

Medquímica Indústria
Farmacêutica Ltda.

**Financial statements as of
March 31, 2024 and 2023**

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Independent auditors' report on the financial statements

To the Shareholders and Management

Medquímica Indústria Farmacêutica Ltda.

Juiz de Fora – Minas Gerais

Opinion

We have audited the financial statements of Medquímica Indústria Farmacêutica Ltda. (the "Company"), which comprise the balance sheet as of March 31, 2024, and the statements of profit or loss and comprehensive income (loss), changes in equity and cash flows for the year then ended, and notes to the financial statements, including material accounting policies and other explanatory information.

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of Medquímica Indústria Farmacêutica Ltda. as of March 31, 2024, and its financial performance and its cash flows for the year then ended, in accordance with Brazilian accounting policies.

Basis for Opinion

We conducted our audit in accordance with International and Brazilian Standards on Auditing. Our responsibilities under those standards are described in the "Auditors' Responsibilities for the Audit of the Financial Statements" section of our report. We are independent of the Company in accordance with the ethical requirements that are relevant to our audit of the financial statements and are set forth on the Professional Code of Ethics for Accountants and on the professional standards issued by the Regional Association of Accountants, and we have fulfilled our ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Responsibilities of Management for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with the Brazilian accounting practices, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

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

Auditors' Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' report that includes our opinion. Reasonable assurance is a high level of assurance, but it is not a guarantee that an audit conducted in accordance with Brazilian and international standards on auditing will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in

aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

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

- Identify and assess the risks of material misstatement of the 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 items 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 matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

Belo Horizonte, June 10, 2024

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

(Free translation of an original version issued in Portuguese by)

Aglaenne Flávia da Rosa
Accountant CRC MG-105187/O-4

Medquímica Indústria Farmacêutica Ltda.

Balance sheets as of March 31, 2024 and 2023

(In thousands of reais)

| Assets | Note | 31/03/2024 | 31/03/2023 | Passive | Note | 31/03/2024 | 31/03/2023 |
|--|------|------------------------------|------------------------------|-------------------------------------|------|------------------------------|------------------------------|
| Cash and cash equivalents | 7 | 23,016 | 5,946 | Trade payables | 15 | 63,964 | 44,947 |
| Trade receivables | 8 | 77,783 | 104,640 | Loans and financing | 16 | 254,806 | 176,213 |
| Inventories | 9 | 66,807 | 73,214 | Leasing | | 1,771 | 955 |
| Recoverable taxes | 10 | 1,144 | 2,222 | Tax liabilities | 17 | 10,206 | 11,426 |
| Income and social contribution taxes to offset | 10 | 10,640 | 8,802 | Payroll and social charges | 18 | 8,022 | 7,811 |
| Prepaid expenses | | 1,732 | 1,319 | Derivative financial instruments | 29 | - | 9,248 |
| Other receivables | 11 | <u>1,040</u> | <u>1,637</u> | Other payables | 19 | <u>1,803</u> | <u>5,503</u> |
| Current assets | | <u>182,161</u> | <u>197,780</u> | Current liabilities | | <u>340,572</u> | <u>256,104</u> |
| Financial investments | 12 | - | 2,834 | Loans and financing | 16 | 84,935 | 110,469 |
| Other receivables | 11 | <u>549</u> | <u>830</u> | Long-term lease | | 1,943 | 715 |
| Total long-term assets | | <u>549</u> | <u>3,664</u> | Tax liabilities | 17 | 708 | 372 |
| Property, Plant and Equipment | 13 | 69,536 | 73,878 | Deferred tax liabilities | 30 | 4,566 | 6,183 |
| Right-of-use | | 4,405 | 2,062 | Provision for contingencies | 20 | 832 | 1,264 |
| Intangible assets | 14 | <u>102,778</u> | <u>109,579</u> | Other payables | 19 | <u>-</u> | <u>700</u> |
| Non-current assets | | <u>177,267</u> | <u>189,184</u> | Non-current liabilities | | <u>92,984</u> | <u>119,703</u> |
| | | | | Equity | 21 | | |
| | | | | Capital social | | 269,738 | 269,738 |
| | | | | Accumulated losses | | <u>(343,865)</u> | <u>(258,582)</u> |
| | | | | Total equity | | <u>(74,127)</u> | <u>11,156</u> |
| Total assets | | <u><u>359,429</u></u> | <u><u>386,964</u></u> | Total equity and liabilities | | <u><u>359,429</u></u> | <u><u>386,964</u></u> |

The notes are an integral part of these financial statements.

Medquímica Indústria Farmacêutica Ltda.

Statements of profit or loss

Balance sheets as of March 31, 2024 and 2023

(In thousands of reais)

| | Note | 31/03/2024 | 31/03/2023 |
|---|------|------------------------|------------------------|
| Net revenue | 23 | 252,380 | 270,984 |
| Cost of sales | 24 | <u>(201,107)</u> | <u>(179,711)</u> |
| Gross profit | | <u>51,274</u> | <u>91,273</u> |
| Selling expenses | 25 | (53,305) | (41,624) |
| Administrative expenses | 26 | (60,121) | (50,073) |
| Other revenues (expenses), net | 27 | <u>1,412</u> | <u>1,208</u> |
| Profit before net finance income (costs) and taxes | | <u>(60,740)</u> | <u>784</u> |
| Finance income | | 625 | 14,195 |
| Finance costs | | (34,449) | (29,397) |
| Foreign exchange gains (losses), net | | <u>7,663</u> | <u>(22,304)</u> |
| Net finance income (costs) | 28 | <u>(26,161)</u> | <u>(37,506)</u> |
| Result before two taxes on profit | | <u>(86,901)</u> | <u>(36,722)</u> |
| Deferred income and social contribution taxes | 30 | <u>1,618</u> | <u>9,080</u> |
| Income and social contribution taxes | | <u>1,618</u> | <u>9,080</u> |
| Loss for the year | | <u>(85,283)</u> | <u>(27,642)</u> |

The notes are an integral part of these financial statements.

Medquímica Indústria Farmacêutica Ltda.

Condensed statements of comprehensive income

Balance sheets as of March 31, 2024 and 2023

(In thousands of reais)

| | 31/03/2024 | 31/03/2023 |
|--|------------------------|------------------------|
| Loss for the period | <u>(85,283)</u> | <u>(27,642)</u> |
| Other comprehensive income for the period | <u>-</u> | <u>-</u> |
| Comprehensive income for the period | <u><u>(85,283)</u></u> | <u><u>(27,642)</u></u> |

The notes are an integral part of these financial statements.

Medquímica Indústria Farmacêutica Ltda.

Statements of changes in equity

Balance sheets as of March 31, 2024 and 2023

(In thousands of reais)

| | Capital social | Losses Accumulated | Total patrimony liquid |
|-------------------------------------|-------------------|-----------------------|------------------------------|
| Balance as of April 1, 2022 | <u>269,738</u> | <u>(230,940)</u> | <u>38,798</u> |
| Loss for the year | <u>-</u> | <u>(27,642)</u> | <u>(27,642)</u> |
| Balance as of March 31, 2023 | <u>269,738</u> | <u>(258,582)</u> | <u>11,156</u> |
| Loss for the year | <u>-</u> | <u>(85,283)</u> | <u>(85,283)</u> |
| Balance as of March 31, 2024 | <u>269,738</u> | <u>(343,865)</u> | <u>(74,127)</u> |

The notes are an integral part of these financial statements.

Medquímica Indústria Farmacêutica Ltda.

Statements of condensed cash flows

Balance sheets as of March 31, 2024 and 2023

(In thousands of reais)

| | 31/03/2024 | 31/03/2023 |
|--|-----------------|-----------------|
| Cash flows from operating activities | | |
| Loss for the period | (85,283) | (27,642) |
| Adjustments for: | | |
| Depreciation and amortization | 15,352 | 10,780 |
| Allowance for impairment loss on loans | 8 12,431 | (706) |
| Impairment of inventories (Obsolescence) | 9 7,769 | 1,378 |
| Disposal of property and equipment | - | 3,767 |
| Provision for bonuses | 19 1,761 | 5,498 |
| Recognition (Reversal) of contingencies | 20 (433) | (3,341) |
| Derivative instruments | 28 3,659 | 7,192 |
| Provisions for returns | (972) | 1,795 |
| Write-off of property and equipment and other provisions | 1,873 | 2,524 |
| Current and deferred income and social contribution taxes | 30 (1,618) | (9,080) |
| Accrued interest and foreign exchange gain or loss on the loan | 16 7,178 | 15,201 |
| | (38,284) | 7,366 |
| Changes in: | | |
| Trade receivables | 15,398 | (28,818) |
| Inventories | (1,363) | (15,948) |
| Recoverable taxes | (761) | (4,188) |
| Other receivables and expenses | (413) | 2,702 |
| Trade payables | 19,016 | (257) |
| Tax liabilities | (883) | 7,004 |
| Social security obligations | 210 | 2,946 |
| Other payables | (6,161) | (6,527) |
| Cash flow used in operating activities | (13,239) | (35,720) |
| Interest paid on loans and financing | 16 (6,938) | (17,147) |
| Net cash flow used in operating activities | (20,178) | (52,867) |
| Cash flows from investing activities | | |
| Cash from sale of property, plant and equipment | - | 137 |
| Redemption of financial investments | 12 2,834 | (268) |
| Acquisition of property plant and equipment | 13 (2,419) | (4,679) |
| Acquisition of intangible assets | 14 (1,965) | (18,265) |
| Net cash used in investing activities | (1,549) | (23,075) |
| Cash flows from financing activities | | |
| Proceeds from loans | 16 179,840 | 249,707 |
| Repayment of loans and financing | 16 (127,021) | (160,533) |
| Lease payment | (1,116) | (1,079) |
| Derivative losses | 29 (12,907) | (16,729) |
| Net cash from financing activities | 38,797 | 71,366 |
| Net increase (decrease) in cash and cash equivalents | 17,070 | (4,576) |
| Cash and cash equivalents at beginning of period | 5,946 | 10,522 |
| Cash and cash equivalents at end of period | 23,016 | 5,946 |
| Net increase (decrease) in cash and cash equivalents | 17,070 | (4,576) |

The notes are an integral part of these financial statements.

Notes to the financial statements

(In thousands of real)

1 Operations

Medquímica Indústria Farmacêutica Ltda. ("Medquímica" or "Company"), a limited liability company headquartered in the municipality of Juiz de Fora – State of Minas Gerais, is a pharmaceutical industry with more than 40 years of history. On June 23, 2015, it became part of the Production Group, a global pharmaceutical company specialized in producing active principles, generic drugs, similar products, specialty products and biotechnology products. With its headquarters in Mumbai, India, Etc., Andy is present in the world's major markets.

In the year ended March 31, 2024 the Company had losses recognized in the year in the amount of R\$85,283 (R\$27,642 as of March 31, 2023) and its current liabilities exceed current assets by the amount of R\$158,410 (R\$58,325 as of March 31, 2023). The Company also has negative cash flows from operating activities in the amount of R\$20,178 as of March 31, 2024 (R\$52,867 as of March 31, 2023).

Several strategic measures to reverse operating losses, reduce liquidity risk and improve working capital management are being taken by the Company, among which the following stand out:

- (1) Improves cost management;
- (2) Developed efficient sales strategies and introduced higher-profitability products;
- (3) Improving the plant's process control procedures;
- (4) Improves productive efficiency and reviews processes;
- (5) Seeks improvements in commercial contracts to achieve margin gains with distributors and clients; and
- (6) Obtain additional sources of finance from external creditors and related parties.
- (7) The evaluation made to validate production according to drug quality standards and the continuity of the required operation to meet the requirements of Sanitary Surveillance (ANVISA) identified the need to shut down some products outside specification. Actions such as the physical count of inventories, the increase in the inventory loss allowance and the manufacturing remediation plan were implemented to ensure the accuracy and integrity of financial information better.

According to Management, accumulated losses derive from the current portfolio of products, which has low profitability, the need for manufacturing investments and the inconsistencies found in quality standards, as mentioned before. Together with the head office, Medquímica formulated a plan for manufacturing remediation, the development of new products and possible acquisitions over the next five years to help the Company to boost organic and sustainable profitability. All accounting effects arising from the change in the strategy are duly reflected in the financial statements.

In 2013, Grupo Lupin Guarantees the funds necessary for the continuity of the Company's operations. Therefore, these financial statements have been prepared assuming that the Company will continue as a going concern and do not include any adjustments arising from this matter.

2 Basis of preparation

Statement of Compliance (with CPC standards)

The financial statements have been prepared in accordance with accounting policies adopted in Brazil (BR GAAP).

The issuance of the financial statements was authorized by Management on June 10, 2024.

Details about the Company's material accounting policies are described in note six.

All significant information characteristic of financial statements, and only that information, is being shown and is that used by management to run the Company.

3 Functional and presentation currency

These financial statements are presented in real, which is the Company's functional currency. All amounts have been rounded to the nearest thousand, except when otherwise indicated.

4 Use of estimates and judgments

The preparation of financial statements in accordance with Brazilian accounting policies (CPC) requires Management to make judgments, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets and liabilities, income and expenses. Actual results may differ from these estimates.

Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognized in the year in which the estimates are revised and in any future years affected.

Information on uncertainties about assumptions and estimates with a significant risk of resulting in material adjustment in the following fiscal year is included in the notes below:

- i. **Note 8 – Trade receivables** – measurement of the ECLs of trade and other receivables that require judgment and estimates, including the history of losses and future expectations.
- ii. **Note 8 - Provision for returns:** estimate of expected sales returns and revenue reversals.
- iii. **Note 9 – Inventories** - measurement of inventories with a chances of loss per maturity, or possible default issues or issues related to the turnover of inventories, as well as the assessment of losses arising from the valuation of the net realizable value of inventories.
- iv. **Note 13 - Property, plant and equipment** - impairment testing of property, plant and equipment: main assumptions for testing assets for impairment, such as forecasts of sales, costs and expenses, discount rates, etc.;
- v. **Note 13 - Property, plant and equipment** - useful lives of assets and depreciation estimates: assumptions related to the determination of the useful lives of property, plant and equipment;
- vi. **Note 14 – Intangible assets** - impairment test of intangible assets and goodwill for expected future profitability: main assumptions for testing assets for impairment, such as forecast sales, costs and expenses, discount rates, etc.;

vii. **Note 14 – Intangible assets** – useful lives and amortization estimates: assumptions related to the determination of the useful lives of intangible assets for which there is a defined useful life; and

viii. **Note 20 – Provision for contingencies** - recognition and measurement of provisions and contingencies: main assumptions about the likelihood and size of outflows; and

5 Basis of measurement

The financial statements have been prepared on the historical cost basis except for the following items measured at fair value: derivative financial instruments.

6 Material accounting policies

a. Foreign currency

Foreign currency transactions

Transactions in foreign currencies are translated to the respective functional currencies of the Company at exchange rates at the dates of the transactions.

Monetary assets and liabilities denominated in foreign currencies at the reporting date are retranslated to the functional currency at the exchange rate at that date.

Foreign currency differences arising on re-translation are generally recognized in profit or loss.

b. Financial instruments

Recognition and initial measurement

Trade receivables and debt securities issued are initially recognized when they are originated. All other financial assets and financial liabilities are initially recognized when the Company becomes a party to the contractual provisions of the instrument.

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

Classification and subsequent measurement

Financial assets

On initial recognition, a financial asset is classified as measured at: amortized cost; FVOCI – debt investment; FVOCI – equity instruments; or FVTPL.

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

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

ix. it is held within a business model whose objective is to hold assets to collect contractual cash flows; and

- x. its contractual terms give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

A debt investment is measured at FVOCI if it meets both of the following conditions and is not designated as at FVTPL

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

On initial recognition of an equity investment that is not held for trading, the Company may irrevocably elect to present subsequent changes in the investment's fair value in OCI. This election is made on an investment-by-investment basis. The Company did not have investments in equity instruments as of March 31, 2024 and 2023.

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

Financial assets – Business model assessment

The Company makes an assessment of the objective of the business model in which a financial asset is held at a portfolio rate because this best reflects the way the business is managed and information is provided to management. The information considered includes:

- xiii. the stated policies and objectives for the portfolio and the operation of those policies in practice. They include whether management's strategy focuses on earning contractual interest income, maintaining a particular interest rate profile, matching the duration of the financial assets to the duration of related liabilities or expected cash outflows, or realizing cash flows through the sale of the assets;
- xiv. how the performance of the portfolio is evaluated and reported to the Company's Management;
- xv. 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;
- xvi. how managers of the business are compensated – e.g. whether compensation is based on the fair value of the assets managed or the contractual cash flows collected; and
- xvii. the frequency, volume and timing of sales of financial assets in prior periods, the reasons for such sales and expectations about future sales.

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

Financial assets that are held for trading or are managed and whose performance is evaluated on a fair value basis are measured at FVTPL.

Financial assets – Assessment whether contractual cash flows are solely payments of principal and interest

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

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

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

Early payment is consistent with the principal and interest payment criterion if the prepayment amount mostly represents unpaid amounts of principal and interest on the principal amount outstanding, which may include reasonable compensation for early termination of the contract. Additionally, for a financial asset acquired at a lower or higher than contractual par amount, a feature that permits or requires prepayment at an amount that represents the contractual par amount plus accrued (but unpaid) contractual interest (which may also include reasonable compensation for early termination) is treated as consistent with this criterion if the fair value of the prepayment feature is insignificant at recognition. initial.

Financial assets – Subsequent measurement and gains and losses

Financial assets at FVTPL

These assets are subsequently measured at fair value. Net gains and losses, including any interest or dividend income, are recognized in profit or loss. Derivatives designated as hedging instruments do not have the designation of *cash flow* hedges.

Financial assets at amortized cost

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

Financial liabilities – classification, subsequent measurement and gains and losses

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

(ii) Derecognition

Financial assets

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

The Company enters into transactions where the Company transfers assets recognized in its balance sheet, but retains either all or substantially all of the risks and rewards of the transferred assets. In such cases, financial assets are not derecognized.

Financial liabilities

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

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

(iii) Offsetting

Financial assets and liabilities are offset and the net amount presented in the balance sheet when, and only when, the Company currently has a legally enforceable right to set off the amounts and it intends either to settle them 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 holds derivative financial instruments to hedge its foreign currency risk exposures.

Derivatives are initially measured at fair value. Subsequent to initial recognition, derivatives are measured at fair value, and changes thereafter are usually recognized in profit or loss.

The Company does not designate derivatives as hedging instruments to hedge the variability in cash flows associated with highly probable forecast transactions arising from changes in exchange rates. Therefore, all derivative financial instruments have effects recognized in profit or loss.

c. Property, Plant and Equipment

(i) Recognition and measurement

Items of property, plant and equipment are measured at the historical cost of acquisition or construction, less accumulated depreciation and *any accumulated* impairment losses.

Cost includes expenditure that is directly attributable to the acquisition of the asset. The cost of self-constructed assets includes the following:

- i. The cost of materials and direct labor;
- ii. Any other costs directly related to bringing the assets to a working condition for their intended use;

Acquired *software* that is integral to the functionality of the related equipment is capitalized as part of that equipment.

(ii) Subsequent expenditure

Subsequent expenditure is capitalized only when it is probable that the future economic benefits associated with the expenditure will flow to the Company. Ongoing repairs and maintenance are expensed as recognized in profit or loss.

(iii) Depreciation

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

Depreciation is calculated to write off the cost of items of property, plant and equipment less their estimated residual values using the straight-line basis over their estimated useful lives. Depreciation is generally recognized in profit or loss, unless the amount is included in the carrying amount 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 acquire ownership by the end of the lease term. Land is not depreciated.

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

| | |
|---------------------------|-------------------|
| Buildings | 33 – 46 years old |
| Machinery and equipment | 20 years |
| Vehicles | Five 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

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Goodwill is measured at cost less accumulated impairment losses.

Other intangible assets

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

Amortization

Intangible assets are amortized on a straight-line basis in profit or loss over their estimated useful

lives, from the date that they are available for use. The estimated useful lives for the current and comparative years are as follows:

| | |
|--|------------------|
| Software | Five years |
| Distributor relationships | 13 years old |
| ANVISA records | Twelve years old |
| Brands | 10 years |
| Non-competition agreement | Five years |
| Goodwill paid for future profitability | Indefinite |

e. Inventories

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

Net realizable value is the estimated selling price in the ordinary course of business, less the estimated costs of completion and estimated expenses necessary to make the sales.

Stores have replacement and maintenance materials that are available for immediate consumption regardless of turnover, which may be higher than 12 months in certain strategic situations.

f. Impairment loss

Non-derivative financial assets

The Company recognizes loss allowances for ECLs on financial assets measured at amortized cost.

The Company measures loss allowances at an amount equal to lifetime ECLs, except for the following, which are measured at 12-month ECLs:

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

Loss allowances for trade receivables are measured at an amount equal to lifetime ECLs.

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

The Company assumes that the credit risk on a financial asset has increased significantly if it is more than 180 days behind.

The Company considers a financial asset to be in default when:

- ii. the debtor is unlikely to pay its credit obligations to the Company in full, without recourse by the Company to actions such as realizing security (if any is held); or

- iii. the financial asset is more than 180 days past due.

Measurement of ECLs

ECLs are a probability-weighted estimate of credit losses. Credit losses are measured at present value based on all cash shortfalls (i.e. the difference between the cash flows due to the Company in accordance with the contract and the cash flows that the Company expects to receive). ECLs are discounted at the effective interest rate of the financial asset.

Credit-impaired financial assets

At each reporting date, the Company assesses whether financial assets measured at amortized cost are credit-impaired. A financial asset is 'credit-impaired' when one or more events that have a harmful impact on the estimated future cash flows of the financial asset occur.

Objective evidence that financial assets are credit-impaired includes the following observable data:

- iv. significant financial difficulty of the issuer;
- v. a breach of contract such as a default or being more than 90 days late;
- vi. restructuring of an amount due to the Company on terms that the Company would not consider otherwise; or
- vii. it is likely that the debtor will enter bankruptcy or other financial reorganization.

Presentation of allowance for ECLs in the balance sheet

Loss allowances for financial assets measured at amortized cost are deducted from the gross carrying amount of the assets.

Low

The gross carrying amount of a financial asset is written off when the Company has no reasonable expectations of recovering a financial asset in its entirety or in part. For individual customers, the Company follows the policy of writing off the gross carrying amount when the financial asset is 180 days past due according to historical experience of recovery of similar assets, and also recognizes impairment loss on other possible collection successes. The Company does not have a history of material losses on its financial assets, including trade receivables.

(iv) *Non-financial assets*

The carrying amounts of the Company's non-financial assets, other than inventories and deferred tax assets, are reviewed at each reporting date to determine whether there is any indication of impairment. If any such indication exists, then the asset's recoverable amount is estimated.

For impairment testing, assets are grouped together into the smallest group of assets that generates cash inflows from continuing use that are largely independent of the cash inflows of other assets or CGUs.

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

An impairment loss is recognized if the carrying amount of an asset or cash-generating group (CGU) exceeds its recoverable amount. Impairment losses are recognized in profit or loss.

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

g. Provisions

A provision is recognized if, as a result of a past event, the Company has a present legal or constructive obligation that can be estimated reliably, and it is possible that an out funds will be required to settle the obligation. Provisions are determined by discounting the expected future cash flows at a pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the liability. Finance costs are expensed as incurred.

h. Leases

At inception of a contract, the Company assesses whether a contract is, or contains, a lease.

A contract is, or contains, a lease if the contract transfers the right to control the use of an identified asset for a period of time in exchange for consideration. To assess whether a contract transfers the right to control the use of an identified asset, the Company uses the definition of a lease in CPC 06(R2).

As a lessee

At commencement or on modification of a contract that contains a lease component, the Company allocates the consideration in the contract to each lease component on the basis of their stand-alone prices. However, when applicable, for leases of property the Company chooses not to separate non-lease components and account for the lease and non-lease components as a single lease component.

The Company recognizes a right-of-use asset and a lease liability at the lease commencement date. The right-of-use asset is initially measured at cost, which comprises the amount of the initial measurement of the lease liability, adjusted for any lease payments made by the date of commencement, plus any initial direct costs incurred by the lessee and an estimate of the costs to be incurred by the lessee on dismantling and removing the underlying asset, restoring the location where it is located or restoring the underlying asset to the condition required by the terms and conditions of the lease, less any lease incentives received.

The right-of-use asset is subsequently depreciated using the straight-line method from the commencement date to the end of the lease term, unless the lease transfers ownership of the underlying asset to the Group by the end of the lease term or the cost of the right-of-use asset reflects that the Group will exercise a purchase option. In such 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. In addition, the right-of-use asset is periodically reduced by impairment losses, if any, and adjusted for certain remeasurements of the lease liability.

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

The Company determines its incremental borrowing rate by obtaining interest rates from various external financing sources and makes some adjustments to reflect the terms of the lease and type of the asset leased.

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

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

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

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

The Company has right-of-use assets classified into "Right-of-use" and lease liabilities under "Leases" in the balance sheet.

Leases of low-value assets

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

As a landlord

As of March 31, 2024 the Company did not have lease agreements for assets to third parties.

i. Revenue

Revenue is measured based on the consideration specified in a contract with a customer. The Company recognizes revenue when it transfers control over the product or service to the customer.

The following table provides information about the nature and timing of the satisfaction of performance obligations in contracts with customers, including significant payment terms, and the related revenue recognition policies.

| Income | Nature and timing of fulfillment of obligations performance reports, including payment terms Significant | Revenue recognition |
|---------------|--|---|
| Sale of goods | For CIF freight clients, they obtain control of the products when they are shipped from the Company's warehouse and stated the proofs of receipt, whether the invoice stub or e-mail confirming receipt. FOB freight clients control the product as from the shipment of merchandise by the client's transportation company. | Revenue and associated costs are recognized at a certain time. Revenues from sales under the freight charge of the purchaser are recognized when the goods are withdrawn by clients, while revenues are recognized for sales under the responsibility of the company when the goods are delivered to clients. In both cases, this is the moment when the performance obligation is fulfilled with clients when the risks and rewards of ownership are transferred to the client. to the products sold. |

For certain clients, the Company follows the practice of promoting promotional campaigns for its products at points of sale. Their classification in the financial statements refers to the deduction of the Company's revenues.

j. Finance income and finance costs

Finance income comprises interest income on financial investments and changes in the fair value of financial assets measured at fair value through profit or loss. Interest income is recognized as it accrues in profit or loss, using the effective interest method.

Finance costs comprise interest expense on borrowings and other expenses incurred with banking transactions. Borrowing costs that are not directly attributable to the acquisition, construction or production of a qualifying asset are recognized in profit or loss using the effective interest method.

k. Income and social contribution taxes

Current and deferred income and social contribution taxes are calculated at the following rates: 15% plus a 10% surtax on any taxable income in excess of R\$240, in the form of income tax; and 9% on taxable income, in the form of social contribution tax, considering, where applicable, income and social contribution tax loss carry forwards, limited to 30% of taxable profit.

Income and social contribution tax expenses consist of current and deferred income taxes. Current tax and deferred tax are recognized in profit or loss, except to the extent that they relate to a business combination, or items directly recognized in equity or in other comprehensive income.

Current tax is the expected tax payable or receivable on the taxable income or loss for the year using tax rates enacted or substantively enacted at the reporting date, and any adjustment to tax payable in respect of previous years.

In determining the amount of current and deferred income tax, the Company takes into account the impact of uncertain tax positions and whether additional income tax and interest may be due. The Company believes that the provision for income tax accrued in liabilities is adequate for all outstanding tax periods according to its evaluation of several factors, including interpretations of tax laws and past experience. This assessment relies on estimates and assumptions and may involve a series of judgments about future events. New information may become available that leads the Company to change its judgment regarding the adequacy of existing tax liabilities; such changes to tax liabilities will impact income tax expense in the year that such a determination is made.

A deferred tax asset is recognized for unused tax losses and unused tax credits to the extent that it is probable that future taxable profits will be available against which unused tax losses and unused tax credits can be utilized. The criteria for recognizing deferred tax assets arising from the recognition of unused tax losses and tax credits are the same criteria for recognizing deferred tax assets arising from deductible temporary differences.

As of March 31, 2024 and 2023, respectively, the Company did not recognize deferred tax assets on its unused temporary differences and tax losses, given the recent successive tax losses, or the fact that at this moment there is no convincing evidence as to when the Company will generate future taxable profit sufficient to offset it in the future.

l. Fair value measurement

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

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

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

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

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

The best evidence of the fair value of a financial instrument on initial recognition is normally the transaction price – i.e. the fair value of the consideration given or received. If the Company determines that the fair value on initial recognition differs from the transaction price and the fair value is evidenced neither by a quoted price in an active market for an identical asset or liability nor based on a valuation technique for which any unobservable inputs are judged to be insignificant in relation to the measurement, then the financial instrument is initially measured at fair value adjusted to defer the difference between the fair value on initial recognition and the transaction price. Subsequently, that difference is recognized in profit or loss on an appropriate basis over the life of the instrument, or at the time at which the valuation is wholly supported by observable market data or the transaction is closed out, whatever happens first.

m. Government grants

The Company has tax benefits (investment grant) granted by the State of Minas Gerais Finance Department that reduces the rate and deferral of the ICMS due on the import of goods and input for production. Considering the losses accumulated in recent years, no reserve for subsidies is recognized.

n. Standards and interpretations issued but not yet issued

A number of new standards and amendments to interpretations in effect in Brazil are effective for annual periods beginning after January 1, 2024.

The Company has not early adopted these amendments because the following and amended standards are not expected to have a significant impact on its financial statements:

(i) Classification of liabilities as current or non-current and non-current liabilities with covenants. (Amendments to CPC 26 (R1))

The amendments, issued in 2020 and 2022, aim at clarifying the requirements to determine whether a liability is current or non-current and require new disclosures for non-current liabilities that are subject to future covenants. The amendments apply to annual years beginning on or after January 1, 2024.

(ii) Trade payable financing agreements ("Drawee Risk") (amendments to CPC 26/IAS 1 and CPC 40)

The amendments introduce new disclosures related to financing agreements with suppliers ("Drawee Risk") with a view to disclosures about the effects of the transaction and arrangements on liabilities and cash flows in addition to exposure to liquidity risk. The amendments apply for annual periods beginning on or after January 1, 2024.

(iii) Other accounting standards

The following new and amended standards are not expected to have a significant impact on the company's financial statements:

- a. *Lease liabilities on a sale and leaseback (Amendments to CPC 06);*
- b. *Lack of conversion (amendments to CPC 02); and*
- c. *Amendments to/CPC 36 (R3) and CPC 18 (R2) - Sale or Contribution in the form of Assets between an Investor and its Joint Associate or Joint Venture.*

7 Cash and cash equivalents

| | 31/03/2024 | 31/03/2023 |
|----------------|-------------------|-------------------|
| Cash and banks | 23.016 | 5.946 |
| | 23.016 | 5.946 |

As of March 31, 2024 and 2023, the Company did not have balances on financial investments classified as cash and cash equivalents.

8 Trade receivables

| | 31/03/2024 | 31/03/2023 |
|--|-------------------|-------------------|
| Trade receivables | 95.064 | 115.470 |
| (-) Expected losses on trade and other receivables (b) | (16.458) | (9.035) |
| (-) Provision for sales returns (a) | (823) | (1.795) |
| | 77.783 | 104.640 |

- (a) Provision for expected sales returns leading to a reduction in revenue.
- (b) Increase in expected losses on trade and other receivables including clients under court-ordered reorganization in the amount of R\$6,201.

The balance of trade and other receivables per aging schedule is as follows:

| Breakdown by maturity | 31/03/2024 | 31/03/2023 |
|--------------------------------|-------------------|-------------------|
| Falling due | 66.238 | 96.243 |
| Overdue from 0 to 30 days | 2.076 | 2.554 |
| Overdue from 31 to 90 days | 6.320 | 1.815 |
| Overdue from 91 to 120 days | 2.380 | 1.205 |
| Overdue from 121 to 180 days | 4.140 | 1.734 |
| Overdue for more than 181 days | 13.910 | 11.920 |
| | 95.064 | 115.470 |

According to historical analyses, after an individual analysis of overdue trade receivables, the Company understands that trade receivables overdue for more than 180 days should be provided

for as loss. The Company reviews its expected losses, considering renegotiated amounts, assiduity and the history of payments.

Changes in the allowance for impairment loss on trade and other receivables are shown below:

| Changes in the allowance for ecls | 31/03/2024 | 31/03/2023 |
|--|------------------------|-----------------------|
| Opening balance | (9.035) | (9.740) |
| Additions (a) | (12.431) | - |
| Low | 4.764 | 620 |
| Rollbacks | 244 | 85 |
| Ending balance | <u>(16.458)</u> | <u>(9.035)</u> |

- (a) Add-backs including clients under court-ordered reorganization in the amount of R\$6,201.

The Company's exposure to credit risks and impairment losses on trade receivables (expected loss) is disclosed in note 29.

9 Inventories

The breakdown of inventories is presented in the table below:

| | 31/03/2024 | 31/03/2023 |
|--------------------------------|----------------------|----------------------|
| Finished goods | 33.223 | 30.611 |
| Work in progress | 5.437 | 4.973 |
| Raw material | 30.356 | 30.370 |
| Packaging material | 9.368 | 10.518 |
| Stores and other inventories | 5.068 | 5.617 |
| Estimated inventory losses (a) | (16.645) | (8.875) |
| | <u>66.807</u> | <u>73.214</u> |

- (a) Increase in the allowance for inventory losses due to a stable manufacturing process in violation of the standards acceptable by Sanitary Surveillance (ANVISA).

The impairment loss on inventories considers the following assumptions: (i) items with no inventory movements for more than 180 days, (ii) overdue items, (iii) obsolete items and (iv) raw material and finished goods falling due within 12 months are provided for by 100% and over 12 months 60% is provided for to those that do not have commercial demands.

Changes in the inventory valuation allowance

| | |
|-------------------------------------|----------------------|
| Balance as of March 31, 2022 | <u>7.497</u> |
| Recognized provisions | <u>1.378</u> |
| Balance as of March 31, 2023 | <u>8.875</u> |
| Recognized provisions | <u>7.769</u> |
| Balance as of March 31, 2024 | <u>16.645</u> |

10 Recoveral taxes and income and social contribution taxes to offset

| | 31/03/2024 | 31/03/2023 |
|--|-------------------|-------------------|
| IPI to be recovered | 778 | 786 |
| ICMS (State VAT) | 147 | 1.423 |
| Other recovered taxes | 219 | 13 |
| Indirect taxes | 1.144 | 2.222 |
| Income and social contribution taxes to offset (a) | 10.640 | 8.802 |
| Direct taxes | 10.640 | 8.802 |
| | 11.784 | 11.024 |

- (a) Income and social contribution taxes to offset originate from prepayments of income taxes made by estimating taxable profit and subsequent confirmation of income and social contribution tax losses at the end of the year. The Company will offset this amount against other payable balances of federal taxes and charges, including payroll. Offsetting is expected over this fiscal year.

11 Other receivables

| | 31/03/2024 | 31/03/2023 |
|---------------------------|-------------------|-------------------|
| Judicial deposit | 549 | 830 |
| Advances to suppliers (a) | 1.032 | 1.617 |
| Other receivables | 8 | 20 |
| | 1.588 | 2.467 |
| Current | 1.040 | 1.637 |
| Non-current | 549 | 830 |

- (a) Advances to suppliers of raw materials and input.

12 Financial investments

| | 31/03/2024 | 31/03/2023 |
|-----------------------|-------------------|-------------------|
| Financial investments | - | 2.834 |
| | - | 2.834 |

Financial investments linked to guarantees for balances payable by former shareholders that were settled in the year ended March 31, 2024.

13 Property, Plant and Equipment

| | 31/03/2023 | Additions | Transfers | Disposal | Depreciation | 31/03/2024 |
|------------------------------|-------------------|------------------|------------------|-----------------|---------------------|-------------------|
| Land and buildings | 40.148 | - | 1.178 | - | (791) | 40.535 |
| Machinery and equipment | 23.370 | - | 8.183 | (102) | (4.037) | 27.414 |
| Computers and peripherals | 485 | - | 509 | (14) | (233) | 748 |
| Furniture and fixtures | 408 | - | - | (14) | (65) | 329 |
| Improvements own third party | 12 | - | - | (12) | - | - |
| Construction in progress* | 9.078 | 3.943 | (11.835) | (673) | - | 513 |
| Advances to suppliers* | 377 | 440 | - | (820) | - | (3) |
| Total | 73.878 | 4.384 | (1.965) | (1.635) | (5.126) | 69.536 |

*The write-off amount consists of the advance to the supplier.

| | 31/03/2022 | Additions | Transfers | Disposal | Depreciation | 31/03/2023 |
|---------------------------------|-------------------|------------------|------------------|-----------------|---------------------|-------------------|
| Land and buildings | 41.136 | - | 82 | (850) | (220) | 40.148 |
| Machinery and equipment | 24.503 | - | 2.240 | - | (3.373) | 23.370 |
| Vehicles | 7 | - | - | - | (7) | - |
| Computers and peripherals | 807 | - | 85 | - | (407) | 485 |
| Furniture and fixtures | 475 | - | 56 | - | (123) | 408 |
| Improvements/Propr. Third party | 17 | - | - | - | (5) | 12 |
| Construction in progress (a) | 7.822 | 3.875 | (2.463) | (121) | - | 9.078 |
| Advances to suppliers | 658 | 768 | - | (1.049) | - | 377 |
| Total | 75.425 | 4.643 | - | (2.055) | (4.135) | 73.878 |

(a) Acquisition of the Efurix product line equipment acquired from Bausch Lomb.

Cost and accumulated depreciation

Total cost of property, plant and equipment consists of R\$112,270 and accumulated depreciation is R\$42,734 as of March 31, 2024 (R\$111,460 and R\$37,582 as of March 31, 2023, respectively).

Useful life and residual value

The Company did not find unexpected wear and tear and significant fluctuation, technological obsolescence or changes in market prices that could indicate that the residual value or useful lives of assets required changes in the last year.

Impairment testing

The Company tested its assets, including property, plant and equipment for impairment. Results did not show *impairment* to be recognized in the balance sheet. Considerations about the impairment test and its assumptions are available in note 14.

Guarantees

As of March 31, 2024, the Company's assets did not have collateral for loans and financing.

Construction in progress

As of March 31, 2024 property, plant and equipment consist of operational improvements in the Company's industrial plant and acquisition of machinery and equipment.

14 Intangible assets

| | 31/03/2023 | Transfers (b) | Amortization | 31/03/2024 |
|--|----------------|---------------|----------------|----------------|
| Trademarks/Licenses | 23.793 | 559 | (458) | 23.894 |
| Software | 4.669 | 2.217 | (2.636) | 4.250 |
| Goodwill paid for future profitability | 61.733 | - | - | 61.733 |
| Non-Competition Agreement/Relac. Dist. | 4.923 | (1.460) | (2.120) | 1.343 |
| ANVISA (Brazilian Health Agency) records (a) | 14.461 | 649 | (3.552) | 11.558 |
| Total | 109.579 | 1.965 | (8.766) | 102.778 |

- (a) Records of products registered with the National Health Surveillance Agency - ANVISA which are valued in the fair value allocation report on the acquisition.
(b) Transfer of the acquisition of new property and equipment items to intangible assets.

| | 31/03/2022 | Additions | Transfers | Amortization | Write-offs - Advance | 31/03/2023 |
|--|---------------|---------------|-----------|----------------|-------------------------|----------------|
| Trademarks/Licenses (b) | 6.705 | - | 17.786 | (698) | - | 23.793 |
| Software | 6.149 | - | 480 | (1.960) | - | 4.669 |
| Goodwill paid for future profitability | 61.733 | - | - | - | - | 61.733 |
| Non-Competition Agreement/Relac. Dist. | 5.857 | - | - | (934) | - | 4.923 |
| ANVISA (Brazilian Health Agency) records (a) | 18.657 | - | - | (2.484) | (1.712) | 14.461 |
| Ongoing project | - | 18.266 | (18.266) | - | - | - |
| Total | 99.100 | 18.266 | - | (6.076) | (1.712) | 109.579 |

- (a) Records of products registered with the National Health Surveillance Agency - ANVISA which are valued in the fair value allocation report on the acquisition.
(b) Acquisition of bausch Lomb's drug licenses.

Cost of intangible assets and accumulated amortization

The total cost of intangible assets is R\$182,364 and accumulated amortization totals R\$79,586 as of March 31, 2024 (R\$180,399 and R\$70,820 as of March 31, 2023, respectively).

Impairment testing

The Company tested its assets, including property, plant and equipment for impairment. Results did not show *impairment* to be recognized in the balance sheet.

Goodwill for future profitability consists of the merger and consists of the goodwill paid on the acquisition of an investment transferred to the Company according to a valuation report issued on December 14, 2015.

The Company tested *goodwill* for impairment, other intangible assets, as well as property, plant and equipment. The assessment did not cause a loss and considered the following as main assumptions:

- (i) Cash flows denominate in real, which is the Company's functional currency
- (ii) Assumptions about deadlines for the projected flow of 10 years. The estimated term of five years for cash flows is due to the fact that the useful life of the licenses and other significant assets is equivalent to or higher than 10 years.
- (iii) Future sales expectations based on the regular product line and lines of new products – for example Products Central Nervous System (CNS) and therapeutic lines.
- (iv) Launch of new products and increase in market *share* in the Brazilian market
- (v) Expected operating costs based on estimated margins
- (vi) Expected operating expenses which include *marketing*, sales, administrative and other expenses that may have an impact on the results of operations
- (vii) Amortization depreciation forecast for future periods
- (viii) Estimates of 4% of property, plant and equipment related to maintenance expenses (CAPEX)
- (ix) The effects of applicable income and social contribution taxes were also estimated at the combined rate of 23.8%
- (x) The perpetuity growth rate is 5%
- (xi) EBTIDA's average growth rate is 5.85%
- (xii) Cash flows also included adjustments for estimating working capital
Discount rate calculated according to the weighted average cost of capital (WACC) equivalent to 17.6%

The value in use determined by the Company exceeded the book value of the tested items in the amount of R\$272,892.

15 Trade payables

| | 31/03/2024 | 31/03/2023 |
|--|-------------------|-------------------|
| Domestic trade payables | 16.737 | 13.893 |
| Trade payables - drawee's risk of forfeiting (a) | 1.604 | - |
| Foreign trade payables (b) | 34.871 | 13.921 |
| Provisions for the payment of trade payables (c) | 10.752 | 17.133 |
| | 63.964 | 44.947 |

- (a) The Company carries out *forfeiting* (drawee risk) transactions and assigns credit to a domestic supplier of raw materials recognized in current liabilities as trade payables with an average term of 120 days and an average rate of 1.50%/am per supplier. There is no effect for Medquímica.
- (b) Includes related party transactions.
- (c) Provision for payments to suppliers for which the service has been rendered and/or merchandise and goods delivered and whose documentation (invoice) has not yet been received by the Company with the largest share of inventories in transit with related parties.

Additional disclosures about related party transactions in note 22.

16 Loans and financing

| Current liabilities | 31/03/2024 | 31/03/2023 |
|--------------------------------|-------------------|-------------------|
| Working capital loans | 254.806 | 176.213 |
| | <u>254.806</u> | <u>176.213</u> |
| Non-current liabilities | | |
| Working capital loan | 84.935 | 110.469 |
| | <u>84.935</u> | <u>110.469</u> |
| Total | <u>339.741</u> | <u>286.682</u> |

For further information on the Company's exposure to interest rate and foreign currency risks see note 29.

| | |
|--|------------------|
| Balance as of March 31, 2022 | <u>199.454</u> |
| Proceeds from loans and financing | 249.707 |
| Net monetary and foreign exchange gains and losses | (6.710) |
| Accrued interest and foreign exchange gains and losses | 21.911 |
| Finance charges paid | (17.147) |
| Principal repayment | <u>(160.533)</u> |
| Balance as of March 31, 2023 | <u>286.682</u> |
| Proceeds from loans and financing | 179.840 |
| Net monetary and foreign exchange gains and losses | (6.012) |
| Finance charges provided for | 13.190 |
| Finance charges paid | (6.938) |
| Principal repayment | <u>(127.021)</u> |
| Balance as of March 31, 2024 | <u>339.741</u> |

Additional disclosures about related party transactions in note 22.

a. Guarantees

The Company has loans and financing secured by shareholders through "Ton Global".

b. Covenants

The Company has bank loans that have a covenant stating that every quarter should be sent to the bank a statement signed by the Company's representatives, showing that they have no outstanding items with the Bank. In addition to the agreement, the audited financial statements or the balance sheet signed by the Company's accountant must also be delivered if they are not audited, otherwise the loan will be immediately overdue.

c. Terms and repayment schedule

The following statement provides information about the debt settlement schedule according to the contractual terms of loans and financing recognized as of March 31, 2024 and 2023, which are measured at amortized cost.

As of March 31, 2024:

| Debt | Warranty | Coin | Nominal interest rate | Year of maturity | Carrying value |
|----------------------------------|-----------------|-------------|------------------------------|-------------------------|-----------------------|
| Citibank | Shareholders | BRL | 14,30% | 2024 | 95.761 |
| MUFG Brazil 3 | Shareholders | BRL | 2,15% | 2024 | 64.450 |
| Nanomi | Shareholders | USD | 4,00% | 2025 | 39.970 |
| MUFG Brazil 1 | Shareholders | BRL | 2,15% | 2024 | 36.357 |
| Lahsa 1 | Shareholders | USD | 3,75% | 2025 | 35.185 |
| Lahsa 2 | Shareholders | USD | 4,50% | 2027 | 25.145 |
| Lahsa 3 | Shareholders | USD | 3,75% | 2025 | 25.054 |
| MUFG Brazil 3 | Shareholders | BRL | 2,15% | 2024 | 17.820 |
| Total loans and financing | | | | | <u>339.741</u> |

Flow of payments

In R\$ thousand

| | |
|--|-----------------------|
| Payments that mature between 2024 and March 2025 | 254.806 |
| Payments that mature between April 2025 and 2027 | <u>84.935</u> |
| Total | <u>339.741</u> |

As of March 31, 2023:

| Debt | Warranty | Coin | Nominal interest rate | Year of maturity | Carrying value |
|----------------------------------|-----------------|-------------|------------------------------|-------------------------|-----------------------|
| Citibank | Shareholders | USD | 15,80% | 2023 | 44.462 |
| Citibank | Shareholders | USD | 16,05% | 2024 | 6.923 |
| MUFG Brazil | Shareholders | BRL | 15,90% | 2023 | 35.283 |
| MUFG Brazil | Shareholders | BRL | 15,90% | 2023 | 17.294 |
| JP Morgan | Shareholders | USD | 15,95% | 2023 | 80.507 |
| Nanomi | Shareholders | USD | 4,00% | 2025 | 40.800 |
| LAHSA | Shareholders | USD | 3,75% | 2025 | 61.413 |
| Total loans and financing | | | | | <u>286.682</u> |

Flow of payments

In R\$ thousand

| | |
|----------------------|-----------------------|
| Payments due in 2023 | 176.213 |
| Payments due in 2025 | <u>110.469</u> |
| Total | <u>286.682</u> |

17 Tax liabilities

31/03/2024

31/03/2023

| | | |
|---------------------------------------|---------------|---------------|
| PIS/COFINS payable (a) | 8.186 | 7.768 |
| ICMS payable | 1.712 | 2.654 |
| IPI payable | - | 279 |
| Tax debt installment payment | 953 | 533 |
| IRRF (Withholding Income Tax) payable | 11 | 264 |
| Other tax liabilities | 53 | 300 |
| | <u>10.915</u> | <u>11.798</u> |
| | | |
| Circulating | 10.206 | 11.426 |
| Non-current | 708 | 372 |

- (a) Amounts waiting for the Requests for offsetting to be granted to the Brazilian Federal Revenue Service.

18 Payroll and social charges

| | 31/03/2024 | 31/03/2023 |
|--|--------------|--------------|
| Provision for vacation pay and Christmas bonus | 4.346 | 4.296 |
| INSS (Social Contribution Tax) (a) | 2.752 | 2.738 |
| FGTS | 474 | 189 |
| Other social security liabilities | 450 | 589 |
| | <u>8.022</u> | <u>7.811</u> |

- (a) Amounts waiting for the Requests for offsetting to be granted to the Brazilian Federal Revenue Service.

19 Other payables

| | 31/03/2024 | 31/03/2023 |
|-----------------------------------|--------------|--------------|
| Customer advances | 5 | 5 |
| Former shareholders' payables (a) | - | 700 |
| Provision for bonuses (b) | 1.798 | 5.498 |
| | <u>1.803</u> | <u>6.203</u> |
| | | |
| Current | 1.803 | 5.503 |
| Non-current | - | 700 |

- (a) Balance relating to escrow final settlement that were settled in the year ended 31 March 2024
- (b) Provision for the payment of bonuses and profit sharing to the Company's employees and directors. The balance provided for in the previous year was paid in June 2023.

20 Provision for contingencies

The Company is a party to lawsuits and administrative proceedings incidental to its business filed at court and government agencies, regarding labor and tax proceedings.

The Company accrued provisions for administrative lawsuits and litigation whose payment is expected to have a present obligation at the reporting date.

Probable lawsuits recognized as a provision for lawsuits, particularly labor lawsuits, total R\$832 as of March 31, 2024 (R\$1,264 as of March 31, 2023).

| | |
|-------------------------------------|--------------|
| Balance as of March 31, 2022 | <u>4.605</u> |
|-------------------------------------|--------------|

| | |
|-------------------------------------|---------------------|
| Provisions recognized in the year | 382 |
| Reversion | <u>(3.723)</u> |
| Balance as of March 31, 2023 | <u>1.264</u> |
| Provisions recognized in the year | 260 |
| Reversion | <u>(693)</u> |
| Balance as of March 31, 2024 | <u>832</u> |

As of March 31, 2024, civil, tax and labor lawsuits, whose unfavorable outcome is considered possible and for which no provision was accrued, total R\$23,709 (R\$17,229 as of March 31, 2023). Of these, R\$16,559 (R\$16,559 as of March 31, 2023) consists of tax lawsuits assessed to check for the correct application of the ZERO PIS and COFINS rate reduction on imports.

21 Equity

a. Capital social

As of December 31, 2024 and March 31, 2024, quotas capital, fully subscribed and paid in, in local currency, is R\$269,738, divided into 269,738,261 quotas, with a par value of R\$1.00 each. The Company's quotas are fully owned by the Lupin Group.

b. Tax benefit

The Company benefits from tax purposes (investment grant) granted by the State of Minas Gerais finance department that reduces the rate and deferral of the ICMS due on the import of goods and input for production. Considering the losses accumulated in recent years, no reserve for subsidies is recognized.

22 Related Parties

Related party transactions are carried out according to the conditions agreed by the parties. Outstanding balances and transactions that have impacted revenues, costs and expenses in profit or loss can be presented as follows:

| | Balance sheet Patrimonial | Balance sheet Patrimonial |
|---|--------------------------------------|--------------------------------------|
| | 31/03/2024 | 31/03/2023 |
| Trade payables (b) | 28.375 | 6.658 |
| Loans obtained from shareholders (a) | 125.353 | 110.469 |
| | 153.728 | 117.127 |
| | Result | Result |
| | 31/03/2024 | 31/03/2023 |
| Consulting and related party services | (4.942) | (1.344) |
| Licenses and technical support | (834) | (205) |
| Interest and foreign exchange gains and losses, net | 1.524 | 605 |
| | (4.252) | (944) |

Related party transactions consist of:

- (a) Loans obtained from shareholders in foreign currency entered into under an agreement that include the principal amount and interest of 3.75% and 4.50% p.a. and maturity expected by 2027. For further details see Note 16.
- (b) Balance of trade payables and accounts payable in the amount of R\$28,375 mainly related to the purchase of merchandise and input.

Key management personnel compensation

Key management personnel compensation totaled R\$8,710 in the period from April 1, 2023 to March 31, 2024 (R\$5,999 as of March 31, 2023). This amount includes salaries and charges, profit sharing, benefits and termination benefits for the Company's main executives.

23 Income

| | | |
|--------------------------------------|----------------|----------------|
| Gross income | 295.277 | 309.959 |
| (-) returns and discounts (a) | (10.114) | (4.417) |
| (-) revenue recognition "cutoff" (c) | (5.251) | (3.278) |
| (-) taxes on sales (b) | (27.532) | (31.280) |
| Net revenue | 252.380 | 270.984 |

- (a) Sales returns due to the recall of some products.
- (b) Taxes on sales consist of taxes and contributions charged on the sale of goods, as follows: PIS (Contribution to the Social Integration Program) and COFINS (Contribution for Social Security Financing), ICMS (State VAT) and IPI (Federal VAT).
- (c) Revenue recognition not delivered in the period.

24 Cost of sales

The cost of sales consists of input used in the production of medicines, direct labor and overall manufacturing expenses. Its composition is as follows:

| | 31/03/2024 | 31/03/2023 |
|------------------------------------|-------------------|-------------------|
| Inputs | (121.891) | (131.028) |
| Direct labor | (12.864) | (11.159) |
| Depreciation | (4.570) | (3.600) |
| Overall manufacturing expenses (a) | (37.161) | (33.134) |
| Other costs (b) | (24.021) | (790) |
| | (201.107) | (179.711) |

(a) Overall manufacturing expenses comprise indirect costs associated with production and include, among others:

- Indirect labor (R\$21,622 as of March 31, 2024 / R\$19,095 as of March 31, 2023);
- Electricity, water and other utilities (R\$2,993 as of March 31, 2024 / R\$2,820 as of March 31, 2023);
- Maintenance expenses (R\$4,202 as of March 31, 2024 / R\$752 as of March 31, 2023);
- Consumables (R\$6,942 as of March 31, 2024 / R\$5,056 as of March 31, 2023); and
- Third-party services (R\$525 as of March 31, 2024 / R\$270 as of March 31, 2023).

(b) Amounts include:

- Inventory adjustment (R\$2,204 as of March 31, 2024 / R\$214 as of March 31, 2024);
- Incineration (R\$16,590 as of March 31, 2024 / R\$376 as of March 31, 2023)
- Industrialization cost (R\$3,225 as of March 31, 2024 / R\$200 as of March 31, 2023)
- Other general costs (R\$2,002 as of March 31, 2024)

25 Selling expenses

| | 31/03/2024 | 31/03/2023 |
|--|-------------------|-------------------|
| Sales commissions - commercial representatives | - | (22) |
| Freight on sales | (9.193) | (13.984) |
| Other selling expenses (a) | (5.403) | (7.112) |
| Strategic advisory services (a) | (6.026) | (3.452) |
| (Loss)/Expected credit losses on receivables (b) | (12.431) | 10 |
| Salaries and charges | (11.868) | (12.149) |
| Marketing expenses (a) | (8.384) | (4.916) |
| | (53.305) | (41.624) |

(a) Increase in expenses on marketing, strategic advisory services and other selling expenses in accordance with the market growth strategy for the next years.

(b) Additional addition to the provision accrued for clients under court-ordered reorganization with the possibility of collection in the amount of R\$6,201 and other prescribed write-offs of clients in violation of the collection policy.

26 Administrative expenses

| | 31/03/2024 | 31/03/2023 |
|---------------------------------------|-----------------|-----------------|
| Salaries and charges | (24.202) | (21.621) |
| Depreciation and amortization | (10.781) | (6.841) |
| General expenses (b) | (9.992) | (10.015) |
| Professional services (a) | (8.326) | (8.388) |
| Maintenance, conservation and repairs | (3.078) | (1.806) |
| Taxes fees and contributions | (2.048) | 88 |
| Consumables | (818) | (707) |
| Usefulness and services | (594) | (517) |
| Insurance | (195) | (148) |
| Legal expenses | (85) | (117) |
| | (60.121) | (50.073) |

- (a) Tax and human resources consulting services.
- (b) Conducted research and development in accordance with the market growth strategy.

27 Other revenues (expenses), net

| | 31/03/2024 | 31/03/2023 |
|--------------------------------------|--------------|--------------|
| Revenue from the sale of scrap metal | 198 | 137 |
| Other income (a) | 1.215 | 1.072 |
| | 1.412 | 1.208 |

- (a) Reversal of the provision for consumables.

28 Net finance income (costs)

| | 31/03/2024 | 31/03/2023 |
|---|-----------------|-----------------|
| IOF | (46) | - |
| Interest expense (a) | (29.346) | (20.756) |
| Banking fees and expenses | (1.228) | (1.290) |
| Expenses on derivative instruments | (3.659) | (7.192) |
| Interest expenses - leases | (170) | (159) |
| Finance costs | (34.449) | (29.397) |
| Interest income | 625 | 1.983 |
| Income from derivative instruments | - | 12.212 |
| Finance income | 625 | 14.195 |
| Foreign exchange gains | 7.694 | 3.456 |
| Foreign exchange losses | (31) | (25.760) |
| Foreign exchange gains (losses), net | 7.663 | (22.304) |
| Net finance income (costs) | (26.161) | (37.506) |

- (a) Increase is due to new contracts and increase in the benchmark interest rate.

29 Financial instruments

Risk management and financial instruments

The Company takes part in transactions with financial assets and liabilities to manage the available funds generated by the transaction. The risks associated with these instruments are managed by means of conservative strategies aiming at liquidity, profitability and safety. The assessment of these financial assets and liabilities with respect to market values has been prepared according to available information and appropriate valuation methods. However, interpreting market data and evaluating methods require considerable judgment and estimates to calculate the most adequate realizable value. Therefore, presented estimates may differ from whether different hypotheses and methodologies are used. Investments are always made in fixed-rate investments, according to percentages of indicators published by the Central Bank of Brazil and official government agencies.

The Company has exposure to the following risks arising from financial instruments:

- (i) **Credit risk;**
- (ii) **Liquidity risk; and**
- (iii) **Market risk.**

a. Credit risk

Credit risk is the risk of financial loss to the Company if a customer or counterparty to a financial instrument fails to meet its contractual obligations, and arises principally from the Company's receivables from customers and financial instruments, as shown below.

Exposure to credit risks

The carrying amount of financial assets represents the maximum credit exposure. The maximum exposure to credit risk on the reporting date was as follows:

| Financial assets | Note | 31/03/2024 | 31/03/2023 |
|-----------------------|------|-----------------------|-----------------------|
| Cash equivalents | 7 | 23.016 | 5.946 |
| Trade receivables | 8 | 77.783 | 104.640 |
| Financial investments | 12 | - | 2.834 |
| Total assets | | <u>100.799</u> | <u>113.420</u> |

Trade receivables

The Company has a credit policy aligned with its annual planning. The Company is exposed to minimum possible risk through a credit approval matrix. The receivables portfolio is distributed to several clients and has a low concentration. By conducting a thorough monthly analysis of all active clients, the Company mitigates existing risks by assessing the credit quality of clients, their integrity and financial capacity to repay their debt and history with the Company, information collected by sellers themselves and market behavior. Once any trigger is reached sales/limits for clients are usually interrupted. The Company does not expect any loss arising from default, except for the allowance for impairment loss on trade and other receivables, presented in note eight.

Cash and cash equivalents, financial investments and derivative financial instruments

Cash equivalents, financial investments and derivative financial instruments are held with banks and financial institutions, which are rated below, according to Fitch Ratings and Moody's:

| Financial institution | Rating Brasil |
|------------------------------|----------------------|
| Itau | AAA |
| Bradesco | AAA |
| Banco do Brasil | AAA |
| Banco MUFG | A1 |
| JP Morgan | AA1 |
| XP Investimentos | AA |
| Citibank | AAA |

b. Market risks

- i. Interest rate risk:** The associated risk arises from the possibility of the Company incurring losses from interest rate fluctuations, which may increase the financial expenses on loans and financing raised in the market. The Company continually monitors market interest rates to assess the possible need of renegotiating transactions. Currently, all the Company's credit facilities are fixed and therefore not subject to market rate fluctuations.
- ii. Exchange rate risk:** The Company is exposed to the exchange rate risk arising from exposures to certain currencies, basically the US dollar. Exchange risk results from future business transactions and recognized assets and liabilities. Management has formulated a policy requiring management to manage its exchange rate risk in relation to its functional currency (real) and annual planning. In case of exposure to annual planning, the Company is required to hedge its loan positions in hedging transactions (swap and NDF contracts) negotiated with local banks. As of March 31, 2024 the Company's exposure is related to a foreign currency loan, imports of raw material and related party payables.

A summary of the Company's exposure to risk is as follows:

| Exposure to USD | March 31, 2024 | | March 31, 2023 | |
|--------------------------------------|-----------------------|-----------------|-----------------------|-----------------|
| | R\$ | USD | R\$ | USD |
| Trade payables | (31.467) | (6.298) | (9.293) | (1.829) |
| Loans | (125.353) | (25.090) | (234.105) | (46.080) |
| Net exposure of balance sheet | | | | |
| balance sheet | (156.820) | (31.388) | (243.398) | (47.909) |
| Balance of derivatives - gain (loss) | - | - | (9.248) | (1.820) |
| Net exposure | (156.820) | (31.388) | (252.646) | (49.730) |

The following exchange rates were applied:

| <u>Closing rate on the reporting date</u> | |
|--|-------------------|
| 31/03/2024 | 31/03/2023 |
| <u>4,9962</u> | <u>5,0804</u> |

Sensitivity analysis of financial assets and liabilities

The Company's financial liabilities consist of 36.90% of finance agreements linked to contracts that include exchange rate fluctuations (US dollar) and exposure to foreign currencies. However, all these loans bear fixed interest rates and are not exposed to interest rate fluctuations.

Exposure to exchange rate risk (US dollar)

In order to check the sensitivity of the Company's assets and liabilities to fluctuations in the US dollar as of March 31, 2024, three different scenarios were estimated. We set the probable scenario for the 12 months as from the reporting date according to projections made by Banco Itaú, a macroeconomic scenario that expects to be quoted in the US dollar against the Brazilian real for 2024 of 5.15 (Scenario I). Based on Scenario I (Probable), we simulated an increase of 25% for Scenario II (Possible) and 50% for Scenario III (Remote). Results from the scenarios described below are as follows:

| Risk | Current | Probable | Possible | Remote |
|-------------------|----------------|-----------------|-----------------|---------------|
| Exchange rate | 5,15 | 5,23 | 6,54 | 7,85 |
| Net exposure | (125.353) | (127.330) | (159.163) | (190.996) |
| Impact not result | (10.183) | (10.343) | (12.929) | (15.515) |

c. *Liquidity Cliffs*

The Company runs the risk of not having sufficient resources to fulfill its financial obligations due to the mismatch between receipts and payments in terms of maturity. In order to mitigate this risk, the Company has structured a financial planning projecting cash flows for the twelve-month period. Through its planning, the Company believes that the cash flows from operating activities, cash and cash equivalents and available lines of credit are sufficient to finance future financial commitments.

d. *Fair value estimate*

The fair value of financial assets and liabilities is included in the amount at which an instrument could be exchanged in a current transaction between willing parties, rather than in a sale or forced settlement. The following methods and assumptions were used to estimate fair value:

- Cash and cash equivalents, trade receivables, trade payables and other short-term obligations approximate their book values mostly due to the short-term maturity of these instruments.
- The fair values of receivables do not differ in a significant manner from book balances, because they have an inflation adjustment consistent with market rates and/or are adjusted for the allowance for impairment.

Interest rates on loans and financing are variable and are consistent with market rates; therefore, the book balances reported approximate fair values.

The fair values of financial assets and liabilities, together with their carrying amounts presented in the financial statements, are as follows:

| March 31, 2024 | Note | Carrying value | Fair Value |
|-----------------------|-------------|-----------------------|-------------------|
| Amortized cost | | | S |
| Cash equivalents | 7 | 23.016 | 23.016 |
| Trade receivables | 8 | 77.783 | 77.783 |

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| | | | |
|--------------------------|----|-----------------------|-----------------------|
| Total assets | | <u><u>100.799</u></u> | <u><u>100.799</u></u> |
| Amortized cost | | | |
| Trade payables | 15 | 63.964 | 63.964 |
| Loans and financing | 16 | 339.741 | 339.741 |
| Leasing | | 3.714 | 3.714 |
| Other liabilities | 19 | 1.803 | 1.803 |
| Total liabilities | | <u><u>409.222</u></u> | <u><u>409.222</u></u> |

| December 31, 2023 | Note | Carrying value | Fair Value |
|--|-------------|-----------------------|-----------------------|
| Amortized cost | | | |
| Cash equivalents | 7 | 5.946 | 5.946 |
| Trade receivables | 8 | 104.640 | 104.640 |
| Financial investments | 12 | 2.834 | 2.834 |
| Total assets | | <u><u>113.420</u></u> | <u><u>113.420</u></u> |
| Amortized cost | | | |
| Trade payables | 15 | 44.947 | 44.947 |
| Loans and financing | 16 | 286.682 | 286.682 |
| Leasing | | 1.670 | 1.670 |
| Other liabilities | 19 | 6.203 | 6.203 |
| Fair value | | | |
| Derivative financial instruments (Level 2) | 29 | 9.248 | 9.248 |
| Total liabilities | | <u><u>348.751</u></u> | <u><u>348.751</u></u> |

30 Income and social contribution taxes

For the years ended March 31, 2024 and 2023, the Company opted for the quarterly taxable profit regime. Income taxes are calculated according to taxable profit that under prevailing law differs from book profit due to adjustments (add-backs and deductions). Below are the details about the calculation and reconciliation of the effective rate:

| | <u>31/03/2024</u> | <u>31/03/2023</u> |
|--|-------------------|-------------------|
| Statement of taxable profit | | |
| Result before two taxes on profit | (86.901) | (36.722) |
| (+) Additions | (1.428) | 29.197 |
| Allowance for impairment loss on trade and other receivables | (12.431) | - |
| Impairment of net inventories | (16.590) | 8.576 |
| Provision for commission on net sales | (1.026) | - |
| Non-deductible provisions | (34) | 2.207 |
| Other provisions | (7.957) | 1.330 |
| Foreign exchange gains | 26.509 | |
| Depreciation of right-of-use - leases | (1.337) | 809 |
| Decrease in asset appreciation | (4.386) | 5.361 |
| Provision for sales returns | - | 2.108 |
| Revenue cutoff adjustment | 2.893 | 1.614 |
| Hedging transactions | (3.659) | 7.192 |
| (-) Exclusions | (75.624) | (52.314) |
| Adjustment in the revenue cutoff date | 2.747 | (33.676) |
| Amortization of liabilities - leases | (1.270) | (1.245) |
| Foreign exchange losses | (21.464) | - |
| Reversal of inventories in transit | (12.322) | |
| Other deductions/deductions | (23.824) | |
| Reversal of provisions | (19.491) | (17.393) |
| Income tax loss | (180.543) | (59.839) |
| Current Setup | - | - |
| Effective rate | 0,00% | 0,00% |
| Deferred tax - note | 1.618 | 9.080 (a) |

- (a) The amount of R\$9,080 as of March 31, 2023 (R\$5,890 as of March 31, 2022) consists of the reversal of the provision the recognition of deferred tax liabilities on the appreciation (fair value allocation) and recognition of deferred tax effects on foreign exchange gains (liabilities) in March 2022 as a result of the cash taxation regime option for the accrual period.

| Changes in the deferred tax balance (c) | Deferred tax liabilities | | | Total |
|---|--|--|--------------|----------------|
| | IRPJ (Corporate Income Tax) 25% | CSLL (Social Contribution on Tax) - 9% | | |
| Appreciation as of March 31, 2023 | <u>18.186</u> | <u>4.546</u> | <u>1.637</u> | <u>6.183</u> |
| (-) Depreciation/Amortization of appreciation | <u>(4.758)</u> | <u>(1.189)</u> | <u>(428)</u> | <u>(1.618)</u> |
| Appreciation as of March 31, 2024 | <u>13.428</u> | <u>3.357</u> | <u>1.209</u> | <u>4.566</u> |

Temporary differences arising from provisions (temporary additions) that would result in a deferred tax asset were not recognized for the year on March 31, 2024, because Management does not expect future realization.

31 Subsequent events

There are no subsequent events after year-end.