Individual and Consolidated Financial Statements

EMS S.A.

December 31, 2022
with Independent Auditor's Report

EMS S.A.

Individual and consolidated financial statements

December 31, 2022

Contents

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A free translation from Portuguese into English of Independent auditor's report on individual and consolidated financial statements prepared in Brazilian currency in accordance with the accounting practices adopted in Brazil

Independent auditor's report on individual and consolidated financial statements

To the Shareholders, Board of Directors and Officers of
EMS S.A.

Opinion

We have audited the individual and consolidated financial statements of EMS S.A. (the "Company"), identified as Individual and Consolidated, respectively, which comprise the statement of financial position as at December 31, 2022 and the statements of profit or loss, of comprehensive income, of changes in equity, and of cash flows for the year then ended, and notes to the financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying individual and consolidated financial statements present fairly, in all material respects, the individual and consolidated financial position of the Company as at December 31, 2022, and its individual and consolidated financial performance and cash flows for the year then ended in accordance with the accounting practices adopted in Brazil.

Basis for opinion

We conducted our audit in accordance with the Brazilian and International Standards on Auditing. Our responsibilities under those standards are further described in the Auditor's responsibilities for the audit of the individual and consolidated financial statements section of our report. We are independent of the Company in accordance with the relevant ethical principles set forth in the Code of Professional Ethics for Accountants, the professional standards issued by Brazil's National Association of State Boards of Accountancy (CFC) and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

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

The executive board is responsible for the preparation and fair presentation of the accompanying individual and consolidated financial statements in accordance with the 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 individual and consolidated financial statements, the executive board is responsible for assessing the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Company or to cease its operations, or has no other realistic alternative but to do so.

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

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

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

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

- Identified and assessed the risks of material misstatement of the individual and consolidated financial statements, whether due to fraud or error, designed and performed audit procedures responsive to those risks, and obtained 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 the risk of not detecting one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtained an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control.
- Evaluated the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the executive board.

- Concluded on the appropriateness of the executive board's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the individual and consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our report. However, future events or conditions may cause the Company to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the individual and consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

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

Campinas, March 8, 2023.

ERNST & YOUNG
Auditores Independentes S.S. Ltda.
CRC SP-027623/F

Cristiane Cléria S. Hilário
Accountant CRC SP-243766/O

EMS S.A.

Statements of financial position
December 31, 2022 and 2021
(In thousands of reais, unless otherwise stated)

		Individual		Consolidated	
	Note	**12/31/2022**	**12/31/2021**	**12/31/2022**	**12/31/2021**
Assets					
Current assets					
Cash and cash equivalents	8	**228,721**	39,443	**370,031**	99,487
Trade accounts receivable	10	**871,285**	796,893	**1,085,535**	1,028,700
Accounts receivable from related parties	28	**313,502**	235,853	**26,185**	90,069
Inventories	11	**1,013,282**	751,605	**1,094,460**	815,369
Taxes recoverable	12	**424,860**	305,417	**544,218**	359,450
Dividends receivable	28	**707**	707	**-**	-
Other receivables	13	**50,397**	177,411	**42,726**	52,466
Assets from discontinued operations	2	**-**	-	**36,511**	-
Total current assets		**2,902,754**	2,307,329	**3,199,666**	2,445,541
Noncurrent assets					
Financial investment earmarked for loans	9	**1,285**	2,007	**1,285**	2,007
Taxes recoverable	12	**123,252**	365,841	**336,865**	556,086
Judicial deposits	19	**56,655**	41,998	**64,453**	48,753
Other receivables	13	**6,550**	4,996	**6,550**	4,996
Deferred income and social contribution taxes	20.a	**89,174**	43,613	**129,283**	65,358
Investments in subsidiaries	14	**386,753**	302,088	**-**	467
Property, plant and equipment	15	**967,549**	870,930	**970,559**	874,477
Right-of-use assets	16.a	**129,016**	112,189	**136,957**	121,236
Intangible assets		**6,854**	8,148	**11,189**	13,189
Total noncurrent assets		**1,767,088**	1,751,810	**1,657,141**	1,686,569
Total assets		**4,669,842**	4,059,139	**4,856,807**	4,132,110

	Note	Individual 2022	Individual 2021	Consolidated 2022	Consolidated 2021
Liabilities					
Current liabilities					
Trade payables	17	**433,649**	280,244	**440,891**	289,444
Trade payables - related parties	28	**1,600,437**	1,297,636	**1,650,021**	1,313,148
Loans and financing	18	**26,485**	297,768	**26,485**	297,768
Debentures	18	**4,757**	-	**4,757**	-
Lease liabilities	16.b	**38,347**	55,346	**39,980**	61,003
Derivative financial instruments	7.iv	**307**	-	**307**	-
Salaries and charges		**141,154**	105,723	**160,059**	116,670
Taxes payable		**24,396**	22,370	**27,720**	26,613
Income and social contribution taxes payable	20.c	**32,238**	26,769	**53,507**	75,546
Taxes in installments		**17,981**	17,756	**18,180**	17,979
Dividends payable	22	**475,069**	528,184	**475,253**	533,313
Other payables	21	**145,514**	91,697	**182,956**	111,013
Liabilities from discontinued operations	2	**-**	-	**2,023**	-
Total current liabilities		**2,940,334**	2,723,493	**3,082,139**	2,842,497
Noncurrent liabilities					
Loans and financing	18	**76,687**	102,748	**76,687**	102,748
Debentures	18	**220,000**	-	**220,000**	-
Lease liabilities	16.b	**100,307**	62,499	**106,254**	66,617
Taxes in installments		**2,032**	13,475	**2,223**	13,785
Provision for losses on legal proceedings	19	**176,847**	157,524	**210,378**	182,901
Provision for losses in subsidiaries	14	**-**	80,308	**-**	-
Other payables	21	**12,061**	14,195	**12,061**	14,195
Total noncurrent liabilities		**587,934**	430,749	**627,603**	380,246
Total liabilities		**3,528,268**	3,154,242	**3,709,742**	3,222,743
Equity	22				
Capital		**221,717**	221,717	**221,717**	221,717
Capital reserves		**164,019**	164,019	**164,019**	164,019
Legal reserve		**44,342**	44,342	**44,342**	44,342
Tax incentive reserve		**304,541**	263,850	**304,541**	263,850
Equity adjustment		**10,953**	17,921	**10,953**	17,921
Income reserves		**396,002**	193,048	**396,002**	193,048
Equity attributable to controlling interests		**1,141,574**	904,897	**1,141,574**	904,897
Noncontrolling interests		**-**	-	**5,491**	4,470
Total equity		**1,141,574**	904,897	**1,147,065**	909,367
Total liabilities and equity		**4,669,842**	4,059,139	**4,856,807**	4,132,110

See accompanying notes.

EMS S.A.

Statements of profit or loss
Years ended December 31, 2022 and 2021
(In thousands of reais, unless otherwise stated)

		Individual		Consolidated	
	Note	2022	2021	2022	2021
Net operating revenue	23	**5,105,683**	4,517,794	**5,706,375**	4,944,551
Cost of sales	24	**(3,328,390)**	(2,924,689)	**(3,573,754)**	(3,030,275)
Gross profit		**1,777,293**	1,593,105	**2,132,621**	1,914,276
Selling expenses	24	**(395,093)**	(362,211)	**(463,516)**	(413,888)
Administrative expenses	24	**(1,211,249)**	(1,096,613)	**(1,359,100)**	(1,229,305)
Other operating income, net	25	**70,629**	241,902	**70,775**	179,827
Equity pickup	14	**81,639**	13,934	**-**	2,593
Operating income		**323,219**	390,117	**380,780**	453,503
Finance income	26	**197,627**	269,203	**211,494**	274,663
Finance costs	26	**(207,779)**	(249,342)	**(209,999)**	(253,990)
Finance income (costs), net		**(10,152)**	19,861	**1,495**	20,673
Income before income and social contribution taxes		**313,067**	409,978	**382,275**	474,176
Income and social contribution taxes	20.b	**(1,771)**	(94,957)	**(70,739)**	(162,384)
Net income for the year from continuing operations		**311,296**	315,021	**311,536**	311,792
Discontinued operations					
Net income from discontinued operations	2	**-**	-	**1,091**	4,741
Net income for the year		**311,296**	315,021	**312,627**	316,533
Net income attributable to controlling interests		**311,296**	315,021	**311,296**	315,021
Net income attributable to noncontrolling interests		**-**	-	**1,331**	1,512
Earnings per share for the year attributable to equity holders of the parent (per share amounts in R$)		**15.56**	15.75	**15.56**	15.75

See accompanying notes.

EMS S.A.

Statements of comprehensive income
Years ended December 31, 2022 and 2021
(In thousands of reais, unless otherwise stated)

	Individual		Consolidated	
	2022	**2021**	**2022**	**2021**
Net income for the year	**311,296**	315,021	**312,627**	316,533
Foreign transactions and translation differences	**(6,968)**	(1,621)	**(6,968)**	(1,621)
Total comprehensive income	**304,328**	313,400	**305,659**	314,912
Comprehensive income attributable to:				
Controlling interests	**304,328**	313,400	**304,328**	313,400
Noncontrolling interests	**-**	-	**1,331**	1,512
Total comprehensive income	**304,328**	313,400	**305,659**	314,912

See accompanying notes.

EMS S.A.

Statements of changes in equity
Years ended December 31, 2022 and 2021
(In thousands of reais, unless otherwise stated)

		Controlling interests									
					Income reserve						
	Note	Capital	Capital reserve	Equity adjustment	Tax incentive reserve	Legal reserve	Reserve for distributable profits	Retained earnings	Total attributable to controlling interests	Noncontrolling interests	Total equity
December 31, 2020		221,708	164,019	19,542	206,242	44,342	436,887	-	1,092,740	(2,786)	1,089,954
Net income for the year		-		-	-	-		315,021	315,021	1,512	316,533
Write-off of foreign operation upon translation				(2,140)					(2,140)	-	(2,140)
Other comprehensive income for the year		-		519	-	-		-	519	-	519
Allocation of net income for the year:											
Transfer to tax incentive reserve	22.c	-		-	57,608	-		(57,608)	-	-	-
Additional dividends from previous period, as approved in meeting	22.d	-		-	-	-	(436,890)	-	(436,890)	-	(436,890)
Distribution of proposed dividends	22.d	-		-	-	-		(64,353)	(64,353)		(64,353)
Transactions with noncontrolling interests		9		-	-	-	(9)	-	-	5,744	5,744
Transfer to retained profits reserve		-		-	-	-	193,060	(193,060)	-		-
December 31, 2021		221,717	164,019	17,921	263,850	44,342	193,048	-	904,897	4,470	909,367
Net income for the year		**-**	**-**	**-**	**-**	**-**	**-**	**311,296**	**311,296**	**1,331**	**312,627**
Foreign transactions and translation differences		**-**	**-**	**(6,968)**	**-**	**-**	**-**	**-**	**(6,968)**	**-**	**(6,968)**
Transfer to retained profits reserve		**-**	**-**	**-**	**-**	**-**	**202,954**	**(202,954)**	**-**	**-**	**-**
Transfer to tax incentive reserve	**22.c**	**-**	**-**	**-**	**40,691**			**(40,691)**	**-**	**-**	**-**
Distribution of proposed dividends	**22.d**	**-**	**-**	**-**	**-**	**-**	**-**	**(67,651)**	**(67,651)**	**-**	**(67,651)**
Transactions with noncontrolling interests		**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**(310)**	**(310)**
December 31, 2022		**221,717**	**164,019**	**10,953**	**304,541**	**44,342**	**396,002**	**-**	**1,141,574**	**5,491**	**1,147,065**

See accompanying notes.

EMS S.A.

Statements of cash flows
Years ended December 31, 2022 and 2021
(In thousands of reais, unless otherwise stated)

		Individual		Consolidated	
	Note	2022	2021	2022	2021
Cash flows from operating activities					
.					
Income before income and social contribution taxes from continuing operations		**313,067**	409,978	**382,275**	474,176
Income before income and social contribution taxes from discontinued operations		**-**	-	**1,091**	5,483
Adjustments for:					
Depreciation and amortization	15 and 16	**78,753**	77,353	**83,607**	81,111
Write-offs – rights of use and leases	16	**(2,163)**	(4,880)	**(1,995)**	(4,668)
(Gain) Loss on disposal of property, plant and equipment and intangible assets	15	**2,474**	4,340	**2,474**	4,412
(Reversal of) Allowance for expected credit losses	10	**695**	(726)	**1,507**	(1,013)
(Reversal of) Provision for returns	10 and 11	**1,735**	2,522	**1,914**	3,857
(Reversal of) Provision for inventory obsolescence	11	**56,942**	21,707	**61,836**	21,250
Provision for losses on legal proceedings and judicial deposits	19	**20,770**	55,168	**28,367**	56,664
Provision for impairment of assets		**-**	-	**42**	-
Equity pickup	14	**(81,639)**	(13,934)	**-**	(2,593)
Provision for interest	14	**48,591**	48,384	**47,762**	49,357
Write-off of investment		**-**	(8,393)	**-**	45,355
Unrealized foreign exchange/monetary gains (losses) on financing activities		**(1,862)**	20,067	**(839)**	26,237
.					
Changes in assets and liabilities					
Trade accounts receivable		**(79,715)**	(197,851)	**(87,660)**	(200,698)
Accounts receivable from related parties		**(77,649)**	(42,552)	**63,809**	1,524
Inventories		**(315,726)**	(101,683)	**(337,543)**	(98,125)
Taxes recoverable		**81,283**	(424,084)	**(21,306)**	(490,976)
Other receivables		**125,460**	(64,783)	**7,944**	21,946
Judicial deposits		**154**	(7,109)	**(29)**	(10,732)
Trade and other payables		**240,521**	(30,525)	**264,992**	(23,121)
Taxes payable		**2,026**	437	**1,153**	2,156
Trade payables - related parties		**302,801**	244,508	**337,046**	248,174
Taxes in installments		**(11,218)**	(11,370)	**(11,361)**	(11,552)
.					
Cash flows from (used in) operations		**705,300**	(23,426)	**825,086**	198,224
Interest paid	18	**(48,103)**	(30,998)	**(48,103)**	(30,998)
Payments for legal proceedings and judicial deposits	19	**(14,093)**	(7,071)	**(14,101)**	(11,496)
Income and social contribution taxes paid	20	**-**	-	**(104,384)**	(34,645)
Net cash flows from (used in) operating activities		**643,104**	(61,495)	**658,498**	121,085

EMS S.A.

Statements of cash flows (Continued)
Years ended December 31, 2022 and 2021
(In thousands of reais, unless otherwise stated)

		Individual		Consolidated	
	Note	2022	2021	2022	2021
Cash flows from investing activities					
Acquisition of PP&E and intangible assets	13	**(140,625)**	(113,678)	**(139,557)**	(120,056)
Increase in equity interests in a subsidiary	14	**(174,282)**	(18,060)	**-**	(1,368)
Investment return	14	**31,208**	17,075	**-**	26,965
Dividends received from subsidiaries		**53,792**	210,000	**-**	-
Other investments		**(1,020)**	-	**(6,810)**	6,263
.					
Cash flows from (used in) investing activities		**(230,927)**	95,337	**(146,367)**	(88,196)
Cash flows from financing activities					
Financial investment (withdrawal) earmarked for loans		**722**	2,519	**722**	2,519
Loans and financing raised	18	**245,778**	264,778	**245,778**	264,778
Lease payments	16	**(45,938)**	(39,447)	**(51,047)**	(43,839)
Payment of principal and interest on loans and financing	18	**(285,644)**	(276,795)	**(285,644)**	(276,795)
Foreign exchange gains (losses) on principal and loans and financing		**(17,051)**	14,339	**(17,051)**	14,339
Dividends paid out	22	**(120,766)**	(8,880)	**(125,711)**	(8,880)
Net cash flows used in financing activities		**(222,899)**	(43,486)	**(232,953)**	(47,878)
Increase (decrease) in cash and cash equivalents		**189,278**	(9,644)	**279,178**	(14,989)
Cash and cash equivalents at beginning of year	8	**39,443**	49,087	**99,487**	114,476
Cash and cash equivalents from continuing operations at end of year	8	**228,721**	39,443	**370,031**	99,487
Cash and cash equivalents from discontinued operations at end of year	1.b	**-**	-	**8,634**	-

See accompanying notes.

1. Operations

EMS S.A. (“Company,” “Parent Company,” or “Individual”) was incorporated in 1964 as an unlisted company, and, together with its subsidiaries (“Consolidated”), is engaged in manufacturing, trading, importing and exporting their own and third parties’ products, pharmaceuticals, allopathic drugs, dieting foods, pharmaceutical inputs and drugs. The Company’s registered office is located in the city of Hortolândia, state of São Paulo.

The individual and consolidated financial statements include the Company and its subsidiaries (jointly referred to as “Group” and individually as “Group entities”). The Group is primarily involved in the manufacture of pharmaceutical products.

The Company is part of the NC Group (the “NC Group”), which is a conglomerate of companies that belong to the largest pharmaceutical group in Brazil in terms of units and revenues and has been present in the market for over 50 years. The Company uses the administrative, operational, financial, and technological resources of the NC Group. A substantial part of the transactions is carried out with related parties. These financial statements should be read in this context.

<u>Impacts of Covid-19 (Coronavirus) on the Group’s business</u>

So far, the Group’s operations have not been significantly impacted by the COVID-19 pandemic. The Company’s operating segment is considered essential and, therefore, its operations have not been interrupted. Local and/or state legislation are being observed in the entire industrial plant and administrative areas.

The Group’s inventory levels remain normal and capable of maintaining production capacity within normal limits, with no interruption in the supply of inputs. In relation to receivables, the pharmaceutical sector is not currently experiencing an increase in delinquency and there has been no extension of maturities, thus not impacting receivables so far.

The Group is taking all appropriate measures to prevent the spread of COVID-19, as well as ensuring business continuity during the pandemic. Although the Group’s operations have not been materially affected to date, management has no way of estimating or predicting the occurrence of future events related to the COVID-19 pandemic that could have an impact on the Group, but will continue with the monitoring and evaluation of actions to be taken.

<u>Impacts of the conflict and sanctions related to Ukraine, Russia and/or Belarus on the Group’s business</u>

On February 24, 2022, Russia launched a full-scale military invasion against Ukraine, one of its neighbors to the southwest, marking a sharp escalation to a conflict that began in 2014. As a response, the Western countries and others started to impose sanctions against Russia after it recognized the independence of the Donbas region.

(In thousands of reais, unless otherwise stated)

1. Operations and basis of preparation of the interim combined financial statements

1.1. Operations

Impacts of the conflict and sanctions related to Ukraine, Russia and/or Belarus on the Group's business (Continued)

With the start of the attacks on February 24, many other countries began to impose sanctions aimed at crippling the Russian economy. Sanctions were broad, targeting individuals, banks, companies, foreign exchanges, bank transfers, exports and imports.

As a result, the conflict began to affect the global economy, mainly in the grain and natural gas industries. So far, the conflict has not significantly impacted the Company, given that its main customers and suppliers operate in the domestic market.

Despite the impacts worldwide and negative effects on several businesses, the war has not significantly impacted the Brazilian pharmaceutical industry so far. Management has been systematically monitoring these impacts and has been monitoring the potential impacts on the Company's financial statements and is prepared to adopt any necessary measures.

2. Basis of consolidation and investments in subsidiaries

The Company holds direct interests in the following companies:

Subsidiaries	Legal structure	Country	Equity interests 2022	Equity interests 2021
CPM Concessionária Paulista de Medicamentos S/A	S.A. (corporation)	Brazil	**99.38%**	99.38%
EMS Sigma Pharma Ltda.	Ltda. (limited liability)	Brazil	**99.00%**	99.00%
Legrand Pharma Indústria Farmacêutica Ltda.	Ltda.	Brazil	**99.00%**	99.00%
Luxbiotech Farmacêutica Ltda.	Ltda.	Brazil	**99.79%**	99.79%
Xenobrasil Desenvolvimento e Pesquisas sobre Xenotransplante do Brasil Ltda	Ltda.	Brazil	**54%**	**54%**
Monteresearch SRL	Ltda.	Italy	**100%**	100%
Rio Bio Pharmaceuticals, LLC	LLC	United States	**100%**	100%

The Group's business structure is as follows:

CPM (Concessionária Paulista de Medicamentos S/A) - Located in Américo Brasiliense/SP, it manages and maintains Indústria Farmacêutica de Américo Brasiliense (IFAB) owned by Fundação para o Remédio Popular ("FURP"), reporting to the São Paulo State Secretariat ("SESSP"), under a concession. The objective was to expand the Government's output capacity for generic drugs. The concession term is of 15 years and production began on August 1, 2015.

(In thousands of reais, unless otherwise stated)

2. Basis of consolidation and investments in subsidiaries (Continued)

CPM (Concessionária Paulista de Medicamentos S/A) (Continued)

The Concession Arrangement had been suspended since January 1, 2020, with the activities thereunder being limited to the services that are necessary for property security and monitoring, cleaning and maintenance. On August 12, 2022, the agreement for the early and amicable termination of the concession arrangement between CPM and FURP was published in the Official Gazette, where it was considered terminated by mutual agreement when the decommissioning activities of the Concessionaire took place, on December 20, 2022, and when FURP took over the activities that had been developed by IFAB. The amounts already billed for drugs supplied to SESSP and the final decommissioning activities totaled R$74,451, of which R$50,000 was received in August 2022 in order to enable the early termination of the concession arrangement.

As of March 31, 2022, CPM was classified as a discontinued operation. In order to close its activities, CPM reduced its capital by R$31,208 on November 30, 2022 with the purpose of refunding amounts invested by shareholders.

Assets and liabilities related to discontinued operations are detailed below and include all amounts referring to the financial position and profit or loss incurred throughout 2022 and 2021, when applicable:

	12/31/2022
Assets	
Current assets	
Cash and cash equivalents	**8,634**
Trade accounts receivable	**23,979**
Accounts receivable from related parties	**75**
Inventories	**41**
Taxes recoverable	**527**
Other receivables	**241**
Total current assets	**33,497**
Noncurrent assets	
Taxes recoverable	**2,913**
Judicial deposits	**101**
Total noncurrent assets	**3,014**
Total assets	**36,511**

	12/31/2022
Liabilities and equity	
Current liabilities	
Trade payables	**327**
Trade payables - related parties	**173**
Lease liabilities	**42**
Taxes payable	**36**
Income and social contribution taxes payable	**10**
Other accounts payable	**20**
Total current liabilities	**608**
Noncurrent liabilities	
Provision for losses on legal proceedings	**1,415**
Total noncurrent liabilities	**1,415**
Total liabilities	**2,023**
Capital	**33,397**
Income reserves	**1,091**
Total equity (i)	**34,488**
Total liabilities and equity	**36,511**

(i) The equity balance was eliminated upon company consolidation.

(In thousands of reais, unless otherwise stated)

2. Basis of consolidation and investments in subsidiaries (Continued)

CPM (Concessionária Paulista de Medicamentos S/A) (Continued)

Restated income (loss) and cash flows from discontinued operations for the six-month period ended December 31, 2022 and 2021 are as follows:

	12/31/2022	12/31/2021
General and administrative expenses	**(469)**	2,713
Other net income	**173**	1,941
Operating income (loss)	**(296)**	4,654
Finance income (costs), net	**1,397**	829
Income before income and social contribution taxes	**1,101**	5,483
Income and social contribution taxes	**(10)**	(742)
Net income for the year	**1,091**	4,741

	12/31/2022	12/31/2021
Income before income and social contribution taxes	**1,101**	5,483
Adjustments for:		
Depreciation and amortization	**334**	1,076
(Reversal of) Provision for inventory obsolescence	**-**	127
Provision for impairment of assets	**(786)**	(1,493)
Provision for legal proceedings	**957**	(93)
Changes in assets and liabilities		
Trade accounts receivable	**50,772**	-
Inventories	**(169)**	1,361
Taxes recoverable	**2,135**	(3,663)
Other receivables	**(119)**	(53)
Trade and other payables	**(696)**	194
Judicial deposits	**(61)**	39
Taxes payable	**(4)**	206
Trade payables - related parties	**173**	(9,339)
Net cash flows from (used in) operating activities	**53,637**	(6,155)
Cash flows from investing and financing activities		
Capital reduction	**(31,208)**	-
Dividends paid to Group shareholders/members	**(18,793)**	-
Net cash flows used in investing and financing activities	**(50,001)**	-
Increase (decrease) in cash and cash equivalents	**3,636**	(6,155)
Cash and cash equivalents at beginning of year (Note 6)	**4,998**	11,153
Cash and cash equivalents at end of year (Note 6)	**8,634**	4,998

2. Basis of consolidation and investments in subsidiaries (Continued)

EMS Sigma Pharma Ltda. - Located in Hortolândia/SP, it operates in the manufacture and trade of branded generic drugs nationwide. It currently has only one production line, and the other products sold are purchased from the parent company for resale. As of November 2018, EMS Sigma became a packer for products manufactured by Novamed/AM under the Regime Especial de Industrialização por Encomenda (Manufacture to Order), a special manufacturing regime obtained in the state of São Paulo and approved by the Government of Amazonas.

Legrand Pharma Indústria Farmacêutica Ltda. - Located in Hortolândia/SP, it operates in the manufacture and trade of ordinary generic drugs nationwide. It currently has only one production line, and the other products sold are purchased from the parent company for resale.

Luxbiotech Farmacêutica Ltda. - Located in Hortolândia/SP, it operates in the manufacture and trade of cutting-edge dermo cosmetics nationwide.

Monteresearch SRL - Located in Milan, Italy, it is a pharmaceutical research laboratory, specializing in the development of drug delivery systems, i.e., engineered technologies that enable the development of new formulations for the targeted delivery and controlled release of a drug in the body, as required by doctors and patients, and even in safer concentrations. In 2021, Monteresearch transferred the equity interest held in Globe Pharma to the controlling shareholders of this investee, thus no longer holding any stake in Globe Pharma.

Rio Bio Pharmaceuticals, LLC - Located in the United States, its corporate purpose is the development of pharmaceutical activities, which may include, among others, the manufacture, sale, import and export of its own and third parties' products pharmaceutical products and inputs; the provision of administrative, technical and documental consulting/assistance services with or without technology transfer; and holding interests in joint ventures or other entities as a member, shareholder or partner.

Xenobrasil Desenvolvimento e Pesquisas sobre Xenotransplante no Brasil Ltda. - Located in Hortolândia/SP, organized on June 8, 2020, its corporate purpose is to engage in activities related to the research, development, innovation, improvement, solidification and dissemination of techniques and knowledge related to the systematization of the xenotransplantation method in Brazil, aiming at the production of additional nonhuman organs genetically modified for transplantation in humans and future sale and exploitation of the developed patents and biotechnologies. The Company does not yet have any financial transactions and, therefore, there are no balances to be consolidated.

2. Basis of consolidation and investments in subsidiaries (Continued)

In the individual financial statements, investments in subsidiaries are recorded using the equity method.

The consolidated financial statements were prepared in accordance with the following criteria:

- Elimination of asset and liability account balances between consolidated companies;
- Elimination of investments and equity pickup in consolidated companies matched against the respective equity of the investee;
- Elimination of income and expenses arising from business between the consolidated companies;
- Elimination of profit on inventories and sale of property, plant and equipment, when applicable, arising from sales between consolidated companies;

The accounting practices described below are applied in the preparation of the consolidated financial statements:

a) Subsidiaries

Subsidiaries are all entities (including structured entities) over which the Company has control. The Company controls an entity when it is exposed or entitled to variable returns deriving from its involvement in the entity and can interfere in these returns due to the power it exercises thereover. The subsidiaries are fully consolidated from the date control is transferred to the Company. The consolidation is ceased from the date on which the Company no longer has the ownership control. Investments in subsidiaries are accounted for using the equity method from the date control is acquired.

Transactions, balances and unrealized gains on intercompany transactions are eliminated. Unrealized losses are also eliminated, unless the transaction provides evidence of an impairment loss of the asset transferred.

The subsidiary's accounting practices and estimates are consistent with those adopted by the Company. In addition, the subsidiary's fiscal year is the same as that of the Company, ending on December 31 of each year.

The Company treats transactions with noncontrolling interests as transactions with owners of assets of its subsidiaries. For acquisition of noncontrolling interests, the difference between any consideration paid and the acquired portion of the carrying amount of the subsidiary's net assets is recorded in equity. Gains or losses on disposal to noncontrolling interests are also recorded directly in equity.

3. Basis of preparation, measurement and statement of compliance

The individual and consolidated financial statements were prepared and are presented in accordance with the accounting practices adopted in Brazil (BRGAAP), based on the accounting pronouncements, guidelines and interpretations issued by the Brazilian Financial Accounting Standard Board ("CPC").

The combined financial statements are presented in Brazilian reais (R$), which is the Company's functional currency, unless otherwise stated. The financial statements were prepared on a historical cost basis, except where otherwise required.

All the relevant information specific to the financial statements, and only such information, is being disclosed and corresponds to the information used to manage the operations.

The financial statements were approved for disclosure by the Group's Board of Directors on March 8, 2023.

4. Use of estimates and judgments

The preparation of these financial statements requires management to make judgments and estimates that affect the application of the accounting policies and the reported amounts of assets and liabilities, revenues and expenses. Actual results may differ from those estimates.

Estimates and assumptions are reviewed on an ongoing basis. The effects of such reviews are recognized prospectively.

Disclosures of judgements, assumptions and estimation uncertainties as at December 31, 2021 that have a significant risk of resulting in material adjustments in respect of assets and liabilities within the next financial year are included in the following notes:

- Note 16(b) - Equity in investees: determining whether the Group has significant influence over an investee;
- Note 12 - measurement of expected credit loss on accounts receivable: key assumptions in determining the weighted average loss rate;
- Notes 12 and 13 – recognition and measurement of provision for returns with effect on inventories and accounts receivable: key assumptions in determining the average period of return and profit margin.
- Note 13 - recognition and measurement of provisions for inventories: key assumptions in determining losses on slow-moving or expired inventory items;

4. Use of estimates and judgments (Continued)

- Note 22.a - deferred income and social contribution taxes: determining whether it is probable that future taxable profit will be available, against which temporary differences may be used.
- Note 14 - ICMS tax benefits: The Company has ICMS tax incentives granted by the State Government of Brasília. The Federal Supreme Court (STF) issued decisions on Direct Actions for Unconstitutionality, declaring the unconstitutionality of several state laws that granted ICMS tax benefits without prior agreement between the states.

Although it does not have ICMS tax incentives judged by the STF, the Company has been monitoring, in tandem with its legal advisors, the status of this matter in the courts to determine potential impacts on its operations and related impacts on the financial statements. At this point, Management does not expect that this matter will have a material impact on the Company's financial statements.

i) Fair value measurement

A number of the Group's accounting policies and disclosures require financial and nonfinancial assets and liabilities to be measured at fair value.

In measuring the fair value of an asset or liability, the Group uses observable market inputs whenever these are available. The fair values are classified in different levels in the following hierarchy based on inputs used in valuation techniques:

- Level 1: quoted (unadjusted) prices in active markets for identical assets and liabilities;
- Level 2: inputs, other than quoted prices included in Level 1 that are observable for the asset or liability, either directly (prices) or indirectly (derived from prices);
- Level 3: inputs for the asset or liability that are not based on market observable data (unobservable inputs).

The Group recognizes transfers between levels of the fair value hierarchy at the end of the reporting period in which the changes have occurred.

5. Significant accounting policies

The accounting practices detailed below have been consistently applied by the Company and its subsidiaries to all years presented in these financial statements, unless otherwise stated.

a) Foreign currency

Transactions and balances in foreign currency

The transactions in foreign currency are translated into reais using the exchange rates at the dates of the transactions. Monetary assets and liabilities denominated and calculated in foreign currencies on the reporting date are retranslated into the functional currency at the exchange rate prevailing on that date. Exchange gain or loss on monetary items is the difference between amortized cost of the functional currency at the beginning of the period, adjusted for interest and effective payments during the year, and the amortized cost in foreign currency at the exchange rate prevailing at the end of the reporting period.

Foreign currency differences arising on retranslation are usually recognized in profit or loss.

Foreign operations

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

Foreign currency differences are recognized in other comprehensive income and recorded in equity as cumulative translation adjustment (translation reserve). When a foreign operation is disposed of, so that the control, significant influence, or shared control cease to exist, the amounts accumulated in the foreign currency translation reserve related to that foreign operation are reclassified to income for the year as part of the disposal gain or loss.

When the Group disposes of a portion of its interest in a subsidiary that includes a foreign operation but retains control, the related portion of the cumulative currency translation balance is reclassified to equity attributable to noncontrolling interests. When the Group disposes of only part of its investment in an associate or joint venture that includes a foreign operation, while maintaining significant influence or shared control, the respective proportion of the accumulated value is reclassified to the statement of profit or loss for the year.

5. Significant accounting policies (Continued)

b) Financial instruments

CPC 48 Financial Instruments is effective for years ended as of January 1, 2018. This standard contains three key categories for classifying and measuring financial assets: (i) amortized cost; (ii) fair value through other comprehensive income; and (iii) fair value through profit or loss for the year (residual category).

The Company carried out a detailed impact assessment on the adoption of the new standard and identified the following aspects:

CPC 48 presents an approach to classify and measure financial assets that reflects the business model in which the assets are managed and the cash flow characteristics. With respect to financial liabilities, it requires that the change in fair value of the financial liability designated at fair value through profit or loss, which is attributable to changes in the credit risk of that liability, be presented in other comprehensive income rather than in the statement of profit or loss, unless such recognition results in a mismatch in the statement of profit or loss.

Measurement

Financial assets and liabilities should initially be measured at fair value. The criteria to determine the fair value of financial assets and liabilities included (i) the quoted price in an active market or, in the absence thereof, and (ii) the use of valuation techniques that allow estimating the fair value on the transaction date, taking into account the value that would be negotiated between independent, knowledgeable and willing parties.

Subsequent measurement of financial assets and liabilities follows the fair value or amortized cost method, depending on the category. Amortized cost corresponds to:

- The initial amount recognized for the financial asset or liability;
- Minus repayments of principal; and
- Plus/minus accrued interest using the effective interest rate method.

The effects of subsequent measurement of financial assets and liabilities are allocated directly to P&L for the period. Noncurrent assets and liabilities with characteristics of financial instruments are initially recorded at their present value.

5. Significant accounting policies (Continued)

b) Financial instruments (Continued)

Recognition

Purchases or sales of financial assets (regular way trades) are recognized on the trade date, i.e., the date that the Company commits to purchase or sell the asset. Financial assets at fair value through profit or loss are initially recognized at fair value and transaction costs are charged to P&L. Loans and receivables are recorded at amortized cost.

Gains or losses arising from changes in the fair value of other financial assets measured at fair value through profit or loss are presented in P&L, under Revenues or Costs, respectively, in the period in which they occur.

Derecognition

A financial asset (or, when applicable, a part of a financial asset, or a part of a group of similar financial assets) is derecognized when:

- The rights to receive cash flows from the asset have expired; or
- The Company has transferred its rights to receive cash flows from the asset or has assumed an obligation to pay the received cash flows in full without material delay to a third party under a ‘pass-through’ arrangement; and either (a) the Company has transferred substantially all the risks and rewards of the asset, or (b) the Company has neither transferred nor retained substantially all the risks and rewards of the asset, but has transferred control of the asset.

The Company’s financial assets substantially include cash and cash equivalents, financial investment earmarked for loans, trade accounts receivable, and transactions with related parties.

Financial liabilities are classified, at initial recognition, as financial liabilities at fair value through profit or loss, financial liabilities at amortized cost, or as derivatives designated as hedging instruments in an effective hedge, as appropriate.

All financial liabilities are initially measured at fair value, plus or less, in the case of financial liabilities not measured at fair value through profit or loss, transaction costs that are directly attributable to issue of the financial liability.

The Company’s financial liabilities include mostly trade payables, lease liabilities, and transactions with related parties.

5. Significant accounting policies (Continued)

b) Financial instruments (Continued)

A financial liability is derecognized when the obligation thereunder ceases to exist, i.e., when the obligation specified in the contract is discharged or canceled or expires. When an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as the derecognition of the original liability and the recognition of a new liability. The difference in the respective carrying amounts is recognized in the statement of profit or loss.

The Company does not have hedge accounting transactions as of December 31, 2022 and 2021.

Breakdown of financial instruments

The Company's financial assets substantially include cash and cash equivalents, financial investment earmarked for loans, trade accounts receivable, and transactions with related parties. The Company's financial liabilities substantially include trade payables, loans and financing, lease liabilities and accounts payable and intercompany loans.

Offset of financial instruments

Financial assets or financial liabilities are offset and the net amount is reported in the statement of financial position if, and only if, there is a currently enforceable legal right to offset the recognized amounts and there is an intention to settle on a net basis, to realize the assets and settle the liabilities simultaneously.

Other financial liabilities

Other financial liabilities are measured at amortized cost using the effective interest method.

The effective interest rate method is used to calculate amortized cost of a financial liability and allocate the interest expense over the related period. The effective interest rate is the rate that exactly discounts estimated future cash flows (including all fees and charges paid or received that are part of the effective interest rate, transaction costs and other premiums or discounts) over the estimated life of the financial liability or, when applicable, over a shorter period, for initial recognition of the net book value.

5. Significant accounting policies (Continued)

b) Financial instruments (Continued)

Impairment

CPC 48 (IFRS 09) replaced the incurred loss model with a prospective expected loss model. This new approach requires significant judgment on how changes in economic factors affect expected credit losses, which will be determined based on weighted probabilities.

The Company recognizes an allowance for expected credit losses on financial assets measured at amortized cost. Expected credit losses are a probability-weighted estimate of credit losses. The Company measures the allowance for losses on trade accounts receivable at an amount equivalent to lifetime expected credit losses that result from all possible default events over the expected life of the financial instrument.

For trade accounts receivable and contract assets, the Company applies a simplified approach for calculating expected credit losses. As such, the Company does not follow the changes in credit risk, but records allowance for losses based on lifetime expected credit losses at each base date. The Company established a provision matrix based on its historical losses on receivables, adjusted to specific prospective factors for debtors and the economic environment.

The Company considers a financial asset in default when contractual payments are 120 days past due. However, in certain cases, the Company may also consider a financial asset to be in default when internal or external information indicates that the Company is unlikely to receive the outstanding contractual amounts in full before taking into account any credit enhancements held by the Company. A financial asset is written off when there is no reasonable expectation of recovering the contractual cash flows.

The Company does not expect any significant recovery of the amount written off. However, financial assets written off may still be subject to credit collection, in compliance with procedures of the Company for the recovery of the amounts due.

The Company also records provision for sales returns based on the history of its operations. The provision for returns is set up in accordance with the scope of the CPC 47 model, on recognition of the right to return. The calculation is made considering the average return period of 45 days over the annual return margin.

5. Significant accounting policies (Continued)

b) Financial instruments (Continued)

Cash and cash equivalents

Cash and cash equivalents comprise cash and financial investment balances with original short-term maturities, subject to insignificant risk of change in value and used in the management of short-term obligations.

Trade accounts receivable

These are accounted for at fair value and classified as trade accounts receivable as they represent fixed and determinable rights, not quoted in an active market. They are measured at amortized cost, not subject to interest, and are usually settled within a period of less than 90 days. The book value substantially represents the present value at the statement of financial position date.

Trade payables

Trade accounts payable are obligations payable to suppliers for goods or services arising in the ordinary course of business. They are initially recognized at fair value and subsequently measured at amortized cost using the effective interest method. In practice, these obligations are usually recognized at the amount of the corresponding invoice.

Inventories are stated at the lower of cost or net realizable value. Inventories are valued using the moving weighted average method. The cost of finished products and work-in-process comprise design costs, raw material, direct labor, other direct costs and overall production-related expenses (considering the normal operating capacity). Net realizable value is the estimated selling price in the ordinary course of business, less estimated costs of completion and the estimated costs necessary to make the sale.

The provision for inventory losses is recorded considering the criteria disclosed in Note 7.m.

c) Property, plant and equipment

Land and buildings mainly comprise plants and offices. Property, plant and equipment items are measured at cost, less accumulated depreciation. Such cost includes expenses directly attributable to the acquisition of assets.

5. Significant accounting policies (Continued)

c) Property, plant and equipment (Continued)

Subsequent costs are included in an asset's carrying amount or recognized as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Company, and the cost of the item can be measured reliably. The book value of replaced items or parts is written off. All other repair and maintenance costs are matched against profit or loss accounts, as incurred.

Land is not subject to depreciation. Depreciation of other assets in 2022 and 2021 is calculated using the straight-line method considering the costs and residual values throughout the estimated useful life of the assets, as follows:

	Years 2022 and 2021
Aircraft	15
Improvements	11
Buildings	43
Machinery	16
Vehicles	8
Furniture, fixtures, and equipment	14

The residual values and useful lives of property, plant and equipment items are reviewed and adjusted, if necessary, at each year end. The carrying amount of an asset is immediately written down to its recoverable amount when the carrying amount is higher than the estimated recoverable amount.

Any gain or loss arising on disposal of the asset (calculated as the difference between the net disposal proceeds and the carrying amount of the asset) is included in the statement of profit or loss as Other operating income (expenses), net.

d) Intangible assets

i) *Software*

Software licenses are capitalized based on software acquisition costs and further expenses incurred to prepare it for use. These costs are amortized over the software's estimated useful life (three to five years).

Software maintenance costs are recognized as expenses, when incurred.

5. Significant accounting policies (Continued)

e) Impairment of nonfinancial assets

At each reporting date, the carrying amount of nonfinancial assets (other than biological assets, investment properties, inventories, contract assets and deferred tax assets) are reviewed to determine whether there is any indication of impairment. If any such indication exists, then the asset's recoverable amount is estimated.

For the purpose of impairment testing, assets are grouped together into cash-generating units (CGUs), i.e., the smallest group of assets that generates cash inflows from continuing use that are largely independent of the cash inflows of other assets or cash-generating units (CGUs).

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

An impairment loss is recognized if the carrying amount of an asset or its CGU exceeds its estimated recoverable amount.

f) Leases

The Group applied CPC 06 (R2) - Leases using the modified retrospective approach. Therefore, the corresponding figures have not been restated and are presented in accordance with CPC 06(R2). Details of the accounting policies under CPC 06(R2) are disclosed separately.

Accounting policies applicable as of January 1, 2019

The Company assesses at contract inception whether a contract is, or contains, a lease. A contract is, or contains, a lease if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration. To assess whether a contract conveys the right to control the use of an identified asset, the Company uses the definition of a lease in CPC 06(R2). This policy applies to contracts entered into as of January 1, 2019.

5. Significant accounting policies (Continued)

f) Leases (Continued)

As a lessee

At commencement or on modification of a contract that contains a lease component, the Company allocates the consideration in the contract to each lease component on the basis of its relative standalone price. However, for leases of property the Company has elected not to separate non-lease components and account for the lease and associated non-lease components as a single lease component.

The Group recognizes a right-of-use asset and a lease liability at the lease commencement date. The right of use asset is initially measured at cost, which comprises the initial amount of the lease liability adjusted for any lease payments made at or before the commencement date, plus any initial direct costs incurred by the lessee and an estimate of costs to be incurred by the lessee to dismantle and remove the underlying asset, restore the site on which it is located or restore the underlying asset to the condition under the terms and conditions of the lease, less any lease incentive received.

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

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

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

(In thousands of reais, unless otherwise stated)

5. Significant accounting policies (Continued)

f) Leases (Continued)

As a lessee (Continued)

When measuring lease liabilities for leases that were classified as operating leases, the Company discounted lease payments using its incremental borrowing rate. The discount rates used are shown below:

	Contracts - 2022	Contracts - 2021
Within 1 year	**15.16%**	9.35%
Up to 2 years	**14.97%**	10.24%
Up to 5 years	**13.93%**	10.95%
Up to 10 years	**14.04%**	11.57%
Up to 20 years	**14.15%**	11.98%
More than 20 years	**14.15%**	11.98%

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

- Fixed payments, including in-substance fixed payments;
- Variable lease payments that depend on an index or a rate, initially measured using the index or rate as at the commencement date;
- Amounts expected to be payable by the lessee under residual value guarantees; and
- The exercise price of a purchase option if the lessee is reasonably certain to exercise that option, and payments of penalties for terminating the lease, if the lease term reflects the lessee exercising an option to terminate the lease.

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

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

5. Significant accounting policies (Continued)

f) Leases (Continued)

As a lessee (Continued)

The Group presents right-of-use assets that do not meet the definition of investment property in “property, plant and equipment” and lease liabilities in “loans and financing” in the statement of financial position.

Short-term leases and leases of low-value assets

The Company has elected not to recognize right-of-use assets and lease liabilities for leases of low-value assets and short-term leases (less than 12 months), including IT equipment. The Company recognizes the lease payments associated with these leases as an expense on a straight-line basis over the lease term.

For contracts entered into before January 1, 2019, the Company determined whether the arrangement was or contained a lease based on the assessment of whether:

- fulfilment of the arrangement was dependent on the use of a specific asset or assets; and
- the arrangement had conveyed a right to use the asset. An arrangement conveyed the right to use the asset if one of the following was met:
- the purchaser had the ability or right to operate the asset while obtaining or controlling more than an insignificant amount of the output or other utility of the asset;
- the purchaser had the ability or right to control physical access to the asset while obtaining or controlling more than an insignificant amount of the output or other utility of the asset; or
- facts and circumstances indicate that it is remote that one or more parties other than the purchaser will take more than an insignificant amount of the output or other utility that will be produced or generated by the asset during the term of the arrangement, and the price that the purchaser will pay for the output is neither contractually fixed per unit of output nor equal to the current market price per unit of output as of the time of delivery of the output.

Assets held under other leases were classified as operating leases and were not recognized in the Company’s statement of financial position. Payments made under operating leases were recognized in the statement of profit or loss on a straight-line basis over the term of the lease. Lease incentives received were recognized as an integral part of the total lease expense, over the term of the lease.

5. Significant accounting policies (Continued)

g) Employee benefits

Short-term benefits to employees

Obligations arising from short-term employee benefits are measured on an undiscounted basis and are incurred as expenses as the related service is provided. A liability is recognized for the expected payments if the Company has a present legal or constructive obligation to pay for employee benefits as a result of past services rendered by the employee, and when a reliable estimate can be made for the obligation.

Profit sharing

The Company recognizes a liability and a profit sharing expense where contractually obliged or where there is a past practice that has created a constructive obligation.

h) Revenue from contracts with customers

The Company initially adopted CPC 47 - Revenue from Contracts with Customers in 2018 using the retrospective method and establishes a comprehensive framework to determine if and when revenue is recognized, and how revenue is measured. It replaced CPC 30 – Revenue, and CPC 17 - Construction Contracts, and related interpretations.

Under CPC 47, revenue should be recognized when (or as) the Company satisfies a performance obligation by transferring a promised good or service (i.e., an asset) to a customer. An asset is transferred when (or as) the customer obtains control of that asset, which can be at a specific point in time or over time – this requires judgment.

The Group operates in the pharmaceutical industry, by supplying generic drugs in general. Revenue from contracts with customers is recognized when control of the products sold is transferred to the customer at an amount that reflects the consideration to which the Group expects to be entitled in exchange for those products.

5. Significant accounting policies (Continued)

h) Revenue from contracts with customers (Continued)

Rights of return

The Group uses the expected value method to estimate the variable consideration given the large number of contracts that have similar characteristics. The Group then applies the requirements of CPC 47 on constraining estimates of variable consideration in order to determine the amount of variable consideration that can be included in the transaction price and recognized as revenue. A refund liability is recognized for the goods that are expected to be returned (i.e., the amount not included in the transaction price). A right of return asset (and corresponding adjustment to cost of sales) is also recognized for the right to recover the goods from the customer.

Volume rebates

The Group provides retrospective volume rebates to certain customers once the quantity of products purchased during the period exceeds a threshold specified in the contract. Rebates are offset against amounts payable by the customer. The Group applies either the most likely amount method or the expected value method to estimate the variable consideration in the contract. The selected method that best predicts the amount of variable consideration is primarily driven by the number of volume thresholds contained in the contract.

i) Finance income and finance costs

Finance income includes income from short-term bank deposits, interest on trade notes receivable, discounts obtained, exchange differences, and other finance income. Interest income is recognized in the statement of profit or loss using the effective interest method.

Finance costs include interest payable on loans, exchange differences, discounts granted and other finance costs.

5. Significant accounting policies (Continued)

j) Government grants

Government grants are recognized when there is reasonable certainty that the benefit will be received and that all the related conditions will be met. When the grant relates to an expense item, it is recognized as income on a systematic basis over the periods that the related costs, for which it is intended to offset, are expensed.

The Company has a line of credit government grant under the Federal District Fostering Program for the Sustainable Integrated Economic Development (PRÓ-DF), granted in the form of a subsidized loan obtained from Banco Regional de Brasília (BRB). The economic benefit obtained is accounted for as deferred revenue and recorded in the statement of profit or loss for equal amounts as allowed by the Pro-DF program for the settlement of payments and regularization of the grant.

The Company considers the terms, conditions and obligations it must comply with when identifying the costs vis-à-vis the economic benefit obtained. The effects of this calculation were recorded in the statement of profit or loss for the year, under “Deductions from revenue”, since the subsidized loan originates from a credit operation on the State Value Added Tax (ICMS) generated on imports. Interest incurred over the life of the loan agreements is recorded in finance costs. The deferred revenue will be recovered as soon as the Company obtains authorization to settle some remaining installment payments.

Because of its activities in the pharmaceutical industry in the state of São Paulo, the Company is a beneficiary of Supplementary Law No. 160. Under applicable law, the Company benefits from ICMS tax exemption on the sale of certain products.

k) Current and deferred income and social contribution taxes

Current and deferred income taxes comprise both income and social contribution taxes. Income tax is calculated at a rate of 15%, plus 10% surtax on taxable profit exceeding R$240, whereas social contribution tax is computed at a rate of 9% on taxable profit. These consider offset of income and social contribution tax losses, limited to 30% of annual taxable profit, if any.

5. Significant accounting policies (Continued)

k) Current and deferred income and social contribution taxes (Continued)

Tax expenses for the period comprise current and deferred income and social contribution taxes. Income and social contribution taxes are recognized in the statement of profit or loss, except to the extent that they refer to items directly recognized in equity or in comprehensive income, if any.

i) *Current income and social contribution tax expenses*

Current tax expenses are the expected taxes payable or receivable on the taxable profit or loss for the year, and any adjustment to taxes payable in respect of previous years. The amount of current taxes payable or receivable is recognized in the statement of financial position as a tax asset or liability using the best estimate of the expected amount of taxes to be paid or received that reflects the uncertainties related to their calculation, if any. It is measured based on tax rates enacted as at the reporting date. Current tax assets and liabilities are offset only if certain criteria are met.

ii) *Impacts on IRPJ and CSLL tax bases arising from the benefit granted by the São Paulo State Government*

As mentioned in note 7g, because of its activities in the pharmaceutical industry in the state of São Paulo, the Company is exempt from ICMS on the sale of certain products.

For purposes of computing corporate income tax (IRPJ) and social contribution tax on net profits (CSLL), as defined in article 30 of Law No. 12973/2014, the government grants offered to encourage the implementation or expansion of business ventures and the donations made by the government will not be considered for deriving taxable profits, provided that some requirements set out in this article are met.

Thus, the amounts recorded by the Company in 2022 and 2021 in connection with government grants should not impact the IRPJ and CSLL tax bases, which is why they were excluded therefrom.

5. Significant accounting policies (Continued)

k) Current and deferred income and social contribution taxes (Continued)

iii) *Deferred income and social contribution tax expenses*

Deferred income and social contribution taxes are recognized on temporary differences between the carrying amount of assets and liabilities for accounting purposes and the amounts used for tax purposes. Changes in deferred tax assets and liabilities for the year are recognized as deferred income and social contribution tax expenses.

Deferred tax assets are recognized on deductible temporary differences to the extent that it is probable that taxable profit will be available against which they will be utilized. Future taxable profit is determined based on the reversal of relevant taxable temporary differences. If the amount of taxable temporary differences is insufficient to fully recognize a deferred tax asset, future taxable profit, adjusted for reversals of existing temporary differences, will be considered based on the Company's business plans.

Deferred income and social contribution tax assets and liabilities are stated at the net amount in the statement of financial position if there is a legally enforceable right and the intention to settle them when computing current taxes usually relating to the same legal entity and the same taxation authority.

l) Provisions

A provision is recognized if, as a result of a past event, the Group has a legal or constructive obligation that can be estimated reliably, and it is probable that an outflow of economic benefits will be required to settle the obligation. The criteria for recognition of the major provisions are presented below:

Provision for impairment losses on receivables (Note 12)

The provision for impairment losses on receivables is recognized in accordance with the scope of the CPC 48 impairment model, as described in Note 7(b) - Impairment of financial assets. Accounts receivable from related parties are not included in the provision.

5. Significant accounting policies (Continued)

l) Provisions (Continued)

Provision for returns (Notes 12 and 13)

The provision for returns is set up in accordance with the scope of the CPC 47 model, on recognition of the right to return. The calculation is made considering the average return period of 45 days over the annual return margin.

Provision for inventory losses (Note 13)

The provision is recognized based on the internal policy defined by the Group, which takes into account the losses on realization of inventories. These losses may be related to batches of drugs that are expired and that will expire within 180 days, and products used in research and development.

Provision for losses on legal proceedings (Note 21)

The Group is a party to legal and administrative proceedings. Based on the assessment of internal and external advisors, the provisions are recorded for all risks referring to legal proceedings representing probable losses and are estimated with a certain degree of reliability.

Assessment of the likelihood of loss includes an analysis of available evidence, the hierarchy of laws, available case law, the most recent court decisions and their relevance in the legal system.

m) Distribution of dividends and interest on equity

Dividend distribution to the Company's shareholders is recognized as a liability in the Group's year-end financial statements, according to the Company's Bylaws. Any amount that exceeds the minimum mandatory dividend is accrued on the date it is approved by the shareholders.

n) Financial guarantees

A financial guarantee is a contract that requires the issuer (Group) to make specified payments to reimburse the holder of the financial guarantee for a loss it incurs because a specified debtor fails to make payment when due in accordance with the terms of a debt instrument.

5. Significant accounting policies (Continued)

n) Financial guarantees (Continued)

Financial guarantee liabilities are initially recognized at fair value and then amortized over the life of the financial guarantee. Subsequent to initial recognition, the financial guarantee liability is measured at the higher of the amortized value and the present value of any expected payment (when a payment under the guarantee has become probable).

As at December 31, 2022 and 2021, the Company did not recognize the fair values of its financial guarantees as they were considered to have a low credit risk because of the issuer. The operations in which the Group acts as a guarantor are detailed in Note 9 - Financial risk management.

o) Statement of cash flows

The statement of cash flows was prepared and is being presented in accordance with accounting pronouncement CPC 03 (IAS 7) – Statement of Cash Flows, issued by the Brazilian FASB (CPC), and reflects the changes in cash and cash equivalents that took place in the reported years. The Group classifies dividends received as an investment activity and not as an operating activity in line with the Group’s internal cash flow strategy.

6. New standards and interpretations

6.1. New or revised standards applied for the first time in 2022

The Group applied for the first time certain standards and amendments to standards effective for annual periods beginning on or after January 1, 2022 (unless otherwise stated). The Group decided against the early adoption of any other standard, interpretation or amendment issued that is not already in force.

Amendments to CPC 37 (R1), CPC 48, CPC 29, CPC 27, CPC 25 and CPC 15 (R1)

The amendments to the abovementioned pronouncements are due to the annual amendments related to the cycle of improvements between 2018 and 2020, such as:

- Onerous contract – costs of fulfilling a contract;
- Property, plant and equipment – proceeds before the intended use; and
- References to the Conceptual Framework.

6. New standards and interpretations (Continued)

6.1. New or revised standards applied for the first time in 2022 (Continued)

Amendments to CPC 37 (R1), CPC 48, CPC 29, CPC 27, CPC 25 and CPC 15 (R1) (Continued)

The effectiveness of these amendments must be established by the regulatory bodies that approve them, and, for full compliance with the international accounting standards, the entity must apply these amendments in annual periods beginning on or after January 1, 2022.

Onerous contract – costs of fulfilling a contract

An onerous contract is a contract under which the unavoidable costs (i.e., the costs that the Company cannot avoid because it has the contract) of meeting the obligations under the contract exceed the economic benefits expected to be received under it.

The amendments specify that, in assessing whether a contract is onerous or loss-making, the entity must include the costs that relate directly to the contract for the provision of goods or services, including incremental costs of fulfilling that contract (examples would be direct labor, materials) or an allocation of other costs that relate directly to fulfilling contracts (an example would be the allocation of the depreciation charge for an item of property, plant and equipment used in fulfilling the contract and costs incurred to manage and supervise the contract). General and administrative costs are not directly related to a contract and are excluded unless explicitly charged to the counterparty under the terms of the contract.

These amendments had no impact on the Group's financial statements since no onerous contracts have been identified.

References to the Conceptual Framework

The amendments replace a reference to a previous version of the IASB's Conceptual Framework with a reference to the current version issued in March 2018 without significantly changing its requirements.

6. New standards and interpretations (Continued)

6.1. New or revised standards applied for the first time in 2022 (Continued)

References to the Conceptual Framework (Continued)

The amendments add an exception to the recognition principle of IFRS 3 Business Combinations (equivalent to CPC 15 (R1) – Business Combinations) to avoid the issue of potential 'day 2' gains or losses arising for liabilities and contingent liabilities that would be within the scope of IAS 37 Provisions, Contingent Liabilities and Contingent Assets (equivalent to CPC 25 – Provisions, Contingent Liabilities and Contingent Assets) or IFRIC 21 Levies, if incurred separately. The exception requires entities to apply the criteria in IAS 37 or IFRIC 21, respectively, instead of the Conceptual Framework, to determine whether a present obligation exists at the acquisition date.

The amendments also add a new paragraph to IFRS 3 to clarify that contingent assets do not qualify for recognition at the acquisition date.

In accordance with the transitional provisions, the Company applies the amendments prospectively, i.e., to business combinations occurring after the beginning of the annual reporting period in which it first applies the amendments (the date of initial application).

These amendments had no impact on the financial statements of the Group as there were no contingent assets, liabilities or contingent liabilities within the scope of these amendments that arose during the period.

IFRS 1 First-time Adoption of International Financial Reporting Standards – Subsidiary as a first-time adopter

The amendment permits a subsidiary that elects to apply paragraph D16(a) of IFRS 1 (equivalent to CPC 37 (R1) – First-time Adoption of International Accounting Standards) to measure cumulative translation differences using the amounts reported in the parent's consolidated financial statements, based on the parent's date of transition to IFRS, if no adjustments were made for consolidation procedures and for the effects of the business combination in which the parent acquired the subsidiary. This amendment is also applied to an associate or joint venture that elects to apply paragraph D16(a) of IFRS 1.

These amendments had no impact on the Group's financial statements since the Group is not a first-time adopter.

6. New standards and interpretations (Continued)

6.1. New or revised standards applied for the first time in 2022 (Continued)

IFRS 9 Financial Instruments – Fees in the '10 per cent' test for derecognition of financial liabilities (equivalent to CPC 48 – Financial Instruments)

The amendment clarifies the fees that an entity includes when assessing whether the terms of a new or modified financial liability are substantially different from the terms of the original financial liability. These fees include only those paid or received between the borrower and the lender, including fees paid or received by either the borrower or lender on the other's behalf.

In accordance with the transitional provisions, the Group applies the amendment to financial liabilities that are modified or exchanged on or after the beginning of the annual reporting period in which the entity first applies the amendment (the date of initial application). These amendments had no impact on the financial statements as there were no modifications of the financial instruments during the period.

IAS 41 Agriculture – Taxation in fair value measurements (equivalent to CPC 29 - Biological Assets and Agricultural Produce)

The amendment removes the requirement in paragraph 22 of IAS 41 that entities exclude cash flows for taxation when measuring the fair value of assets within the scope of IAS 41.

These amendments had no impact on the Group's financial statements since it did not have assets within the scope of IAS 41 at the reporting date.

6.2. Standards issued but not yet effective

The new and amended standards and interpretations issued but not yet in effect until the financial statements issue date are described below. The Group intends to adopt these new and amended standards and interpretations, if applicable, when they become effective.

6. New standards and interpretations (Continued)

6.2. Standards issued, but not yet effective (Continued)

IFRS 17 - Insurance Contracts

In May 2017, the IASB issued IFRS 17 - Insurance Contracts (CPC 50 - Insurance Contracts, which replaced CPC 11 - Insurance Contracts), a new comprehensive standard for accounting for insurance contracts that includes recognition and measurement, presentation and disclosure. Upon taking effect, IFRS 17 (CPC 50) replaced IFRS 4 - Insurance Contracts (CPC 11), issued in 2005. IFRS 17 applies to all types of insurance contracts (i.e., life, nonlife, direct insurance and reinsurance), regardless of the type of entity that issues them, as well as to certain guarantees and financial instruments with discretionary participation features. A few scope exceptions will apply. The overall objective of IFRS 17 is to provide an accounting model for insurance contracts that is more useful and consistent for insurers. In contrast to the requirements in IFRS 4, which are largely based on grandfathering previous local accounting policies, IFRS 17 provides a comprehensive model for insurance contracts, covering all relevant accounting aspects. The core of IFRS 17 is the general model, supplemented by:

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

IFRS 17 and CPC 50 are effective for periods beginning on or after January 01, 2023, and presentation of amounts for comparison purposes is required. Early application is permitted, provided the entity also applies IFRS 9 and IFRS 15 on or before the date it first applies IFRS 17. This standard is not applicable to the Group.

Amendments to IAS 1: Classification of liabilities as current or noncurrent (equivalent to review 20 of the Brazilian FASB (CPC))

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

- What is meant by a right to defer settlement;
- That a right to defer must exist at the end of the reporting period;
- That classification is unaffected by the likelihood that an entity will exercise its deferral right; and

6. New standards and interpretations (Continued)

6.2. Standards issued, but not yet effective (Continued)

Amendments to IAS 1: Classification of liabilities as current or noncurrent (equivalent to review 20 of the Brazilian FASB (CPC)) (Continued)

That only if an embedded derivative in a convertible liability is itself an equity instrument would the terms of a liability not impact its classification.

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

Amendments to IAS 8: Definition of accounting estimates (equivalent to review 20 of the Brazilian FASB (CPC)

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

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

These amendments are not expected to have a significant impact on the Group's financial statements.

Amendments to IAS 1 and IFRS Practice Statement 2: Disclosure of accounting policies (equivalent to review 20 of the Brazilian FASB (CPC)

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

6. New standards and interpretations (Continued)

6.2. Standards issued, but not yet effective (Continued)

Amendments to IAS 1 and IFRS Practice Statement 2: Disclosure of accounting policies (equivalent to review 20 of the Brazilian FASB (CPC) (Continued)

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

The Group is currently revisiting their accounting policy information disclosures to ensure consistency with the amended requirements.

Amendments to IAS 12: Deferred Tax related to Assets and Liabilities arising from a Single Transaction (equivalent to review 20 of the Brazilian FASB (CPC)

In May 2021, the Board issued amendments to IAS 12, which narrow the scope of the initial recognition exception under IAS 12, so that it no longer applies to transactions that give rise to equal taxable and deductible temporary differences.

The amendments should be applied to transactions that occur on or after the beginning of the earliest comparative period presented. In addition, at the beginning of the earliest comparative period presented, a deferred tax asset (provided that sufficient taxable profit is available) and a deferred tax liability should also be recognized for all deductible and taxable temporary differences associated with leases and decommissioning obligations. The Group is currently assessing the impact of the amendments.

7. Financial risk management

The Group is exposed to the following risks arising from the use of financial instruments:

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

7. Financial risk management (Continued)

a) Overview

The risk management policies are established in order to identify and assess the risks faced by the Company and its subsidiaries, to set appropriate limits and risk controls, and to monitor risks and adherence to limits. These risk management systems and policies are regularly reviewed to reflect changes in market conditions and in the Group's activities. Risks are managed by the Group's central treasury function, based on the policies approved by the Board of Directors. The Group's Treasury Department identifies, evaluates and hedges the entities against any financial risks in cooperation with the Group's operational units.

The Group's Board of Directors establishes principles for overall risk management, as well as for specific areas, such as currency risk, interest rate risk, credit risk, and investment of cash surplus.

b) Market risk

Market risk is the risk that changes in market prices - such as foreign currency and interest rates - will affect the Group's income or the value of its financial instruments. The purpose of market risk management is to manage and control exposures to market risks within acceptable standards while optimizing returns.

The Group uses derivatives to manage market risks in connection with some transactions. All of the transactions are performed under the guidelines established by management.

i) *Currency risk*

The Group operates internationally and is exposed to currency risk arising from exposure to certain currencies, substantially to the US dollar (USD). Currency risk arises from transactions with foreign suppliers and customers.

Management established a policy that requires the Group companies to manage their currency risk in relation to their functional currency. The policy is to protect approximately 50% of the forecast cash flows (mainly for the acquisition of raw materials).

(In thousands of reais, unless otherwise stated)

7. Financial risk management (Continued)

b) Market risk (Continued)

i) *Currency risk* (Continued)

The exposure to foreign currency risk (net) is shown below:

	Individual			
	2022		2021	
	Foreign currency	**Reais**	**Foreign currency**	**Reais**
Trade accounts receivable	**1,811**	**9,058**	1,420	6,465
Trade payables	**(19,235)**	**(108,444)**	(15,400)	(87,571)
Finance lease	**-**	**-**	(47,413)	(264,591)
Net exposure	**(17,424)**	**(99,386)**	(61,393)	(345,697)

	Consolidated			
	2022		2021	
	Foreign currency	**Reais**	**Foreign currency**	**Reais**
Trade accounts receivable	**4,988**	**25,098**	1,420	6,465
Trade payables	**(19,250)**	**(108,523)**	(15,400)	(88,234)
Finance lease	**-**	**-**	(47,413)	(264,591)
Net exposure	**(14,262)**	**(83,425)**	(61,393)	(346,360)

ii) *Sensitivity analysis - currency risk*

For purposes of sensitivity analysis of market risks, the Group analyzes both asset and liability positions indexed to foreign currency.

For the sensitivity analysis of transactions indexed to foreign currency, management adopted the related carrying amounts as the probable scenario. As a reference, the other scenarios considered the devaluation and appreciation of the exchange rate used to calculate the amounts stated in the accounting records. The probable scenario considered an appreciation and devaluation of the real by 25% and 50%, respectively.

The methodology for deriving the figures shown in the table consisted of replacing the closing exchange rate used for accounting purposes with the stressed rates according to the scenarios below.

(In thousands of reais, unless otherwise stated)

7. **Financial risk management** (Continued)

b) Market risk (Continued)

ii) *Sensitivity analysis - currency risk* (Continued)

This table shows the potential impacts on profit or loss considering the scenarios adopted for the transactions indexed to the US dollar:

Individual

Risk	Type	Exposure	Original exposure (R$)	Effective rate at 12/31/22	Probable Amount	25% appreciation %	25% appreciation Amount	50% appreciation %	50% appreciation Amount
Increase in USD	Trade accounts receivable	1,779	8,886	5.22	396	6.52	2,717	7.83	5,037
Increase in Euro	Trade accounts receivable	32	172	5.57	6	6.96	51	8.35	95
Increase in USD	Trade payables	(14,991)	(83,624)	5.22	5,405	6.52	(14,149)	7.83	(33,704)
Increase in Euro	Trade payables	(4,244)	(24,820)	5.57	1,183	6.96	(4,726)	8.35	(10,635)
		(17,424)	(99,386)		6,990		(16,107)		(39,207)

Risk	Type	Exposure	Original exposure (R$)	Effective rate at 12/31/22	Probable Amount	25% devaluation %	25% devaluation Amount	50% devaluation %	50% devaluation Amount
Decrease in USD	Trade accounts receivable	1,779	8,886	5.22	396	3.91	(1,924)	2.61	(4,245)
Decrease in Euro	Trade accounts receivable	32	172	5.57	6	4.18	(38)	2.78	(83)
Decrease in USD	Trade payables	(14,991)	(83,624)	5.22	5,405	3.91	24,960	2.61	44,515
Decrease in Euro	Trade payables	(4,244)	(24,820)	5.57	1,183	4.18	7,093	2.78	13,002
		(17,424)	(99,386)		6,990		30,091		53,189

Individual

Risk	Type	Exposure	Original exposure (R$)	Effective rate at 12/31/21	Probable Amount	25% appreciation %	25% appreciation Amount	50% appreciation %	50% appreciation Amount
Increase in USD	Trade accounts receivable	1,420	6,465	5.58	1,459	6.98	3,440	8.37	5,421
Increase in USD	Finance lease	(47,413)	(264,591)	5.58	-	6.98	(66,148)	8.37	(132,295)
Increase in USD	Trade payables	(13,244)	(73,233)	5.58	(675)	6.98	(19,152)	8.37	(37,629)
Increase in Euro	Trade payables	(2,156)	(14,338)	6.32	710	7.90	(2,697)	9.48	(6,104)
		(61,393)	(345,697)		1,494		(84,557)		(170,607)

Risk	Type	Exposure	Original exposure (R$)	Effective rate at 12/31/21	Probable Amount	25% devaluation %	25% devaluation Amount	50% devaluation %	50% devaluation Amount
Decrease in USD	Trade accounts receivable	1,420	6,465	5.58	1,459	4.19	(522)	2.79	(2,503)
Decrease in USD	Finance lease	(47,413)	(264,591)	5.58	-	4.19	66,148	2.79	132,296
Decrease in USD	Trade payables	(13,244)	(73,233)	5.58	(675)	4.19	17,802	2.79	36,279
Decrease in Euro	Trade payables	(2,156)	(14,338)	6.32	710	4.74	4,117	3.16	7,524
		(61,393)	(345,697)		1,494		87,545		173,596

7. **Financial risk management** (Continued)

(In thousands of reais, unless otherwise stated)

b) Market risk (Continued)

ii) *Sensitivity analysis - currency risk* (Continued)

Consolidated

Risk	Type	Exposure	Original exposure (R$)	Effective rate at 12/31/22	Probable Amount	25% appreciation %	25% appreciation Amount	50% appreciation %	50% appreciation Amount
Increase in USD	**Trade accounts receivable**	**4,956**	**24,925**	**5.22**	**934**	**6.52**	**7,399**	**7.83**	**13,863**
Increase in Euro	**Trade accounts receivable**	**32**	**172**	**5.57**	**6**	**6.96**	**51**	**8.35**	**95**
Increase in USD	**Trade payables**	**(15,006)**	**(83,703)**	**5.22**	**5,406**	**6.52**	**(14,168)**	**7.83**	**(33,742)**
Increase in Euro	**Trade payables**	**(4,244)**	**(24,820)**	**5.57**	**1,183**	**6.96**	**(4,726)**	**8.35**	**(10,635)**
		(14,262)	**(83,426)**		**7,529**		**(11,444)**		**(30,419)**

Risk	Type	Exposure	Original exposure (R$)	Effective rate at 12/31/22	Probable Amount	25% devaluation %	25% devaluation Amount	50% devaluation %	50% devaluation Amount
Decrease in USD	**Trade accounts receivable**	**4,956**	**24,925**	**5.22**	**934**	**3.91**	**(5,531)**	**2.61**	**(11,996)**
Decrease in Euro	**Trade accounts receivable**	**32**	**172**	**5.57**	**6**	**4.18**	**(38)**	**2.78**	**(83)**
Decrease in USD	**Trade payables**	**(15,006)**	**(83,703)**	**5.22**	**5,406**	**3.91**	**24,980**	**2.61**	**44,555**
Decrease in Euro	**Trade payables**	**(4,244)**	**(24,820)**	**5.57**	**1,183**	**4.18**	**7,093**	**2.78**	**13,002**
		(14,262)	**(83,426)**		**7,529**		**26,504**		**45,478**

Consolidated

Risk	Type	Exposure	Original exposure (R$)	Effective rate at 12/31/21	Probable Amount	25% appreciation %	25% appreciation Amount	50% appreciation %	50% appreciation Amount
Increase in USD	Trade accounts receivable	1,420	6,465	5.58	1,459	6.98	3,440	8.37	5,421
Increase in USD	Finance lease	(47,413)	(264,591)	5.58	-	6.98	(66,148)	8.37	(132,295)
Increase in USD	Trade payables	(13,259)	(73,896)	5.58	(96)	6.98	(18,594)	8.37	(37,092)
Increase in Euro	Trade payables	(2,156)	(14,338)	6.32	710	7.90	(2,697)	9.48	(6,104)
		(61,408)	(346,360)		2,073		(83,999)		(170,070)

Risk	Type	Exposure	Original exposure (R$)	Effective rate at 12/31/21	Probable Amount	25% devaluation %	25% devaluation Amount	50% devaluation %	50% devaluation Amount
Decrease in USD	Trade accounts receivable	1,420	6,465	5.58	1,459	4.19	(522)	2.79	(2,503)
Decrease in USD	Finance lease	(47,413)	(264,591)	5.58	-	4.19	66,148	2.79	132,296
Decrease in USD	Trade payables	(13,259)	(73,896)	5.58	(96)	4.19	18,402	2.79	36,900
Decrease in Euro	Trade payables	(2,156)	(14,338)	6.32	710	4.74	4,117	3.16	7,524
		(61,408)	(346,360)		2,073		88,145		174,217

(In thousands of reais, unless otherwise stated)

b) Market risk (Continued)

iii) *Interest rate risk*

For purposes of testing the sensitivity to interest rate risks, the Group considers its exposure to the fluctuation of the Certificate of Interbank Deposit (CDI), a floating rate to which short-term investments and loans are indexed. The interest rates did not change in these scenarios.

For the sensitivity analysis of interest rates on loans and short-term investments, management adopted the related carrying amounts as the probable scenario. As a reference, the other scenarios considered the devaluation and appreciation of the floating interest rate used to calculate the amounts stated in the accounting records. The probable scenario considered an appreciation and devaluation by 25% and 50%, respectively.

This table shows the potential impacts on profit or loss considering the scenarios adopted for these transactions:

Exposure and sensitivity analysis - interest rate risk

				Individual					
				Effective rate	Probable	25% appreciation		50% appreciation	
Exposure	Risk	Type	Maturity	12/31/22	Amount	%	Amount	%	Amount
69	Increase in CDI	Investment (assets)	10/01/2046	10.92%	8	13.65%	9	16.38%	11
217,972	Increase in CDI	Investment (assets)	12/29/2027	13.65%	29,753	17.06%	37,191	20.48%	44,630
236	Increase in CDI	Investment (assets)	10/02/2023	13.79%	33	17.23%	41	20.68%	49
980	Increase in CDI	Investment (assets)	06/21/2023	14.33%	140	17.92%	176	21.50%	211
219,257					29,934		37,417		44,901

				Individual					
				Effective rate	Probable	25% devaluation		50% devaluation	
Exposure	Risk	Type	Maturity	12/31/22	Amount	%	Amount	%	Amount
69	Decrease in CDI	Investment (assets)	10/01/2046	10.92%	8	8.19%	6	5.46%	4
217,972	Decrease in CDI	Investment (assets)	12/29/2027	13.65%	29,753	10.24%	22,315	6.83%	14,877
236	Decrease in CDI	Investment (assets)	10/02/2023	13.79%	33	10.34%	24	6.89%	16
980	Decrease in CDI	Investment (assets)	06/21/2023	14.33%	140	10.75%	105	7.17%	70
219,257					29,934		22,450		14,967

7. Financial risk management (Continued)

b) Market risk (Continued)

(In thousands of reais, unless otherwise stated)

iii) *Interest rate risk* (Continued)

Exposure and sensitivity analysis - interest rate risk (Continued)

Individual

Exposure	Risk	Type	Maturity	Effective rate 12/31/21	Probable Amount	25% appreciation %	25% appreciation Amount	50% appreciation %	50% appreciation Amount
16,732	Increase in CDI	Investment (assets)	12/03/2025	4.89%	818	6.11%	1,023	7.34%	1,227
95	Increase in CDI	Investment (assets)	10/01/2046	3.54%	3	4.42%	4	5.30%	5
128	Increase in CDI	Investment (assets)	06/07/2046	3.58%	5	4.48%	6	5.37%	7
141	Increase in CDI	Investment (assets)	05/02/2047	3.76%	5	4.70%	7	5.64%	8
209	Increase in CDI	Investment (assets)	10/02/2023	4.46%	9	5.58%	12	6.70%	14
1,430	Increase in CDI	Investment (assets)	06/21/2023	4.64%	66	5.80%	83	6.96%	100
7,421	Increase in CDI	Investment (assets)	03/18/2022	3.32%	246	4.14%	308	4.97%	369
3,634	Increase in CDI	Investment (assets)	01/13/2022	3.80%	138	4.75%	173	5.70%	207
29,790					1,290		1,616		1,937

Individual

Exposure	Risk	Type	Maturity	Effective rate 12/31/21	Probable Amount	25% devaluation %	25% devaluation Amount	50% devaluation %	50% devaluation Amount
16,732	Decrease in CDI	Investment (assets)	12/03/2025	4.89%	818	3.67%	614	2.45%	409
95	Decrease in CDI	Investment (assets)	10/01/2046	3.54%	3	2.65%	3	1.77%	2
128	Decrease in CDI	Investment (assets)	06/07/2046	3.58%	5	2.69%	3	1.79%	2
141	Decrease in CDI	Investment (assets)	05/02/2047	3.76%	5	2.82%	4	1.88%	3
209	Decrease in CDI	Investment (assets)	10/02/2023	4.46%	9	3.35%	7	2.23%	5
1,430	Decrease in CDI	Investment (assets)	06/21/2023	4.64%	66	3.48%	50	2.32%	33
7,421	Decrease in CDI	Investment (assets)	03/18/2022	3.32%	246	2.49%	185	1.66%	123
3,634	Decrease in CDI	Investment (assets)	01/13/2022	3.80%	138	2.85%	104	1.90%	69
29,790					1,290		970		646

Consolidated

Exposure	Risk	Type	Maturity	Effective rate 12/31/22	Probable Amount	25% appreciation %	25% appreciation Amount	50% appreciation %	50% appreciation Amount
149	**Increase in CDI**	**Investment (assets)**	**01/06/2023**	**8.19%**	**12**	**10.24%**	**15**	**12.29%**	**18**
69	**Increase in CDI**	**Investment (assets)**	**10/01/2046**	**10.92%**	**8**	**13.65%**	**9**	**16.38%**	**11**
351,278	**Increase in CDI**	**Investment (assets)**	**12/29/2027**	**13.65%**	**47,949**	**17.06%**	**59,937**	**20.48%**	**71,924**
236	**Increase in CDI**	**Investment (assets)**	**10/02/2023**	**13.79%**	**33**	**17.23%**	**41**	**20.68%**	**49**
980	**Increase in CDI**	**Investment (assets)**	**06/21/2023**	**14.33%**	**140**	**17.92%**	**176**	**21.50%**	**211**
352,712					**48,142**		**60,178**		**72,213**

(In thousands of reais, unless otherwise stated)

7. **Financial risk management** (Continued)

b) Market risk (Continued)

iii) *Interest rate risk* (Continued)

Exposure and sensitivity analysis - interest rate risk (Continued)

Consolidated

Exposure	Risk	Type	Maturity	Effective rate 12/31/22	Probable Amount	25% devaluation %	25% devaluation Amount	50% devaluation %	50% devaluation Amount
149	**Decrease in CDI**	**Investment (assets)**	**01/06/2023**	**8.19%**	**12**	**6.14%**	**9**	**4.10%**	**6**
69	**Decrease in CDI**	**Investment (assets)**	**10/01/2046**	**10.92%**	**8**	**8.19%**	**6**	**5.46%**	**4**
351,278	**Decrease in CDI**	**Investment (assets)**	**12/29/2027**	**13.65%**	**47,949**	**10.24%**	**35,962**	**6.83%**	**23,975**
236	**Decrease in CDI**	**Investment (assets)**	**10/02/2023**	**13.79%**	**33**	**10.34%**	**24**	**6.89%**	**16**
980	**Decrease in CDI**	**Investment (assets)**	**06/21/2023**	**14.33%**	**140**	**10.75%**	**105**	**7.17%**	**70**
352,712					**48,142**		**36,106**		**24,071**

Consolidated

Exposure	Risk	Type	Maturity	Effective rate 12/31/21	Probable Amount	25% appreciation %	25% appreciation Amount	50% appreciation %	50% appreciation Amount
95	Increase in CDI	Investment (assets)	10/01/2046	3.54%	3	4.42%	4	5.30%	5
128	Increase in CDI	Investment (assets)	06/07/2046	3.58%	5	4.48%	6	5.37%	7
141	Increase in CDI	Investment (assets)	05/02/2047	3.76%	5	4.70%	7	5.64%	8
209	Increase in CDI	Investment (assets)	10/02/2023	4.46%	9	5.58%	12	6.70%	14
1,430	Increase in CDI	Investment (assets)	06/21/2023	4.64%	66	5.80%	83	6.96%	100
28,314	Increase in CDI	Investment (assets)	10/03/2022	4.31%	1,220	5.39%	1,525	6.46%	1,830
1,568	Increase in CDI	Investment (assets)	09/02/2022	4.42%	69	5.53%	87	6.63%	104
-	Increase in CDI	Investment (assets)	01/24/2022	2.65%	-	3.32%	-	3.98%	-
741	Increase in CDI	Investment (assets)	01/28/2022	2.87%	21	3.59%	27	4.31%	32
10,287	Increase in CDI	Investment (assets)	03/18/2022	3.32%	341	4.14%	426	4.97%	512
260	Increase in CDI	Investment (assets)	03/04/2022	3.45%	9	4.31%	11	5.17%	13
3,800	Increase in CDI	Investment (assets)	01/13/2022	3.80%	144	4.75%	181	5.70%	217
283	Increase in CDI	Investment (assets)	04/25/2022	3.98%	11	4.97%	14	5.97%	17
24,542	Increase in CDI	Investment (assets)	12/03/2025	4.89%	1,200	6.11%	1,500	7.34%	1,800
71,798					3,103		3,883		4,659

(In thousands of reais, unless otherwise stated)

7. Financial risk management (Continued)

b) Market risk (Continued)

iii) *Interest rate risk* (Continued)

Exposure and sensitivity analysis - interest rate risk (Continued)

Consolidated

Exposure	Risk	Type	Maturity	Effective rate 12/31/21	Probable Amount	25% devaluation %	25% devaluation Amount	50% devaluation %	50% devaluation Amount
95	Decrease in CDI	Investment (assets)	10/01/2046	3.54%	3	2.65%	3	1.77%	2
128	Decrease in CDI	Investment (assets)	06/07/2046	3.58%	5	2.69%	3	1.79%	2
141	Decrease in CDI	Investment (assets)	05/02/2047	3.76%	5	2.82%	4	1.88%	3
209	Decrease in CDI	Investment (assets)	10/02/2023	4.46%	9	3.35%	7	2.23%	5
1,430	Decrease in CDI	Investment (assets)	06/21/2023	4.64%	66	3.48%	50	2.32%	33
28,314	Decrease in CDI	Investment (assets)	10/03/2022	4.31%	1,220	3.23%	915	2.15%	610
1,568	Decrease in CDI	Investment (assets)	09/02/2022	4.42%	69	3.32%	52	2.21%	35
-	Decrease in CDI	Investment (assets)	01/24/2022	2.65%	-	1.99%	-	1.33%	-
741	Decrease in CDI	Investment (assets)	01/28/2022	2.87%	21	2.15%	16	1.44%	11
10,287	Decrease in CDI	Investment (assets)	03/18/2022	3.32%	341	2.49%	256	1.66%	171
260	Decrease in CDI	Investment (assets)	03/04/2022	3.45%	9	2.59%	7	1.72%	4
3,800	Decrease in CDI	Investment (assets)	01/13/2022	3.80%	144	2.85%	108	1.90%	72
283	Decrease in CDI	Investment (assets)	04/25/2022	3.98%	11	2.98%	8	1.99%	6
24,542	Decrease in CDI	Investment (assets)	12/03/2025	4.89%	1,200	3.67%	900	2.45%	600
71,798					3,103		2,329		1,554

Individual

Exposure	Risk	Type	Effective rate 12/31/22	Probable Amount	25% appreciation %	25% appreciation Amount	50% appreciation %	50% appreciation Amount
224,757	**Debentures**	**Debentures (liabilities)**	**100**	**358**	**125**	**448**	**150**	**537**
3,259	**FINEP**	**Loan (liabilities)**	**100**	**15,674**	**125**	**19,593**	**150**	**23,511**
91,848	**BNDES**	**Loan (liabilities)**	**100**	**31,865**	**125**	**39,831**	**150**	**47,798**
11	**FINAME**	**Loan (liabilities)**	**100**	**11,444**	**125**	**14,305**	**150**	**17,166**
8,054	**Banco Regional de Brasília**	**Loan (liabilities)**	**100**	**-**	**125**	**-**	**150**	**-**
138,654	**Lease liabilities**	**Lease (Liabilities)**	**100**	**19,620**	**125**	**24,524**	**150**	**29,429**
466,583				**78,961**		**98,701**		**118,441**

(In thousands of reais, unless otherwise stated)

7. Financial risk management (Continued)

b) Market risk (Continued)

iii) *Interest rate risk* (Continued)

Exposure and sensitivity analysis - interest rate risk (Continued)

Exposure	Risk	Type	Effective rate 12/31/22	Probable Amount	25% devaluation %	25% devaluation Amount	50% devaluation %	50% devaluation Amount
224,757	**Debentures**	**Debentures (liabilities)**	**100**	**358**	**75**	**269**	**50**	**179**
3,259	**FINEP**	**Loan (liabilities)**	**100**	**15,674**	**75**	**11,756**	**50**	**7,837**
91,848	**BNDES**	**Loan (liabilities)**	**100**	**31,865**	**75**	**23,899**	**50**	**15,933**
11	**FINAME**	**Loan (liabilities)**	**100**	**11,444**	**75**	**8,583**	**50**	**5,722**
8,054	**Banco Regional de Brasília**	**Loan (liabilities)**	**100**	**-**	**75**	**-**	**50**	**-**
138,654	**Lease liabilities**	**Lease (Liabilities)**	**100**	**19,620**	**75**	**14,715**	**50**	**9,810**
466,583				**78,961**		**59,222**		**39,481**

Individual

Exposure	Risk	Type	Effective rate 12/31/21	Probable Amount	25% appreciation %	25% appreciation Amount	50% appreciation %	50% appreciation Amount
264,591	Bradesco 4101	Loan (liabilities)	100	2,308	125	2,885	150	3,462
16,235	FINEP	Loan (liabilities)	100	51	125	64	150	77
111,513	BNDES	Loan (liabilities)	100	2,315	125	2,894	150	3,473
122	FINAME	Loan (liabilities)	100	-	125	-	150	-
8,055	Banco Regional de Brasília	Loan (liabilities)	100	265	125	331	150	397
117,845	Lease liabilities	Lease (Liabilities)	100	10,778	125	13,473	150	16,167
518,361				15,717		19,647		23,576

Exposure	Risk	Type	Effective rate 12/31/21	Probable Amount	25% devaluation %	25% devaluation Amount	50% devaluation %	50% devaluation Amount
264,591	Bradesco 4101	Loan (liabilities)	100	2,308	75	1,731	50	1,154
16,235	FINEP	Loan (liabilities)	100	51	75	38	50	26
111,513	BNDES	Loan (liabilities)	100	2,315	75	1,736	50	1,158
122	FINAME	Loan (liabilities)	100	-	75	-	50	-
8,055	Banco Regional de Brasília	Loan (liabilities)	100	265	75	199	50	132
117,845	Lease liabilities	Lease (Liabilities)	100	10,778	75	8,084	50	5,389
518,361				15,717		11,788		7,859

(In thousands of reais, unless otherwise stated)

7. Financial risk management (Continued)

b) Market risk (Continued)

iii) *Interest rate risk* (Continued)

Exposure and sensitivity analysis - interest rate risk (Continued)

			Consolidated					
			Effective rate at	Probable	25% appreciation		50% appreciation	
Exposure	**Risk**	**Type**	**12/31/22**	**Amount**	**%**	**Amount**	**%**	**Amount**
224,757	**Debentures**	**Debentures (liabilities)**	**100**	**15,674**	**125**	**19,593**	**150**	**23,511**
3,259	**FINEP**	**Loan (liabilities)**	**100**	**828**	**125**	**1,035**	**150**	**1,242**
91,848	**BNDES**	**Loan (liabilities)**	**100**	**11,802**	**125**	**14,753**	**150**	**17,703**
11	**FINAME**	**Loan (liabilities)**	**100**	**2**	**125**	**3**	**150**	**3**
8,054	**Banco Regional de Brasília**	**Loan (liabilities)**	**100**	**-**	**125**	**-**	**150**	
146,234	**Lease liabilities**	**Lease (liabilities)**	**100**	**20,692**	**125**	**25,865**	**150**	**31,038**
474,163				**48,998**		**61,249**		**73,497**

			Effective rate	Probable	25% devaluation		50% devaluation	
Exposure	**Risk**	**Type**	**12/31/22**	**Amount**	**%**	**Amount**	**%**	**Amount**
224,757	**Debentures**	**Debentures (liabilities)**	**100**	**15,674**	**75**	**11,756**	**50**	**7,837**
3,259	**FINEP**	**Loan (liabilities)**	**100**	**828**	**75**	**621**	**50**	**414**
91,848	**BNDES**	**Loan (liabilities)**	**100**	**11,802**	**75**	**8,852**	**50**	**5,901**
11	**FINAME**	**Loan (liabilities)**	**100**	**2**	**75**	**2**	**50**	**1**
8,054	**Banco Regional de Brasília**	**Loan (liabilities)**	**100**	**-**	**75**	**-**	**50**	**-**
146,234	**Lease liabilities**	**Lease (Liabilities)**	**100**	**20,692**	**75**	**15,519**	**50**	**10,346**
474,163				**48,998**		**36,750**		**24,499**

			Consolidated					
			Effective rate at	Probable	25% appreciation		50% appreciation	
Exposure	**Risk**	**Type**	**12/31/21**	**Amount**	**%**	**Amount**	**%**	**Amount**
264,591	Finance lease	Loan (liabilities)	100	2,308	125	2,885	150	3,462
16,235	FINEP	Loan (liabilities)	100	51	125	64	150	77
111,513	BNDES	Loan (liabilities)	100	2,315	125	2,894	150	3,473
122	FINAME	Loan (liabilities)	100	-	125	-	150	-
8,055	Banco Regional de Brasília	Loan (liabilities)	100	265	125	331	150	397
127,620	Lease liabilities	Lease (liabilities)	100	11,672	125	14,590	150	17,508
528,136				16,611		20,764		24,917

(In thousands of reais, unless otherwise stated)

7. Financial risk management (Continued)

b) Market risk (Continued)

iii) *Interest rate risk* (Continued)

Exposure and sensitivity analysis - interest rate risk (Continued)

Exposure	Risk	Type	Effective rate 12/31/21	Probable Amount	25% devaluation %	25% devaluation Amount	50% devaluation %	50% devaluation Amount
264,591	Finance lease	Loan (liabilities)	100	2,308	75	1,731	50	1,154
16,235	FINEP	Loan (liabilities)	100	51	75	38	50	26
111,513	BNDES	Loan (liabilities)	100	2,315	75	1,736	50	1,158
122	FINAME	Loan (liabilities)	100	-	75	-	50	-
8,055	Banco Regional de Brasília	Loan (liabilities)	100	265	75	199	50	132
127,620	Lease liabilities	Lease (Liabilities)	100	11,672	75	8,754	50	5,836
528,136				16,611		12,458		8,306

iv) *Derivatives*

At December 31, 2022, the transactions involving derivative instruments (liabilities) contracted by the Group referred to forward contract balances (NDF), which totaled R$67,291. Income (loss) from operations not yet settled represented losses in the amount of R$307. At December 31, 2022, these operations were contracted at the dollar rate (USD) with maturity between January 3, 2023 and March 13, 2023.

c) Credit risk

Credit risk is managed on a Group-level basis. Credit risk arises from cash and cash equivalents, as well as credit exposures to trade receivables, including outstanding receivables and repurchase transactions. The credit analysis area assesses the customers' creditworthiness, taking into consideration their financial position, experience and other factors.

The determination of individual risk limits are based on internal ratings, according to the thresholds defined by the Board of Directors. The use of credit limits is monitored on a regular basis.

(In thousands of reais, unless otherwise stated)

7. Financial risk management (Continued)

c) Credit risk (Continued)

The maximum exposure to credit risk as at December 31, 2022 and 2021 is as follows:

	Individual		Consolidated	
	2022	**2021**	**2022**	**2021**
Cash and cash equivalents (Note 8)	**228,721**	39,443	**370,031**	99,487
Trade accounts receivable (Note 10)	**871,285**	796,893	**1,085,535**	1,028,700
Other receivables (Note 13)	**56,947**	182,407	**49,276**	57,462
Financial investment earmarked for loans (Note 9)	**1,285**	2,007	**1,285**	2,007
	1,158,238	1,020,750	**1,506,127**	1,187,656

The policy for assessing the provision for impairment of financial assets is shown in Note 7. Management does not expect any loss arising from these counterparties in excess of the accrued amount. Cash and cash equivalents are held with financial institutions rated by Moody's as stable (or above).

Guarantees

The Group's policy is to provide financial guarantees only for the obligations of its subsidiaries and affiliates. At December 31, 2022 and 2021, the Group had issued guarantees to certain banks in connection with the lines of credit granted to Group companies, as follows:

- On September 6, 2018, the affiliate 3Z Realty Desenvolvimento Imobiliário S.A. raised R$130,000 through CRIs (Certificates of Real Estate Receivables) under the Company's corporate guarantee, rated and backed by nonconvertible debentures. The CRIs bear interest at 102.5% of the CDI, with the principal maturing on August 26, 2021 and interest amortization every six months. In 2021, such CRI was fully settled, thus ending the guarantee between the related companies.

- The Company has a letter of guarantee in the amount of R$15,535, mainly for the FINEP loan (contract No. 0916001000) in the amount of R$15,174 (Note 18).

Additionally, the Company is a guarantor of another company's obligations, as follows:

- Lorraine Administradora de Bens e Participações Sociedade Simples Ltda. raised R$145,203 from Financiadora de Estudos e Projetos (FINEP) to be repaid by December 12, 2023. The outstanding balance of this financing is R$48,793 in 2022 (R$96,834 in 2021).

(In thousands of reais, unless otherwise stated)

7. Financial risk management (Continued)

d) Liquidity risk

Cash flow is forecast by the Company's finance department, which monitors the continuous forecasts of the Group's liquidity requirements to ensure that it has sufficient cash to meet operational needs. It also maintains sufficient headroom on its available committed borrowing facilities (Note 20) at any time, so that the Group does not breach the limits or covenants defined in the loan agreements, as applicable, in any of its lines of credit.

This forecast considers the Group's debt financing plans, compliance with covenants, compliance with internal goals relating to statement of financial position ratio and, if applicable, external or legal regulatory requirements (such as currency restrictions).

The Treasury department invests the excess cash in interest-bearing checking accounts, term deposits, short-term deposits and marketable securities, selecting instruments with appropriate maturities or sufficient liquidity to provide headroom as determined by the above-mentioned forecasts.

The table below analyzes the Group's nonderivative financial liabilities, by maturity, for the remaining period between the reporting date and the contractual maturity date. This applies to financial instruments only; therefore, it does not include liabilities arising from legislation.

	Individual				
	Cash flow	**Before 1 year**	**1 to 2 years**	**2 to 5 years**	**After 5 years**
December 31, 2022					
Trade and other accounts payable	**(591,224)**	**(579,163)**	**(12,061)**	**-**	**-**
Trade payables - related parties	**(1,600,437)**	**(1,600,437)**	**-**	**-**	**-**
Loans and financing	**(123,823)**	**(38,379)**	**(30,930)**	**(54,514)**	**-**
Debentures	**(332,580)**	**(32,076)**	**(32,609)**	**(267,895)**	**-**
Lease liabilities	**(190,202)**	**(42,435)**	**(30,260)**	**(70,261)**	**(47,246)**
Dividends payable	**(407,418)**	**(407,418)**	**-**	**-**	**-**
Net position	**(3,245,684)**	**(2,699,908)**	**(105,860)**	**(392,670)**	**(47,246)**
December 31, 2021					
Trade and other accounts payable	(386,135)	(371,940)	(14,195)	-	-
Trade payables - related parties	(1,297,636)	(1,297,636)	-	-	-
Loans and financing	(400,516)	(297,768)	(30,013)	(23,402)	(49,333)
Lease liabilities	(160,288)	(37855)	(31,374)	(47,501)	(43,558)
Dividends payable	(528,184)	(528,184)	-	-	-
Net position	(2,772,759)	(2,533,383)	(75,582)	(70,903)	(92,891)

(In thousands of reais, unless otherwise stated)

7. Financial risk management (Continued)

d) Liquidity risk (Continued)

	Consolidated				
	Cash flow	Less than one year	1 to 2 years	2 to 5 years	After 5 years
December 31, 2022					
Trade and other accounts payable	**(635,908)**	**(623,848)**	**(12,060)**	**-**	
Trade payables - related parties	**(1,650,021)**	**(1,650,021)**	**-**	**-**	
Loans and financing	**(123,823)**	**(38,379)**	**(30,930)**	**(54,514)**	**-**
Debentures	**(332,580)**	**(32,076)**	**(32,609)**	**(267,895)**	**-**
Lease liabilities	**(200,701)**	**(45,994)**	**(32,081)**	**(72,807)**	**(49,819)**
Dividends payable	**(407,602)**	**(407,602)**	**-**	**-**	
Net position	**(3,350,635)**	**(2,797,920)**	**(107,680)**	**(395,216)**	**(49,819)**
December 31, 2021					
Trade and other accounts payable	(414,652)	(400,457)	(14,195)	-	-
Trade payables - related parties	(1,313,148)	(1,313,148)	-	-	-
Loans and financing	(400,516)	(297,768)	(30,013)	(23,402)	(49,333)
Lease liabilities	(172,105)	(41,552)	(34,113)	(50,363)	(46,077)
Dividends payable	(533,313)	(533,313)	-	-	-
Net position	(2,833,734)	(2,586,238)	(78,321)	(73,765)	(95,410)

e) Operational risk

Operational risk is the risk of direct or indirect loss resulting from a number of causes associated with the Group’s processes, people, technology and infrastructure and from external events, other than credit, market and liquidity risks, such as those arising from legal and regulatory requirements and generally accepted business practices. Operational risks emerge from all of the Group’s operations.

The Group’s objective is to manage operational risk to avoid financial losses and damage to the Group’s reputation, while ensuring cost effectiveness and avoiding control procedures that hamper initiative and creativity.

The primary responsibility for developing and implementing controls to cover operational risks is attributed to senior management. The responsibility is supported by development of overall standards for operational risk management in each area.

(In thousands of reais, unless otherwise stated)

7. Financial risk management (Continued)

e) Operational risk (Continued)

i) *Capital management*

The Group's objectives in managing its capital are to safeguard its ability to continue as a going concern in order to provide returns for its shareholders and benefits for other stakeholders, as well as to maintain an optimal target capital structure to reduce the cost of capital.

In order to maintain or adjust its capital structure, the Group may – or propose, where shareholders' approval is required – adjust the dividend payment policy, return capital to shareholders, or sell assets to reduce debt.

The Group monitors its capital based on a financial leverage ratio. This ratio corresponds to the net debt expressed as a percentage of total capital. Net debt, in turn, corresponds to total loans (including short- and long-term loans, as disclosed in the consolidated statement of financial position), less cash and cash equivalents. Total capital is determined by adding equity, as disclosed in the consolidated statement of financial position, to net debt.

The financial leverage ratios as at December 31, 2022 and 2021 are summarized below (consolidated):

	Consolidated	
	2022	**2021**
Total loans, financing and debentures (Note 18)	**327,929**	400,516
Total lease liabilities (Note 18b)	**146,234**	127,620
(-) Cash and cash equivalents (Note 10)	**(370,031)**	(99,487)
(-) Financial investment earmarked for loans (Note 11)	**(1,285)**	(2,007)
Net debt	**102,847**	426,642
Total equity	**1,073,923**	904,897
Total capital	**1,176,770**	1,331,539
Financial leverage ratio	**0.09%**	1.42%

(In thousands of reais, unless otherwise stated)

7. Financial risk management (Continued)

f) Classification of financial instruments

Nonderivative financial instruments are classified as at amortized cost and other financial liabilities. There are no other financial instruments classified in other categories than those indicated below:

	Individual		Consolidated	
	2022	2021	2022	2021
Fair value through profit or loss				
Cash and cash equivalents	**228,721**	39,443	**370,031**	99,487
Financial investment earmarked for loans	**1,285**	2,007	**1,285**	2,007
Amortized cost				
Trade accounts receivable	**871,285**	796,893	**1,085,535**	1,028,700
Accounts receivable from related parties	**313,502**	235,853	**26,185**	90,069
Dividends receivable	**707**	707	**-**	-
Other receivables	**56,947**	182,407	**49,276**	57,462
Total financial assets	**1,472,447**	1,257,310	**1,532,312**	1,277,725

	Individual		Consolidated	
	2022	2021	2022	2021
Amortized cost				
Trade payables	**(433,649)**	(280,244)	**(440,891)**	(289,444)
Trade payables - related parties	**(1,600,437)**	(1,297,636)	**(1,650,021)**	(1,313,148)
Loans and financing	**(103,172)**	(400,516)	**(103,172)**	(400,516)
Debentures	**(224,757)**	-	**(224,757)**	-
Lease liabilities	**(138,654)**	(117,845)	**(146,234)**	(127,620)
Dividends payable	**(407,418)**	(528,184)	**(407,602)**	(533,313)
Other accounts payable	**(157,575)**	(105,892)	**(195,017)**	(125,208)
Fair value through profit or loss				
Derivative financial instruments	**(307)**	-	**(307)**	-
Total financial liabilities	**(3,065,969)**	(2,730,317)	**(3,168,001)**	(2,789,249)

i) *Accounting classification and fair value measurement*

A number of the Group’s accounting policies and disclosures require financial and nonfinancial assets and liabilities to be measured at fair value.

The Group establishes a control structure related to the measurement of fair value. Management reviews significant unobservable inputs and valuation adjustments on a regular basis. If third-party information such as quotations from brokers or pricing services is used to measure fair value, then the assessment team reviews the evidence obtained from third parties to support the conclusion that such assessments meet the requirements of CPC, including the level in the fair value hierarchy in which such assessments should be classified, as detailed in Note 4.

(In thousands of reais, unless otherwise stated)

7. Financial risk management (Continued)

f) Classification of financial instruments (Continued)

i) *Accounting classification and fair value measurement* (Continued)

In compliance with the transitional provisions of CPC 46 (Fair value measurement), the Company has applied the new fair value measurement guidance prospectively, and the changes had no significant impact on the measurement of the Company's assets and liabilities. The classification according to the fair value hierarchy of the Company's financial instruments measured at fair value is determined as follows:

		Individual			
		2022		2021	
	Fair value measurement	Book value	Fair value	Book value	Fair value
Assets					
Cash and cash equivalents	Level 2	**228,721**	**228,721**	39,443	39,443
Trade accounts receivable	Level 2	**871,285**	**871,285**	796,893	796,893
Accounts receivable from related parties	Level 2	**313,502**	**313,502**	235,853	235,853
Dividends receivable	Level 2	**707**	**707**	707	707
Financial investment earmarked for loans	Level 2	**1,285**	**1,285**	2,007	2,007
Other receivables	Level 2	**56,947**	**56,947**	182,407	182,407
Total		**1,472,447**	**1,472,447**	1,257,310	1,257,310
Liabilities					
Trade payables	Level 2	**(433,649)**	**(433,649)**	(280,244)	(280,244)
Trade payables - related parties	Level 2	**(1,600,437)**	**(1,600,437)**	(1,297,636)	(1,297,636)
Loans and financing	Level 2	**(103,172)**	**(103,172)**	(400,516)	(400,516)
Debentures	Level 2	**(224,757)**	**(224,757)**	-	-
Derivative financial instruments	Level 2	**(307)**	**(307)**	-	-
Lease liabilities	Level 2	**(138,654)**	**(138,654)**	(117,845)	(117,845)
Dividends payable	Level 2	**(407,418)**	**(407,418)**	(528,184)	(528,184)
Other accounts payable	Level 2	**(157,575)**	**(157,575)**	(105,892)	(105,892)
Total		**(3,065,969)**	**(3,065,969)**	(2,730,317)	(2,730,317)

(In thousands of reais, unless otherwise stated)

7. Financial risk management (Continued)

f) Classification of financial instruments (Continued)

i) *Accounting classification and fair value measurement* (Continued)

		Consolidated			
		2022		2021	
	Fair value measurement	Book value	Fair value	Book value	Fair value
Assets					
Cash and cash equivalents	Level 2	**370,031**	**370,031**	99,487	99,487
Trade accounts receivable	Level 2	**1,085,535**	**1,085,535**	1,028,700	1,028,700
Accounts receivable from related parties	Level 2	**26,185**	**26,185**	90,069	90,069
Financial investment	Level 2	**1,285**	**1,285**	2,007	2,007
Other receivables	Level 2	**49,276**	**49,276**	57,462	57,462
		1,532,312	**1,532,312**	1,277,725	1,277,725
Liabilities					
Trade payables	Level 2	**(440,891)**	**(440,891)**	(289,444)	(289,444)
Trade payables - related parties	Level 2	**(1,650,021)**	**(1,650,021)**	(1,313,148)	(1,313,148)
Loans and financing	Level 2	**(103,172)**	**(103,172)**	(400,516)	(400,516)
Debentures	Level 2	**(224,757)**	**(224,757)**	-	-
Derivative financial instruments	Level 2	**(307)**	**(307)**	-	-
Lease liabilities	Level 2	**(146,234)**	**(146,234)**	(127,620)	(127,620)
Dividends payable	Level 2	**(407,602)**	**(407,602)**	(533,313)	(533,313)
Other accounts payable	Level 2	**(195,017)**	**(195,017)**	(125,208)	(125,208)
Total		**(3,168,001)**	**(3,168,001)**	(2,789,249)	(2,789,249)

The Group used the following methods and assumptions to estimate the fair value disclosure of its financial instruments as at December 31, 2022 and 2021:

- Cash and cash equivalents and financial investment earmarked for loans: stated at market value, which corresponds to their book value.
- Trade and related-party receivables: derive directly from the transactions of the Group and its customers, and are classified as noncurrent. The original amounts, net of the provision, approximate their fair values at the reporting date.
- Loans and financing: classified at amortized cost and recorded for the related contract prices.
- Trade and related-party payables: derive directly from the transactions of the Group and its suppliers for the purchase of goods, and are classified at amortized cost. These are recorded at their original amounts, which approximate their fair values at the reporting date.
- Other receivables and payables: recorded at their original amounts, which approximate their fair values at the reporting date.

(In thousands of reais, unless otherwise stated)

8. Cash and cash equivalents

	Individual		Consolidated	
	2022	**2021**	**2022**	**2021**
Bank	**10,749**	11,660	**18,604**	29,696
Short-term investments	**217,972**	27,783	**351,427**	69,791
	228,721	39,443	**370,031**	99,487

Short-term investments are highly liquid, readily convertible into a known cash amount and subject to a low risk of change in value. They are entered into with national financial institutions and bear interest at the CDI rate. The CDI percentage is 80% to 105% in the individual financial statements and 60% to 105% in the consolidated financial statements in 2022 (between 75% to 105% - Individual and 60% to 105% - Consolidated in 2021).

9. Financial investment earmarked for loans

	Individual and Consolidated	
	2022	**2021**
Financial investment earmarked for loans	**1,285**	2,007
	1,285	2,007

The financial investment made in Banco de Brasília, classified in noncurrent assets totaling R$1,285 (R$2,007 in 2021), refers to a guarantee of the ICMS financing granted to the Company as a government grant (Note 5.k). The amount can only be used to fully repay the final installments of the financing.

10. Trade accounts receivable

	Individual		Consolidated	
	2022	**2021**	**2022**	**2021**
Trade accounts receivable	**888,788**	809,089	**1,107,058**	1,043,830
(-) Allowance for expected credit losses	**(8,714)**	(8,035)	**(10,086)**	(9,032)
(-) Provision for returns	**(8,789)**	(4,161)	**(11,437)**	(6,098)
	871,285	796,893	**1,085,535**	1,028,700

(In thousands of reais, unless otherwise stated)

10. Trade accounts receivable (Continued)

At December 31, 2022 and 2021, the accounts receivable aging list was as follows:

	Individual		Consolidated	
	2022	**2021**	**2022**	**2021**
Falling due	**778,896**	730,218	**966,017**	874,829
Overdue				
Up to 3 months	**86,883**	70,684	**111,248**	79,383
Between 3 and 6 months	**12,467**	1,883	**17,759**	6,485
Between 6 and 12 months	**5,842**	2,552	**6,454**	4,262
More than 1 year (a)	**4,700**	3,752	**5,580**	78,871
	888,788	809,089	**1,107,058**	1,043,830

Trade accounts receivable are denominated in the following currencies:

	Individual		Consolidated	
	2022	**2021**	**2022**	**2021**
Reais	**879,731**	802,624	**1,081,961**	1,037,365
Euro	**172**	490	**172**	490
US dollars	**8,885**	5,975	**24,925**	5,975
	888,788	809,089	**1,107,058**	1,043,830

Changes in the allowances/provisions are as follows:

	Individual			
	Allowance for expected credit losses		Provision for returns	
	2022	**2021**	**2022**	**2021**
January 1	**(8,035)**	(8,968)	**(4,161)**	-
Reversal (recognition)	**(695)**	726	**(4,628)**	(4,161)
Write-offs (actual loss)	**16**	207	**-**	-
December 31	**(8,714)**	(8,035)	**(8,789)**	(4,161)

	Consolidated			
	Allowance for expected credit losses		Provision for returns	
	2022	**2021**	**2022**	**2021**
January 1	**(9,032)**	(10,659)	**(6,098)**	-
Reversal (recognition)	**(1,507)**	1,013	**(5,339)**	(6,098)
Write-offs (actual loss)	**453**	614	**-**	-
December 31	**(10,086)**	(9,032)	**(11,437)**	(6,098)

(In thousands of reais, unless otherwise stated)

11. Inventories

	Individual		Consolidated	
	2022	**2021**	**2022**	**2021**
Raw material	**369,638**	284,537	**372,011**	287,407
Finished products	**486,330**	356,046	**561,099**	414,289
Products in process	**68,450**	64,614	**68,608**	64,805
Packaging and other materials	**116,873**	68,360	**125,881**	72,839
Advances to suppliers - third parties	**18,418**	21,600	**18,690**	22,155
Imports in transit	**25,433**	9,915	**24,777**	9,707
Provision for obsolescence	**(76,392)**	(55,106)	**(82,272)**	(58,074)
Provision for returns	**4,532**	1,639	**5,666**	2,241
	1,013,282	751,605	**1,094,460**	815,369

Changes in the provisions are as follows:

	Individual			
	Obsolescence		Return	
	2022	**2021**	**2022**	**2021**
January 1	**(55,106)**	(33,399)	**1,639**	-
Recognition	**(71,711)**	(48,647)	**2,893**	1,639
Reversal	**14,769**	26,940	**-**	-
Write-offs	**35,656**	-	**-**	-
December 31	**(76,392)**	(55,106)	**4,532**	1,639

	Consolidated			
	Obsolescence		Return	
	2022	**2021**	**2022**	**2021**
January 1	**(58,074)**	(36,824)	**2,241**	-
Recognition	**(77,289)**	(51,447)	**3,425**	2,241
Reversal	**15,453**	30,197	-	-
Write-offs	**37,292**	-	-	-
Reclassification to discontinued operations	**346**	-	-	-
December 31	**(82,272)**	(58,074)	**5,666**	2,241

The criteria used to recognize the provision for obsolescence are detailed in Note 5.m.

(In thousands of reais, unless otherwise stated)

12. Taxes recoverable

	Individual		Consolidated	
	2022	**2021**	**2022**	**2021**
IRPJ and CSLL (i)	**31,081**	37,960	**35,049**	51,038
Contribution Tax on Gross Revenue for Social Integration Program (PIS) and Contribution Tax on Gross Revenue for Social Security Financing (COFINS) (ii)	**405,095**	487,929	**552,638**	586,628
State VAT (ICMS) (iii)	**74,449**	133,350	**225,687**	237,826
Federal Value-Added Tax (IPI)	**10,095**	11,099	**28,576**	38,275
Other	**27,392**	920	**39,133**	1,769
	548,112	671,258	**881,083**	915,536
Current	**424,860**	305,417	**544,218**	359,450
Noncurrent	**123,252**	365,841	**336,865**	556,086
	548,112	671,258	**881,083**	915,536

(i) This refers to prepaid income and social contribution taxes.

(ii) This refers to PIS and COFINS credits on the acquisition of inputs generated as a result of the single-phase taxation system defined in current legislation.

(iii) State VAT (ICMS) credits on capital expenditures.

<u>Exclusion of ICMS tax amounts from the PIS and COFINS tax bases</u>

In 2007, the Company and its subsidiaries EMS Sigma, Legrand and Luxbiotech issued a Writ of Mandamus aiming at the exclusion of ICMS from the PIS and COFINS tax bases. In May 2019, a favorable decision was granted on the appeal (STF). At the same time, the case became final and not subject to further appeal. Accordingly, the companies calculated the respective amounts as of 2006. In 2022, based on the opinion and report prepared by the legal advisors, the Company and its subsidiaries measured the amounts and recorded a total of R$230,702 in the individual and consolidated financial statements, of which R$165,990 referring to PIS and COFINS, accounted for in other operating income, and R$64,712 to interest and monetary restatement, recognized as finance income.

(In thousands of reais, unless otherwise stated)

13. Other receivables

	Individual		Consolidated	
	2022	**2021**	**2022**	**2021**
Advances to suppliers - third parties	**7,836**	10,001	**8,728**	10,887
Advances to related parties (Note 28)	**12,968**	134,525	**522**	5,445
Advances to employees	**12,822**	12,840	**13,996**	13,874
Advances - insurance	**3,426**	2,913	**3,447**	3,136
Sublease receivables	**-**	6,587	**-**	6,587
Other	**19,895**	15,541	**22,583**	17,533
	56,947	182,407	**49,276**	57,462
Current	**50,397**	177,411	**42,726**	52,466
Noncurrent	**6,550**	4,996	**6,550**	4,996
	56,947	182,407	**49,276**	57,462

(In thousands of reais, unless otherwise stated)

14. Investments and provision for losses in subsidiaries

a) Balances and changes in Investments (Individual)

	EMS Sigma	Legrand	CPM	Monteresearch	Rio Biopharmaceuticals	Luxbiotech	Other	Total investments	Luxbiotech	Total investments and provision for losses, net
Number of shares/units of interest forming capital	7,662,451	136,464	64,205,000	90,000		97,516,851				
Capital	7,740	138	33,397	(9,003)	72,480	97,723				
Income (loss) for the year	(568)	140,172	1,090	(6,937)	(17,820)	(32,965)				
Interest in capital - %	99.0%	99.0%	99.4%	100.0%	100.0%	99.8%				
Subsidiary's equity	7,555	296,134	34,487	4,880	212	46,028				
Opening investment balance at January 1, 2022	8,052	187,034	82,892	20,813	2,830	-	467	302,088	(80,308)	221,780
Transfer from capital deficiency to investment	**-**	**-**	**-**	**-**	**-**	**(80,308)**	**-**	**(80,308)**	**80,308**	**-**
Dividends proposed by the subsidiary	**-**	**(35,000)**	**(18,792)**	**-**	**-**	**-**	**-**	**(53,792)**	**-**	**(53,792)**
Capital increase	**-**	**-**	**-**	**-**	**14,948**	**159,334**	**-**	**174,282**	**-**	**174,282**
Capital decrease (Note 2)	**-**	**-**	**(31,208)**	**-**	**-**	**-**	**-**	**(31,208)**	**-**	**(31,208)**
Write-off of investment	**-**	**-**	**-**	**-**	**-**	**-**	**(467)**	**(467)**		**(467)**
Translation of foreign operation	**-**	**-**	**-**	**(7,222)**	**254**	**-**	**-**	**(6,968)**	**-**	**(6,968)**
Other transactions	**(11)**	**2,369**	**298**	**(970)**	**-**	**(199)**	**-**	**1,487**	**-**	**1,487**
Equity pickup	**(562)**	**138,770**	**1,083**	**(6,936)**	**(17,820)**	**(32,896)**	**-**	**81,639**	**-**	**81,639**
Final investment balance at December 31, 2022	**7,479**	**293,173**	**34,273**	**5,685**	**212**	**45,931**	**-**	**386,753**	**-**	**386,753**

(In thousands of reais, unless otherwise stated)

14. Investments and provision for losses in subsidiaries (Continued)

a) Balances and changes in Investments (Individual) (Continued)

	December 31, 2021									
	Investments								Provision for losses	
	EMS Sigma	Legrand	CPM	Monteresearch	Rio Biopharmaceuticals	Gronin	Other	Total investments	Luxbiotech	Total investments and provision for losses, net
Number of shares/units of interest forming capital	7,662,451	136,464	64,205,000	90,000	-				97,516,851	
Capital	7,740	138	64,605	(9,003)	(59,720)				97,723	
Income (loss) for the year	(1,592)	160,412	4,742	(20,208)	(22,183)				(49,290)	
Interest in capital - %	99.00%	99.00%	99.38%	100.00%	100.00%				99.79%	
Subsidiary's equity	8,123	190,962	83,397	13,281	2,830				(80,341)	
Opening investment balance at January 1, 2021	9,629	229,964	78,179	79,782	30,251	4,676	467	432,948	(31,121)	401,827
Dividends proposed by the subsidiary	-	(201,738)	-	-	-		-	(201,738)	-	(201,738)
Capital increase	-	-	-	-	16,692	1,368	-	18,060	-	18,060
Translation of foreign operation	-	-	-	(723)	1,242	-	-	519	-	519
Write-off of foreign operation upon translation – equity effect						(2,140)	-	(2,140)	-	(2,140)
Write-off of investment – P&L	-	-	-	(2,185)	-	10,578	-	8,393	-	8,393
Write-off of investment – cash receipt (a)	-	-	-	-	-	(17,075)	-	(17,075)	-	(17,075)
Equity pickup	(1,577)	158,808	4,713	(56,061)	(45,355)	2,593	-	63,121	(49,187)	13,934
Final investment balance at December 31, 2021	8,052	187,034	82,892	20,813	2,830	-	467	302,088	(80,308)	221,780

(In thousands of reais, unless otherwise stated)

14. Investments and provision for losses in subsidiaries (Continued)

b) Balances and changes in Investments (Consolidated)

	Other
Opening investment balance at January 1, 2022	467
Write-off of investments	(467)
Final investment balance at December 31, 2022	-

	December 31, 2021			
	Gronin	Globe	Other	Total
Net income for the year		75,742		
Interest in capital - %		25%		
Associate's equity		295,188		
Opening investment balance at January 1, 2021	4,676	65,823	467	70,966
Capital increase	1,368		-	1,368
Translation of foreign operation	-		-	-
Write-off of investment – cash receipt (a)	(17,075)	(9,890)	-	(26,965)
Write-off of foreign operation upon translation – equity effect	(2,140)	-	-	(2,140)
Write-off of investment – P&L (a)	10,578	(55,933)	-	(45,355)
Equity pickup	2,593	-	-	2,593
	-	-	467	467

(a) Write-off of investments

Gronin Pharma Participações S.A.

On 12/17/2021, the company Gronin Pharma Participações S.A. was dissolved, in line with the EMS corporate reorganization strategy. As a consequence of this dissolution, the investment in the amount of R$17,075 was returned to EMS via bank transfer and the remaining balance recorded under EMS investment was written down to P&L as Other operating expenses.

Globe Pharma s.a.r.l

In September 2021, the indirect subsidiary Monteresearch transferred the equity interest held in Globe Pharma to the controlling shareholders of this investee, thus no longer holding any stake in Globe Pharma. The return of the investment amounted to EUR1,021 (R$9,890).

(In thousands of reais, unless otherwise stated)

14. Investments and provision for losses in subsidiaries (Continued)

c) Summary of financial information

The following table summarizes the subsidiaries' financial information:

	EMS Sigma		Legrand		Luxbiotech		Monteresearch		Rio Bio Pharmaceuticals	
	2022	**2021**	**2022**	**2021**	**2022**	**2021**	**2022**	**2021**	**2022**	**2021**
Current										
Assets	**76,743**	7,483	**446,732**	285,484	**57,688**	48,678	**7,734**	21,735	**212**	2,968
Liabilities	**(245,898)**	(178,493)	**(177,651)**	(102,279)	**(14,814)**	(141,565)	**(4,409)**	(10,502)	**-**	(138)
Total current, net	**(169,155)**	(171,010)	**269,081**	183,205	**42,874**	(92,887)	**3,325**	11,233	**212**	2,830
Noncurrent										
Noncurrent assets	**184,950**	185,142	**44,061**	19,461	**25,075**	24,553	**1,555**	2,048	**-**	-
Noncurrent liabilities	**(8,240)**	(6,009)	**(17,008)**	(11,704)	**(21,921)**	(12,007)	**-**	-	**-**	-
Total noncurrent, net	**176,710**	179,133	**27,053**	7,757	**3,154**	12,546	**1,555**	2,048	**-**	-
Equity	**7,555**	8,123	**296,134**	190,962	**46,028**	(80,341)	**4,880**	13,281	**212**	2,830

	EMS Sigma		Legrand		Luxbiotech		Monteresearch		Rio Bio Pharmaceuticals	
	2022	**2021**	**2022**	**2021**	**2022**	**2021**	**2022**	**2021**	**2022**	**2021**
P&L										
Revenue	**314,167**	251,974	**811,797**	581,054	**6,388**	(4,518)	**5,625**	13,781	**-**	-
Income before income and social contribution taxes	**(993)**	(2,118)	**210,867**	234,836	**(34,268)**	(55,857)	**(6,937)**	(20,113)	**(17,820)**	(22,183)
Income and social contribution tax expense	**425**	526	**(70,695)**	(74,424)	**1,303**	6,567	**-**	(95)	**-**	-
Net income (loss) for the year	**(568)**	(1,592)	**140,172**	160,412	**(32,965)**	(49,290)	**(6,937)**	(20,208)	**(17,820)**	(22,183)

(i) Changes between P&L for the year of the subsidiaries as well as equity and equity pickup and investments recorded are due to the adjustment and elimination of the effects of unrealized profits on inventories between these subsidiaries.

(In thousands of reais, unless otherwise stated)

15. Property, plant and equipment

	Individual						
	Land and buildings	**Vehicles and machinery**	**Furniture, fixtures, and equipment**	**Other**	**Work in progress**	**Aircraft**	**Total**
Opening balance at December 31, 2020	186,613	284,728	25,067	-	114,825	193,822	805,055
Acquisitions	2	4,667	2,557	-	105,467	-	112,693
Write-offs, net	(5)	(241)	(59)	-	(3,553)	-	(3,858)
Transfers	4,828	43,674	3,224	-	(51,766)	-	(40)
Depreciation	(5,087)	(20,282)	(3,597)	-	-	(13,954)	(42,920)
Net book balance	186,351	312,546	27,192	-	164,973	179,868	870,930
December 31, 2021							
Cost	249,601	493,688	54,472	733	164,973	231,715	1,195,182
Accumulated depreciation	(63,250)	(181,142)	(27,280)	(733)	-	(51,847)	(324,252)
	186,351	312,546	27,192	-	164,973	179,868	870,930
Opening balance at December 31, 2021	186,351	312,546	27,192	-	164,973	179,868	870,930
Acquisitions	30	3,899	2,511	-	132,371		138,811
Write-offs	-	(902)	(828)	-	(944)		(2,674)
Depreciation write-offs	-	346	806	-	-		1,152
Transfers	14,628	34,483	3,945	-	(53,591)		(535)
Depreciation	(4,105)	(21,582)	(2,868)	-	-	(11,580)	(40,135)
Net book balance	196,904	328,790	30,758	-	242,809	168,288	967,549
.							
December 31, 2022							
Cost	**264,259**	**531,168**	**60,100**	**733**	**242,809**	**231,715**	**1,330,784**
Accumulated depreciation	**(67,355)**	**(202,378)**	**(29,342)**	**(733)**	**-**	**(63,427)**	**(363,235)**
	196,904	**328,790**	**30,758**	**-**	**242,809**	**168,288**	**967,549**

(In thousands of reais, unless otherwise stated)

15. Property, plant and equipment (Continued)

	Consolidated						
	Land and buildings	Vehicles and machinery	Furniture, fixtures, and equipment	Other	Work in progress	Aircraft	Total
Opening balance at December 31, 2020	190,426	283,365	25,255	-	114,456	193,822	807,324
Acquisitions	765	4,666	3,100	-	110,535	-	119,066
Write-offs, net	(5)	(413)	(75)	-	(3,553)	-	(4,046)
Transfers	4,828	43,674	3,229	-	(56,771)	-	(5,040)
Depreciation	(5,290)	(19,700)	(3,883)	-	-	(13,954)	(42,827)
	190,724	311,592	27,626	-	164,667	179,868	874,477
December 31, 2021							
Cost	255,370	500,024	57,817	733	164,667	231,715	1,210,326
Accumulated depreciation	(64,646)	(188,432)	(30,191)	(733)	-	(51,847)	(335,849)
Net book balance	190,724	311,592	27,626	-	164,667	179,868	874,477
Opening balance at December 31, 2021	190,724	311,592	27,626	-	164,667	179,868	874,477
Acquisitions	30	3,899	2,733	-	132,415	-	139,077
Write-offs	-	(902)	(838)	-	(944)	-	(2,684)
Depreciation write-offs	-	346	815	-	-	-	1,161
Transfers	14,628	34,483	3,945	-	(53,591)	-	(535)
Depreciation	(4,119)	(22,023)	(3,215)	-	-	(11,580)	(40,937)
	201,263	327,395	31,066	-	242,547	168,288	970,559
December 31, 2022							
Cost	**270,028**	**537,850**	**64,472**	**733**	**242,547**	**231,715**	**1,347,345**
Accumulated depreciation	**(68,765)**	**(210,455)**	**(33,406)**	**(733)**	**-**	**(63,427)**	**(376,786)**
Net book balance	**201,263**	**327,395**	**31,066**	**-**	**242,547**	**168,288**	**970,559**

(In thousands of reais, unless otherwise stated)

16. Right-of-use assets and lease liabilities

a) Right-of-use assets

	Individual				
	Land and buildings	Vehicles and machinery	Furniture, fixtures, and equipment	Data Center	Total
December 31, 2020					
Opening balance	65,955	48,175	708	1,151	115,989
Acquisitions and remeasurements	39,294	29,406	1,097	-	69,797
Write-offs	(23,301)	(18,490)	-	-	(41,791)
Depreciation/amortization	(10,071)	(19,712)	(872)	(1,151)	(31,806)
December 31, 2021	71,877	39,379	933	-	112,189
Cost	89,079	94,535	2,390	10,357	196,361
Accumulated depreciation	(17,202)	(55,156)	(1,457)	(10,357)	(84,172)
Net book balance	71,877	39,379	933	-	112,189
December 31, 2021					
Opening balance	**71,877**	**39,379**	**933**	**-**	**112,189**
Acquisitions and remeasurements	**45,996**	**2,493**	**4,263**	**-**	**52,752**
Write-offs	**-**	**-**	**-**	**-**	**-**
Depreciation/amortization	**(16,005)**	**(18,250)**	**(1,670)**	**-**	**(35,925)**
December 31, 2022	**101,868**	**23,622**	**3,526**	**-**	**129,016**
Cost	135,075	97,028	6,653	10,357	249,113
Accumulated depreciation	(33,207)	(73,406)	(3,127)	(10,357)	(120,097)
Net book balance	101,868	23,622	3,526	-	129,016

	Consolidated				
	Land and buildings	Vehicles and machinery	Furniture, fixtures, and equipment	Data Center	Total
December 31, 2020					
Opening balance	70,151	51,360	1,120	1,151	123,782
Acquisitions and remeasurements	40,156	33,719	1,097	-	74,972
Write-offs	(23,302)	(18,700)	-		(42,002)
Depreciation/amortization	(10,493)	(22,709)	(1,163)	(1,151)	(35,516)
December 31, 2021	76,512	43,670	1,054	-	121,236
Cost	95,025	118,222	3,450	10,357	227,054
Accumulated depreciation	(18,513)	(74,552)	(2,396)	(10,357)	(105,818)
Net book balance	76,512	43,670	1,054	-	121,236
December 31, 2021					
Opening balance	**76,512**	**43,670**	**1,054**	**-**	**121,236**
Acquisitions and remeasurements	**47,583**	**5,650**	**4,358**	-	**57,591**
Write-offs	**-**	**(1,264)**	**-**	-	**(1,264)**
Depreciation/amortization	**(17,019)**	**(21,890)**	**(1,697)**	-	**(40,606)**
December 31, 2022	**107,076**	**26,166**	**3,715**	-	**136,957**
Cost	142,608	111,666	7,808	10,357	272,439
Accumulated depreciation	(35,532)	(85,500)	(4,093)	(10,357)	(135,482)
Net book balance	107,076	26,166	3,715	-	136,957

(In thousands of reais, unless otherwise stated)

16. Right-of-use assets and lease liabilities (Continued)

b) Lease liabilities

	Individual				
	Land and buildings	Vehicles and machinery	Furniture, fixtures, and equipment	Data Center	Total
December 31, 2020					
Opening balance	72,260	48,237	726	1,831	123,054
Acquisitions and remeasurements	39,294	29,406	1,097	-	69,797
Interest incurred	8,260	2,745	88	19	11,112
Write-off	(25,909)	(20,762)	-	-	(46,671)
Payments	(16,066)	(21,161)	(370)	(1,850)	(39,447)
December 31, 2021	77,839	38,465	1,541	-	117,845
Current					55,346
Noncurrent					62,499
					117,845
December 31, 2021					
Opening balance	**77,839**	**38,465**	**1,541**	**-**	**117,845**
Acquisitions and remeasurements	**45,995**	**2,493**	**4,264**	**-**	**52,752**
Interest incurred	**12,594**	**3,200**	**364**	**-**	**16,158**
Write-off	**-**	**(1,584)**	**(579)**	**-**	**(2,163)**
Payments	**(22,787)**	**(21,247)**	**(1,904)**	**-**	**(45,938)**
December 31, 2022	**113,641**	**21,327**	**3,686**	**-**	**138,654**
Current					38,347
Noncurrent					100,307
					138,654

	Consolidated				
	Land and buildings	Vehicles and machinery	Furniture, fixtures, and equipment	Data Center	Total
December 31, 2020					
Opening balance	76,785	51,289	1,170	1,828	131,072
Acquisitions and remeasurements	40,156	33,719	1,097	-	74,972
Interest incurred	8,787	3,163	116	19	12,085
Write-off	(25,465)	(21,205)	-	-	(46,670)
Payments	(17,362)	(23,925)	(705)	(1,847)	(43,839)
December 31, 2021	82,901	43,041	1,678	-	127,620
Current					61,003
Noncurrent					66,617
					127,620
December 31, 2021					
Opening balance	**82,901**	**43,041**	**1,678**	**-**	**127,620**
Acquisitions and remeasurements	**47,583**	**5,650**	**4,358**	**-**	**57,591**
Interest incurred	**13,097**	**1,860**	**372**	**-**	**15,329**
Write-off	**-**	**(3,259)**	**-**	**-**	**(3,259)**
Payments	**(24,150)**	**(24,961)**	**(1,936)**	**-**	**(51,047)**
December 31, 2022	**119,431**	**22,331**	**4,472**	**-**	**146,234**
Current					39,980
Noncurrent					106,254
					146,234

(In thousands of reais, unless otherwise stated)

17. Trade payables

	Individual		Consolidated	
	2022	**2021**	**2022**	**2021**
Foreign suppliers	**101,860**	87,571	**102,361**	88,234
Domestic suppliers	**209,465**	129,381	**210,559**	133,189
Domestic suppliers – reverse factoring (*)	**56,808**	15,589	**56,808**	15,589
Service suppliers	**65,516**	47,703	**71,163**	52,432
	433,649	280,244	**440,891**	289,444

(*) The Group offers its suppliers, upon signing the terms of enrollment, the option to anticipate their receivables with a discount on the face value. This operation can be carried out, at the supplier's discretion, through agreements with financial institutions. In accordance with these agreements, the financial institutions advance a certain amount to the supplier and receive, on the due date, the amount due directly from the company. The decision to elect this operation is solely and exclusively the supplier's. The agreement does not change the characteristics of the commercial conditions, terms and prices previously established between the Company and its supplier, and, for that reason, the balances payable were kept under "Trade payables". In this operation, the supplier elects to anticipate its transaction, as intermediated by the company, thus reducing its finance costs, since the financial institution takes into consideration the credit risk of the Group (the buyer). This operation does not incur finance costs for the Group, and the amount of the operation was fully carried out with Banco Itaú S/A.

18. Loans and financing

			Individual and Consolidated	
	Interest rate	**Maturity**	**2022**	**2021**
Bradesco 4131 (e)	1.44% p.a.	May 2022	**-**	264,591
Debenture (a)	DI + 1.4% p.a.	May 2027	**224,757**	-
FINEP (b)	-	April 2023	**3,259**	16,235
BNDES (c)	-	Mar/2026 to Feb/2027	**91,848**	111,513
FINAME	2.50% p.a and 3% p.a	Jan/2023 and Feb/2023	**11**	122
Banco Regional de Brasília - ICMS financing (d)	25% of INPC	December 2031	**8,054**	8,055
			327,929	400,516
Current			**31,242**	297,768
Noncurrent			**296,687**	102,748
			327,929	400,516

(a) On May 6, 2022, the Company carried out its third issue of debentures in a single series of 220,000 nonprivileged unsecured nonconvertible debentures with a par value of R$1,000.00 (one thousand Reais), maturing on May 6, 2027. Payment of the par value will be in three installments, the first at the end of the third year from the issue date (May 6, 2025), the second installment at the end of the fourth year from the issue date (May 6, 2026) and the third installment at the end of the fifth year from the issue date, upon its final maturity, with remuneration of 100% of the DI + 1.4% p.a. paid semi-annually.

(b) This refers to the partial costing of expenses incurred in the preparation and implementation of the Innovation Strategic Plan approved and offered by FINEP, in accordance with the Disbursement Schedule. The principal of the debt will be subject to pro rata tempore compound interest by reference to the TJLP plus a 5% spread per annum (p.a.), less equalization equivalent to 3% p.a. The outstanding amount is R$4,090. The Company has a letter of guarantee in the total amount of R$15,174 for coverage of the referred to contract.

18. Loans and financing (Continued)

(c) The balance refers to loans obtained from BNDES as shown below:

(i) R&D agreement for a line of credit totaling R$75,712 (R$7,309 was released). The remaining amount will be released in subloans based on the rendering of accounts. The outstanding amount is R$4,062, subject to interest of TJLP + 1.75% and 2.25% p.a. and final payment on March 15, 2026.

(ii) Storeroom Reconstruction Contract, financing granted by the National Bank for Economic and Social Development (BNDES), up to R$81,363, divided into two subloans according to the rendering of accounts.

1. Subloan “A” - in the amount of R$43,283 for the expansion and renovation of an industrial unit, including the production of liquid and semi-solid drug formulations, packaging lines and storeroom, in the city of Hortolândia, SP. The outstanding balance is R$34,629, subject to interest of IPCA* 1.36% p.a.* 1.79% p.a., and final payment on February 15, 2027.

2. Subloan "B" - R$38,080 for the implementation of packaging lines in the EMS production complex, located in Hortolândia. The outstanding balance is R$31,864, subject to interest of IPCA* 2.16% p.a. * 1.79% p.a., and final payment on February 15, 2027.

(iii) Oncology Injectables Contract, financing granted by the National Bank for Economic and Social Development (BNDES), up to R$47,823, divided into two subloans according to the rendering of accounts.

1 Subloan "A" - in the amount of R$34,413 (R$19,077 was released) for the implementation of a production unit to manufacture oncology injectables in the city of Hortolândia, SP. The outstanding balance is R$15,957, subject to interest of IPCA* 1.36% p.a. * 1.79% p.a., and final payment on February 15, 2027.

2 Subloan "B" - R$13,410 (R$5,384 was released) for the acquisition of imported machinery and equipment with no domestic equivalent required for the implementation of the project. The outstanding balance is R$4,505, subject to interest of IPCA* 2.16% p.a. * 1.79% p.a., and final payment on February 15, 2027.

(d) Banco Regional de Brasília - refers to a credit benefit granted to the Company under the Federal District Fostering Program for the Sustainable Integrated Economic Development (PRÓ-DF), up to R$458,638 (original value).

Each installment payment corresponds to an equivalent 70% of the tax credit recorded in connection with the levy of State VAT (ICMS) on the import of organic chemicals and raw materials, among others, by an EMS S.A. unit located in the Federal District.

The amount is financed through BRB and has a grace period of 300 months (25 years) from the date of each installment released, according to Ordinance No. 182, of May 19, 2009 - Published in the DF State Register No. 097 on May 21, 2009. The amounts are subject to charges corresponding to 25% of the National Consumer Price Index (INPC), and the charges computed from January to December each year are payable every January of the following year.

The financing is guaranteed by investments made by the Company in CDBs issued by BRB, which bear interest of 97% of the fluctuation of the CDI rate, in an amount equivalent to 10% of the value of each credit installment released, which can only be used to fully repay the final installments; the amount of the financial investment was R$4,526 as at December 31, 2020 (R$4,124 as at December 31, 2019).

In 2020, the Company had movements totaling R$2,052 that supported the recognition of gains from the grant, and received a R$3,974 release referring to the ICMS benefit. There were no grant-related movements in 2022 and 2021.

(e) Refers to working capital loan taken out in US$ to settle the debt with JP Morgan. The amount raised totals US$47 million at 1.44% annual interest. We exchanged the debt for reais through swap (hedge to protect the exchange rate and mitigate the risk of fluctuation in dollar) in the amount of R$247,163 at the rate of 100% CDI + 1.04% p.a. The loan was settled upon maturity.

Loan and financing agreements and debentures have nonfinancial covenants that were fully complied with at the end of the years 2022 and 2021.

(In thousands of reais, unless otherwise stated)

18. Loans and financing (Continued)

The loans and financing and debentures recorded in current and noncurrent liabilities as at December 31, 2022 and 2021 mature as follows:

	2022
2023	**31,242**
2024	**33,038**
2025	**106,371**
2026 onwards	**157,278**
	327,929

Reconciliation between changes in financial position and cash flows from financing activities

	Individual and Consolidated	
	2022	**2021**
Balance at beginning of year	**400,516**	391,920
Items in cash flows from financing activities:		
Loans and financing raised	**245,778**	264,778
Repayment of loans and financing	**(285,644)**	(276,795)
Exchange difference on repayment of loans and financing	**(17,051)**	14,339
Total cash flows used in financing activities	**343,599**	394,242
Other items:		
Provision for interest expense and exchange differences	**32,433**	37,272
Payment of interest and exchange differences	**(48,103)**	(30,998)
Total other items	**(15,670)**	6,274
Balance at December 31 – current year	**327,929**	400,516

19. Provision for losses on legal proceedings and judicial deposits

The Group is a party to legal and administrative proceedings filed with various courts and governmental agencies, in the ordinary course of business, involving tax, civil and labor claims and other issues.

Based on the opinion of its legal advisors, analyses of pending litigation and the amounts involved in past labor claims, management established a provision at an amount deemed to be sufficient to cover probable losses on the claims currently in progress, as follows:

(In thousands of reais, unless otherwise stated)

19. Provision for losses on legal proceedings and judicial deposits (Continued)

a) Breakdown

At the reporting date, the Group records the following liabilities and corresponding judicial deposits, relating to legal proceedings:

	Individual					
	Provision for losses on legal proceedings		Judicial deposits		Net balance	
	2022	2021	2022	2021	2022	2021
Tax and civil claims (i)	**64,426**	58,294	**(16,092)**	(24,260)	**48,334**	34,034
Labor and social security claims (ii)	**112,421**	99,230	**(40,563)**	(17,738)	**71,858**	81,492
	176,847	157,524	**(56,655)**	(41,998)	**120,192**	115,526

	Consolidated					
	Provision for losses on legal proceedings		Judicial deposits		Net balance	
	2022	2021	2022	2021	2022	2021
Tax and civil claims (i)	**93,383**	80,159	**(22,453)**	(30,622)	**70,930**	49,537
Labor and social security claims (ii)	**116,995**	102,742	**(42,000)**	(18,131)	**74,995**	84,611
	210,378	182,901	**(64,453)**	(48,753)	**145,925**	134,148

Changes in the provision for losses on legal proceedings are as follows:

	Individual		Consolidated	
	2022	2021	2022	2021
Opening balance	**157,524**	101,918	**182,901**	124,325
Recognition of provision	**60,063**	58,301	**69,059**	61,163
Monetary restatement	**12,646**	11,364	**13,669**	13,408
Reversal/remeasurement of proceedings	**(39,293)**	(3,133)	**(40,692)**	(4,499)
Write-off / payment of proceedings	**(14,093)**	(10,926)	**(14,101)**	(11,496)
Reclassification of discontinued operations	**-**	-	**(458)**	-
December 31	**176,847**	157,524	**210,378**	182,901

i) *Civil and tax proceedings*

In summary, this substantially refers to civil claims filed by customers for supposed noncompliance in relation to the drugs produced by the Group.

(In thousands of reais, unless otherwise stated)

19. Provision for losses on legal proceedings and judicial deposits (Continued)

a) Breakdown (Continued)

ii) *Labor claims*

The Group recorded provision for contingencies based on an estimate of loss prepared by its legal advisors for labor claims in which it is a defendant, mainly involving overtime, compensation for work-related accidents and joint liability of outsourced companies.

Based on the opinion of its legal advisors, management believes there are no significant risks that are not covered by sufficient provisions in its financial statements or that may result in a significant impact on future results.

iii) *Possible losses for which a provision was not recognized*

The Group is a party to tax, civil, and labor, claims involving the risk of possible losses, as assessed by management and its legal advisors, for which no provision was recognized, considering that the accounting practices adopted in Brazil do not require their recognition, according to the breakdown and estimate shown below:

	Individual		**Consolidated**	
	2022	**2021**	**2022**	**2021**
Civil (*)	**869,955**	583,384	**923,187**	625,605
Tax (**)	**1,729,430**	1,701,498	**1,731,832**	1,701,498
Labor	**157,806**	118,643	**174,505**	127,068
Tax - other	**205,450**	55,929	**209,122**	57,122
	2,962,641	2,459,454	**3,038,646**	2,511,293

(*) This refers to a Class Action suit claiming refund of alleged losses to the public treasury arising from contracts in relation to the Product Development Partnership (PDP) entered into between EMS, Instituto Vital Brasil IVB and the Federal Government.

(**) This substantially refers to the Tax Notice issued by the Brazilian Revenue Service (RFB) under an administrative proceeding demanding the payment of Corporate Income Tax ("IRPJ"), Social Contribution Tax on Net Profit ("CSLL"), Contribution Tax on Gross Revenue for Social Integration Program (PIS), Contribution Tax on Gross Revenue for Social Security Financing (COFINS) and one-time fines plus charges, based on supposed non-deductibility of goodwill amortization in the merger of a company that would have artificially reduced the IRPJ and CSLL tax bases. Notwithstanding the regularity of the procedure adopted, the federal tax auditors disallowed the goodwill amortization expenses as they understood, in summary, that there was no business purpose for the acquisition of the equity interest including goodwill since the transaction took place "within the same economic group."

19. Provision for losses on legal proceedings and judicial deposits (Continued)

a) Breakdown (Continued)

iii) *Possible losses for which a provision was not recognized* (Continued)

(**) Assisted by its tax advisors specializing in this field, the Company classifies the chances of success as possible since, contrary to what the tax authorities claim, the transaction had a strong business purpose involving a joint venture with a foreign company, unrelated to the economic group, aiming at the Group's entry/consolidation in the European pharmaceutical market, especially because the legislation governing the drugs in question is extremely adherent to that of Brazil. In addition, said amortization was carried out in accordance with the accounting standards in force at the time, under the principle of legality, and all documents were properly registered and published, which demonstrates the inexistence of bad faith. The thesis defended by the Company was duly accepted by the 1st Panel of the Administrative Board of Tax Appeals (CARF) which, after analysis, canceled the tax notice by majority vote. The Company has recently obtained a court decision that upheld this favorable decision for the Company (determining the annulment of the decision rendered at the highest administrative level, which had accepted an appeal from the National Treasury, which did not meet the requirements for appealability).

b) Uncertainty over tax treatments

As shown in the table above, the tax authorities claim that the Group does not meet all the criteria to deduct goodwill amortization for IRPJ and CSLL purposes. The Group believes that the goodwill arose from an economic-based transaction and, therefore, can be used for tax purposes. No amount was recognized in the accompanying consolidated financial statements because the Group, based on the legislation, case law and doctrine, believes that the tax rule used in the past was in compliance with applicable legislation, and believes that the Group's tax treatment may be successfully defended in court.

The Group believes its provisions for tax liabilities are adequate for all fiscal years based on its evaluation of multiple factors, including tax law interpretations and past experience.

(In thousands of reais, unless otherwise stated)

20. Income and social contribution taxes

a) Deferred income and social contribution taxes

The changes in and sources of deferred income and social contribution taxes in 2022 and 2021 are as follows:

	Individual		
	Balance at 12/31/2021	**Recognized in P&L**	**Balance at 12/31/2022**
Provision for tax recovery	(56,436)	**-**	**(56,436)**
Provision for useful life recorded for corporate and tax purposes	(43,730)	**11,889**	**(55,619)**
Net effect of reversal of revenue from products billed and not delivered	27,660	**(18,799)**	**46,459**
Provision for obsolescence	18,736	**(7,237)**	**25,973**
Provision for losses on legal proceedings	53,558	**(9,824)**	**63,382**
Provision for impairment losses on receivables	2,732	**(3,219)**	**5,951**
Provision for profit sharing	10,367	**(7,796)**	**18,163**
Provision for free samples	7,317	**(3,361)**	**10,678**
Provision for leased vehicles	313	**(149)**	**462**
Provision for deferred exchange differences for tax purposes	(468)	**413**	**(881)**
Lease CPC06	1,923	**(1,354)**	**3,277**
Other provisions	21,641	**(6,124)**	**27,765**
	43,613	**(45,561)**	**89,174**

	Individual		
	Balance at 12/31/2020	**Recognized in P&L**	**Balance at 12/31/2021**
Provision for tax recovery	-	(56,436)	(56,436)
Provision for useful life recorded for corporate and tax purposes	(33,588)	(10,142)	(43,730)
Provision for labor claims	22,307	11,431	33,738
Net effect of reversal of revenue from products billed and not delivered	28,183	(523)	27,660
Provision for obsolescence	11,356	7,380	18,736
Provision for losses on tax and civil claims	12,346	7,474	19,820
Provision for impairment losses on receivables	3,049	(317)	2,732
Provision for profit sharing	8,236	2,131	10,367
Provision for free samples	3,425	3,892	7,317
Provision for leased vehicles	212	101	313
Provision for deferred exchange differences for tax purposes	(9,419)	8,951	(468)
Lease CPC06	9,777	(7,854)	1,923
Other provisions	17,418	4,223	21,641
	73,302	(29,689)	43,613

(In thousands of reais, unless otherwise stated)

20. Income and social contribution taxes (Continued)

a) Deferred income and social contribution taxes (Continued)

	Consolidated		
	Balance at 12/31/2021	Recognized in P&L	Balance at 12/31/2022
Provision for tax recovery	(61,388)	**-**	**(61,388)**
Provision for useful life recorded for corporate and tax purposes	(43,784)	**(11,901)**	**(55,685)**
Provision for labor claims	62,030	**11,526**	**73,556**
Net effect of reversal of revenue from products billed and not delivered	31,652	**22,052**	**53,704**
Provision for impairment losses on receivables	3,024	**4,243**	**7,267**
Provision for obsolescence	19,602	**8,349**	**27,951**
Provision for profit sharing	12,178	**10,501**	**22,679**
Provision for free samples	7,987	**5,062**	**13,049**
Provision for leased vehicles	431	**241**	**672**
Provision for deferred exchange differences for tax purposes	(493)	**(380)**	**(873)**
Lease CPC06	7,461	**1,643**	**9,104**
Other provisions	26,658	**12,589**	**39,247**
	65,358	**63,925**	**129,283**

	Consolidated		
	Balance at 12/31/2020	Recognized in P&L	Balance at 12/31/2021
Provision for tax recovery	-	(61,388)	(61,388)
Provision for useful life recorded for corporate and tax purposes	(33,629)	(10,155)	(43,784)
Provision for labor claims	22,939	11,851	34,790
Net effect of reversal of revenue from products billed and not delivered	32,566	(914)	31,652
Provision for impairment losses on receivables	3,611	(587)	3,024
Provision for obsolescence	11,858	7,744	19,602
Provision for profit sharing	9,033	3,145	12,178
Provision for losses on tax and civil claims	15,936	11,304	27,240
Provision for free samples	3,991	3,996	7,987
Provision for leased vehicles	308	123	431
Provision for deferred exchange differences for tax purposes	(9,376)	8,883	(493)
Lease CPC06	10,128	(2,667)	7,461
Other provisions	20,146	6,512	26,658
	87,511	(22,153)	65,358

(In thousands of reais, unless otherwise stated)

20. Income and social contribution taxes (Continued)

a) Current income and social contribution taxes

Reconciliation of income and social contribution tax expenses is shown below:

	Individual		Consolidated	
	2022	**2021**	**2022**	**2021**
Income before income and social contribution taxes	**313,067**	409,978	**382,275**	474,176
IRPJ and CSLL at local rates (34%)	**(106,443)**	(139,393)	**(129,974)**	(161,220)
Technological innovation (R&D) Law No. 11196/05 (EMS)	**38,997**	11,991	**38,997**	11,991
Capital grant	**46,108**	19,587	**46,108**	21,982
Equity pickup	**27,757**	4,738	**-**	882
Exchange differences	**30,644**	8,900	**30,626**	8,886
Net effect of reversal of revenue from products billed and not delivered	**(18,154)**	(523)	**(21,407)**	(914)
Other permanent additions/exclusions	**(20,680)**	(257)	**(35,089)**	(43,991)
IRPJ and CSLL taxes on the statement of profit or loss	**(1,771)**	(94,957)	**(70,739)**	(162384)
Current income and social contribution taxes	**(47,332)**	(65,268)	**(134,664)**	(140,321)
Deferred income and social contribution taxes	**45,561**	(29,689)	**63,925**	(22,063)
IRPJ and CSLL taxes on the statement of profit or loss	**(1,771)**	(94,957)	**(70,739)**	(162,384)
Effective rate	**0.57%**	23.16%	**18.50%**	34.25%

b) Income and social contribution taxes payable

	Individual		Consolidated	
	2022	**2021**	**2022**	**2021**
IRPJ payable	**23,269**	19,541	**38,717**	56,377
CSLL payable	**8,969**	7,228	**14,790**	19,169
	32,238	26,769	**53,507**	75,546

(In thousands of reais, unless otherwise stated)

20. Income and social contribution taxes (Continued)

c) Income and social contribution taxes payable (Continued)

Changes in income and social contribution taxes payable are shown below:

	Individual		Consolidated	
	2022	2021	2022	2021
Opening balance	**26,769**	15,387	**75,546**	27,336
(+) Provision for current IR/CS in the year	**47,332**	65,268	**134,664**	140,231
(-) Amounts offset against federal taxes (*)	**(41,863)**	(53,886)	**(52,319)**	(57,376)
(-) Amounts prepaid/paid in the year	**-**	-	**(104,384)**	(34,645)
(=) Closing balance	**32,238**	26,769	**53,507**	75,546

(*) Offsets carried out with income and social contribution tax losses and Requests for Reimbursement of PIS and COFINS.

21. Other accounts payable

	Individual		Consolidated	
	2022	2021	2022	2021
Advances from customers	**33,729**	34,583	**33,817**	35,455
Advances from related parties (Note 28)	**4,840**	4,840	**4,840**	4,840
Provision for land payable	**12,061**	12,342	**12,061**	12,342
Provisions for third-party services	**36,501**	30,961	**38,221**	15,687
Provision for commissions and bonuses	**42,024**	14,137	**64,271**	24,458
Provision for leased vehicles	**1,357**	5,669	**1,974**	6,619
Provision for expenses with marketing and promotions	**11,450**	1,865	**20,675**	2,024
Other provisions	**15,613**	1,495	**19,158**	23,783
	157,575	105,892	**195,017**	125,208
Current	**145,514**	91,697	**182,956**	111,013
Noncurrent	**12,061**	14,195	**12,061**	14,195

(In thousands of reais, unless otherwise stated)

22. Equity

a) Capital

As at December 31, 2022 and 2021, subscribed and paid-in capital is R$221,717 comprising 20,000,000 common shares without par value, held as follows:

	December 31, 2022 and 2021	
	Shares	**Amount**
NC Participações S.A.	19,800,000	219,500
Germed Farmacêutica LDA.	200,000	2,217
	20,000,000	221,717

In 2021, the Company adjusted capital by R$9 to be in accordance with its Articles of Incorporation. The adjustment was made in the group of retained earnings.

Each common share is entitled to a vote in the Special and Annual Shareholders' Meetings. Every year, a minimum dividend of 25% of net income, calculated in accordance with Brazilian corporate law, will be attributable to the shareholders.

b) Capital reserve

Goodwill reserve on merger

This refers to the matching entry of the merged goodwill, net of the difference between its actual value and the tax benefit generated by its amortization, which arises from the merger of shares of its parent company EMS Investimentos S/A. Said reserve may be capitalized in future resolutions by the Meeting.

22. Equity (Continued)

c) Income reserve

Tax incentive reserve

The Group has a line of credit government grant under the Federal District Fostering Program for the Sustainable Integrated Economic Development (PRO-DF), granted in the form of a subsidized loan obtained from Banco Regional de Brasília (BRB). The economic benefit obtained is accounted for as deferred revenue and recorded in the statement of profit or loss for equal amounts based on the maturity of each loan. A substantial part of the loan was settled and the respective grant revenue was recognized in the statement of profit or loss for the year and subsequently transferred to tax incentive in equity, as an income reserve in 2014. In 2016, the amount of R$3,003 was realized in connection with the settlement of the Ideas Program. However, the Company is still waiting for the auction to be held to settle the residual value.

The Group has a government grant represented by the right to exclude from the IRPJ and CSLL tax bases those gains arising from the ICMS tax benefit granted by the State of São Paulo under Supplementary Law No. 160. In 2020, based on the opinion of its legal advisors, the Company exercised the right of exclusion.

As at December 31, 2022, the amounts calculated and paid in connection with this exclusion, i.e., R$46,108 (R$19,587 in 2021), were recognized in the statement of profit or loss for the year as income and social contribution taxes - current.

In 2022, as required by the Income Tax legislation, the tax benefits obtained were allocated to the tax incentive reserve, limited to the amount of net income for the year, totaling R$40,691 (R$57,608 in 2021).

Legal reserve

The legal reserve is recognized under Brazilian Corporation Law and the Bylaws, based on 5% of net income for the year, limited however to 20% of total capital or 30% of the balance of capital plus reserves.

As at December 31, 2022 and 2021, the Group did not recognize the amount of 5% of the net income for the year as part of the legal reserve, since it reached the limit of 20% of capital, as determined by article 193 of Law No. 6404/86.

(In thousands of reais, unless otherwise stated)

22. Equity (Continued)

c) Income reserve (Continued)

Income reserve

The income reserve is recognized with the balance of net income for 2022 and 2021 after the appropriation of dividends, recognition of a legal reserve and recognition of the tax incentives. The amount of retained earnings in previous years was used for profit sharing, as determined by the General Shareholders' Meeting. The remaining balance of the income reserve will be distributed to the shareholders in the following year, as approved at the meeting.

d) Dividends

The Group's bylaws define the distribution of a mandatory minimum dividend of 25% of net income adjusted in accordance with corporate law, as follows:

	Individual		Consolidated	
	2022	**2021**	**2022**	**2021**
Net income for the year	**311,296**	315,021	**311,296**	315,021
(-) Investment grant	**(40,691)**	(57,608)	**(40,691)**	(57,608)
Dividend calculation base	**270,605**	257,413	**270,605**	257,413
Mandatory minimum dividends (25%)	**67,651**	64,353	**67,651**	64,353
Opening balance	**528,184**	35,821	**533,313**	40,950
Prior-year dividends distributed approved in the year	**-**	436,890	**-**	436,890
Mandatory minimum dividends (25%)	**67,651**	64,353	**67,651**	64,353
(-) Payments	**(120,766)**	(8,880)	**(125,711)**	(8,880)
Total dividends payable	**475,069**	**528,184**	**475,253**	533,313

23. Net operating revenue

The reconciliation of gross sales to net revenue is as follows:

	Individual		Consolidated	
	2022	**2021**	**2022**	**2021**
Gross sale of products and services, less trade discounts	**6,411,816**	5,507,861	**7,110,663**	5,998,362
Sales taxes	**(1,056,791)**	(820,340)	**(1,123,555)**	(855,647)
Sales returns	**(249,342)**	(169,727)	**(280,733)**	(198,164)
Net operating revenue	**5,105,683**	4,517,794	**5,706,375**	4,944,551

(In thousands of reais, unless otherwise stated)

24. Costs and expenses by nature

	Individual		Consolidated	
	2022	**2021**	**2022**	**2021**
Raw material and supplies	**(2,750,447)**	(2,472,542)	**(2,989,721)**	(2,574,920)
Payroll and related charges	**(743,502)**	(633,324)	**(803,567)**	(691,522)
Third-party services - legal entities	**(297,212)**	(271,628)	**(320,563)**	(295,682)
Social security costs	**(190,800)**	(164,734)	**(203,963)**	(178,348)
Advertising costs	**(141,454)**	(132,849)	**(158,774)**	(144,857)
Transportation expenses	**(122,643)**	(115,316)	**(144,751)**	(134,037)
Samples	**(116,612)**	(104,663)	**(132,035)**	(118,339)
Legal benefits	**(72,689)**	(60,003)	**(76,886)**	(64,217)
Cleaning and office supplies	**(66,565)**	(57,960)	**(66,719)**	(58,073)
Travel/lodging and meals	**(43,683)**	(27,897)	**(50,352)**	(32,773)
Other employee benefits	**(79,702)**	(68,453)	**(85,708)**	(74,528)
Profit sharing plan	**(65,350)**	(37,388)	**(74,766)**	(40,819)
Third-party services - maintenance and repair	**(47,074)**	(45,341)	**(48,346)**	(47,082)
Depreciation, amortization and impairment charges	**(40,135)**	(45,547)	**(40,937)**	(45,595)
Amortization charges – right of use	**(35,925)**	(31,806)	**(29,664)**	(35,516)
Electricity, water and telephone	**(20,870)**	(19,178)	**(20,943)**	(18,616)
Fuel and lubricants	**(25,419)**	(20,027)	**(27,411)**	(21,983)
Provision for losses on legal proceedings	**(33,416)**	(49,819)	**(96,082)**	(51,602)
Sales commissions	**(8,189)**	(8,313)	**(21,192)**	(16,173)
Other expenses, net of other revenue	**20,325**	5,688	**53,367**	(7,062)
Provision for returns	**2,893**	(1,639)	**3,425**	(2,241)
Reversal of (provision for) impairment losses on receivables	**679**	933	**1,054**	1,767
Provision for inventory obsolescence	**(56,942)**	(21,707)	**(61,836)**	(21,250)
	(4,934,732)	(4,383,513)	**(5,396,370)**	(4,673,468)
Cost of sales	**(3,328,390)**	(2,924,689)	**(3,573,754)**	(3,030,275)
Selling expenses	**(395,093)**	(362,211)	**(463,516)**	(413,888)
Administrative expenses	**(1,211,249)**	(1,096,613)	**(1,359,100)**	(1,229,305)
	(4,934,732)	(4,383,513)	**(5,396,370)**	(4,673,468)

(In thousands of reais, unless otherwise stated)

25. Other operating income (expenses), net

	Individual		Consolidated	
	2022	2021	2022	2021
Other income				
Tax recovery (i)	**77,866**	237,598	**84,738**	258,314
Write-off of investments	**5,452**	8,393	**5,452**	-
Grant income	**-**	3,497	**-**	3,497
Other	**31,905**	18,520	**33,805**	28,328
Total other income	**115,223**	268,008	**123,995**	290,139
Other expenses				
Loss on write-off of investment (ii)	**-**	-	**-**	(70,892)
Fines, taxes and charges	**(38,553)**	(18,395)	**(45,410)**	(24,580)
Other expenses	**(6,041)**	(7,711)	**(7,810)**	(14,840)
Total other expenses	**(44,594)**	(26,106)	**(53,220)**	(110,312)
Other expenses (revenue), net	**70,629**	241,902	**70,775**	179,827

(i) This substantially refers to accounting for the exclusion of ICMS from the PIS and COFINS tax bases, as shown in Note 14, either in the recovery of credits prior to the period by means of administrative proceedings, or in the exclusion of credits in the current period.

(ii) This amount consists substantially of the write-off of investments disclosed in Note 14.b.

26. Finance income (costs)

	Individual		Consolidated	
	2022	2021	2022	2021
Finance income				
Foreign exchange gains	**132,688**	188,143	**132,870**	190,534
Short-term investment yield	**31,110**	4,145	**43,102**	7,055
Interest on trade notes receivable	**18,352**	71,782	**19,960**	72,790
Other	**15,477**	5,133	**15,562**	4,284
Total finance income	**197,627**	269,203	**211,494**	274,663
Finance costs				
Interest payable	**(32,433)**	(30,711)	**(32,433)**	(32,163)
Foreign exchange losses	**(148,587)**	(204,563)	**(148,689)**	(206,575)
Leases IFRS 16 – interest payable	**(16,158)**	(11,112)	**(15,329)**	(12,085)
Other	**(10,601)**	(2,956)	**(13,548)**	(3,167)
Total finance costs	**(207,779)**	(249,342)	**(209,999)**	(253,990)
Finance costs, net	**(10,152)**	19,861	**1,495**	20,673

27. Basic and diluted earnings per share

Basic and diluted earnings per share amounts are calculated by dividing the net profit attributable to the Company’s shareholders by the weighted average number of shares held during the year.

	2022	**2021**
Profit attributable to Company shareholders	**311,296**	315,021
Weighted average number of common shares (thousands)	**20,000**	20,000
Basic and diluted earnings per share - R$	**15.56**	15.75

Diluted earnings per share is the same as basic earnings per share since there are no potentially dilutive instruments.

EMS S.A.

Notes to the individual and consolidated financial statements (Continued)
December 31, 2022 and 2021
(In thousands of reais, unless otherwise stated)

28. Related parties

Significant asset and liability balances at December 31, 2022 and 2021 as well as transactions affecting P&L for the years regarding transactions with related parties refer to the Company’s transactions with its related parties, carried out under the conditions agreed upon by the parties, as follows:

ii) Individual

	12/31/2022								
	Accounts receivable	Dividends receivable	Other accounts receivable and advances	Trade payables	Dividends payable	Other accounts payable and advances	Purchases	Services rendered	Sales
EMS Sigma Pharma Ltda.	244,073	707	-	-	-	-	-	-	309,609
Germed Farmacêutica Ltda.	-	-	-	-	-	-	7,491	-	215,912
Germed Farmacêutica LDA Portugal	-	-	-	-	25,022	-	-	-	-
Innoveren Pharma S/A.	-	-	-	-	-	4,840	-	-	
Legrand Pharma Indústria Farmacêutica Ltda.	49,647	-	-	-	-	-	480	-	219,189
Luxbiotech Farmacêutica Ltda.	-	-	12,446	-	-	-	-	-	-
Multilab Indústria e Comércio de Medicamentos Ltda.	8,945	-	-	49,822	-	-	84,445	-	354,662
NC Participações S.A	-	-	-	-	382,580	-	-	-	-
Novamed Fabricação de Produtos Farmacêuticos Ltda.	5,684	-	-	1,527,599	-	-	2,091,012	-	34,896
Snellog	-	-	-	3,533	-	-	-	43,524	-
Other	5,153	-	522	19,483	-	-	-	-	-
	313,502	707	12,968	1,600,437	407,602	4,840	2,183,428	43,524	1,134,268

(In thousands of reais, unless otherwise stated)

28. Related parties (Continued)

i) <u>Individual</u> (Continued)

	12/31/2021							
	Accounts receivable	Dividends receivable	Other accounts receivable and advances	Trade payables	Dividends payable	Other accounts payable and advances	Sales	Purchases
NC Participações S.A.	-	-	-	-	529,454	-	-	-
Germed Farmacêutica LDA.	-	-	-	-	25,269	-	-	-
Germed Farmacêutica Ltda.	889	-	-	228	-	-	198,911	6,295
Multilab Indústria e Comércio de Medicamentos Ltda.	4,051	-	-	30,572	-	-	172,555	64,178
Legrand Pharma Indústria Farmacêutica Ltda.	981	-	-	-	-	-	207,909	526
EMS Sigma Pharma Ltda (*)	176,772	707	-	376	-	-	343,950	-
Nova Química Farmacêutica S.A.		-	-	-	-	-	31,109	3,336
Lafiman Distribuidora de Medicamentos Ltda.	11,104	-	-	-	-	-	14,981	-
Luxbiotech Farmacêutica Ltda.	516	-	129,080	-	-	-	-	-
Novamed Fabricação de Produtos Farmacêuticos Ltda.	37,353	-	-	1,256,163	-	-	82,478	1,885,918
Instituto Vita Nova	-	-	3,539	-	-	-	-	-
Innoveren Pharma S/A.	-	-	-	-	-	4,840	-	-
Other	4,187	-	1,906	10,297	-	-	17	-
	235,853	707	134,525	1,297,636	554,723	4,840	1,051,910	1,960,253

The balances of accounts receivable from related parties mainly arise from sales transactions and mature within 120 days. Accounts receivable are unsecured and are not subject to interest.

The accounts payable to related parties mainly arise from purchase transactions and recognition of the provision for dividends payable.

(In thousands of reais, unless otherwise stated)

28. Related parties (Continued)

ii) <u>Consolidated</u>

	12/31/2022							
	Accounts receivable	**Other accounts receivable and advances**	**Trade payables**	**Dividends payable**	**Other accounts payable and advances**	**Purchases**	**Services rendered**	**Sales**
Germed Farmacêutica Ltda.	**-**	**-**	**-**	**-**	**-**	**7,568**	**-**	**216,102**
Germed Farmacêutica LDA Portugal	**-**	**-**	**-**	**25,022**	**-**	**-**	**-**	**-**
Innoveren Pharma S/A.	**-**	**-**	**-**	**-**	**4,840**	**-**	**-**	**-**
Multilab Indústria e Comércio de Medicamentos Ltda.	**9,516**	**-**	**98,884**	**-**	**-**	**123,473**	**-**	**364,077**
NC Participações S.A	**-**	**-**	**-**	**382,396**	**-**	**-**	**-**	**-**
Novamed Fabricação de Produtos Farmacêuticos Ltda.	**7,104**	**-**	**1,527,975**	**-**	**-**	**2,227,334**	**-**	**343,471**
Snellog	**-**	**-**	**3,546**	**-**	**-**	**-**	**48,659**	**-**
USK Underskin LLC	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**
Other	**9,565**	**522**	**19,616**	**-**	**-**	**-**	**-**	**-**
	26,185	**522**	**1,650,021**	**407,418**	**4,840**	**2,358,375**	**48,659**	**923,650**

	12/31/2021							
	Accounts receivable	**Dividends receivable**	**Other accounts receivable and advances**	**Trade payables**	**Dividends payable**	**Other accounts payable and advances**	**Sales**	**Purchases**
NC Participações S.A.	-	-	-	-	534,584	-	-	-
Germed Farmacêutica LDA.		-	-	-	25,269	-	-	-
Germed Farmacêutica Ltda.	2,029	-	-	268	-	-	203,153	6,434
Multilab Indústria e Comércio de Medicamentos Ltda.	4,148	-	-	45,831	-	-	173,112	81,877
EMS Sigma Pharma Ltda (*)		707	-	-	-	-		-
Nova Química Farmacêutica S.A.		-	-	-	-	-	31,109	12,082
Lafiman Distribuidora de Medicamentos Ltda.	33,597	-	-	-	-	-	18,658	-
Novamed Fabricação de Produtos Farmacêuticos Ltda.	44,436	-	-	1,256,072	-	-	366,876	1,982,691
Instituto Vita Nova		-	3,539	-	-	-	-	-
Innoveren Pharma S/A.		-	-	-	-	4,840	-	-
Other	5,859	-	1,906	10,977	-	-	17	-
	90,069	707	5,445	1,313,148	559,853	4,840	792,925	2,083,084

28. Related parties (Continued)

a) Key management personnel compensation

Compensation paid and payable to key management personnel, including salaries and charges, profit sharing and other benefits, represents 4.82% of payroll expenses for the year ended December 31, 2022 (6.08% at December 31, 2021).

29. Insurance

The Group in which the Company operates maintains global insurance policies of various types, contracted with the main insurance companies in the country. These policies were defined in accordance with the Group's program and took into account the nature and degree of risk involved.

The Group's insurance coverage against operational risks totals R$900,000 in 2022 (R$842,000 in 2021), and R$10,000 for third-party liability in 2022 and 2021.

The Group does not anticipate any difficulties in renewing any of its insurance policies and believes such coverage to be reasonable in terms of amount and commensurate with the sector standards in Brazil.

The risk assumptions adopted, given their nature, are not part of the scope of an audit of financial statements; accordingly, they were not audited by our independent auditors.

30. Events after the reporting period

STF judgment – Effectiveness of res judicata decisions

At a plenary session held on February 8, 2023, Brazil's Federal Supreme Court ("STF") concluded the judgment of Topics 881 and 885 of general repercussion (generally binding decision), corresponding to Appeals to STF ("RE") Nos. 949.297 and 955.227, respectively, whose subject matter is whether it will be possible to terminate the effectiveness of final and unappealable decisions (the so-called res judicata) in tax relations of continued treatment, after the STF had issued a statement contrary to the decision previously handed down in favor of the taxpayer. This is due to the fact that, according to the laws and regulations as well as case law, even if a decision has become final and unappealable (res judicata), it has its own effects whilst the factual and legal framework that justifies it endures. In case of changes, the effects of a previous decision may not be produced.

Management assessed and concluded that the Company has no lawsuits that relate to the decision taken by the STF, therefore, no effects are expected on its individual and consolidated financial statements.