(Convenience Translation into English from the Original Previously Issued in Portuguese)

# Group NC Farma

Combined Financial Statements
for the Year Ended December 31, 2023
and Independent Auditor's Report

Deloitte Touche Tohmatsu Auditores Independentes Ltda.

GRUPO NC

# Group NC Farma

## Combined financial statements

December 31, 2023

**Contents**

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# INDEPENDENT AUDITOR'S REPORT ON THE COMBINED FINANCIAL STATEMENTS

To the Executive Board and Shareholders of
Group NC Farma

## Opinion

We have audited the accompanying combined financial statements of Group NC Farma (the "Group"), which comprise the combined balance sheet as at December 31, 2023, and the related combined statements of income, of comprehensive income, of changes in equity and of cash flows for the year then ended, and notes to the financial statements, including the material accounting policies.

In our opinion, the combined financial statements referred to above present fairly, in all material respects, the combined financial position of Group NC Farma as at December 31, 2023, and its combined financial performance and its combined cash flows for the year then ended, in accordance with accounting practices adopted in Brazil, specifically pursuant to technical pronouncement CPC 44 - Combined Financial Statements.

## Basis for opinion

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

## Emphasis of matter

We draw attention to note 1.2 to the combined financial statements, which describes the basis of preparation of the combined financial statements. The combined financial statements have been prepared in order to allow shareholders, officers, financial institutions and potential investors of Group NC Farma to assess the Group's combined financial position as at December 31, 2023 and the combined financial performance for the year then ended. Consequently, the combined financial statements may not be appropriate for other purpose. Our opinion is not qualified in respect of this matter.

## Other matter

The corresponding information and figures for the year ended December 31, 2022, presented for purposes of comparison, were previously audited by another independent auditor, who issued an unqualified report dated March 8, 2023.

**Responsibilities of Management and those charged with governance for the combined financial statements**

Management is responsible for the preparation and fair presentation of the combined financial statements in accordance with accounting practices adopted in Brazil, 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 combined financial statements, Management is responsible for assessing the Group'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 Group or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Group's financial reporting process.

**Auditor's responsibilities for the audit of the combined financial statements**

Our objectives are to obtain reasonable assurance about whether the combined financial statements taken as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with Brazilian and International Standards on Auditing will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these combined 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 combined 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 Group'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 Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the combined financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group 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 combined financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

 

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

The accompanying combined financial statements have been translated into English for the convenience of readers outside Brazil.

Campinas, April 17, 2024

Deloitte Touche Tohmatsu
DELOITTE TOUCHE TOHMATSU
Auditores Independentes Ltda.

Fernando A. L. Silva
Fernando Augusto Lopes Silva
Engagement Partner

2024CA031407

# GRUPO NC

## Combined Financial Statements

December 31, 2023
With Independent Auditor's Report

(Convenience Translation into English from the Original Previously Issued in Portuguese)

## Group NC Farma

Combined balance sheet
December 31, 2023 and 2022
(In thousands of Brazilian reais – R$)

| **Assets** | **Note** | **12/31/2023** | **12/31/2022** |
|---|---|---|---|
| **Current** | | | |
| Cash and cash equivalents | 7 | 535,218 | 608,235 |
| Short-term investments | 7.1 | 137,961 | - |
| Trade receivables | 9 | 1,680,102 | 1,569,063 |
| Due from related parties | 27.a | 8,911 | 14,930 |
| Inventories | 10 | 1,749,257 | 1,582,866 |
| Recoverable taxes | 11 | 729,152 | 727,486 |
| Other receivables | 12 | 89,786 | 50,179 |
| Derivative financial instruments | 6 | 166 | - |
| Assets from discontinued operations | 1.b | 12,893 | 36,511 |
| **Total current assets** | | **4,943,446** | **4,589,270** |
| **Noncurrent** | | | |
| Short-term investments linked to borrowing | 8 | 81,766 | 1,285 |
| Recoverable taxes | 11 | 256,143 | 453,831 |
| Escrow deposits | 18 | 68,421 | 80,604 |
| Deferred income tax and social contribution | 19.a | 234,502 | 193,214 |
| Other receivables | 12 | 6,629 | 6,630 |
| Right-of-use asset | 13.a | 265,822 | 260,310 |
| Property, plant and equipment | 14 | 1,498,072 | 1,422,111 |
| Intangible assets | | 32,090 | 27,486 |
| **Total noncurrent assets** | | **2,443,445** | **2,445,471** |
| **Total assets** | | **7,386,891** | **7,034,741** |

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

## Group NC Farma

Combined balance sheet
December 31, 2023 and 2022
(In thousands of Brazilian reais – R$)

| Liabilities and equity | Note | 12/31/2023 | 12/31/2022 |
|---|---|---|---|
| **Current** | | | |
| Trade payables | 16 | 599,454 | 751,917 |
| Due to related parties | 27.a | 19,401 | 12,300 |
| Derivative financial instruments | | - | 6 |
| Borrowings and financing | 15 | 22,243 | 26,485 |
| Debentures | | 4,153 | 4,757 |
| Lease liability | 13.b | 73,838 | 67,209 |
| Payroll and related taxes | 17 | 228,235 | 194,948 |
| Taxes payable | | 53,552 | 47,970 |
| Income tax and social contribution payable | 19.c | 88,780 | 125,364 |
| Taxes in installments | 20 | 19,224 | 32,125 |
| Dividends payable | 27.b | 752,684 | 548,815 |
| Other payables | 21 | 219,157 | 232,691 |
| Liabilities from discontinued operations | | 1,034 | 2,023 |
| **Total current liabilities** | | **2,133,215** | **2,046,610** |
| **Noncurrent** | | | |
| Borrowings and financing | 15 | 48,735 | 76,687 |
| Debentures | 15 | 220,000 | 220,000 |
| Lease liability | 13.b | 214,009 | 211,355 |
| Taxes in installments | 20 | - | 13,182 |
| Provision for labor, civil and tax risks | 18 | 351,964 | 276,266 |
| Deferred income tax and social contribution | 19.a | 62,419 | 56,777 |
| Other payables | 21 | 34,742 | 62,986 |
| **Total noncurrent liabilities** | | **931,869** | **917,253** |
| **Total liabilities** | | **3,065,084** | **2,963,863** |
| **Equity** | | | |
| Capital | 22.a | 1,630,781 | 1,408,937 |
| Capital reserve | 22.b | (81,443) | 82,576 |
| Valuation adjustments to equity | | 11,190 | 10,953 |
| Earnings reserves | 22.c | 2,807,841 | 2,562,922 |
| **Equity attributable to owners of the Company** | | **4,368,369** | **4,065,388** |
| Noncontrolling interests | | 4,898 | 5,490 |
| **Total equity** | | **4,373,267** | **4,070,878** |
| **Total liabilities and equity** | | **7,386,891** | **7,034,741** |

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

## Group NC Farma

Combined income statement
December 31, 2023 and 2022
(In thousands of Brazilian reais – R$)

| | Note | 12/31/2023 | 12/31/2022 |
|---|---|---|---|
| Net sales revenue | 23 | 7,944,868 | 6,770,708 |
| Cost of sales | 24 | (2,620,209) | (2,301,809) |
| **Gross profit** | | 5,324,659 | 4,468,899 |
| Selling expenses | 24 | (829,499) | (523,109) |
| Administrative expenses | 24 | (1,824,609) | (1,527,099) |
| Other income (expenses), net | 25 | (132,265) | 365 |
| **Operating income** | | 2,538,286 | 2,419,056 |
| Finance income | 26 | 171,099 | 307,252 |
| Finance costs | 26 | (169,642) | (292,320) |
| **Finance income (costs), net** | | 1,457 | 14,932 |
| **Profit before income tax and social contribution** | | 2,539,743 | 2,433,988 |
| Income tax and social contribution | 19.b | (374,658) | (425,144) |
| **Profit for the year from continuing operations** | | 2,165,085 | 2,008,844 |
| **Discontinued operations** | | | |
| Profit (loss) from discontinued operations | | (22,627) | 1,091 |
| **Profit for the year** | | 2,142,458 | 2,009,935 |
| Profit attributable to owners of the Company | | 2,140,315 | 2,000,965 |
| Profit attributable to noncontrolling shareholders | | 2,143 | 8,970 |

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

## Group NC Farma

Combined statement of comprehensive income
December 31, 2023 and 2022
(In thousands of Brazilian reais – R$)

| | 12/31/2023 | 12/31/2022 |
|---|---|---|
| Profit for the year | 2,142,458 | 2,009,935 |
| Other comprehensive income | | |
| Items that will be subsequently reclassified to profit or loss: | | |
| Foreign transactions and exchange rate differences on translation | 237 | (6,968) |
| **Total comprehensive income** | **2,142,695** | **2,002,967** |
| **Comprehensive income attributable to:** | | |
| Owners of the Company | 2,140,552 | 1,993,997 |
| Noncontrolling shareholders | 2,143 | 8,970 |
| **Total comprehensive income** | **2,142,695** | **2,002,967** |

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

(Convenience Translation into English from the Original Previously Issued in Portuguese)

# Group NC Farma

Combined statement of changes in equity
Year ended December 31, 2023 and 2022
(In thousands of Brazilian reais – R$)

| | Owners of the Company | | | | | | | | | | |
|---|---|---|---|---|---|---|---|---|---|---|---|
| | | | | *Earnings reserves* | | | | | | | |
| | **Capital** | **Capital reserve** | **Valuation adjustments to equity** | **Tax incentive reserve** | **Legal reserve** | **Earnings reserve** | **Total** | **Retained earnings** | **Total attributable to owners of the Company** | **Noncontrolling interests** | **Total equity** |
| **As at December 31, 2021** | 1,399,787 | 164,019 | 17,921 | 762,504 | 44,342 | 1,015,000 | 1,821,846 | - | 3,403,573 | 53,822 | 3,457,395 |
| Profit for the year | | | | - | - | - | | 2,000,965 | 2,000,965 | 8,970 | 2,009,935 |
| Foreign transactions and exchange rate differences on translation | - | - | (6,968) | - | - | - | | - | (6,968) | - | (6,968) |
| New combined entities | 9,150 | - | - | - | - | (35,174) | (35,174) | - | (26,024) | - | (26,024) |
| Transfer to earnings retention reserve | - | - | - | - | - | 176,897 | 176,897 | (176,897) | - | - | - |
| Transfer to tax incentive reserve | - | - | - | 593,863 | - | - | 593,863 | (593,863) | - | - | - |
| Additional recognition of tax incentive reserve | - | - | - | 5,490 | - | - | 5,490 | (5,490) | - | - | - |
| Profit distribution | - | - | - | - | - | - | - | (1,157,064) | (1,157,064) | - | (1,157,064) |
| Mandatory minimum dividends | - | - | - | - | - | - | - | (67,651) | (67,651) | - | (67,651) |
| Shareholder transaction – change of interest (note 21.b) | - | (81,433) | - | - | - | - | - | - | (81,443) | (56,989) | (138,432) |
| Other transactions with noncontrolling shareholders | - | - | - | - | - | - | - | - | - | (313) | (31) |
| **As at December 31, 2022** | **1,408,937** | **82,576** | **10,953** | **1,361,857** | **44,342** | **1,156,723** | **2,562,922** | **-** | **4,065,388** | **5,490** | **4,070,878** |
| Profit for the year | - | - | - | - | - | - | - | 2,140,315 | 2,140,315 | 2,143 | 2,142,458 |
| Other comprehensive income for the period | - | - | 237 | - | - | - | - | - | 237 | - | 237 |
| Inclusion of entity in business combination | 10 | - | - | - | - | (6,460) | (6,460) | - | (6,450) | (28) | (6,478) |
| Capital increase | 57,815 | - | - | - | - | - | - | - | 57,815 | - | 57,815 |
| Increase of capital through reserve | 164,019 | (164,019) | - | - | - | - | - | - | - | - | - |
| Shareholders transaction – change of interest | - | - | - | - | - | - | - | - | - | (157) | (157) |
| Dividends distributed to shareholders and interest on capital | - | - | - | - | - | (1,862,400) | (1,862,400) | - | (1,862,400) | (2,550) | (1,864,950) |
| Transfer to earnings retention reserve | - | - | - | - | - | 1,298,189 | 1,298,189 | (1,298,189) | - | - | - |
| Reclassification from tax incentive reserve to earnings retention reserve | - | - | - | (1,190,397) | - | 1,190,397 | - | - | - | - | - |
| Additional recognition of tax incentive reserve | - | - | - | 5,030 | - | (5,030) | - | - | - | - | - |
| Recognition of legal reserve | - | - | - | - | 16,546 | - | 16,546 | (16,546) | - | - | - |
| Recognition of mandatory minimum dividends | - | - | - | - | - | - | - | (26,536) | (26,536) | - | (26,536) |
| Recognition of tax incentive reserve | - | - | - | 799,044 | - | - | 799,044 | (799,044) | - | - | - |
| **As at December 31, 2023** | **1,630,781** | **(81,443)** | **11,190** | **975,534** | **60,888** | **1,771,419** | **2,807,841** | **-** | **4,368,369** | **4,898** | **4,373,267** |

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

# Group NC Farma

Notes to the combined financial statements
Year ended December 31, 2023 and 2022
(In thousands of Brazilian reais – R$)

| | Note | 12/31/2023 | 12/31/2022 |
|---|---|---|---|
| **Cash flows from operating activities** | | | |
| **Profit before income tax and social contribution from continuing operations** | | 2,539,743 | 2,433,988 |
| **Profit (loss) before income tax and social contribution from discontinued operations** | | (22,627) | 1,091 |
| Adjustments of | | | |
| Depreciation and amortization | 24 | 164,128 | 127,411 |
| Write-offs of right of use | | (7,067) | (2,741) |
| Cost of property, plant and equipment written off | 14 | 12,996 | 2,600 |
| Allowance for (reversal of) estimated credit losses on trade receivables | 9 | 17 | 2,478 |
| Provision for return | 9 and 10 | (3,190) | 4,951 |
| Allowance for (reversal of) inventory obsolescence | 10 | (50,196) | 112,973 |
| Provision for (reversal of) risks and escrow deposits | 18 | 83,825 | 42,120 |
| Allowance for asset impairment losses | | (21) | 42 |
| Accrued interest | | 37,647 | 31,307 |
| Finance costs on present value adjustments to lease | 15 | 35,288 | 32,699 |
| Gain on grant in profit or loss relating to ICMS | | (5,030) | - |
| Unrealized exchange and inflation adjustment losses (gains) from financial activities | | 19,629 | (94) |
| **Changes in assets and liabilities** | | | |
| Trade receivables | 9 | (107,826) | (220,892) |
| Inventories | 10 | (116,144) | (337,158) |
| Due from related parties | 27.a | 30,114 | 50,533 |
| Recoverable taxes | 11 | 29,798 | (164,630) |
| Other receivables | 12 | (45,337) | 10,158 |
| Escrow deposits | 18 | 21,248 | (1,769) |
| Trade and other payables | 16 | (130,151) | 411,509 |
| Taxes payable | | 5,427 | 3,718 |
| Taxes in installments | 20 | (26,083) | (23,004) |
| Due to related parties | 27.a | 6,928 | (47,450) |
| **Cash (used in) generated by operations** | | 2,473,116 | 2,469,840 |
| Interest paid | 15 | (38,396) | (48,363) |
| Payment of lawsuits | | (37,574) | (17,989) |
| Income tax and social contribution paid | 19 | (280,916) | (229,720) |
| **Net cash (used in) generated by operating activities** | | 2,116,230 | 2,173,768 |
| **Cash flows from investing activities** | | | |
| Short-term investments linked to borrowing | 8 | (80,481) | - |
| Short-term investments | 7.1 | (137,961) | - |
| Acquisition of property, plant and equipment | 14 | (181,570) | (214,057) |
| Acquisition of intangible assets | | - | (1,139) |
| Capital increase in cash | 22.a | 15,815 | (138,432) |
| Inclusion of entity in business combination | | 857 | 4,266 |
| Other investments | | 80 | (6,814) |
| **Net cash generated by (used in) investing activities** | | (383,260) | (356,176) |
| **Cash flows from financing activities** | | | |
| Short-term investments (redemption) linked to borrowing | | - | 722 |
| Borrowings raised | 15 | - | 305,415 |
| Repayment of principal on borrowings | 15 | (27,019) | (362,338) |
| Repayment of principal on intragroup borrowings | 27.c | - | (10,294) |
| Payment of leases | 13.b | (99,724) | (80,712) |
| Dividends paid | 22 | (1,685,067) | (1,283,375) |
| **Net cash used in financing activities** | | (1,811,810) | (1,430,582) |
| **Increase (decrease) in cash and cash equivalents, net** | | (78,840) | 387,010 |
| **Cash and cash equivalents at the beginning of the year from continuing operations** | 7 | 608,235 | 229,859 |
| **Cash and cash equivalents at the beginning of the year from discontinued operations** | 1.b.1 | 8,634 | - |
| **Cash and cash equivalents at the end of the year from continuing operations** | 7 | 535,218 | 608,235 |
| **Cash and cash equivalents at the end of the year from discontinued operations** | 1.b.1 | 2,811 | 8,634 |

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

# 1. General information and basis for preparation of the combined financial information

## a. General information

Group NC Farma (Group) is a conglomerate of Brazilian companies operating in the pharmaceutical industry and the leading company in the Brazilian pharmaceutical market; the Group's main entity is EMS S.A.

The Group's financial statements were combined to show the financial position and performance of the Companies under the Group's common management and, as decisions are made together, they represent the financial position of the operations maintained by it. The definition of the combined companies considered the following aspects:
(i) operating under the same management; and (ii) being under the Group's direct or indirect control, which include the financial statements mentioned in item b below.

**Acquisition of Dermacyd – vaginal soap category**

On April 27, 2023, the Company, together with Globe Pharma S.A.R.L. (an associate controlled by the common indirect controlling shareholder), has entered into the Dermacyd brand purchase agreement, which is the leading company in the vaginal soap sector in Brazil. The global brand was acquired based on the strategy of expanding its internationalization process, repositioning the company and increasing its market share in the OTC (over-the-counter) segment. EMS' interest in the brand acquisition corresponds to 55%, relating to the items sold nationwide, and the interest of Globe Pharma corresponds to 45%, relating to items sold overseas, under the brand name Lactacyd.

The transaction totals 66 million euros, comprising the acquisition of the brand production and sale right consisting of 17 hygiene items, including those sold in Mexico, Peru and Argentina under the brand name Lactacyd. This transaction includes certain assets and liabilities, mainly comprised of inventories, property, plant and equipment set forth in an agreement, trade receivables, promotional sales material, tax liabilities arising on sales generated after the acquisition, liabilities related to product return and collection, and other assets and liabilities that may be generated on the acquisition transaction.

The Administrative Council for Economic Defense (CADE) approved the transaction on June 23, 2023, but the new assets and liabilities must be assumed only after certain conditions precedent are satisfied concurrently with the payment of cash, which transaction closing has occurred on January 31, 2024. These conditions precedent include the transfer of trademark ownership and domain, know-how license for manufacturing of products, registration with local regulatory bodies ("ANVISA"), inventories and machinery for manufacturing, which were not delivered up to the approval date of these individual and consolidated financial statements for the year ended December 31, 2023 and, therefore, the Group Management understands that the performance obligations were not satisfied and there is no liability to be recognized.
On January 31, 2024, the Company paid the acquisition price in the amount of R$198,432, corresponding to 55% of the transaction; for further details see note 31.

**b. Basis for preparation of the combined financial statements**

The Group NC Farma's combined financial statements are being presented solely for the purpose of providing, through one single financial statement, information on all the Group NC Farma's activities, regardless of its corporate structure. Therefore, these combined financial statements do not represent the individual or consolidated financial statements of an entity and its subsidiaries and should not be considered for calculation of dividends, taxes or for other corporate purposes and they cannot be used as an indication of financial performance that could be obtained if the entities included in the combination had operated as one single independent entity or as an indication of the results from operations of these entities for any future period.

For purposes of presentation of the combined financial statements of Group NC Farma, the following procedures were followed:

b.1) <u>Assessment of combination and entities considered in the combination</u>

The entities subject to combination were under common control during the period covered by the combined financial statements, whose assessment was based on the definition of control set out in technical pronouncement CPC 36 (R3) - Consolidated Financial Statements.

The following entities are being considered in the preparation of the combined financial statements:

- EMS S.A. ("EMS") is a privately-held company, established in 1964 and which, together with its subsidiaries, is engaged in the manufacturing, sale, import and export, own and from third parties, of pharmaceutical, allopathic, diet food products, pharmaceutical ingredients and drugs. EMS' head office is located in the city of Hortolândia, State of São Paulo.

- CPM Concessionária Paulista de Medicamentos S.A. (CPM) - Located in Américo Brasiliense/SP, engaged in the management and maintenance of Pharmaceutical Industry of Américo Brasiliense (Indústria Farmacêutica de Américo Brasiliense - IFAB) owned by "Popular Medicine" Foundation (Fundação para o "Remédio Popular" - FURP), subordinated to the São Paulo State Office ("SESSP"), through concession. The purpose was to expand the government's capacity for the production of generic drugs. The concession period would be 15 years and production started on August 1, 2015.

The Concession Agreement was suspended since January 1, 2020, thus limiting the activities to the services necessary for the building security, monitoring, cleaning and maintenance. On August 12, 2022, the agreement for amicable and early rescission of the concession agreement entered into between CPM and FURP was published in the Official Gazette. The amounts already billed relating to drugs provided to SESSP and the final decommissioning activities totaled R$74,451, of which the amount of R$50,000 was received in August 2022.

(In thousands of Brazilian reais – R$)

On March 31, 2022, the CPM was classified as discontinued operation. On November 30, 2022, CPM decreased capital in the amount of R$31,208, aiming at the shutdown of its activities to resume the investments made by its shareholders.

The assets and liabilities from discontinued operation are described below and include all balance sheet position as at December 31, 2023 and 2022 and income statement position as at December 31, 2023, when applicable:

| **Assets** | **12/31/2023** | **12/31/2022** |
|---|---|---|
| **Current** | | |
| Cash and cash equivalents | 2,811 | 8,634 |
| Trade receivables | - | 23,979 |
| Due from related parties | 75 | 75 |
| Inventories | 29 | 41 |
| Recoverable taxes | 788 | 527 |
| Prepaid dividends | 6,000 | - |
| Other receivables | 122 | 241 |
| **Total current assets** | **9,825** | **33,497** |
| | | |
| **Noncurrent** | | |
| Recoverable taxes | 2,913 | 2,913 |
| Escrow deposits | 175 | 101 |
| **Total noncurrent assets** | **3,088** | **3,014** |
| | | |
| **Total assets** | **12,913** | **36,511** |

| **Liabilities and equity** | **12/31/2023** | **12/31/2022** |
|---|---|---|
| **Current** | | |
| Trade payables | 57 | 500 |
| Lease liability | 21 | 42 |
| Taxes payable | 15 | 36 |
| Other payables | 50 | 30 |
| **Total current liabilities** | **143** | **608** |
| | | |
| **Noncurrent** | | |
| Provision for risks | 907 | 1,415 |
| **Total noncurrent liabilities** | **907** | **1,415** |
| | | |
| **Total liabilities** | **1,050** | **2,023** |
| | | |
| Capital | 33,397 | 33,397 |
| Earnings reserves (accumulated losses) | (21,534) | 1,091 |
| **Total equity (i)** | **11,863** | **34,488** |
| | | |
| **Total liabilities and equity** | **12,913** | **36,511** |

(i) The balance of equity was eliminated upon combination of the financial statements.

(In thousands of Brazilian reais – R$)

The profit (loss) and cash flows from discontinued operations for the year ended December 31, 2023 and 2022 are shown below:

| | **12/31/2023** | **12/31/2022** |
|---|---|---|
| Administrative expenses | (23,494) | (469) |
| Other income (expenses), net | (54) | 173 |
| **Operating income** | (23,548) | (296) |
| **Finance income (costs), net** | 921 | 1,397 |
| **Loss for the year** | (22,627) | (1,101) |
| Income tax and social contribution | - | (10) |
| **Profit / (loss) for the year** | **(22,627)** | **1,091** |

| | **12/31/2023** | **12/31/2022** |
|---|---|---|
| **Loss for the year** | (22,627) | (1,011) |
| Adjustments of | | |
| Depreciation and amortization | - | 334 |
| Allowance for (reversal of) estimated credit losses on trade receivables | 21,930 | - |
| Allowance for impairment loss | (21) | (786) |
| Provision for risks | (508) | 957 |
| **Changes in assets and liabilities** | | |
| Trade receivables | 2,049 | 50,772 |
| Inventories | 12 | 169 |
| Recoverable taxes | (261) | 2,135 |
| Other receivables | 119 | (119) |
| Escrow deposits | (74) | (61) |
| Trade and other payables | (238) | (696) |
| Taxes payable | (31) | (4) |
| Due to related parties | (173) | 173 |
| **Cash generated by (used in) operating activities** | 177 | 53,637 |
| **Cash flows from financing activities** | | |
| Capital decrease | - | (31,208) |
| Dividends paid to the Group shareholders | (6,000) | (18,793) |
| **Cash used in financing activities** | (6,000) | (50,001) |
| **Increase (decrease) in cash and cash equivalents, net** | (5,823) | 3,636 |
| **Cash and cash equivalents at the beginning of the year (note 6)** | 8,634 | 4,998 |
| **Cash and cash equivalents at the end of the year (note 6)** | 2,811 | 8,634 |

- EMS Sigma Pharma Ltda. (EMS Sigma) - Located in Hortolândia/SP, engaged in the manufacturing and sale of similar drugs nationwide. It currently has only one production line; the other products sold are acquired from (EMS S.A.) for resale. As from November 2018, EMS Sigma became the packaging company of the products manufactured by Novamed subject to the Special On-demand Manufacturing Regime obtained in the State of São Paulo and approved by the Amazonas Government.
- Legrand Pharma Indústria Farmacêutica Ltda. (Legrand) - Located in Hortolândia/SP, engaged in the manufacturing and sale of generic drugs nationwide. It currently has only one production line; the other products sold are acquired from the Parent for resale.

- Luxbiotech Farmacêutica Ltda. (Luxbiotech) - Located in Hortolândia/SP, engaged in the manufacturing and sale of last-generation dermatocosmetics nationwide, and resale of products acquired from the Parent.

- Monteresearch SRL (Monteresearch) - Located in Milan, Italy, it is a pharmaceutical research laboratory, specialized in the development of drug delivery systems, technologies that allow developing a new formula for the faster or slower delivery of a drug in the organism, according to the doctor’s and patient’s need and including in safer concentrations.

- Rio Bio Pharmaceuticals, LLC (Rio Bio) - Located in the United States, engaged in the performance of pharmaceutical activities, which may include, among others, the manufacturing, sale, import and export of pharmaceutical products and ingredients, own and from third parties; the provision of administrative, technical and documentary consulting/advisory services with or without transfer of technology; and holding interest in joint ventures or other entities as a partner or shareholder.

- Germed Farmacêutica Ltda. (Germed) – Located in Hortolândia/SP, a company established in 1964. The company is engaged in the manufacturing, sale, import and export, own and from third parties, of pharmaceutical, allopathic, homeopathic, veterinary, dental, diet food, hygiene, vanity, cosmetics, perfume, household cleaning, phytosanitary products, pharmaceutical ingredients, drugs and similar, synthesis of antibiotics, of fine and industrial chemicals.

- Novamed Fabricação de Produtos Farmacêuticos Ltda. (Novamed) – Located in Manaus/AM, a company established on August 4, 2010, which started to operate in July 2014, engaged in the manufacturing, sale, import and export of pharmaceutical products, own and from third parties.

- Multilab Indústria e Comércio de Produtos Farmacêuticos Ltda. (Multilab) – Located in São Jerônimo/RS, engaged in the manufacturing and sale of drugs, cosmetics, hygiene and food products, nationwide and worldwide. The company was acquired by Group NC in 2018 through Novamed Fabricação de Produtos Farmacêuticos Ltda. In June 2022, Novamed acquired 12.1% interest in Multilab, which corresponded to noncontrolling interests, and became the sole shareholder of Multilab.

- Snellog - Armazéns Gerais e Logística Ltda. (Snellog)- Located in Jaguariúna/SP, a company established on August 22, 2007, engaged in the warehousing and storage of goods in general, cargo organization and freight. The company started to be combined in the financial statements based on the Group's business strategy, in order to obtain accounting information on all businesses operating in the pharmaceutical market or with direct relationship with the entities operating in the pharmaceutical market.

- Lafiman Distribuidora de Medicamentos Ltda. (Lafiman) – Located in Hortolândia/SP, a company established on November 4, 2003, engaged in the sale of pharmaceutical, dental, food, cosmetic products, among other related products, own or from third parties. The company started to be combined in the financial statements based on the Group's business strategy, in order to obtain accounting information on all businesses operating in the pharmaceutical market or with direct relationship with the entities operating in the pharmaceutical market.

- Rio Biofarma Brasil Ltda. – Located in Hortolândia/SP, a company established on April 28, 2021, engaged in the manufacturing, sale, import and export of pharmaceutical products and ingredients, own and from third parties; provision of administrative, technical and documentary consulting/advisory services with or without transfer of technology. The company started to be combined in the financial statements beginning January 2023 based on the Group's business strategy, in order to obtain accounting information on all businesses operating in the pharmaceutical market or with direct relationship with the entities operating in the pharmaceutical market.

There are other common control entities that are not included in the combined financial information, which would be Germed Farmacêutica LDA and Xenobrasil Desenvolvimento e Pesquisas sobre Xenotransplantes do Brasil Ltda. since, even though operating in the pharmaceutical industry, they are related to technical research and research & development; for this reason, Management elected not to include them in these combined financial statements.

(In thousands of Brazilian reais – R$)

The combined entities hold interest in the following companies, either directly or indirectly:

| | EMS S.A. (Consolidada) | Germed Farmacêutica Ltda. | Lafiman | Snellog | Novamed Fabricação de Produtos Farmacêuticos Ltda. | Multilab | Rio Biofarma | EMS Sigma | Legrand | Luxbiotech | Monteresearch SRL | Rio Bio Pharmaceuticals, LLC | CPM |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| EMS S.A | | - | - | - | - | - | 124,500 | 7,662,451 | 136,464 | 27,605,510 | 90,000 | 3,308 | 64,205,000 |
| NC Farma Participações S.A | 19,800,000 | 10,272,741 | 1,000,000 | 11,650,000 | - | - | 12,325,500 | 77,398 | 1,379 | 206,158 | - | - | - |
| Germed Farmacêutica LDA. | 200,000 | - | - | - | - | - | | - | - | - | - | - | - |
| Novamed Fabricação de Produtos Farmacêuticos Ltda. | - | - | - | - | - | 190,238,099 | | - | - | - | - | - | - |
| Carlos Eduardo Sanchez | - | - | - | - | 875,847,771 | - | | - | - | - | - | - | - |
| Leonardo Sanchez Secundino | - | - | - | - | 145,974,629 | - | | - | - | - | - | - | - |
| Marcus Vinicius Sanchez Secundino | - | - | - | - | 145,974,629 | - | | - | - | - | - | - | - |
| Total | **20,000,000** | **10,272,741** | **1,000,000** | **11,650,000** | **1,167,797,029** | **190,238,099** | **12,450,000** | **7,739,849** | **137,843** | **97,723,009** | **90,000** | **3,308** | **64,205,000** |

The financial statement information of each of the combined entities is summarized below:

| **As at December 31, 2023** | **EMS S.A. (Individual)** | **Germed Farmacêutica Ltda.** | **Lafiman** | **Snellog** | **Novamed Fabricação de Produtos Farmacêuticos Ltda.** | **Multilab** | **Rio Biofarma** | **EMS Sigma** | **Legrand** | **Luxbiotech** | **Monteresearch SRL** | **Rio Bio Pharmaceuticals, LLC** | **Total eliminations** | **Discontinued operations** | **Combined** |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| Current assets | 3,913,617 | 417,138 | 21,216 | 24,464 | 2,437,320 | 892,670 | 18,329 | 228,198 | 338,817 | 115,861 | 11,262 | 1,445 | (3,489,246) | 9,805 | 4,940,896 |
| Noncurrent assets | 1,793,314 | 42,688 | 2,939 | 78,475 | 1,300,580 | 77,616 | 3,736 | 107,482 | 38,186 | 20,749 | 2,392 | - | (1,027,800) | 3,088 | 2,443,445 |
| Current liabilities | (4,068,600) | (103,250) | (5,595) | (41,177) | (257,889) | (183,101) | (21,962) | (309,110) | (151,244) | (47,866) | (4,637) | - | 3,061,343 | (127) | (2,133,215) |
| Noncurrent liabilities | (636,736) | (28,998) | (2,584) | (56,172) | (102,844) | (33,943) | (13,900) | (8,969) | (19,510) | (50,250) | - | - | 22,944 | (907) | (931,869) |
| Equity | (1,001,595) | (327,578) | (15,976) | (5,590) | (3,377,167) | (753,242) | 13,797 | (17,601) | (206,249) | (38,494) | (9,017) | (1,445) | 1,432,759 | (11,859) | (4,319,257) |
| Net operating revenue | 6,135,274 | 1,072,361 | 22,640 | 78,951 | 3,231,513 | 1,266,896 | - | 355,413 | 930,606 | 138,636 | 10,900 | - | (5,298,322) | - | 7,944,868 |
| Cost of sales | (4,130,545) | (577,410) | (15,966) | (76,857) | (1,462,308) | (781,227) | (5,218) | (338,985) | (416,136) | (69,570) | (1,434) | - | 5,255,447 | - | (2,620,209) |
| **Gross profit** | 2,004,729 | 494,951 | 6,674 | 2,094 | 1,769,205 | 485,669 | (5,218) | 16,428 | 514,470 | 69,066 | 9,466 | - | (42,875) | - | 5,324,659 |
| Operating expenses | (1,698,335) | (231,068) | 631 | 1,120 | 101,819 | (126,048) | (14,641) | (3,659) | (205,740) | (55,063) | (11,770) | (50) | (567,118) | 23,549 | (2,786,373) |
| Finance income (costs), net | (37,821) | 7,558 | 6,145 | (9,892) | 14,315 | 5,568 | 34 | 1,417 | 10,365 | 3,777 | (12) | - | 924 | (921) | 1,457 |
| **Profit (loss) before taxes** | 268,573 | 271,441 | 13,450 | (6,678) | 1,885,339 | 365,189 | (19,825) | 14,186 | 319,095 | 17,780 | (2,316) | (50) | (609,069) | 22,628 | 2,539,743 |
| | | | | | | | | | | | | | - | | - |
| Income tax and social contribution | 59,829 | (76,998) | (4,128) | 2,219 | (132,484) | (112,217) | - | (4,139) | (103,979) | (2,760) | - | - | - | - | (374,658) |
| **Profit (loss) for the year from continuing operations** | 328,402 | 194,443 | 9,322 | (4,459) | 1,752,855 | 252,972 | (19,825) | 10,047 | 215,116 | 15,020 | (2,316) | (50) | (586,442) | - | 2,165,085 |
| **Profit (loss) for the year from discontinued operations** | - | - | - | - | - | - | - | - | - | - | - | - | - | (22,628) | (22,628) |

(Convenience Translation into English from the Original Previously Issued in Portuguese)

# Group NC Farma

Notes to the combined financial statements
Year ended December 31, 2023 and 2022
(In thousands of Brazilian reais – R$)

| Balance sheet - December 31, 2022 | EMS S.A. (Individual) | Germed | Lafiman | Snellog | Novamed (individual) | Multilab | EMS Sigma | Legrand | Luxbiotech | Monteresearch | Rio Bio Pharmaceuticals, | Total eliminations | Discontinued operations | Combined |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| **Current assets** | 2,879,871 | 494,414 | 20,586 | 26,796 | 2,563,260 | 651,170 | 87,078 | 409,760 | 63,163 | 7,734 | 212 | (2,238,929) | 33,497 | 4,998,612 |
| **Noncurrent assets** | 1,790,264 | 77,989 | 12,177 | 86,501 | 1,042,872 | 159,875 | 174,615 | 81,033 | 19,600 | 1,555 | - | (1,004,024) | 3,014 | 2,445,471 |
| **Current liabilities** | (2,940,627) | (99,329) | (5,749) | (42,834) | (328,492) | (177,549) | (245,898) | (177,651) | (14,814) | (4,409) | - | 1,991,350 | (608) | (2,046,610) |
| **Noncurrent liabilities** | (587,934) | (40,179) | (62,361) | (63,914) | (94,509) | (28,227) | (8,240) | (17,008) | (21,921) | - | - | 8,455 | (1,415) | (917,253) |
| **Equity** | (1,141,574) | (432,895) | 35,347 | (6,549) | (3,183,131) | (605,269) | (7,555) | (296,134) | (46,028) | (4,880) | (212) | 1,243,148 | (34,488) | (4,480,220) |
| **Net operating revenue** | 5,105,683 | 947,869 | 28,815 | 66,604 | 3,077,188 | 1,094,402 | 314,167 | 811,797 | 6,388 | 5,625 | - | (4,679,240) | - | 6,779,298 |
| **Cost of sales** | (3,328,390) | (516,976) | (21,130) | (68,180) | (1,395,480) | (737,026) | (310,484) | (465,752) | (5,845) | (568) | - | 4,539,432 | - | (2,310,399) |
| **Gross profit** | 1,777,293 | 430,893 | 7,685 | (1,576) | 1,681,708 | 357,376 | 3,683 | 346,045 | 543 | 5,057 | - | (139,808) | - | 4,468,899 |
| **Operating expenses** | (1,454,075) | (191,264) | (4,963) | 3,336 | 81,538 | (76,636) | (4,489) | (142,024) | (39,819) | (11,991) | (17,811) | (191,645) | - | (2,049,843) |
| **Finance income (costs), net** | (10,152) | 6,483 | 516 | (9,539) | 5,739 | 10,237 | (187) | 6,845 | 5,001 | (2) | (9) | - | - | 14,932 |
| **Profit (loss) before taxes** | 313,066 | 246,112 | 3,238 | (7,779) | 1,768,985 | 290,977 | (993) | 210,866 | (34,275) | (6,936) | (17,820) | (331,453) | - | 2,433,988 |
| **Income tax and social contribution** | (1,771) | (90,702) | (727) | 2,496 | (168,838) | (96,634) | 423 | (70,694) | 1,303 | - | - | - | - | (425,144) |
| **Profit (loss) from continuing operations** | 311,295 | 155,410 | 2,511 | (5,283) | 1,600,147 | 194,343 | (570) | 140,172 | (32,972) | (6,936) | (17,820) | (331,453) | | 2,008,844 |
| **Profit (loss) from discontinued operations** | - | - | - | - | - | - | - | - | - | - | - | - | 1,091 | 1,091 |

*Criteria for preparation of the combined financial statements*

The principles for combined financial statements of CPC 44 and for consolidated financial statements of CPC 36 were used to prepare the Group's combined financial statements, which considered the following, among other procedures:

- Intragroup balances and transactions and any unrealized intragroup income or expenses are eliminated in the preparation of the combined financial statements;
- Elimination of the investments between the combined companies against the corresponding equity of the investee, when applicable;
- Elimination of profit on inventories, when applicable, arising from sales between combined companies;
- Calculation of noncontrolling interest in combined equity and profit or loss (the direct interest of controlling shareholders was added to the companies' interest, without being considered as noncontrolling); and
- The accounting practices are consistent for all combined entities.

## 2. Basis of preparation, measurement and statement of compliance

The combined financial statements have been prepared and are being presented in accordance with accounting practices adopted in Brazil (BR-GAAP), based on the accounting pronouncements, guidelines and interpretations issued by the Accounting Pronouncements Committee ("CPC").

The combined financial statements are presented in thousands of Brazilian reais ("R$"), which is the functional currency of the entities, except if otherwise stated. The financial statements have been prepared on the historical cost basis, except when the line item required a different criterion.

All relevant information in the financial statements, and only such information, is being disclosed and corresponds to the information used by Management in managing the Company.

## 3. Use of estimates and judgments

The preparation of the individual and consolidated financial statements requires Management to make judgments and estimates and establish assumptions that affect the application of the accounting policies and the reported amounts of assets, liabilities, income and expenses. Actual results may differ from those estimates.

Significant estimates and judgments are revised on an ongoing basis. Revisions to accounting estimates are recognized on a prospective basis.

In order to provide an understanding of how the Company make its judgments about future events, including regarding the variables and assumptions used in the estimates, comments have been included with respect to some matters, as follows:

Significant estimates and judgments

a) Realization of deferred income tax and social contribution

Income projections prepared by Management and approved by the Tax Committee, containing several assumptions and judgments, are used to measure the ability to generate future taxable income that support the realization of the tax bases generating deferred income tax and social contribution recorded in the financial statements. Actual future taxable income can be higher or lower than estimates when defining the need to account for deferred income tax and social contribution.

b) Useful life of property, plant and equipment

The Company and its subsidiaries recognize the depreciation of their property, plant and equipment items based on their estimated useful lives, according to their practices and past experience, which reflect the economic life of these assets. However, actual useful lives may vary as a result of several factors. The useful lives of property, plant and equipment also affect the impairment test of their cost.

c) Impairment of assets

At the end of each reporting period, the Company reviews the balances of intangible assets, property, plant and equipment and right of use to determine if there are any indications that these assets might be impaired (value in use). If there is such indication, Management conducts a detailed impairment test of each asset by calculating the individual future cash flow discounted to present value, adjusting the balance of the respective asset, if necessary.

d) Allowance for inventory obsolescence and losses

The allowance for inventory losses is recognized based on the analysis of current sales prices, net of taxes and fixed expenses incurred on sales efforts. The allowance for inventory obsolescence is recognized based on the individual analysis of the age of inventory items and their probable future use.

e) Allowance for expected credit losses

Recognized in an amount considered sufficient by the Company’s and its subsidiaries’ Management to cover probable losses on the collection of current and past-due receivables, based on the concept of expected losses set out in technical pronouncement CPC 48.

f) Provision for tax, civil and labor risks

The Company and its subsidiaries are parties to lawsuits, as described in note 19. Provisions are recognized for all risks relating to lawsuits that represent probable losses and that can be reliably estimated. The likelihood of loss is assessed based on available evidence, the hierarchy of laws, available case rulings, most recent court decisions and their relevance within the legal system, and the assessment made by the outside legal counsel. Management believes that the provisions for tax, civil and labor risks are fairly stated in the individual and consolidated financial statements.

## 4. Material accounting policies

The Company consistently applied the material accounting policies described below to all reporting periods presented in these combined financial statements.

a) Foreign currency

*Foreign currency-denominated transactions and balances*

Foreign currency-denominated transactions are translated into Brazilian reais at the exchange rates effective on the transaction dates. Monetary assets and monetary liabilities denominated and calculated in foreign currencies at the reporting date are retranslated into the functional currency at the exchange rate prevailing on that date. Foreign exchange gains or losses on monetary items correspond to the difference between the amortized cost of the functional currency at the beginning of the period, adjusted by interest and actual payments during the period, and the amortized cost in foreign currency at the exchange rate prevailing at the end of the reporting period.

Foreign currency differences resulting from translation are generally recognized in profit or loss.

*Foreign transactions*

Assets and liabilities deriving from foreign transactions, including goodwill and fair value adjustments arising from acquisition, if applicable, are translated into Brazilian reais using the exchange rate prevailing on the reporting date. Income and expenses from foreign transactions are translated into Brazilian reais at the exchange rates prevailing on the transaction dates.

Foreign exchange differences are recognized in other comprehensive income and presented in cumulative translation adjustments (translation reserve) in equity. When a foreign transaction is disposed of, so that the control, significant influence or shared control no longer exists, the amounts accumulated in the translation reserve related to that foreign transaction are reclassified to profit or loss for the year as part of the gain or loss on disposal.

When the Group disposes of only a portion of its interest in a subsidiary, which includes a foreign transaction, but maintains control, the respective share of the accumulated amount is reclassified to noncontrolling interests. When the Group disposes of only a portion of its investment in an associate or joint venture, which includes a foreign transaction, while maintains significant influence or shared control, the respective share of the accumulated amount is reclassified to profit or loss for the year.

b) Cash and cash equivalents

Cash equivalents are held to meet short-term cash commitments rather than for investment or any other purposes. Cash and cash equivalents include cash, demand bank deposits and short-term investments, redeemable within up to 90 days from the original date or considered highly liquid or convertible into a known amount of cash and subject to an insignificant risk of change in value, which are carried at fair value through profit or loss, plus income earned through the balance sheet date, which do not exceed their market or realizable value.

c) Short-term investments

Short-term investments comprise investment funds with securities backed by private and government bonds, which are recorded at fair value through profit or loss, plus income earned through the balance sheet date, which do not exceed their market or realizable value. As the Group invests in multimarket investment funds with moderate risk, it believes that they can be subject to significant change in value due to the quotation of these securities and, therefore, they do not meet the criteria for recognition as cash and cash equivalents.

d) Trade receivables

Stated and maintained in the balance sheet at their original amounts, adjusted to present value, when applicable. When deemed necessary by Management, an allowance for expected credit losses is recognized based on an analysis of receivables, considering the expected loss criteria, in an amount considered sufficient by Management to cover probable losses on their collection.

e) Inventories

Inventories are stated at the lower of cost and net realizable value. The cost of inventories is based on the weighted moving average and includes expenditures incurred on the acquisition of inventories, production and processing costs and other costs incurred on bringing them to their present locations and conditions. When applicable, an allowance for inventory losses is recognized in an amount considered sufficient by Management to cover probable losses on the obsolescence or realization of inventories.

(In thousands of Brazilian reais – R$)

f) Property, plant and equipment

Property, plant and equipment items are measured at the historical acquisition or construction cost, less accumulated depreciation and impairment losses, when applicable. Professional fees and, in the case of qualifying assets, capitalized borrowing costs are recognized as part of the costs of construction in progress. These constructions in progress are classified into the appropriate categories of property, plant and equipment when completed and ready for the intended use. Depreciation of these assets starts when they are ready for the intended use on the same basis of other property, plant and equipment items. Land is not depreciated.

Depreciation is recognized on a straight-line basis over the estimated useful life of each asset, so that cost less its residual value after its useful life is fully written off (except for land and constructions in progress). The estimated useful life, residual values and depreciation methods are reviewed at the end of each reporting period, and the effect of any change in estimates is recorded prospectively.

Depreciation is calculated on a straight-line basis taking into account their costs and their residual values over the estimated useful life, as follows:

| | **2023** | **2022** |
|---|---|---|
| Aircraft | 10 | 15 |
| Improvements | 15 | 11 |
| Buildings | 25 | 43 |
| Machinery | 20 | 16 |
| Company cars | 5 | 8 |
| Furniture, fixtures and equipment | 18 | 14 |

The residual values and useful life of the assets are reviewed and adjusted, if necessary, at the end of each reporting period. The carrying amount of an asset is immediately written down to its recoverable value when its carrying amount is higher than its estimated recoverable value.

Gains and losses arising on disposals are determined by comparing the proceeds with the carrying amount and are recorded in “Other operating income (expenses), net” in the statements of income.

g) Intangible assets

Software licenses are capitalized based on the costs incurred to purchase the software and make it ready for use. These costs are amortized over the software estimated useful life ranging from three to five years. The costs associated to software maintenance are expensed, as incurred.

h) Impairment

At the end of each reporting period, the Group's Management reviews the carrying amount of its tangible and intangible assets to determine whether there are any indications that these assets will not be recovered through operation or sale. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss, if any. When it is not possible to estimate the recoverable amount of an individual asset, the Company calculates the recoverable amount of the cash-generating unit to which the asset belongs. When a reasonable and consistent allocation basis can be identified, corporate assets are also allocated to each cash-generating unit or the smallest group of cash-generating units for which a reasonable and consistent allocation basis can be identified.

The recoverable amount of an asset is the higher of its fair value (less costs to sell) or its value in use. In assessing the value in use, the estimated future cash flows are discounted to present value using a pretax discount rate that reflects a current market assessment of the time value of money and the risks specific to the asset.

If the recoverable amount of an asset (or cash-generating unit) is lower than its carrying amount, the carrying amount of the asset (or cash-generating unit) is written down to its recoverable amount. Impairment losses are immediately recognized in profit or loss.

When an impairment loss is subsequently reversed, the carrying amount of the asset (or cash-generating unit) increases to match the revised estimate of its recoverable amount, provided that it does not exceed the carrying amount that would have been determined had no impairment losses been recognized for the asset (or cash-generating unit) in prior years.

The reversal of the impairment loss is immediately recognized in profit or loss.

i) Financial instruments – technical pronouncement CPC 48

Financial assets and financial liabilities are recognized in the balance sheet when the Group becomes a party to the underlying contract.

Financial assets and financial liabilities are initially measured at fair value. Transaction costs directly attributable to the acquisition or issuance of financial assets and financial liabilities (except for financial assets and financial liabilities at fair value through profit or loss) are added to or deducted from the fair value of financial assets or financial liabilities, if applicable, on initial recognition. Transaction costs directly attributable to the acquisition of financial assets or financial liabilities at fair value through profit or loss are immediately recognized in profit or loss.

Classification of financial assets and financial liabilities

All financial assets recognized are subsequently measured in full at amortized cost or at fair value, depending on their classification.
Debt instruments that meet the following conditions are subsequently measured at amortized cost:

- The financial asset is held within a business model whose objective is to hold financial assets in order to collect contractual cash flows.

- The contractual terms of the financial asset give rise, on specified dates, to cash flows that are solely payments of principal and interest on the principal amount outstanding.

The Group's financial assets measured at amortized cost in 2023 and 2022 refer to trade receivables, other receivables and related parties.

Debt instruments that meet the following conditions are subsequently measured at fair value through other comprehensive income:

- The financial asset is held within a business model whose objective is achieved by both collecting contractual cash flows and selling the financial assets.

- The contractual terms of the financial asset give rise, on specified dates, to cash flows that are solely payments of principal and interest on the principal amount outstanding.

In 2023 and 2022, the Group has no financial assets measured at fair value through other comprehensive income.

In general, all other financial assets are subsequently measured at fair value through profit or loss.

All financial liabilities are subsequently measured at amortized cost using the effective interest method or at fair value through profit or loss.

Financial liabilities are measured at fair value through profit or loss when they are (i) a contingent consideration of an acquirer as part of a business combination; (ii) held for trading; or (iii) designated at fair value through profit or loss.
In general, all other financial liabilities are subsequently measured at amortized cost using the effective interest method. The Group's financial liabilities measured at amortized cost in 2023 and 2022 refer to trade payables, borrowings and financing, debentures and advances from customers.

Impairment of financial assets

The Group recognizes an allowance for expected credit losses ("ECL") on investments in debt instruments that are measured at amortized cost or at fair value through other comprehensive income, lease receivables, trade receivables and contract assets, as well as financial guarantee contracts.

The amount of expected credit losses is adjusted at each reporting date to reflect changes in credit risk since the initial recognition of the respective financial instrument.

The Group always recognizes the lifetime ECL for trade receivables. The expected credit losses on these financial assets are estimated using the Group's historical credit loss experience, adjusted for factors that are specific to the debtors, general economic conditions and an assessment of both the current as well as the forecast conditions at the reporting date, including time value of money, when applicable.

For all other financial instruments, the Group recognizes lifetime ECL when there has been a significant increase in credit risk since initial recognition. However, if the credit risk on the financial instrument has not increased significantly since initial recognition, the Group measures the loss allowance for that financial instrument in an amount corresponding to the 12-month ECL.

Lifetime ECL represents the expected credit losses that will result from any possible default events over the expected life of a financial instrument. On the other hand, the 12-month ECL represents the portion of the lifetime ECL resulting from default events on a financial instrument that are possible within the 12 months after the reporting date.

Derecognition of financial assets and financial liabilities

The Group derecognizes a financial asset when the contractual rights to the cash flows from the asset expire, or when it transfers the financial asset and substantially all the risks and rewards of ownership of the asset to another entity. If the Group neither transfers nor retains substantially all the risks and rewards of ownership and continues to control the transferred asset, the Group recognizes its retained interest in the asset and a corresponding liability for amounts it may have to pay. If the Group retains substantially all the risks and rewards of ownership of a transferred asset, the Group continues to recognize the financial asset and also recognizes a collateralized borrowing for the proceeds received.

The Group derecognizes a financial liability when its contractual obligations are discharged, cancelled or when they expire. The difference between the carrying amount of the derecognized financial liability and the consideration paid and payable is recognized in profit or loss.

The Group accounts for substantial modification of the terms and conditions of an existing liability or part of it as a settlement of the original financial liability and derecognition of the new liability.

j) Leases

At the inception of a contract, the Group assesses whether a contract is or contains a lease. A contract is, or contains, a lease when it conveys the right to control the use of an identified asset for a period of time in exchange for consideration. To determine whether a contract transfers the right to control the use of an identified asset, the Group uses the definition of lease set out in CPC 06 (R2).

(In thousands of Brazilian reais – R$)

*(i)* *As lessee*

At the inception or modification of a contract containing a lease component, the Group allocates the consideration in the contract to each lease component based on its individual prices. However, for property leases, the Group opted for not separating components that are not lease components and account for lease and non-lease components as one single component.

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

The right-of-use asset is subsequently depreciated on a straight-line basis from the inception date to the end of the lease term, unless the lease transfers ownership of the underlying asset to the lessee at the end of the lease term, or if the cost of the right-of-use asset reflects that the lessee will exercise the purchase 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 the 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.

Depreciation of the right-of-use asset, in years, is as follows:

| | **2023** |
|---|---|
| Land and buildings | 6 |
| Company cars and machinery | 2 |
| Furniture, fixtures and equipment | 1 |

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

The Group determines its incremental borrowing rate by obtaining interest rates from various external financing sources and making some adjustments to reflect the contractual terms and conditions and the leased asset type.

When measuring lease liabilities for operating leases, the Group discounted lease payments using its incremental borrowing rate. The discount rates applied are as follows:

| | **2023 contracts** | **2022 contracts** |
|---|---|---|
| Up to one year | 13.74% | 15.16% |
| Up to two years | 13.10% | 14.97% |
| Up to five years | 12.44% | 13.93% |
| Up to ten years | 13.00% | 14.04% |

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

- Fixed payments, including fixed payments in the essence;
- Variable lease payments that depend on an index or rate, initially measured using the index or rate at the inception date;
- Amounts expected to be paid by the lessee, according to the residual value guarantees; and

The purchase option exercise price if the lessee is reasonably certain of exercising this option, and payments of fines for lease rescission, if the lease term reflects the lessee exercising the option of rescinding the lease.

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 the index or rate, if there is any change in the amounts that are expected to be paid according to the residual value guarantee, if the Group changes its assessment on whether it will exercise a purchase, extension or rescission option or if there is a revised fixed lease payment in essence.

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

The Group recognizes right-of-use assets that do not meet the definition of investment property in "Property, plant and equipment" and lease liabilities in "Borrowings and financing" in the balance sheet.

*Short-term leases and leases of low-value assets*

The Group opted for not recognizing right-of-use assets and lease liabilities for leases of low-value assets and short-term leases, below 12 months, including IT equipment. The Group recognizes lease payments associated with these leases as expenses on a straight-line basis over the lease term.

k) Trade payables

Trade payables correspond to payables for goods or services that were acquired from suppliers in the normal course of business, are initially recognized at fair value and subsequently measured at amortized cost using the effective interest method. In practice, they are usually recognized at the corresponding invoice amount.

l) Provisions

Recognized for present obligations (legal or constructive) as a result of past events, when the amount of the obligation can be reliably estimated and its settlement is probable. The amount recognized as a provision is the best estimate of the consideration required to settle the obligation at the end of the reporting year, considering the risks and uncertainties surrounding the obligation.

When some or all of the economic benefits required to settle a provision are expected to be recovered from a third party, an asset is recognized if, and only if, it is virtually certain that such reimbursement will be received and the amount can be reliably measured.

The provision for labor, civil and tax risks is recognized based on the risk assessment (probable losses) made by the Group's Management and its legal counsel, including as regards to its classification in the long term.

m) Distribution of dividends and interest on capital

The distribution of dividends and interest on capital to shareholders is recognized as a liability in the financial statements, the first distribution based on the entities' bylaws and the second according to untimely approval. Any amounts in excess of mandatory minimum dividends can only be provisioned on the date they are approved by the shareholders at an Extraordinary General Meeting.

n) Employee benefits

*Short-term employee benefits*

Short-term employee benefit obligations are measured on an undiscounted basis and recognized as expenses as the related service is provided. A liability is recognized at the amount expected to be paid if the Group has a present legal or constructive obligation to pay this amount as a result of past service provided by the employee and the obligation can be reliably estimated.

*Profit sharing*

The Group recognizes a liability and profit sharing expense when it is contractually required or when there is a past practice that created a constructive obligation.

o) CPC 47/IFRS 15 – Revenue from Contracts with Customers

Revenue is measured at the fair value of the consideration received or receivable. Revenue is written down by customer returns, reversals, and other similar rebates.

Revenue from the sale of goods is recognized when all the following conditions are met:
- The Group has transferred to the buyer the significant risks and rewards incidental to the ownership of goods.
- The Group retains neither continuing managerial involvement to the degree usually associated with ownership nor effective control over the goods sold.
- The amount of revenue can be measured reliably.
- It is probable that the economic benefits associated with the transaction will flow to the Group.
- The costs incurred or to be incurred in respect of the transaction can be measured reliably.

Revenue from the sale of goods is recognized when goods are delivered and ownership/control is transferred. Freight on sales is recorded as cost of sales.

The technical pronouncement introduces the principles to be applied by an entity to determine the measurement and recognition of revenue. This standard is based on the principle that revenue is recognized when the control over goods or services is transferred to a customer, thus superseding the former concept related to the transfer of risks and rewards.

If it is probable that discounts will be granted and the amount can be reliably measured, then such discounts are recognized as a reduction of operating income as sales are recognized.

The Group operates in the pharmaceutical industry, by providing generic drugs in general. Revenue from a contract with a customer is recognized when control over the goods sold is transferred to the customer for an amount that reflects the consideration to which the Group expects to be entitled in exchange for those goods.

*Right of return*

The Group uses the expected value method to estimate the variable consideration due to the large volume of contracts with similar characteristics. The Group then applies the requirements in CPC 47 on the restricted estimates of variable consideration to determine the variable consideration amount that can be included in the transaction price and consequently considered in revenue recognition. A refund liability is recognized for assets that are expected to be returned (amounts not included in the transaction price). A right of return asset (and corresponding adjustment to cost of sales) is also recognized for the right of recovery of assets with the customer.

*Rebates per volume*

The Group offers rebates per volume to certain customers on a retrospective basis, whenever the quantity of goods acquired exceeds a contractually defined limit over the period. Rebates are offset against amounts payable by the customer. The Group applies the most probable value method or expected value method to estimate the variable consideration in a contract. The selected method that best estimates the amount of variable consideration is mainly identified by the number of sales volume goals set out in the agreement.

p) Finance income and finance costs

Finance income comprises income from short-term bank deposit, interest on trade notes receivable, discounts obtained, exchange rate changes and other finance income. Interest income is recognized in profit or loss under the effective interest method.

Finance costs include interest expenses on borrowing interest, exchange rate changes, discounts granted and other finance costs.

q) Government grants

Government grants are recognized when there is reasonable assurance that the benefit will be received and all corresponding conditions will be met. When the grant refers to an expense item, it is recognized as revenue over the grant period, to match them with the related costs that it is intended to offset.

The Group has government grant represented by the credit benefit arising from the Program for Promotion of the Integrated and Sustainable Economic Development of the Federal District (PRÓ-DF), granted as a subsidized borrowing obtained from the Banco Regional de Brasília (BRB). The economic benefit obtained is accounted for as deferred revenue and recorded in profit or loss at equal amounts according to the authorization from the Pro-DF program for settlement of the installments and regularization of the grant.

The Group considers the conditions and obligations it is required to comply with, upon the identification of the costs to be matched to the economic benefit obtained. The effects of this calculation were recorded in profit or loss for the year, in "Deductions from revenue", as the origin of the subsidized borrowing refers to a loan operation on the State VAT (ICMS) arising on imports. Interest incurred over the borrowing period is recorded as expense in finance income (costs). Currently, we are only waiting for the authorization to settle some remaining installments for realization of the deferred revenue.

The Group, due to its operation in the pharmaceutical industry in the State of São Paulo, is the beneficiary of Supplementary Law 160. As a result of the law, the Group enjoys the benefit of exemption from paying State VAT (ICMS) on the sale of certain products.

*i)* *State VAT (ICMS)*

Novamed is eligible to government grant corresponding to the tax benefit arising from Law 2.826/2003, which regulates the fiscal and extra fiscal incentive policy of the State of Amazonas.

The incentive aims at exempting from the payment of 100% of the State VAT (ICMS) on the shipment of certain Novamed products. The benefit was approved by Decree 33.817 of July 30, 2013. Novamed is eligible to a government grant corresponding to a 75% income tax decrease, for part of the Company’s operations, including non-refundable surtaxes in conformity with Ordinance 283/13.

In conformity with Law 11.638/07 and CPC 07, the amount relating to SUDENE subsidy was recognized in profit or loss matching the income tax expense and was subsequently transferred to the tax incentive reserve and cannot be distributed to shareholders. The Company is also eligible to the tax benefit granted by the federal government, which allows the beneficiary entities to deposit at Banco da Amazônia the amount of the portion corresponding to 30% of the income tax due, calculated on the operating profit, plus another portion of own resources, corresponding to 50% out of the 30% of the IRPJ due.

**ii)** *Special regime*

In order to consolidate the business strategies of Group NC, EMS Sigma Farma was granted the Special Regime by the São Paulo State Finance Department, in 04/2018, under No. 1474/2015, which was approved by the Amazonas State Finance Department through declaratory act 104/2018 - DETRI/SER/SEFAZ. The purpose of the Special Regime was to authorize Ems Sigma Farma, after on-demand manufacturing (packaging) by manufacturer Novamed Fabricação de Produtos Farmacêuticos Ltda., to ship the products, on the account and order of the ordering party, directly to São Paulo general warehouse, using a procedure similar to that set forth in article 408 of the ICMS Regulation of the State of São Paulo (RICMS/SP).

r) Income tax and social contribution

Income tax and social contribution expenses represent the aggregate of current and deferred taxes.

i) Current taxes

Current income tax and social contribution expenses are calculated according to the legal tax bases in force on the reporting date, in the countries where the Group's subsidiaries operate and generate taxable income. Management periodically assesses the positions assumed as to tax matters that are subject to interpretation and recognizes a provision when income tax and social contribution are expected to be paid according to the tax bases. Current tax refers to the expected tax payable on taxable income or loss for the year, at the tax rates prevailing on the reporting period.

ii) Deferred taxes

Deferred income tax and social contribution are recognized on the differences between assets and liabilities recognized for tax purposes and the related amounts recognized in the financial statements; however, deferred income tax and social contribution are not recognized if generated in the initial recording of assets and liabilities in transactions that do not affect the tax bases, except for business combinations. Deferred income tax and social contribution are determined based on the tax rates (and laws) in effect on the reporting date and applicable when the respective income tax and social contribution are realized. Moreover, they are recognized only to the extent that it is probable that there will be a positive taxable base for which temporary differences can be utilized and tax losses can be offset. Deferred income tax and social contribution assets are reviewed at the end of each reporting period and reduced to the extent that their realization is no longer probable.

The recovery of the deferred tax asset balance is reviewed at each balance sheet date and, when it is no longer probable that future taxable income will be available to allow the recovery of all or part of the asset, the asset balance is adjusted based on the expected recoverable amount.

iii) Impacts on the IRPJ and CSLL bases arising from the São Paulo State government benefit

The Group, as a result of its operation in the pharmaceutical industry in the State of São Paulo, enjoys the benefit of exemption from paying State VAT (ICMS) on the sale of certain products.

For purposes of calculation of income tax (IRPJ) and social contribution (CSLL), as set forth in article 30 of Law 12.973/2014, the grants granted as incentive to the implementation or expansion of economic projects and donations made by the public authorities will not be computed in the taxable income calculation, provided that some requirements set forth in said article are met.

Accordingly, the amounts recorded by the Group in 2023 and 2022, arising from government grants, must not impact IRPJ and CSLL tax basis, the reason why they were excluded from the LALUR and LACS calculation.

Current and deferred income tax and social contribution are recognized as income or expense in profit or loss for the year, except when they are related to items that are recognized directly in in equity, in which case, current and deferred taxes are also recognized directly in equity.

s) Financial guarantees

Financial guarantees are agreements under which the Group is required to make specific payments to the financial guarantee holder for any losses incurred by the latter when a particular debtor fails to make payment in accordance with the terms and conditions of the debt instrument.

Financial guarantee liabilities are initially recognized at fair value, which is amortized during the term of the financial guarantee agreement. The guarantee liability is subsequently accounted for at the higher of the amortized cost and the present value of the expected payment (when the payment related to the guarantee becomes probable).

As at December 31, 2023 and 2022, the Group did not recognize the fair values of its financial guarantees as it considers them with low credit risk due to the issuer. The transactions in which the Group acts as guarantor are detailed in note 6 - Financial instruments.

t) Statement of cash flows

The statements of cash flows have been prepared and are being presented in accordance with CPC 03 R2 (IAS 7) - Statement of Cash Flows, issued by the Accounting Pronouncements Committee (CPC) and reflects the changes in cash and cash equivalents that occurred in the years presented. The Group classified dividends received as investing activity and not as operating activity in conformity with the Group's internal cash flow strategy.

u) ICPC 22/IFRIC 23 – Uncertainty over Income Tax Treatments

IFRIC 23 describes how the tax and accounting position should be determined when there is uncertainty over income tax treatments. The interpretation requires an entity to determine whether uncertain tax positions are assessed separately or as a group, and assess whether it is probable that a tax authority will accept an uncertain tax treatment used, or proposed to be used, by an entity in its income tax returns.

## 5. Adoption of new and revised CPCs

**a) New and revised CPCs effective in the current year**

In the current year, the Group applied amendments to the CPCs issued by the Accounting Pronouncements Committee that are mandatorily effective for annual periods beginning on or after January 1, 2023. Their adoption did not materially affect the disclosures or amounts reported in these financial statements.

- CPC 50 (IFRS 17) Insurance Contracts (including the June 2020 and December 2021 amendments)

  The Group adopted CPC 50 (IFRS 17) and corresponding amendments for the first time in the current year. CPC 50 (IFRS 17) establishes the principles for recognition, measurement, presentation and disclosure of insurance contracts and supersedes CPC 11 (IFRS 4) - Insurance Contracts.

  The standard outlines a general model, which is modified for insurance contracts with direct participation features, described as the variable fee approach. The general model is simplified if certain criteria are met by measuring the liability for remaining coverage using the premium allocation approach. The general model uses current assumptions to estimate the amount, timing and uncertainty of future cash flows and it explicitly measures the cost of that uncertainty. It takes into account market interest rates and the impact of policyholders' options and guarantees.

  The Group has no contract that meets the definition of insurance contract in accordance with CPC 50 (IFRS 17).

- Amendments to IAS 1 Presentation of Financial Statements and IFRS Practice Statement 2 - Making Materiality Judgments

  The Group adopted the amendments to IAS 1 for the first time in the current year. The amendments change the requirements in IAS 1 with regard to disclosure of accounting policies. The amendments replace all instances of the term “significant accounting policies” with “material accounting policy information”. Accounting policy information is material if, when considered together with other information included in an entity’s financial statements, it can reasonably be expected to influence decisions that the primary users of general-purpose financial statements make on the basis of those financial statements.

  The supporting paragraphs in IAS 1 were also amended to clarify that accounting policy information that relates to immaterial transactions, other events or conditions is immaterial and need not be disclosed. Accounting policy information may be material because of the nature of the related transactions, other events or conditions, even if the amounts are immaterial. However, not all accounting policy information relating to material transactions, other events or conditions is itself material.

  In addition, the IASB prepared guidance and examples to explain and show the application of the “four-step materiality process” described in Practice Statement 2.

- Amendments to IAS 12 Income Taxes — Deferred Tax related to Assets and Liabilities arising from a Single Transaction

  The Group adopted the amendments to IAS 12 for the first time in the current year. The amendments introduce a further exception from the initial recognition exemption. Under the amendments, the Group does not apply the initial recognition exemption for transactions that give rise to equal taxable and deductible temporary differences.

(In thousands of Brazilian reais – R$)

Depending on the applicable tax law, equal taxable and deductible temporary differences may arise on initial recognition of an asset and liability in a transaction that is not a business combination and affects neither accounting profit nor taxable profit.

Following the amendments to IAS 12, an entity is required to recognize the related deferred tax assets and liabilities, with the recognition of any deferred tax assets being subject to the recoverability criteria in IAS 12.

- Amendments to IAS 8 - Accounting Policies, Changes in Accounting Estimates and Errors - Definition of Accounting Estimates

  The Group adopted the amendments to IAS 8 for the first time in the current year. The amendments replace the definition of a change in accounting estimates with a definition of accounting estimates. Under the new definition, accounting estimates are “monetary amounts in the financial statements that are subject to measurement uncertainty”. The definition of a change in accounting estimates was deleted.

**b) New and revised CPCs already issued, but not yet adopted**

As part of the CPC commitment to adopt in Brazil all amendments issued by the International Accounting Standards Board (IASB) in the IFRSs, amendments to certain accounting pronouncements have already been disclosed by the IASB, but are not yet effective, and the Group did not early adopt them for the preparation of these financial statements. These amendments are not expected to materially affect the Group’s combined financial statements.

| Pronouncement | Description | Effective date |
|---|---|---|
| Amendments to IFRS 10/CPC 36 (R3) and IAS 28/CPC 18 (R2) | Sale or Contribution of Assets between an Investor and its Associate or Joint Venture | Undefined |
| Amendments to IAS 1 / CPC 26 (R1) | Classification of Liabilities as Current or Non-current | 01/01/2024 |
| Amendments to IAS 1 | Non-current Liabilities with Covenants | 01/01/2024 |
| Amendments to IAS 7 and IFRS 7 | Supplier Finance Arrangements | 01/01/2024 |
| Amendments to IFRS 16 | Lease Liability in a Sale and Leaseback | 01/01/2024 |

In Management’s opinion, there are no other standards or interpretations issued and not yet adopted that could have a significant impact on profit or loss for the year or the equity disclosed by the Group.

(In thousands of Brazilian reais – R$)

## 6. Financial instruments

The transactions with the Group's financial instruments are recognized in the financial statements as shown in the table below:

| | Level | Measurement (*) | 12/31/2023 Fair value | 12/31/2023 Carrying amount | 12/31/2022 Fair value | 12/31/2022 Carrying amount |
|---|---|---|---|---|---|---|
| **Assets** | | | | | | |
| Cash and cash equivalents | - | 2 | 535,218 | 535,218 | 608,235 | 608,235 |
| Short-term investments | - | 2 | 137,961 | 137,961 | - | - |
| Short-term investments linked to borrowing | - | 2 | 81,766 | 81,766 | 1,285 | 1,285 |
| Trade receivables (**) | - | 2 | 1,709,778 | 1,709,778 | 1,601,912 | 1,601,912 |
| Due from related parties | - | 2 | 8,911 | 8,911 | 14,930 | 14,930 |
| Other receivables | - | 2 | 96,415 | 96,415 | 56,809 | 56,809 |
| Derivative financial instruments | 1 | 1 | 166 | 166 | - | - |
| | | | 2,570,215 | 2,570,215 | **2,283,171** | **2,283,171** |
| **Liabilities** | | | | | | |
| Trade payables | - | 2 | (599,454) | (599,454) | (751,917) | (751,917) |
| Due to related parties | - | 2 | (19,401) | (19,401) | (12,300) | (12,300) |
| Borrowings and financing | - | 2 | (70,978) | (70,978) | (103,172) | (103,172) |
| Derivative financial instruments | 1 | 1 | - | - | (6) | (6) |
| Debentures | - | 2 | (224,153) | (224,153) | (224,757) | (224,757) |
| Lease liability | - | 2 | (287,847) | (287,847) | (278,564) | (278,564) |
| Dividends payable | - | 2 | (752,684) | (752,684)) | (548,815) | (548,815) |
| Other payables | - | 2 | (253,899) | (253,899) | (295,677) | (295,677) |
| | | | (2,208,416) | (2,208,416) | **(2,215,208)** | **(2,215,208)** |

(*) Measurement: 1) Measured at fair value through profit or loss 2) Amortized cost
(**) Gross cost value

The table above shows the financial assets classified pursuant to CPC 40 and the new measurement categories set out in CPC 48.

Technical pronouncement CPC 48 requires the classification based on a three-level hierarchy to measure the financial instruments fair value, based on observable and unobservable inputs related to the financial instrument valuation on measurement date.

Technical pronouncement CPC 48 also defines observable inputs, such as market data, obtained from independent sources, and unobservable inputs that reflect market assumptions.
The three fair-value hierarchy levels are:

- Level 1: prices quoted in an active market for identical instruments.
- Level 2: inputs other than prices quoted in an active market, which are observable for assets or liabilities, either directly (i.e., as prices) or indirectly (i.e., derived from prices).
- Level 3: instruments whose relevant factors are not observable market inputs.

The following methods and assumptions have been adopted:

Measured at fair value through profit or loss

It is estimated that the carrying amounts of trade receivables and due from related parties approximate their fair values due to the short-term maturity of these transactions.

Financial assets or financial liabilities measured at amortized cost

The carrying amounts reasonably approximate fair values, since the instruments are pegged to a floating interest rate, i.e., the CDI rate fluctuation.

According to their nature, financial instruments may involve known or unknown risks, and the potential assessment of risks is important. The main risk factors that affect the Group's business are as follows:

a) Risk management framework

Management has overall responsibility for the establishment and oversight of the risk management framework and is responsible for monitoring and analyzing the economic and financial scenarios in order to identify the risks to which the Group is exposed, as well as mapping possible impacts on financial or economic variables that could generate impacts, such as fluctuations in exchange rates, interest rates and/or other indicators.

Risk management policies were established to identify and analyze the exposure risks and define the acceptable risk limits. In addition, an appropriate control framework was created to monitor the risks and the compliance with the imposed limits, and both the policies and the control framework are regularly reviewed.

b) Credit risks

Credit risk is the risk of the Group incurring losses arising from a failure of a customer or a counterparty to a financial instrument in complying with its contractual conditions.

- Exposure to credit risks

  The carrying amount of financial assets represents the maximum credit exposure.

(In thousands of Brazilian reais – R$)

At the end of the reporting period, the maximum exposure to credit risk was as follows:

| | 12/31/2023 | 12/31/2022 |
|---|---|---|
| Cash and cash equivalents (note 7) | 535,218 | 608,235 |
| Short-term investments | 137,961 | - |
| Trade receivables (note 9) | 1,680,102 | 1,569,063 |
| Due from related parties | 8,911 | 14,930 |
| Other receivables (note 12) | 96,415 | 56,809 |
| Short-term investments linked to borrowing (note 11) | 81,766 | 1,285 |
| | **2,540,373** | **2,250,322** |

The criteria for accepting new customers include an analysis of the financial condition and social and economic profile, with definition of credit limits and payment terms. The analysis of this information by the Group may include bank references.

Credit limits are established for each customer, individually, and represent the maximum amount of exposure accepted for that customer. These limits are reviewed whenever necessary or requested. Customers that do not have credit limits approved are only serviced if they pay in advance.

c) Market risk

Market risk is the risk that changes in market prices, such as exchange rates, interest rates and price of raw materials, affect the Group's gains or the value of its interests in financial instruments.

The purpose of market risk management is to manage and control market risk exposures, within acceptable parameters, while maximizing return.

i) Foreign exchange risk

This risk arises from the possibility that the Group may incur losses due to exchange rate fluctuations that would reduce the nominal amounts billed or increase funds raised in the market. As at December 31, 2023, the Group had assets and liabilities denominated in US dollar (USD) at the amounts described below, and there is no instrument to hedge against such exposure on said date.

| | 12/31/2023 | | 12/31/2022 | |
|---|---|---|---|---|
| | Foreign currency | Brazilian reais | Foreign currency | Brazilian reais |
| Trade receivables | 2,960 | 14,589 | 4,105 | 21,196 |
| Trade payables | (46,504) | (221,936) | (58,121) | (312,442) |
| Net exposure | **(43,544)** | **(207,347)** | **(54,016)** | **(291,246)** |

(In thousands of Brazilian reais – R$)

The losses that would have been recognized in profit or loss for the year ended December 31, 2023 based on the following scenarios are shown below:

| | | | 12/31/2023 | | | | | |
|---|---|---|---|---|---|---|---|---|
| | | | | Original | Effective | Probable | 25% | 50% |
| Type | Currency | Risk | Exposure | exposure (R$) | rate 12/31/2023 | Amount | Amount | Amount |
| Trade receivables | US Dollar | Decrease | 2,223 | 10,762 | 4,8413 | 11,115 | 8,336 | 5,558 |
| Trade receivables | Euro | Decrease | 737 | 3,944 | 5,3516 | 4,076 | 3,057 | 2,038 |
| Trade payables | US Dollar | Increase | (44,166) | (214,353) | 4,8413 | (220,830) | (276,038) | (331,245) |
| Trade payables | Euro | Increase | (1,411) | (7,551) | 5,3516 | (7,803) | (9,754) | (11,704) |
| Trade payables | Japanese Yen | Increase | (927) | (32) | 0,0342 | (33) | (41) | (49) |
| | | | **(43,544)** | **(207,229)** | | **(224,590)** | **(282,775)** | **(340,961)** |

The probable scenario considers the future US dollar and Euro rates for the next year, according to quotations obtained in the Focus report of January 5, 2024, available at the website of the Central Bank of Brazil (BACEN), which are R$5.00/ US$1.00 and R$5.53/ EUR1.00.

Scenarios I and II consider a decrease in the US dollar and Euro by 25% and 50%, respectively. Management uses the probable scenario in the assessment of the possible changes in the exchange rate and present such scenario in conformity with IFRS 7 – Financial Instruments: Disclosures (CPC 40).

**a.** Derivatives

As at December 31, 2023, derivative liability transactions contracted by the Group referred to balances of forward contracts (NDF), totaling R$96,466. The results from unsettled transactions represented a gain in the amount of R$166. As at December 31, 2023, these transactions were contracted at the US dollar (USD) rate with maturity between January 10, 2024 and February 28, 2024.

ii) Interest rate risk

This risk arises from the possibility that the Group may be subject to gains or losses arising from fluctuations in the interest rates levied on its financial assets and liabilities. To mitigate this risk, the Group seeks to diversify its borrowings into fixed and floating rates.

Management conducted a sensitivity analysis assuming: (i) that the net exposure scenario of the financial instruments indexed to variable interest rates as at December 31, 2023 was maintained, and (ii) that the respective annual indices accumulated in the past 12 months for this base date, remain stable (CDI 11.75%[1] in 2023); the effects that would be recorded in the financial statements for the next 12 months would be finance income of R$21,669. In the event of rate fluctuations based on the three scenarios defined, the finance income would be impacted by:

([1]) Source of the rates of the scenarios presented: Focus CDI Report of January 5, 2024, available on the Central Bank of Brazil's website.

(In thousands of Brazilian reais – R$)

| Type | Effective rate as at 12/31/2023 | Risk | Exposure | Probable | 25% | | 50% | |
|---|---|---|---|---|---|---|---|---|
| | | | | | % | Amount | % | Amount |
| Short-term investment (*) | 11.75% | Decrease | 713,273 | 83,810 | 8.81% | 62,857 | 5.88% | 41,905 |
| Debentures | 11.75% | Increase | (224,153) | (26,338) | 14.69% | (32,922) | 17.63% | (39,507) |
| | | | **489,120** | **57,472** | | **29,935** | | **2,398** |

(*) Amount resulting from the sum of the balances of short-term investments disclosed in notes 8 and 9.

## d) Liquidity risk

In managing liquidity risk, the Group monitors and maintains an adequate level of cash and cash equivalents to finance the Group's operations and to mitigate the effects of fluctuations on the cash flows.

The following table details the remaining contractual maturity of the Group's financial liabilities. The table was prepared according to the undiscounted cash flows of financial liabilities based on the earliest date on which the Group must settle the related obligations. The table includes interest and principal cash flows. As interest flows are subject to floating rates, the undiscounted amount was determined based on the interest rates at the end of the reporting period.

| | Cash flows | Less than one year | One to two years | Two to five years | Over five years |
|---|---|---|---|---|---|
| **As at December 31, 2023** | | | | | |
| Trade and other payables | (853,353) | (818,611) | (34,742) | - | - |
| Due to related parties | (19,401) | (19,401) | - | - | - |
| Borrowings and financing | (85,005) | (30,471) | (27,620) | (26,914) | - |
| Debentures | (290,225) | (28,511) | (96,615) | (165,099) | - |
| Lease liability | (289,799) | (80,558) | (70,667) | (106,288) | (32,286) |
| Dividends payable | (752,684) | (752,684) | - | - | - |
| **Net position** | (2,290,467) | (1,730,236) | **(229,644)** | **(298,301)** | **(32,286)** |

## 7. Cash and cash equivalents

| | 12/31/2023 | 12/31/2022 |
|---|---|---|
| Bank | 41,672 | 27,553 |
| Short-term investments | 493,546 | 580,682 |
| | **535,218** | **608,235** |

(i) Short-term investments are represented by short-term investment fund units backed by LTN and LFT, highly liquid, immediately converted into a known amount of cash and subject to an insignificant risk of change in value and have as counterparty Brazilian financial institutions, whose interest rates are indexed to the CDI. The CDI rate ranges between 60% and 100% as at December 31, 2023 (between 80% and 105% as at December 31, 2022).

(In thousands of Brazilian reais – R$)

### 7.1 Short-term investments

| | 12/31/2023 | 12/31/2022 |
|---|---|---|
| Short-term investments | 137,961 | - |
| | **137,961** | **-** |

i) Short-term investments are represented by units backed by Financial Bills in investment fund, whose interest rates are indexed to the CDI. The CDI rate is 100% as at December 31, 2023.

## 8. Restricted short-term investments

| | 12/31/2023 | 12/31/2022 |
|---|---|---|
| Short-term investments linked to financing guarantee (i) | 1,546 | 1,285 |
| Short-term investments linked to reinvestment (ii) | 80,220 | - |
| | **81,766** | **1,285** |

(i) Short-term investments refer to ICMS financing guarantee granted to the combined entity EMS as government grant. The amount can only be used for full settlement of the financing final installments. In 2022 the amount of R$903 was partially written off, pursuant to note 15. The other balances will be retained until final settlement of the financing.

(ii) The short-term investment refers to amount held as reserve that would be used to pay IRPJ and CSLL and that were not used due to the benefit granted by the reinvestment. This amount is released for use as the requirements provided for by the superintendence for reinvestment in the modernization of the manufacturing plant are fulfilled.

## 9. Trade receivables

| | 12/31/2023 | 12/31/2022 |
|---|---|---|
| Trade receivables | 1,709,778 | 1,601,912 |
| (-) Allowance for expected credit loss | (12,630) | (12,613) |
| (-) Provision for return | (17,046) | (20,236) |
| Trade receivables, net | **1,680,102** | **1,569,063** |

As at December 31, 2023 and 2022, the aging list of trade receivables is as follows:

| | 12/31/2023 | 12/31/2022 |
|---|---|---|
| Current | 1,479,080 | 1,395,255 |
| Past due for less than three months | 176,332 | 167,042 |
| Past due from three to six months | 30,086 | 25,312 |
| Past due from six to twelve months | 16,579 | 8,389 |
| Past due over one year | 7,701 | 5,914 |
| | **1,709,778** | **1,601,912** |

(In thousands of Brazilian reais – R$)

Variations in the Group's allowance for expected credit losses and provision for return are broken down as follows:

| | Allowance for expected losses | | Provision for return | |
|---|---|---|---|---|
| | **12/31/2023** | **12/31/2022** | **12/31/2023** | **12/31/2022** |
| Opening balance | (12,613) | (11,008) | (20,236) | (8,905) |
| Reversal (recognition) of allowance/provision | (17) | (1,605) | 3,190 | (11,331) |
| Closing balance | (12,630) | (12,613) | (17,046) | (20,236) |

Trade receivables are denominated in the following currencies:

| | 12/31/2023 | 12/31/2022 |
|---|---|---|
| Brazilian reais | 1,695,189 | 1,580,716 |
| Euro | 4,060 | 5,156 |
| US dollars | 10,529 | 16,040 |
| | 1,709,778 | 1,601,912 |

## 10. Inventories

| | 12/31/2023 | 12/31/2022 |
|---|---|---|
| Finished products | 496,937 | 344,857 |
| Raw materials | 840,816 | 777,055 |
| Work in progress | 212,529 | 182,095 |
| Packaging and other materials | 186,619 | 276,026 |
| Imports in transit | 41,154 | 75,298 |
| Advance to suppliers | 41,776 | 47,444 |
| Provision for return | 8,825 | 9,686 |
| Allowance for obsolescence | (79,399) | (129,595) |
| | **1,749,257** | **1,582,866** |

(In thousands of Brazilian reais – R$)

Variations in the allowances as at December 31, 2023 and 2022 are as follows:

| | Allowance for obsolescence | | Provision for return | |
|---|---|---|---|---|
| | **12/31/2023** | **12/31/2022** | **12/31/2023** | **12/31/2022** |
| Opening balance | (129,595) | (80,017) | 9,686 | 3,306 |
| Reversal (recognition) of allowance/provision | 50,196 | (49,578) | (861) | 6,380 |
| Closing balance | **(79,399)** | **(129,595)** | **8,825** | **9,686** |

The criteria used for recognition of the allowance for obsolescence are detailed in note 4.d.

## 11. Recoverable taxes

| | **12/31/2023** | **12/31/2022** |
|---|---|---|
| Income tax (IRPJ) and social contribution (CSLL) (i) | 47,367 | 48,770 |
| State VAT (ICMS) | 289,615 | 342,666 |
| Taxes on revenue (PIS and COFINS) (ii) – Non-cumulative | 361,046 | 419,431 |
| State VAT (ICMS) in the PIS and COFINS tax base (iii) | 265,138 | 325,431 |
| Other | 22,129 | 45,019 |
| | **985,295** | **1,181,317** |
| Current | 729,152 | 727,486 |
| Noncurrent | 256,143 | 453,831 |

(i) Refers to prepaid income tax and social contribution.

(ii) Refers to PIS and COFINS credits on the acquisition of inputs generated as a result of the monophase taxation system supported by the prevailing law.

(iii) Refer to PIS and COFINS credits arising from the ICMS deduction from PIS and COFINS tax base, which lawsuits received final and unappealable decisions on July 10, 2018 and September 15, 2022, respectively.

## 12. Other receivables

| | **12/31/2023** | **12/31/2022** |
|---|---|---|
| Advance to suppliers | 44,571 | 9,733 |
| Advance to related parties (note 29) | 11,753 | 5,114 |
| Advance to employees | 20,005 | 16,176 |
| Loss indemnity | 8,402 | 5,267 |
| Other | 11,684 | 20,519 |
| | 96,415 | 56,809 |
| Current | 89,786 | 50,179 |
| Noncurrent | 6,629 | 6,630 |

(In thousands of Brazilian reais – R$)

## 13. Right of use and lease liability

### a. Right-of-use assets

| | Land and buildings | Company cars and machinery | Furniture, fixtures and equipment | Total |
|---|---|---|---|---|
| As at December 31, 2022 | | | | |
| Opening balance | 223,381 | 31,899 | 5,030 | 260,310 |
| Acquisitions and remeasurements | 11,412 | 77,489 | 591 | 89,492 |
| Write-offs | (7,371) | (1,335) | - | (8,706) |
| Depreciation | (33,009) | (39,594) | (2,671) | (75,274) |
| Accounting balance, net | **194,413** | **68,459** | **2,950** | **265,822** |
| **As at December 31, 2023** | | | | |
| Cost | 286,456 | 215,710 | 11,178 | 523,838 |
| Accumulated depreciation | (92,043) | (147,251) | (8,228) | (258,016) |
| **Accounting balance, net** | **194,413** | **68,459** | **2,950** | **265,822** |

| | Land and buildings | Company cars and machinery | Furniture, fixtures and equipment | Data Center | Total |
|---|---|---|---|---|---|
| As at December 31, 2021 | 128,753 | 48,443 | 1,054 | - | 178,250 |
| Acquisitions and remeasurements | **131,561** | **10,498** | **6,308** | **-** | **148,367** |
| Write-offs | **(3,246)** | **(1,341)** | **-** | **-** | **(4,587)** |
| Depreciation | **(33,687)** | **(25,701)** | **(2,332)** | **-** | **(61,720)** |
| **Accounting balance, net as at December 31, 2022** | **223,381** | **31,899** | **5,030** | **-** | **260,310** |
| As at December 31, 2022 | | | | | |
| Cost | **282,415** | **139,556** | **10,587** | **10,494** | **443,052** |
| Accumulated depreciation | **(59,034)** | **(107,657)** | **(5,557)** | **(10,494)** | **(182,742)** |
| | **223,381** | **31,899** | **5,030** | **-** | **260,310** |

### b. Lease liability

| | Land and buildings | Company cars and machinery | Furniture, fixtures and equipment | Total |
|---|---|---|---|---|
| **As at December 31, 2022** | **244,606** | **28,080** | **5,878** | **278,564** |
| Acquisitions and remeasurements | 11,412 | 77,489 | 591 | 89,492 |
| Interest incurred | 27,048 | 7,791 | 449 | 35,288 |
| Write-off | (10,467) | (5,306) | - | (15,773) |
| Payments | (51,076) | (45,479) | (3,169) | (99,724) |
| **Accounting balance, net As at December 31, 2023** | **221,523** | **62,575** | **3,749** | **287,847** |
| Current | | | | 73,838 |
| Noncurrent | | | | 214,009 |
| | | | | 287,847 |

(In thousands of Brazilian reais – R$)

| | Land and buildings | Company cars and machinery | Furniture, fixtures and equipment | Total |
|---|---|---|---|---|
| **As at December 31, 2021** | **137,587** | **47,649** | **1,694** | **186,930** |
| Acquisitions and remeasurements | 131,561 | 10,498 | 6,308 | 148,367 |
| Interest incurred | 28,082 | 2,652 | 573 | 31,307 |
| Write-off | (3,969) | (3,359) | - | (7,328) |
| Payments | (48,655) | (29,360) | (2,697) | (80,712) |
| **As at December 31, 2022** | **244,606** | **28,080** | **5,878** | **278,564** |

| | |
|---|---|
| Current | 67,209 |
| Noncurrent | 211,355 |

## 14. Property, plant and equipment

| | Land and buildings | Company cars and machinery | Furniture, fixtures and equipment | Constructions in progress (*) | Aircraft | Total |
|---|---|---|---|---|---|---|
| **As at December 31, 2022** | **384,575** | **501,632** | **47,593** | **320,023** | **168,288** | **1,422,111** |
| Inclusion of entity in business combination (i) | - | - | - | 845 | - | 845 |
| Acquisitions | - | 5,499 | 339 | 175,732 | - | 181,570 |
| Write-offs, net | - | (207) | (119) | (12,670) | - | (12,996) |
| Transfers (**) | 96,157 | 146,987 | 4,755 | (258,133) | - | (10,234) |
| Depreciation | (15,871) | (44,970) | (7,545) | - | (14,838) | (83,224) |
| Accounting balance, net | **464,861** | **608,941** | **45,023** | **225,797** | **153,450** | **1,498,072** |
| **As at December 31, 2023** | | | | | | |
| Cost | 589,326 | 973,217 | 104,054 | 225,797 | 231,715 | 2,124,109 |
| Accumulated depreciation | (124,465) | (364,276) | (59,031) | - | (78,265) | (626,037) |
| | **464,861** | **608,941** | **45,023** | **225,797** | **153,450** | **1,498,072** |

| | Land and buildings | Company cars and machinery | Furniture, fixtures and equipment | Constructions in progress (*) | Aircraft | Total |
|---|---|---|---|---|---|---|
| **As at December 31, 2021** | | | | | | |
| Opening balance | 375,548 | 489,567 | 36,341 | 179,312 | 179,868 | 1,260,636 |
| New combined entities | 620 | 1,580 | 1,727 | 6,018 | - | 9,945 |
| Acquisitions | 164 | 7,108 | 5,377 | 201,408 | - | 214,057 |
| Write-offs, net | - | (570) | (29) | (1,050) | - | (1,649) |
| Transfers | 15,975 | 38,939 | 10,218 | (65,665) | - | (533) |
| Translation adjustment for disclosure (**) | (291) | (259) | 56 | - | - | (494) |
| Depreciation | (7,441) | (34,733) | (6,097) | - | (11,580) | (59,851) |
| **Accounting balance, net as at December 31, 2022** | 384,575 | 501,632 | 47,593 | 320,023 | 168,288 | 1,422,111 |
| **As at December 31, 2022** | | | | | | |
| Cost | 493,169 | 820,938 | 99,079 | 320,023 | 231,715 | 1,964,924 |
| Accumulated depreciation | (108,594) | (319,306) | (51,486) | - | (63,427) | (542,813) |
| | 384,575 | 501,632 | 47,593 | 320,023 | 168,288 | 1,422,111 |

(i) Refers to Rio Biofarma, which started to comprise the combined financial information beginning January 2023 (further information in note 1.b)

(*) Constructions in progress refer to investments for expansion of production lines.

(In thousands of Brazilian reais – R$)

(**) The amount of R$10,234 in line item "transfers" in variations in property, plant and equipment, refers to intangible assets added to this line item in prior years and transferred from intangible assets during the year for proper classification of these items.

In 2023 the Group's Management assessed and concluded that there is no indication that would give rise to the need to recognize allowance for impairment of property, plant and equipment and intangible assets.

## 15. Borrowings, financing and debentures

| | Interest rate | Maturity | 12/31/2023 | 12/31/2022 |
|---|---|---|---|---|
| Debentures (a) | DI + 1.4% p.a. | May/27 | 224,153 | 224,757 |
| BNDES | (c) | March/26 to February/27 | 68,857 | 91,017 |
| FINEP | (b) | April/23 | - | 4,090 |
| Banco Regional de Brasília - ICMS financing (d) | 25% of the INPC (i) | December/31 | 2,121 | 8,054 |
| FINAME | 2.50% p.a. and 3% p.a. | January/23 and February/23 | - | 11 |
| | | | 295,131 | 327,929 |
| **Current** | | | 26,396 | 31,242 |
| **Noncurrent** | | | 268,735 | 296,687 |
| | | | 295,131 | 327,929 |

(a) On May 6, 2022, EMS carried out its third issuance, in one single series, of 220,000 simple, non-convertible, unsecured debentures, with unit par value of R$1,000.00, for public distribution, maturing on May 6, 2027. The payment of the par value will be made in three installments, the first at the end of the third year from the issuance date (May 6, 2025), the second installment at the end of the fourth year from the issuance date (May 6, 2026) and the third installment at the end of the fifth year from the issuance date, the latter on its final maturity, subject to interest of 100% of the DI + 1.4% p.a., paid semiannually.

(b) Refers to the partial funding of the expenses incurred with the preparation and implementation of the Strategic Innovation Plan approved and disclosed by FINEP, according to the Disbursement Schedule. Interest comprised of TJLP plus 5% per year as spread, reduced by equalization equivalent to 3% per year, will levy on the debt principal on a pro rata basis. EMS had a letter of guarantee in the total amount of R$15,174 to cover the agreement in question. The financing was settled on the maturity date.

(c) The balance refers to borrowings from BNDES, as shown below:

(i) R&D agreement with credit in the amount of R$75,712 to be released in tranches, according to the rendering of accounts. The outstanding amount is R$2,840 (R$4,062 as at December 31, 2022) subject to TJLP interest rate + 1.75% and 2.25% p.a. with final payment on 03/15/2026.

(ii) Storeroom Reconstruction Agreement, financing granted by the National Bank for Economic and Social Development (BNDES), up to the amount of R$81,363, comprised of two tranches, according to the rendering of accounts:

Tranche "A" – in the amount of R$43,283 for the expansion and renovation of the industrial unit, including production of liquid and semisolid drugs, packaging lines and storeroom, in the municipality of Hortolândia/SP. Currently, the outstanding balance is R$26,291 (R$34,629 as at December 31, 2022) subject to IPCA* 1.36% p.a. * 1.79% p.a. with final payment on 02/15/2027.

Tranche "B" - R$38,080 for the expansion of packaging lines in EMS production complex, located in Hortolândia. Currently, the outstanding balance is R$24,190 (R$31,864 as at December 31, 2022) subject to IPCA* 2.16 p.a. * 1.79 p.a. with final payment on 02/15/2027.

(iii) Oncological Injectables Agreement, financing granted by the National Bank for Economic and Social Development (BNDES), up to the amount of R$47,823, comprised of two tranches, according to the rendering of accounts:

Tranche "A" – in the amount of R$34,413 (released R$19,077) for the implementation of oncological injectable drugs production plant in the municipality of Hortolândia/SP. Currently, the outstanding balance is R$12,115 (R$15,957 as at December 31, 2022) subject to IPCA* 1.36% p.a. * 1.79% p.a. with final payment on 02/15/2027.

Tranche "B" - R$13,410 (released R$5,384) for the acquisition of imported machinery and equipment with no similar in Brazil necessary for the project implementation. Currently, the outstanding balance is R$3,421 (R$4,505 as at December 31, 2022) subject to IPCA* 2.16 p.a. * 1.79 p.a. with final payment on 02/15/2027.

(d) Banco Regional de Brasília - BRB – refers to the granting of the credit benefit approved on behalf of EMS within the scope of the Program for Promotion of the Integrated and Sustainable Economic Development of the Federal District (PRÓ-DF) in the amount of up to R$458,638 (original amount).

Each installment corresponds to an amount equivalent to 70% of the tax credit recognized through the levy of the State Vat (ICMS) arising from the import of organic chemical products and raw materials, among others, carried out by an establishment of EMS S.A. located in the Federal District.

The financing occurs through BRB and has a grace period of 300 months (25 years) from the date of each released installment, pursuant to Ordinance 182, of May 19, 2009 – Published in DODF 097, of May 21, 2009. Charges corresponding to 25% of National Consumer Price Index (INPC) are levied on the amounts, whose charges calculated from January to December of each year are payable in January of the subsequent year.

The financing is collateralized by the investments in CDBs issued by BRB carried out by EMS, which yield interest of 97% of the CDI rate fluctuation, in the amount equivalent to 10% of the amount of each credit installment released, which can only be used for full settlement of the final installments, the amount of the respective investment was R$1,546 as at December 31, 2023 (R$1,285 as at December 31, 2022).

In 2022, through an action at BRB, EMS moved R$5,030 for recognition of grant gain and received the release of R$903 for settlement of amounts at BRB.

Collaterals

As at December 31, 2023 and 2022, the Group is the guarantor of obligations assumed by another company, as follows:

- Lorraine Administradora de Bens e Participações Sociedade Simples Ltda. in the raising of financing from Financiadora de Estudos e Projetos - FINEP in the amount of R$145,203 and paid on December 15, 2023.

Restrictive covenants

Certain borrowing and financing agreements and debentures are subject to certain annual restrictive covenants and include clauses that require the Group to maintain certain financial ratios within preset parameters, linked to current liquidity, solvency and interest coverage, among others. In Management’s opinion, all restrictive covenants and clauses which ratios are annually measured were properly met in the year ended December 31, 2023.

The Group’s Management monitored the special-obligation clauses set out in these agreements and believes that no actions were conducted in noncompliance with such covenants; therefore, the Group is compliant with the restrictive covenants at the end of the reporting period.

(In thousands of Brazilian reais – R$)

The maturities of borrowings, financing and debentures recorded in current and noncurrent liabilities as at December 31, 2023 are as follows:

| | 12/31/2023 |
|---|---|
| 2023 | 26,396 |
| 2024 | 95,380 |
| 2025 | 94,436 |
| 2026 and thereafter | 78,919 |
| | 295,131 |

Reconciliation between variations in the financial position and cash flows from financing activities as at December 31, 2023 is as follows:

| | 12/31/2023 | 12/31/2022 |
|---|---|---|
| **Opening balance** | **327,929** | **400,516** |
| Items of cash flow from financing activities: | | |
| Borrowings raised | - | 305,415 |
| Repayment of borrowings and financing (i) | (27,040) | (335,887) |
| Write-off of borrowings and financing | (5,030) | - |
| Inflation adjustment to repayment of borrowings and financing | 21 | (26,451) |
| **Total cash flow used in financing activities** | **295,880** | **343,593** |
| Other items | | |
| Expense on interest and inflation adjustment | 37,647 | 32,699 |
| Payment of interest and inflation adjustment | (38,396) | (48,363) |
| **Total other items** | **(749)** | **(15,664)** |
| **Closing balance** | **295,131** | **327,929** |

(i) Refers to the renegotiation with BRB relating to the ICMS credit granted, obtained through the institution's auction, to reduce the amount payable transferred to the creditor.

## 16. Trade payables

| | 12/31/2023 | 12/31/2022 |
|---|---|---|
| Foreign trade payables | 221,936 | 305,431 |
| Domestic trade payables | 248,854 | 273,770 |
| Domestic trade payables – forfaiting risk (*) | 47,594 | 71,206 |
| Service providers | 81,070 | 101,510 |
| | **599,454** | **751,917** |

(i) The Group NC allows its suppliers, upon execution of instruments of adhesion, to advance their receivables with a discount on the principal amount. The option and decision to adhere to the forfaiting risk is solely and exclusively made by the supplier, through agreements with financial institutions, which can thus reduce its finance costs, as the financial institution considers the Group's credit risks (the buyer), and the transaction amount is fully realized with Banco Itaú S.A.

This agreement does not change the commercial conditions, terms and prices previously established between the Group and its suppliers, and the Group does not incur finance costs; for this reason, the balances payable are recorded in "Trade payables".

(In thousands of Brazilian reais – R$)

## 17. Payroll and related taxes

| | 12/31/2023 | 12/31/2022 |
|---|---|---|
| Vacation pay | 66,957 | 61,206 |
| Profit sharing | 89,087 | 80,264 |
| Related taxes on vacation pay and bonuses | 67,006 | 48,838 |
| 13th salary | 855 | - |
| Other | 4,330 | 4,640 |
| | **228,235** | **194,948** |

## 18. Provision for risks and escrow deposits

The Group is a party to lawsuits and administrative proceedings before various courts and governmental bodies, arising in the ordinary course of business, involving tax, labor, civil and other matters.

Management, based on information from its legal counsel, controls and analyzes pending litigations. Based on past experience related to claimed amounts with respect to labor lawsuits, Management recognized a provision in an amount considered sufficient to cover estimated probable losses on ongoing lawsuits. The Group recognizes the following contingent liabilities provisioned and escrow deposits already made:

| | Provisions for risks | | Escrow deposits | | Net balance | |
|---|---|---|---|---|---|---|
| | 12/31/2023 | 12/31/2022 | 12/31/2023 | 12/31/2022 | 12/31/2023 | 12/31/2022 |
| Tax and civil (i) | 177,964 | 124,575 | (27,372) | (22,615) | 150,592 | 101,960 |
| Labor and social security (ii) | 174,000 | 151,691 | (41,049) | (57,989) | 132,951 | 93,702 |
| | 351,964 | 276,266 | (68,421) | (80,604) | 283,543 | 195,662 |

The variations in the provisions for risks are as follows:

| | Provisions for risks | | Escrow deposits | |
|---|---|---|---|---|
| | 12/31/2023 | 12/31/2022 | 12/31/2023 | 12/31/2022 |
| Opening balance | 276,266 | 219,778 | 80,604 | 54,878 |
| Recognition of provision | 121,028 | 97,496 | - | 9,053 |
| Inflation adjustment | 28,939 | 16,084 | 9,139 | 16,673 |
| Reversal/remeasurement of lawsuits | (37,203) | (55,376) | (15,716) | - |
| Write-off/payment of lawsuits | (37,574) | (17,989) | (5,606) | - |
| Inclusion of entity in business combination (i) | - | 17,688 | - | - |
| Reclassification of discontinued operation | 508 | (1,415) | - | - |
| **Closing balance** | 351,964 | 276,266 | 68,421 | 80,604 |

(i) Refers to the inclusion of Lafiman and Snellog in the combined financial statements in 2022.

(In thousands of Brazilian reais – R$)

**a. Breakdown**

i) *Civil and tax lawsuits*

| | 12/31/2023 | 12/31/2022 |
|---|---|---|
| Tax (i.1) | 38,729 | 13,323 |
| Civil (i.2) | 139,235 | 111,252 |
| | 177,964 | 124,575 |

(i.1) Balance mainly represented by Tax Execution distributed by the federal government, for the collection of IRPJ and CSLL tax credit, which is assessed as probable loss of R$30,304 as at December 31, 2023.

(i.2) Refers mainly to civil lawsuits filed by consumers alleging, in summary, nonconformities in relation to the drugs produced by the Group entities.

ii) *Labor lawsuits*

The Group recognized a provision for risks for labor lawsuits to which it is a defendant based on the estimated loss prepared by its legal counsel, whose main claims are: overtime, indemnities for work accidents and subsidiary liabilities of outsourced companies.

Management, based on its legal counsel's opinion, believes that there are no significant risks not covered by sufficient provisions disclosed in its financial statements or that may have a significant impact on its future results.

iii) *Possible losses, not provisioned*

The Group is a party to tax, civil and labor lawsuits, assessed by Management as possible losses, based on the opinion of its legal counsel, for which no provision was recognized, as the accounting practices adopted in Brazil do not require their recognition. They are broken down and estimated below:

| | 12/31/2023 | 12/31/2022 |
|---|---|---|
| Civil (b) | 692,804 | 948,713 |
| Tax - IR/CSLL (a.1) | 1,631,664 | 1,732,746 |
| Labor | 342,330 | 232,143 |
| Tax – other (a.2) | 864,617 | 610,925 |
| | 3,531,415 | 3,524,527 |

(a.1) Refers mainly to the tax assessment notice issued by the Brazilian Federal Revenue Service relating to an administrative proceeding for collection of income tax ("IRPJ"), social contribution ("CSLL"), taxes on revenue ("PIS" and COFINS") and individual fines plus charges, based on the alleged non-deductibility of goodwill amortization in the merger of company that would have artificially reduced the IRPJ and CSLL tax base in EMS. Notwithstanding the regularity of the procedure adopted, the inspection authorities disallowed goodwill amortization expenses as it believed, in summary, that there was no business purpose for the acquisition of interest with goodwill since the transaction occurred "inside the same economic group".

The Company, with the support of its tax consultants specialists in this area, classifies as possible the likelihood of favorable outcome as, contrary to what was alleged by the tax authorities, the transaction has strong business purpose involving a joint venture with a foreign company, alien to the economic Group, aiming at the Group's inclusion/consolidation in the European pharmaceutical market, mainly because the legislation that addresses the drugs in question is extremely in line with Brazilian laws. Also, the accounting standards prevailing at the time of transaction authorized such amortization as carried out, and the transaction was carried out in strict legality, with all documents duly registered and published, which show the lack of bad faith. The theory defended by the company was duly accepted by the 1st Panel of CARF which, when analyzing the case, cancelled the notice upon majority of the votes. On September 12, 2017, the decision was reversed before the Superior chamber, after decision favorable to the special appeal filed by the National Treasury, due to the casting vote (in this scenario, the lawsuit was split for judgment of the qualified fine by the Lower Chamber, which accepted the Company's Voluntary Appeal, which decision favorable to the company was ratified by the Superior Chamber, and made final and unappealable at the beginning of 2023). On January 25, 2019, the Company obtained a court decision, which upheld the decision handed down by the Lower Chamber of CARF, which fully cancelled the notice, considering that the appeal from the National Treasury did not fulfill the requirements for acceptance, which was ratified by the Regional Court of the 1st Region on April 26, 2023.

The Company, together with its legal counsel specialists in this area, classified as possible the risk of loss for this case, which adjusted amount as at December 31, 2023 is R$1,023,469.

(a.2) Germed received a tax assessment notice arising from alleged undue deemed PIS and COFINS credits on drugs acquired from third parties, relating to calendar years from 2014 to 2017. Upon 1st administrative lower court judgment, the Brazilian Federal Revenue Service Judgment Office has partially accepted the appeal. Currently, the Voluntary Appeal is pending judgment by the CARF. As at December 31, 2023, the adjusted amount is R$311,096 (R$282,408 as at December 31, 2022).

(b) Refers mainly to Civil Class Action filed for reimbursement of alleged losses caused to the National Treasury, arising from agreements entered into in the Product Development Partnership (PDP) entered into among EMS, Instituto Vital Brasil IVB and the Brazilian government.

**b. Uncertainty over tax treatments**

As shown in the table above, the tax authorities allege that the Group does not meet the criteria to deduct the goodwill amortization for IRPJ and CSLL purposes. The Group believes that the goodwill resulted from a transaction with economic nature and, therefore, it can be used for tax purposes. No amount was recognized in these consolidated financial statements as the Group believes that the tax rule used in the past was in conformity with the applicable law and believes that it is probable that it successfully defends the Group's tax treatment at the courts.

The Group believes that its provisions for tax risks are appropriate for all fiscal years based on its analysis of many factors, including interpretation of the tax law and past experience.

a) STF's decision – Topics 881 and 885 of general repercussion on February 8, 2023

In a decision handed down on February 8, 2023, the Plenary Session of the Federal Supreme Court (STF) has unanimously considered that a final decision, the so-called "res judicata", on taxes continuously paid, loses its effects if the Court decides otherwise. This because, pursuant to the law and case law, a decision, even if final and unappealable, has effects while the factual and legal condition that justified it continues. In case of change, the effects of the prior decision may no longer be produced.

Management assessed and concluded that the Group has no lawsuits that can be included in the decision handed down by the STF and, accordingly, it has no expected effect on its combined financial statements.

(In thousands of Brazilian reais – R$)

b) STJ's decision – Possibility of deduction of the ICMS tax benefits from the IRPJ and CSLL tax base.

On April 26, 2023, the 1st Section of the Superior Court of Justice (STJ) unanimously and in a repetitive appeal decided that it is impossible to exclude the ICMS-related tax benefits, such as decrease of the tax base, reduction of tax rate, exemption, deferral, among others, from the IRPJ and CSLL tax base, except in those cases where the taxpayers comply with the conditions set forth in article 10 of Supplementary Law 160/2017 and article 30 of Law 12.973/14, such as, for example, the recording in earnings reserve referred to in art. 195-A of Law 6.404/76 and subject to the other conditions for use of these reserves.

Management assessed, together with its legal counsel, and concluded that the effects are properly recognized in the combined interim financial information for the year ended December 31, 2023.

## 19. Income tax and social contribution

### a. Deferred income tax and social contribution

The variations in and origin of deferred IRPJ and CSLL as at December 31, 2023 and 2022 are:

| | Balance as at 12/31/2022 | Recognized no resultado | Balance as at 12/31/2023 |
|---|---|---|---|
| Provision for tax recovery | (87,820) | 30,153 | (57,667) |
| Provision between corporate and tax useful life | (90,339) | (13,494) | (103,833) |
| Provision for cut-off | 70,793 | (26,731) | 44,062 |
| Allowance for obsolescence | 44,041 | (17,228) | 26,813 |
| Provision for risks | 95,638 | 11,625 | 107,263 |
| Allowance for impairment loss on trade receivables | 11,119 | (1,079) | 10,040 |
| Accrued profit sharing | 27,290 | 2,996 | 30,286 |
| Provision for free sample | 16,126 | (7,841) | 8,285 |
| Provision for car rental | 853 | 531 | 1,384 |
| Provision for deferred exchange rate changes for tax purposes | (3,644) | 1,304 | (2,340) |
| Leases – CPC 06 / IFRS 16 | 15,832 | 6,616 | 22,448 |
| Income tax and social contribution losses | 8,586 | 58,950 | 67,536 |
| Fair value – Multilab investment | (9,337) | 6,090 | (3,247) |
| Gain on bargain purchase - Multilab | (17,406) | - | (17,406) |
| Accrued commissions and bonuses | 33,693 | 3,788 | 37,482 |
| Other provisions | 21,012 | (20,034) | 977 |
| | **136,437** | **35,646** | **172,083** |
| | | | |
| Deferred income tax and social contribution - assets | **193,214** | | **234,502** |
| Deferred income tax and social contribution - liabilities | **(56,777)** | | **(62,419)** |
| | **136,437** | | **172,083** |

(In thousands of Brazilian reais – R$)

### b. Current income tax and social contribution

The reconciliation of income tax and social contribution expenses is shown below:

| | 12/31/2023 | 12/31/2022 |
|---|---|---|
| Profit before income tax and social contribution | 2,539,743 | 2,433,988 |
| Tax calculated based on local tax rates - 34% | (863,513) | (827,556) |
| 75% income tax decrease due to grant (Novamed) | 221,582 | 222,421 |
| Technological innovation (R&D) – Law 11.196/05 (EMS) | 37,551 | 38,997 |
| Grant - LC 160 /ICMS (i) | 79,862 | - |
| Reinvestment | 7,928 | 12,472 |
| Investment grants (ICMS) | 137,692 | 112,265 |
| Other permanent additions/deductions | 4,239 | 16,257 |
| Income tax and social contribution in profit or loss | (374,658) | (425,144) |
| Deferred income tax and social contribution | 35,646 | 53,422 |
| Current income tax and social contribution | (410,304) | (478,566) |
| Income tax and social contribution in profit or loss | (374,658) | (425,144) |

(i) Of the amounts recognized of R$79,862 (tax base R$234,889) refers to untimely credits recognized by Legrand and Multilab which, for purpose of preparation of these combined financial statements, equity is eliminated; these entities are controlled by EMS S.A. and Multilab, respectively); accordingly, when compared to the impact on the tax incentive reserve (see note 21.c), this effect must be considered for purposes of reconciliation.

(i.1) IRPJ and CSLL on ICMS benefits – STJ decision:

These untimely credits were recognized arising from the judgment of the 1st Section of the Superior Court of Justice (STJ) unanimously and in a repetitive appeal decided that it is impossible to exclude the ICMS-related tax benefits, such as decrease of the tax base, reduction of tax rate, exemption, deferral, among others, from the IRPJ and CSLL tax base, except in those cases where the taxpayers comply with the conditions set forth in article 10 of Supplementary Law 160/2017 and article 30 of Law 12.973/14, such as, for example, the recording in earnings reserve referred to in art. 195-A of Law 6.404/76 and subject to the other conditions for use of these reserves. On June 12, 2023, the full content of the decision on Topic 1.182/STJ was published, which discloses and ratifies the Theories proposed by the Justices of the STJ described above. The filing of Motions to Clarify by the Parties was disclosed in order to clarify potential obscurities in the full content of said judgment. The STJ Justices are expected to analyze and judge these Motions to Clarify, which judgment currently has no defined date.

Management analyzed such lawsuit in light of the prevailing accounting system, and the three main accounting pronouncement analyzed were: (i) ICPC 22 – Uncertainty over Income Tax Treatment; (ii) CPC 25 – Provisions, Contingent Liabilities and Contingent Assets and (iii) CPC 32 – Income Taxes. The analyses took into account Management's and the tax specialists' opinion. After several analyses and discussions, it was possible to concluded that, ICPC 22 – Uncertainty over Income Tax Treatment and CPC 32 would be pronouncements most applicable to this situation at hand, as the matter specifically addresses IRPJ and CSLL, that is, income taxes.

Such pronouncement requires Management to assess whether it is "more probable than not" that the tax treatment adopted will be accepted by the tax authorities. As it refers to a court decision at the STJ level, applied to all other lawsuits to be judged, Management concluded that it is more probable than not that Group NC will have the right to exclude the State VAT ("ICMS") benefits from the income tax ("IRPJ") and social contribution ("CSLL") tax base on the date of approval and issuance of these combined financial statements and such conclusion is in accordance with the opinion of our legal counsel; therefore, the recognition of such untimely tax credit was carried out for the period ended December 31, 2023, coupled with the effects on the statements of income were: (i) deferred income tax and social contribution: R$79,862 (tax base R$234,889).

(In thousands of Brazilian reais – R$)

Finally, the Group is a party to two lawsuits relating to the theory: (i) one is in progress before the Federal Regional Court of the 1st Region, in the name of Novamed, which is pending judgment by the appellate court, after decision fully favorable to the company, and (ii) another is in progress before the Federal Regional Court of the 3rd Region, in the name of the other pharmaceutical companies (EMS, Germed, Legrand and Multilab) and, which is pending lower court decision.

### c. Income tax and social contribution payable

| | 12/31/2023 | 12/31/2022 |
|---|---|---|
| Income tax payable | 53,487 | 75,453 |
| Social contribution payable | 35,293 | 49,911 |
| | **88,780** | **125,364** |

Variations in income tax and social contribution payable are as follows:

| | 12/31/2023 | 12/31/2022 |
|---|---|---|
| Opening balance | 125,364 | 104,884 |
| (+) Provision for current income tax and social contribution in the year | 410,304 | 478,566 |
| (-) Offset against federal taxes | (165,975 | (228,366) |
| (-) Prepayments/payments in the year | (280,916) | (229,720) |
| ( = ) Closing balance | 88,780 | 125,364 |

## 20. Taxes in installments

| | 12/31/2023 | 12/31/2022 |
|---|---|---|
| Installment payment - Law 11.941/09 (i) | 15,308 | 33,778 |
| ICMS installment payment (ii) | 3,916 | 3,918 |
| ICMS installment payment – loss (iii) | - | 7,611 |
| | 19,224 | 45,307 |
| Current | 19,224 | 32,125 |
| Noncurrent | - | 13,182 |

(i) In November 2009, the Group and its subsidiary EMS Sigma Pharma joined the REFIS IV, the tax debt installment payment and settlement program. The balances of taxes in installments are subject to inflation adjustment based on the SELIC rate variation. Federal (PIS, COFINS, IRPJ and CSLL) and social security taxes under discussion were included in such program, in option installment payment within 180 months, which granted the Group partial amnesty of 60% of the fine, 20% on individual fines and 25% decrease of the interest on the original debt. The principal amount of the consolidated debt of EMS S.A. was R$23,922 and of Sigma Pharma was R$1,193.

(In thousands of Brazilian reais – R$)

In August 2014, the Group requested the installment payment of debts in conformity with Law 12.996/2014, which included amounts not previously paid in installments, in option installment payment within 120 months, which granted the Group partial amnesty of 70% on late payment and official fines, 25% on individual fines, 30% on late payment interest and 100% on the legal charge amount. The principal amount of the consolidated debt of EMS S.A. was R$1,762 and of Sigma Pharma was R$51. Due to the consolidation process in 2016, there was an increase of R$1,126.

(ii) Adhesion to the ICMS installment payment program with the Federal District government in the second half of 2007, for settlement of ICMS debts arising from the disallowance of credits considered undue by the tax authorities, which reduced the balance payable of such tax. The Group paid the down payment in the amount of R$435 in 36 monthly and consecutive installments, the first maturing in May 2007 and the last in December 2023. The remaining balance is fully due in the month following the end of the installment payment program. Each installment will be subject to inflation adjustment equivalent to the INPC variation, plus simple interest of 1% per month during the installment payment period.

(iii) Installment payment of taxes relating to the assets derecognized due to the loss occurred in November 2018, relating to ICMS credits obtained from the receipt of goods that were incinerated due to the big fire at the shipment and storeroom area at EMS head office, in Hortolândia, State of São Paulo, on October 20, 2018. The Group paid the amount of R$634 in 60 monthly and consecutive installments, the first maturing in January 2019. Each installment will be subject to inflation adjustment equivalent to the Selic variation plus simple interest of 2% per month during the installment payment period.

As at December 31, 2023 and 2022, the balance of taxes in installments is:

| | 12/31/2023 | 12/31/2022 |
|---|---|---|
| Principal | 11,887 | 28,786 |
| Interest | 7,337 | 16,521 |
| | 19,224 | 45,307 |

## 21. Other payables

| | 12/31/2023 | 12/31/2022 |
|---|---|---|
| Advances from customers | 54,214 | 34,243 |
| Advances from related parties | 18,601 | 44,840 |
| Other payables to shareholders | 8,925 | 8,925 |
| Provision for land payable | 12,061 | 12,061 |
| Provision for outside services | 14,123 | 40,574 |
| Provision for employee expenses | 3,359 | 7,390 |
| Accrued commissions and bonuses | 110,240 | 99,098 |
| Provision for car rental | 8,476 | 7,143 |
| Provisions for marketing and promotion expenses | 9,690 | 23,491 |
| Other provisions | 14,210 | 17,912 |
| | 253,899 | 295,677 |
| | | |
| Current | 219,157 | 232,691 |
| Noncurrent | 34,742 | 62,986 |

(In thousands of Brazilian reais – R$)

## 22. Equity

### a. Capital

As at December 31, 2023, subscribed and paid-in capital is R$1,455,464,428 (R$1,408,937 as at December 31, 2022), represented by the shares below:

| Shareholder | EMS S.A | Germed | Lafiman | Snellog | Novamed | Multilab | EMS Sigma | Legrand | Luxbiotech | Monteresearch | Rio Biofarma | Total |
|---|---|---|---|---|---|---|---|---|---|---|---|---|
| NC Participações S.A. | 19,800,000 | 10,272,741 | 43,000,000 | 11,650,000 | - | 190,238,099 | 77,398 | 1,379 | 12,282 | 90,000 | 12,325,500 | 287,467,399 |
| Germed Farmacêutica LDA. | 200,000 | - | - | - | - | - | - | - | - | - | - | 200,000 |
| Carlos Eduardo Sanchez | - | - | - | - | 875,847,771 | - | - | - | - | - | - | 875,847,771 |
| Leonardo Sanchez Secundino | - | - | - | - | 145,974,629 | - | - | - | - | - | - | 145,974,629 |
| Marcus Vinicius Sanchez Secundino | - | - | | | 145,974,629 | - | - | - | - | - | - | 145,974,629 |
| | 20,000,000 | 10,272,741 | 43,000,000 | 11,650,000 | 1,167,797,029 | 190,238,099 | 77,398 | 1,379 | 12,282 | 90,000 | 12,325,500 | 1,455,464,428 |

| | | | | | | 12.31.2022 | | | | | | |
|---|---|---|---|---|---|---|---|---|---|---|---|---|
| **Shareholder** | **EMS S. A.** | **Germed** | **Lafiman** | **Snellog** | **Novamed** | **Multilab** | **EMS Sigma** | **Legrand** | **Luxbiotech** | **Monteresearch** | **RioBio Pharmaceuticals** | **Total** |
| EMS S.A. | - | - | | | - | - | 7,662,451 | 136,464 | 97,516,851 | 90,000 | 3,308 | 105,409,074 |
| NC Participações S.A. | 19,800,000 | 10,272,741 | 1,000,000 | 8,150,000 | - | - | 77,398 | 1,379 | 206,158 | - | - | 39,507,676 |
| Germed Farmacêutica LDA. | 200,000 | - | - | - | - | - | - | - | - | - | - | 200,000 |
| Novamed Fabricação de Produtos Farmacêuticos Ltda. (*) | - | - | - | - | - | 190,238,099 | - | - | - | - | - | 190,238,099 |
| Carlos Eduardo Sanchez | - | - | - | - | 875,847,771 | - | - | - | - | - | - | 875,847,771 |
| Leonardo Sanchez Secundino | - | - | - | - | 145,974,629 | - | - | - | - | - | - | 145,974,629 |
| Marcus Vinicius Sanchez Secundino | - | - | - | - | 145,974,629 | - | - | - | - | - | - | 145,974,629 |
| | 20,000,000 | 10,272,741 | 1,000,000 | 8,150,000 | 1,167,797,029 | 190,238,099 | 7,739,849 | 137,843 | 97,723,009 | 90,000 | 3,308 | 1,503,151,878 |

(*) Beginning January 2023 the Group elected to include Rio Biofarma in the Pharma Combined, so as to combine the companies from the pharmaceutical industry belonging to Group NC.

On June 6, 2023, there was a capital increase at Rio Biofarma in the amount of R$12,440, upon the issuance of 12,440,000 shares, at the par value of R$1.00, of these shares, 124,500 are held by EMS S.A. (1% interest), which are eliminated in these combined financial statements.

On September 14, 2023, there was increase of paid-in capital through advance for future capital increase at Lafiman, in the amount of R$42,000, upon the issuance of 42,000,000 shares, at the par value of R$1.00.

On September 22, 2023, there was increase of paid-in capital through advance for future capital increase at Snellog, in the amount of R$3,500, upon the issuance of 3,500,000 shares, at the par value of R$1.00.

On December 26, 2023, EMS capital was increased upon capitalization of capital reserves in the amount of R$164,019, without issuance of new shares.

**b. Capital reserve**

*Goodwill merger reserve*

Refers to the contra entry of the goodwill merged, net of the difference between its amount and the tax benefit arising from its amortization, which derives from the merger of shares of the parent of the combined entity EMS, EMS Investimentos S.A. The goodwill reserve balance in the amount of R$164,019 was used for capital increase, without issuance of new shares.

*Transactions between shareholders*

On June 23, 2022, Novamed acquired the remaining 12.01% interest in Multilab from the noncontrolling shareholders. The acquisition fair value totaled R$138,432 which, as a contra entry to the book value of R$56,989, resulted in negative capital reserve of R$81,443.

**c. Earnings reserve**

*Tax incentive reserve*

The combined entity EMS has government grant represented by the credit benefit arising from the Program for Promotion of the Integrated and Sustainable Economic Development of the Federal District (PRÓ-DF), granted as a subsidized borrowing obtained from the Banco Regional de Brasília (BRB). The economic benefit obtained is accounted for as deferred revenue and recorded in profit or loss at equal amounts based on the maturity date of these borrowings. A substantial portion of the borrowing was settled and the respective grant revenue was recognized in profit or loss for the year and, subsequently, transferred to tax incentive in equity, as earnings reserve, in 2014. In 2016, due to the settlement of the Ideas Program, R$3,003 was realized. However, we are still waiting for the auction to settle the residual value.

The combined entity Novamed has tax incentive that reduced by 75% the income tax and social contribution for part of its operations, in accordance with Decree Law 1.598/77, and an incentive that aims at exempting it from paying 100% of the State VAT (ICMS) on the shipment of some products, in accordance with Law 2.826/2003.

The Group has government grant represented by the benefit of not subjecting to income tax and social contribution the gains related to the ICMS tax benefit granted by the State of São Paulo pursuant to Supplementary Law 160 in 2017. As from August 2021, the Company chose to suspend the discussion on the deduction of other exemptions and reductions of the ICMS grant without contra entry, maintaining only the recognition of the benefits that had already been recorded up to July 2021 in tax incentive reserve.

In June 2023, the full content of the decision on Topic 1.182/STJ was published, which discloses and ratifies the Theories proposed by the Justices of the STJ. Based on the opinion of our legal counsel, this untimely tax credit was recognized for the year ended December 31, 2023, which effects on the statements of income were: (i) deferred income tax and social contribution: R$79,862 (tax base R$234,889).

The amount recognized as tax incentive reserve during the year ended December 31, 2023 is R$799,044 (R$593,863 as at December 31, 2022), comprised of R$582,492 relating to ICMS tax incentives and R$221,582 relating to the 75% decrease in income tax and social contribution.

*Legal reserve*

Set up, publicly-held companies, as required by the Brazilian Corporate Law and the bylaws, based on 5% of the profit for the year until it reaches 20% of capital or 30% of the capital balance plus reserves.

As at December 31, 2023, the combined entities applicable to the law recognized a legal reserve of 5% of the profit calculated in each year in the amount of R$19,056.

*Earning retention*

Set up with the balance of profit as at December 31, 2023 and 2022 after allocation of dividends and recognition of legal reserve. The amount of retained profit in prior years was used for profit distribution, as determined by the General Shareholders' Meeting. The remaining balance of the earnings reserve will be distributed to the shareholders in the following year, as approved at the meeting.

**d. Valuation adjustments to equity**

Upon combination of the financial information, there are changes in exchange rates on assets, liabilities and profit or loss from foreign subsidiaries. Such difference is recognized directly in equity In 2023 currency translation gain or loss was recognized in equity in the amount of R$237 (R$6,968 in 2022).

(In thousands of Brazilian reais – R$)

**e. Dividends and allocation of profit**

Variations in the balances of dividends payable are as follows:

| | 12/31/2023 | 12/31/2022 |
|---|---|---|
| Opening balance | 548,815 | 595,813 |
| Recognition of dividends | 1,862,400 | 858,273 |
| Mandatory minimum dividends (25%) | 26,536 | 67,651 |
| Inclusion of entity in business combination | - | 11,662 |
| (-) Payments | (1,685,067) | (1,283,375) |
| Total dividends payable - current | 752,684 | 548,815 |

## 23. Net operating revenue

| | 12/31/2023 | 12/31/2022 |
|---|---|---|
| Gross sales of products deducting commercial rebates | 9,039,818 | 8,090,708 |
| Taxes on sales | (855,241) | (942,399) |
| Returns on sales | (239,709) | (377,601) |
| Net operating revenue | 7,944,868 | 6,770,708 |

In reliance upon the special on-demand manufacturing regime, as part of its production process, obtained from the state of São and approved by the Amazonas government, Novamed ships semi-finished products to a related party for the packaging process. Subsequently, these products are symbolically returned to the Company and physically shipped on the account and order for storage at the logistics operator, from where it will be shipped for sale. Revenue is recognized when control over products and goods is transferred to the final customer.

(In thousands of Brazilian reais – R$)

## 24. Breakdown of costs and expenses by nature

| | 12/31/2023 | 12/31/2022 |
|---|---|---|
| Raw materials and consumables | (1,663,320) | (1,380,920) |
| Payroll and related taxes | (1,172,796) | (979,484) |
| Outside services – legal entities | (361,327) | (366,490) |
| Social security costs | (302,152) | (248,671) |
| Advertising costs | (264,767) | (186,654) |
| Transportation expenses | (316,997) | (133,096) |
| Samples | (178,924) | (167,971) |
| Employees benefits provided for in the Law | (124,967) | (104,855) |
| Other employee benefits | (145,757) | (112,918) |
| Travel/lodging and meals | (72,673) | (59,759) |
| Cleaning materials and office supplies | (110,380) | (89,291) |
| Profit sharing plan | (80,519) | (87,724) |
| Outside services – maintenance and repairs | (85,734) | (73,456) |
| Depreciation, amortization and impairment charges | (88,855) | (65,691) |
| Right-of-use amortization charges | (75,274) | (52,119) |
| Electric energy, water and telephone | (35,090) | (34,751) |
| Fuel and lubricants | (45,132) | (35,894) |
| Provision for risks | (83,825) | (42,120) |
| Sales commissions | (22,056) | (27,961) |
| Effective loss on trade receivables | (54,784) | - |
| Provision for return | 3,190 | (6,380) |
| Reversal of (allowance for) impairment losses on trade receivables | (16) | (2,478) |
| Allowance for inventory obsolescence | 50,196 | (112,973) |
| Other expenses (income) | (42,358) | 19,639 |
| Total costs and expenses | (5,274,317) | (4,352,017) |
| | | |
| Cost of sales | (2,620,209) | (2,301,809) |
| Selling expenses | (829,499) | (523,109) |
| Administrative expenses | (1,824,609) | (1,527,099) |
| | (5,274,317) | (4,352,017) |

## 25. Other income (expenses), net

| | 12/31/2023 | 12/31/2022 |
|---|---|---|
| ***Other expenses*** | | |
| Taxes and fees (i) | (189,471) | (139,792) |
| Other | (4,658) | (10,151) |
| | **(194,129)** | **(149,943)** |
| ***Other income*** | | |
| Tax recovery | 35,916 | 100,381 |
| Gain on write-off of investments | 8,959 | 5,452 |
| Grant gain relating to ICMS granting (note 14) (ii) | 5,030 | - |
| Other income | 11,959 | 44,475 |
| | **61,864** | **150,308** |
| | | |
| **Other income (expenses), net** | **(132,265)** | **365** |

(In thousands of Brazilian reais – R$)

(i) Refers mainly to taxes and contributions linked to the Company's tax incentives paid on behalf of the Fund to Promote the Micro- and Small-sized Entities (FMPES), from the Amazonas State University ("Universidade do Estado do Amazonas – UEA"), the Fund to Promote Tourism, Infrastructure, Service and Internalization of the Development of the Amazon (FTI), other funds or programs established by the Amazonas government or institutions developing social, cultural and sports non-profit programs and projects, as set forth in Law 2.826/03.

(ii) Refers to the renegotiation with BRB relating to the ICMS credit granted, which was recognized as grant gain after the settlement of liabilities with the creditor.

## 26. Finance income (costs), net

| | 12/31/2023 | 12/31/2022 |
|---|---|---|
| **Finance income** | | |
| Exchange gains and financial instruments | 48,956 | 189,820 |
| Income from short-term investments | 81,120 | 67,365 |
| Interest on trade receivables | 17,387 | 30,932 |
| Inflation adjustment to escrow deposits | 9,139 | 16,673 |
| Other | 14,497 | 2,462 |
| Total finance income | 171,099 | 307,252 |
| | | |
| **Finance costs** | | |
| Interest on borrowings and financing | (37,647) | (36,801) |
| Interest and inflation adjustments | (31,258) | (6,478) |
| Exchange losses and financial instruments | (56,631) | (210,630) |
| Leases - IFRS 16 – interest payable | (35,288) | (31,307) |
| Other | (8,818) | (7,104) |
| Total finance costs | (169,642) | (292,320) |
| | | |
| Finance income (costs), net | 1,457 | 14,932 |

(In thousands of Brazilian reais – R$)

## 27. Related-party balances and transactions

As at December 31, 2023 and 2022, the main asset and liability balances and the transactions that impacted profit or loss for the years, relating to transactions with related parties derive from the Group's transactions with its related parties, which were carried out under terms and conditions agreed upon among the parties and which are as follows:

### a. Balance sheet balances at the end of the year

| | Trade receivables | | Trade payables | |
|---|---|---|---|---|
| | 12/31/2023 | 12/31/2022 | 12/31/2023 | 12/31/2022 |
| Rinplus | 1,359 | - | - | - |
| Instituto Vita Nova | - | - | 10,757 | 960 |
| Underskin LLC | 1,115 | 4,489 | - | - |
| Galenika | 233 | 304 | - | 5,662 |
| 3Z Realty | 4,401 | 3,204 | - | |
| Other | 1,803 | 6,933 | 8,644 | 5,678 |
| | **8,911** | **14,930** | 19,401 | 12,300 |

| | Other receivables | | Other payables | |
|---|---|---|---|---|
| | 12/31/2023 | 12/31/2022 | 12/31/2023 | 12/31/2022 |
| Instituto Vita Nova | 10,000 | 627 | - | - |
| Innoveren Pharma S.A. | - | - | 4,840 | 4,840 |
| NC Farma Participações S.A. | - | - | 13,761 | 40,000 |
| NC Investimentos Ltda. | 847 | 847 | - | - |
| Germed PT | - | 2,875 | - | - |
| Other | 906 | 765 | - | - |
| | 11,753 | 5,114 | 18,601 | 44,840 |

### b. Dividends payable

| | 12/31/2023 | 12/31/2022 |
|---|---|---|
| NC Investimentos | 11,662 | 11,662 |
| NC Participações | 648,788 | 449,586 |
| Germed | 30,366 | 25,699 |
| Saltmont Fundo | 46,402 | 46,402 |
| Saltriver Fundo | 7,733 | 7,733 |
| Global | 7,733 | 7,733 |
| | 752,684 | 548,815 |

### c. Compensation of key management personnel

Management members neither borrowed nor lent money to the Company and its related parties, nor are they entitled to any fringe benefits, post-employment benefits, other long-term benefits, severance benefits and share-based compensation.

(In thousands of Brazilian reais – R$)

The compensation paid and payable to key management personnel, including salaries and charges, profit sharing and other benefits, corresponds to 11.487% of payroll expenses as at December 31, 2023 (9.54% as at December 31, 2022).

## 28. Insurance

The Group maintains global insurance policies of several nature, taken from the main insurers in the country. These insurance policies were defined according to the Group program taking into consideration the risk nature and level.

The Group's insurance coverage against operational risks is R$1,040,000 in 2022 (R$900,000 in 2022), and R$20,000 for civil liability (R$10,000 in 2022);

The Group does not expect to face any problems to renew its insurance policies and believes that the insurance coverage is reasonable in terms of amount and compatible with the insurance sector standards in Brazil.

The risk assumptions adopted, in view of their nature, are not part of the scope of the audit of the financial statements and, therefore, they were not audited by our independent auditors.

## 29. Commitments

### a. Acquisition of Dermacyd brand

As mentioned in note 1.a, the Group has a payment commitment in the amount of 66 million euros, expected to be paid in January 2024.

## 30. Non-cash transactions

During the years ended December 31, 2023 and 2022, the Group carried out the following non-cash operating, investing and financing activities; therefore, they are not disclosed in the statements of cash flows:

### a. Breakdown of non-cash transactions:

| | 12/31/2023 | 12/31/2022 |
|---|---|---|
| Payment of capital through advance for future capital increase (note 22.a) | 42,000 | - |
| Tax offset (current income tax and social contribution) | (171,713) | (228,366) |

## 31. Events after the reporting period

Up to the date of authorization for completion of these financial statements by Management:

a) Payment and completion of the transaction for acquisition of the Dermacyd brand

As mentioned in note 1, EMS completed the transaction for acquisition of the Dermacyd brand upon payment of the amount of R$198,432 as at January 31, 2024.

b) Provisional Act (MP) 1185/23 converted into Law 14.789/23

On December 29, 2023, the National Congress converted MP 1.185/23 into Law 14.789/23. The Law provides for the tax credit arising from grant for implementation or expansion of economic development; amends Law 9.249, of December 26, 1995, Law 14.592, of May 30, 2023, and Law 14.754, of December 12, 2023; and revokes provisions of Decree Law 1.598, of December 26, 1977, and of Law 10.637, of December 30, 2002, Law 10.833, of December 29, 2003, and Law 12.973, of May 13, 2014.

In this context, Management assessed together with its legal counsel and concluded that as from 2024 it will not be possible to deduct ICMS grants from the income tax and social contribution tax base. Based on such principle, the Group will not implement any change in equity accounts beginning January 2024.

## 32. Approval of the combined financial statements

These combined financial statements were approved by Management and authorized for issuance on April 17, 2024.