	**0%**
Deferred tax – Note (a)	**(5,799)**	**1,660**

As of March 31, 2022, the amount of unused tax losses from income tax and negative basis of social contribution, income tax and social contribution losses value of unused tax losses for which no deferred tax asset is being recognized in the balance sheet is R$ 234,970 (R$ 211,139 as of March 31, 2021).

(a) The amount of R$ 5,799 as of March 31, 2022 (R$ 1,660 as of March 31, 2021) refers to the reversal of the provision for deferred tax liabilities on surplus (fair value allocation) and recognition of deferred tax effects on foreign exchange gains (liabilities) in March 2022, as a result of the change in the tax regime from the accrual to cash basis.

Changes in balance of deferred tax liabilities		**Deferred tax liabilities**		
		IRPJ 25%	**CSLL - 9%**	**Total**
Surplus on March 31, 2021	**27,835**	**6,959**	**2,505**	**9,464**
(-) Depreciation/amortization of surplus	4,378	1,206	434	(1,640)
(+) Exchange-rate change	26,257	6,564	2,363	8,927
Surplus on March 31, 2022	**23,012**	**7,770**	**2,797**	**16,751**

Temporary differences arising from provisions (temporary additions) that would result in a deferred tax asset were not recognized for the amount as of March 31, 2022, as management has no expectation of future realization.

31 Subsequent events

There are no subsequent events after year-end closing.