



Blaū[®]
FARMACÊUTICA

Individual and Consolidated Financial Statements

Blau Farmacêutica S.A.

March 31, 2024

With Report on the review of quarterly information

Blau Farmacêutica S.A.

Individual and consolidated financial statements

March 31, 2024

Contents

Report on the review of quarterly information.....	3
Statement of financial position	4
Statement of operations	5
Statements of comprehensive income	6
Statements of changes on equity.....	7
Statements of cash flows – indirect method	8
Statement of value added	10
Management report.....	11
Notes to the interim accounting information	11
Officers' statement on the financial statements.....	60
Officers' statement on the auditor's report.....	61

Blau Farmacêutica S.A.

Statement of financial position

As of December 31, 2023 and 2022

(In thousands of *Reais*)



Assets	Notes	Individual		Consolidated	
		03/31/2024	12/31/2023	03/31/2014	12/31/2023
Current assets					
Cash and cash equivalents	5	18,305	23,572	26,490	31,495
Financial investments	6	405,288	366,961	421,425	375,819
Trade accounts receivable	7	376,811	355,254	458,532	453,329
Related-party accounts receivable	22	54,998	48,186	-	230
Inventories	8	498,319	491,646	634,957	628,646
Taxes recoverable	9	38,568	32,227	60,288	45,062
Other credits		12,781	16,162	21,863	19,288
Total current assets		1,405,070	1,334,008	1,623,555	1,553,869
Non-current asset					
Taxes recoverable	9	24,569	24,924	24,568	24,924
Court deposits	24	8,447	8,287	27,060	26,887
Deferred income tax and social contribution	11	-	-	83,420	81,531
Financial assets at fair value	10	265,155	265,155	265,155	265,155
Other credits		1,027	1,085	1,122	1,189
Total long-term receivables		299,198	299,451	401,325	399,686
Investments	12	425,609	411,875	35	35
Property, plant and equipment	13	572,454	560,469	727,841	708,932
Intangible assets	14	345,407	329,263	370,737	354,063
Right of use	15	11,884	12,624	37,467	36,943
Total non-current assets		1,654,552	1,613,682	1,537,405	1,499,659
Total assets		3,059,622	2,947,690	3,160,960	3,053,528

Liabilities	Notes	Individual		Consolidated	
		03/31/2024	12/31/2023	03/31/2014	12/31/2023
Current liabilities					
Trade accounts payable	16	186,389	130,629	205,391	179,247
Related party accounts payable	22	49	669	49	669
Loans and financing		-	-	4,030	2,299
Debentures	17	61,602	67,920	61,602	67,920
Tax liabilities	19	8,397	4,729	23,312	9,585
Income taxes and social contributions payable		-	-	336	-
Labor liabilities	18	58,264	38,474	68,867	46,032
Dividends and interest on own capital payable	20	21,652	2,485	21,652	2,485
Leases payable	15	2,335	2,224	5,697	4,799
Derivative financial instruments	30	-	410	-	410
Other current liabilities	21	10,575	9,657	33,661	22,480
Total current liabilities		349,263	257,197	424,597	335,926
Non-current liabilities					
Debentures	17	500,000	500,000	500,000	500,000
Tax liabilities	19	4,503	7,154	4,503	7,154
Provisions for tax, civil and labor risks	24	5,295	5,700	6,534	13,132
Leases payable	15	12,371	13,078	33,752	33,520
Deferred income tax and social contribution	11	132,495	125,638	132,495	125,638
Other labor liabilities	18	347	441	386	441
Other non-current liabilities	21	35,870	37,018	46,016	42,468
Total non-current liabilities		690,881	689,029	723,686	722,353
Shareholders' equity					
Capital stock	25	1,316,609	1,316,609	1,316,609	1,316,609
Treasury shares		(42,891)	(42,891)	(42,891)	(42,891)
Profit reserves		722,116	744,365	722,116	744,365
Retained earnings		40,090	-	40,090	-
Equity valuation adjustment		(16,446)	(16,619)	(16,446)	(16,619)
Shareholders' equity attributed to controlling shareholders		2,019,478	2,001,464	2,019,478	2,001,464
Non-controlling interest		-	-	(6,801)	(6,215)
Total shareholders' equity		2,019,478	2,001,464	2,012,677	1,995,249
Total liabilities and shareholders' equity		3,059,622	2,947,690	3,160,960	3,053,528

Blau Farmacêutica S.A.

Statements of operations

Three-month period ended March 31, 2024 and 2023

(In thousands of Reais)

	Notas	Individual		Consolidated	
		31/03/2024	31/03/2023	31/03/2024	31/03/2023
Net operating revenue	26	316.824	243.893	359.681	258.201
Cost of goods and products sold	27	(212.808)	(143.077)	(240.019)	(150.842)
Gross profit		104.016	100.816	119.662	107.359
Selling expenses	28	(25.543)	(22.101)	(29.638)	(24.840)
Administrative expenses	28	(33.001)	(25.673)	(46.601)	(30.013)
Expected impairment loss on Accounts receivable	28	(1.245)	(1.184)	(1.595)	(1.022)
Other operating revenues and Expenses, net	28	6.014	(245)	7.007	(206)
Total operating Expenses, net		(53.775)	(49.203)	(70.827)	(56.081)
Income before financial result, interests in investees and taxes		50.241	51.613	48.835	51.278
Financial revenues	29	14.904	16.223	15.315	16.344
Financial expenses	29	(16.573)	(7.554)	(16.567)	(8.012)
Financial result		(1.669)	8.669	(1.252)	8.332
Share in income from investees at the equity method		(1.578)	(305)	-	-
Income before taxes		46.994	59.977	47.583	59.610
Current income tax and social contribution	11	(46)	(39)	(421)	(96)
Deferred income tax and social contribution	11	(6.858)	(7.988)	(7.491)	(7.988)
Income tax and social contribution		(6.904)	(8.027)	(7.912)	(8.084)
Net income for the year		40.090	51.950	39.671	51.526
Income attributed to:					
Controlling shareholders		40.090	51.950	40.090	51.950
Non-controlling shareholders		-	-	(419)	(424)
		40.090	51.950	39.671	51.526
Earnings per share(in R\$)					
Basic		0,23	0,29	0,23	0,29
Diluted		0,23	0,29	0,23	0,29

Blau Farmacêutica S.A.

Statements of Comprehensive Income

Three month period ended March 31, 2024 and 2023

(In thousands of Reais)

	Individual		Consolidated	
	03/31/2024	03/31/2023	03/31/2024	03/31/2023
Net income for the period	40,090	51,950	39,671	51,526
Accumulated translation adjustments in subsidiaries	173	(3,231)	(167)	(3,152)
Total comprehensive income	40,263	48,719	39,504	48,374
Comprehensive income attributable to:				
Controlling shareholders	40,263	48,719	40,090	48,719
Non-controlling shareholders	-	-	(586)	(345)
Total comprehensive income	40,263	48,719	39,504	48,374

Blau Farmaceutica S.A.

Statements of Changes on Equity

Three month period ended March 31, 2024 and 2023

(In thousands of *Reais*)

	Capital stock	Treasury shares	Legal Reserve	Profit Reserve	Other Comprehensive Income	Retained earnings	Total	Non-controlling interests	Total shareholders' equity
Balances as of December 31, 2022	1,316,609	(39,895)	54,557	508,241	(17,356)	-	1,822,156	(4,222)	1,817,934
Net income for the period	-	-	-	-	-	51,950	51,950	(424)	51,526
Accumulated translation adjustment in subsidiaries	-	-	-	-	(3,231)	-	(3,231)	79	(3,152)
Interest on own capital	-	-	-	-	-	(32,539)	(32,539)	-	(32,539)
Balances as of March 31, 2023	1,316,609	(39,895)	54,557	508,241	(20,587)	19,411	1,838,336	(4,567)	1,833,769
Balances as of December 31, 2023	1,316,609	(42,891)	67,047	677,318	(16,619)	-	2,001,464	(6,215)	1,995,249
Net income for the period	-	-	-	-	-	40,090	40,090	(419)	39,671
Accumulated conversion adjustment in subsidiaries	-	-	-	-	173	-	173	(167)	6
Interest on own capital	-	-	-	(22,249)	-	-	(22,249)	-	(22,249)
Balances as of March 31, 2024	1,316,609	(42,891)	67,047	655,069	(16,446)	40,090	2,019,478	(6,801)	2,012,677

Blau Farmacêutica S.A.

Statement of value added

Three month period ended March 31, 2024 and 2023

(In thousands of Reais)

	Individual		Consolidated	
	03/31/2024	03/31/2023	03/31/2024	03/31/2023
Cash flow from operating activities				
Income before taxes	46,993	59,977	47,583	59,610
Adjustments to reconcile income for the year with cash from operating activities:				
Depreciation and amortization	8,259	5,837	12,026	6,857
Write-offs of property, plant and equipment and intangible assets	300	8	952	8
Interest on lease	407	393	871	878
Charges on debentures	24,213	9,699	24,213	9,699
Return on financial investments, net	(14,605)	(16,140)	(14,450)	(16,292)
Unrealized exchange rate variation in financial investments	(7,396)	5,498	(7,396)	5,498
Unrealized gains and losses on changes in the fair value of assets	(410)	-	(410)	-
Unrealized exchange rate variation in trade accounts payable and trade accounts receivable	1,150	(407)	1,150	(407)
Equity pick-up	1,578	305	-	-
Provision for expected loss on trade accounts receivable	1,245	1,184	1,595	1,022
Provision (reversal) for inventory impairment, net	4,670	(142)	11,169	(436)
Provision for tax, civil and labor risks, net	(405)	(733)	(6,598)	(733)
Provision for long-term incentives	(117)	341	(117)	341
Inflation adjustment of court deposits	(194)	(581)	(258)	(581)
Other (reversals), net	(205)	-	(205)	-
	65,483	65,239	70,125	65,464
(Increase) decrease in asset accounts				
Trade accounts receivable	(27,720)	57,891	(4,674)	72,056
Inventories	(11,343)	(24,994)	(17,480)	(37,640)
Taxes recoverable	(6,031)	(6,487)	(14,955)	(5,657)
Other credits	3,439	(7,455)	(2,508)	(7,642)
Court deposits	34	396	85	396
Increase (decrease) in liability accounts				
Trade accounts receivable	52,096	(17,316)	22,480	(23,257)
Labor liabilities	19,813	6,267	22,897	6,198
Tax liabilities	(2,065)	(6,118)	5,472	(5,092)
Other accounts payable	211	(8,138)	16,229	(11,990)
Cash from operating activities	93,917	59,285	97,671	52,836
Income tax and social contribution paid	-	(18,106)	-	(18,106)
Net cash from operating activities	93,917	41,179	97,671	34,730
Cash flows from investing activities				
Financial investments	(16,326)	40,889	(23,760)	42,720
Additions to property, plant and equipment	(18,815)	(22,389)	(28,860)	(26,666)
Advance for future capital increase in investee	(15,377)	(6,159)	-	-
Additions to intangible assets	(17,093)	(21,496)	(17,917)	(21,432)
Net cash from (used in) investing activities	(67,611)	(9,155)	(70,537)	(5,378)
Cash flows from financing activities				
Leases payable paid - Principal	(635)	(623)	(737)	(987)
Leases payable paid - Interest	(407)	(393)	(871)	(711)
Acquisition of financed equity interest	-	(6,092)	-	(6,092)
Payment of debentures - principal	-	(11,250)	-	(11,250)
Payment of debentures - Interest	(30,531)	(652)	(30,531)	(652)
Net cash used in financing activities	(31,573)	(19,010)	(32,139)	(19,692)
Net increase (decrease) in cash and cash equivalents	(5,267)	13,014	(5,005)	9,660
Cash and cash equivalents as of January 1	23,572	4,710	31,495	14,114
Cash and cash equivalents as of March 31	18,305	17,724	26,490	23,774
Net increase (decrease) in cash and cash equivalents	(5,267)	13,014	(5,005)	9,660
Transactions not affecting cash				

Blau Farmacêutica S.A.

Statement of cash flows

Years ended December 31, 2024 and 2023

(In thousands of *Reais*)

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Acquisition of fixed assets	5,869	4,720	5,869	4,720
Pharma Limirio Acquisition	-	12,371	-	12,371
Governmental Subsidy	32,943	32,943	32,943	32,943
Increase of interest in Hemarus	-	-	-	2,540
	38,812	50,034	38,812	52,574

Blau Farmacêutica S.A.

Statement of value added

Three month period ended March 31, 2024 and 2023

(In thousands of Reais)

	Individual		Consolidated	
	03/31/2024	03/31/2023	03/31/2024	03/31/2023
Revenues	335,485	257,729	393,021	272,219
Sales of goods, products and services	335,778	258,631	381,695	272,939
Other (expenses) revenues, net	952	(2,086)	9,731	(1,742)
Provision for expected losses on trade accounts receivable	(1,245)	1,184	1,595	1,022
Inputs purchased from third parties	(216,595)	(140,931)	(253,036)	(151,376)
Costs of products, goods and services sold	(180,782)	(107,210)	(207,992)	(114,975)
Materials, energy, third-party services and other	(35,812)	(33,712)	(45,043)	(36,392)
Gain (loss) on asset values	(1)	(9)	(1)	(9)
Gross added value	118,890	116,798	139,985	120,843
Depreciation and amortization	(8,259)	(5,837)	(12,026)	(6,857)
Net value added produced by the Company	110,631	110,961	127,959	113,986
Value added received in transfer	13,326	15,228	15,942	15,664
Income from equity interests	(1,578)	(305)	-	-
Financial revenue	14,904	15,533	15,942	15,664
Total value added distributable	123,957	126,189	143,901	129,650
Personnel	45,363	42,614	60,624	45,627
Direct compensation	32,970	30,545	44,999	33,308
Benefits	8,071	8,361	11,303	8,611
FGTS	4,322	3,708	4,322	3,708
Taxes, charges and contributions	21,714	23,981	26,194	24,386
Federal	14,652	13,487	18,721	13,544
State	5,296	9,625	5,707	9,973
Municipal	1,766	869	1,766	869
Remuneration of borrowed capital	16,790	7,644	17,412	8,111
Interest	15,368	3,606	15,368	3,606
Financial expenses (includes exchange variation)	368	2,992	990	3,459
Rents	1,054	1,046	1,054	1,046
Remuneration of equity	40,090	51,950	39,671	51,526
Interest on own capital	22,249	32,539	22,249	32,539
Dividends	-	-	-	-
Retained earnings for the period	17,841	19,411	17,841	19,411
Non-controlling share in retained earnings	-	-	(419)	(424)
Total value added distributed	123,957	126,189	143,901	129,650

Notes to the interim financial information

March 31, 2024

(In thousands of *Reais*)

1 | Information on the Group

Blau Farmacêutica S.A. (“Company,” “Blau Farmacêutica”), along with its subsidiaries (“Group”), is a pharmaceutical corporation based in Brazil, having its headquarters at Rodovia Raposo Tavares nº 2,833, by the 30.5 kilometer marker, in the City of Cotia, State of São Paulo, and is listed on B3 S.A. - Brasil, Bolsa, Balcão (B3.) under ticker code “BLAU3”.

The principal activities of the Company and its subsidiaries are the manufacturing, development and sale of high-complexity drugs bearing its own brand for the institutional and retail segments.

Blau has a pharmaceutical industrial complex consisting of seven manufacturing plants dedicated to producing bio-based, biotechnological and oncological medicines, antibiotics, injectable anesthetics and biotechnological pharmaceutical inputs (IFAS). Six of these plants are located in the State of São Paulo (four in the municipality of Cotia, one in the municipality of São Paulo, and one in Taboão da Serra), and one in the State of Goiás (municipality of Anápolis).

Blau has its own sales structure serving distributors, health institutions and retailers nationwide, as well as internationally through its subsidiaries located in Uruguay, Colombia, Peru, Chile, Argentina and the United States, which serve other countries via direct exports. Blau makes substantial, recurring investments in research, development and innovation, operational excellence and production capacity.

The individual and consolidated financial statements of Blau Farmacêutica S.A. and its subsidiaries (the “Group”) for the year ended March 31, 2024 have been authorized for issuance, according to a resolution adopted by the members of its Board of Directors on May 07, 2024.

2 | Basis for preparation and presentation of financial statements

The interim financial information of the Company and its subsidiaries for the period ended March 31, 2024, comprises the individual and consolidated interim financial information, prepared in accordance with Technical Pronouncement CPC 21 (R1) - Interim Statements, issued by the Accounting Pronouncements Committee, and in compliance with international accounting standards IAS 34 - Interim Financial Reporting, issued by International Accounting Standards Board (IASB), and also based on the provisions of Brazilian Corporate Law, and presented in a manner consistent with the rules issued by the Brazilian Securities Commission, applicable to the preparation of quarterly information - ITR.

The interim financial statements evidence all the relevant information specific to individual and consolidated interim financial information, and only that, which is consistent with that used by Management in its management.

2.1 | Basis for consolidation

The individual and consolidated interim financial statements consist of the financial statements of the Company and its subsidiaries as of March 31, 2024. Control is obtained when the Group is exposed or entitled to variable returns based on its involvement with the investee and has the ability to affect such returns by exercising its power over the investee.

Specifically, the Group controls an investee if, and only if, it has:

- Power over the investee (i.e. existing rights ensuring its current ability to direct the investee’s relevant activities);
- Any exposure or right to variable returns resulting from its involvement with the investee; and
- The ability to use its power over the investee in order to affect the value of its returns.

Generally, a majority of voting rights is assumed to result in control. To support that assumption, and when the Group

Notes to the interim financial information

March 31, 2024

(In thousands of *Reais*)

holds less than a majority of voting rights in an investee, the Group considers all relevant facts and circumstances in determining whether it has power over an investee, including:

- The contractual arrangement between the investor and other holders of voting rights;
- Any rights arising under other contractual arrangements; and
- The voting rights and potential voting rights of the Group (investor).

The Group determines whether or not it exerts control over an investee if the facts and circumstances indicate that there are changes in one or more of the aforementioned three elements of control. The consolidation of a subsidiary begins upon the Group obtaining control over the subsidiary and ends when the Group ceases to hold such control. The assets, liabilities and income of any subsidiary acquired or sold during the year are included in the consolidated financial information from the date when the Group obtains control to the date when the Group ceases to hold control over the subsidiary.

Income and each component of other comprehensive income are attributed to the Group's controlling and non-controlling shareholders, even if this may result in losses for non-controlling shareholders. Where necessary, adjustments are made to the financial statements of subsidiaries to align their accounting policies with those of the Group. All assets and liabilities, income, revenues, expenses and cash flows of the same group, concerning transactions between members of the Group, are fully eliminated in the consolidation process.

Any change in equity interest in a subsidiary without loss of control is accounted for as an equity transaction.

If the Group loses the control held over a subsidiary, then the relevant assets (including any goodwill) and liabilities of that subsidiary are written off at their book value on the date when control is lost, and the book value of any non-controlling interests is written off on the date when control is lost (including any components of other comprehensive income attributable to those interests). Any resulting difference, such as a gain or loss, is recorded in the income statement. Any retained investment is recognized at its fair value on the date when control is lost.

In the individual interim financial statements, the Group's investments in its subsidiaries are recorded at the equity method.

Notes to the interim financial information

March 31, 2024

(In thousands of Reais)

Basis for consolidation as of January 1, 2024

The Group's consolidated interim financial statements include:

Name	Principal Activity	Home Country	%	
			2024	2023
Blau Farmaceutica Colombia S.A.S.	Drug sales and distribution	Colombia	100	100
Blau Farma Uruguay S.A.	Drug sales and distribution	Uruguay	100	100
Blau Farmaceutica Chile S.p.A.	Drug sales and distribution (*)	Chile	100	100
Blau Farmaceutica Peru S.A.C.	Drug sales and distribution (*)	Peru	100	100
Blau Farmaceutica Argentina S.A.	Drug sales and distribution (*)	Argentina	100	100
Blau Farmaceutica Equador	Drug sales and distribution (*)	Ecuador	100	100
Plex - Plasma Experts Corp.	Holdings (*)	USA	100	100
Hemarus Plasma-Flamingo LLC	Plasma collection center	USA	100	100
Hemarus Plasma-Lauderhill, LLC	Plasma collection center	USA	66	66
Hemarus Plasma - Miami Northside, LLC	Plasma collection center	USA	81,5	73,5
Hemarus LLC	Plasma collection center	USA	25	25
Laboratório Químico Farmacêutico Bergamo Ltda	Drug manufacturing and sales	Brazil	100	100

(*) The subsidiaries Blau Farmaceutica Peru and Blau Farmaceutica Argentina, Peru, Chile and Plex are in pre-operating stage.

Group Controlling Shareholder

The Group's controlling shareholders is Mr. Marcelo Rodolfo Hahn, who holds 82.50% of all common shares in the Group (2023: 82.50%).

Group Subsidiaries

a) Blau Farmaceutica Colombia S.A.S

This is a subsidiary headquartered in the city of Bogota, Colombia, which was acquired by the Company as part of its expansion policy in August 2011 and sells pharmaceuticals and biopharmaceutical inputs, with the majority of such drugs manufactured by the parent company. The subsidiary currently has 70 sanitary registrations for medicines. The company's principal activity is importing products from the Company for distribution and sale on Colombian territory.

b) Blau Farma Uruguay S.A.

Headquartered in the city of Montevideo, Uruguay, this subsidiary started up in January 2012 to sell primarily pharmaceuticals produced by the parent company. The subsidiary currently has 82 sanitary registrations for medicines. The company's principal activity is importing products from the Company for distribution and sale on Uruguayan territory.

This subsidiary represents an important element of the Company's expansion strategy for South America, as it is the vehicle holding equity interests in Blau Farmaceutica Peru S.A.C., Blau Farmaceutica Chile S.p.A. and Blau Farmaceutica Argentina S.A., all of which were organized in 2016. The Peru and Chile subsidiaries have 27 and 32 sanitary registrations for medicines, respectively.

c) PLEX - Plasma Experts Corp.

Organized on September 25, 2020 for the purpose of consolidating new investments in the U.S. in the plasma collection segment. It is headquartered in the State of Delaware, United States of America.

Following its organization, Plex Plasma Experts acquired an equity interest in Hemarus Plasma-Lauderhill, LLC and, in May 2021, Plex Plasma Experts created the legal entity Hemarus Plasma-Miami Northside, LLC, in which Plex Plasma Experts holds a 81.5% equity interest. Both entities are limited liability companies duly organized under the laws of the State of Florida, United States of America, for the purpose of developing, operating and managing blood plasma collection centers.

In January 2022, Plex Plasma raised its stake in Hemarus Plasma- Lauderhill from 64.16% to 66%.

In September 2022, the subsidiary Plex Plasma Flamingo LLC, headquartered in Miami, United States of America, was organized to carry on with the Company's business strategy in the plasma collection market.

Moving forward with that strategy, Plex Plasma completed in September 2023 the acquisition of a 25% stake in the collection center Hemarus LLC, located in Jacksonville, Florida, United States of America. The center started its operations in 2009 and boasts a collection capacity of 55,000 liters per year.

d) Laboratório Químico Farmacêutico Bergamo

Laboratório Farmacêutico Bergamo ("Bergamo") is a Brazilian-based company engaged in the business of researching, developing, manufacturing and selling medicines and health products. Bergamo was established in 1992 and opened its manufacturing plant in the municipality of Taboão da Serra, State of São Paulo, that same year. In 2009, already having an injectable drugs business in operation, it stood out as a major manufacturer of injectable oncology drugs in Brazil.

Bergamo's product portfolio includes generic and designer drugs spanning various therapeutic areas, such as gastroenterology, cardiology, neurology and dermatology, among others. Its factory features cutting-edge technology and strict quality standards, ensuring the efficacy and safety of its products. In addition, Bergamo invests in research and development of new drugs and health products in partnership with universities and research centers with a view to providing patients with innovative solutions.

In addition to the aforementioned subsidiaries, as stated in note 10, the Company entered into a loan agreement with Prothya Biosolutions Belgium B.V. ("Prothya") whereby it will hold an equity interest therein if the amount transferred in August 2023 is converted into shares, according to the terms and conditions of the loan agreement.

Prothya has over 65 years' experience in the industry, collecting and processing human plasma and producing medicines that are key to maintaining human life, including human albumin, immunoglobulin, clotting factors, prothrombin complex and medications for rare diseases. These products are available in much of the European Union and other parts of the world, including several countries in Latin America, where they are distributed by Blau, except in Brazil, due to preexisting agreements with third parties.

3 | Standards issued but not in effect

The new and amended standards and interpretations issued but not yet in effect as of the date of issuance of the Group's financial statements are as set out below. The Group intends to adopt such new and amended standards and interpretations, if appropriate, upon their going into effect.

Amendments to IFRS 16: Lease Liability in a Sale and Leaseback Transaction

In September 2022, the IASB issued amendments to IFRS 16 (equivalent to CPC 6 - Leases) to specify the requirements used by a seller-lessee to measure the lease liability arising from a sale and leaseback transaction in order to ensure that the seller-lessee does not recognize any amounts in earnings or losses related to any right of use held thereby.

The amendments are effective for annual financial reporting periods commencing on or after January 1, 2024 and are to be applied retrospectively to sale and leaseback transactions concluded after the initial application date of IFRS 16 (CPC 6). Early application is allowed and should be disclosed.

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

Amendments to IAS 1: Classification of Liabilities as Current or Non-current

In January 2020 and October 2022, the IASB issued amendments to paragraphs 69 through 76 of IAS 1 (equivalent to CPC 26 (R1) - Presentation of Financial Statements) to specify the requirements for classifying liabilities as either current or non-current. The amendments outline:

- What "right to postpone settlement" means;

Notes to the interim financial information

March 31, 2024

(In thousands of *Reais*)

- That the right to postpone must exist at the end of the financial reporting period;
- That the classification is not affected by the probability of the entity exercising its right to postpone; and
- That only if a derivative embedded in a convertible liability is, in itself, an equity instrument will the terms of a liability not affect its classification.

In addition, a reporting requirement was introduced for when the liability arising from a loan agreement is classified as non-current and the entity's right to delay settlement depends on future covenants being honored within twelve months.

The amendments are effective for annual financial reporting periods commencing on or after January 1, 2024 and are to be applied retrospectively.

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

Supplier financing agreements - Amendments to IAS 7 and IFRS 7

In May 2023, the IASB issued amendments to IAS 7 (equivalent to CPC 03 (R2) - Statements of Cash Flows) and to IFRS 7 (equivalent to CPC 40 (R1) - Financial Instruments: Evidencing) to specify the characteristics of supplier financing agreements and require additional disclosures concerning such agreements. The disclosure requirements under the amendments aim to assist users of financial statements in understanding the effects of financing agreements with suppliers on an entity's liabilities, cash flows and exposure to liquidity risk.

The amendments are effective for annual financial reporting periods commencing on or after January 1, 2024. Early adoption is allowed, but must be disclosed.

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

4 | Judgments

Preparing the Group's individual and consolidated interim financial statements requires Management to use judgments, estimates and assumptions that affect the stated amounts of revenues, expenses, assets and liabilities, and the relevant disclosures, as well as disclosures of contingent liabilities. In the process of applying the Group's accounting policies, Management used the following judgments that have a more significant effect on the amounts recognized in the individual and consolidated financial statements:

Determination of lease term of agreements having renewal or termination option clauses (Group as lessee)

The Group determines a lease term as the non-cancellable lease term, together with the periods included in any renewal option, to the extent that such renewal is deemed reasonably certain, and with periods covered by an option to terminate the agreement, to the extent that it is deemed reasonably certain as well.

The Group has several lease agreements that include renewal and termination options. The Group uses judgment in determining whether it is reasonably certain that it should or should not exercise an option to renew or terminate a lease. In such determination, the Group considers all relevant factors creating an economic incentive for exercising an option to renew or terminate. After the initial measurement, the Group will reassess the lease term if there is any material event or any change in circumstances that is under its control and will affect its ability to exercise or not exercise the option to renew or terminate (for example, significant improvements or customizations made to the leased asset).

The Group includes the renewal term as part of the lease term for facilities and machinery with a shorter non-cancellable lease term (ranging from three to five years). The Group has historically exercised the option to renew those leases, as there would be a material adverse effect on the Group's production if an equivalent replacement asset were not promptly

Notes to the interim financial information

March 31, 2024

(In thousands of *Reais*)

available. Lease renewal periods for facility and machine leases with longer non-cancellable terms (ranging from 10 to 15 years) are not included as part of the lease term because they are not assessed by Management as reasonably certain. Furthermore, renewal options for vehicle leases are not included as part of the relevant lease term because the Group usually leases them for no more than five years and therefore exercises no option to renew. Moreover, the periods covered by termination options are included as part of the lease term only where they are assessed as certain to not be exercised.

Estimates and assumptions

The main assumptions concerning the future and other principal sources of uncertainty about the estimates as of the date of the interim financial statements posing a significant risk of causing a material adjustment in the book values of assets and liabilities for the next fiscal year are set out below. The Group based its assumptions and estimates on available parameters as the individual and consolidated interim financial statements were prepared. However, existing circumstances and assumptions about future developments can change due to market changes or changes in circumstances that are beyond the Group's control. Such changes are reflected in the assumptions as they occur.

- **Non-financial asset impairment loss**

Impairment loss exists where the book value of an asset or cash-generating unit exceeds its recoverable value, which is either the fair value net of selling expenses or the value in use, whichever is higher. The calculation of value in use net of selling expenses is based on information available on sales of similar assets or market prices minus selling expenses. The calculation of value in use is based on the discounted cash flow model. Cash flows stem from the budget for the next five years and do not include any reorganization activities to which the Group has not yet committed or any significant future investments that will improve the asset base of the cash-generating unit being tested. The recoverable value is sensitive to the discount rate used in the discounted cash flow model, to expected future cash receipts, and to the growth rate used for extrapolation purposes.

- **Provision for expected credit losses on accounts receivable and contract assets**

The Group uses a provision matrix to calculate the expected credit loss for accounts receivable and contract assets. The provision rates applied are based on days of delay for groups of various customer segments displaying similar loss patterns (for example, by geography, product type, customer type and credit risk, among others).

The provision matrix is initially based on the historical loss rates observed by the Group. The Group reviews the matrix prospectively to adjust it according to the historical experience with credit loss. For example, if any economic conditions anticipated for the following year (for example, gross domestic product) are expected to deteriorate, which can lead to an increase in default rates in the manufacturing sector, then the historical loss rates are adjusted. On all reporting dates, the historical loss rates observed are updated, and changes in forward-looking estimates are reviewed.

Evaluating the correlation between historical loss rates observed, expected economic conditions and expected credit losses is a significant estimation. The amount of expected credit losses is sensitive to changes in circumstances and in anticipated economic conditions. The Group's historical experience with credit loss and expected economic conditions cannot represent a customer's actual pattern in the future. Information on the Group's expected credit losses on accounts receivable and contract assets is disclosed in Note 7.2.

- **Taxes**

A deferred tax asset is recognized for unused tax losses to the extent that taxable income is likely to be available to allow such losses to be used.

Significant judgment is required for Management to determine the amount of the deferred tax asset that can be recognized based on the probable timing and level of future taxable income, together with future tax planning strategies.

Notes to the interim financial information

March 31, 2024

(In thousands of *Reais*)

For more details on deferred taxes, see Note 11.

- **Fair value measurement of financial instruments**

When the fair value of financial assets and liabilities recorded in the balance sheet cannot be measured based on prices quoted in active markets, then the fair value is measured based on valuation techniques, including the discounted cash flow model. The inputs considered in these models are obtained from observable markets, where possible. In situations where such inputs cannot be obtained from observable markets, it takes a degree of judgment to set the relevant fair values. Related judgments include assessments of liquidity risk, credit risk and volatility risk. Any changes in assumptions related to those factors could affect the fair value of financial instruments. Note 31 provides more details and disclosures in this regard.

- **Development costs**

Development costs are capitalized according to the accounting practice set out in Note 14.1. The initial capitalization of costs is based on Management's judgment that technological and economic feasibility will usually be confirmed when a product development project has reached a certain point according to a specified project management model.

The amounts include significant investments in the development of new drugs. Before a drug can be sold, an Anvisa certification needs to be obtained through the relevant regulatory authorities. Due to the nature of the product, there is some uncertainty about whether the certificate will be obtained. However, the Group is certain that the certificate will be obtained.

- **Provisions for tax, civil and labor risks**

The Group recognizes a provision for civil and labor lawsuits. Assessing the probability of loss includes evaluating the evidence available, the hierarchy of laws, the case law available, the latest court rulings and their relevance in the legal system, as well as an assessment by external counsel. Provisions are reviewed and adjusted to reflect any changes in circumstances, such as the applicable statutes of limitations, conclusions of tax inspections or any additional exposures identified based on new issues or court rulings.

5 | Cash and cash equivalents

5.1 | Accounting policy

Cash and cash equivalents include balances in cash and checking accounts. Those balances are held with the aim of meeting short-term cash commitments, and not for investment or any other purposes. Additionally, there are no balance with cash restriction.

5.2 | Breakdown

	Individual		Consolidated	
	03/31/2024	12/31/2023	03/31/2024	12/31/2023
Cash and bank deposits	18,305	23,572	26,490	31,495
Total cash and cash equivalents	18,305	23,572	26,490	31,495

6 | Financial investments

6.1 | Accounting policy

The Company classifies as financial investments any financial resources held to meet investment commitments, such as capacity expansions, new product research and development, and other investments not characterized as short-term commitments.

6.2 | Breakdown

	Individual		Consolidated	
	03/31/2024	12/31/2023	03/31/2024	12/31/2023
Financial investments	385,388	357,308	401,525	366,166
Financial investments in foreign currency (i)	19,900	9,653	19,900	9,653
Total financial investments	405,288	366,961	421,425	375,819

(a) Financial investments in foreign currency in the amount of USD 3,547 as of 03/31/2024 (USD 1,994 as of 12/31/2023)

On March 31, 2024, investments in local currency were made in bank deposit certificates ("CDB"), a lease bill ("LAM"), a US TBILL, and Repo Transactions, these ones specifically with daily liquidity and remuneration between 80% and 95% of the CDI and exemption from the Tax on Financial Transactions (IOF).

The Parent Company maintained 95% of the portfolio remunerated at an average rate of 104% of the CDI, (97% of the portfolio remunerated at an average rate of 105% of the CDI as of December 31, 2023), 20% of which with a lockup period before redemption.

Transactions in US TBILL are remunerated at 5.10% p.a. and represent 5% (5.00% p.a. and represented 3% of the portfolio as of December 31, 2023) of the total position.

The variation in the investment portfolio is explained by the increase in the receipt flow of imports and exports, considering the position in foreign currency, and the flow resulting from transactions in the local market, respectively.

Notes to the interim financial information

March 31, 2024

(In thousands of Reais)

7 | Trade accounts receivable

7.1 | Accounting policy

Trade accounts receivable correspond to amounts receivable for goods sold in the ordinary course of the Group's business. The Group keeps trade accounts receivable with the aim of raising contractual cash flows, and these accounts are therefore initially recognized at fair value and subsequently measured at amortized cost using the effective interest rate method, net of provisions for expected losses on accounts receivable. If the time before receipt is equivalent to one year or less, the accounts receivable are classified as current assets. Otherwise, they are stated in non-current assets.

7.2 | Provision for expected credit losses

The provision for expected credit losses is estimated based on the risk of loss in an aging list model. The portfolio is segmented by customers: government, private sector, and related parties.

The Company takes this approach to calculating expected credit losses: (Exposure at Default, or EAD - Value of transaction exposed to credit risk) - (Probability of Default, or PD - Probability of the counterparty not honoring their obligations) and (Loss Given Default, or LGD - Amount not recovered in the case of default). The provision is determined based on:

- (i) the historical experience with credit losses observed in each customer segment on the aging list of accounts receivable.

7.3 | Breakdown

	Individual		Consolidated	
	03/31/2024	12/31/2023	03/31/2024	12/31/2023
Customers in Brazil	384,641	351,560	390,688	412,556
Customers abroad	11,088	21,367	88,331	59,666
Total	395,729	372,927	479,019	472,222
Expected credit losses	(18,918)	(17,673)	(20,488)	(18,894)
Total trade accounts receivable	376,811	355,254	458,532	453,329

As of March 31, 2024, the maximum exposure to credit risk is the book value of each maturity age bracket net of the provision for expected credit losses. Shown below is the aging maturities in table "a" - maturities of the entire portfolio:

- a) Aging of balances of government and private-sector trade accounts receivable:

	Individual					
	Private		Public		Total	
	03/31/2024	12/31/2023	03/31/2024	12/31/2023	03/31/2024	12/31/2023
To become due	246,936	264,337	51,743	54,247	298,679	318,584
Past due	32,692	39,893	64,358	14,452	97,050	54,345
1 - 30 days	6,649	14,130	20,604	2,717	27,253	16,847
31 - 60 days	7,621	6,900	1,495	2,399	9,116	9,299
61 - 180 days	6,708	7,341	37,723	4,162	44,431	11,503
Over 181 days	11,714	11,522	4,536	5,174	16,250	16,696
Trade accounts receivable	279,628	304,230	116,101	68,699	395,729	372,929
Expected credit losses	(16,360)	(15,762)	(2,558)	(1,911)	(18,918)	(17,673)
Total	263,268	288,468	113,543	66,788	376,811	355,256

	Consolidated					
	Private		Public		Total	
	03/31/2024	12/31/2023	03/31/2024	03/31/2024	12/31/2023	03/31/2024
To become due	296,145	329,214	53,011	55,043	349,156	384,257

Blau Farmacêutica S.A.

Notes to the interim financial information

March 31, 2024

(In thousands of *Reais*)

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Past due	64,787	72,143	65,076	15,822	129,863	87,965
1 - 30 days	22,853	30,792	21,073	3,731	43,926	34,523
31 - 60 days	20,871	13,298	1,744	2,755	22,615	16,053
61 - 180 days	8,515	11,866	37,723	4,162	46,238	16,028
Over 181 days	12,548	16,187	4,536	5,174	17,084	21,361
Trade accounts receivable	360,932	401,357	118,087	70,865	479,019	472,222
Expected credit losses	(17,928)	(16,981)	(2,559)	(1,912)	(20,487)	(18,893)
Total	343,004	384,376	115,528	68,953	458,532	453,329

b) Changes in expected losses

Changes in expected losses are based on estimates according to the potential for realization of receivables, pursuant to the trade accounts receivable credit risk policy, or reversal of estimates for previous periods.

	Individual		Consolidated	
	03/31/2024	12/31/2023	03/31/2024	12/31/2023
Opening balance	(17,674)	(8,245)	(18,893)	(9,461)
Bergamo business combination	-	-	(660)	(387)
Provision for the period	(37,031)	(86,178)	(36,811)	(85,962)
Write-off for the period	6,040	20,814	6,130	20,981
Reversal for the period	29,746	55,935	29,746	55,935
Closing balance	(18,919)	(17,673)	(20,488)	(18,893)

There are no accounts receivable pledged as collateral for debts as of March 31, 2024 and 2023. Additionally, the Company does not have concentration of customers.

Notes to the interim financial information

March 31, 2024

(In thousands of Reais)

8 | Inventories

8.1 | Accounting policy

Inventories are stated at net realization value. Inventories are valued at the moving weighted average method. Inventory costs include non-recoverable taxes, as well as other expenses required for acquisition incurred in the domestic or foreign market. Net realization value is the estimated selling price minus estimated costs needed to make the sale.

Inventories are impaired through an impairment estimate. The methodology contemplates obsolete products, negative-margin and slow-moving products, products past expiration date or near expiration date, and products outside quality standards. If the potential for impairment is no longer probable, then the provision is reversed in the corresponding proportion.

8.2 | Breakdown

	Individual		Consolidated	
	03/31/2024	12/31/2023	03/31/2024	12/31/2023
Finished products	130,008	99,728	253,695	214,584
Semi-finished products and work in progress	111,436	106,519	116,874	125,354
Raw materials and packaging materials	191,887	211,446	207,637	216,092
Development material	43,917	37,958	43,917	37,958
Imports in progress	35,700	46,742	35,899	47,360
Other	9,057	8,269	9,075	8,269
Provision for impairment	(23,686)	(19,016)	(32,140)	(20,971)
Total	498,319	491,646	634,957	628,646

8.3 | Changes in provision for losses

	Individual		Consolidated	
	03/31/2024	12/31/2023	03/31/2024	12/31/2023
Opening balance	(19,016)	(31,082)	(20,971)	(32,113)
Provision for the period	(7,937)	(17,351)	(5,982)	(16,320)
Write-off	3,267	29,417	(5,187)	27,462
Closing balance	(23,686)	(19,016)	(32,140)	(20,971)

9 | Taxes recoverable

9.1 | Accounting policy

The Company records tax credits every time it has enough legal, documentary and factual understanding of such credits to allow it to recognized them, including the estimated realization.

ICMS, IPI, PIS, COFINS RECOVERABLE and IVA: These accounts are intended to cover any debt balance of ICMS (Tax on Goods and Services), IPI (Tax on Processed Products), PIS (Social Integration Program), COFINS (Social Security Funding Contribution) and IVA (Value Added Tax). According to these taxes' own application systems, tax debts due to sales are monthly offset with credits from purchases capable of being used, with an amount payable or recoverable remaining, depending on the volume of such purchases and sales.

Blau Farmacêutica S.A.

Notes to the interim financial information

March 31, 2024

(In thousands of Reais)

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According to the calculations, the balances result in “payable” where stated in current liabilities, and when the amount of purchases entitled to credit exceeds the sales charged and accounted for in the same period, it generates balances recoverable, in which case they will be stated in such current assets account. Their balances are monthly reconciled with the relevant tax books, and the applicable accounting adjustments are made.

9.2 | Breakdown

	Individual		Consolidated	
	03/31/2024	12/31/2023	03/31/2024	12/31/2023
ICMS	1,680	2,643	6,855	3,075
ICMS - CIAP	13,974	14,330	13,974	14,330
IPI	766	492	1,727	1,431
PIS	3,439	3,091	7,995	4,083
COFINS	15,249	13,808	16,582	17,993
IVA/IRAE	-	-	8,513	5,047
IRPJ/CSLL	28,029	22,787	29,210	24,027
Total	63,137	57,151	84,856	69,986
Total current	38,568	32,227	60,288	45,062
Total non-current	24,569	24,924	24,568	24,924

9.3 | Expected realization

The expected realization of taxes is based on projected operations and growth, operational management, legislation of each State and generation of charges for use such credits by transaction.

The credit realization plan is tracked from time to time with a view to ensuring the specified assumptions are met and that the same are reassessed according to business events, allowing for a better performance in credit realization.

Provided below is the expected realization of the Companies taxes recoverable:

Expected realization	Individual	Consolidated
2024	38,568	60,288
2025	2,882	2,882
2026	21,595	21,595
2027	91	91
Total	63,136	84,856

The increase in the balance of taxes recoverable (21% change) in the consolidated statement, relative to December 31, 2023, refers to items or property, plant and equipment purchased in the period to increase the company's production capacity and recover tax credits through the Company's enhanced tax planning.

Notes to the interim financial information

March 31, 2024

(In thousands of *Reais*)

10 | Other non-current financial assets

10.1 | Accounting policy

Financial assets at fair value through profit or loss include debt instruments where they can become equity interests in unlisted entities.

10.2 | Breakdown

	Individual		Consolidated	
	2024	2023	2024	2023
Financial assets at fair value	265,155	265,155	265,155	265,155
Total	265,155	265,155	265,155	265,155

On August 25, 2023, Blau transferred R\$265,155 to Prothya Biosolutions Belgium B.V. (“Prothya”) as part of the conditions set forth in a loan agreement (“Convertible Loan Agreement”), which allows such amount to be converted into shares at a predetermined price per share, at Blau’s option, as soon as certain financial indicators and results of operations are achieved by Prothya, to be determined in 2 consecutive quarterly periods. Even so, the Company has the option of converting it or not into equity interest. The Company assessed the transaction and resolved to enter it as a financial asset at fair value through profit or loss, under the technical pronouncement CPC 48 - Financial Instruments (IFRS 9), because the return of its contractual flow is tied to the fair value of Prothya. Based on the analyses conducted by the Company, no material changes were found in the fair value of the financial asset from the date of the transaction to March 31, 2024. The financial indicators and results of operations reported by Prothya had not met the levels for the quarter ended as of that date.

11 | Income tax and social contribution - Current and deferred

11.1 | Accounting policy

Current income tax assets and liabilities are measured at the amount expected to be recovered from or paid to the tax authorities based on the applicable rates, and tax laws used to calculate the amount are those which were enacted or substantially enacted on the balance sheet date in the countries where the Company operates and turns a taxable income. Current and deferred income tax and social contribution are calculated at the rate of 15%, plus an additional charge of 10% on any taxable income exceeding R\$240, for income tax, and 9% on taxable income for social contribution on net income. Offsetting tax losses is considered, such offsets being limited to 30% of the annual taxable income. Taxable income reflects income before taxes, as adjusted by non-taxable and non-deductible items (temporary and permanent items). Deferred taxes represent tax debts and credits on temporary differences between the tax basis and the accounting basis for assets and liabilities related to accumulated tax losses. Deferred tax assets and liabilities are classified as non-current as required by CPC 32 - Taxes on Income.

The current tax and deferred tax are recognized in the income statement, unless they are related to a business combination or any items recognized directly in shareholders’ equity or other comprehensive income.

The Income Tax and Social Contribution expenses for the period comprise both current and deferred taxes. Income taxes are recognized in the income statement, except to the extent that they may be related to items directly recognized in either equity or other comprehensive income.

In that case, the taxes are also recognized in either equity or other comprehensive income. The cost of current and deferred income tax and social contribution is calculated based on the tax laws enacted, or substantially enacted, as of the date of the balance sheets of the entities in the Group that turn a taxable income. Management assesses from time to time the positions assumed by the Group in calculations of income taxes as they may relate to situations where the applicable tax regulations provide a margin for interpretations and sets up provisions, where appropriate, based on the estimated amounts of payments to the tax authorities.

Blau Farmacêutica S.A.

Notes to the interim financial information

March 31, 2024

(In thousands of *Reais*)

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Current income tax and social contribution are stated net, by taxpayer entity, either in liabilities, where there are amounts payable, or in assets, where prepaid amounts exceed the total amount due as of the reporting date. Deferred income tax and social contribution are recognized using the liabilities on temporary differences arising from differences between the tax bases for assets and liabilities and their book values in the financial statements. However, deferred income tax and social contribution are not accounted for if they resulted from the initial recognition of an asset or liability in any transaction other than a business combination that, at the time of such transaction, affects neither accounting profit nor taxable income (tax loss). Deferred income tax assets are only recognized to the extent that a future taxable income is likely to be available against which temporary differences can be offset. Deferred taxes are recognized on temporary differences arising from investments in subsidiaries, except where the timing of reversal of temporary differences is controlled by the Group, and so long as the temporary differences are unlikely to be reversed in the foreseeable future.

In assessing the recoverability of deferred taxes, Management considers projected future taxable income and changes in temporary differences. The recoverability of a deferred tax asset in the parent company does not depend on taxable income projections. When all or any part of the taxes are not likely to be realized, the tax asset is reversed. There is no deadline for using tax losses and negative tax bases, but the use of accumulated losses for previous years is limited to 30% of the annual taxable income.

The Company and its subsidiaries are committed to best practices in taxes, upholding the intent and the letter of the laws and regulations of the countries where they do business. They are also committed to transfer pricing practices that are consistent with the principles of free competition and the rules laid down by the tax laws of the jurisdictions where they operate, with transparent transactions and business ethics, and no engagement in any practices meant to artificially reduce taxes.

11.2 | Breakdown

ASSETS	Individual		Consolidated	
	03/31/2024	12/31/2023	03/31/2024	12/31/2023
Provision for inventory impairment	8,053	6,465	10,949	11,741
Provision for contingencies	1,800	1,938	2,022	2,434
Provision for expected losses Clients	2,989	3,974	3,462	4,164
Provision for expenses	2,064	1,934	7,842	7,575
Depreciation	4,699	4,283	4,823	4,283
Right of use	9,151	9,223	9,151	9,272
Other	4,372	2,862	6,672	1,954
Tax loss and negative base of social contribution	-	-	71,627	70,787
Non-current assets	33,128	30,679	116,548	112,210
Opening balance of deferred assets	(30,679)	(30,021)	(112,210)	(30,021)
Opening balance of deferred assets- Bergamo Lab	-	-	-	(73,967)
Change in income for the year	2,449	658	4,338	8,222

Notes to the interim financial information

March 31, 2024

(In thousands of Reais)

LIABILITIES	Individual		Consolidated	
	03/31/2024	12/31/2023	03/31/2024	12/31/2023
Bergamo acquisition - Bargain purchase	(40,991)	(40,991)	(40,991)	(40,991)
R&D	(79,636)	(73,823)	(79,636)	(73,823)
Tax benefit on goodwill	(18,959)	(17,063)	(18,959)	(17,063)
Interest capitalized on debentures	(15,142)	(14,107)	(15,142)	(14,107)
Right of use	(8,192)	(8,312)	(8,192)	(8,312)
Other	(2,703)	(2,021)	(2,703)	(2,021)
Non-current liabilities	(165,623)	(156,317)	(165,623)	(156,317)
Opening balance of deferred liabilities	156,317	65,679	156,317	65,043
Change in income for the year	(9,306)	(90,638)	(9,306)	(91,274)
Other	-	-	-	462
Change in deferred income tax and social contribution in income for the year	(6,857)	(89,980)	(4,968)	(82,590)

	Individual		Consolidated	
	03/31/2024	12/31/2023	03/31/2024	12/31/2023
Balance in non-current assets	33,128	30,679	83,420	81,531
Balance in non-current liabilities	(165,623)	(156,317)	(132,495)	(125,638)
Deferred income tax and social contribution, net	(132,495)	(125,638)	(49,075)	(44,107)

IR/CS Conciliation	Individual		Consolidated	
	03/31/2024	03/31/2023	03/31/2024	03/31/2023
Income before income tax and social contribution	46,994	59,977	47,583	59,610
Statutory rate	34.00%	34.00%	32.00%	34.00%
Amount of IR/CSLL on accounting profit at the statutory rate	15,978	20,392	15,227	20,267
IR/CS Theoretical Expense				
Permanent non-taxable differences	682	338	2,541	951
Equity pick-up	734	489	-	-
Interest on equity	(7,565)	(11,063)	(7,565)	(11,063)
Tax incentive Law ("Lei do Bem")	(2,832)	(2,085)	(2,832)	(2,085)
Other	(93)	(43)	541	14
Effective IR/CS Expense	6,904	8,027	7,912	8,084
Effective IR/CS Rate (%)	14.69%	13.38%	16.63%	13.56%

Current income tax and social contribution expenses

Current income tax and current social contribution	46	39	421	96
Current income tax and deferred social contribution	6,858	7,988	7,491	7,988
Current income tax and net contribution	6,904	8,027	7,912	8,084

11.3 Realization of deferred tax assets

From time to time, we assess the recoverability of deferred tax assets. Management's assessment is supported by technical feasibility studies showing future taxable income projections to allow a recoverability estimation of credits over a period not to exceed 10 years. In addition, estimating the realization of deferred taxes involves the uncertainties of the other estimates.

Expected realization of deferred assets	Individual		Consolidated	
	2024		2024	
2024	18,180		29,614	
2025-2028	14,948		53,806	

33,128

83,420

12 | Investments

12.1 | Accounting policy

(i) Business combinations

Business combinations are recorded at the acquisition method where a set of acquired activities and assets fits the definition of a business and control is transferred to the Group. In determining whether a set of activities and assets is a business, the Group checks the set of acquired activities and assets to assess if it includes at least inputs and substantive processes that, put together, significantly contribute to the capacity to generate outputs.

The Group has the option of running a “concentration test” that allows for a simplified determination if a set of acquired activities and assets is not a business. The optional concentration test is cleared if substantially all the fair value of gross acquired assets is concentrated in a single identifiable asset or group of similar identifiable assets.

The consideration transferred is measured at fair value, as are any acquired identifiable liquid assets.

- (i) Any goodwill that may arise from or in connection with the transaction is impairment-tested at least annually. Any gains from negative goodwill are immediately recognized in the income statement. Transaction costs are entered in the income statement as incurred, except for costs related to any issuance of debt or equity instruments. Consideration transferred does not include any amounts related to payments for preexisting transactions. Those amounts are usually recognized in the income statement for the year. Any contingent consideration payable is measured at its fair value as of the acquisition date. If the contingent consideration is classified as an equity instrument, then it is not remeasured, and its settlement is recorded within shareholders’ equity. Any other contingent consideration is remeasured at fair value on each reporting date, and any subsequent changes in fair value are recorded in the income statement for the year.

The identifiable assets acquired and the liabilities and contingent liabilities assumed for acquiring subsidiaries in a business combination are initially measured at fair value as of the acquisition date. The Group recognizes a non-controlling interest in an acquired entity at its fair value and based on the proportional non-controlling interest in the fair value of the acquired entity’s net assets. The measurement of non-controlling interest is determined for each acquisition made. Acquisition-related costs are recorded in the income statement for the period, as incurred.

If any share-based payment plans held by the employees of an acquired entity need to be replaced (plan replacement), then all or any part of the new amount of the replacement plan issued by the acquirer is included in the measurement of the consideration transferred in the business combination. This determination is based on the market value of the replacement plan, as compared to the market value of the acquired entity’s share-based payment plan, and to the extent that such replacement plan refers to services provided prior to the combination.

(ii) Subsidiaries

Subsidiaries are all entities (including structured entities) whose control is held by the Group. Subsidiaries are fully consolidated from the date when control is transferred to the Group. Consolidation is interrupted from the date when the Group ceases to hold control. Transactions, balances and unrealized earnings on transactions between Group companies are eliminated. Unrealized losses are eliminated as well, unless the transaction displays evidence of impairment of the transferred asset. The accounting policies of subsidiaries are changed as necessary to ensure they are consistent with the policies in place at the Group.

Notes to the interim financial information

March 31, 2024

(In thousands of Reais)

(iii) Transactions involving non-controlling interests

The Group handles transactions involving interests of non-controlling shareholders as transactions with owners of Group assets. For purchases of non-controlling interest, the difference between any consideration paid and the acquired part of the book value of the subsidiary's liquid assets is recorded in shareholders' equity. Any gains or losses on sales of non-controlling interests are also recorded directly in shareholders' equity, in the "equity valuation adjustment" account.

(iv) Transactions eliminated in consolidation

Any balances and transactions between related parties (intergroup) are eliminated, as are any unrealized profits arising out of intergroup transactions. Unrealized gains and losses arising out of transactions with subsidiaries, as recorded at the equity method, are offset against the investment in proportion to the Company's interest in the investee, but only to the extent that there is no evidence of any impairment losses.

(v) Description of key consolidation procedures

- Elimination of balances in asset and liability accounts between consolidated companies.
- Elimination of interest in the subsidiary's capital, reserves and retained earnings.
- Elimination of revenue and expense balances, as well as unrealized profits, arising out of deals between the companies.
- Value of the interest of non-controlling shareholders highlighted in the Consolidated Financial Statements.

12.2 | Breakdown

	Individual	
	03/31/2024	12/31/2023
Investment in subsidiaries	411,252	397,281
Surplus value of assets - Bergamo acquisition	14,322	14,559
Other investments	35	35
Total	425,609	411,875

12.3 Changes in investments in subsidiaries

	Blau Colombia	Blau Uruguay	Plex Plasma	Bergamo	Other Investments	Total
Investment balance as of December 31, 2022	31,123	38,307	27,718	-	-	97,148
Equity pick-up	5,814	(3,567)	(7,985)	(12,828)	-	(18,566)
Translation adjustment	3,880	(4,217)	1,074	-	-	737
Investment	-	-	-	171,994	-	171,994
Bergain purchase gain	-	-	-	106,751	-	106,751
Surplus value of assets	-	-	-	14,559	-	14,559
Capital increase	-	19,801	19,416	-	35	39,252
Investment balance as of December 31, 2023	40,817	50,324	40,223	280,476	35	411,875
Investment balance as of December 31, 2023	40,817	50,324	40,223	280,476	35	411,875
Equity pick-up	36	(1,220)	(1,621)	1,227	-	(1,578)
Translation adjustment	1,103	471	(1,402)	-	-	172
Investment	-	7,473	7,904	-	-	15,377
Amortization of surplus value of assets	-	-	-	(237)	-	(237)
Investment balance on March 31, 2024	41,956	57,048	45,104	281,466	35	425,609

Notes to the interim financial information

March 31, 2024

(In thousands of *Reais*)

Subsidiaries in 2024	Control	Interest	Current assets	Non-current assets	Total assets	Current liabilities	Non-current liabilities	Shareholders' equity	Operating revenues	Income (loss) for the period
Blau Colombia	Direct	100%	55,408	3,211	58,619	22,718	-	35,901	11,752	36
Blau Uruguay	Direct	100%	61,759	50,068	111,827	51,852	3192	56,783	11,003	(1,220)
Plex Plasma	Direct	100%	11,875	59,965	71,840	7,662	25,876	38,302	8,426	(1,621)
Bergamo	Direct	100%	143,549	168,431	311,980	30,122	3,738	278,120	32,930	1,227

13 | Property, plant and equipment

13.1 | Accounting policy

(i) Recognition and measurement

Property, plant and equipment items are measured at historical acquisition or construction cost, net of cumulative depreciation and cumulative impairment losses, where applicable. Cost includes expenses directly attributable to the acquisition of an asset. The cost of assets built by the entity itself includes costs of material and direct labor, and any other costs required to put the assets at their places and ensure the necessary conditions for them to be capable to operate as intended by Management.

(ii) Subsequent costs

Subsequent costs are capitalized to the extent that future benefits associated with such spending are likely to be obtained by the Group. Maintenance and repair expenses are recorded in the income statement.

(iii) Depreciation

Property, plant and equipment items are depreciated at the straight-line method in the income statement for the year, based on the economic useful life of each component. Property, plant and equipment items are depreciated from the date on which they are installed and available for use.

(iv) Asset useful life

The useful life of assets and their depreciation method are reviewed at the end of each period and adjusted prospectively, where applicable. The weighted depreciation rates reflecting the useful life times of property, plant and equipment assets, respectively, are distributed as follows:

Class	Useful life to be used (in years) period review
Buildings	25-50
Machinery and Equipment	8-15
Facilities	10
Furniture and Fixtures	10
Vehicles	5
IT Equipment	5

Useful lives are indicated above in years, by class of property, plant and equipment, following a useful life review conducted in December 2023, and despite the adjustment made, there was no material change in the calculation of weighted-average useful life as compared to the previous year.

(v) Impairment

For impairment testing, assets are grouped into cash-generating units (CGUs), i.e. into the smallest possible group of assets generating cash inflows by being continuously used, which inflows are largely independent of cash inflows from other assets or any one asset or CGU.

The recoverable value of an asset or CGU is either its value-in-use or its fair value minus selling costs, whichever the higher. Value-in-use is based on estimated future cash flows, discounted at present value using a pre-tax discount rate that reflects current market valuations of the value of money in time and the risks specific to the asset or CGU in question.

Impairment is recognized if the book value of an asset or CGU exceeds its recoverable value. Impairments are recognized in the income statement.

Recognized impairments related to a certain CGU are initially used towards reducing any goodwill allocated to such CGU (or group of CGUs), and then reducing the book value of other assets of that CGU (our group of CGUs), on a pro rata basis.

An impairment loss is only reversed to the extent that the new book value of the relevant asset does not exceed the book value that would have been calculated, net of depreciation or amortization, had the impairment not been recognized. There was no impairment loss recognized.

Management found neither changes in circumstances nor evidence that the Company's assets used in its operations are not recoverable through their operational and financial performance and concluded that, as of March 31, 2024 and December 31, 2023, there were no relevant indications of impairment losses affecting its assets.

Blau Farmacêutica S.A.

Notes to the interim financial information

March 31, 2024

(In thousands of Reais)

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13.2 | Breakdown and changes

		Individual				
		Balance as of 12/31/22	Additions	Transfer	Write-off	Balance as of 12/31/23
Cost						
Property and land		167,175	4,786	20,978	-	192,939
Improvements		8,001	891	3,096	-	11,988
Machinery and equipment		151,292	9,738	21,550	(777)	181,803
Vehicles		4,278	-	-	(973)	3,305
Furniture and fixtures		8,627	3,483	3,377	(20)	15,467
Facilities in use		32,720	3,341	14,737	-	50,798
IT equipment		9,874	2,000	4,088	(323)	15,639
Property, plant and equipment in progress		208,103	62,008	(62,888)	-	207,223
Advance on goods for future delivery		8,357	6,234	(8,357)	-	6,234
Total cost		598,427	92,481	(3,419)	(2,093)	685,396
Cumulative depreciation						
	Rate	Balance as of 12/31/22	Additions	Transfer	Write-off	Balance as of 12/31/23
Property	4%	(12,984)	(3,317)	-	-	(16,301)
Improvements	4%	(3,406)	(1,275)	-	-	(4,681)
Machinery and equipment	10%	(63,318)	(10,256)	110	282	(73,182)
Vehicles	20%	(3,280)	(296)	-	971	(2,605)
Furniture and fixtures	10%	(4,514)	(930)	(13)	21	(5,436)
Facilities in use	10%	(11,857)	(3,785)	5	-	(15,637)
IT equipment	20%	(5,001)	(2,286)	(102)	304	(7,085)
Total cumulative depreciation		(104,360)	(22,145)	-	1,578	(124,927)
Property, plant and equipment, net		494,067	70,336	(3,419)	(515)	560,469

		Consolidated						
		Balance as of 12/31/22	Additions	Transfer	Write-off	Bergamo opening balance	Translation adjustment	Balance as of 12/31/23
Cost								
Property and land		185,799	4,952	5,381	-	40,962	-	237,094
Improvements		14,612	891	10,826	-	-	-	26,329
Machinery and equipment		146,121	10,311	21,635	(777)	82,096	-	259,386
Vehicles		4,451	-	(85)	(973)	85	-	3,478
Furniture and fixtures		10,100	3,540	3,377	(20)	3,070	(2)	20,065
Facilities in use		32,941	3,341	17,890	-	-	-	54,172
IT equipment		10,250	3,227	4,088	(323)	1,964	-	19,206
Property, plant and equipment in progress		210,186	94,607	(52,268)	-	4,941	(440)	257,026
Advance on goods for future delivery (i)		15,199	6,234	(14,263)	-	-	-	7,170
Surplus value of assets		-	-	-	-	15,291	-	15,291
Total cost		629,659	127,103	(3,419)	(2,093)	148,409	(442)	899,217

		Balance as of 12/31/22	Additions	Transfer	Write-off	Bergamo opening balance	Translation adjustment	Balance as of 12/31/23
Cumulative depreciation								
	Rate							
Property	4%	(14,558)	(3,835)	256	-	(11,131)	187	(29,081)
Improvements	4%	(1,324)	(2,022)	(583)	-	-	5	(3,924)
Machinery and equipment	10%	(60,473)	(13,954)	70	282	(46,788)	(1)	(120,864)
Vehicles	20%	(3,713)	(304)	40	971	(32)	-	(3,038)
Furniture and fixtures	10%	(4,768)	(1,060)	(13)	21	(2,062)	1	(7,881)
Facilities in use	10%	(11,830)	(3,811)	5	-	-	-	(15,636)
IT equipment	20%	(5,359)	(2,408)	(102)	304	(1,769)	(54)	(9,388)
Surplus value of assets	10%	-	(473)	-	-	-	-	(473)

Notes to the interim financial information

March 31, 2024

(In thousands of Reais)

Total cumulative depreciation	(102,025)	(27,867)	(327)	1,578	(61,782)	138	(190,285)
Property, plant and equipment, net	527,634	99,236	(3,746)	(515)	86,627	(304)	708,932

		Individual				
		Balance as of 12/31/23	Additions	Transfer	Write off	Balance as of 03/31/24
Cost						
Property and land		192,939	-	-	-	192,939
Improvements		11,988	-	-	-	11,988
Machinery and equipment		181,803	6	-	(4)	181,805
Vehicles		3,305	337	7,457	(1)	11,098
Furniture and fixtures		15,467	(3)	-	(2)	15,462
Facilities in use		50,798	-	-	-	50,798
IT equipment		15,639	42	-	-	15,681
Property, plant and equipment in progress		207,223	18,197	(7,457)	-	217,963
Advance on goods for future delivery		6,234	-	-	(298)	5,936
Total cost		685,396	18,579	-	(305)	703,670
Cumulative depreciation						
	Rate	Balance as of 12/31/23	Additions	Transfer	Write off	Balance as of 03/31/24
Property	4%	(16,301)	(912)	-	-	(17,213)
Improvements	4%	(4,681)	(348)	-	-	(5,029)
Machinery and equipment	10%	(73,182)	(2,694)	-	3	(75,873)
Vehicles	20%	(2,605)	(295)	-	-	(2,900)
Furniture and fixtures	10%	(5,436)	(308)	-	2	(5,742)
Facilities in use	10%	(15,637)	(1,110)	-	-	(16,747)
IT equipment	20%	(7,085)	(627)	-	-	(7,712)
Total cumulative depreciation		(124,927)	(6,294)	-	5	(131,216)
Property, plant and equipment, net		560,469	12,285	-	(300)	572,454

		Consolidated					
		Balance as of 12/31/23	Additions	Transfer	Write off	Translation Adjustment	Balance as of 03/31/24
Cost							
Property and land		237,094	7,666	-	-	(276)	244,484
Improvements		26,329	1,343	8,705	-	-	36,377
Machinery and equipment		259,386	1,879	734	(4)	-	261,995
Vehicles		3,478	337	7,457	(1)	-	11,271
Furniture and utensils		20,065	72	280	(2)	4	20,419
Facilities in use		54,172	-	-	-	-	54,172
IT equipment		19,206	63	-	-	32	19,301
Property, plant and equipment in progress		257,026	19,098	(18,438)	-	-	257,686
Advance on goods for future delivery		7,170	-	-	(949)	-	6,221
Surplus value of assets		15,291	-	-	-	-	15,291
Total cost		899,217	30,458	(1,262)	(956)	(240)	927,217
Cumulative depreciation							
	Rate	Balance as of 12/31/23	Additions	Transfer	Write off	Translation Adjustment	Balance as of 03/31/24
Property	4%	(29,081)	(1,307)	-	-	(47)	(30,435)
Improvements	4%	(3,924)	(537)	-	-	-	(4,461)
Machinery and equipment	10%	(120,864)	(3,734)	-	3	-	(124,595)
Vehicles	20%	(3,038)	(295)	-	-	-	(3,333)
Furniture and fixtures	10%	(7,881)	(395)	-	2	-	(8,274)
Facilities in use	10%	(15,636)	(1,527)	-	-	-	(17,163)
IT equipment	20%	(9,388)	(1,016)	-	-	(1)	(10,405)
Surplus value of assets	10%	(473)	(237)	-	-	-	(710)
Total cumulative depreciation		(190,285)	(9,048)	-	5	(48)	(199,376)
Property, plant and equipment, net		708,932	21,410	(1,262)	(951)	(288)	727,841

13.3 | Property, plant and equipment in progress

Consisting of purchases of imported machines that are expected to be received for the next year.

	Individual		Consolidated	
	03/31/2024	12/31/2023	03/31/2024	12/31/2023
Machinery and equipment being installed	123,349	114,376	123,349	114,376
Capacity expansion	94,614	92,847	134,337	142,650
Total	217,963	207,223	257,686	257,026

There is no property, plant and equipment asset pledged as collateral for debts contracted by the Company as of March 31, 2024 and December 31, 2023.

14 | Intangible assets

14.1 | Accounting policy

Goodwill

Goodwill results from the acquisition of subsidiaries and represents the excess (i) consideration transferred, (ii) value of non-controlling interests in the acquired entity, and (iii) fair value as of the date of acquisition of any prior equity interest in the acquired entity relative to the fair value of the acquired identifiable liquid assets. If the total consideration transferred, the recognized non-controlling interest and the interest held as previously measured at fair value are less than the fair value of the acquired subsidiary's liquid assets, in case of gains from negative goodwill, then the difference is recognized directly in the income statement.

Goodwill is annually impairment-tested on December 31 or when circumstances indicate that its book value may be impaired.

Any impairment of goodwill is determined by a valuation of the recoverable value of each CGU (or group of CGUs) to which goodwill is related. Where the recoverable value of the CGU is lower than its book value, an impairment loss is recognized. Impairment losses related to goodwill cannot be reversed in future periods.

Software

Software licenses are capitalized based on the costs incurred to purchase software products and have them ready for use. These costs are amortized in the course of the estimated useful life of the relevant software products, ranging from three to five years.

Costs incurred in connection with software maintenance are recognized as expenses, as incurred. Any development costs directly attributable to the design and testing of identifiable, proprietary software products controlled by the Group are recognized as intangible assets.

Directly attributable costs, which are capitalized as part of each software product, include the costs incurred in connection with employees allocated to software development and an appropriate part of the applicable indirect expenses. Costs also include the financing costs incurred during the software development period.

Any other development expenses that do not meet the capitalization criteria are recognized as expenses, as incurred. Any development costs previously recognized as expenses are not recognized as assets in any subsequent periods. Software development costs recognized as assets are amortized over estimated useful life of those assets, not to exceed five years.

Sanitary registrations

Expenses incurred in connection with sanitary registrations are only capitalized if the costs incurred for registration can be reliably measured and the Company intends and has sufficient funds to complete a registration, and then to start manufacturing and selling the product.

Any other expenses incurred in connection with sanitary registrations are recognized in the income statement, as incurred. Following the initial recognition, capitalized sanitary registration expenses are measured at cost, net of cumulative amortization, from the time when a registration is approved and the registered product goes into the production line, and any impairment loss.

Notes to the interim financial information

March 31, 2024

(In thousands of Reais)

Research and development

Research and development expenses are only capitalized if the development costs can be reliability measured, the product or process is both technically and commercially viable, future economic benefits are likely to arise, and the Company intends and has the sufficient resources (financial and technical) to complete the development and either use or sell the asset. Any other development expenses are recognized in the income statement, as incurred. Following the initial recognition, capitalized development expenses are measured at cost, net of cumulative amortization, from the time when the product goes into production, and any impairment loss.

14.2 | Useful life and amortization

Class	Useful life to be used (in years)
Software	5
Research and development	5
Sanitary registrations	4

14.3 | Breakdown and changes

	Individual				Balance as of 03/31/23
	Balance as of 12/31/22	Additions	Transfer	Write-off	
Cost					
Software	11,349	-	-	-	11,349
Trademarks	881	-	-	-	881
Sanitary registrations	8,725	-	-	-	8,725
New product development	74,224	21,496	-	-	95,720
Goodwill	136,173	-	-	-	136,173
Total cost	231,352	21,496	-	-	252,848
Cumulative amortization					
Software	(6,168)	(417)	-	-	(6,585)
Sanitary registrations	(535)	(193)	-	-	(728)
Total cumulative amortization	(6,703)	(610)	-	-	(7,313)
Intangible assts, net	224,649	20,886	-	-	245,535

	Consolidated					Balance as of 03/31/2023
	Balance as of 12/31/22	Additions	Transfer	Write-off	Translation adjustment	
Cost						
Software	11,437	-	-	-	-	11,437
Trademarks	955	-	-	-	-	955
Sanitary registrations	12,103	2	-	-	-	12,105
New product development	74,383	21,411	-	-	-	95,794
Goodwill	143,244	-	-	-	-	143,244
Total cost	242,122	21,413	-	-	-	263,535
Cumulative amortization						
Software	(6,707)	(536)	-	-	15	(7,228)
Sanitary registrations	(1,211)	(232)	-	-	4	(1,439)
New product development	(137)	-	-	-	-	(137)
Other	(11)	-	-	-	-	(11)
Total cumulative amortization	(8,066)	(768)	-	-	19	(8,815)
Intangible assets, net	234,056	20,645	-	-	19	254,720

Blau Farmacêutica S.A.

Notes to the interim financial information

March 31, 2024

(In thousands of Reais)

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	Balance as of 12/31/23	Additions	Individual		Write-off	Balance as of 03/31/2024
			Transfer			
Cost						
Software	15,458	-	-	-	-	15,458
Trademarks	881	-	-	-	-	881
Sanitary registrations	8,725	189	20,210	-	-	29,124
New product development	177,559	16,905	(20,210)	-	-	174,254
Goodwill	136,173	-	-	-	-	136,173
Surface right	160	-	-	-	-	160
Total cost	338,956	17,094	-	-	-	356,050
Cumulative amortization						
Software	(8,387)	(586)	-	-	-	(8,973)
Sanitary registrations	(1,307)	(363)	-	-	-	(1,670)
Total cumulative amortization	(9,694)	(949)	-	-	-	(10,643)
Intangible assets, net	329,262	16,145	-	-	-	345,407

	Consolidated					
	Balance as of 12/31/23	Additions	Transfer	Write-off	Translation adjustment	Balance as of 03/31/24
Cost						
Software	16,077	82	1,262	-	-	17,421
Trademarks	955	-	-	-	-	955
Sanitary registrations	22,073	200	20,210	(17)	(532)	41,934
New product development	177,718	16,905	(20,210)	-	-	174,413
Goodwill (a)	151,655	-	-	-	-	151,655
Surface right	160	-	-	-	-	160
Other	711	-	-	-	-	711
Total cost	369,349	17,187	1,262	(17)	(532)	387,249
Cumulative amortization						
Software	(8,951)	(804)	-	-	-	(9,755)
Sanitary registrations	(6,034)	(438)	-	16	-	(6,456)
Other	(301)	-	-	-	-	(301)
Total cumulative amortization	(15,286)	(1,242)	-	16	-	(16,512)
Intangible assets, net	354,063	15,945	1,262	(1)	(532)	370,737

(a) Goodwill arising from acquisitions of the investees Blau Farmaceutica Colombia S.A.S., in the amount of R\$6,800, Blau Farma Uruguay, in the amount of R\$271, and Blau Farmacêutica Goiás, in the amounts of R\$111,523, R\$24,650, for a license to operate and for products being developed by Blau Goiás and 8,411 referring to goodwill in PLEX's investment in Hemarus.

14.4 | Impairment testing

The Company and its subsidiaries determine, as of each balance sheet date, whether any indication exists that an asset can be impaired. If any indication does exist, or where annual impairment-testing of an asset is necessary, the Company and its subsidiaries estimate the recoverable value of that asset. The recoverable value of an asset is either the fair value of the asset or CGU in question minus selling costs or its value-in-use, whichever is higher. A recoverable value is determined for any individual asset, unless the asset does not generate any cash inflows broadly independent of other assets or groups of assets. When the book value of an asset or CGU exceeds its recoverable value, that asset is deemed impaired and lowered to its recoverable value.

In a value-in-use valuation, estimated future cash flows are discounted at their present value using a pre-tax discount rate that reflects the weighted-average cost of capital of the subsidiary in which the CGU operates, as well as current perceptions of market participants.

Notes to the interim financial information

March 31, 2024

(In thousands of *Reais*)

The Company bases its impairment calculation on financial budgets approved by Management for the following year and on the latest projection calculations, which are separately prepared for each of the Company's and its subsidiaries' cash-generating units to which the relevant individual assets are allocated.

Such projects consider operating margins determined according to: (i) the Company's historical performance; (ii) future expectations concerning the development of business; and (iii) weighted-average growth rates in line with industry forecasts for the market served. In the context of recoverability testing, the pre-tax discount rate was reconciled through interactive calculation, using the after-tax discount rate as the starting point. That way, the discount rate of 12,70%, in nominal and after-tax terms, was calculated by the weighted-average cost of capital (WACC) methodology and corresponds to a 10,08% rate.

Impairment losses are recognized in the income statement in expense categories consistent with the purpose of the impaired asset.

Goodwill is impairment-tested annually on December 31 or when the circumstances indicate that the book value may be impaired.

Any impairment of goodwill is determined by a valuation of the recoverable value of each CGU (Company). Where the recoverable value of the CGU is lower than its book value, an impairment loss is recognized. Impairment losses related to goodwill cannot be reversed in future periods. The recoverable value is analyzed by the Company by cash-generating unit (CGU). A technical and commercial feasibility study was prepared, including projected cash flows for 5 years discounted at present value at a rate of 12.70% per annum (16.75% for 2022), based on estimated sales volumes, prices and product costs that are underpinned by analyses of financials and trends in the market segment where the Company operates.

Due to the impairment test being required annually, projections will be prepared at the end of 2024. However, no significant changes occurred as of March 31, 2024 that could alter the conclusion disclosed in the financial statements as of December 31, 2023.

15 | Lease transactions and right-of-use

15.1 | Accounting policy

At the beginning of an agreement, the Group determines whether that agreement is or contains a lease. An agreement is or contains a lease if it transfers the right to control the use of an identified asset for a period of time for consideration. To determine whether an agreement transfers the right to control the use of an identified asset, the Group uses the definition of lease provided in CPC 06(R2)/IFRS 16.

As lessee

At the beginning or any amendment to any agreement containing a lease component, the Group allocates the consideration under the agreement to each lease component based on its individual price. However, for property leases, the Group has opted not to separate the components of a same lease and account for lease and non-lease components as a single component.

The Group recognizes a right-of-use asset and a lease liability on the starting date of the lease. The right-of-use asset is initially measured at cost, which comprises the initial measurement amount of the lease liability, as adjusted for any lease payments made by the starting date, plus any direct initial costs incurred by the lessee and an estimate of costs to be incurred by the lessee to dismantle and remove the underlying asset to either restore the place where it is located or restore the underlying asset to the condition required by the terms and conditions of the lease, minus any lease incentives received.

The right-of-use asset is subsequently amortized on a straight-line basis from the starting date to the end of the lease term, unless the lease transfers the ownership of the underlying asset to the lessee at the end of the lease term or the cost of the right-of-use asset indicates that the lessee will exercise the purchase option. In that case, the right-of-use asset will be amortized during the useful life of the underlying asset, which determined on the same basis as property, plant and equipment. In addition, the right-of-use asset is, from time to time, decreased 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 lease payments that are not made on the starting date, as discounted at the interest rate implicitly applicable under the lease or, if such rate cannot be promptly determined, at the Group's incremental borrowing rate. Usually, the Group uses its incremental borrowing rate as a discount rate.

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

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

- Fixed payments, including payments fixed in essence.
- Variable lease payments pegged to an index or rate initially measured using such index or rate as of the starting date.
- Amounts expected to be paid by the lessee, according to residual value guarantees.
- The exercise price of the purchase option if the lessee is reasonably certain that they will exercise that option, and any payments of lease termination penalties if the lease contemplates the lessee exercising the option to terminate the lease.

The lease liability is measured at amortized cost using the effective interest rate method. It is remeasured whenever there is any change in future lease payments resulting from a change of index or rate, if there are changes in the amounts expected to be paid according to the residual value guarantee, if the Group changes its assessment as to whether it will exercise an option to purchase, extend or terminate, or if there is a revised lease payment that is fixed in essence.

When the lease liability is remeasured that way, either an adjustment is made corresponding to the book value of the right-of-use asset or it is recorded in the income statement whether the book value of the right-of-use asset has been reduced to zero. A present-value adjustment is recognized for elements of liabilities arising from long-term transactions, or from short-term transactions where there are material effects, based on the date of origin of the transaction.

Low-value asset leases

The Group has opted not to recognize any right-of-use assets and lease liabilities for leases on low-value assets and short-term leases, including IT equipment. The Group recognizes lease payments associated with such leases as expenses on a straight-line bases for the lease term.

15.2 | Breakdown

The Company has lease agreements for the building of its administrative headquarters, other buildings and vehicles, for average terms ranging from 3 to 10 years, which may include a renewal option.

a) Right-of-use asset

Right-of-Use Asset	Individual	Consolidated
Balance as of December 31, 2022	13,191	30,049
Additions/Remeasurement	2,797	13,438
Write-off	(7)	(7)
Amortization	(3,357)	(6,463)
Translation adjustment	-	(74)
Balance as of December 31, 2023	12,624	36,943
Additions/ remeasurement	40	2,402
Write-off	-	-
Depreciation	(780)	(1,784)
Translation Adjustment	-	(94)
Balance as of March 31, 2024	11,884	37,467

b) Lease liability

Notes to the interim financial information

March 31, 2024

(In thousands of Reais)

	Individual	Consolidated
Balance as of December 31, 2022	15,094	31,843
Additions/Remeasurement	2,797	11,323
Write-off	(7)	(7)
Principal payment	(2,582)	(4,268)
Interest payment	(1,728)	(3,135)
Interest incurred	1,728	3,567
Translation adjustment	-	(1,004)
Balance as of December 31, 2023	15,302	38,319
Additions/Remeasurement	39	1,593
Write-off	-	-
Principal payment	(635)	(737)
Interest payment	(407)	(871)
Interest incurred	407	871
Translation adjustment	-	274
Balance as of March 30, 2024	14,706	39,449
Current	2,335	5,697
Non-current	12,371	33,752
	14,706	39,449

c) Lease liability maturity schedule - non-current

Year	Individual	Consolidated
2025	2,755	5,161
2026	2,247	4,609
2027	1,878	4,526
2028	1,489	4,448
2029	1,489	4,459
Over 5 years	2,513	10,549
Total	12,371	33,752

d) Other considerations

In compliance with CVM/SNC/SEP Official Letter No. 2/2019, comparative balances of lease liability, right of use, financial expense and depreciation expense for the fiscal year ended March 31, 2024 are provided below, considering estimated future payment flows adjusted for inflation.

Real flow	Individual	
	03/31/2024	12/31/2023
Lease liability	15,114	17,030
Interest	(407)	(1,728)
	14,707	15,302
Inflated flow		
Lease liability	15,481	17,613
Interest	(417)	(1,787)
	15,064	15,826

16 | Trade accounts payable

16.1 | Accounting policy

Trade accounts payable are obligations to pay for goods or services acquired in the ordinary course of business and are classified as current liabilities if payment is due within one year. Otherwise, trade accounts payable are stated as non-current liabilities. Transactions in foreign currency are translated into the Group's relevant functional currency at the exchange rates in place on the dates of such transactions. Any differences in foreign currency resulting from re-translation are recognized in the income statement.

16.2 | Breakdown

	Individual		Consolidated	
	03/31/2024	12/31/2023	03/31/2024	12/31/2023
In the country	32,030	31,852	44,945	82,199
Abroad	154,359	98,777	160,446	97,048
Total suppliers	186,389	130,629	205,391	179,247

Information on the Company's exposure to market and liquidity risks in connection with trade accounts payable is disclosed in note nº 31.

17 | Debentures

17.1 | Accounting policy

Loans, financing and debentures are initially recognized at fair value, net of transaction costs incurred, and are subsequently stated at amortized cost. Any difference between amounts raised (net of transaction costs) and the settlement amount is recognized in the income statement during the period in which any such borrowings are outstanding, using the effective interest rate method.

Based on CPC 3 (R2), the Company has opted to recognized interest paid on debentures in financing activities in its statement of cash flows.

17.2 | Breakdown

Mode	Average rate	Collateral	Consolidated and Individual	
			03/31/2024	12/31/2023
3 rd Issue Debentures	CDI + 1.10% p.a.	Surety from controlling shareholder	211,111	205,160
6 th Issue Debentures	CDI + 1.68% p.a.	Surety from controlling shareholder	350,491	362,760
Total debentures			561,602	567,920
Current			61,602	67,920
Non-current			500,000	500,000
Total			561,602	567,920

On September 20, 2023, the Company carried out the 6th issuance of simple, non-convertible debentures (Blau 16) in the amount of R\$350,000, with credits to checking account, in the form of amortization by three equal annual payments of 33.33%, starting on September 25, 2026, and semi-annual interest starting on March 25, 2024, maturing on September 25, 2028.

Notes to the interim financial information

March 31, 2024

(In thousands of *Reais*)

The net proceeds were used for investments in studies, capacity expansion projects, launches, and research, development and innovation, as well as general corporate purposes. The characteristics of such debentures are laid out in the table below:

Description	3 rd Issue	6 th Issue
Issuing entity	Blau	Blau
Financial institution	Bradesco 66.7% / Itaú 33.3%	Itaú
Single-series issue total amount	250,000,000	350,000,000
Nature	Public	Private
Date of issue	04/15/2020	09/01/2023
Date of credit into account	04/20/2020	09/20/2023
Maturity	04/15/2027	09/25/2028
Type	Unsecured	Unsecured
Asset CETIP identification	BLAU13	BLAU16
b. Effective interest rate p.a. %	1.10% + 100% cdi	1.68% + 100% cdi
c. Total amount of debt	211,111	350,491

a) Changes in debentures

	1 st Issue	3 rd Issue	6 th Issue	Total
Balance in December 2022	22,601	257,269	-	279,870
Funding with cash effect	-	-	350,000	350,000
Interest paid	(914)	(31,848)	-	(32,501)
Interest provisioned	815	29,739	12,760	(43,053)
Amortization	(22,502)	(50,001)	-	(72,502)
Balance in December 2023	-	205,159	362,760	567,920
Interest paid	-	(7,267)	(23,264)	(30,531)
Interest provisioned	-	13,219	10,994	24,213
Balance in March 2024	-	211,111	350,490	561,602

b) Debt amortization schedule

Year	Consolidated and individual			Total
	Principal	Interest		
04/01/2024 to 03/31/2025	50,000	11,602		61,602
04/01/2025 to 03/31/2026	50,000			50,000
04/01/2026 to 03/31/2027	166,667			166,667
04/15/2027	166,667			166,667
09/25/2028	116,666			116,666
Total	550,000	11,602		561,602

c) Covenants

The maintenance of the contractual maturities of debentures, loans and financing arrangements is conditional upon compliance with covenants that have been regularly honored by the Group, including as of the base date of these financial statements.

According to the terms of the main lines of credit, the Group is required to comply with the following financial covenant:

(a) Leverage not to exceed 2.5x (Net Debt/EBITDA).

As of March 31, 2024, the Company is in compliance with these covenants.

18 | Labor liabilities

18.1 | Accounting policy

Short-term employee benefit liabilities are recognized as personnel expenses as the relevant services are provided. The liability is recognized in the amount of the expected payment if the Group has any present legal or constructive obligation to pay that amount for a past service provided by the relevant employee and that liability can be reliably estimated.

The Group does not have any pension plans or other post-retirement obligations and recognizes the costs of terminations when it is formally committed to the termination of the relevant employees' employment agreements.

	Individual		Consolidated	
	03/31/2024	12/31/2023	03/31/2024	12/31/2023
Salaries	5,665	5,512	13,140	11,229
Charges	22,075	9,161	24,118	10,443
Vacation	18,055	18,547	18,000	18,691
13 th Salary	3,030	-	3,445	-
Profit-sharing provision	8,793	5,024	8,793	5,024
Other accounts	993	671	1,757	1,086
Total	58,611	38,915	69,253	46,473
Current	58,264	38,474	68,867	46,032
Non-current	347	441	386	441
Total	58,611	38,915	69,253	46,473

19 | Tax liabilities

	Individual		Consolidated	
	03/31/2024	12/31/2023	03/31/2024	12/31/2023
ICMS PAYABLE	12,201	11,635	17,030	14,698
ISS PAYABLE	60	55	145	55
IRPJ PAYABLE	-	-	4,066	-
OTHER	639	193	6,574	1,986
Total	12,900	11,883	27,815	16,739
Current	8,397	4,729	23,312	9,585
Non-current	4,503	7,154	4,503	7,154
Total tax liabilities	12,900	11,883	27,815	16,739

20 | Dividends and interest on own capital

20.1 | Accounting policy

Dividends

The mandatory minimum dividends of 25% are stated in the balance sheets as legal obligations (provisions in current liabilities). Any dividends in excess of that minimum, if not yet approved for payment by the shareholders' meeting, are stated as proposed additional dividend in shareholders' equity. After approval by the shareholders' meeting, they are transferred to current liabilities, whereupon they are characterized as legal obligations.

Interest on own capital

Any interest on own capital paid or credited is originally accounted for in the income statement as a financial expense and subsequently reversed upon determination of net income for the period and stated as use of retained earnings in the statement of changes in shareholders' equity as interest on own capital paid or payable, according to the essence of the transaction.

1.1 | Changes in dividend and interest on own capital liabilities

	Consolidated and Individual	
	03/31/2024	12/31/2023
Opening balance	2,485	9,317
Additions	19,167	59,330
Payments	-	(66,162)
Closing balance	21,652	2,485

21 | Other liabilities

	Individual		Consolidated	
	03/31/2024	12/31/2023	03/31/2024	12/31/2023
Equity interests (ii)	-	-	5,291	-
Advances from customers	293	403	559	552
Provisions for sundry expenses	6,070	5,687	31,493	11,139
Investment subsidy (i)	32,943	32,943	32,942	32,942
Consortium charges payable	5,166	5,577	5,166	5,503
Other accounts payable	1,972	2,065	4,226	14,812
Total	46,444	46,675	79,677	64,948
Current	10,575	9,657	33,661	22,480
Non-current	35,869	37,018	46,016	42,468
Total	46,444	46,675	79,677	64,948

(i) Governmental subsidy predicated on the terms of a land purchase for building P1000 in Pernambuco, according to State Law No. 16,582, dated June 7, 2019 ("Reducer Law"), which will be subsidized by State of Pernambuco through a discount from the relevant balance. Upon all conditions provided by the clauses of the relevant agreement, the amount will be recognized as a decrease in value of the land recorded in property, plant and equipment.

(ii) Balance of negative investments of subsidiary PLEX Plasma in Hemarus LLC.

22 | Related-party transactions

22.1 | Accounting policy

Transactions with related parties comprise purchase, sale and rental transactions with related companies and with complementary operations with which the Group has agreements in accordance with the applicable laws and policy.

22.2 | Shareholding structure

The Company's shareholding structure is apportioned as follows: the leading shareholder is Mr. Marcelo Rodolfo Hahn, who holds 82.50% of the Company's capital stock, while 16.63% is held by several other shareholders, and 0.87% consists of treasury shares.

22.3 | Breakdown

Goods purchase and sale transactions and freights - The subsidiaries Blau Farmaceutica Colombia, Blau Farma Uruguay, Blau Farma Chile and Laboratório Farmacêutico Bergamo engage in purchase and sale transactions intended to optimize the distribution of goods out of the distribution center to customer across Latin America. Those transactions are supported by a business arrangement between Blau and its subsidiaries, which is effective indefinitely and is based on specific conditions agreed upon by the parties.

	Individual		Consolidated	
	03/31/2024	12/31/2023	03/31/2024	12/31/2023
Assets				
Trade accounts receivable (Note 7)				
The Package Store Imp. Com. Distr. Emb. Ltda. (a)	-	230	-	230
Blau Farmaceutica Colombia S.A.S. (b)	19,622	16,539	-	-
Blau Farma Uruguay S.A. (c)	22,976	19,915	-	-
Blau Farma Chile (d)	2,504	732	-	-
Blau Farmacêutica Perú S.A.C. Bergamo	8,391	6,041	-	-
	1,505	4,729	-	-
Subsidiary securities receivable position	54,998	48,186	-	230
Total assets from related parties	54,998	48,186	-	230
Liabilities				
Related-party trade accounts payable				
F11 Segurança Privada Ltda. (f)	49	26	49	26
F11 Facilities Ltda. (g)	-	643	0	643,00
Total liabilities to related parties	49	669	49	669

Income - gross revenues (note n° 28) and cost of goods and products sold.

	Individual			
	03/31/2024		12/31/2023	
	Revenue	Cost	Revenue	Cost
The Package Store Imp. Com. Distr. Emb. Ltda. (b)	74	(47)	660	(419)
Blau Farmacêutica Colombia S.A.S. (c)	9,769	(13,559)	5,428	(4,639)
Blau Farma Uruguay S.A. (d)	7,363	(7,794)	2,965	(2,895)
Blau Farma Peru S.A.	2,350	(2,281)	-	-
Total income from related parties	19,556	(23,681)	9,053	(7,953)

	Consolidated			
	03/31/2024		12/31/2023	
	Revenue	Cost	Revenue	Cost
The Package Store Imp. Com. Distr. Emb. Ltda. (b)	74	(47)	660	(419)
Total income from related parties	74	(47)	660	(419)

Income - other operations

	Individual	
	03/31/2024	12/31/2023

Notes to the interim financial information

March 31, 2024

(In thousands of Reais)

F11 Segurança Privada Ltda. (f)	(1,859)	(7,580)
F11 Facilities Eireli (g)	(2,648)	(11,576)
Hahn Participações	-	(77)
	(4,507)	(19,233)

- (a) The primary activity of The Package Store Imp. Com. Distr. Emb. Ltda. ("The Package Store") is selling glass containers to the pharmaceutical industry. The amounts invoiced by The Package Store are for glass containers purchased by the Company from foreign suppliers and resold to The Package Store in regular market conditions.
- (b) Blau Farmacêutica Colombia S.A.S. - Related to exports of drugs manufactured by the Company that are resold by the subsidiary on Colombian territory.
- (c) Blau Farma Uruguay S.A. - Related to exports of drugs manufactured by the Company that are resold by the subsidiary on Uruguayan territory.
- (d) Blau Farma Chile S.A. - Related to exports of drugs manufactured by the Company that are resold by the subsidiary on Chilean territory.
- (e) Corresponding to the amount receivable as a result of a prorating and sharing of corporate expenses.
- (f) F-11 Segurança Privada Ltda. - The Company has a security service agreement that started out in the second half of 2016 with a related company.
- (g) F-11 Facilities Ltda. is a one-man limited liability company providing outsourced services to the Company, such as cleaning and gatekeeping services.

22.4 | Key management compensation

The annual compensation for key management personnel as of March 31, 2024, which comprises the officers (CEO, CFO, Chief M&A Officer, Chief Legal and Compliance Officer, and Chief Quality Officer), is stated below:

	Individual	
	03/31/2024	12/31/2023
Management compensation	(1,596)	(1,530)
Bonus	-	(258)
Benefits	(304)	(277)
Total	(1,900)	(2,065)

The amounts arising out of executive incentive plans are disclosed in note 23.

23 | Employee benefits - Share-based payment

23.1 | Accounting policy

The goal of such "Plans" is to attract and retain executives for the Company and its direct or indirect subsidiaries by granting [stock options] to managers, employees and service providers, as designated by the Board of Directors, to foster their alignment with the shareholders' interests.

Since the Company has its shares listed and traded on a stock exchange, the strike price of a stock option will be equivalent to the weighted average, by traded volume, for the 90 (ninety) trading sessions immediately preceding the stock option grant date, and it can be adjusted for inflation by such price index as shall be determined by the Board of Directors, plus interest at such rate as may be determined by the Board of Directors.

Obligations to long-term incentive plans will be recognized based on the fair value of the Company's obligations to the beneficiaries, which amount will be, at the time of settlement of the outstanding amount of that liability, exactly the amount, in currency, that will be transferred to the employees.

The initial recognition of the long-term retention incentive plan was calculated using the average amount for the past 90 (ninety) trading sessions, taking into account the turnover rate stipulated by the Company.

The initial recognition of the long-term performance incentive plan was calculated using the Monte Carlo (MC) pricing methodology, considering performance rules and market conditions within the estimated window for occurrence of a liquidity event, and their effects are recognized from the grants.

Random scenarios are generated simulating the share price on the vesting date. For each scenario, a performance ratio is calculated to determine the provision percentage, and the resulting amount is brought to present value at the DI rate. Subsequently, the average of all simulate scenarios is calculated, and the end result is considered to be the fair value of a share in the performance program.

For volatility, a historical period of 1 year was considered, taking into account that the fair value will be adjusted for

inflation at each reporting.

Phantom shares will only be settled if the beneficiaries keep their employment relationship at the date of payment. In the event of termination, whether on the Company's or the beneficiary's initiative, before the vesting period is served, then the beneficiary forfeits the right to receive all amounts, except as may be provided otherwise in their agreement.

23.2 | Breakdown

A meeting held by the Board on July 19, 2022 approved two long-term incentive plans ("ILP" or "Plan") for certain executives and key members of the Company. The Plan sets forth the terms and conditions for the payment of a financial reward, underpinned by the future valuation of the Company's shares in the long term.

These plans were set up considering (a) Performance Phantom Shares and (b) Retention Phantom Shares, which will give a beneficiary the ability to receive, in local currency, funds based on the amount of Phantom Shares obtained on the vesting date.

In August 2022, 222,246 Phantom Shares were granted, 139,414 of which for the Performance Phantom Shares plan, and 82,832 for the Retention Phantom Shares plan, which shares remain subject to the vesting period.

As agreed in the grant agreement, beneficiaries shall meet the following vesting criteria:

Performance Phantom Shares: a beneficiary will be entitled to receive a certain amount of Phantom Shares if they: i) attain a specified time of service (i.e. service condition); and ii) achieve a specific performance target while providing services. Retention Phantom Shares: a beneficiary will be entitled to receive a certain amount of Phantom Shares, on condition that they remain employed as manager or employee of the Company during the plan's vesting period (at least 3 years):

Program	Date of Grant	Right to Exercise		Amount of Phantom Shares Granted
ILP - 2022	08/09/2022	1 st vesting	04/30/2023	34,854
		2 nd vesting	04/30/2024	23,885
		3 rd vesting	04/30/2025	96,563

The amounts related to the 2023 phantom shares already have been paid to the beneficiaries.

As of March 31, 2024, the Company recognized as fair value of the Performance Phantom Shares plan the amount of 11, and for the Retention Phantom Shares, the fair value recognized was 504.

Program	2024 Retention	2024 Performance
Date	08/09/2022	08/09/2022
Number of options	139,412	82,832
Options cancelled	14,286	14,636
Options vested	(33,386)	-
Options vesting	99,248	80,191
Strike price	25.62	-
Fair value of options	14.02	14.02
Volatility	40.03%	40.03%
Risk-free interest rate	10.99%	10.99%
Period	1.09	1.09

24 | Provision for risks and court deposits

24.1 | Accounting policy

Provisions for lawsuits (labor, civil and tax) are recognized when: (i) the Group has a present or constructive obligation as a result of events having already taken place; (ii) an outflow of funds is likely to be necessary to settle the obligation; and

Notes to the interim financial information

March 31, 2024

(In thousands of Reais)

(iii) the amount can be reliably estimated.

When there is a series of similar obligations, the probability of them being settled is determined by taking into consideration the class of obligations as a whole. A provision is recognized notwithstanding that the probability of settlement related to any individual item included in the same class of obligations may be low.

24.2 | Breakdown

Court deposits

Changes in the balance of court deposits and frozen assets for the years ended March 31, 2024 and 2023 are stated in the table below:

	Individual								
	Balance as of 12/31/22	Addition	Write-off	Inflation adjustment	Balance as of 12/31/23	Addition	Write-off	Inflation adjustment	Balance as of 03/31/2024
Labor	678	178	(393)	73	536	-	-	12	548
Civil	1,562	-	-	130	1,692	11	(44)	29	1,688
Tax	5,018	-	-	1,040	6,058	-	-	153	6,211
Total	7,258	178	(393)	1,243	8,286	11	(44)	194	8,447

	Consolidated										
	Balance as of 12/31/23	Addition	Write-off	Inflation adjustment	Balance as of 12/31/23	Addition	Bergamo	Write-off	Inflation adjustment	Balance as of 03/31/24	
Labor	678	192	1,141	(393)	73	1,691	-	(64)	76	1,703	
Civil	1,562	-	1,444	-	130	3,136	23	(44)	29	3,144	
Tax	5,018	-	16,002	-	1,040	22,060	-	-	153	22,213	
Total	7,258	192	18,587	(393)	1,243	26,887	23	(108)	258	27,060	

Provision for risks of administrative and judicial proceedings

The changes in provisions for the years ended March 31, 2024 and 2023 are stated in the table below:

	Individual		
	Labor Claims	Civil Lawsuit	Total
Balance as of December 31, 2022	5,037	203	5,240
Addition	3,212	857	4,069
New cases	1,119	746	1,865
Reversal	17	39	56
Inflation adjustment	2,076	72	2,148
Write-off	(3,554)	(55)	(3,609)
Payments	(112)	-	(112)
Reversal	(516)	(6)	(522)
Inflation adjustment	(2,926)	(49)	(2,975)
Balance as of December 31, 2023	4,695	1,005	5,700
Addition	1,823	101	1,924
New cases	684	76	760
Reversal	4	-	4
Inflation adjustment	1,135	25	1,160
Write-off	(2,227)	(102)	(2,329)
Payments	-	-	-
Reversal	(1,172)	(102)	(1,274)
Inflation adjustment	(1,055)	-	(1,055)
Balance as of March 31, 2024	4,291	1,004	5,295

Consolidated

Notes to the interim financial information

March 31, 2024

(In thousands of Reais)

	Labor Claims	Civil Lawsuits	Total
Balance as of December 31, 2022	5,037	203	5,240
Addition	10,644	857	11,501
New cases	8,551	746	9,297
Reversal	17	39	56
Inflation adjustment	2,076	72	2,148
Write-off	(3,554)	(55)	(3,609)
Payments	(112)	-	(112)
Reclassification	(516)	(6)	(522)
Inflation adjustment	(2,926)	(49)	(2,975)
Balance as of December 31, 2023	12,127	1,005	13,132
Addition	1,823	101	1,924
New cases	684	76	760
Reversal	4	-	4
Inflation adjustment	1,135	25	1,160
Write-off	(8,420)	(102)	(8,522)
Payments	-	-	-
Reversal	(6,559)	(102)	(6,661)
Inflation adjustment	(1,861)	-	(1,861)
Balance as of March 31, 2024	5,530	1,004	6,534

Additions represent new actions provisioned with a probable risk of loss and adjustments for inflation, payments represent cases where the Group had an unfavorable decision in the legal action, and reversals represent cases where either the Group won or there was a change in the classification of the risk of loss between the periods in question (change from probable risk of loss to possible or remote risk of loss).

The Company and its subsidiaries are subject to other lawsuits assessed by its legal counsel as possible probability of loss, for which no provision was recognized, in the amount of R\$9,752 as of March 31, 2024 (R\$6,680 as of December 31, 2023), according to their nature, as stated in the table below:

Nature	Consolidated	
	03/31/2024	12/31/2023
Labor	416	703
Civil	3.201	9
Tax	6.135	5.968
Total	9.752	6.680

25 | Shareholders' equity

25.1 | Accounting policy

The Company is allowed to increase its capital stock up to a limit of 300,000,000 (three hundred million) shares by resolution of the Board of Directors, irrespective of any amendment to its bylaws. It will be incumbent upon the Board of Directors to set the issue price and number of shares to be issued, as well as to determine the share payment term and conditions.

Within the limit of the authorized capital, the Board of Directors may, further, (i) resolve to issue subscription warrants, (ii) under the plan approved by the Shareholders' Meeting, grant stock options to the management and employees of the Company or any other company under its control or to any individual providing them with services, without the shareholders having any preemptive right to either the grant of or subscription for such shares, (iii) approve any increase in the capital stock through capitalization of profits and reserves, with or without bonus shares included, and (iv) resolve to issue convertible debentures.

Notes to the interim financial information

March 31, 2024

(In thousands of *Reais*)

25.2 | Breakdown

Capital stock

Both common and preferred shares are classified in equity. Any incremental costs directly attributable to an issuance of new shares are stated in equity as a deduction from the amount raised, net of taxes.

As of March 31, 2024 and December 31, 2023, the Company's capital stock amounted to R\$1,316,609 and was represented by 179,393,939 common, registered, book-entry shares with no par value.

The shareholding structure of Blau Farmacêutica S.A. is apportioned as follows as of March 31, 2024:

Shareholder	Number	%
Marcelo Rodolfo Hahn	148,000,000	82.50
Outstanding shares	29,680,740	16.55
Treasury shares	1,713,200	0.95
Total	179,393,939	100%

Treasury shares

On June 14, 2022, the Company notified the shareholders and the market at large of the share Buyback Program approved by the Company's Board of Directors on June 13, 2022, aimed at using the Company's available funds to maximize the creation of shareholder value. The shares purchased will be held as treasury shares and may, at a later time, be either cancelled or sold on the market, with no increase in the Company's capital stock involved, under the provisions of article 30, paragraph one, of Law No. 6.404/1976 ("Corporation Law"), and according to the rules set forth in CVM Resolution No. 77, dated March 29, 2022 ("CVM Resolution No. 77").

The Company may, at its sole discretion and as set forth in the Buyback Program, purchase up to 4,484,848 (four million four hundred eighty-four thousand eight hundred and forty-eight) common, registered, book-entry shares with no par value issued by the Company, representing up to 2.50% of all shares issued by the Company on that date, as resolved at a meeting of the Board of Directors.

Changes in treasury shares took place as reflected in the table below:

	Amount	Number
Balance as of December 31, 2023	42,891	1,713,200
Purchase in the year	-	-
Balance as of March 31, 2024	42,891	1,713,200

The market price of treasury shares, based on a trading price of R\$12,45 per share as of March 31, 2024.

Earnings per share - consolidated

Basic

Basic earnings per share are calculated by dividing income attributable to the Company's shareholders by the weighted-average number of common shares outstanding during the year, excluding common shares purchased by the Company and held as treasury shares.

Diluted

Stated below are the basic and diluted earnings per share for the years ended March 31, 2024 and 2023:

	Consolidated	
	03/31/2024	12/31/2023
Income attributable to controlling shareholders	40,089	249,809
Number of common shares (in thousands of shares)	179,394	179,394
Number of treasury shares (in thousands of shares)	(1,713)	(1,713)
Basic and diluted earnings per common share	0.2256	1.3839

a) Legal and profit reserve

A legal reserve is set up annually using 5% of net income for the year and may not exceed 20% of the capital stock. The purpose of the legal reserve is to ensure the integrity of the capital stock, and it can only be used to offset losses and increase the capital.

b) Other comprehensive income

It consists of gains and losses arising from the translation of the financial statements of subsidiaries domiciled abroad.

26 | Net revenues

26.1 | Accounting policy

Revenues comprise the fair value of the consideration received or receivable for products and services sold in the ordinary course of the Group's business. Revenues are stated net of taxes, return, abatements and discounts, as well as any eliminations of sales between Group companies.

The Group recognized revenues when the amount of revenue can be confidently measured, future economic benefits are likely to be delivered to the entity, and criteria specific to each of the Group's activities have been met, as set out below. The Group bases its estimates on historic results, taking into consideration the type of customer, type of transaction, and specifications of each sale.

Net operating revenues are stated by segment in note n° 31.

The right to recover returned goods is measured by the previous book value of inventories minus any expected costs. The obligation to refund is then recorded in other accounts payable. The Company makes no provisions for returned goods sold because it deems their effect to be not material, but Management annually reassesses the need for making such provision for returns of goods on the date of preparation of the financial statements.

Discounts on sales are only given in the case of specific negotiations or events—for example, low-turnover inventories with a risk of obsolescence at the customers to prevent returns of goods sold. For the retail channel, there are usual discounts based on sales levels, and such abatements are applied to amounts payable by the customers to the Company. For discounts on sales, the Company does not make any provision because it deems the amount not to be representative.

Notes to the interim financial information

March 31, 2024

(In thousands of Reais)

In the Government sector, contracts are signed after auctions as a way of ensuring all obligations of both parties.

26.2 | Breakdown

	Individual		Consolidated	
	03/31/2024	03/31/2023	03/31/2024	03/31/2023
Products sold - domestic market	316,652	261,812	373,976	284,642
Products sold - foreign markets	5,004	7,641	5,004	7,641
Sales - related parties (Note 23)	19,408	9,053	9,053	660
Gross revenues	341,064	278,506	388,033	292,943
(-) Taxes	(18,954)	(14,738)	(22,015)	(14,738)
(-) Discounts	(24)	(61)	(371)	(150)
(-) Returns	(5,262)	(19,814)	(5,966)	(19,854)
Total deductions from gross revenues	(24,240)	(34,613)	(28,352)	(34,742)
Net operating revenues	316,824	243,893	359,681	258,201

a) Geographic location

Regarding geographic location, net revenues in Brazil represent 91% of the Company's consolidated net revenues as of March 31, 2024 and 2023.

	Consolidated	
	03/31/2024	03/31/2023
Brazil	322,436	227,503
Uruguay	11,003	9,896
Colombia	11,752	5,843
U.S.A.	8,426	6,962
Chile	3,713	2,309
Peru	2,349	1,966
Other	-	3,722
Total	359,679	258,201

b) Sales channels

Regarding the distribution of consolidated net revenues for the year ended March 31, 2024 between government and private-sector customers, see below:

	Consolidated	
	03/31/2024	03/31/2023
Government	88,307	50,044
Private sector	271,372	208,157
Total	359,679	258,201

Revenues from private-sector customers represented 83% of the total net operating revenues as of December 31, 2024 (73% for 2022).

Regarding the distribution of consolidated net revenues between institutional and non-institutional for the year ended December 31, 2023 and 2022, see below:

	Consolidated	
	03/31/2024	03/31/2023

Blau Farmacêutica S.A.

Notes to the interim financial information

March 31, 2024

(In thousands of Reais)

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Non-institutional	56,682	368,043
Institutional	302,997	1,038,866
Total	359,679	1,406,909

Revenues are recognized when the products are delivered and accepted by customers at their facilities.

For agreements that allow customers to return the goods, revenues are recognized to the extent that a significant reversal of the amount of revenues recognized is highly unlikely to occur.

27 | Cost of goods and products sold

27.1 | Accounting policy

The costs of raw material and packaging materials, labor costs and direct costs of operations and quality control are recognized as selling costs and costs of services provided.

27.2 | Breakdown

	Individual		Consolidated	
	03/31/2024	03/31/2023	03/31/2024	03/31/2023
Raw materials and packaging materials	(163,301)	(111,755)	(190,512)	(119,520)
Labor	(10,920)	(8,099)	(10,920)	(8,099)
Depreciation and amortization	(3,731)	(2,379)	(3,731)	(2,379)
Other manufacturing expenses	(34,856)	(20,844)	(34,856)	(20,844)
Total selling costs	(212,808)	(143,077)	(240,019)	(150,842)

28 | Expenses by function and nature

28.1 | Expenses by function

	Individual		Consolidated	
	03/31/2024	03/31/2023	03/31/2024	03/31/2023
Selling expenses	(20,007)	(12,858)	(24,103)	(15,597)
RD&I expenses	(5,536)	(9,243)	(5,535)	(9,243)
Total commercial expenses	(25,543)	(22,101)	(29,638)	(24,840)
Expected impairment loss on accounts receivable	(1,245)	(1,184)	(1,595)	(1,022)
Administrative expenses	(33,001)	(25,673)	(46,601)	(30,013)
Other operating revenues, net	6,014	(245)	7,007	(206)
Total expenses	(53,775)	(49,203)	(70,827)	(56,081)

28.2 | Expenses by nature

	Individual		Consolidated	
	03/31/2024	03/31/2023	03/31/2024	03/31/2023
Personnel	(24,968)	(23,928)	(29,004)	(27,002)
Specialist services	(4,693)	(5,151)	(4,838)	(5,337)
Marketing	(3,301)	(2,079)	(3,469)	(2,164)
Freight	(2,353)	(1,618)	(3,828)	(1,646)
Materials	(2,810)	(5,105)	(3,738)	(5,204)
Depreciation	(4,527)	(3,458)	(8,281)	(4,478)
Maintenance	(4,996)	(2,053)	(5,567)	(2,053)

Notes to the interim financial information

March 31, 2024

(In thousands of Reais)

General	(6,127)	(5,811)	(12,102)	(8,197)
Total operating expenses	(53,775)	(49,203)	(70,827)	(56,081)

29 | Financial result, net

29.1 | Accounting policy

Financial revenues are recognized according to time elapsed on an accrual basis, using the effective interest rate method. Financial revenues substantially comprise revenues from returns on financial investments and from discounts obtained.

Financial expenses substantially comprise expenses incurred in connection with loans, financing arrangements and debentures, interest on taxes paid by installments, lease interest and inflation adjustments of provisions for litigation.

Present-value adjustment is recognized for elements of assets and liabilities arising from either long-term transactions or short-term transactions when material effects exist, based on the date of origin of the relevant transaction. Management conducted an analysis of asset and liability amounts and did not identify any balances or transactions subject to present-value adjustment or relevant for the purposes of the financial statements.

29.2 | Breakdown

	Individual		Consolidated	
	03/31/2024	03/31/2023	03/31/2024	03/31/2023
Interest received	14,827	16,217	15,238	16,338
Discounts obtained	77	6	77	6
Total financial income	14,904	16,223	15,315	16,344
Exchange rate fluctuation(a)	(248)	(2,874)	368	(2,613)
Derivative instruments	(243)	-	(243)	-
Interest incurred	(14,440)	(3,419)	(15,021)	(4,137)
IOF	(146)	(267)	(146)	(267)
Commissions and banking expenses	(487)	(182)	(500)	(182)
Discounts given	-	(4)	(1)	(4)
Other	(1,009)	(808)	(1,024)	(809)
Total financial expenses	(16,573)	(7,554)	(16,567)	(8,012)
Total financial result, net	(1,669)	8,669	(1,252)	8,332

30 | Financial instruments

30.1 | Accounting policy

31.1.1 | Financial assets

Initial recognition and measurement

Trade accounts receivable are initially recognized on the date when they originated. All other financial assets and liabilities are initially recognized when the Group becomes a party named in the provisions of the relevant agreements.

A financial asset is usually measured at fair value, plus any transaction costs (for items not measured at fair value through profit or loss (FVTPL)) that are directly attributable to either the acquisition or issuance of such asset. Trade accounts receivable are initially measured at the transaction price.

Classification and subsequent measurement

Financial asset at amortized costs

Financial assets at amortized cost are subsequently measured by the effective interest rate method and are subject to impairment-testing. Gains or losses are recognized in the income statement when an asset is written off, changed or impaired.

The Group's financial assets classified as amortized cost include balances of accounts receivable and other current and

non-current assets.

Fair value through profit or loss

Any assets that fail to meet the criteria for classification as being at amortized cost or at fair value through other comprehensive income are measured at fair value through profit or loss. Any gains or losses on an investment in debt securities that is subsequently measured at fair value through profit or loss are recognized in the income statement and stated net of other gains (losses) for the period in which they occur.

Derecognition (write-off) of financial instruments

A financial asset (or, where applicable, any part of a financial asset or part of a group of similar financial assets) is written off upon expiration of the rights to receive cash flows from such asset, the Group has either transferred its rights to receive or risks of receiving cash flow from assets or assumed an obligation to fully pay any cash flows receive, with no material delay, to a third party under a transfer agreement, and either (i) the Group has transferred substantially all risks and benefits of such asset or (ii) the Group has neither transferred nor substantially retained all risks and benefits of the asset, but has transferred control of the asset.

When the Group transfers its rights to receive cash flows from an asset or enters into a transfer agreement, it seeks to determine if and to what extent it has retained the risks and benefits of ownership. When the Group neither transfers nor substantially retains all risks and benefits of the asset, nor has it transferred control of that asset, the Group continues recognizing the transferred asset to the extent of its continued involvement. In that case, the Group will also recognize a related liability. The asset transferred and the related liability are measured on a basis that reflects the rights and obligations retained by the Group. With regard to individual customers, it is the Group's policy to write off the gross book value when the financial asset has reached maturity more than 180 days prior, based on the historical experience with recovering similar assets.

Regarding corporate customers, the Group makes an individual assessment of the timing and amount of the write-off based on whether or not a recovery can be reasonably expected. The Group does not expect any significant recovery of the sum written off, given the irrelevance of the write-offs. However, any financial assets written off may still be subject to credit foreclosure for compliance with the Group's procedures for recovering the amounts due.

Impairment of financial assets

The Group calculates provisions for impairment losses on financial assets measured at amortized cost.

The Group measures the provision for impairment in any amount equal to the impairment loss expected for the entire useful life of the asset in question.

The Group uses a simplified "provision matrix" to calculate the losses expected for its trade accounts receivable, according to which the amount of expected losses is determined on an ad hoc basis. The provision matrix is based on historical impairment rates observed over the expected lives of receivables and is adjusted for specific customers, according to future estimate and qualitative factors, such as the debtor's financial strength, collateral posted and ongoing renegotiations, among other factors that are monitored. Those qualitative factors are monitored on a monthly basis by a committee known as the credit and collection committee. Historical impairment rates and changes in future estimates are reviewed every reporting period or whenever any significant event occurs with signs that there may be a material change in those rates.

For expected credit losses related to securities classified as being at amortized cost, the impairment methodology to apply will depend on significant increase in the counterparty's credit risk.

Financial assets with recovery problems

The provision for losses on financial assets measured at amortized cost is deducted from the gross book value of such assets. On each balance sheet date, the Group determines whether the financial assets accounted for at cost are having any recovery problems. A financial asset is having "recovery problems" when one or more events occur that have a detrimental effect on estimated future cash flows from such financial asset.

Objective evidence that financial assets had recovery problems includes the following observable data:

- □ a debtor having significant financial difficulties;
- □ breach of contract, such as default or delay for more than 60 days;
- □ restructuring of any amount due to the Group in conditions that would not be accepted in the ordinary course;

Notes to the interim financial information

March 31, 2024

(In thousands of *Reais*)

- □ debtor likely to go into bankruptcy or undergo any other type of financial reorganization; or
- □ disappearance of any active market for the relevant security due to financial difficulties.

The provision for losses for financial assets measured at amortized cost is deducted from the gross book value of such assets.

The gross book value of a financial asset is written off when the Group has no reasonable expectation of recovery that financial asset, either in full or in part. For individual customers, it is the Group's policy to write off the gross book value when the financial asset has reached maturity 12 or 24 months prior based on the historical experience with recovering similar assets. The Group does not expect any significant recovery of amounts written off. However, the financial assets written off may still be subject to credit foreclosure for compliance with the Group's procedures for recovering amounts due.

30.1.2 | Financial liabilities

Initial recognition and measurement

All financial liabilities are initially measured at amortized cost and, for loans, financing arrangements and debentures, net of directly attributable transaction costs. The Group's financial liabilities include loans, financing arrangements and debentures (note 17), derivative financial instruments (note 30), trade accounts payable, lease liabilities (note 15), and dividends payable (note 20).

Subsequent measurement

For the purposes of subsequent measurements, financial liabilities are classified into two categories: (i) financial liabilities at fair value through profit or loss; or (ii) financial liabilities at amortized cost.

Financial liabilities at fair value through profit or loss

A financial liability is classified as measured a fair value through profit or loss if designated as held for trading. Financial liabilities measured at fair value through profit or loss are measured at fair value, and the net result, including interest, is recognized in the income statement.

Financial liabilities at amortized cost

Other financial liabilities are subsequently measured at amortized cost using the effective interest rate method. Interest expenses and foreign exchange gains and losses are recognized in the income statement. Any gain or loss at derecognition is also recognized in the income statement.

Derecognition

The Group will reverse a financial liability when its contractual obligation is withdrawn or canceled or expires and will also reverse a financial assets when its terms are changed and the cash flows from the changed liability are substantially different, in which case a new financial liability based on such changed terms is recognized at fair value.

At derecognition of a financial asset, any difference between the derecognized book value and the consideration paid (including assets transferred that are not part of any cash or liabilities assumed) is recognized in the income statement.

Offsetting financial instruments

Financial assets or liabilities are offset, and the net amount is stated in the balance sheet, when, and only when, the Group currently has a legally enforceable right to offset the amounts involved and intends to either settle them on a net basis or simultaneously realize the asset and settle the liability.

30.1.3 | Derivative financial instruments

The Group holds derivative financial instruments to hedge its exposures to risks of fluctuation in foreign currency. Embedded derivatives are separate from their master agreements and recorded separately if the master agreement is not a financial asset and certain criteria are met. Derivatives are usually measured at fair value. After initial recognition, derivatives are measured at fair value, and any changes in fair value are usually recorded in the income statement.

The Group designates certain derivatives as hedge instruments for protection from any variability of cash flows related to

transactions expected as highly probably as a result of changes in exchange rates.

At the beginning of the designated hedge relationships, the Group documents the risk management purpose and the acquisition strategy of the hedge instrument. The Group also documents the economic relation the hedge instrument and the item being hedged, including as to whether changes in cash flows from the hedged item and the hedge instrument are expected to offset each other.

30.2 | Fair value measurement

Fair value is the price that would be received for the sale of an asset or paid for the transfer of a liability in an orderly transaction between market participants on the measurement date, on the primary market or, in its absence, on the most advantageous market to which the Group has access on such date. The fair value of an asset reflects its nonperformance risk. Nonperformance risk includes, but is not limited to, the Group's own credit risk.

A series of accounting policies and disclosures of the Group requires fair value measurements, using assumptions and estimates, for both financial assets and liabilities, as well as non-financial ones. See note 6.2.

Where available, the Group measures the fair value of an instrument using the trading price on an active market for that instrument. A market is considered active if transactions involving the asset or liability occur often enough and in sufficient volumes to continuously provide pricing information.

If there is no trading price quoted on an active market, then the Group uses valuation techniques that maximize the use of relevant observable data and minimize the use of non-observable data. The valuation technique chosen incorporates all factors that would be taken into account by market participants in pricing a transaction.

If an asset or liability measured at fair value has a buying price and a selling price, then Blau measures assets based on buying prices and liabilities based on selling prices.

The best evidence of the fair value of a financial instrument at initial recognition is usually the transaction price—i.e. the fair value of the consideration paid or received. If the Group determines that the fair value at initial recognition differs from the transaction price and the fair value is not substantiated either by a quoted price on an active market for an identical asset or liability or based on a valuation technique for which any non-observable data is deemed insignificant to the measurement, then the financial instrument is initially measured at fair value, as adjusted to defer the difference between the fair value at initial recognition and the transaction price. Subsequently, that difference is recognized in the income statement on an appropriate basis over the life of the instrument or until such time as either the valuation is fully supported by observable market data or the transaction is finished, whichever the earlier.

30.3 | Financial instruments and risk management

30.3.1 | Financial instruments by category

Financial instruments are stated in the following categories:

Financial Assets	Note	Assets at fair value through profit or loss	Amortized cost	Total
Cash and cash equivalents (i)	5	-	26,496	26,496
Financial investments in local currency	6	401,392	-	401,392
Financial investments in foreign currency	6	19,900	-	19,900
Accounts receivable	7	-	458,369	458,369
Financial asset valued at fair value		-	20,373	20,373
Other receivables		-	26,496	26,496
Financial Liabilities	Note	Liabilities at fair value through profit or loss	Amortized cost	Total
Trade accounts payable	16	-	205,391	205,391
Related-party trade accounts payable	23	-	49	49
Leases payable	17	-	561,602	561,602
Debentures	22	-	66,878	66,878
Other accounts payable	16	-	205,391	205,391

(i) In practice, fair value and amortized cost are equivalent, considering, by definition, the characteristics of cash equivalents.

30.3.2 | Fair value of financial assets and liabilities

A comparison by class of book values and fair values of the Group's financial instruments is provided below:

	Book Balance		Fair Value	
	03/31/2024	12/31/2023	03/31/2024	12/31/2023
Financial assets				
Cash and cash equivalents	26,496	29,196	26,496	29,196
Investments (BRL)	401,392	375,384	401,392	375,384
Financial investments (USD)	19,900	9,653	19,900	9,653
Accounts receivable	458,369	453,329	458,369	453,329
Related-party accounts receivable	-	230	-	230
Financial assets at fair value	265,155	265,155	265,155	265,155
Other receivables	20,373	20,373	20,373	20,373
Financial liabilities				
Trade accounts payable	205,391	179,247	205,391	179,247
Related-party trade accounts payable	49	669	49	669
Swap	-	410	-	410
Leases payable	39,449	38,319	39,449	38,319
Debentures	561,602	567,920	561,602	567,920
Other accounts payable	66,878	64,947	66,878	64,947
Total				

The fair values of financial instrument assets and liabilities are measured according to the following categories:

Level 1 – Prices observed (not adjusted) for identical instruments on active markets.

Level 2 – Prices observed on active markets for similar instruments, prices observed for identical or similar instruments on non-active markets, and valuation models the inputs for which are observable.

Level 3 – Instruments whose material inputs are not observable. For these financial instruments, as they relate to amounts payable for call and put options in business combinations, the Company considered the acquired companies' EBITDA for the strike dates of such options and the rate for discount at present value.

	Note	Classification by Category	Book Balance	
			Level 1	Level 2
Financial Assets				
Cash and cash equivalents	5	Amortized cost	-	26,496
Investments (BRL)	6	Fair value through profit or loss	-	401,392
Financial investments (USD)	6	Fair value through profit or loss	-	19,900
Accounts receivable	7	Amortized cost	-	458,369
Financial assets at fair value	10	Fair value through profit or loss	-	265,155
Other receivables		Amortized cost	-	20,373
Financial Liabilities				
Trade accounts payable	16	Amortized cost	-	205,391
Related-party trade accounts payable	22	Amortized cost	-	49
Leases payable	15	Amortized cost	-	38,319
Debentures	17	Amortized cost	-	561,602
Other accounts payable	21	Amortized cost	-	66,878

30.3.3 | Financial risk management

The Group is exposed to credit risk, market risk and liquidity risk affecting its principal financial assets and liabilities. The Group manages these risks with support from a financial committee and with the approval of the Board of Directors, who

Notes to the interim financial information

March 31, 2024

(In thousands of Reais)

are in charge of authorizing the performance of transactions involving any type of derivative financial instrument or any contracts giving rise to financial assets and liabilities, regardless of the market on which they are traded or listed, the amounts of which are subject to fluctuations.

The Group does not contract derivatives for speculative purposes, and when such transactions are contracted, they are only used to hedge market risk-related fluctuations.

Credit risk

Credit risk is the risk that the counterparty to a deal fails to meet a financial obligation set forth in a financial instrument or contract, which would lead to financial loss. The Group is exposed to credit risk, especially in connection with accounts receivable, deposits with banking institutions, financial investments and other financial instruments.

	Individual		Consolidated	
	03/31/2024	12/31/2023	03/31/2024	12/31/2023
Cash and cash equivalents	18,305	23,572	26,496	31,495
Financial investments	405,288	366,961	421,292	375,819
Trade accounts receivable	431,809	403,440	458,369	453,559
Financial assets at fair value	265,155	265,155	265,155	265,155
Other receivables	13,808	17,247	22,358	20,477
Total	1,134,365	1,076,375	1,193,670	1,146,505

Market risk

Market risk is the risk that the fair value of future cash flows from a financial instrument may fluctuate due to changes in market prices. Market prices encompass three types of risk: interest rate risk, exchange rate risk, and price risk, which can be about prices for commodities, shares, etc.

i) Interest and exchange rate fluctuation risk

Interest rate risk is the risk that the fair value of future cash flows from a financial instrument may fluctuate due to changes in market interest rates. The Group's exposure to the risk of changes in market interest rates refers mostly to cash and cash equivalents, securities and financial investments, as well as liabilities for loans, financing, debentures, leases payable, obligations payable for business acquisitions, and right-of-use leases of the Group, subject to interest rates. To mitigate part of that exposure, especially in connection with liabilities for loans, financing and debentures, the Company has acquired a swap instrument that swaps the fixed index + IPCA for the CDI rate.

The Group also has interest rate swap contracts that have been treated as fair value hedging, which have been designated as hedge instruments, and certain financing agreements as hedged items, establishing an economic protection relationship between them, as it lowers the market risk arising from fluctuations in the fair value of the relevant financing agreements. Accordingly, both derivative and part of the financing agreements are measured at fair value through profit or loss, and any changes in fair values are expected to offset each other. For this type of instrument, a change in fair value is accounted for in the income statement and, although the hedged item is measured at amortized cost, part of the item is also measured at fair value through profit or loss, thus mitigating mismatching accounts.

To determine whether an economic relation exists between a hedge instrument and the hedged item, the hedge is qualitatively assessed for effectiveness through a comparison of the critical terms of both instruments.

Liquidity risk

The Group permanently monitors the risk of shortage of funds as a current liquidity planning tool with the aim of keeping in its assets cash and highly liquid investments and keeping up flexibility through lines of credit for bank loans, as well as the ability to raise funds in the capital market so as to ensure its liquidity and business continuity. Average debt terms are monitored as a way of providing short-term liquidity by analyzing installments, charges and cash flows.

Provided below are the contractual maturities of financial liabilities, including estimated interest payments:

Financial Liabilities	Consolidated - 03/31/24		Accounting Total
	Up to 1 year	Up to 5 years	
Trade accounts payable	205,440	-	205,440
Loans and financing	4,030	-	4,030
Debentures	61,602	500,000	561,602
Lease payable	5,697	33,752	39,449
Other accounts payable	20,863	46,015	66,878
Total	297,632	579,767	877,399

Financial Liabilities	Consolidated - 12/31/23		Book total
	Up to 1 year	Up to 5 years	
Trade accounts payable	179,916	-	179,916
Debentures	67,920	500,000	567,920
Leases payable	4,799	33,520	38,319
Derivative financial instruments	410	-	410
Other accounts payable	22,480	42,468	64,949
Total	275,525	575,988	851,513

a. Exchange Rate Risk

The Company and its subsidiaries are exposed to the exchange rate risk arising from differences between currencies in which sales, purchases and loans are denominated and the respective functional currencies of the Company's entities. The functional currencies of the Company and its subsidiaries are basically the Brazilian Real (BRL), the Colombian Peso (CP), and the Uruguayan Peso (UYU). The currencies in which the Company's and its subsidiaries' transactions are primarily denominated are BRL, USD, COP, and UYU.

Generally, loans are denominated in a currency equivalent to that of the cash flows generated by the business transactions of the Company and its subsidiaries, especially in BRL, but also in USD.

The Company determines the existence of an economic relation between the hedge instrument and the hedged item based on the currency, amount and timing of the relevant cash flows. The Company also determines whether the designated derivative in each hedge relation is expected to offset changes and whether it was effective at offsetting changes in cash flows from the hedged item using the hypothetical derivative method.

In those hedge relations, the main sources of ineffectiveness are:

- the effect of the Group's and the counterparties' own credit risk on the fair value of forward foreign exchange contracts, which is not reflected in the change in fair value of the hedged cash flows attributable to a change in exchange rates; and
- changes in the timing of performance of hedged transactions.

i) Exposure to exchange rate risk

	Consolidated as of 03/31/2024		Consolidated as of 12/31/2023	
	USD thousand	BRL	USD thousand	BRL
Financial investments	3,983	19,900	1,994	9,653
Trade accounts receivable	91,744	458,369	10,464	50,659
Trade accounts payable	41,119	205,440	20,046	97,048
Loans and Financing	807	4,030	-	-
Net exposure of expected transactions	137,653	687,739	32,504	157,360

b. Sensitivity analysis

The Group's Management conducted a sensitivity analysis according to CPC 40 (R1)/IFRS 7 in order to demonstrate the impacts of changes in interest and exchange rates on the Group's financial assets and liabilities, considering the following probable interest and exchange rates for the next 12 months:

- CDI at 10.65% p.a., based on the future interest curve (source: B3 - Brasil, Bolsa e Balcão)
- SELIC at 10.75% p.a. (source: Central Bank of Brazil)
- Exchange rate for the U.S. Dollars ("Dollar") of R\$4.99 (source: Central Bank of Brazil).

The table provided below shows the respective impacts on financial result considering the probable, possible and remote scenarios, according to the Company's expectation:

Consolidated as of 03/31/24					
	Risk	Exposure in BRL	Scenario I	Scenario II	Scenario III
Transaction					
Trade accounts receivable	USD	458,369	349	3,101	6,771
Financial investments	USD	19,900	15	135	294
Financial asset at fair value	USD	265,155	-	-	-
Effect on income		743,424	364	3,236	7,065
Consolidated as of 12/31/23					
	Risk	Exposure in BRL	Scenario I	Scenario II	Scenario III
Transaction					
Trade accounts receivable	USD	50,659	824	1,661	2,184
Financial investments	USD	9,653	157	316	416
Financial asset at fair value	USD	265,155	-	-	-
Effect on income		325,467	981	1,977	2,600
Consolidated as of 03/31/24					
	Risk	Exposure in BRL	Scenario I	Scenario II	Scenario III
Transaction					
Financial investments	CDI	401,392	(2,378)	(3,057)	(3,057)
Debentures	CDI	561,602	(892)	(1,147)	(1,147)
Lease payable	IPCA	401,392	(2,378)	(3,057)	(3,057)
Effect on income		1,002,443	(1,866)	(2,823)	(2,823)
Consolidated as of 12/31/23					
	Risk	Exposure in BRL	Scenario I	Scenario II	Scenario III
Transaction					
Financial investments	CDI	366,166	(1,721)	(2,152)	(2,421)
Debentures	CDI	567,920	(776)	(970)	(1,091)
SWAP	CDI	410	(48)	(60)	(67)
Lease payable	IPCA	38,319	1,636	1,506	1,341
Effect on income		972,815	(909)	(1,676)	(2,238)

31 | Information by segment

31.1 | Accounting policy

Operating segments are defined as components engaged in business activities: (i) that can obtain revenues and incur expenses; (ii) whose results of operations are regularly reviewed by the head manager of the operations for making decisions on funds to be allocated to the segment and for assessing its performance; and (iii) for which there is individualized financial information available.

The information by operating segment is provided in a manner consistent with the internal report provided to the principal maker of operating decisions. The principal maker of operating decisions, responsible for allocating funds and assessing the performance of operating segments, is the Executive Board, which is also responsible for making the Group's strategic decisions. The performance of operating segments is assessed based on such indicators as net revenues, gross profit and income before taxes.

Income by segment, as well as assets and liabilities, consider items directly attributable to each segment, as well as those which may be allocated on a reasonable basis.

Group's business was divided into two operating segments based on their activities, which basically consist of:

- **Institutional** - A business division consisting of drugs used in specific treatment in public or private hospitals and practices, with a broad portfolio of bio-based products, oncological products, specialties and other items.
- **Non-institutional** - A business division that serves the pharmaceutical retail channel, with not as broad a portfolio.

There is no customer that contributed more than 10% of net operating revenues for the years ended March 31, 2024 and 2023.

The information by business segment attributed to the Group for the years ended March 31, 2024 and 2023 is provided below:

a) Statements of income by segment

	Institutional		Non Institutional		Consolidated	
	03/31/2024	12/31/2023	03/31/2024	12/31/2023	03/31/2024	12/31/2023
Net revenues	330,186	235,220	29,495	22,981	359,681	258,201
Cost of goods and products sold	(220,337)	(137,416)	(19,682)	(13,426)	(240,019)	(150,842)
Gross profit	109,849	97,804	9,813	9,555	119,662	107,359
Operating expenses	(69,987)	(49,971)	(6,252)	(4,882)	(76,239)	(54,853)
Other operating expenses	4,968	(1,119)	444	(108)	5,412	(1,227)
Financial result	(1,149)	7,589	(103)	742	(1,252)	8,331
Income before taxes	43,681	54,303	3,902	5,307	47,583	59,610

b) Balance sheet accounts by segment

	Institutional		Non-institutional		Consolidated	
	03/31/2024	03/31/2023	03/31/2024	03/31/2023	03/31/2024	03/31/2023
Trade accounts receivable	439,738	325,194	39,281	31,772	479,019	356,966
Provision for expected losses	(18,807)	(9,550)	(1,680)	(933)	(20,487)	(10,483)
Inventories	582,888	583,506	52,069	57,009	634,957	640,515
Provision for impairment	(33,052)	(30,442)	(2,953)	(2,974)	(36,005)	(33,416)
Total assets	970,767	868,708	86,717	84,874	1,057,484	953,582
Trade accounts payable	188,593	126,560	16,847	12,365	205,440	138,925
Total liabilities	188,593	126,560	16,847	12,365	205,440	138,925

Blau Farmacêutica S.A.

Notes to the interim financial information

March 31, 2024

(In thousands of Reais)

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c) Non-current operating assets

Non-current operating assets	2024	2023
Brazil	1,016,485	1,024,947
Colombia	2,283	1,417
Uruguay	47,080	37,737
United States	59,966	35,837

In this case, non-current assets correspond to property, plant and equipment, right-of-use assets, and intangible assets.

32 | Insurance coverage (Not audited)

The Company and its subsidiaries have an insurance policy in place that primarily considers the concentration of risks and their relevance, taking into account the nature of its business and the advice of its insurance advisers.

The insurance coverage as of March 31, 2024 is stated as follows:

Assets insured	Risks covered	Coverage amount
Industrial complex and administrative sites	Any material damages to buildings, facilities, inventories, machinery and equipment.	725,174
Vehicles	Fire, theft and collision of vehicles insured by the Company and its subsidiaries.	42
Loss of profit	Non-realization of profits due to material damages to production facilities, buildings, machinery and equipment.	403,000
Transportation	Damages to goods in transit.	25,000
Civil liability	Protection for error or complaints while performing a professional activity affecting third parties.	30,000

33 | Subsequent Events

On April 29, 2024, the company announced to its shareholders the distribution of dividends in the amount of R\$ 2,484 ("Dividends"), corresponding to R\$ 0.01398342 per common share, except for treasury shares as of this date, based on the income ascertained in the fiscal year ended December 31, 2023.

Blau Farmacêutica S.A.

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Notes to the interim financial information

March 31, 2024

(In thousands of *Reais*)

Officers' statement on the financial statements

By this instrument, the officers of Blau Farmacêutica S.A. ("Company") designated below declare that:

(i) they reviewed, discussed and agree with the financial statements for the fiscal year ended March 31, 2024; and

Cotia, May 5, 2024.

MARCELO RODOLFO HAHN
CEO

DOUGLAS LEANDRO RODRIGUES
Chief Financial, Administrative and Investor Relations Officer

ROBERTO ALTIERI
Legal and Compliance Officer

ELIZA YUKIE SAITO
Quality Officer

ROBERTO CARLOS DE CAMPOS MORAIS
M&A Officer

Blau Farmacêutica S.A.

Notes to the interim financial information

March 31, 2024

(In thousands of *Reais*)

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Officers' statement on the independent auditor's report

By this instrument, the officers of Blau Farmacêutica S.A. ("Company") designated below declare that:

(i) they reviewed, discussed and agree with the opinions stated in the independent auditors' report on the Company's financial statements for the fiscal year ended March 31, 2024; and

Cotia, May 7, 2024.

MARCELO RODOLFO HAHN
CEO

DOUGLAS LEANDRO RODRIGUES
Chief Financial, Administrative and Investor Relations Officer

ROBERTO ALTIERI
Legal and Compliance Officer

ELIZA YUKIE SAITO
Quality Officer

ROBERTO CARLOS DE CAMPOS MORAIS
M&A Officer

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