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

# EMS S.A.

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

Deloitte Touche Tohmatsu Auditores Independentes Ltda.

Deloitte Touche Tohmatsu
Av. John Dalton, 301 -
1º andar - Techno Plaza Corporate -
Edifício 2 - Bloco B
13069-330 - Campinas - SP
Brazil

Tel.: + 55 (19) 3707-3000
Fax: + 55 (19) 3707-3001
www.deloitte.com.br

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

INDEPENDENT AUDITOR'S REPORT ON THE
INDIVIDUAL AND CONSOLIDATED FINANCIAL STATEMENTS

To the Executive Board and Shareholders of
EMS S.A.

**Opinion**

We have audited the accompanying individual and consolidated financial statements of EMS S.A. ("Company"), identified as Parent and Consolidated, respectively, which comprise the individual and consolidated balance sheet as at December 31, 2023, and the related individual and consolidated statements of income, of comprehensive income, of changes in equity and of cash flows for the year then ended, and notes to the financial statements, including the material accounting policies.

In our opinion, the individual and consolidated financial statements referred to above present fairly, in all material respects, the individual and consolidated financial position of EMS S.A. as at December 31, 2023, and its individual and consolidated financial performance and its individual and consolidated cash flows for the year then ended, in accordance with accounting practices adopted in Brazil.

**Basis for opinion**

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

**Key audit matters**

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

*Tax provisions and contingent liabilities*

Why it is a KAM

As disclosed in note 19 to the individual and consolidated financial statements as at December 31, 2023, the Company and its subsidiaries have tax matters under discussion at various courts for which, based on the opinion of its legal advisors, a provision for risks was recognized in the individual financial statements in the amount of R$37,861 thousand with respect to those lawsuits assessed as probable loss, and in the consolidated financial statements in the amount of R$37,913 thousand, and disclosed R$1,696,824 thousand (R$1,934,880 thousand as at December 31, 2022) and R$1,707,501 thousand (R$1,940,954 thousand as at December 31, 2022), in the Parent and in the Consolidated, respectively, for those risks assessed as possible loss. These matters depend on Management's critical judgments. Also, considering the materiality of the respective amounts, any changes in the estimates or assumptions, which impact the likelihood of loss, could have significant impacts on the Company's individual and consolidated financial statements.

How the matter was addressed in our audit

Our audit procedures included, but were not limited to:

i) Understanding the procedures established by Management to identify and monitor the progress of the significant tax lawsuits.

ii) Confirming with the legal advisors hired by the Company the amounts and likelihood of loss of the tax lawsuits.

iii) Involving tax specialists and more experienced professionals in assessing certain opinions issued by other legal advisors obtained by the Company's Management, considered significant by the audit team, in order to assess the reasonableness of the likelihood of loss determined by the attorneys of the respective lawsuits, as well as assessing the arguments, case law and/or defense strategy adopted by the Company's legal advisors.

iv) Performing test, on a sample basis, on certain permanent additions in the calculation of income tax and social contribution related to the ICMS grant in the year, in order to assess the occurrence and accuracy of the transactions.

v) Assessing the disclosures in the notes to the individual and consolidated financial statements.

Based on the audit evidence obtained through our procedures described above, we consider Management's estimates related to tax provisions and contingent liabilities acceptable in the context of the financial statements taken as a whole.

**Other matters**

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

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

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

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

Those charged with governance are responsible for overseeing the Company's and its subsidiaries' 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 financial statements.

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

- Identify and assess the risks of material misstatement of the individual and consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the internal control of the Company and its subsidiaries.

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by Management.

- Conclude on the appropriateness of Management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the ability of the Company and its subsidiaries 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 auditor's report. However, future events or conditions may cause the Company and its subsidiaries 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.

- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the individual and consolidated financial statements. We are responsible for the direction, supervision and performance of the Group audit. We remain solely responsible for our audit opinion.

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

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

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

Campinas, March 28, 2024

Deloitte Touche Tohmatsu

DELOITTE TOUCHE TOHMATSU
Auditores Independentes Ltda.

Fernando A. L. Silva

Fernando Augusto Lopes Silva
Engagement Partner

2024CA030776

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

EMS S.A.

Balance sheets
As at December 31, 2023 and 2022
(In thousands of Brazilian reais - R$, unless otherwise stated)

| | | Parent | | Consolidated | |
|---|---|---|---|---|---|
| | **Note** | **12/31/2023** | **12/31/2022** | **12/31/2023** | **12/31/2022** |
| **Assets** | | | | | |
| Current | | | | | |
| Cash and cash equivalents | 8 | 279,492 | 228,721 | 421,213 | 370,031 |
| Short-term investments | 8.a | 71,655 | - | 108,002 | - |
| Trade receivables | 10 | 1,404,527 | 871,285 | 1,522,775 | 1,085,535 |
| Due from related parties | 28 | 386,251 | 313,502 | 58,452 | 26,185 |
| Inventories | 11 | 1,324,435 | 1,013,282 | 1,375,240 | 1,094,460 |
| Recoverable taxes | 12 | 336,513 | 424,860 | 561,582 | 544,218 |
| Dividends receivable | 28 | 35,679 | 707 | - | - |
| Other receivables | 13 | 77,508 | 50,397 | 84,020 | 42,726 |
| Derivative financial instruments | 7.iv | 82 | - | 82 | - |
| Assets from discontinued operations | 2 | - | - | 12,913 | 36,511 |
| **Total current assets** | | **3,916,142** | **2,902,754** | **4,144,279** | **3,199,666** |
| | | | | | |
| **Noncurrent** | | | | | |
| Short-term investments linked to borrowing | 9 | 1,545 | 1,285 | 1,545 | 1,285 |
| Other receivables | 13 | 6,550 | 6,550 | 6,550 | 6,550 |
| Recoverable taxes | 12 | 124,323 | 123,252 | 225,461 | 336,865 |
| Escrow deposits | 19 | 52,796 | 56,655 | 58,773 | 64,453 |
| Deferred income tax and social contribution | 20.a | 151,062 | 89,174 | 193,947 | 129,283 |
| Investments in subsidiaries | 14 | 287,367 | 386,753 | - | - |
| Right-of-use assets | 16.a | 141,921 | 129,016 | 152,577 | 136,957 |
| Property, plant and equipment | 15 | 1,013,209 | 967,549 | 1,017,321 | 970,559 |
| Intangible assets | | 14,388 | 6,854 | 18,478 | 11,189 |
| **Total noncurrent assets** | | **1,793,161** | **1,767,088** | **1,674,652** | **1,657,141** |
| | | | | | |
| **Total assets** | | **5,709,303** | **4,669,842** | **5,818,931** | **4,856,807** |

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

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

EMS S.A.

Balance sheets
As at December 31, 2023 and 2022
(In thousands of Brazilian reais - R$, unless otherwise stated)

| | | Parent | | Consolidated | |
|---|---|---|---|---|---|
| **Liabilities and equity** | **Note** | **12/31/2023** | **12/31/2022** | **12/31/2023** | **12/31/2022** |
| Current | | | | | |
| Trade payables | 17 | 356,559 | 433,649 | 362,856 | 440,891 |
| Due to related parties | 28 | 2,553,281 | 1,600,437 | 2,531,492 | 1,650,021 |
| Borrowings and financing | 18 | 22,243 | 26,485 | 22,243 | 26,485 |
| Debentures | 18 | 4,153 | 4,757 | 4,153 | 4,757 |
| Lease liability | 16.b | 42,023 | 38,347 | 46,639 | 39,980 |
| Derivative financial instruments | 7.iv | - | 307 | - | 307 |
| Payroll and related taxes | | 164,509 | 141,154 | 183,687 | 160,059 |
| Taxes payable | | 38,710 | 24,396 | 44,134 | 27,720 |
| Income tax and social contribution payable | 20.c | - | 32,238 | 10,649 | 53,507 |
| Taxes in installments | | 7,177 | 17,981 | 7,365 | 18,180 |
| Dividends payable | 22 | 678,941 | 475,069 | 679,153 | 475,253 |
| Prepaid dividends received | 28 | 5,963 | - | - | - |
| Other payables | 21 | 143,439 | 145,514 | 184,551 | 182,956 |
| Liabilities from discontinued operations | 2 | - | - | 1,050 | 2,023 |
| **Total current liabilities** | | **4,016,998** | **2,940,334** | **4,077,972** | **3,082,139** |
| | | | | | |
| **Noncurrent** | | | | | |
| Borrowings and financing | 18 | 48,735 | 76,687 | 48,735 | 76,687 |
| Debentures | 18 | 220,000 | 220,000 | 220,000 | 220,000 |
| Lease liability | 16.b | 108,148 | 100,307 | 113,588 | 106,254 |
| Taxes in installments | | - | 2,032 | - | 2,223 |
| Provision for risks | 19 | 247,654 | 176,847 | 285,970 | 210,378 |
| Provision for negative equity - subsidiaries | 14 | 138 | - | 138 | - |
| Other payables | 21 | 12,061 | 12,061 | 12,061 | 12,061 |
| **Total noncurrent liabilities** | | 636,736 | 587,934 | 680,492 | 627,603 |
| | | | | | |
| **Total liabilities** | | **4,653,734** | **3,528,268** | **4,758,464** | **3,709,742** |
| | | | | | |
| Equity | 22 | | | | |
| Capital | | 385,736 | 221,717 | 385,736 | 221,717 |
| Capital reserve | | - | 164,019 | - | 164,019 |
| Valuation adjustments to equity | | 11,190 | 10,953 | 11,190 | 10,953 |
| Earnings reserves | | 658,643 | 744,885 | 658,643 | 744,885 |
| **Equity attributable to owners of the Company** | | **1.055.569** | **1,141,574** | **1,055,569** | **1,141,574** |
| | | | | | |
| Noncontrolling interests | | - | - | 4,898 | 5,491 |
| **Total equity** | | **1,055,569** | **1,141,574** | **1,060,467** | **1,147,065** |
| | | | | | |
| **Total liabilities and equity** | | **5,709,303** | **4,669,842** | **5,818,931** | **4,856,807** |

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

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

EMS S.A.

Statements of income
Years ended December 31, 2023 and 2022
(In thousands of Brazilian reais - R$, unless otherwise stated)

| | | Parent | | Consolidated | |
|---|---|---|---|---|---|
| | **Note** | **2023** | **2022** | **2023** | **2022** |
| Net operating revenue | 23 | 6,135,274 | 5,105,683 | 6,828,870 | 5,706,375 |
| Cost of sales | 24 | (4,130,545) | (3,328,390) | (4,220,582) | (3,573,754) |
| **Gross profit** | | **2,004,729** | **1,777,293** | **2,608,288** | **2,132,621** |
| Selling expenses | 24 | (490,301) | (395,093) | (600,530) | (463,516) |
| Administrative expenses | 24 | (1,392,870) | (1,211,249) | (1,542,768) | (1,359,100) |
| Other income (expenses), net | 25 | (30,482) | 70,629 | (35,717) | 70,775 |
| Share of profit (loss) of subsidiaries | 14 | 217,833 | 81,639 | (262) | - |
| **Operating income** | | **308,909** | **323,219** | **429,011** | **380,780** |
| Finance income | 26 | 70,472 | 197,627 | 92,192 | 211,494 |
| Finance costs | 26 | (108,293) | (207,779) | (114,465) | (209,999) |
| **Finance income (costs), net** | | **(37,821)** | **(10,152)** | **(22,273)** | **1,495** |
| **Profit before income tax and social contribution** | | **271,088** | **313,067** | **406,738** | **382,275** |
| Income tax and social contribution | 20.b | 59,829 | (1,771) | (51,051) | (70,739) |
| **Profit for the year from continuing operations** | | **330,917** | **311,296** | **355,687** | **311,536** |
| Discontinued operations | | | | | |
| Profit (loss) from discontinued operations | 2 | - | - | (22,627) | 1,091 |
| **Profit for the year** | | **330,917** | **311,296** | **333,060** | **312,627** |
| Profit attributable to owners of the Company | | 330,917 | 311,296 | 330,917 | 311,296 |
| Profit attributable to noncontrolling shareholders | | - | - | 2,143 | 1,331 |
| Earnings per share attributable to the Company's shareholders in the year (in R$ per share) (note 27) | | 16.55 | 15.56 | | |

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

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

EMS S.A.

Statements of comprehensive income
Years ended December 31, 2023 and 2022
(In thousands of Brazilian reais - R$, unless otherwise stated)

| | Parent | | Consolidated | |
|---|---|---|---|---|
| | **2023** | **2022** | **2023** | **2022** |
| Profit for the year | 330,917 | 311,296 | 333,060 | 312,627 |
| Other comprehensive income | | | | |
| Items that will be subsequently reclassified to profit or loss: | | | | |
| Foreign transactions and exchange rate differences on translation | 237 | (6,968) | 237 | (6,968) |
| **Total comprehensive income** | **331,154** | **304,328** | **333,297** | **305,659** |
| Comprehensive income attributable to: | | | | |
| Owners of the Company | 331,154 | 304,328 | 331,154 | 304,328 |
| Noncontrolling shareholders | - | - | 2,143 | 1,331 |
| **Total comprehensive income** | **331,154** | **304,328** | **333,297** | **305,659** |

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

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

EMS S.A.

Statements of changes in equity
Years ended December 31, 2023 and 2022
(In thousands of Brazilian reais - R$, unless otherwise stated)

| | | Owners of the Company | | | | | | | | | | |
|---|---|---|---|---|---|---|---|---|---|---|---|---|
| | | | | | Earnings reserves | | | | | | | |
| | **Note** | **Capital** | **Capital reserve** | **Valuation adjustments to equity** | **Tax incentive reserve** | **Legal reserve** | **Earnings reserves** | **Total** | **Profit for the year** | **Total attributable to owners of the Company** | **Noncontrolling interests** | **Total equity** |
| **As at December 31, 2021** | | **221,717** | **164,019** | **17,921** | **263,850** | **44,342** | **193,048** | **501,240** | **-** | **904,897** | **4,470** | **909,367** |
| Profit for the year | | - | - | - | - | - | - | - | 311,296 | 311,296 | 1,331 | 312,627 |
| Other comprehensive income for the year | | - | - | (6,968) | - | - | - | - | - | (6,968) | - | (6,968) |
| Transfer to earnings reserves | | - | - | - | - | - | 202,954 | 202,954 | (202,954) | - | - | - |
| Transfer to tax incentive reserve | 22.c | - | - | - | 40,691 | - | - | 40,691 | (40,691) | - | - | - |
| Distribution of proposed dividends | 22.d | - | - | - | - | - | - | - | (67,651) | (67,651) | - | (67,651) |
| Transactions with noncontrolling shareholders | | - | - | - | - | - | - | - | - | - | (310) | (310) |
| **As at December 31, 2022** | | **221,717** | **164,019** | **10,953** | **304,541** | **44,342** | **396,002** | **744,885** | **-** | **1,141,574** | **5,491** | **1,147,065** |
| Profit for the year | | - | - | - | - | - | - | - | 330,917 | 330,917 | 2,143 | 333,060 |
| Other comprehensive income for the year | 22.d | - | - | 237 | - | - | - | - | - | 237 | - | 237 |
| Capital increase through reserves | 22.a. | 164,019 | (164,019) | - | - | - | - | - | - | - | - | - |
| Transfer to earnings reserves | | - | - | - | - | - | 79,609 | 79,609 | (79,609) | - | - | - |
| Transfer to tax incentive reserve | 22.c | - | - | - | 208,226 | - | - | 208,226 | (208,226) | - | - | - |
| Transfer to legal reserve | 22.c | - | - | - | - | 16,546 | - | 16,546 | (16,546) | - | - | - |
| Reclassification of tax incentive reserve to earnings reserves | 22.c | | | | (233,114) | - | 233,114 | - | - | | | |
| Distribution of mandatory minimum dividends | 22.e | - | - | - | - | - | - | - | (26,536) | (26,536) | - | (26,536) |
| Distribution of proposed dividends | 22.e | - | - | - | - | - | (390,623) | (390,623) | - | (390,623) | (2,550) | (393,173) |
| Transactions with noncontrolling shareholders | | - | - | - | - | - | - | - | - | - | (186) | (186) |
| **As at December 31, 2023** | | **385,736** | **-** | **11,190** | **279,653** | **60,888** | **318,102** | **658,643** | **-** | **1,055,569** | **4,898** | **1,060,467** |

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

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

EMS S.A.

Statements of cash flows
Years ended December 31, 2023 and 2022
(In thousands of Brazilian reais - R$, unless otherwise stated)

| | | Parent | | Consolidated | |
|---|---|---|---|---|---|
| | Note | 2023 | 2022 | 2023 | 2022 |
| **Cash flows from operating activities** | | | | | |
| **Profit before income tax and social contribution from continuing operations** | | **271,088** | **313,067** | **406,738** | **382,275** |
| **Profit before income tax and social contribution from discontinued operations** | | **-** | **-** | **-** | **1,091** |
| Adjustments of | | | | | |
| Depreciation and amortization | 24 | 111,964 | 78,753 | 115,949 | 83,607 |
| Write-offs of right of use and leases | 16 | (5,640) | (2,163) | (6,163) | (1,995) |
| (Gain) loss on sale of property, plant and equipment and intangible assets | 15 | 3,133 | 2,474 | 3,147 | 2,474 |
| Allowance for (reversal of) estimated credit losses on trade receivables | 24 | 774 | 695 | 256 | 1,507 |
| (Reversal of) provision for returns | 10 and 11 | 240 | 1,735 | 92 | 1,914 |
| Allowance for (reversal of) inventory obsolescence | 24 | (18,146) | 56,942 | (19,173) | 61,836 |
| Provision for (reversal of) risks and escrow deposits | 24 | 71,879 | 20,770 | 76,392 | 28,367 |
| Allowance for impairment losses | | - | - | - | 42 |
| Share of profit (loss) of subsidiaries | 14 | (217,833) | (81,639) | 262 | - |
| Other investment losses (gains) | 14 | (6,331) | - | - | - |
| Accrued interest | 18 | 37,647 | 32,433 | 37,647 | 32,433 |
| Finance costs on present value adjustments to lease | | 17,544 | 16,158 | 18,863 | 15,329 |
| Gain on grant in profit or loss relating to ICMS | 18 | (5,030) | - | (5,030) | - |
| Other | | 25,634 | (1,862) | 28,012 | (839) |
| **Changes in assets and liabilities** | | | | | |
| Trade receivables | | (535,493) | (79,715) | (438,487) | (87,660) |
| Due from related parties | | (72,749) | (77,649) | (32,267) | 63,809 |
| Inventories | | (291,770) | (315,726) | (260,708) | (337,543) |
| Recoverable taxes | | 52,979 | 81,283 | 26,833 | (21,306) |
| Other receivables | | (27,111) | 125,460 | (41,294) | 7,944 |
| Escrow deposits | | 3,859 | 154 | 5,680 | (29) |
| Trade and other payables | | (55,810) | 240,521 | (52,812) | 264,992 |
| Taxes payable | | 14,314 | 2,026 | 16,414 | 1,153 |
| Due to related parties | | 952,844 | 302,801 | 881,471 | 337,046 |
| Taxes in installments | | (12,836) | (11,218) | (13,038) | (11,361) |
| **Cash generated by operations** | | **315,150** | **705,300** | **748,784** | **825,086** |
| Interest on borrowings, financing and debentures paid | 18 | (38,396) | (48,103) | (38,396) | (48,103) |
| Payment of lawsuits and escrow deposits | 19 | (26,529) | (14,093) | (27,968) | (14,101) |
| Income tax and social contribution paid | 20 | - | - | (91,366) | (104,384) |
| **Net cash generated by operating activities** | | **250,225** | **643,104** | **591,054** | **658,498** |
| | | | | | |
| **Cash flows from investing activities** | | | | | |
| Short-term investments | | (71,915) | - | (108,262) | - |
| Purchase of property, plant and equipment and intangible assets | 15 | (123,291) | (140,625) | (124,410) | (139,557) |
| Increase in subsidiary’s interest | 14 | (13,565) | (174,282) | - | - |
| Return of investment | 14 | 34,928 | 31,208 | - | - |
| Dividends received from subsidiaries | | 272,943 | 53,792 | - | - |
| Other investments | | - | (1,020) | - | (6,810) |
| **Net cash generated by (used in) investing activities** | | **99,100** | **(230,927)** | **(232,672)** | **(146,367)** |
| | | | | | |
| **Cash flows from financing activities** | | | | | |
| Short-term investments linked to borrowing | | - | 722 | - | 722 |
| Borrowings and financing | 18 | - | 245,778 | - | 245,778 |
| Payment of lease liability | 16 | (58,227) | (45,938) | (64,090) | (51,047) |
| Repayment of principal of borrowings and financing | 18 | (27,040) | (302,695) | (27,040) | (302,695) |
| Dividends paid | 22 | (213,287) | (120,766) | (213,259) | (125,711) |
| **Net cash used in financing activities** | | **(298,554)** | **(222,899)** | **(304,389)** | **(232,953)** |
| | | | | | |
| **Increase in cash and cash equivalents from continuing operations, net** | | **50,771** | **189,278** | **53,993** | **279,178** |
| | | | | | |
| **Cash and cash equivalents at the beginning of the year** | 8 | **228,721** | **39,443** | **370,031** | **99,487** |
| **Cash and cash equivalents at the end of the year from continuing operations** | 8 | **279,492** | **228,721** | **421,213** | **370,031** |
| **Cash and cash equivalents at the end of the year from discontinued operations** | 2 | **-** | **-** | **2,811** | **8,634** |

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

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

EMS S.A.

Notes to the individual and consolidated financial statements
As at December 31, 2023 and 2022
(In thousands of Brazilian reais - R$, unless otherwise stated)

## 1. GENERAL INFORMATION

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

The individual and consolidated financial statements comprise the Company and its subsidiaries (collectively referred to as "Group" and individually as "Group entities"). The Group is primarily engaged in the manufacturing of pharmaceutical products.

The Company is part of NC Group ("NC Group"), which is a corporate conglomerate operating in the market for more than 50 years. The Company uses the administrative, operational, financial and technological resources of NC Group. A substantial part of the operations is carried out with related parties. These financial statements should be read in this context.

**Acquisition of Dermacyd - vaginal soap category**

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

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

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

On January 31, 2024, the Company paid the acquisition price in the amount of R$198,432, corresponding to 55% of the transaction; for further details see note 31.

## 2. BASIS OF CONSOLIDATION AND INVESTMENTS IN SUBSIDIARIES

The Company holds direct equity interests in the following entities:

| | | | Equity interest | |
|---|---|---|---|---|
| **Subsidiaries** | **Company type** | **Country** | **2023** | **2022** |
| CPM Concessionária Paulista de Medicamentos S.A. | Publicly-held | Brazil | 99.38% | 99.38% |
| EMS Sigma Pharma Ltda. | Limited liability | Brazil | 99.00% | 99.00% |
| Legrand Pharma Indústria Farmacêutica Ltda. | Limited liability | Brazil | 99.00% | 99.00% |
| Luxbiotech Farmacêutica Ltda. | Limited liability | Brazil | 99.79% | 99.79% |
| Xenobrasil Desenvolvimento e Pesquisas sobre Xenotransplante do Brasil Ltda. | Limited liability | Brazil | 54.00% | 54.00% |
| Monteresearch S.R.L. | Limited liability | Italy | 100% | 100% |
| Rio Bio Pharmaceuticals, LLC | LLC | United States | 100% | 100% |
| Rio Biofarma Brasil Ltda. | Limited liability | Brazil | 1.00% | 1.00% |

The Group’s corporate structure is as follows:

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

The Concession Agreement was suspended since January 1, 2020, thus limiting the activities to the services necessary for the building security, monitoring, cleaning and maintenance. On August 12, 2022, the agreement for amicable and early rescission of the concession agreement entered into between CPM and FURP was published in the Official Gazette, through which it was considered rescinded upon mutual agreement on the Concessionaire’s decommissioning, which occurred on December 20, 2022 and assumption, by FURP, of the activities performed by IFAB. The amounts already billed relating to drugs provided to SESSP and the final decommissioning activities totaled R$74,451, of which the amount of R$50,000 was received in August 2022 so as to enable the early termination of the concession agreement.

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

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

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

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

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

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

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

| | 2023 | 2022 |
|---|---|---|
| Profit/(loss) before income tax and social contribution | (22,627) | 1,101 |
| Adjustments of | | |
| Depreciation and amortization | - | 334 |
| Allowance for (reversal of) estimated credit losses on trade receivables | 21,930 | - |
| Allowance for impairment loss | (21) | (786) |
| Provision for risks | (508) | 957 |
| Changes in assets and liabilities | | |
| Trade receivables | 2,049 | 50,772 |
| Inventories | 12 | (169) |
| Recoverable taxes | (261) | 2,135 |
| Other receivables | 119 | (119) |
| Trade and other payables | (238) | (696) |
| Escrow deposits | (74) | (61) |
| Taxes payable | (31) | (4) |
| Due to related parties | (173) | 173 |
| Net cash generated by operating activities | 177 | 53,637 |
| Cash flows from investing and financing activities | | |
| Capital decrease | - | (31,208) |
| Dividends paid to the Group shareholders | (6,000) | (18,793) |
| Net cash used in investing and financing activities | (6,000) | (50,001) |
| Increase (decrease) in cash and cash equivalents, net | (5,823) | 3,636 |
| Cash and cash equivalents at the beginning of the year (note 6) | 8,634 | 4,998 |
| Cash and cash equivalents at the end of the year (note 6) | 2,811 | 8,634 |

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

Legrand Pharma Indústria Farmacêutica Ltda. - Located in Hortolândia/SP, engaged in the manufacturing and sale of generic drugs nationwide. It currently has only one production line; the other products sold are acquired from the Parent for resale.

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

Monteresearch S.R.L. - Located in Milan, Italy, it is a pharmaceutical research laboratory, specialized in the development of drug delivery systems, technologies that allow developing a new formula for the faster or slower delivery of a drug in the organism, according to the doctor's and patient's need and including in safer concentrations. In 2021 Monteresearch transferred its interest in Globe Pharma to the controlling shareholders of such investee, thus disposing of its interest.

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

Xenobrasil Desenvolvimento e Pesquisas sobre Xenotransplante no Brasil Ltda. - Located in Hortolândia/SP, established on July 8, 2020, engaged in the conduction of researches, development, innovation, enhancement, consolidation and disclosure of techniques and knowledge related to the xenotransplantation method systematization in Brazil, for the production of additional non-human genetically modified organs for human transplantation and future sale and exploration of the patents and biotechnologies involved. The company has no financial transactions yet and, therefore, there are no balances to be consolidated.

Rio Biofarma Brasil Ltda. ("RBBL") - Located in Hortolândia/SP, a company established on April 28, 2021, engaged in the manufacturing, sale, import and export of pharmaceutical products and ingredients, own and from third parties; provision of administrative, technical and documentary consulting/advisory services with or without transfer of technology.

In the individual financial statements, the subsidiary is accounted for under the equity method.

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

- Elimination of intragroup asset and liability balances.
- Elimination of intragroup investments and share of profit (loss) of subsidiaries against the respective equity of the investee.
- Elimination of income and expenses arising from intragroup transactions.
- Elimination of profit on inventories and sale of property, plant and equipment, when applicable, arising from intragroup sales.

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

a) Subsidiaries

Subsidiaries are all entities (including structured entities) over which the Company holds control. The Company controls an entity when it is exposed or has rights to variable returns from its involvement with the entity and has the ability to affect those returns through the power over the entity. Subsidiaries are fully consolidated from the date control is transferred to the Company. Consolidation is discontinued from the date on which the Company ceases to hold control. Investments in subsidiaries are recognized under the equity method from the date control is acquired.

All intragroup transactions, balances and unrealized gains are eliminated. Unrealized losses are also eliminated, unless the transaction provides evidence of impairment of the transferred asset.

The accounting policies and estimates of the subsidiary are in line with those of the Company. In addition, the subsidiary adopts the same fiscal year as the Company, which ends every December 31.

The Company treats transactions with noncontrolling interests as transactions with owners of its subsidiaries' assets. For acquisitions 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 disposals to noncontrolling interests are also recognized in equity.

## 3. BASIS OF PREPARATION, MEASUREMENT AND STATEMENT OF COMPLIANCE

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

Management declares that all relevant information specific to the individual and consolidated financial statements, and only such information, is being disclosed and corresponds to that used by Management in its management.

The financial statements have been prepared based on the historical cost, except for certain financial instruments measured at fair value at the end of each reporting period, as described in the accounting policies below.

These individual and consolidated financial statements are presented in Brazilian reais (R$), which is the Company's functional currency.

## 4. USE OF ESTIMATES AND JUDGMENTS

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

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

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

Significant estimates and judgments

a) Realization of deferred income tax and social contribution

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

b) Useful life of property, plant and equipment

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

c) Impairment of assets

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

d) Allowance for inventory obsolescence and losses

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

e) Allowance for expected credit losses

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

f) Provision for tax, civil and labor risks

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

## 5. MATERIAL ACCOUNTING POLICIES

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

### a) Foreign currency

*Foreign currency-denominated transactions and balances*

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

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

Foreign transactions

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

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

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

### b) Cash and cash equivalents

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

c) Short-term investments

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

d) Trade receivables

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

e) Inventories

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

f) Investments

Investments in subsidiaries are accounted for under the equity method. The financial statements of subsidiaries are adjusted, when applicable, to the Company's accounting policies. Investments are initially recognized at cost and subsequently adjusted by the recognition of the interest attributed to the Company in the changes in net assets of investees, less allowance for impairment, when applicable.

g) Property, plant and equipment

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

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

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

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

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

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

h) Intangible assets

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

i) Impairment

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

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

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

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

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

j) Financial instruments - technical pronouncement CPC 48

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

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

Classification of financial assets and financial liabilities

All financial assets recognized are subsequently measured in full at amortized cost or at fair value, depending on their classification.

Debt instruments that meet the following conditions are subsequently measured at amortized cost:

- The financial asset is held within a business model whose objective is to hold financial assets in order to collect contractual cash flows.
- The contractual terms of the financial asset give rise, on specified dates, to cash flows that are solely payments of principal and interest on the principal amount outstanding.

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

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

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

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

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

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

Financial liabilities are measured at fair value through profit or loss when they are (i) a contingent consideration of an acquirer as part of a business combination; (ii) held for trading; or (iii) designated at fair value through profit or loss.

In general, all other financial liabilities are subsequently measured at amortized cost using the effective interest method. The Company's financial liabilities measured at amortized cost in 2023 and 2022 refer to trade payables, borrowings and financing, debentures and advances from customers.

Impairment of financial assets

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

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

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

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

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

Derecognition of financial assets and financial liabilities

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

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

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

k) Leases

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

*As lessee*

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

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

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

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

| | 2023 |
|---|---|
| | Parent and Consolidated |
| Land and buildings | 6 |
| Company cars and machinery | 2 |
| Equipment | 1 |

The lease liability is initially measured at the present value of the lease payments, which are not paid at the inception date, discounted using the interest rate implicit in the lease or, if that rate cannot be readily determined, the 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 various external financing sources and making some adjustments to reflect the contractual terms and conditions and the leased asset type.

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

| | 2023 contracts | 2022 contracts |
|---|---|---|
| Up to one year | 13.74% | 15.16% |
| Up to two years | 13.10% | 14.97% |
| Up to five years | 12.44% | 13.93% |
| Up to ten years | 13.00% | 14.04% |
| Up to twenty years | 13.30% | 14.15% |
| Over twenty years | 13.30% | 14.15% |

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

- Fixed payments, including fixed payments in the essence.

- Variable lease payments that depend on an index or rate, initially measured using the index or rate at the inception date.
- Amounts expected to be paid by the lessee, according to the residual value guarantees.
- The purchase option exercise price if the lessee is reasonably certain of exercising this option, and payments of fines for lease rescission, if the lease term reflects the lessee exercising the option of rescinding the lease.

The lease liability is measured at amortized cost using the effective interest method. It is remeasured when there is a change in future lease payments arising from a change in the index or rate, if there is any change in the amounts that are expected to be paid according to the residual value guarantee, if the Company changes its assessment on whether it will exercise a purchase, extension or rescission option or if there is a revised fixed lease payment in essence.

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

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

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

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

l) Trade payables

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

m) Provisions

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

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

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

n) Basic and diluted earnings per share

Basic: calculated based on the weighted average number of common shares held by shareholders outstanding during the reporting periods.

Diluted: calculated based on the weighted average number of common shares and potentially dilutive common shares outstanding during the reporting periods.

As at December 31, 2023 and 2022, the Company does not have any dilutive financial instruments on earnings per share.

o) Distribution of dividends and interest on capital

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

p) Employee benefits

*Short-term employee benefits*

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

*Profit sharing*

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

q) Technical pronouncement CPC 47/IFRS 15 - Revenue from Contracts with Customers

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

Revenue from the sale of goods is recognized when all the following conditions are met:

- The Company has transferred to the buyer the significant risks and rewards incidental to the ownership of goods.
- The Company retains neither continuing managerial involvement to the degree usually associated with ownership nor effective control over the goods sold.
- The amount of revenue can be measured reliably.
- It is probable that the economic benefits associated with the transaction will flow to the Company.

The costs incurred or to be incurred in respect of the transaction can be measured reliably.

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

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

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

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

*Right of return*

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

*Rebates per volume*

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

r) Finance income and finance costs

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

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

s) Government grants

Government grants are not recognized until there is reasonable assurance that the Company will meet the underlying conditions and grants will be received.

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

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

The Company, due to its operation in the pharmaceutical industry in the State of São Paulo, is the beneficiary of Supplementary Law No. 160 . As a result of the law, the Company enjoys the benefit of exemption from paying State VAT (ICMS) on the sale of certain products.

t) Income tax and social contribution

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

i) Current taxes

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

ii) Deferred taxes

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

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

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

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

For purposes of calculation of income tax (IRPJ) and social contribution (CSLL), as set forth in article 30 of Law No. 12.973/2014, the grants granted as incentive to the implementation or expansion of economic projects and donations made by the public authorities will not be computed in the taxable income calculation, provided that some requirements set forth in said article are met.

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

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

u) Financial guarantees

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

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

As at December 31, 2023 and 2022, the Company did not recognize the fair values of its financial guarantees as it considers them with low credit risk due to the issuer. The transactions in which the Group acts as guarantor are detailed in note 9 - Financial risk management.

v) Statement of cash flows

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

w) Technical interpretation ICPC 22/IFRIC 23 - Uncertainty over Income Tax Treatments

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

## 6. ADOPTION OF NEW AND REVISED CPCS

a) New and revised CPCs effective in the current year

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

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

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

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

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

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

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

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

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

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

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

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

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

- <u>Amendments to IAS 8 - Accounting Policies, Changes in Accounting Estimates and Errors - Definition of Accounting Estimates</u>

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

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

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

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

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

## 7. FINANCIAL INSTRUMENTS

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

| | | | **Parent** | | | |
|---|---|---|---|---|---|---|
| | | | **12/31/2023** | | **12/31/2022** | |
| | **Level** | **Measurement** | **Fair value** | **Carrying amount** | **Fair value** | **Carrying amount** |
| **Assets** | | | | | | |
| Cash and cash equivalents | N/A | 2 | 279,492 | 279,492 | 228,721 | 228,721 |
| Short-term investments | N/A | 2 | 71,655 | 71,655 | - | - |
| Short-term investments linked to borrowing | N/A | 2 | 1,545 | 1,545 | 1,285 | 1,285 |
| Trade receivables (**) | N/A | 2 | 1,424,281 | 1,424,281 | 888,788 | 888,788 |
| Due from related parties | N/A | 2 | 386,251 | 386,251 | 313,502 | 313,502 |
| Derivative financial instruments | 1 | 1 | 82 | 82 | - | - |
| Dividends receivable | N/A | 2 | 35,679 | 35,679 | 707 | 707 |
| Other receivables | N/A | 2 | 84,058 | 84,058 | 56,947 | 56,947 |
| | | | **2,283,043** | **2,283,043** | **1,489,950** | **1,489,950** |
| **Liabilities** | | | | | | |
| Trade payables | N/A | 2 | (356,559) | (356,559) | (433,649) | (433,649) |
| Due to related parties | N/A | 2 | (2,553,281) | (2,553,281) | (1,600,437) | (1,600,437) |
| Borrowings and financing | N/A | 2 | (70,978) | (70,978) | (103,172) | (103,172) |
| Debentures | N/A | 2 | (224,153) | (224,153) | (224,757) | (224,757) |
| Derivative financial instruments | 1 | 1 | - | - | (307) | (307) |
| Dividends payable | N/A | 2 | (678,941) | (678,941) | (475,069) | (475,069) |
| Other payables | N/A | 2 | (155,500) | (155,500) | (157,575) | (157,575) |
| | | | **(4,039,412)** | **(4,039,412)** | **(2,994,966)** | **(2,994,966)** |

| | | | Consolidated | | | |
|---|---|---|---|---|---|---|
| | | | 12/31/2023 | | 12/31/2022 | |
| | Level | Measurement | Fair value | Carrying amount | Fair value | Carrying amount |
| **Assets** | | | | | | |
| Cash and cash equivalents | N/A | 2 | 421,213 | 421,213 | 370,031 | 370,031 |
| Short-term investments | N/A | 2 | 108,002 | 108,002 | - | - |
| Short-term investments linked to borrowing | N/A | 2 | 1,545 | 1,545 | 1,285 | 1,285 |
| Trade receivables | N/A | 2 | 1,545,545 | 1,545,545 | 1,107,058 | 1,107,058 |
| Due from related parties | N/A | 2 | 58,452 | 58,452 | 26,185 | 26,185 |
| Derivative financial instruments | 1 | 1 | 82 | 82 | - | - |
| Other receivables | N/A | 2 | 90,570 | 90,570 | 49,276 | 49,276 |
| | | | **2,225,409** | **2,225,409** | **1,553,835** | **1,553,835** |
| **Liabilities** | | | | | | |
| Trade payables | N/A | 2 | (362,856) | (362,856) | (440,891) | (440,891) |
| Due to related parties | N/A | 2 | (2,531,492) | (2,531,492) | (1,650,021) | (1,650,021) |
| Borrowings and financing | N/A | 2 | (70,978) | (70,978) | (103,172) | (103,172) |
| Debentures | N/A | 2 | (224,153) | (224,153) | (224,757) | (224,757) |
| Derivative financial instruments | 1 | 1 | - | - | (307) | 307 |
| Dividends payable | N/A | 2 | (679,153) | (679,153) | (475,253) | (475,253) |
| Other payables | N/A | 2 | (196,612) | (196,612) | (195,017) | (195,017) |
| | | | **(4,065,244)** | **(4,065,244)** | **(3,010,588)** | **(3,235,038)** |

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

(**) Gross cost value

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

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

Technical pronouncement technical pronouncement CPC 48 also defines observable inputs, such as market data, obtained from independent sources, and unobservable inputs that reflect market assumptions.

The three fair-value hierarchy levels are:

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

The following methods and assumptions have been adopted:

<u>Measured at fair value through profit or loss</u>

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

The carrying amounts approximate their fair values since transactions are subject to floating interest rates and may be immediately redeemable.

Financial assets or financial liabilities measured at amortized cost

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

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

a) Risk management framework

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

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

b) Credit risks

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

- Exposure to credit risks.

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

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

| | Parent | Consolidated |
|---|---|---|
| | 12/31/2023 | 12/31/2023 |
| Cash and cash equivalents (note 8) | 279,492 | 421,213 |
| Short-term investments (note 8) | 71,655 | 108,002 |
| Trade receivables (note 10) | 1,424,281 | 1,545,545 |
| Other receivables (note 13) | 84,058 | 90,570 |
| Short-term investments linked to borrowing (note 9) | 1,545 | 1,545 |
| | 1,861,031 | 2,166,875 |

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

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

c) Market risk

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

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

i) Foreign exchange risk

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

| | Parent | | Consolidated | |
|---|---|---|---|---|
| | 12/31/2023 | | 12/31/2023 | |
| | Foreign currency | Brazilian reais | Foreign currency | Brazilian reais |
| Trade receivables | 1,133 | 5,175 | 1,175 | 5,375 |
| Trade payables | (21,682) | (107,826) | (21,682) | (107,826) |
| Net exposure | (20,549) | (102,651) | (20,507) | (102,451) |

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

a. Parent

| Type | Currency | Risk | Exposure | Exposure (R$) | Effective rate 12/31/2023 | Probable | Amount 25% | Amount 50% |
|---|---|---|---|---|---|---|---|---|
| Trade receivables | Dollar | Decrease | 1,089 | 5,272 | 4.8413 | 173 | (1,188) | (2,550) |
| Trade receivables | Euro | Decrease | 44 | 235 | 5.3516 | 8 | (53) | (114) |
| Trade payables | Dollar | Increase | (18,995) | (91,960) | 4.8413 | (3,015) | (26,758) | (50,502) |
| Trade payables | Euro | Increase | (2,687) | (14,380) | 5.3516 | (479) | (4,194) | (7,909) |
| | | | (20,549) | (100,833) | | (3,313) | (32,193) | (61,075) |

b. Consolidated

| **Type** | **Currency** | **Risk** | **Exposure** | **Exposure (R$)** | **Effective rate 12/31/2023** | **Probable** | **Amount 25%** | **Amount 50%** |
|---|---|---|---|---|---|---|---|---|
| Trade receivables | Dollar | Decrease | 1,132 | 5,480 | 4.8413 | 180 | (1,235) | (2,650) |
| Trade receivables | Euro | Decrease | 43 | 230 | 5.3516 | 8 | (52) | 111 |
| Trade payables | Dollar | Increase | (18,995) | (91,960) | 4.8413 | (3,015) | (26,758) | (50,502) |
| Trade payables | Euro | Increase | (2,687) | (14,380) | 5.3516 | (479) | (4,194) | (7,909) |
| | | | **(20,507)** | **(100,630)** | | **(3,306)** | **(32,239)** | **(60,950)** |

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

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

c. Derivatives

As at December 31, 2023, derivative liability transactions contracted by the Group referred to balances of forward contracts (NDF), totaling R$64,759. The results from unsettled transactions represented a gain in the amount of R$82. As at December 31, 2023, these transactions were contracted at the US dollar (USD) rate with maturity between December 1, 2023 and February 28, 2024.

ii) Interest rate risk

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

Management conducted a sensitivity analysis assuming: (i) that the net exposure scenario of the financial instruments indexed to variable interest rates as at December 31, 2023 was maintained, and (ii) that the respective annual indices accumulated in the past 12 months for this base date, remain stable (CDI 11.75%[1] in 2023); the effects that would be recorded in the financial statements for the next 12 months would be finance income of R$12,324 in the Parent and R$31,905 in the consolidated. In the event of rate fluctuations based on the three scenarios defined, the finance income would be impacted by:

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

a. Parent

| Type | Effective rate as at 12/31/2023 | Risk | Exposure | Probable | 25% | | 50% | |
|---|---|---|---|---|---|---|---|---|
| | | | | | % | Amount | % | Amount |
| Short-term investments (*) | 11.75% | Decrease | 329,037 | 38,662 | 8.81% | 28,996 | 5.88% | 19,331 |
| Debentures | 11.75% | Increase | (224,153) | (26,338) | 14.69% | (32,922) | 17.63% | (39,507) |
| | | | 104,884 | 12,324 | | (3,926) | | (20,176) |

b. Consolidated

| Type | Effective rate as at 12/31/2023 | Risk | Exposure | Probable | 25% | | 50% | |
|---|---|---|---|---|---|---|---|---|
| | | | | | % | Amount | % | Amount |
| Short-term investments (*) | 11.75% | Decrease | 495,687 | 58,243 | 8.81% | 43,682 | 5.88% | 29,122 |
| Debentures | 11.75% | Increase | (224,153) | (26,338) | 14.69% | (32,922) | 17.63% | (39,507) |
| | | | **271,534** | **31,905** | | **10,760** | | **(10,385)** |

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

d) Liquidity risk

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

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

| | Parent | | | | |
|---|---|---|---|---|---|
| | Cash flows | Less than one year | One to two years | Two to five years | Over five years |
| As at December 31, 2023 | | | | | |
| Trade and other payables | (512,060) | (499,999) | (12,061) | - | - |
| Due to related parties | (2,553,281) | (2,553,281) | - | - | - |
| Borrowings and financing | (70,978) | (22,243) | (116,483) | 67,748 | - |
| Debentures | (224,153) | (4,153) | (73,333) | (146,667) | - |
| Lease liability | (197,916) | (56,911) | (42,656) | (75,227) | (23,122) |
| Dividends payable | (678,941) | (678,941) | - | - | - |
| Net position | (4,237,329) | (3,815,528) | (244,533) | (154,146) | (23,122) |

| | Consolidated | | | | |
|---|---|---|---|---|---|
| | Cash flows | Less than one year | One to two years | Two to five years | Over five years |
| As at December 31, 2023 | | | | | |
| Trade and other payables | (559,468) | (547,407) | (12,061) | - | - |
| Due to related parties | (2,531,492) | (2,531,492) | - | - | - |
| Borrowings and financing | (70,978) | (22,243) | (116,483) | 67,748 | - |
| Debentures | (224,153) | (4,153) | (73,333) | (146,667) | - |
| Lease liability | (209,250) | (62,292) | (46,367) | (77,306) | (23,285) |
| Dividends payable | (679,153) | (679,153) | - | - | - |
| Net position | (4,274,494) | (3,846,740) | (248,244) | (156,225) | (23,285) |

## 8. CASH AND CASH EQUIVALENTS AND SHORT-TERM INVESTMENTS

| | Parent | | Consolidated | |
|---|---|---|---|---|
| | 12/31/2023 | 12/31/2022 | 12/31/2023 | 12/31/2022 |
| Bank | 23,655 | 10,749 | 35,073 | 18,604 |
| Short-term investments | 255,837 | 217,972 | 386,140 | 351,427 |
| | 279,492 | 228,721 | 421,213 | 370,031 |

Short-term investments are highly liquid, can be immediately converted into a known amount of cash and are subject to an insignificant risk of change in value and have as counterparty Brazilian financial institutions, whose interest rates are indexed to the CDI. The CDI rate ranges from 80% to 100% in the Parent and consolidated in 2023 (from 80% to 105% in the Parent and 60% to 105% in the consolidated in 2022).

a. Short-term investments

| | Parent | | Consolidated | |
|---|---|---|---|---|
| | 12/31/2023 | 12/31/2022 | 12/31/2023 | 12/31/2022 |
| Short-term investments (i) | 71,655 | - | 108,002 | - |
| | 71,655 | - | 108,002 | - |

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

## 9. SHORT-TERM INVESTMENTS LINKED TO BORROWING (PARENT AND CONSOLIDATED)

| | 12/31/2023 | 12/31/2022 |
|---|---|---|
| Short-term investments linked to borrowing (i) | 1,545 | 1,285 |
| | 1,545 | 1,285 |

Short-term investments classified in noncurrent in the amount of R$1,545 (R$1,285 in 2022) made in Banco de Brasília, refers to ICMS financing collateral granted to the Company as government grant. The amount can only be used for full settlement of the financing final installments.

## 10. TRADE RECEIVABLES

| | Parent | | Consolidated | |
|---|---|---|---|---|
| | 12/31/2023 | 12/31/2022 | 12/31/2023 | 12/31/2022 |
| Trade receivables | 1,424,281 | 888,788 | 1,545,545 | 1,107,058 |
| (-) Allowance for expected credit loss | (9,488) | (8,714) | (10,342) | (10,086) |
| (-) Provision for return | (10,266) | (8,789) | (12,428) | (11,437) |
| Trade receivables, net | 1,404,527 | 871,285 | 1,522,775 | 1,085,535 |

As at December 31, 2023 and 2022, trade receivables are outstanding:

| | Parent | | Consolidated | |
|---|---|---|---|---|
| | 12/31/2023 | 12/31/2022 | 12/31/2023 | 12/31/2022 |
| Current | 1,279,835 | 778,896 | 1,360,589 | 966,017 |
| Past due for less than three months | 121,941 | 86,883 | 152,460 | 111,248 |
| Past due from three to six months | 8,242 | 12,467 | 13,085 | 17,759 |
| Past due from six to twelve months | 7,714 | 5,842 | 12,346 | 6,454 |
| Past due over one year | 6,549 | 4,700 | 7,065 | 5,580 |
| | **1,424,281** | **888,788** | **1,545,545** | **1,107,058** |

Trade receivables are denominated in the following currencies:

| | Parent | | Consolidated | |
|---|---|---|---|---|
| | 12/31/2023 | 12/31/2022 | 12/31/2023 | 12/31/2022 |
| Brazilian reais | 1,419,106 | 879,731 | 1,540,170 | 1,081,961 |
| Euro | 234 | 172 | 233 | 172 |
| US dollars | 4,941 | 8,885 | 5,142 | 24,925 |
| | 1,424,281 | 888,788 | 1,545,545 | 1,107,058 |

The variations in provisions are as follows:

| | Parent | | | |
|---|---|---|---|---|
| | Allowance for expected losses | | Provision for return | |
| | 12/31/2023 | 12/31/2022 | 12/31/2023 | 12/31/2022 |
| Opening balance | (8,714) | (8,035) | (8,789) | (4,161) |
| Reversal/(recognition) of allowance/provision | (774) | (679) | (1,477) | (4,628) |
| Closing balance | (9,488) | (8,714) | (10,266) | (8,789) |

| | Consolidated | | | |
|---|---|---|---|---|
| | Allowance for expected losses | | Provision for return | |
| | 12/31/2023 | 12/31/2022 | 12/31/2023 | 12/31/2022 |
| Opening balance | (10,086) | (9,032) | (11,437) | (6,098) |
| Reversal/(recognition) of allowance/provision | (256) | (1,054) | (991) | (5,339) |
| Closing balance | (10,342) | (10,086) | (12,428) | (11,437) |

## 11. INVENTORIES

| | Parent | | Consolidated | |
|---|---|---|---|---|
| | 12/31/2023 | 12/31/2022 | 12/31/2023 | 12/31/2022 |
| Finished products | 793,376 | 369,638 | 837,574 | 372,011 |
| Raw materials | 350,584 | 486,330 | 352,809 | 561,099 |
| Work in progress | 56,442 | 68,450 | 56,442 | 68,608 |
| Packaging and other materials | 139,074 | 116,873 | 147,380 | 125,881 |
| Imports in transit | 12,139 | 18,418 | 12,224 | 18,690 |
| Advance to suppliers | 25,297 | 25,433 | 25,345 | 24,777 |
| Allowance for obsolescence | (58,246) | (76,392) | (63,099) | (82,272) |
| Provision for return | 5,769 | 4,532 | 6,565 | 5,666 |
| | 1,324,435 | 1,013,282 | 1,375,240 | 1,094,460 |

The variations in provisions are as follows:

| | Parent | | | |
|---|---|---|---|---|
| | Allowance for obsolescence | | Provision for return | |
| | 12/31/2023 | 12/31/2022 | 12/31/2023 | 12/31/2022 |
| Opening balance | (76,392) | (55,106) | 4,532 | 1,639 |
| Reversal/(recognition) of allowance/provision | 18,146 | (21,286) | 1,237 | 2,893 |
| Closing balance | (58,246) | (76,392) | 5,769 | 4,532 |

| | Consolidated | | | |
|---|---|---|---|---|
| | Allowance for obsolescence | | Provision for return | |
| | 12/31/2023 | 12/31/2022 | 12/31/2023 | 12/31/2022 |
| Opening balance | (82,272) | (58,074) | 5,666 | 2,241 |
| Reversal/(recognition) of allowance/provision | 19,173 | (24,544) | 899 | 3,425 |
| Reclassification to discontinued operation | - | 346 | - | - |
| Closing balance | (63,099) | (82,272) | 6,565 | 5,666 |

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

## 12. RECOVERABLE TAXES

| | Parent | | Consolidated | |
|---|---|---|---|---|
| | 12/31/2023 | 12/31/2022 | 12/31/2023 | 12/31/2022 |
| Income tax (IRPJ) and social contribution (CSLL) (i) | 36,907 | 31,081 | 41,246 | 35,049 |
| State VAT (ICMS) | 100,722 | 74,449 | 240,529 | 225,687 |
| Taxes on revenue (PIS and COFINS) (ii) | 110,111 | 168,818 | 272,223 | 315,981 |
| State VAT (ICMS) in the PIS and COFINS tax base (iii) | 193,438 | 236,277 | 194,177 | 236,657 |
| Federal VAT (IPI) | 4,825 | 10,095 | 6,899 | 28,576 |
| Other | 14,833 | 27,392 | 31,969 | 39,133 |
| | 460,836 | 548,112 | 787,043 | 881,083 |
| Current | 336,513 | 424,860 | 561,582 | 544,218 |
| Noncurrent | 124,323 | 123,252 | 225,461 | 336,865 |

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

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

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

## 13. OTHER RECEIVABLES

| | Parent | | Consolidated | |
|---|---|---|---|---|
| | 12/31/2023 | 12/31/2022 | 12/31/2023 | 12/31/2022 |
| Advance to suppliers | 43,410 | 7,836 | 43,581 | 8,728 |
| Advance to related parties (note 28) | 12,691 | 12,968 | 12,691 | 522 |
| Advance to employees | 15,524 | 12,822 | 16,745 | 13,996 |
| Insurance advance | 6,038 | 3,426 | 6,045 | 3,447 |
| Other | 6,395 | 19,895 | 11,508 | 22,583 |
| | 84,058 | 56,947 | 88,020 | 49,276 |
| Current | 77,508 | 50,397 | 84,020 | 42,726 |
| Noncurrent | 6,550 | 6,550 | 6,550 | 6,550 |

## 14. INVESTMENTS AND ALLOWANCE FOR LOSS IN SUBSIDIARIES

### a) Balances and variations in investments (Parent)

| | EMS Sigma | Legrand | CPM | Monteresearch | Rio Biopharmaceuticals | Luxbiotech | RBBL |
|---|---|---|---|---|---|---|---|
| Number of shares representing capital | 7,662,451 | 136,464 | 64,205,000 | 90,000 | | 27,605,510 | |
| Capital | 7,739 | 138 | 33,396 | 7,602 | 68,661 | 27,606 | 12,450 |
| Profit (loss) for the year | 10,047 | 215,115 | (697) | (2,316) | (50) | 15,020 | (19,825) |
| Equity interest (%) | 99.0% | 99.0% | 99.4% | 100.0% | 100.0% | 99.8% | 1.0% |
| Subsidiary's equity | 17,600 | 206,248 | 33,793 | 9,017 | 1,445 | 38,494 | (13,796) |

| | EMS Sigma | Legrand | CPM | Monteresearch | Rio Biopharmaceuticals | Luxbiotech | Other | Total investments | Negative equity | Total investments and allowance for losses, net |
|---|---|---|---|---|---|---|---|---|---|---|
| Closing investment balance as at December 31, 2021 | 8,052 | 187,034 | 82,892 | 20,813 | 2,830 | - | 467 | 302,088 | (80,308) | 221,780 |
| Transfer from negative equity 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 investments | - | - | - | - | - | - | (467) | (467) | - | (467) |
| Conversion of foreign transaction | - | - | - | (7,222) | 254 | - | - | (6,968) | - | (6,968) |
| Other transactions | (11) | 2,369 | 298 | (970) | - | (199) | - | 1,487 | - | 1,487 |
| Share of profit (loss) of subsidiaries | (562) | 138,770 | 1,083 | (6,936) | (17,820) | (32,896) | - | 81,639 | - | 81,639 |
| Closing investment balance as at December 31, 2022 | 7,479 | 293,173 | 34,273 | 5,685 | 212 | 45,931 | - | 386,753 | - | 386,753 |
| Dividends proposed by the subsidiary | - | (301,952) | - | - | - | - | - | (301,952) | - | (301,952) |
| Capital increase | - | - | - | - | 1,146 | 12,419 | - | 13,565 | 125 | 13,690 |
| Capital decrease | - | - | - | - | - | (34,928) | - | (34,928) | - | (34,928) |
| Conversion of foreign transaction | - | - | - | 100 | 137 | - | - | 237 | - | 237 |
| Share of profit (loss) of subsidiaries from prior years | - | - | - | 6,331 | - | - | - | 6,331 | | 6,331 |
| Other transactions | - | - | - | (784) | - | 50 | - | (734) | - | (734) |
| Share of profit (loss) of subsidiaries | 9,945 | 217,994 | (22,487) | (2,316) | (50) | 15,009 | - | 218,095 | (262) | 217,833 |
| Closing investment balance as at December 31, 2023 | 17,424 | 209,215 | 11,786 | 9,016 | 1,445 | 38,481 | - | 287,367 | (138) | 287,230 |

The following table summarizes the subsidiaries' financial information:

| | EMS Sigma | | Legrand | | Luxbiotech | | Monteresearch | | Rio Bio Pharmaceuticals | | CPM | |
|---|---|---|---|---|---|---|---|---|---|---|---|---|
| | 12/31/2023 | 12/31/2022 | 12/31/2023 | 12/31/2022 | 12/31/2023 | 12/31/2022 | 12/31/2023 | 12/31/2022 | 12/31/2023 | 12/31/2022 | 12/31/2023 | 12/31/2022 |
| Current | | | | | | | | | | | | |
| Assets | 228,197 | 76,743 | 338,816 | 446,732 | 115,861 | 57,688 | 11,261 | 7,734 | 1,445 | 212 | 9,703 | 33,496 |
| Liabilities | (309,110) | (245,898) | (151,244) | (177,651) | (47,866) | (14,814) | (4,636) | (4,409) | - | - | (25) | (589) |
| Current assets, net | (80,913) | (169,155) | 187,572 | 269,081 | 67,995 | 42,874 | 6,625 | 3,325 | 1,445 | 212 | 9,678 | 32,907 |
| Noncurrent | | | | | | | | | | | | |
| Noncurrent assets | 107,482 | 184,950 | 38,186 | 44,061 | 20,749 | 25,075 | 2,392 | 1,555 | - | - | 3,088 | 3,014 |
| Noncurrent liabilities | (8,969) | (8,240) | (19,509) | (17,008) | (50,250) | (21,921) | - | - | - | - | (907) | (1,434) |
| Noncurrent assets, net | 98,513 | 176,710 | 18,677 | 27,053 | (29,501) | 3,154 | 2,392 | 1,555 | - | - | 2,181 | 1,580 |
| Equity | 17,600 | 7,555 | 206,249 | 296,134 | 38,494 | 46,028 | 9,017 | 4,880 | 1,445 | 212 | 11,859 | 34,487 |

| | EMS Sigma | | Legrand | | Luxbiotech | | Monteresearch | | Rio Bio Pharmaceuticals | | CPM | |
|---|---|---|---|---|---|---|---|---|---|---|---|---|
| | 12/31/2023 | 12/31/2022 | 12/31/2023 | 12/31/2022 | 12/31/2023 | 12/31/2022 | 12/31/2023 | 12/31/2022 | 12/31/2023 | 12/31/2022 | 12/31/2023 | 12/31/2022 |
| Profit or loss | | | | | | | | | | | | |
| Revenues | 355,413 | 314,167 | 930,606 | 811,797 | 138,636 | 6,388 | 10,900 | 5,625 | - | - | - | - |
| Profit before income tax and social contribution | 14,187 | (993) | 319,096 | 210,867 | 17,780 | (34,268) | (2,316) | (6,937) | (50) | (22,183) | (22,627) | 1,101 |
| Income tax and social contribution expense | (4,140) | 425 | (103,980) | (70,695) | (2,760) | 1,303 | - | - | - | - | - | (11) |
| Profit (loss) for the year | 10,047 | (568) | 215,116 | 140,172 | 15,020 | (32,965) | (2,316) | (6,937) | (50) | (22,183) | (22,627) | 1,090 |

## 15. PROPERTY, PLANT AND EQUIPMENT

| | Parent | | | | | | |
|---|---|---|---|---|---|---|---|
| | Land and buildings | Company cars and machinery | Furniture, fixtures and equipment | Other | Constructions in progress (*) | Aircraft | Total |
| As 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) |
| Write-off of depreciation | - | 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) |
| Accounting balance, net | 196,904 | 328,790 | 30,758 | | 242,809 | 168,288 | 967,549 |
| As at 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 |
| As at December 31, 2022 | 196,904 | 328,790 | 30,758 | - | 242,809 | 168,288 | 967,549 |
| Acquisitions | - | 3,201 | 932 | - | 118,496 | - | 122,629 |
| Write-offs | (39) | (2,380) | (3,635) | - | (2,934) | - | (8,988) |
| Write-offs (depreciation) | 39 | 2,268 | 3,548 | - | - | - | 5,855 |
| Transfers | 94,590 | 127,570 | 4,410 | - | (236,764) | - | (10,194) |
| Depreciation | (10,278) | (30,496) | (5,003) | - | - | (17,865) | (63,642) |
| Accounting balance, net | 281,216 | 428,953 | 31,010 | - | 121,607 | 150,423 | 1,013,209 |
| As at December 31, 2023 | | | | | | | |
| Cost | 358,849 | 661,827 | 65,355 | 733 | 121,607 | 231,715 | 1,440,086 |
| Accumulated depreciation | (77,633) | (232,874) | (34,345) | (733) | - | (81,292) | (426,877) |
| | 281,216 | 428,953 | 31,010 | - | 121,607 | 150,423 | 1,013,209 |

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

| | Consolidated | | | | | | |
|---|---|---|---|---|---|---|---|
| | Land and buildings | Company cars and machinery | Furniture, fixtures and equipment | Other | Constructions in progress | Aircraft | Total |
| Opening balance as 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) |
| Write-offs of depreciation | - | 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) |
| Accounting balance, net | 201,263 | 327,395 | 31,066 | - | 242,547 | 168,288 | 970,559 |
| As at 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) |
| | 201,263 | 327,395 | 31,066 | - | 242,547 | 168,288 | 970,559 |
| As at December 31, 2022 | 201,263 | 327,395 | 31,066 | - | 242,547 | 168,288 | 970,559 |
| Acquisitions | - | 3,776 | 949 | - | 118,671 | - | 123,396 |
| Write-offs | (39) | (2,380) | (3,979) | - | (2,934) | - | (9,332) |
| Write-offs (depreciation) | 39 | 2,268 | 3,878 | - | - | - | 6,185 |
| Transfers | 94,590 | 127,592 | 4,564 | - | (236,939) | - | (10,193) |
| Depreciation | (10,154) | (30,024) | (5,278) | - | - | (17,838) | (63,294) |
| Accounting balance, net | 285,699 | 428,627 | 31,200 | - | 121,345 | 150,450 | 1,017,321 |
| As at December 31, 2023 | | | | | | | |
| Cost | 364,618 | 669,106 | 69,884 | 733 | 121,345 | 231,715 | 1,457,401 |
| Accumulated depreciation | (78,919) | (240,479) | (38,684) | (733) | - | (81,265) | (440,080) |
| | 285,699 | 428,627 | 31,200 | - | 121,345 | 150,450 | 1,017,321 |

In the years ended December 31, 2023 and 2022, the Company assessed and concluded that there are no indications that would require recognizing an allowance for impairment of long-term assets.

There are no material items pledged as collateral in the years ended December 31, 2023 and 2022.

## 16. RIGHT-OF-USE ASSETS AND LEASE LIABILITY

### a) Right-of-use assets

| | Parent | | | | |
|---|---|---|---|---|---|
| | Land and buildings | Company cars and machinery | Equipment | Data Center | Total |
| As at December 31, 2021 | | | | | |
| Opening balance | 71,877 | 39,379 | 933 | - | 112,189 |
| Additions and remeasurements | 45,996 | 2,493 | 4,263 | - | 52,752 |
| Depreciation/amortization | (16,005) | (18,250) | (1,670) | - | (35,925) |
| As at 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) |
| Accounting balance, net | 101,868 | 23,622 | 3,526 | - | 129,016 |
| As at December 31, 2022 | | | | | |
| Opening balance | 101,868 | 23,622 | 3,526 | - | 129,016 |
| Additions and remeasurements | 7,926 | 56,249 | 544 | - | 64,719 |
| Write-offs | (6,879) | - | - | - | (6,879) |
| Depreciation/amortization | (14,582) | (28,407) | (1,946) | - | (44,935) |
| As at December 31, 2023 | 88,333 | 51,464 | 2,124 | - | 141,921 |
| Cost | 136,122 | 153,277 | 7,197 | 10,357 | 306,953 |
| Accumulated depreciation | (47,789) | (101,813) | (5,073) | (10,357) | (165,032) |
| Accounting balance, net | 88,333 | 51,464 | 2,124 | - | 141,921 |

| | Consolidated | | | | |
|---|---|---|---|---|---|
| | Land and buildings | Company cars and machinery | Equipment | Data Center | Total |
| As at December 31, 2021 | | | | | |
| Opening balance | 76,512 | 43,670 | 1,054 | - | 121,236 |
| Additions 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) |
| As at 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) |
| Accounting balance, net | 107,076 | 26,166 | 3,715 | - | 136,957 |
| As at December 31, 2022 | | | | | |
| Opening balance | 107,076 | 26,166 | 3,715 | - | 136,957 |
| Additions and remeasurements | 7,547 | 65,636 | 558 | - | 73,741 |
| Write-offs | (7,943) | (339) | - | - | (8,282) |
| Depreciation/amortization | (15,269) | (32,589) | (1,981) | - | (49,839) |
| As at December 31, 2023 | 91,411 | 58,874 | 2,292 | - | 152,577 |
| Cost | 142,212 | 176,963 | 8,366 | 10,357 | 337,898 |
| Accumulated depreciation | (50,801) | (118,089) | (6,074) | (10,357) | (185,321) |
| Accounting balance, net | 91,411 | 58,874 | 2,292 | - | 152,577 |

## b) Lease liabilities

| | Parent | | | |
|---|---|---|---|---|
| | Land and buildings | Company cars and machinery | Equipment | Total |
| As at December 31, 2021 | | | | |
| Opening balance | 77,839 | 38,465 | 1,541 | 117,845 |
| Acquisitions and remeasurement | 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) |
| As at December 31, 2022 | 113,641 | 21,327 | 3,686 | 138,654 |
| Current | | | | 38,347 |
| Noncurrent | | | | 100,307 |
| | | | | 138,654 |
| As at December 31, 2022 | | | | |
| Opening balance | 113,641 | 21,327 | 3,686 | 138,654 |
| Acquisitions and remeasurement | 7,926 | 56,249 | 544 | 64,719 |
| Interest incurred | 11,849 | 5,397 | 298 | 17,544 |
| Write-off | (9,469) | (3,050) | - | (12,519) |
| Payments | (22,975) | (32,964) | (2,288) | (58,227) |
| As at December 31, 2023 | 100,972 | 46,959 | 2,240 | 150,171 |
| Current | | | | 42,023 |
| Noncurrent | | | | 108,148 |
| | | | | 150,171 |

| | Consolidated | | | |
|---|---|---|---|---|
| | Land and buildings | Company cars and machinery | Equipment | Total |
| As at 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) |
| As at December 31, 2022 | 119,431 | 22,331 | 4,472 | 146,234 |
| | | | | |
| Current | | | | 39,980 |
| Noncurrent | | | | 106,254 |
| | | | | 146,234 |
| As at December 31, 2022 | | | | |
| Opening balance | 119,431 | 22,331 | 4,472 | 146,234 |
| Acquisitions and remeasurements | 7,547 | 65,636 | 558 | 73,741 |
| Interest incurred | 12,121 | 6,360 | 306 | 18,787 |
| Write-off | (10,686) | (3,759) | - | (14,445) |
| Payments | (23,879) | (37,880) | (2,331) | (64,090) |
| As at December 31, 2023 | 104,534 | 52,688 | 3,005 | 160,227 |
| | | | | |
| Current | | | | 46,639 |
| Noncurrent | | | | 113,588 |
| | | | | 160,227 |

As at December 31, 2023, the noncurrent installments relating to leases mature as follows:

| Maturity year | Parent | Consolidated |
|---|---|---|
| 2024 | 42,023 | 46,506 |
| 2025 | 31,858 | 35,121 |
| 2026 | 20,391 | 21,332 |
| 2027 | 18,350 | 18,716 |
| 2028 and thereafter | 37,549 | 38,552 |
| | 150,171 | 160,227 |

## 17. TRADE PAYABLES

| | Parent | | Consolidated | |
|---|---|---|---|---|
| | 12/31/2023 | 12/31/2022 | 12/31/2023 | 12/31/2022 |
| Foreign trade payables | 77,134 | 101,860 | 77,665 | 102,361 |
| Domestic trade payables | 181,534 | 209,465 | 183,840 | 210,559 |
| Domestic trade payables (forfaiting risk) (*) | 38,129 | 56,808 | 38,129 | 56,808 |
| Service providers | 59,762 | 65,516 | 63,222 | 71,163 |
| | 356,559 | 433,649 | 362,856 | 440,891 |

(*) The Group allows its suppliers, upon execution of instruments of adhesion, to advance their receivables with a discount on the face value. This transaction can be carried out, at the supplier's discretion, through agreements with financial institutions. Under these agreements, as agreed, the financial institutions advance a given amount to the supplier and receive the amount due on the maturity date directly from the company. The decision of not participating in such transaction is solely and exclusively of the supplier. The agreement does not change the commercial conditions, terms and prices previously established between the Company and its supplier and, for this reason, the balances payable were maintained in "Trade payables". In this transaction, the supplier chooses to advance its transaction through the company and can thus reduce its financial costs, as the financial institution takes into consideration the Group's credit risk (the buyer). This transaction does not represent finance costs for the Group, and the transaction amount was fully realized with Banco Itaú S.A.

## 18. BORROWINGS AND FINANCING (PARENT AND CONSOLIDATED)

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

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

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

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

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

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

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

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

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

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

Tranche "B" - R$13,410 (released R$5,384) for the acquisition of imported machinery and equipment with no similar in Brazil necessary for the project implementation. Currently, the outstanding balance is R$3,420 (R$4,505 as at December 31, 2022) subject to IPCA* 2.16 p.a. * 1.79 p.a. with final payment on 02/15/2027.

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

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

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

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

In 2023, through an action at BRB, EMS moved R$5,030 for recognition of grant gain and received the release of R$903 for settlement of amounts at BRB.

Collaterals

The Group’s policy is to offer financial collaterals only for obligations of its subsidiaries and associates. As at December 31, 2023 and 2022, the Group is the guarantor of obligations assumed by another company, as follows:

- Lorraine Administradora de Bens e Participações Sociedade Simples Ltda. in the raising of financing from Financiadora de Estudos e Projetos - FINEP in the among of R$145,203 and maturity date on December 12, 2023.

Restrictive covenants

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

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

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

| | 12/31/2023 |
|---|---|
| 2024 | 26,396 |
| 2025 | 95,380 |
| 2026 | 94,436 |
| 2027 and thereafter | 78,919 |
| | 295,131 |

Reconciliation between variations in the financial position and cash flows from financing activities

| | Parent and Consolidated | |
|---|---|---|
| | 12/31/2023 | 12/31/2022 |
| Opening balance | 327,929 | 400,516 |
| Items of cash flow from financing activities: | | |
| Borrowings and financing | - | 245,778 |
| Repayment of borrowings and financing | (27.040) | (285,644) |
| Write-off of borrowings and financing | (5.030) | - |
| Exchange gains (losses) on repayment of borrowings and financing | 21 | (17,051) |
| Total cash flow used in financing activities | 295.880 | 343,599 |
| Other items | | |
| Expense on interest and exchange rate changes | 37.647 | 32,433 |
| Payment of interest and exchange rate changes | (38.396) | (48,103) |
| Total other items | (749) | (15,670) |
| Closing balance | 295,131 | 327,929 |

19. PROVISION FOR RISKS AND ESCROW DEPOSITS

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

Based on information from its legal counsel, analysis of pending litigations and, with respect to labor lawsuits, based on past experience related to claimed amounts, Management recognized a provision in an amount considered sufficient to cover estimated losses on ongoing lawsuits, as follows:

a) Breakdown

At the end of the reporting periods, the Company recognized the following liabilities and corresponding escrow deposits related to lawsuits:

| | Parent | | | | | |
|---|---|---|---|---|---|---|
| | Provisions for risks | | Escrow deposits | | Net balance | |
| | 12/31/2023 | 12/31/2022 | 12/31/2023 | 12/31/2022 | 12/31/2023 | 12/31/2022 |
| Tax and civil (i) | 124,172 | 64,426 | (25,815) | (16,092) | 98,357 | 48,334 |
| Labor and social security (ii) | 123,482 | 112,421 | (26,981) | (40,563) | 96,501 | 71,858 |
| | 247,654 | 176,847 | (52,796) | (56,655) | 194,858 | 120,192 |

| | Consolidated | | | | | |
|---|---|---|---|---|---|---|
| | Provisions for risks | | Escrow deposits | | Net balance | |
| | 12/31/2023 | 12/31/2022 | 12/31/2023 | 12/31/2022 | 12/31/2023 | 12/31/2022 |
| Tax and civil (i) | 156,950 | 93,383 | (26,884) | (22,453) | 130,066 | 70,930 |
| Labor and social security (ii) | 129,020 | 116,995 | (31,889) | (42,000) | 97,131 | 74,995 |
| | 285,970 | 210,378 | (58,773) | (64,453) | 227,197 | 145,925 |

The variations in the provisions for risks are as follows:

| | Parent | | Consolidated | |
|---|---|---|---|---|
| | 12/31/2023 | 12/31/2022 | 12/31/2023 | 12/31/2022 |
| Opening balance | 176,847 | 157,524 | 210,378 | 182,901 |
| Recognition of provision | 90,192 | 60,063 | 95,825 | 69,059 |
| Inflation adjustment | 25,457 | 12,646 | 27,168 | 13,669 |
| Reversal/remeasurement of lawsuits | (18,313) | (39,293) | (19,433) | (40,692) |
| Write-off/payment of lawsuits | (26,529) | (14,093) | (27,968) | (14,101) |
| Reclassification of discontinued operation | - | - | - | (458) |
| Closing balance | 247,654 | 176,847 | 285,970 | 210,378 |

i) *Tax and civil lawsuits*

| | Provision for risks (Parent) | |
|---|---|---|
| | 12/31/2023 | 12/31/2022 |
| Tax (i.2) | 37,861 | - |
| Civil (i.1) | 86,311 | 64,426 |
| | 124,172 | 64,426 |

| | Provisions for risks (Consolidated) | |
|---|---|---|
| | 12/31/2023 | 12/31/2022 |
| Tax (i.2) | 37,913 | - |
| Civil (i.1) | 119,037 | 93,383 |
| | 156,950 | 93,383 |

(i.1) Refers mainly to civil lawsuits filed by consumers alleging, in summary, nonconformities in relation to the drugs produced by the Company.

(i.2) Balance mainly represented by Tax Execution distributed by the federal government, for the collection of IRPJ and CSLL tax credit, which is assessed as probable loss of R$30,304 as at December 31, 2023.

ii) *Labor lawsuits*

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

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

iii) *Possible losses, not provisioned*

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

| | Parent | | Consolidated | |
|---|---|---|---|---|
| | 12/31/2023 | 12/31/2022 | 12/31/2023 | 12/31/2022 |
| Civil (i) | 712,521 | 869,955 | 723,735 | 923,187 |
| Tax (ii) | 1,023,469 | 1,729,430 | 1,023,469 | 1,731,832 |
| Labor | 207,739 | 157,806 | 225,735 | 174,505 |
| Tax - other (iii) | 673,355 | 205,450 | 684,032 | 209,122 |
| | 2,617,084 | 2,962,641 | 2,656,971 | 3,038,646 |

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

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

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

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

(iii) Refers mainly to tax assessment notice issued on 11/01/2017, requiring the payment of R$181 M as IRPJ/CSLL difference, calculated in the period from 2011 to 2014, due to the disallowance of expenses considered unnecessary and payments to beneficiaries allegedly not identified/without cause. The Company, together with its legal counsel specialists in this area, classified as possible the risk of loss for this case, which adjusted amount as at December 31, 2023 is R$262,157.

b) Uncertainty over tax treatments

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

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

b.1) STF's decision - Topics 881 and 885 of general repercussion on February 8, 2023

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

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

b.2) STJ's decision - Possibility of deduction of the ICMS tax benefits from the IRPJ and CSLL tax base.

On April 26, 2023, the 1st Section of the Superior Court of Justice (STJ) unanimously and in a repetitive appeal decided that it is impossible to exclude the ICMS-related tax benefits, such as decrease of the tax base, reduction of tax rate, exemption, deferral, among others, from the IRPJ and CSLL tax base, except in those cases where the taxpayers comply with the conditions set forth in article 10 of Supplementary Law No. 160/2017 and article 30 of Law No. 12.973/14, such as, for example, the recording in earnings reserve referred to in art. 195-A of Law No. 6.404/76 and subject to the other conditions for use of these reserves.

Management assessed, together with its legal counsel, and concluded that the effects are properly recognized in the financial statements for the year ended December 31, 2023, as described in note 20 (b) (i.1).

# 20. INCOME TAX AND SOCIAL CONTRIBUTION

## a) Deferred income tax and social contribution

The variations in and origin of deferred income tax and social contribution in 2023 and 2022 are:

| | Parent | | | | |
|---|---|---|---|---|---|
| | Balance as at 12/31/2021 | Recognized in profit or loss | Balance as at 12/31/2022 | Recognized in profit or loss | Balance as at 12/31/2023 |
| Provision for tax recovery | (56,436) | - | (56,436) | 14,566 | (41,870) |
| Provision between corporate and tax useful life | (43,730) | 11,889 | (55,619) | (7,588) | (63,207) |
| Income tax and social contribution losses | - | - | - | 65,438 | 65,438 |
| Provision for cut-off | 27,660 | (18,799) | 46,459 | (4,198) | 42,261 |
| Allowance for obsolescence | 18,736 | (7,237) | 25,973 | (6,169) | 19,804 |
| Provision for risks | 53,558 | (9,824) | 63,382 | 13,631 | 77,013 |
| Allowance for impairment loss on trade receivables | 2,732 | (3,219) | 5,951 | 765 | 6,716 |
| Accrued profit sharing | 10,367 | (7,796) | 18,163 | 2,812 | 20,975 |
| Provision for free sample | 7,317 | (3,361) | 10,678 | (5,792) | 4,886 |
| Provision for car rental | 313 | (149) | 462 | 294 | 756 |
| Provision for deferred exchange rate changes for tax purposes | (468) | 413 | (881) | 45 | (836) |
| Leases - CPC 06/IFRS 16 | 1,923 | (1,354) | 3,277 | (472) | 2,805 |
| Other provisions | 21,641 | (6,124) | 27,765 | (11,444) | 16,321 |
| Deferred income tax and social contribution - assets | 43,613 | (45,561) | 89,174 | 61,888 | 151,062 |

| | Consolidated | | | | |
|---|---|---|---|---|---|
| | Balance as at 12/31/2021 | Recognized in profit or loss | Balance as at 12/31/2022 | Recognized in profit or loss | Balance as at 12/31/2023 |
| Provision for tax recovery | (61,388) | - | (61,388) | 19,275 | (42,113) |
| Provision between corporate and tax useful life | (43,784) | 11,901 | (55,685) | (7,596) | (63,281) |
| Income tax and social contribution losses | - | - | - | 65,438 | 65,438 |
| Net effect of reversal of revenue from products billed and not delivered | 31,652 | (22,052) | 53,704 | (10,577) | 43,127 |
| Allowance for obsolescence | 19,602 | (8,349) | 27,951 | (6,521) | 21,430 |
| Provision for risks | 62,030 | (11,526) | 73,556 | 15,186 | 88,742 |
| Allowance for impairment loss on trade receivables | 3,024 | (4,243) | 7,267 | 425 | 7,692 |
| Accrued profit sharing | 12,178 | (10,501) | 22,679 | 2,203 | 24,882 |
| Provision for free sample | 7,987 | (5,062) | 13,049 | (5,889) | 7,160 |
| Provision for car rental | 431 | (241) | 672 | 369 | 1,041 |
| Provision for deferred exchange rate changes for tax purposes | (493) | 380 | (873) | 73 | (800) |
| Leases - CPC 06/IFRS 16 | 7,461 | (1,643) | 9,104 | 2,904 | 12,008 |
| Other provisions | 26,658 | (12,589) | 39,247 | (10,626) | 28,621 |
| Deferred income tax and social contribution - assets | 65,358 | (63,925) | 129,283 | 64,664 | 193,947 |

b) Current income tax and social contribution

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

| | Parent | | Consolidated | |
|---|---|---|---|---|
| | 12/31/2023 | 12/31/2022 | 12/31/2023 | 12/31/2022 |
| Profit before income tax and social contribution | 271,088 | 313,067 | 406,738 | 382,275 |
| Tax calculated based on local tax rates - 34% | (92,170) | (106,443) | (138,291) | (129,974) |
| Technological innovation (R&D) - Law No. 11.196/05 (EMS) | 37,551 | 38,997 | 37,551 | 38,997 |
| Grant - LC 160/ICMS (i) | 69,853 | 46,108 | 77,604 | 46,108 |
| Share of profit (loss) of subsidiaries | 74,063 | 27,757 | (89) | - |
| Exchange rate changes | (3,684) | 30,644 | (3,747) | 30,626 |
| Effective loss of credit with customers | (16,676) | - | (22,038) | - |
| Other permanent additions/deductions | (9,108) | (38,834) | (2,041) | (56,496) |
| Income tax and social contribution in profit or loss | 59,829 | (1,771) | (51,051) | (70,739) |
| Current income tax and social contribution | (2,059) | (47,332) | (115,715) | (134,664) |
| Deferred income tax and social contribution | 61,888 | 45,561 | 64,664 | 63,925 |
| Income tax and social contribution in profit or loss | 59,829 | (1,771) | (51,051) | (70,739) |
| Effective rate | -19.03% | 0.57% | 11.92% | 18.50% |

(i) Government grant represented by the benefit of not subjecting to income tax and social contribution the gains related to the ICMS tax benefit granted by the State of São Paulo pursuant to Supplementary Law No. 160 of 2017.

Of the amounts recognized, R$69,853 and R$77,604 (tax base R$205,450 and R$228,247), Parent and consolidated, respectively, refer to credits, mainly untimely and part of 2023 itself, recognized by the Company and subsidiary Legrand which, for purposes of preparation of these individual and consolidated financial statements, have their equity eliminated, accordingly, when compared to the impact on the tax incentive reserve (see note 22.c), this effect must be considered for reconciliation.

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

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

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

Such pronouncement requires Management to assess whether it is "more probable than not" that the tax treatment adopted will be accepted by the tax authorities. As it refers to a court decision at the STJ level, applied to all other lawsuits to be judged, Management concluded that it is more probable than not that the Company will have the right to exclude the State VAT ("ICMS") benefits from the income tax ("IRPJ") and social contribution ("CSLL") tax base on the date of approval and issuance of these financial statements and such conclusion is in accordance with the opinion of our legal counsel; therefore, the recognition of such untimely tax credit was carried out for the year ended December 31, 2023, coupled with the effect of 2023 itself, which effects on the statements of income were: (i) deferred income tax and social contribution: R$69,853 and R$77,604 (tax base R$205,450 and R$228,247), Parent and consolidated, respectively .

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

c) Income tax and social contribution payable

| | Parent | | Consolidated | |
|---|---|---|---|---|
| | 12/31/2023 | 12/31/2022 | 12/31/2023 | 12/31/2022 |
| Income tax payable | - | 23,269 | 7,759 | 38,717 |
| Social contribution payable | - | 8,969 | 2,890 | 14,790 |
| | - | 32,238 | 10,649 | 53,507 |

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

| | Parent | | Consolidated | |
|---|---|---|---|---|
| | 12/31/2023 | 12/31/2022 | 12/31/2023 | 12/31/2022 |
| Opening balance | 32,238 | 26,769 | 53,507 | 75,546 |
| (+) Provision for current income tax and socia contribution in the year | 2,059 | 47,332 | 115,715 | 134,664 |
| (-) Offset against federal taxes (*) | (34,297) | (41,863) | (67,207) | (52,319) |
| (-) Prepayments/payments in the year | - | - | (91,366) | (104,384) |
| ( = ) Closing balance | - | 32,238 | 10,649 | 53,507 |

(*) Offsets made with negative IRPJ and CSLL balance and Requests for PIS and COFINS Reimbursement.

## 21. OTHER PAYABLES

| | Parent | | Consolidated | |
|---|---|---|---|---|
| | 12/31/2023 | 12/31/2022 | 12/31/2023 | 12/31/2022 |
| Advances from customers | 45,010 | 33,729 | 56,024 | 33,817 |
| Advances from related parties (note 28) | 11,639 | 4,840 | 2,550 | 4,840 |
| Provision for land payable | 12,061 | 12,061 | 12,061 | 12,061 |
| Provision for outside services | 760 | 36,501 | 824 | 38,221 |
| Accrued commissions and bonuses | 56,199 | 42,024 | 86,765 | 64,271 |
| Provision for car rental | 5,604 | 1,357 | 6,814 | 1,974 |
| Provisions for marketing and promotion expenses | 4,842 | 11,450 | 6,540 | 20,675 |
| Other provisions | 19,385 | 15,613 | 25,034 | 19,158 |
| | 155,500 | 157,575 | 196,612 | 195,017 |
| Current | 143,439 | 145,514 | 184,551 | 182,956 |
| Noncurrent | 12,061 | 12,061 | 12,061 | 12,061 |

## 22. EQUITY

### a) Capital

As at December 31, 2023 and 2022, subscribed and paid-in capital is R$385,736 and R$221,717, respectively, represented by 20,000,000 common shares without par value, held as follows:

| Shareholder | Shares | 12/31/2023 | 12/31/2022 |
|---|---|---|---|
| NC Participações S.A. | 19,800,000 | 381,879 | 219,500 |
| Germed Farmacêutica LDA. | 200,000 | 3,857 | 2,217 |
| | 20,000,000 | 385,736 | 221,717 |

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

Each common share will give right to one vote at the Extraordinary General Meeting's resolutions. Shareholders will be entitled to annual minimum dividend of 25% of profit, calculated in accordance with the Brazilian Corporate Law.

### b) Capital reserve

*Goodwill merger reserve*

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

### c) Earnings reserves

*Tax incentive reserve*

The Company's activities are mainly distributed at establishments located in cities of the States of Espirito Santo, São Paulo, Minas Gerais, Goias and Ceará. As a significant portion of the Company's operations is located in the states of Espirito Santo and São Paulo, it is the beneficiary of tax incentives promoted by the states.

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

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

In June 2023, the full content of the decision on Topic No. 1.182/STJ was published, which discloses and ratifies the Theories proposed by the Justices of the STJ. Based on the opinion of our legal counsel, this untimely tax credit was recognized for the year ended December 31, 2023, which effects on the statements of income were: (i) deferred income tax and social contribution: R$69,853 (tax base R$205,450).

In addition to the untimely tax credit recognized, the Company elected to discuss the calculation of income tax and social contribution resulting in subsequent entries of R$2,776, totaling in equity an amount of R$208,226 in tax incentive reserves.

Reclassification from tax incentive reserve to earnings reserves

Article 30 of Law No. 12.973/2014 provides for that investment grants must be allocated to the tax incentive reserve, which can only be used to absorb losses or increase capital. Nonetheless, based on the legal opinion of its legal counsel, as at December 31, 2023, the Company reclassified the amount of R$233,114 from tax incentive reserve to earnings reserve, relating to the deemed ICMS tax credits, as the deemed credits must be considered as investment grant regardless of any additional requirements and arguments that the requirement of IRPJ and CSLL would result in violation of the agreement and reciprocal constitutional immunity (art. 150, VI, CF/88), and if taxable, there would be the possibility of extinguishment or reduction of the state tax incentive and, also, the federal model would be misinterpreted, which provides for the division of the tax competencies between the federal, state and municipal governments, according to decision in RESP 1.517.492/PR, reiterated in the judgment of topic 1.182 of the STJ.

There was no modification in the tax incentive programs in which the Company participates in the year ended December 31, 2023, when compared with the financial statements for the year ended December 31, 2022.

*Legal reserve*

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

*Earnings reserve*

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

d) Valuation adjustments to equity

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

e) Dividends

The Company's bylaws establish the distribution of mandatory minimum dividend of 25% of profit adjusted pursuant to the Brazilian Corporate Law, as calculated below.

| | Parent | | Consolidated | |
|---|---|---|---|---|
| | 12/31/2023 | 12/31/2022 | 12/31/2023 | 12/31/2022 |
| Profit for the year | 330,917 | 311,296 | 330,917 | 311,296 |
| (-) Investment grant | - | (40,691) | - | (40,691) |
| (-) Legal reserve | (16,546) | - | (16,546) | - |
| (-) Recognition of tax incentive reserve | (208,226) | - | (208,226) | - |
| Tax base - dividends | 106,145 | 270,605 | 106,145 | 270,605 |
| Mandatory minimum dividends (25%) | 26,536 | 67,651 | 26,536 | 67,651 |
| Opening balance | 475,069 | 528,184 | 475,253 | 533,313 |
| Recognition of dividends | 390,623 | - | 390,623 | - |
| Mandatory minimum dividends (25%) | 26,536 | 67,651 | 26,536 | 67,651 |
| (-) Payments | (213,287) | (120,766) | (213,259) | (125,711) |
| Total dividends payable - current | 678,941 | 475,069 | 679,153 | 475,253 |

## 23. NET OPERATING REVENUE

The reconciliation between gross and net revenue is as follows:

| | Parent | | Consolidated | |
|---|---|---|---|---|
| | 12/31/2023 | 12/31/2022 | 12/31/2023 | 12/31/2022 |
| Gross sales of products deducting commercial rebates | 7,430,641 | 6,411,816 | 8,191,820 | 7,110,663 |
| Taxes on sales | (1,113,888) | (1,056,791) | (1,161,735) | (1,123,555) |
| Returns on sales | (181,479) | (249,342) | (201,215) | (280,733) |
| Net operating revenue | 6,135,274 | 5,105,683 | 6,828,870 | 5,706,375 |

## 24. BREAKDOWN OF COSTS AND EXPENSES BY NATURE

| | Parent | | Consolidated | |
|---|---|---|---|---|
| | **12/31/2023** | **12/31/2022** | **12/31/2023** | **12/31/2022** |
| Raw materials and consumables | (3,522,687) | (2,750,447) | (3,614,047) | (2,989,721) |
| Payroll and related taxes | (868,949) | (743,502) | (940,879) | (803,567) |
| Outside services - legal entities | (310,521) | (297,212) | (307,043) | (320,563) |
| Social security costs | (227,233) | (190,800) | (244,294) | (203,963) |
| Advertising costs | (197,907) | (141,454) | (235,909) | (158,774) |
| Transportation expenses | (154,550) | (122,643) | (179,493) | (144,751) |
| Samples | (115,461) | (116,612) | (136,409) | (132,035) |
| Benefits provided for in the law | (85,457) | (72,689) | (90,704) | (76,886) |
| Other employee benefits | (102,311) | (79,702) | (110,355) | (85,708) |
| Travel/lodging and meals | (53,027) | (43,683) | (62,365) | (50,352) |
| Cleaning materials and office supplies | (83,911) | (66,565) | (84,246) | (66,719) |
| Profit sharing plan | (64,473) | (65,350) | (68,934) | (74,766) |
| Outside services - maintenance and repairs | (53,039) | (47,074) | (54,496) | (48,346) |
| Depreciation and amortization charges | (67,029) | (40,135) | (66,110) | (40,937) |
| Right-of-use amortization charges | (44,935) | (35,925) | (49,839) | (29,664) |
| Electric energy, water and telephone | (20,160) | (20,870) | (20,236) | (20,943) |
| Fuel and lubricants | (31,719) | (25,419) | (34,888) | (27,411) |
| Provision for risks | (71,879) | (33,416) | (76,392) | (96,082) |
| Sales commissions | (8,544) | (8,189) | (13,666) | (21,192) |
| Other expenses (income) | (4,901) | 20,325 | (18,169) | 53,367 |
| Provision for return | (240) | 2,893 | (92) | 3,425 |
| Reversal of (allowance for) impairment losses on trade receivables | (774) | 679 | (256) | 1,054 |
| Apportionment CSI/Holding | 77,833 | - | 65,119 | - |
| Effective loss | (19,988) | - | (39,350) | - |
| Allowance for inventory obsolescence | 18,146 | (56,942) | 19,173 | (61,836) |
| **Total costs and expenses** | **(6,013,716)** | **(4,934,732)** | **(6,363,880)** | **(5,396,370)** |
| Cost of sales | (4,130,545) | (3,328,390) | (4,220,582) | (3,573,754) |
| Selling expenses | (490,301) | (395,093) | (600,530) | (463,516) |
| Administrative expenses | (1,392,870) | (1,211,249) | (1,542,768) | (1,359,100) |
| | **(6,013,716)** | **(4,934,732)** | **(6,363,880)** | **(5,396,370)** |

## 25. OTHER OPERATING INCOME (EXPENSES), NET

| | Parent | | Consolidated | |
|---|---|---|---|---|
| | 12/31/2023 | 12/31/2022 | 12/31/2023 | 12/31/2022 |
| *Other income* | | | | |
| Tax recovery (i) | 17,426 | 77,866 | 22,631 | 84,738 |
| Write-off of investment (ii) | 2,707 | 5,452 | 8,963 | 5,452 |
| Other income | 17,818 | 31,905 | 12,475 | 33,805 |
| | 37,951 | 115,223 | 44,069 | 123,995 |
| *Other expenses* | | | | |
| Taxes and fees | (66,112) | (38,553) | (77,550) | (45,410) |
| Other expenses | (2,321) | (6,041) | (2,236) | (7,810) |
| | (68,433) | (44,594) | (79,786) | (53,220) |
| | (30,482) | 70,629 | (35,717) | 70,775 |

(i) In 2022, refers mainly to the accounting for the ICMS deduction from the PIS and COFINS tax base, as disclosed in note 14, either in the recovery of credits prior to the period through administrative proceeding or in the deduction of credits in the current period.

(ii) The amount is mainly comprised of the write-off of investments in subsidiaries.

## 26. FINANCE INCOME (COSTS)

| | Parent | | Consolidated | |
|---|---|---|---|---|
| | 12/31/2023 | 12/31/2022 | 12/31/2023 | 12/31/2022 |
| Finance income | | | | |
| Exchange gains | 14,360 | 132,688 | 15,504 | 132,870 |
| Income from short-term investments | 35,158 | 31,110 | 51,508 | 43,102 |
| Interest on trade receivables | 5,833 | 18,352 | 8,304 | 19,960 |
| Other | 15,121 | 15,477 | 16,876 | 15,562 |
| Total finance income | 70,472 | 197,627 | 92,192 | 211,494 |
| | | | | |
| Finance costs | | | | |
| Interest and exchange rate changes on borrowings, financing and debentures | (37,647) | (32,433) | (37,647) | (32,433) |
| Exchange losses | (20,873) | (148,587) | (21,346) | (148,689) |
| Inflation adjustment to contingencies | (25,457) | (12,646) | (27,168) | (13,669) |
| Leases - IFRS 16 - interest payable | (17,544) | (16,158) | (18,787) | (15,329) |
| Other | (6,772) | 2,045 | (9,517) | 121 |
| Total finance costs | (108,293) | (207,779) | (114,465) | (209,999) |
| Finance costs, net | (37,821) | (10,152) | (22,273) | 1,495 |

## 27. BASIC AND DILUTED EARNINGS PER SHARE

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

| | 12/31/2023 | 12/31/2022 |
|---|---|---|
| Profit attributable to Company's shareholders | 330,917 | 311,296 |
| Weighted average number of common shares issued (thousands) | 20,000 | 20,000 |
| Basic and diluted earnings per share - R$ | 16.55 | 15.56 |

Basic and diluted earnings per share are equal, as there are no potentially dilutive shares.

## 28. RELATED PARTIES

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

ii) Parent

| | | | | 12/31/2023 | | | | | | |
|---|---|---|---|---|---|---|---|---|---|---|
| | Trade receivables | Dividends receivable | Other receivables and advances | Trade payables | Dividends payable | Prepaid dividends | Purchases | Sales | Apportionment CSI/Holding | Services received |
| Multilab Ind. e Com. de Produtos Farm. Ltda. | 1,822 | - | - | 488,732 | - | - | 518,955 | 378,083 | 14,263 | - |
| Snellog Armazéns Gerais e Log. Ltda. | 259 | - | 1,500 | 9,190 | - | - | - | - | - | 59,135 |
| Novamed Fabricação Prod. Farm. Ltda. | 30,036 | - | - | 1,706,654 | - | - | 2,687,448 | 51,672 | 37,535 | - |
| Lafiman Distribuidora de Medicamentos Ltda. | 36 | - | - | - | - | - | - | 14,535 | - | - |
| Legrand Pharma Indústria Farmacêutica Ltda. | 4 | - | - | 119,051 | - | - | 120,363 | 276,513 | 12,714 | - |
| Luxbiotech Farmaceutica Ltda. | 25,618 | 34,972 | - | 223 | - | - | 5,237 | 102,927 | - | - |
| Germed Farmacêutica Ltda. | 938 | - | - | 214,701 | - | - | 218,555 | 199,310 | 13,321 | - |
| Rio Biofarma Brasil | 18,621 | - | 139 | - | - | - | - | 18,621 | - | - |
| EMS Sigma Pharma Ltda. | 305,499 | 707 | - | 31 | - | - | - | 458,156 | - | - |
| Germed Farmacêutica LDA. Portugal | - | - | - | - | 30,366 | - | - | - | - | - |
| Instituto Vita Nova | - | - | 10,000 | 10,757 | - | - | - | - | - | - |
| NC Participações S.A. | 484 | - | - | - | 648,575 | - | - | - | - | - |
| CPM Concessionária Paulista de Medicam. S.A. | - | - | - | - | - | 5,963 | - | - | - | - |
| Monteresearch Pharmaceutical Development Service | 1,782 | - | - | - | - | - | - | - | - | - |
| Other | 1,152 | - | - | 3,942 | - | - | - | - | - | - |
| | 386,251 | 35,679 | 11,639 | 2,553,281 | 678,941 | 5,963 | 3,550,558 | 1,499,817 | 77,833 | 59,135 |

| | 12/31/2022 | | | | | | | | |
|---|---|---|---|---|---|---|---|---|---|
| | Trade receivables | Dividends receivable | Other receivables and advances | Trade payables | Dividends payable | Other payables and advances | Purchases | Services provided | 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 |

The balances of due from related parties mainly arise from sales of products directly related to the Company's operating activities at prices and under terms and conditions agreed upon among the parties and maturing within up to 120 days. Trade receivables are not collateralized and are not subject to interest.

Due to related parties arise mainly from purchases of products directly related to the Company's operating activities at prices and under terms and conditions agreed upon among the parties and recognition of provision for dividends payable.

## iii) Consolidated

| | 12/31/2023 | | | | | | | | | |
|---|---|---|---|---|---|---|---|---|---|---|
| | Trade receivables | Other receivables and advances | Trade payables | Dividends payable | Other payables and advances | Prepaid dividends | Purchases | Sales | Apportionment CSI/Holding | Services received |
| Germed Farmacêutica Ltda. | 938 | - | 220,918 | - | - | - | 218,555 | 199,310 | 13,321 | - |
| Innoveren Pharma S.A. | - | - | - | - | 4,840 | - | - | - | - | - |
| Multilab Ind. e Com. de Medicamentos Ltda. | 2,172 | - | 572,445 | - | - | - | 518,955 | 384,835 | 14,263 | - |
| NC Participações S.A. | 484 | - | - | 648,787 | - | 2,550 | - | - | - | - |
| Novamed Fabricação de Produtos Farm. Ltda. | 34,578 | - | 1,706,654 | - | - | - | 2,687,448 | 449,337 | 37,535 | - |
| Snellog Armazéns Gerais e Log. Ltda. | 259 | 1,500 | 9,621 | - | - | - | - | - | - | 162,271 |
| Rio Biofarma Brasil | 18,621 | 139 | - | - | - | - | - | 18,621 | - | - |
| USK Underskin LLC | 1,115 | - | - | - | - | - | - | - | - | - |
| Instituto Vita Nova | - | 10,000 | 10,757 | - | - | - | - | - | - | - |
| Germed Farmacêutica LDA Portugal | - | - | - | 30,366 | - | - | - | - | - | - |
| Other | 285 | - | 11,097 | - | - | - | - | - | - | - |
| | 58,452 | 11,639 | 2,531,492 | 679,153 | 4,840 | 2,550 | 3,424,958 | 1,052,103 | 65,119 | 162,271 |

| | 12/31/2022 | | | | | | | |
|---|---|---|---|---|---|---|---|---|
| | Trade receivables | Other receivables and advances | Trade payables | Dividends payable | Other payables and advances | Purchases | Services provided | 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 |

a) Compensation of key management personnel

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

The compensation paid and payable to key management personnel, including salaries and charges, profit sharing and other benefits, corresponds to 4.71% of payroll expenses as at December 31, 2023 (4.82% as at December 31, 2022).

## 29. INSURANCE

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

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

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

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

## 30. STATEMENTS OF CASH FLOWS

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

a) Breakdown of non-cash transactions:

| | Parent | | Consolidated | |
|---|---|---|---|---|
| | 12/31/2023 | 12/31/2022 | 12/31/2023 | 12/31/2022 |
| Tax offset (current income tax and social contribution) | 34,297 | 41,863 | 67,207 | 52,319 |
| Total | 34,297 | 41,863 | 67,207 | 52,319 |

## 31. EVENTS AFTER THE REPORTING PERIOD

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

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

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

b) Provisional Act (MP) No. 1185/23 converted into Law No. 14.789/23

On December 29, 2023, the National Congress converted MP 1.185/23 into Law No. 14.789/23. The Law provides for the tax credit arising from grant for implementation or expansion of economic development; amends Law No. 9.249, of December 26, 1995, Law No. 14.592, of May 30, 2023, and Law No. 14.754, of December 12, 2023; and revokes provisions of Decree Law No. 1.598, of December 26, 1977, and of Law No. 10.637, of December 30, 2002, Law No. 10.833, of December 29, 2003, and Law No. 12.973, of May 13, 2014.

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

## 32. APPROVAL OF THE INDIVIDUAL AND CONSOLIDATED FINANCIAL STATEMENTS

These individual and consolidated financial statements were approved by the Company’s Management and authorized for issuance on March 28, 2024.