Medquímica Indústria Farmacêutica Ltda.

Financial statements as of
March 31, 2023 and 2022

Content

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

Independent Auditors' report on the financial statements

To the Shareholders and Management

Medquímica Indústria Farmacêutica Ltda.

Juiz de Fora – Minas Gerais

Opinion

We have audited the financial statements of Medquimica Indústria Farmacêutica Ltda. (the "Company"), which comprise the financial position as of March 31, 2023, and the statements of profit or loss and comprehensive income (loss), changes in equity and cash flows for the year then ended, and notes to the financial statements, including significant accounting policies and other explanatory information.

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of Medquímica Indústria Farmacêutica Ltda. as of March 31, 2023, and its financial performance and its 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 International and Brazilian Standards on Auditing. Our responsibilities under those standards are described in the "Auditors' Responsibilities for the Audit of the Financial Statements" section of our report. We are independent of the Company in accordance with the relevant ethical requirements included in the Accountant´s Code of Ethics and the professional standards issued by the Federal Accounting Council, and we have fulfilled our ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Responsibilities of Management for the Financial Statements

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

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

Auditors' Responsibilities for the Audit of the Financial Statements

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

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

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

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

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

- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence items obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, then we are required to draw attention in our auditors' report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditors' report. However, future events or conditions may cause the Company to cease to continue as a going concern.

- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

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

Belo Horizonte, June 7, 2023

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

(Free translation of an original version issued in Portuguese by)
Aglaenne Flavia da Rosa
Accountant CRC MG-105187/O-4

Medquímica Indústria Farmacêutica Ltda.

Statement of financial position

Years ended March 31, 2023 and 2022

(In thousands of real)

Assets	**Note**	**31/03/2023**	**31/03/2022**
Cash and cash equivalents	7	5,946	10,522
Trade receivables	8	104,640	76,912
Inventories	9	73,214	58,644
Recoverable taxes	10	2,222	349
Income and social contribution taxes to offset	10	8,802	6,487
Prepaid expenses		1,319	1,138
Other assets	11	1,637	2,934
Current assets		**197,780**	**156,986**
Financial investments	12	2,834	2,566
Other assets	11	830	2,416
Total long-term assets		**3,664**	**4,982**
Property, Plant and Equipment	13	73,878	75,425
Right-of-use assets		2,062	1,493
Intangible assets	14	109,579	99,100
Non-current assets		**189,184**	**181,000**
Total assets		**386,964**	**337,986**

Liabilities	**Note**	**31/03/2023**	**31/03/2022**
Trade payables	15	44,947	45,204
Loans and financing	16	176,213	199,454
Leasing		955	389
Tax liabilities	17	11,426	4,346
Payroll and social charges	18	7,811	4,865
Derivative financial instruments	29	9,248	16,729
Other liabilities	19	5,503	2,568
Current liabilities		**256,104**	**273,555**
Loans and financing	16	110,469	-
Leasing		715	268
Tax liabilities	17	372	448
Deferred tax liabilities	30	6,183	15,263
Provision for contingencies	20	1,264	4,605
Other liabilities	19	700	5,047
Non-current liabilities		**119,703**	**25,631**
Equity	21		
Share capital		269,738	269,738
Accumulated losses		(258,582)	(230,938)
Total equity		**11,156**	**38,800**
Total equity and liabilities		**386,964**	**337,986**

The accompanying notes are an integral part of this quarterly information.

Medquímica Indústria Farmacêutica Ltda.

Statements of income

Years ended March 31, 2023 and 2022

(In thousands of real)

	Note	31/03/2023	31/03/2022
Net revenue	23	270,984	223,519
Cost of sales	24	(180,422)	(162,317)
Gross profit		**90,562**	**61,202**
Selling expenses	25	(41,624)	(37,520)
Administrative expenses	26	(50,073)	(40,133)
Other revenues (expenses), net	27	1,208	891
Profit before finance income (costs) and taxes		**73**	**(15,560)**
Finance income		14,195	36,666
Finance costs		(50,990)	(39,047)
Net finance income (costs)	28	**(36,795)**	**(2,381)**
Profit before income taxes		**(36,722)**	**(17,941)**
Deferred income and social contribution taxes	30	9,080	(5,799)
Current income and social contribution taxes	30	-	(91)
Income and social contribution taxes		**9,080**	**(5,890)**
Loss for the year		**(27,642)**	**(23,831)**

The accompanying notes are an integral part of this quarterly information.

Medquímica Indústria Farmacêutica Ltda.

Statements of comprehensive income

Years ended March 31, 2023 and 2022

(In thousands of real)

	31/03/2023	31/03/2022
Loss for the year	**(27,642)**	**(23,831)**
Other comprehensive income for the year	-	-
Comprehensive income for the year	**(27,642)**	**(23,831)**

The accompanying notes are an integral part of this quarterly information.

Medquímica Indústria Farmacêutica Ltda.

Statements of changes in equity

Years ended March 31, 2023 and 2022

(In thousands of real)

	Capital Social	Losses Accumulated	Heritage Liquid
Balance as of March 31, 2021	**269,738**	**(207,107)**	**62,631**
Loss for the year	-	(23,831)	(23,831)
Balance as of March 31, 2022	**269,738**	**(230,938)**	**38,800**
Loss for the year	-	(27,642)	(27,642)
Balance as of March 31, 2023	**269,738**	**(258,580)**	**11,158**

The accompanying notes are an integral part of this quarterly information.

Medquímica Indústria Farmacêutica Ltda.

Statements of cash flows

Years ended March 31, 2023 and 2022

(In thousands of real)

	Note	31/03/2023	31/03/2022
Cash flows from operating activities			
Loss for the year		(27,642)	(23,831)
Adjustments for:			
Depreciation and amortization		10,780	9,797
Allowance for impairment loss on loans	8	(706)	1,058
Impairment loss on inventories (obsolescence)	9	1,378	512
Disposal of property and equipment		3,767	-
Provision for bonuses		5,498	-
Recognition (reversal) of contingencies	20	(3,341)	3,889
Derivative instruments	29	9,248	16,729
Provisions for returns	8	1,795	(2,466)
Other provisions		468	-
Current and deferred income and social contribution taxes	30	(9,080)	5,890
Accrued interest and foreign exchange gain or loss on the loan	16	15,201	(23,192)
Net finance income		-	9,946
		7,366	**(1,668)**
Changes in:			
Trade receivables		(28,818)	(5,888)
Inventories		(15,948)	20,321
Recoverable taxes		(4,188)	5
Other receivables and prepaid expenses		2,702	6,103
Trade payables		(257)	(15,703)
Tax liabilities		7,004	(1,221)
Social security obligations		2,946	34
Other payables		(6,527)	(857)
Cash used in operating activities		**(35,720)**	**1,126**
Interest paid	16	(17,147)	(3,895)
Interest received		-	377
Net cash used in operating activities		**(52,867)**	**(2,392)**
Cash flows from investing activities			
Cash from sale of property, plant and equipment	27	137	86
Financial investments	12	(268)	-
Acquisition of property plant and equipment	13	(4,679)	(13,694)
Acquisition of intangible assets		(18,265)	-
Net cash used in investing activities		**(23,075)**	**(13,608)**
Cash flows from financing activities			
Proceeds from loans	16	249,707	191,537
Repayment of loans and financing	16	(160,533)	(160,802)
Lease payment		(1,079)	(732)
Derivative losses		(16,729)	(9,627)
Net cash from financing activities		**71,366**	**20,376**
(Decrease) Net increase in cash and cash equivalents		**(4,576)**	**4,376**
Cash and cash equivalents at beginning of period		10,522	6,146
Cash and cash equivalents at end of period		5,946	10,522
(Decrease) Net increase in cash and cash equivalents		**(4,576)**	**4,376**

The accompanying notes are an integral part of this quarterly information.

Notes to the financial statements

(In thousands of reais)

1 Operations

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

In the year ended March 31, 2023, the Company had losses recognized in the year in the amount of R$27,642 (R$23,831 as of March 31, 2022) and its current liabilities exceed current assets by the amount of R$58,324 (R$116,569 as of March 31, 2022). The Company also has negative cash flows from operating activities in the amount of R$35,721 as of March 31, 2023 (R$2,392 as of March 31, 2022).

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

(1) Improves cost management;

(2) Developed efficient sales strategies and introduced higher-profitability products;

(3) Improving the plant's process control procedures;

(4) Improves productive efficiency and reviews processes;

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

(6) Obtain additional sources of finance from external creditors and related parties.

According to Management, losses for the year ended March 31, 2023 arise from the current portfolio of products, which has low profitability. Medquímica, together with the head office, formulated a plan for the development of new products and the acquisition of Bausch Health product brands over the next five years to help the Company to boost organic and sustainable profitability. All accounting effects arising from the change in strategy are duly reflected on the financial statements.

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

2 Basis of preparation

Statement of Compliance (regarding the Accounting Pronouncement Committee (CPC) standards)

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

The issuance of the financial statements was authorized by Management on June 2, 2023.

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

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

3 Functional and presentation currency

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

4 Use of estimates and judgments

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

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

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

- **Note 8 – Trade receivables –** measurement of the ECLs of trade and other receivables that require judgment and estimates, including the history of losses and future expectations.

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

- **Note 9** – **Inventories** - measurement of inventories with a chances of loss per maturity, or possible default issues or issues related to the turnover of inventories, as well as the assessment of losses arising from the valuation of the net realizable value of inventories.

- **Note 13 - Property, plant and equipment** - impairment testing of property, plant and equipment: main assumptions for testing assets for impairment, such as forecasts of sales, costs and expenses, discount rates, etc.;

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

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

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

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

5 Basis of measurement

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

6 Significant accounting policies

a. Foreign currency

(i) Foreign currency transactions

Transactions in foreign currencies are translated to the respective functional currencies of the Company at exchange rates at the dates of the transactions. Monetary assets and liabilities denominated in foreign currencies at the reporting date are retranslated to the functional currency at the exchange rate at that date. The foreign currency gain or loss on monetary items is the difference between amortized cost in the functional currency at the beginning of the year, adjusted for effective interest and payments during the year, and the amortized cost in foreign currency exchange rates at the end of the year. Non-monetary assets and liabilities measured at fair value in a foreign currency are retranslated to the functional currency at the exchange rate at the date that fair value was determined. Non-monetary items that are measured based on historical cost in a foreign currency are translated at the exchange rates at the date of the transaction. Foreign currency differences arising on re-translation are generally recognized in profit or loss.

b. Financial instruments

Recognition and initial measurement

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

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

Classification and subsequent measurement

Financial assets

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

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

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

- it is held within a business model whose objective is to hold assets to collect contractual cash flows; And

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

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

- it is held within a business model whose objective is achieved by both collecting contractual cash flows and selling financial assets; And

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

On initial recognition of an equity investment that is not held for trading, the Company may irrevocably elect to present subsequent changes in the investment's fair value in OCI. This election is made on an investment-by-investment basis. The Company did not have investments in equity instruments as of March 31, 2023 and 2022.

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

Financial assets – Business model assessment

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

- the stated policies and objectives for the portfolio and the operation of those policies in practice. They include whether management's strategy focuses on earning contractual interest income, maintaining a particular interest rate profile, matching the duration of the financial assets to the duration of related liabilities or expected cash outflows, or realizing cash flows through the sale of the assets;

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

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

- how managers of the business are compensated – e.g. whether compensation is based on the fair value of the assets managed or the contractual cash flows collected; And

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

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

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

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

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

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

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

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

- prepayment and extension features; And

- terms that limit the Company's claim to cash flows from specified assets (e.g. non-recourse features).

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

Financial assets – Subsequent measurement and gains and losses

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

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

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

(ii) Derecognition

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

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

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

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

(iii) Offsetting
Financial assets and liabilities are offset and the net amount presented in the balance sheet when, and only when, the Company currently has a legally enforceable right to set off the amounts and it intends either to settle them on a net basis or to realize the asset and settle the liability simultaneously.

(iv) Derivative financial instruments and hedge accounting

Derivative financial instruments and hedge accounting
The Company holds derivative financial instruments to hedge its foreign currency risk exposures. When applicable, embedded derivatives are separated from the host contract and accounted for separately if the host contract is not a financial asset and certain criteria are met.

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

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

c. Property, Plant and Equipment

(i) Recognition and measurement

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

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

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

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

(ii) Subsequent expenditure

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

(iii) Depreciation

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

Depreciation is calculated to write off the cost of items of property, plant and equipment less their estimated residual values using the straight-line basis over their estimated useful lives. Depreciation is generally recognized in profit or loss, unless the amount is included in the carrying amount of another asset. Leased assets are depreciated over the shorter of the lease term or the estimated useful life of the asset, unless it is reasonably certain that the Company will acquire ownership by the end of the lease term. Land is not depreciated.

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

Buildings	33 – 46 years old
Machinery and equipment	20 years
Vehicles	Five years
Computers and peripherals	5 - 10 years
Furniture and fixtures	10 years
Industrial facilities	5 - 10 years

Commercial facilities	10 years
Tools	10 years

d. Intangible assets

Goodwill
Goodwill is measured at cost less accumulated impairment losses.

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

Amortization
Intangible assets are amortized on a straight-line basis in profit or loss over their estimated useful lives, from the date that they are available for use. The estimated useful lives for the current and comparative years are as follows:

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

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

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

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

f. *Impairment* loss

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

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

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

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

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

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

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

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

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

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

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

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

- significant financial difficulty of the issuer;

- a breach of contract such as a default or being more than 90 days late;

- restructuring of an amount due to the Company on terms that the Company would not consider otherwise; Or

- it is likely that the debtor will enter bankruptcy or other financial reorganization.

Presentation of allowance for ECLs in the balance sheet
Loss allowances for financial assets measured at amortized cost are deducted from the gross carrying amount of the assets.

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

(iv) Non-financial assets

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

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

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

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

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

g. Provisions

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

h. Accounts payable arising from the merger

Accounts payable from the down payment merger in February 2016 are recognized as a variable consideration to be transferred to the Company's former shareholders. Changes in the fair value to be transferred are recognized with an offsetting entry to long-term financial investments in connection with the transaction.

i. Leases

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

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

As a lessee

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

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

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

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

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

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

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

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

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

The Company presents right-of-use assets that do not meet the definition of investment property in "Right-of-use" and lease liabilities under "Leases" in the balance sheet.

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

As a lessor
As of March 31, 2023 the Company did not have lease agreements for assets to third parties.

j. Revenue

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

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

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

For certain clients, the Company follows the practice of promoting promotional campaigns for its products at points of sale. Its classification in the financial statements was as selling expenses. However, these transactions, in accordance with current accounting policies in accordance with CPC 47, started to be classified as a decrease in the Company's revenues, whose application is consistent with the years ended March 31, 2023 and 2022, respectively.

k. Finance income and finance costs

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

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

l. Income tax and social contribution

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

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

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

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

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

As of March 31, 2023 and 2022, respectively, the Company did not recognize deferred tax assets on its unused temporary differences and tax losses, given successive tax losses in recent years, or the fact that at this moment there is no convincing evidence as to when the Company will generate future taxable profit sufficient to offset it in the future.

m. Fair value measurement

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

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

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

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

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

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

n. Government grants

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

o. Standards and interpretations issued but not yet effective

The following standards and interpretations have been amended or come into effect and are not expected to have a material impact on the Company's financial statements:

IFRS 17	Insurance contracts
Amendments to CPC 32/ IFRS 9	Deferred Tax Related to Assets and Liabilities Arising from a Single Transaction
Amendments to CPC 26	Classification of liabilities as current or non-current
Amendments to CPC 26	Disclosure of Accounting Policies
Amendments to CPC 23	Definition of Accounting Estimates

7 Cash and cash equivalents

	31/03/2023	**31/03/2022**
Cash and banks	5.946	10.522
	5.946	**10.522**

As of March 31, 2023 and 2022, the Company did not have balances on financial investments classified as cash and cash equivalents.

8 Trade receivables

	31/03/2023	31/03/2022
Trade receivables	115.470	88.201
(-) Expected losses on trade and other receivables (b)	(9.035)	(9.740)
(-) Provision for sales returns (a)	(1.795)	(1.549)
	104.640	**76.912**

(a) Provision for expected sales returns leading to a reduction in revenue.

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

Breakdown by maturity	**31/03/2023**	**31/03/2022**
Falling due	96.243	74.130
Overdue from 0 to 30 days	2.554	434
Overdue from 31 to 90 days	1.815	129
Overdue from 91 to 120 days	1.205	57
Overdue from 121 to 180 days	1.734	-
Overdue for more than 181 days (b)	11.920	13.491
	115.470	**88.241**

(b) Of the R$11,920, R$2,885 is negotiating with clients.

According to historical analyses, after an individual analysis of overdue trade receivables, the Company understands that trade receivables overdue for more than 180 days should be provided for as loss, except for transactions already signed. This valuation approximates management's expectations based on expected losses under CPC 48/ IFRS 9, and for that reason no additional provision is recognized.

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

Changes in the allowance for ecls	**31/03/2023**	**31/03/2022**
Opening balance	**(9.740)**	**(8.682)**
Additions	-	(1.897)
Low	620	-
Rollbacks	85	839
Ending balance	**(9.035)**	**(9.740)**

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

9 Inventories

The breakdown of inventories is presented in the table below:

	31/03/2023	31/03/2022
Finished goods	30.611	23.207
Work in progress	4.973	2.747
Raw material	30.370	28.874
Packaging material	10.518	6.210
Stores and other inventories	5.617	5.103

Estimated inventory losses	(8.875)	(7.497)
	73.214	**58.644**

The increase in inventories as of March 31, 2023, when compared with the previous year, arises mainly from the strategy of increasing sales for the following year.

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

Changes in the inventory valuation allowance

Balance as of March 31, 2021	**6.985**
Recognized provisions	512
Balance as of March 31, 2022	**7.497**
Recognized provisions	1.378
Balance as of March 31, 2023	**8.875**

10 Recoverable taxes and income and social contribution taxes to offset

	31/03/2023	**31/03/2022**
IPI (Federal VAT)	786	266
ICMS on property, plant and equipment	8	8
ICMS (State VAT)	1.423	32
Other recovered taxes	5	43
Indirect taxes	**2.222**	**349**
Income tax and social contribution (a)	8.802	6.487
Direct taxes	**8.802**	**6.487**
	11.024	**6.836**

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

11 Other receivables

	31/03/2023	**31/03/2022**
Judicial deposit	830	515
Receivables from former shareholders (a)	-	1.901
Advances to suppliers (b)	1.617	1.802
Reimbursement of expenses receivable (c)	-	927
Other receivables (d)	20	205
	2.467	**5.350**
Current	1.637	2.934
Non-current	830	2.416

(a) According to an agreement entered into with former shareholders, all settlements between the parties were settled, and the financial investment due to the bank compensation was outstanding in the next quarter of 2023.

(b) Advances to suppliers of raw materials and input.

(c) Advances to related parties consist of the earlier payment of raw material invoices toFicienciesn India and were settled in the current period.

(d) Other receivables are advances to employees

12 Financial investments

	31/03/2023	31/03/2022
Financial investments	2.834	2.566
	2.834	**2.566**

Financial investments linked to guarantees for balances payable by former shareholders (see note 11) which are settled in the next quarter of 2023.

13 Property, Plant and Equipment

	Balance as of April 1, 2022	Additions	Transfers	Low	Depreciation	Disposal - Depreciation	Balance as of March 31, 2023
Land and buildings	41.136	-	82	(850)	(220)	-	40.148
Machinery and equipment	24.503	-	2.240	-	(3.373)	-	23.370
Vehicles	7	-	-	-	(7)	-	-
Computers and peripherals	807	-	85	-	(407)	-	485
Furniture and fixtures	475	-	56	-	(123)	-	408
Improvements/Propr. Third parties	17	-	-	-	(5)	-	12
Construction in progress (a)	7.822	3.875	(2.463)	(121)	-	-	9.078
Advances to suppliers	658	768	-	(1.049)	-	-	377
Total	**75.425**	**4.643**	**-**	**(2.055)**	**(4.135)**	**-**	**73.878**

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

	Balance as of April 1, 2021	Additions	Transfers	Disposal - Cost	Depreciation	Disposal - Depreciation	Balance as of March 31, 2022
Land and buildings	41.508	-	378	-	(750)	-	41.136
Machinery and equipment	25.264	-	2.740	(350)	(3.462)	311	24.503
Vehicles	51	-	-	(100)	(18)	74	7
Computers and peripherals	774	-	484	(1)	(402)	(48)	807
Furniture and fixtures	584	-	38	(5)	(145)	3	475
Improvements own Third parties	17	-	-	-	-	-	17
Construction in progress	1984	9.478	(3.640)	-	-	-	7.822
Advances to suppliers	178	4.216	-	(3.736)	-	-	658
Total	**70.360**	**13.694**	**-**	**(4.233)**	**(4.777)**	**340**	**75.425**

Cost and accumulated depreciation

Total cost of property, plant and equipment consists of R$111,460 and accumulated depreciation is R$37,582 as of March 31, 2023 (R$108,872 and R$33,447 as of March 31, 2022, respectively).

Useful life and residual value

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

Impairment testing

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

Guarantees

As of March 31, 2023 all collateral pledged by the Company's assets that used to secure loans and financing was settled.

Construction in progress

As of March 31, 2023 property, plant and equipment consist of operational improvements in the Company's industrial plant and acquisition of machinery and equipment.

14 Intangible assets

	Balance as of April 1, 2022	Additions	Transfers	Amortization	Write-offs - Advance	Balance as of March 31, 2023
Trademarks/Licenses (b)	6.705	-	17.786	(698)	-	23.793
Software	6.149	-	480	(1.960)	-	4.669
Goodwill paid for future profitability	61.733	-	-	-	-	61.733
Non-Competition Agreement/Relac. Dist.	5.857	-	-	(934)	-	4.923
ANVISA (Brazilian Health Agency) records (a)	18.657	-	-	(2.484)	(1.712)	14.461
Ongoing project	-	18.266	(18.266)	-	-	-
Total	**99.100**	**18.266**	**-**	**(6.076)**	**(1.712)**	**109.579**

	Balance as of April 1, 2021	Additions	Amortization	Balance as of March 31, 2022
Trademarks/Licenses	6.701	99	(95)	6.705
Software	8.431	112	(2.394)	6.149
Goodwill paid for future profitability	61.733	-	-	61.733
Non-Competition Agreement/Relac. Dist.	5.996	-	(139)	5.857
ANVISA (Brazilian Health Agency) records (a)	21.607	-	(2.950)	18.657
Total	**104.467**	**211**	**(5.578)**	**99.100**

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

Cost of intangible assets and accumulated amortization

The total cost of intangible assets consists of R$180,399 and accumulated amortization is R$70,820 as of March 31, 2023 (R$162,796 and R$63,696 as of March 31, 2022, respectively).

Impairment testing

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

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

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

(i) Cash flows denominate in real, which is the Company's functional currency
(ii) Assumptions about deadlines for the projected flow of 10 years. The estimated term of five years for cash flows is due to the fact that the useful life of the licenses and other significant assets is equivalent to or higher than 10 years.
(iii) Future sales expectations based on the regular product line and lines of new products – for example Products Central Nervous System (CNS) and therapeutic lines.
(iv) Launch of new products and increase in market *share* in the Brazilian market
(v) Expected operating costs based on estimated margins
(vi) Expected operating expenses which include *marketing*, sales, administrative and other expenses that may have an impact on the results of operations
(vii) Amortization depreciation forecast for future periods
(viii) Estimates of 4% of property, plant and equipment related to maintenance expenses (CAPEX)
(ix) The effects of applicable income and social contribution taxes were also estimated at the combined rate of 34%
(x) The perpetuity growth rate is 3%
(xi) EBTIDA's average growth rate is 5.61%
(xii) Cash flows also included adjustments for estimating working capital
Discount rate calculated according to the weighted average cost of capital (WACC) equivalent to 21.85%

The value in use determined by the Company exceeded the book value of the tested items in the amount of R$304,349.

15 Trade payables

	31/03/2023	**31/03/2022**
Domestic trade payables	13.893	13.114
Foreign trade payables (a)	13.921	23.727
Provisions for the payment of trade payables (b)	17.133	8.363
	44.947	**45.204**

(a) Including related party transactions.

(b) Provision for payments to suppliers for which the service has been rendered and/or merchandise and goods delivered and whose documentation (invoice) has not yet been received by the Company with the largest share of inventories in transit with related parties.

Additional disclosures about related party transactions in note 22.

16 Loans and financing

Current liabilities	**31/03/2023**	**31/03/2022**
Financing of goods	-	81
Working capital loans	176.213	199.373
	176.213	**199.454**
Non-current liabilities		
Working capital loan	110.469	-
	110.469	-
Total	**286.682**	**199.454**

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

Balance as of March 31, 2021	**195.806**
Loans and financing obtained	191.537
Net monetary and foreign exchange gains and losses	(6.490)
Finance charges provided for	(16.702)
Finance charges paid	(3.895)
Amortization of principal	(160.802)
Balance as of March 31, 2022	**199.454**
Loans and financing obtained	249.707
Net monetary and foreign exchange gains and losses	(6.710)
Accrued interest and foreign exchange gains and losses	21.911
Finance charges paid	(17.147)
Amortization of principal	(160.533)
Balance as of March 31, 2023	**286.682**

Additional disclosures about related party transactions in note 22.

a. Guarantees

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

b. Covenants

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

c. Terms and schedule of debt amortization

The following statement provides information about the debt settlement schedule according to the contractual terms of loans and financing recognized as of March 31, 2023 and 2022, which are measured at amortized cost.

As of March 31, 2023:

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

As of March 31, 2022:

Debt	Guarantee	Currency	Nominal interest rate	Year of maturity	Carrying value
Citibank	Shareholders	USD	6,39%	2022	47.443
MUFG Brazil	Shareholders	BRL	13,58%	2022	16.747
MUFG Brazil	Shareholders	BRL	10,70%	2022	34.839
Finame Santander	Financed asset	BRL	6,60%	2022	50
Finame Santander	Financed asset	BRL	6,60%	2022	31
Itau	Shareholders	USD	7,11%	2022	46.085
Itaú	Shareholders	USD	6,96%	2022	16.352
Namomi	Shareholders	USD	3,00%	2022	37.907
				Total loans and financing	**199.454**

Flow of payments

In R$ thousand

Payments after 2024	49.056
Payments after 2025	61.413
Total	**110.469**

17 Tax liabilities

	31/03/2023	31/03/2022
PIS/COFINS payable (a)	7.768	965
ICMS payable	2.654	1.885
IPI payable	279	(98)
Tax debt installment payment	533	605
IRRF (Withholding Income Tax) payable	264	1.181
Other tax liabilities	300	256
	11.798	**4.794**
Current	11.426	4.346
Non-current	372	448

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

18 Payroll and social charges

	31/03/2023	31/03/2022
Provision for vacation pay and Christmas bonus	4.296	3.530
INSS (Social Contribution Tax) (a)	2.738	846
FGTS	189	174
Other social security liabilities	589	315
	7.811	**4.865**

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

19 Other payables

	31/03/2023	31/03/2022
Customer advances	5	5
Former shareholders' payables (a)	700	3.513
Provision for bonuses (b)	5.498	3.487
Other liabilities	-	610
	6.203	**7.615**
Current	5.503	2.568
Non-current	700	5.047

(a) Balance referring to the escrow final settlement to be settled in the next quarter of 2023.

In February 2016, In February 2016, The holding company was taken over by Medquímica and the liabilities transferred to the Company. On December 22, 2017, a settlement agreement was signed establishing the release of part of the funds and set criteria for future releases. The balance is classified as non-current, given that releases of amounts depend on future events (for example court decisions) and are settled in the following year.

Changes in the balances of liabilities to former shareholders are as follows:

Balance as of March 31, 2022	**3.513**
Payments made	(2.813)
Balance as of March 31, 2023	**700**

Management considers that the accrued amount is not expected to be materially misappropriated and the escrow *account* positions (note 12) are guarantees for paying liabilities.

(b) Provision for the payment of bonuses and profit sharing to the Company's employees and directors.

20 Provision for contingencies

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

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

Probable lawsuits recognized as a provision for lawsuits, particularly labor lawsuits, total R$1,264 as of March 31, 2023 (R$4,605 as of March 31, 2022).

Balance as of March 31, 2021	**716**
Reversals recognized in the year	(412)
Provisions recognized in the year	4.301
Balance as of March 31, 2022	**4.605**
Provisions recognized in the year	382
Adjustment for inflation of the amount of the claim	(3.723)
Balance as of March 31, 2023	**1.264**

In addition to the movements described above, there are transactions provided for in connection with the obligations payable to former shareholders (note 19). The shares classified under this caption consist only of judicial and administrative proceedings not included in the share purchase agreement entered into by Ton (SPA).

As of March 31, 2023, civil, tax and labor lawsuits whose unfavorable outcome is considered possible total R$17,229 (R$24,105 as of March 31, 2022). R$16,500 of these consists of tax cases, consisting of a deficiency assessed to check for the correct application of the zero rate reduction of PIS and COFINS on imports.

21 Equity

a. Share capital

As of March 31, 2022 and 2021, share capital, fully subscribed and paid-in, in local currency, is R$269,738, divided into 269,738,261 shares, with a par value of R$1.00 each. The Company's shares are fully heldbyn Group.

b. Tax benefit

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

22 Related parties

Outstanding balances and transactions that have impacted revenues, costs and expenses in profit or loss can be presented as follows:

	Balance Asset	Balance Asset
	31/03/2023	**31/03/2022**
Reimbursement of expenses receivable (c)	-	927
	-	**927**
Trade payables (b)	6.658	28.167
Loans obtained from shareholders (a)	110.469	37.909
	117.127	**66.076**

	Result	Result
	31/03/2023	**31/03/2022**
Consulting and related party services	(1.344)	(4.303)
Licenses and technical support	(205)	(702)
Interest and foreign exchange gains and losses, net	605	4.227
	(944)	**(778)**

Related party transactions consist of:

(a) Loans obtained from shareholders in foreign currency entered into under an agreement that include the principal and interest of 3.75% and 4% p.a. and mature in 2025. For further details see Note 16.

(b) Balance of trade payables and accounts payable in the amount of R$6,658 mainly related to the purchase of merchandise and input.

Key management personnel compensation

Key management personnel compensation totaled R$5,999 in the period from April 1, 2022 to March 31, 2023 (R$5,078 as of March 31, 2022). This amount includes salaries and charges, profit sharing and benefits aimed at the Company's main executives.

23 Revenue

	31/03/2023	**31/03/2022**
Gross revenue	309.959	253.928
(-) returns and discounts (a)	(7.695)	(3.473)
(-) taxes on sales (b)	(31.280)	(26.936)
Net revenue	**270.984**	**223.519**

(a) Sales returns include R$1,794 consisting of provisions for inventories of products that are valid for less than 12 months and are committed to return products with clients according to the commercial strategy.

(b) Taxes on sales consist of taxes and contributions charged on the sale of goods, as follows: PIS (Contribution to the Social Integration Program) and COFINS (Contribution for Social Security Financing), ICMS (State VAT) and IPI (Federal VAT).

24 Cost of sales

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

	31/03/2023	**31/03/2022**
Inputs	(131.028)	(100.972)
Direct labor	(11.159)	(14.613)
Depreciation	(3.600)	(3.810)
Overall manufacturing expenses (a)	(33.134)	(40.807)
Other costs (b)	(1.501)	(2.115)
	(180.422)	**(162.317)**

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

- Indirect labor (R$19,095 as of March 31, 2023 / R$17,254 as of March 31, 2022);
- Electricity, water and other utilities (R$2,820 as of March 31, 2023 / R$2,673 as of March 31, 2022);
- Maintenance expenses (R$752 as of March 31, 2023 / R$1,099 as of March 31, 2022);
- Consumables (R$5,056 as of March 31, 2023 / R$3,638 as of March 31, 2022); And
- Third-party services (R$270 as of March 31, 2023 / R$214 as of March 31, 2022).

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

25 Sales expenses

	31/03/2023	**31/03/2022**
Sales commissions - commercial representatives (a)	(22)	(4.119)
Freight on sales	(13.984)	(8.963)
Marketing expenses (c)	(4.916)	(874)
Other selling expenses (c)	(10.554)	(8.784)
Salaries and charges (b)	(12.149)	(14.780)
	(41.624)	**(37.520)**

(a) Lower effects on commissions on sales due to the restructuring of the Commercial team and legal entity's representatives from the Consolidation of Labor Laws to the Consolidation of Labor Laws.

(b) Salaries reduced by the restructuring of the Commercial team.

(c) Increase in marketing and sales expenses according to the market growth strategy over the next years.

26 Administrative expenses

	31/03/2023	**31/03/2022**
Insurance	(148)	(287)
Depreciation and amortization	(6.841)	(7.805)
Maintenance, conservation and repairs	(1.806)	(2.134)
Consumables	(707)	(629)
Taxes fees and contributions	88	(921)
Professional services (a)	(8.388)	(5.516)

Usefulness and services	(517)	(294)
Legal expenses	(117)	(390)
General expenses (b)	(10.015)	(3.620)
Salaries and charges	(21.621)	(18.537)
	(50.073)	**(40.133)**

(a) Tax and human resources consulting services.

(b) Conducted research and development in accordance with the market growth strategy.

27 Other revenues (expenses), net

	31/03/2023	**31/03/2022**
Revenue from the sale of scrap metal	137	86
Other income (a)	1.072	805
	1.208	**891**

(a) Sale of the Probiom (Dermatologic) License to Biolab.

28 Net finance income (costs)

	31/03/2023	**31/03/2022**
Finance costs		
IOF	-	(25)
Interest expense (a)	(20.756)	(9.032)
Foreign exchange losses	(22.304)	-
Banking fees and expenses	(579)	(1.123)
Expenses on derivative instruments	(7.192)	(28.737)
Interest expenses - leases	(159)	(130)
	(50.990)	**(39.047)**
Finance income		
Interest income	1.983	307
Discount income	-	73
Foreign exchange gain (loss)	-	36.286
Income from derivative instruments (c)	12.212	-
	14.195	**36.666**
Net finance income (costs)	**(36.795)**	**(2.381)**

(a) Due to new contracts and increase in the benchmark interest rate.

29 Financial instruments

Risk management and financial instruments

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

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

- Credit risk;
- Liquidity risk; And
- Market risk.

a. *Credit risk*

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

Exposure to credit risks

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

Financial assets	**Note**	**31/03/2023**	**31/03/2022**
Cash equivalents	7	5.946	10.522
Trade receivables	8	104.640	76.912
Financial investments	12	2.834	2.566
Total assets		**113.420**	**90.000**

Trade receivables

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

Cash and cash equivalents, financial investments and derivative financial instruments

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

Financial Institution	**Rating Brasil**
Itaú	AAA
Bradesco	AAA
Banco do Brasil	AAA

Banco MUFG	A
JP Morgan (**)	AAA
BNP Paribas (**)	AAA
XP Investimentos	AA
Citibank (*)	AAA

(*) The Company has a swap agreement with that financial institution.

(**) Financial institution in charge of managing restricted financial investments - *Escrow account (XP not linked to Escrow)*

b. *Market risks*

- **Interest rate risk:** The associated risk arises from the possibility of the Company incurring losses from interest rate fluctuations, which may increase the financial expenses on loans and financing raised in the market. The Company continually monitors market interest rates to assess the possible need of renegotiating transactions. Currently, all the Company's credit facilities are fixed. The only significant exposure in turn as of March 31, 2023 consists of financial investments for escrow *account* – see note 12.

- **Exchange rate risk:** The Company is exposed to the exchange rate risk arising from exposures to certain currencies, basically the US dollar. Exchange risk results from future business transactions and recognized assets and liabilities. Management has formulated a policy requiring management to manage its exchange rate risk in relation to its functional currency (real) and annual planning. In case of exposure to annual planning, the Company is required to hedge its loan positions in hedging transactions (*swap and NDF* contracts) negotiated with local banks. As of March 31, 2023 the Company's exposure is related to a loan in foreign currency, imports of raw material and related party payables.

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

Exposure to USD	**March 31, 2023**		**March 31, 2022**	
	R$	**USD**	**R$**	**USD**
Trade payables	(9.293)	(1.829)	(30.914)	(6.525)
Loans	(234.105)	(46.080)	(147.788)	(31.193)
Net exposure of balance sheet balance sheet	**(243.398)**	**(47.909)**	**(178.702)**	**(37.718)**
Balance of derivatives - gain (loss)	(9.248)	(1.820)	(16.729)	(3.531)
Net exposure	**(252.646)**	**(49.730)**	**(195.431)**	**(41.249)**

The following exchange rates were applied:

Closing rate on the reporting date	
31/03/2023	**31/03/2022**
5,0804	4,7378

Exposure to EUR	**March 31, 2023**		**March 31, 2022**	
	R$	**EUR**	**R$**	**EUR**
Supplier	74	13	-	-
Net exposure of balance sheet balance sheet	**74**	**13**	**-**	**-**
Balance of derivatives - gain (loss)	**-**	**-**	**-**	**-**
Net exposure	**74**	**13**	**-**	**-**

The following exchange rates were applied:

Closing rate on the reporting date	
31/03/2023	**31/03/2022**
5,5244	5,2561

Derivative financial instruments
Outstanding derivative financial instruments, their related maturities and national values are detailed below.

SWAP

Counterpart	**Starting Date**	**Maturity Date**	**Notional (BRL)**	**Notional (USD)**	**Initial parity**	**Passive index**	**Rate**	**Interest**	**MTM (BRL)**
JP Morgan	25/11/2022	17/11/2023	76.206	15.000	5,41	CDI	100%	15,95%	(7.226)
Citibank	12/09/2022	12/09/2023	43.881	8.637	5,21	CDI	100%	15,80%	(1.872)
Citibank	13/03/2023	08/03/2024	6.923	1.363	5,14	CDI	100%	16,05%	(150)
									(9.248)

The Company's hedging strategy is directly linked to hedge against foreign exchange gain or loss on foreign currency loans (US dollar). The hedged amount covers part of the balance in US dollars, and reduces its exposure to exchange rate fluctuations, as shown in the following section. At the initial moment these derivatives were entered into that they would not be linked to cash flow hedges, and all gains and losses are recognized in profit or loss.

Sensitivity analysis of financial assets and liabilities
The Company's financial liabilities consist of 77.87% of financing agreements linked to contracts that include exchange rate fluctuations (US dollar) and exposure to foreign currencies. However, all these loans bear fixed interest rates and are not exposed to interest rate fluctuations.

The Company's financial assets are exposed to the US dollar. Exposure to non-fixed interest is mainly linked to financial investments for payment of acquisition obligations (*Escrow account)*.

Exposure to exchange rate risk (US dollar)
In order to check the sensitivity of the Company's assets and liabilities to fluctuations in the US dollar as of March 31, 2023, three different scenarios were estimated. We set the probable scenario for the 12 months as from the reporting date according to projections made by Banco Itaú, a macroeconomic scenario that expects to be quoted in the US dollar against the Brazilian

real for 2023 of 5.13 (Scenario I). Based on Scenario I (Probable), we simulated an increase of 25% for Scenario II (Possible) and 50% for Scenario III (Remote). Results from the scenarios described below are as follows:

Risk	**Current**	**Likely**	**Possible**	**Remote**
Exchange rate	**5,08**	**5,13**	**6,41**	**7,70**
Net exposure	(286.682)	(291.204)	(364.005)	(436.806)
Impact on profit or loss	(14.219)	(14.444)	(18.055)	(21.666)

Exposure to CDI risk

To check the sensitivity of the Company's escrow *account* to fluctuations in CDI prices as of March 31, 2023, three different scenarios were estimated. We set the probable scenario for the 12 months as from the date of the financial statements according to projections about Banco Itaú's macroeconomic scenario, which expects to be quoted at the interbank deposit certificate rate - annualized rate - for 2023 of 13.17% (Scenario I). Based on Scenario I (Probable), we simulated an increase of 25% for Scenario II (Possible) and 50% for Scenario III (Remote). Results from the scenarios described below are as follows:

Risk	**Current**	**Likely**	**Possible**	**Remote**
CDI	**13,65%**	**13,17%**	**17,06%**	**20,48%**
Net exposure	2.834	2.863	3,578	4.294
Impact on profit or loss	149	151	188	226

c. *Liquidity risks*

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

d. *Fair value estimate*

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

- Cash and cash equivalents, trade receivables, trade payables and other short-term obligations approximate their book values mostly due to the short-term maturity of these instruments.

- The fair values of receivables do not differ in a significant manner from book balances, because they have an inflation adjustment consistent with market rates and/or are adjusted for the allowance for impairment.

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

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

March 31, 2023	Note	Carrying value	Fair value
Amortized cost			
Cash equivalents	7	5.946	5.946
Trade receivables	8	104.640	104.604
Financial investments (level 2)	12	2.834	2.834
Total assets		**113.420**	**113.420**
Amortized cost			
Trade payables	15	44.947	44.947
Loans and financing	16	286.682	286.682
Fair value			
Derivative financial instruments (Level 2)		9.248	9.248
Total liabilities		**340.878**	**340.878**

March 31, 2022	Note	Carrying value	Fair Value
Amortized cost			
Cash equivalents	7	10.522	10.522
Trade receivables	8	76.912	76.912
Financial investments (level 2)	12	2.566	2.566
Total assets		**90.000**	**90.000**
Amortized cost			
Trade payables	15	45.204	45.204
Loans and financing	16	199.454	199.454
Derivative financial instruments (Level 2)		16.729	16.729
Total liabilities		**261.387**	**261.387**

30 Income tax and social contribution

For the years ended March 31, 2023 and 2022, the Company opted for the quarterly taxable profit regime. Income taxes are calculated according to taxable profit that under prevailing law differs from book profit due to adjustments (add-backs and deductions). Below are the details about the calculation and reconciliation of the effective rate:

	31/03/2023	31/03/2022
Statement of taxable profit		
Net income (loss)	**(36.722)**	**(17.941)**
(+) Additions	**29.197**	**34.833**
Allowance for impairment loss on trade and other receivables	-	1.134
Impairment of net inventories	8.576	3.559
Provision for commission on net sales	-	3.877
Non-deductible provisions	2.207	-
Other provisions	1.330	-
Depreciation of right-of-use - leases	809	392
Decrease in asset appreciation	5.361	1.096
Provision for sales returns	2.108	754

Revenue cutoff adjustment	1.614	2.120
Hedging transactions	7.192	21.901
(-) Exclusions	**(52.314)**	**(25.339)**
Adjustment in the revenue cutoff date	(33.676)	-
Amortization of liabilities - leases	(1.245)	-
Foreign exchange gain (loss)	-	(8.927)
Reversal of provisions	(17.393)	(16.412)
Income tax (loss)	**(59.839)**	**(8.447)**
Current tax (a)	-	(91)
Effective rate	**0,00%**	**21,74%**
Deferred tax - note (b)	**9.080**	**(5.890)**

(a) Annual taxation system. Taxes incurred in periods on which taxes were positive, despite accumulated tax losses.

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

Changes in the deferred tax balance (c)		**Deferred tax liabilities**		
		IRPJ (Corporate Income Tax) 25%	**CSLL (Social Contribution Tax) - 9%**	**Total**
Appreciation as of March 31, 2022	**23.012**	**5.753**	**2.071**	**7.824**
(-) Depreciation/Amortization of appreciation	(4.826)	(1.206)	(435)	(1.641)
Appreciation as of March 31, 2023	**18.186**	**4.546**	**1.637**	**6.183**

(c) In addition to the appreciation of the receivables, the deferred charges as of March 31, 2022 consisted of the foreign exchange gain (loss) of R$7,439.

Temporary differences arising from provisions (temporary additions) that would result in a deferred tax asset were not recognized for the year on March 31, 2023, because management does not expect future realization.

31 Subsequent events

There are no subsequent events after year-end.