

**Financial Statements
Individual and Consolidated**

Blau Farmacêutica S.A.

December 31, 2022
with Independent Auditors' Report

Blau Farmacêutica S.A.

Individual and Consolidated Financial Statements

December 31, 2022

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

Independent auditor's report on individual and consolidated financial statements

To
The Shareholders, Board of Directors and Officers
Blau Farmacêutica S.A.
Cotia - SP

Opinion

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

In our opinion, the accompanying individual and consolidated financial statements present fairly, in all material respects, the Company's individual and consolidated financial position as at December 31, 2022, and its individual and consolidated financial performance and cash flows for the year then ended in accordance with the accounting practices adopted in Brazil and with the International Financial Reporting Standards (IFRS) issued by the International Accounting Standards Board (IASB).

Basis for opinion

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



Key audit matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the current year. These matters were addressed in the context of our audit of the individual and consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters. For each matter below, our description of how our audit addressed the matter, including any commentary on the findings or outcome of our procedures, is provided in that context.

We have fulfilled the responsibilities described in the Auditor's responsibilities for the audit of the individual and consolidated financial statements section of our report, including in relation to these matters. Accordingly, our audit included the performance of procedures designed to respond to our assessment of the risks of material misstatement of the individual and consolidated financial statements. The results of our audit procedures, including the procedures performed to address the matters below, provide the basis for our audit opinion on the accompanying individual and consolidated financial statements.

Assessment of impairment of goodwill

As mentioned in note 17.3, the Company has, as of December 31, 2022, significant balances of goodwill recorded (R\$143,244 thousand in the consolidated and R\$136,173 thousand in the parent company) that may present a realization risk and, consequently, a reduction of their recoverable values.

The risk arises not only from the relevance of the balances, but also from the impact of the local economic scenario in determining the growth assumptions and the discount rate used in the analysis of the provision for non-realization of goodwill, conducted by the Company, and the high degree of judgment involved in management's determination of estimates. Therefore, we consider this matter to be significant for our audit.

How our audit conducted this matter:

Our audit procedures included, among others, the evaluation of the design and implementation of the relevant controls determined by management in relation to the analysis of the recoverable amount of goodwill, in addition to the analysis of the Company's business plans and by cash generating unit, with the technical support from valuation specialists, when applicable, in the analysis and challenge of the revenue growth assumptions and the discount rate used by management in the analysis of the provision for non-realization of goodwill. Additionally, we analyzed the methodology and assumptions used by management in preparing the projections of results, we performed mathematical tests of the projections of results, analysis of consistency between the data used in the preparation of projections and the accounting data, when applicable, and we confirmed that the information used in the preparation of projections of results are derived from the Company's business plan approved by those responsible for governance. We also examined the adequacy of the Company's disclosures in this regard.



The Company's disclosures on accounting practices and balances are presented, respectively, in notes 14 and 17 to the individual and consolidated financial statements.

Based on the result of the audit procedures carried out in the test for the recoverable amount of goodwill, which is consistent with management's assessment, we consider that the assessments and assumptions adopted by management, as well as the respective disclosures, are acceptable, in the context of the individual and consolidated financial statements taken in a whole.

Other matters

Statements of value added

The individual and consolidated statements of value added (SVA) for year ended December 31, 2022, prepared under the responsibility of Company's board of directors, and presented as supplementary information for IFRS purposes, were submitted to audit procedures conducted together with the audit of the Company's individual and consolidated financial statements. To form our opinion, we evaluated if these statements are reconciled to the individual and consolidated financial statements and accounting records, as applicable, and if their form and content comply with the criteria defined in Technical Pronouncement NBC TG 09 – Statement of Value Added. In our opinion, these statements of value added were prepared fairly, in all material respects, in accordance with the criteria defined in abovementioned accounting pronouncement and are consistent in relation to the overall individual and consolidated financial statements.

Other information accompanying the individual and consolidated financial statements and the auditor's report

Board of directors is responsible for such other information, which comprises the Management Report.

Our opinion on the individual and consolidated financial statements does not cover the Management Report and we do not express any form of assurance conclusion thereon



In connection with our audit of the individual and consolidated financial statements, our responsibility is to read the Management Report and, in doing so, consider whether this report is materially inconsistent with the individual and consolidated financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If, based on the work performed, we conclude that the Management Report presents material misstatements, we are required to communicate such fact. We have nothing to report in this regard.

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

Board of directors is responsible for the preparation and fair presentation of the individual and consolidated financial statements in accordance with the accounting practices adopted in Brazil and with the International Financial Reporting Standards (IFRS) issued by the International Accounting Standards Board (IASB), and for such internal control as management determines is necessary to enable the preparation of individual and consolidated financial statements that are free from material misstatement, whether due to fraud or error.

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

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

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

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

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



- Identified and assessed the risks of material misstatement of the individual and consolidated financial statements, whether due to fraud or error, designed and performed audit procedures responsive to those risks, and obtained audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than the risk of not detecting one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtained an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's and its subsidiaries' internal control.
- Evaluated the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by board of directors.
- Concluded on the appropriateness of board of directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the individual and consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Company to cease to continue as a going concern.
- Evaluated the overall presentation, structure and content of the individual and consolidated financial statements, including the disclosures, and whether the individual and consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation

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

We also provided those charged with governance with a statement that we have complied with relevant ethical requirements, including applicable independence requirements, and communicated with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.



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

São Paulo, March 1, 2023.

ERNST & YOUNG
Auditores Independentes S.S. Ltda.
CRC-SP-034519/O

Marcio D. Berstecher
Accountant CRC-1SP259735/O-2

Blau Farmacêutica S.A.

Statements of financial position
Years ended December 31, 2022 and 2021
(In thousands of *Reais*)

| | Notes | Individual | | Consolidated | |
|--|-------|------------------|------------------|------------------|------------------|
| | | 12/31/2022 | 12/31/2021 | 12/31/2022 | 12/31/2021 |
| Assets | | | | | |
| Cash and cash equivalents | 8 | 4,710 | 45,497 | 14,114 | 51,864 |
| Investments | 9 | 625,669 | 859,343 | 629,533 | 870,958 |
| Trade accounts receivable | 10 | 385,433 | 318,789 | 420,109 | 331,520 |
| Accounts receivable from related parties | 18 | 24,029 | 16,285 | 500 | 272 |
| Inventories | 11 | 545,207 | 396,560 | 569,023 | 416,848 |
| Recoverable taxes | 12 | 13,998 | 3,585 | 25,808 | 5,628 |
| Derivative financial instruments | 33 | - | 11,354 | - | 11,354 |
| Other receivables | 13 | 17,430 | 7,590 | 18,774 | 8,030 |
| Total current assets | | 1,616,476 | 1,659,003 | 1,677,861 | 1,696,474 |
| Recoverable taxes | 12 | 22,057 | 27,782 | 22,057 | 27,782 |
| Judicial deposits | 27 | 7,258 | 6,578 | 7,258 | 6,578 |
| Other receivables | 13 | 127 | 441 | 133 | 5,722 |
| Investments | 14 | 97,148 | 60,268 | - | 43 |
| Right-of-use assets | 15 | 13,191 | 9,228 | 30,049 | 9,737 |
| Property, plant and equipment | 16 | 494,067 | 371,095 | 527,634 | 382,898 |
| Intangible assets | 17 | 224,649 | 186,200 | 234,056 | 198,813 |
| Total non-current assets | | 858,497 | 661,592 | 821,187 | 631,573 |
| Total assets | | 2,474,973 | 2,320,595 | 2,499,048 | 2,328,047 |

| | Notes | Individual | | Consolidated | |
|--|--------|------------------|------------------|------------------|------------------|
| | | 12/31/2022 | 12/31/2021 | 12/31/2022 | 12/31/2021 |
| Liabilities | | | | | |
| Trade accounts payable | 20 | 159,134 | 114,979 | 163,625 | 115,535 |
| Related-party payables | 18 | 12 | 896 | 12 | 896 |
| Loans and financing | 21 | - | 39,861 | - | 41,729 |
| Debentures | 22 | 79,870 | 49,823 | 79,870 | 49,823 |
| Tax liabilities | | 16,039 | 18,295 | 21,958 | 19,654 |
| Income and social contribution taxes payable | 23 | 19,444 | 19,991 | 19,444 | 19,991 |
| Labor obligations | 24, 19 | 34,015 | 34,866 | 34,819 | 35,549 |
| Dividends and interest on own capital payable | 25 | 9,317 | 36,882 | 9,317 | 36,882 |
| Leases payable | 15 | 1,579 | 1,384 | 3,671 | 2,110 |
| Other accounts payable | 26 | 37,539 | 20,354 | 38,397 | 20,837 |
| Total current liabilities | | 356,949 | 337,331 | 371,113 | 343,006 |
| | | | | | |
| Debentures | 22 | 200,000 | 272,503 | 200,000 | 272,503 |
| Tax liabilities | | 7,553 | 7,939 | 7,553 | 7,939 |
| Provision for tax, civil and labor risks | 27 | 5,240 | 6,056 | 5,240 | 6,056 |
| Leases payable | 15 | 13,515 | 8,353 | 28,172 | 8,353 |
| Deferred income and social contribution taxes | 23 | 35,658 | 18,695 | 35,022 | 18,249 |
| Other labor liabilities | 24, 19 | 958 | - | 958 | - |
| Other accounts payable | 26 | 32,944 | 33,429 | 33,056 | 37,056 |
| Total non-current liabilities | | 295,868 | 346,975 | 310,001 | 350,156 |
| | | | | | |
| Equity | | | | | |
| Share capital | 28 | 1,316,609 | 1,316,609 | 1,316,609 | 1,316,609 |
| Treasury shares | 28 | (39,895) | - | (39,895) | - |
| Profit reserve | | 562,798 | 325,132 | 562,798 | 325,132 |
| Equity valuation adjustment | | (17,356) | (5,452) | (17,356) | (5,452) |
| Equity attributed to controlling shareholders | | 1,822,156 | 1,636,289 | 1,822,156 | 1,636,289 |
| Non-controlling interests | | - | - | (4,222) | (1,404) |
| Total equity | | 1,822,156 | 1,636,289 | 1,817,934 | 1,634,885 |
| Total liabilities and equity | | 2,474,973 | 2,320,595 | 2,499,048 | 2,328,047 |

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

Blau Farmacêutica S.A.

Statements of profit or loss

For the years ended December 31, 2022 and 2021

(In thousands of *Reais*)

| | Notes | Individual | | Consolidated | |
|---|-------|------------------|------------------|------------------|------------------|
| | | 12/31/2022 | 12/31/2021 | 12/31/2022 | 12/31/2021 |
| Net operating revenue | 29 | 1,352,543 | 1,341,138 | 1,406,909 | 1,366,407 |
| Cost of goods and products sold | 30 | (715,135) | (690,970) | (739,031) | (700,473) |
| Gross profit | | 637,408 | 650,168 | 667,878 | 665,934 |
| Commercial expenses | 31 | (95,007) | (96,630) | (104,131) | (103,433) |
| Administrative expenses | 31 | (93,287) | (88,976) | (109,717) | (98,336) |
| Impairment loss on accounts receivable | 31 | (285) | (2,165) | (6) | (2,128) |
| Other operating revenues and expenses, net | 31 | (1,342) | (2,596) | (1,834) | (5,413) |
| Total operating expenses, net | | (189,921) | (190,367) | (215,688) | (209,310) |
| Income before financial income, interest in investees and taxes | | 447,487 | 459,801 | 452,190 | 456,624 |
| Financial revenues | 32 | 70,700 | 56,765 | 70,918 | 56,845 |
| Financial expenses | 32 | (54,996) | (30,025) | (54,548) | (31,001) |
| <u>Financial result</u> | | <u>15,704</u> | <u>26,740</u> | <u>16,370</u> | <u>25,844</u> |
| Profit sharing of investees accounted for under the equity method, net of taxes | 14 | 7,270 | (4,721) | - | - |
| Income before taxes | | 470,461 | 481,820 | 468,560 | 482,468 |
| Current income tax and social contribution | 23 | (90,130) | (122,479) | (91,105) | (124,485) |
| Deferred income tax and social contribution | 23 | (16,963) | (34,119) | (16,963) | (34,119) |
| Income tax and social contribution | | (107,093) | (156,598) | (108,068) | (158,604) |
| Net profit for the period | | 363,368 | 325,222 | 360,492 | 323,864 |
| Income attributed to: | | | | | |
| Controlling shareholders | 28 | 363,368 | 325,222 | 363,368 | 325,222 |
| Non-controlling shareholders | 28 | - | - | (2,876) | (1,358) |
| | | 363,368 | 325,222 | 360,492 | 323,864 |
| Earnings per share (R\$) | | | | | |
| Basic | | 2.04 | 1.89 | 2.04 | 1.89 |
| Diluted | | 2.04 | 1.89 | 2.04 | 1.89 |

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

Blau Farmacêutica S.A.

Statements of comprehensive income
For years ended December 31, 2022 and 2021
(In thousands of *Reais*)

| | Individual | | Consolidated | |
|---|----------------|----------------|----------------|----------------|
| | 12/31/2022 | 12/31/2021 | 12/31/2022 | 12/31/2021 |
| Net profit for the period | 363,368 | 325,222 | 360,492 | 323,864 |
| Accumulated translation adjustments in subsidiaries | (11,904) | (6,957) | (11,846) | (7,003) |
| Total comprehensive income | 351,464 | 318,265 | 348,646 | 316,861 |
| <i>Comprehensive income attributed to:</i> | | | | |
| Controlling shareholders | 351,464 | 318,265 | 345,828 | 318,265 |
| Non-controlling shareholders | - | - | 2,818 | (1,404) |
| Total comprehensive income | 351,464 | 318,265 | 348,646 | 316,861 |

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

Blau Farmacêutica S.A.

Statements of changes in equity
For the years ended December 31, 2022 and 2021
(In thousands of *Reais*)

| | Profit reserves | | | | | | | | Non-controlling interests | Total equity |
|---|------------------|-----------------|-----------------|---------------|----------------|----------------------------|-------------------|------------------|---------------------------|------------------|
| | Share capital | Treasury shares | Capital reserve | Legal reserve | Profit reserve | Other comprehensive income | Retained earnings | Total | | |
| Balances as of January 01, 2021 | 100,640 | - | 34,562 | 20,128 | 64,508 | 1,505 | - | 221,343 | - | 221,343 |
| Net profit for the period | - | - | - | - | - | - | 325,222 | 325,222 | (1,358) | 323,864 |
| Accumulated translation adjustments in subsidiaries | - | - | - | - | - | (6,957) | - | (6,957) | (46) | (7,003) |
| Interest on own capital | - | - | - | - | - | - | (46,927) | (46,927) | - | (46,927) |
| Allocation to legal reserve | - | - | - | 16,261 | - | - | (16,261) | - | - | - |
| Debentures convertible into shares | - | - | (34,562) | - | - | - | - | (34,562) | - | (34,562) |
| Minimum mandatory dividends | - | - | - | - | - | - | (36,882) | (36,882) | - | (36,882) |
| IPO issue costs | (44,184) | - | - | - | - | - | - | (44,184) | - | (44,184) |
| Capital increase | 1,260,153 | - | - | - | - | - | - | 1,260,153 | - | 1,260,153 |
| Allocation to investment reserve | - | - | - | - | 225,152 | - | (225,152) | - | - | - |
| Other – Blau Goiás | - | - | - | - | (917) | - | - | (917) | - | (917) |
| Balances as of December 31, 2021 | 1,316,609 | - | - | 36,389 | 288,743 | (5,452) | - | 1,636,289 | (1,404) | 1,634,885 |
| Balances as of January 1, 2022 | 1,316,609 | - | - | 36,389 | 288,743 | (5,452) | - | 1,636,289 | (1,404) | 1,634,885 |
| Net profit for the period | - | - | - | - | - | - | 363,368 | 363,368 | (2,876) | 360,492 |
| Accumulated translation adjustments in subsidiaries | - | - | - | - | - | (11,904) | - | (11,904) | 58 | (11,846) |
| | - | - | - | 18,168 | - | - | (18,168) | - | - | - |
| Treasury shares | - | (39,895) | - | - | - | - | - | (39,895) | - | (39,895) |
| Interest on own capital | - | - | - | - | - | - | (125,702) | (125,702) | - | (125,702) |
| Allocation to investment reserve | - | - | - | - | 219,498 | - | (219,498) | - | - | - |
| 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 |

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

Blau Farmacêutica S.A.

Statements of cash flows - indirect method

For the years ended December 31, 2022 and 2021

(In thousands of *Reais*)

| | Individual | | Consolidated | |
|---|------------|------------|--------------|------------|
| | 12/31/2022 | 12/31/2021 | 12/31/2022 | 12/31/2021 |
| Cash flows from operating activities | | | | |
| Income before taxes | 470,461 | 481,820 | 468,560 | 482,468 |
| Adjustments to reconcile income for the period with cash from operating activities: | | | | |
| Depreciation and amortization | 20,840 | 19,941 | 22,285 | 20,910 |
| Write-offs of property, plant and equipment and intangible assets | 13,720 | 484 | 14,082 | 1,453 |
| Write-off of right of use and lease | - | - | - | (322) |
| Interest on leases | 1,268 | 278 | 1,429 | 328 |
| Financial charges on loans and financing | 33 | 7,878 | 33 | 7,878 |
| Financial charges on debentures | 38,497 | 21,530 | 38,497 | 21,530 |
| Earnings from financial investments | (59,498) | (34,269) | (59,794) | (34,269) |
| Unrealized foreign exchange variation in financial investments | (11,879) | - | (11,879) | - |
| Unrealized foreign exchange variation in loans | - | 902 | - | 902 |
| Unrealized gains and losses on changes in the fair value of assets | - | (21,156) | - | (21,156) |
| Unrealized foreign exchange variation in trade accounts payable and receivable | 250 | 3,554 | 250 | 3,539 |
| Equity pick-up | (7,270) | 4,721 | - | - |
| Provision for expected losses on trade accounts receivable | 285 | (2,165) | 6 | (2,128) |
| Provision (reversal) for inventory impairment, net | 8,088 | 4,540 | 8,221 | 4,272 |
| Provision for tax, civil and labor lawsuits, net | (751) | 1,143 | (751) | 1,143 |
| Provision for long-term incentives | 3,365 | - | 3,365 | - |
| Monetary adjustment of judicial deposits | (771) | (471) | (771) | (471) |
| Other (reversals), net | - | - | - | - |
| | 476,638 | 488,730 | 483,533 | 486,077 |
| (Increase) decrease in asset accounts | | | | |
| Trade accounts receivable | (74,342) | (90,922) | (88,492) | (83,249) |
| Inventories | (156,735) | (88,510) | (160,396) | (93,626) |
| Recoverable taxes | (21,775) | (20,132) | (31,542) | (21,158) |
| Derivative financial instruments | 11,354 | 12,396 | 11,354 | 12,396 |
| Other receivables | (9,526) | (2,291) | (5,155) | (3,517) |
| Judicial deposits | 91 | (91) | 91 | (91) |
| Increase (decrease) in liability accounts | | | | |
| Trade accounts payable | 42,690 | (19,694) | 46,625 | (18,986) |
| Labor obligations | (3,258) | 3,762 | (3,137) | 4,145 |
| Tax liabilities | (27,812) | 7,716 | (23,252) | 8,898 |
| Other accounts payable | 31,971 | 2,618 | 16,839 | (1,808) |
| Cash from operating activities | 269,296 | 293,582 | 246,468 | 289,081 |
| Income tax and social contribution paid | (73,590) | (132,945) | (74,565) | (134,951) |
| Net cash from operating activities | 195,706 | 160,637 | 171,903 | 154,130 |
| Cash flows from investment activities | | | | |
| Financial investments | 305,051 | (689,627) | 313,098 | (692,537) |
| Additions to property, plant and equipment | (120,114) | (130,871) | (142,660) | (148,196) |
| Advance for capital increase in investee | (41,513) | (32,457) | - | (14) |
| Additions to intangible assets | (40,068) | (25,006) | (37,475) | (29,576) |
| Net cash from (used in) investment activities | 103,356 | (877,961) | 132,963 | (870,323) |

Blau Farmacêutica S.A.

Statements of cash flows – indirect method—Continued

For the years ended December 31, 2022 and 2021

(In thousands of *Reais*)

| | Individual | | Consolidated | |
|---|---------------|---------------|---------------|---------------|
| | 12/31/2022 | 12/31/2021 | 12/31/2022 | 12/31/2021 |
| Cash flows from financing activities | | | | |
| Dividends and interest on own capital | (135,523) | (104,134) | (135,523) | (104,134) |
| Payment of leases – principal | (1,948) | (1,088) | (2,686) | (1,261) |
| Payment of leases – interest | (782) | (67) | (943) | (117) |
| Acquisition of financed equity interests | (40,854) | (26,026) | (40,854) | (26,026) |
| Related-party loans received | - | - | - | - |
| Raising of loans and financing | - | 154,182 | - | 155,296 |
| Funding through debentures | - | - | - | - |
| Capital increase | - | 1,215,969 | - | 1,215,969 |
| Purchase of treasury shares | (39,895) | - | (39,895) | - |
| Payment of loans and financing - principal | (39,063) | (131,020) | (40,931) | (131,020) |
| Payment of loans and financing – interest | (831) | (7,132) | (831) | (7,132) |
| Payment of debentures – principal | (44,999) | (384,999) | (44,999) | (384,999) |
| Payment of debentures – Interest | (35,954) | (18,716) | (35,954) | (18,716) |
| Net cash used in financing activities | (339,849) | 696,969 | (342,616) | 697,860 |
| Net increase (decrease) in cash and cash equivalents | (40,787) | (20,355) | (37,750) | (18,333) |
| Cash and cash equivalents as of January 1 | 45,497 | 65,852 | 51,864 | 70,197 |
| Effect of change in the foreign exchange rate on the balance of cash and cash equivalents | - | - | - | - |
| Cash and cash equivalents as of December 31 | 4,710 | 45,497 | 14,114 | 51,864 |
| Increase (decrease) in cash and cash equivalents | (40,787) | (20,355) | (37,750) | (18,333) |
| Transactions not affecting cash | | | | |
| Acquisition of Property, plant and equipment | 4,639 | 32,883 | 4,639 | 32,883 |
| Pharma Limirio acquisition (Blau Goiás) | 17,981 | 47,979 | 17,981 | 47,979 |
| Government Subsidy | 32,934 | - | 32,934 | - |
| Increase in interest in Hemarus | - | 3,627 | - | 3,627 |
| Total | 55,554 | 84,489 | 55,554 | 84,489 |

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

Blau Farmacêutica S.A.

Statements of value added

For the years ended December 31, 2022 and 2021

(In thousands of *Reais*)

| | Individual | | Consolidated | |
|--|------------------|------------------|------------------|------------------|
| | 12/31/2022 | 12/31/2021 | 12/31/2022 | 12/31/2021 |
| Revenues | 1,456,244 | 1,487,074 | 1,508,281 | 1,508,169 |
| Goods, products and services sold | 1,456,803 | 1,489,488 | 1,511,168 | 1,514,757 |
| Other revenues (expenses), net | (274) | (249) | (2,881) | (4,460) |
| Provision for impairment of trade accounts receivable | (285) | (2,165) | (6) | (2,128) |
| Inputs acquired from third parties | (701,020) | (701,186) | (738,595) | (719,321) |
| Cost of goods, products and services sold | (569,331) | (580,186) | (593,227) | (589,688) |
| Materials, electricity, outsourced services, etc. | (130,725) | (121,295) | (144,404) | (129,928) |
| Gain (loss) of active values | (964) | 295 | (964) | 295 |
| Gross value added | 755,224 | 785,888 | 769,686 | 788,848 |
| Depreciation and amortization | (20,840) | (19,941) | (22,285) | (20,910) |
| Net value added produced by the Company | 734,384 | 765,947 | 747,401 | 767,938 |
| Value added received in transfer | 63,462 | 77,079 | 56,956 | 83,168 |
| Income from equity interests | 7,270 | (4,721) | - | 1,358 |
| Financial revenues | 56,192 | 81,800 | 56,956 | 81,810 |
| Total value added for distribution | 797,846 | 843,026 | 804,357 | 851,106 |
| Personnel | 151,844 | 147,847 | 162,452 | 154,000 |
| Direct compensation | 111,955 | 118,900 | 121,567 | 124,390 |
| Benefits | 26,134 | 18,321 | 27,130 | 18,984 |
| FGTS | 13,755 | 10,626 | 13,755 | 10,626 |
| Taxes, fees and contributions | 240,152 | 311,826 | 238,833 | 314,203 |
| Federal | 149,993 | 203,466 | 150,968 | 205,472 |
| State | 88,383 | 105,255 | 86,089 | 105,626 |
| Municipal | 1,776 | 3,105 | 1,776 | 3,105 |
| Third party capital remuneration | 42,482 | 58,131 | 42,580 | 59,039 |
| Interest | 30,446 | 29,611 | 30,446 | 29,611 |
| Financial expenses (including exchange rate variation) | 7,622 | 25,448 | 7,720 | 26,356 |
| Rents | 4,414 | 3,072 | 4,414 | 3,072 |
| Own capital remuneration | 363,368 | 325,222 | 360,492 | 323,864 |
| Interest on own capital | 125,702 | 46,927 | 125,702 | 46,927 |
| Dividends | - | 36,882 | - | 36,882 |
| Retained earnings for the period | 237,666 | 241,413 | 237,666 | 241,413 |
| Non-controlling share in retained earnings | - | - | (2,876) | (1,358) |
| Total valued added distributed | 797,846 | 843,026 | 804,357 | 851,106 |

he accompanying notes are an integral part of the individual and consolidated financial statements.

Blau Farmacêutica S.A.

Notes to the individual and consolidated financial statements

As of December 31, 2022

(In thousands of *Reais*, except when otherwise indicated)

1. Operations

Blau Farmacêutica S.A. (“Company,” “Blau” or the “Group”) is a Brazilian joint-stock pharmaceutical company, with its head office at Rodovia Raposo Tavares, No. 2833, Km 30.5, in the city of Cotia, in the State of São Paulo, and is registered with B3 S.A. – Brasil, Bolsa, Balcão (B3) under ticker “BLAU3.”

The main business of the Company and its subsidiaries (the “Group”) is the manufacture, development and commercialization of highly complex private label drugs for the institutional segment.

As per Note No. 34, the Company’s business activities cover into the institutional and retail segments, and are divided into four business units:

- **Biologicals:** Biological products are drugs produced by biosynthesis in living cells, as opposed to synthetics, which are produced by chemical synthesis. Biologicals are a diverse and heterogeneous class of products that can be produced using raw materials from two different origins: a) drugs obtained from biological material that are extracted from microorganisms (live, attenuated or dead), organs and tissues of plant or animal origin, cells or fluids of human or animal origin; b) drugs obtained by biotechnological procedures, which are recombinant proteins obtained from genetically modified cells; monoclonal antibodies.
- **Oncology:** The oncology line is made up of oral and injectable drugs of different origins, intended for treating cancer, which encompass a number of therapeutic classes and types of treatment.
- **Specialties:** The specialties line is made up of products that are used in the hospital’s daily routine, in most of the specialized treatments for infectious diseases and special treatments, and others. The line includes antibiotics, muscle relaxants with therapeutic applications, injectable drugs and anesthetics, and others.
- **Others:** The Others line consists of prescription and non-prescription over-the-counter (OTC) drugs, focused on the retail and non-retail markets, including dermo-medicines, condoms, and others.

Blau has a pharmaceutical industrial complex comprising five industrial plants devoted to the manufacturing of biological, biotechnological, and oncological drugs, antibiotics, injectable anesthetics, and biotechnological pharmaceutical inputs (IFAS), including four units located in the State of São Paulo (three in the municipality of Cotia and one in the municipality of São Paulo) and one in the State of Goiás (in the municipality of Anápolis).

Blau Farmacêutica S.A.

Notes to the individual and consolidated financial statements

As of December 31, 2022

(In thousands of *Reais*, except when otherwise indicated)

1. Operations—Continued

1.1 COVID-19

Since the beginning of the pandemic in 2020, the Company has adopted measures to mitigate the effects of the COVID-19 pandemic, in line with the recommendations of the Ministry of Health, with the aim of protecting its employees and avoiding shortages in Brazil of hospital drugs from its portfolio.

Blau's activity is considered to be essential by the health authorities, and ever since the start of the pandemic, the Company has continued to operate regularly, with the full functioning of its production, logistics, supply chain and offices, even if temporarily and partially under a remote work regime. Up to the present, there has been no change in its production, operation and commercialization schedule, however management understands that the Company is exposed to operational and market risks related to the pandemic, mainly: (i) exchange rate variations regarding exposed assets and liabilities; (ii) possible impacts on its supply chain; and (iii) possible credit problems with customers.

The Company does not expect any significant increase in the loss estimates of its receivables portfolio, as a result of the effects of COVID 19, given the characteristics of its business and the profile of its customers.

As for inventories, the expected realization in the face of the COVID-19 pandemic is high because 90.05% of all products and inputs are distributed for treating highly complex illnesses on the institutional channel, in Oncology, Biologicals and Specialties. There were no material impacts on the Company's supply chain.

In the case of exchange rate variation, the Company periodically analyzes ways of hedging against new exchange rate oscillations through financial instruments to be adhered to if necessary. See details about the exposure to exchange rate risks in Note No. 32.

The Company's consolidated cash and cash equivalents as of December 31, 2022 amounted to R\$643,647 (R\$922,822 as of December 31, 2021), on which date the Company's current assets exceeded current liabilities by R\$1,306,748 (R\$1,353,468 as of December 31, 2021), to support the Company in the ordinary course of business.

Blau reinforces its commitment to the safety and health of its employees, while maintaining its efforts for the regular production of drugs for the institutional segment that are essential to maintain life.

Blau Farmacêutica S.A.

Notes to the individual and consolidated financial statements – Continued

As of December 31, 2022

(In thousands of *Reais*, except when otherwise indicated)

2. Relationship with subsidiaries

The Company's consolidated financial statements include the parent company Blau Farmacêutica S.A. and its subsidiaries, which are collectively referred to as "Company" and/or "Group".

| Empresa | País | Participação acionária | |
|---------------------------------------|----------------------|------------------------|-----------------|
| | | 31/12/2022 | 31/12/2021 |
| Blau Farmacêutica Colombia S.A.S. | Colômbia | Direto 100% | Direto 100% |
| Blau Farma Uruguay S.A. | Uruguay | Direto 100% | Direto 100% |
| Blau Farmacêutica Chile S.p.A. | Chile | Indireto 100% | Indireto 100% |
| Blau Farmacêutica Peru S.A.C. | Peru | Indireto 100% | Indireto 100% |
| Blau Farmacêutica Argentina S.A. | Argentina | Indireto 100% | Indireto 100% |
| Blau Farmacêutica Equador | República do Ecuador | Indireto 100% | - |
| Plex - Plasma Experts Corp. | USA | Direto 100% | Direto 100% |
| Hemarus Plasma-Flamingo LLC | USA | Indireto 100% | - |
| Hemarus Plasma-Lauderhill, LLC | USA | Indireto 66% | Indireto 64,16% |
| Hemarus Plasma - Miami Northside, LLC | USA | Indireto 75,50% | Indireto 75,50% |

a) Blau Farmacêutica Colombia S.A.S.

This is a subsidiary with headquarters in the city of Bogota, in Colombia, acquired by the Company as part of its expansion policy in August 2011. It sells pharmaceutical drugs and biopharmaceutical inputs. Most of the drugs are produced by the parent company. The subsidiary currently has 70 sanitary registrations of drugs. The company's main activity is importing the Company's products for distribution and sale in Colombia.

b) Blau Farma Uruguay S.A.

With its headquarters in the city of Montevideo, in Uruguay, this subsidiary's operations got underway in January 2012 to market mainly pharmaceutical products produced by the parent company. The subsidiary currently has 82 sanitary registrations of drugs. The company's main activity is importing the Company's products for distribution and sale in Uruguay.

Blau Farmacêutica S.A.

Notes to the individual and consolidated financial statements – Continued

As of December 31, 2022

(In thousands of *Reais*, except when otherwise indicated)

2. Relationship with subsidiaries--Continued

b) Blau Farma Uruguay S.A.

This subsidiary represents a key part of the Company's expansion strategy into the South American market, given that it is the vehicle with equity interests in Blau Farmacêutica Peru S.A.C., Blau Farmacêutica Chile S.p.A. and Blau Farmacêutica Argentina S.A, all of which set up in 2016. The Peru and Chile subsidiaries have 23 and 32 sanitary registrations of drugs, respectively. The subsidiary headquartered in Argentina is still at pre-operational stage, waiting for the process of registering drugs with Brazil's sanitary authorities.

In 2022, the Company made a capital contribution amounting to R\$16,290 (equivalent to UYU125,257).

On April 6, 2022, the subsidiary Blau Farma Ecuador S.A. was incorporated. This company is still in pre-operational phase, awaiting completion of medication registration with the country's health authorities. Its main business activity will be the import of the Company's products for distribution and sale in the Republic of Ecuador.

c) Plex - Plasma Experts Corp.

This subsidiary was incorporated on September 25, 2020, in accordance with the laws of the state of Delaware, in the United States of America, where it is based. The company was incorporated in order to consolidate new investments in that country, in the plasma collection segment. Immediately after its incorporation, Plex Plasma Experts acquired an interest in the share capital of Hemarus Plasma-Lauderhill, LLC, and, in May 2021, Plex Plasma Experts created the legal entity Hemarus Plasma-Miami Northside, LLC, with Plex Plasma Experts holding interest in its share capital. They are both limited liability entities duly incorporated and existing under the laws of the State of Florida in the United States of America to develop, operate and manage blood plasma collection centers. On average, a plasma collection center takes a year to become operational and requires an estimated investment of between USD 3 million and USD 5 million.

Blau Farmacêutica S.A. authorized an investment in an amount of up to USD 7 million into Plex Plasma in January 2022. In the course of the year, R\$25,223 were made available, equivalent to USD 4,700.

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

In September 2022, the subsidiary Plex Plasma Flamingo LLC, headquartered in the city of Miami, in the United States, was assisted to continue the Company's strategy of operating in the plasma collection market.

Blau Farmacêutica S.A.

Notes to the individual and consolidated financial statements – Continued

As of December 31, 2022

(In thousands of *Reais*, except when otherwise indicated)

3. Basis for preparation and presentation of the financial statements

3.1. Statement of compliance

The individual and consolidated financial statements were prepared and are being presented in accordance with the accounting practices in place in Brazil, which comprise the standards issued by the Brazilian Securities Commission (“CVM”) and pronouncements issued by the Accounting Pronouncements Committee– (“CPC”), and in accordance with the International Financial Reporting Standards (“IFRS”) issued by the International Accounting Standards Board (“IASB”), as well as the provisions contained in the Brazilian Corporate Law.

The Company’s individual and consolidated financial statements were approved by the board of directors and authorized for publication at a meeting held on March 1, 2023.

The individual and consolidated financial statements reflect all material information that is typical of financial statements, and that only, which is consistent with that used by Management in its managing activity.

3.2 Statement of materiality

Management applied technical guideline OCPC 07 - Disclosure in General Purpose Accounting and Financial Reporting and CVM Resolution No. 727/2014, meeting the minimum requirements, while at the same time disclosing only material information that will assist readers in making decisions. Therefore, all material information used for managing the business is provided herein.

3.3 Basis for preparation

The individual and consolidated financial statements were drawn up based on historical cost, except for the following material items recognized in the statements of financial position measured at fair value:

- (a) Non-derivative financial instruments measured at fair value through profit or loss;
- (b) Derivative financial instruments are measured at fair value;
- (c) Debt and equity instruments are measured at fair value;
- (d) Contingent payments assumed as part of a business combination measured at fair value.

3. Basis for preparation and presentation of the financial statements—Continued

3.4 Going concern

Blau Farmacêutica S.A.

Notes to the individual and consolidated financial statements – Continued

As of December 31, 2022

(In thousands of *Reais*, except when otherwise indicated)

To Management's knowledge, there is no such material uncertainty as could give rise to significant doubt about the Company's ability to continue as a going concern, notwithstanding the COVID-19 pandemic (see Note No. 1). Accordingly, the financial statements were drawn up based on the assumption that the Company continues as a going concern.

3.5 Functional currency and reporting currency

The items included in the financial statements are measured in *Reais* (R\$), the functional and reporting currency of the individual and consolidated financial statements, which represents the currency of the principal economic environment in which the Company operates.

The functional currency of subsidiaries located abroad is the local currency in each jurisdiction where those subsidiaries operate.

Transactions in foreign currency are translated to the functional currencies of the entities included in these consolidated financial statements using the exchange rates in effect on the dates of such transactions. If a subsidiary is not a wholly-owned subsidiary, then the portion corresponding to the translation difference is attributed to non-controlling shareholders.

Balances in statement of financial position accounts are translated at the exchange rate in effect on the dates of the statements of financial position. Exchange rate fluctuation gains and losses resulting from settlement of such transactions involving monetary assets and liabilities denominated in foreign currency are recognized in the account named "Accumulated translation adjustments in subsidiaries."

4. Use of estimates and judgments

Drawing up the individual and consolidated financial statements requires Management to exercise certain judgments and use assumptions and estimates that are based on experience and other factors deemed material and affect the values of assets and liabilities. Therefore, their results may differ from actual results.

Estimates and assumptions are continuously revised, and such revisions are recognized in the periods of revision and in any future periods affected. Assets and liabilities subject to estimates and assumptions include impairment losses on accounts receivable, inventories and intangible assets with indefinite useful life, deferred income tax and social contribution, provision for litigation and lawsuits, fair value of assets and liabilities, and measurement of financial instruments.

Blau Farmacêutica S.A.

Notes to the individual and consolidated financial statements – Continued

As of December 31, 2022

(In thousands of *Reais*, except when otherwise indicated)

5. New or revised pronouncements applied for the first time in 2022

The Group applied for the first-time certain standards and amendments, which are effective for annual periods beginning on or after January 1, 2022 (unless otherwise stated). The Group decided not to early adopt any other standards, interpretations or amendments that have been issued but are not yet in effect.

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

The amendments to the pronouncements above are due to the annual changes related to the 2018-2020 improvement cycle, such as:

- Onerous Contracts – costs of fulfilling a contract,
- Property, plant and equipment - sales before the intended use, and
- References to the conceptual Framework.

These amendments will be effective as established by the regulatory bodies that approve them, and, for full compliance with international accounting standards, an entity must apply them to annual periods beginning on or after January 1, 2022.

5.1 Onerous Contracts

An onerous contract is a contract under which the unavoidable costs of meeting the obligations under the contract (i.e., costs that the Group cannot avoid because it is subject to the contract) exceed the economic benefits expected to be received thereunder. The amendments specify that, when assessing whether a contract is onerous or loss-making, an entity must include costs that relate directly to a contract to provide goods or services, including both incremental costs (e.g., the costs of direct labor and materials) and an allocation of costs directly related to contract activities (e.g., depreciation of equipment used to fulfill the contract, as well as contract management and supervision costs). General and administrative costs do not relate directly to a contract and are excluded unless they are explicitly charged to the counterparty under the contract.

These amendments did not impact the Company's individual and consolidated financial statements. The Company intends to use practical expedients in future periods if they become applicable.

5.2 Property, plant and equipment - sales before the intended use

The amendment prohibits entities from deducting from the cost of an item of property, plant and equipment any proceeds from selling items produced while bringing that asset

Blau Farmacêutica S.A.

Notes to the individual and consolidated financial statements – Continued

As of December 31, 2022

(In thousands of *Reais*, except when otherwise indicated)

5. New or revised pronouncements applied for the first time in 2022--Continued

to the location and condition necessary for it to be capable of operating in the manner intended by management. Instead, an entity recognizes the proceeds from selling such items, and the costs of producing those items, in the statement of income.

Under the transition rules, the Group applies the amendments retrospectively only to items of property, plant and equipment available for use or after the beginning of the earliest period presented when the entity first applies the amendment (the date of initial application).

These amendments had no impact on the individual and consolidated financial statements as there were no sales of items produced by property, plant and equipment made available for use or after the beginning of the earliest period presented.

5.3 References to the conceptual framework

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

The amendments add an exception to the recognition principle of IFRS 3 - Business Combinations (equivalent to CPC 15 (R1) - Business Combinations) to avoid the issue of potential 'day 2' gains or losses arising from liabilities and contingent liabilities that would be within the scope of IAS 37 - Provisions, Contingent Liabilities and Contingent Assets (equivalent to CPC 25 - Provisions, Contingent Liabilities and Contingent Assets) or IFRIC 21 - Levies, if incurred separately.

The exception requires entities to apply the criteria in IAS 37 or IFRIC 21, respectively, instead of the Conceptual Framework, to determine whether a present obligation exists at the acquisition date. The amendments also add a new paragraph to IFRS 3 to clarify that contingent assets do not qualify for recognition at the acquisition date.

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

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

Blau Farmacêutica S.A.

Notes to the individual and consolidated financial statements – Continued

As of December 31, 2022

(In thousands of *Reais*, except when otherwise indicated)

6. New standards and interpretations not yet in force

New and amended standards and interpretations issued but not yet in force as of the date of issue of the Company's interim financial information are described below. The Company intends to adopt these new and amended standards and interpretations, if applicable, when they come into force.

6.1 IFRS 17 - Insurance Contracts

In May 2017, the IASB issued IFRS 17 - Insurance Contracts (the standard has not yet been issued by the CPC in Brazil, but will be codified as CPC 50 - Insurance Contracts and will replace CPC 11 - Insurance Contracts), a new comprehensive accounting standard for insurance contracts that includes recognition and measurement, presentation and disclosure. As soon as it comes into force, IFRS 17 (CPC 50) will replace IFRS 4 - Insurance Contracts (CPC 11), which was issued in 2005. IFRS 17 applies to all types of insurance contracts (such as life, property and casualty insurance, direct insurance, and reinsurance) regardless of the type of entity that issues them, as well as certain guarantees and financial instruments with discretionary participation characteristics. There are a few scope exceptions. The overall objective of IFRS 17 is to provide an accounting model for insurance contracts that is more useful and consistent for insurance companies. In contrast to the requirements of IFRS 4, which are largely based on local accounting policies that were in force in previous periods, IFRS 17 provides a comprehensive model for insurance contracts, covering all relevant accounting aspects. The focus of IFRS 17 is on the general model, supplemented by:

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

IFRS 17 will come into force for periods starting on or after January 1, 2023, presentation of comparative figures being required. Earlier adoption is permitted if the entity also adopts IFRS 9 and IFRS 15 on the same date or before the initial adoption of IFRS 17. This standard does not apply to the Company.

Blau Farmacêutica S.A.

Notes to the individual and consolidated financial statements – Continued

As of December 31, 2022

(In thousands of *Reais*, except when otherwise indicated)

6. New standards and interpretations not yet in force

6.2 Amendments to IAS 1 – Classification of liabilities as current or non-current

In January 2020, the IASB issued amendments to paragraphs 69 to 76 of IAS 1, related to CPC 26, in such a way as to specify the requirements for classifying liabilities as current or non-current. The amendments explain:

- What is meant by a right to defer settlement;
- That the right to defer should exist at the reporting base date;
- That this classification is not affected by the likelihood of an entity exercising its right to defer;
- That only if a derivative embedded in a convertible liability is itself an equity instrument would the terms of a liability not affect its classification;

The amendments are valid for periods beginning on or after January 1, 2023 and should be applied retrospectively. The Company is currently assessing the impact that the amendments will have on its current practice and whether or not it will be necessary to renegotiate existing loan agreements.

6.3 Amendments to IAS 8: Definition of accounting estimates

In February 2021, the IASB issued changes to IAS 8 (a standard correlated to CPC 23), to introduce a definition of 'accounting estimates.' These changes explain the difference between changes in accounting estimates and changes in accounting policies and errors. In addition, they explain how entities used measurement techniques and inputs to develop their accounting estimates.

The changes will be effective for periods starting on or after January 1, 2023 and will apply to changes in accounting policies and estimates occurring at or after the beginning of that period. Early adoption is allowed if disclosed.

The amendments are not expected to have a material impact on the Company's individual and consolidated financial statements.

6.4 Changes to IAS 1 and IFRS Practice Statement 2: Disclosure of accounting policies

In February 2021, the IASB issued amendments to IAS 1 (a standard correlated to CPC 26 (R1)) and IFRS Practice Statement 2. *Making Materiality Judgments*, whereby it provides guidelines and examples to help entities apply materiality judgment to the disclosure of accounting policies. These changes are intended to help entities disclose accounting policies that are more useful by replacing the requirement for disclosure of critical accounting policies

Blau Farmacêutica S.A.

Notes to the individual and consolidated financial statements – Continued

As of December 31, 2022

(In thousands of *Reais*, except when otherwise indicated)

6. New standards and interpretations not yet in force—Continued

with the disclosure of material accounting policies, while adding guidance on how entities should apply the materiality concept to their decision-making concerning the disclosure of accounting policies.

The changes to IAS 1 are applicable to periods starting on or after January 1, 2023, with early adoption allowed. The changes to Practice Statement 2, on the other hand, provides non-mandatory guidance on the application of the definition of material to the reporting of accounting policies, and no date for adoption of these changes is required.

The Company is currently assessing the impacts of these changes on accounting policies disclosed.

7. Significant accounting policies

The significant accounting policies applied to the preparation of these individual and consolidated financial statements are set out in each corresponding note, except for those below, which are related to more than one note hereto. Such practices have been consistently applied in all years stated.

7.1 Basis for consolidation

The consolidated financial statements comprise the financial statements of the Company and its subsidiaries as of December 31, 2022. The determination of which subsidiaries are controlled by the Company and the procedures for full consolidation are consistent with the concepts and principles set forth in CPC 36 (R3)/IFRS 10.

- 7.1.1 Equity method: The Company controls an entity when it is exposed or entitled to variable returns arising from its involvement with that entity and has the ability to affect those returns by exercising its power over the entity. The financial statements of subsidiaries are included in the consolidated financial statements from the date when the Company gains control until the date when such control ceases to exist. The Company only holds interests in subsidiaries.

In the individual financial statements, investments in subsidiaries are accounted for at the equity method. According to the equity method, the portion attributable to the Company of the net profit or loss on such investments is entered in the parent company's statement of profit or loss under "equity pickup".

- 7.1.2 Consolidation: The financial statements of subsidiaries are prepared for the same presentation base date as the that of the parent company. All unrealized intra-group

Blau Farmacêutica S.A.

Notes to the individual and consolidated financial statements – Continued

As of December 31, 2022

(In thousands of *Reais*, except when otherwise indicated)

7. Significant accounting policies —Continued

balances, revenues, expenses, gains and losses arising from transactions between related parties are fully eliminated at the time of consolidation.

Any gains or losses resulting from changes in equity interests in subsidiaries other than leading to loss of control are accounted for directly in equity.

In the consolidated financial statements, the Company fully consolidates all of its subsidiaries, keeping the non-controlling interests in a specific separate item in equity and in the statement of profit or loss.

7.2 Translation of foreign currency

Transactions in foreign currencies, i.e. any currency other than the functional currency, are translated to the functional currency of the companies included in the consolidated financial statement using the exchange rates in effect on the dates of such transactions.

Balances in statement of financial position accounts are translated at the exchange rate in effect on the dates of such balances. Any exchange rate fluctuation gains or losses resulting from the settlement of the relevant transactions and the translation of monetary assets and liabilities denominated in foreign currencies are recognized in the statement of profit or loss for the year, in the “financial revenues” and “financial expenses” accounts.

7.3 Financial instruments

7.3.1 Recognition and derecognition

Financial assets: Recognition occurs when the Company or its subsidiaries assume contractual rights to receive cash or other financial assets under contracts to which they are a party.

A financial asset is derecognized when the right to receive cash linked to a financial asset expires or when the relevant risks and benefits have been substantially transferred to third parties.

Financial liabilities: Recognition occurs when the Company and/or its subsidiaries assume contractual obligations to settle in cash or by assuming third-party obligations under a contract to which they are a party.

Financial liabilities are derecognized upon being settled or terminated or expiring. Any purchase or sale of a financial asset requiring assets to be delivered within a period stipulated by regulation or as market practice (transactions in normal conditions) is recognized on the date of the transaction, i.e. the date when the Company and its subsidiaries commit to buying or selling the asset.

Blau Farmacêutica S.A.

Notes to the individual and consolidated financial statements – Continued

As of December 31, 2022

(In thousands of *Reais*, except when otherwise indicated)

7. Significant accounting policies—Continued

For derecognition of a financial liability, the difference between the expired carrying amount and the consideration paid (including transferred assets that do not pass through the cash or liabilities assumed) is recognized in the statement of profit or loss.

7.3.2 Classification and measurement - financial assets

Financial Asset: Upon initial recognition, a financial asset is measured at fair value and subsequently at amortized cost, at fair value through other comprehensive income (“FVOCI”), and at fair value through profit or loss (“FVPL”).

The business model determines whether cash flows will result from the receipt of contractual cash flows, from the sale of financial assets or from both.

- a) Financial assets classified and measured at amortized costs are kept within a business model aimed at holding financial assets in order to receive contractual cash flows.
- b) Financial assets classified and measured at fair value through other comprehensive income are kept within a business model aimed at holding financial assets to receive contractual cash flow and to sell them.

It is the Company’s assessment that, with the only exception of the balance of trade accounts receivable not containing a significant financial component, a financial asset is initially measured at fair value, plus transaction costs. In general, all financial assets are subsequently measured at fair value through profit or loss.

| | |
|------------------------------------|--|
| Financial assets at FVPL | These assets are measured subsequently at fair value. Net profit or loss, including interest or dividend revenues, is recognized in the statement of profit or loss. |
| Financial assets at amortized cost | These assets are subsequently measure at amortized cost using the effective interest rate method. Amortized cost is reduced by impairment losses. Interest revenues, foreign exchange gains and losses and impairment are recognized in profit or loss. Any gain or loss on derecognition is recognized in the statement of profit or loss. |
| Debt instruments at FVOCI | These assets are measured subsequently at fair value. Interest revenues calculated using the effective interest rate method, foreign exchange gains and losses, and impairment are recognized in profit or loss. Other net results are recognized in OCI. Upon derecognition, any profit or loss accumulated at OCI is reclassified to profit or loss. |

Financial assets at fair value through other comprehensive income (debt instruments)

For debt instruments at fair value through other comprehensive income, interest revenues, exchange rate revaluation and impairment losses or reversals are recognized in the statement

Blau Farmacêutica S.A.

Notes to the individual and consolidated financial statements – Continued

As of December 31, 2022

(In thousands of *Reais*, except when otherwise indicated)

7. Significant accounting policies—Continued

of profit or loss and calculated in the same manner as for financial assets measured at amortized cost. Any remaining changes in fair value are recognized in other comprehensive income.

Financial assets at fair value through other comprehensive income (equity instruments)

Upon initial recognition, the Company can opt, on an irrevocable basis, to classify its equity instruments at fair value through other comprehensive income when they meet the definition of equity under CPC 39 - Financial instruments: Presentation (IAS 32 - Financial Instruments: Presentation) and are not held for trading. The classification is determined considering each instrument specifically.

Financial assets at fair value through profit or loss

Financial assets at fair value through profit or loss are presented at fair value in the statement of financial position, with net changes in value recognized in the statement of profit or loss. This category contemplates derivative instruments and listed equity instruments not irrevocably classified by the Company or its subsidiaries at fair value through other comprehensive income. Revaluation only takes place if a change is made to the terms of the agreement that materially alters the cash flows that would otherwise be required or if a financial asset is reclassified out of the fair value through profit or loss category.

7.3.3 Impairment of financial assets

Blau recognizes a provision for expected credit losses on financial assets measured according to item 4.1.2 or 4.1.2 A of CPC 48 (financial asset to be measured at amortized cost, and financial asset to be measured at fair value through other comprehensive income):

- a) The financial asset is kept within a business model aimed at holding financial assets in order to receive contractual cash flows.
- b) The contractual terms of a financial asset give rise, on specified dates, to cash flows consisting exclusively of payments of principal and interest on the outstanding principal amount;

For accounts receivable, the Company takes a simplified approach to calculating expected credit losses ("ECL" are losses estimated according to past, present and future credit events), Based on the expected credit losses for each reporting date. A provision is determined based on (i) the historical experience with credit losses of each subsidiary, as seen in each aging list group of accounts receivable and (ii) adjustments for forward-looking factors specific to each financial asset in default and the economic environment. An estimated range is used based on the weighted average losses for the past 18 months.

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Notes to the individual and consolidated financial statements – Continued

As of December 31, 2022

(In thousands of *Reais*, except when otherwise indicated)

7. Significant accounting policies—Continued

The Company and its subsidiaries consider a financial asset to be in default when internal or external information indicates that they are unlikely to receive the outstanding contractual amounts. A financial asset is written off when there is no reasonable expectation of recovering the relevant contractual cash flows.

7.3.4 Classification and measurement - financial liabilities

Financial Liability: All financial liabilities are initially measured at fair value and, for loans, financing and debentures, net of directly attributable transaction costs. The Company's and its subsidiaries' financial liabilities include loans, financing, debentures, derivative financial instruments and trade accounts payable.

For the purposes of subsequent measurements, financial liabilities are classified into two categories:

- a) Financial liabilities at fair value through profit or loss; or
- b) Financial liabilities at amortized cost.

Financial liabilities at fair value through profit or loss

Financial liabilities at fair cost through profit or loss include financial liabilities held for trading financial and financial liabilities designated upon initial recognition at fair value through profit or loss.

Any gains and losses on liabilities held for trading are recognized in the statement of profit or loss.

Financial liabilities at amortized cost

Following initial recognition, interest-bearing loans and financing contracted and granted are subsequently measured at amortized cost using the effective interest rate method. Gains and losses are recognized in the statement of profit or loss when the liabilities are written off, using the effective interest rate amortization process. Amortized cost is calculated taking into account any premium or discount on acquisition and charges or costs comprised by the effective interest rate method. Amortization by the effective interest rate method is included in the statement of profit or loss as a financial expense.

7.3.5 Derivative Financial Instruments

Blau Farmacêutica S.A.

Notes to the individual and consolidated financial statements – Continued

As of December 31, 2022

(In thousands of *Reais*, except when otherwise indicated)

7. Significant accounting policies—Continued

Transactions involving derivative financial instruments contracted by the Company and its subsidiaries consist of swaps and Non-Deliverable Forwards, or “NDF”, which are exclusively aimed at hedging exchange rate risks related to positions in the statement of financial position.

These instruments are classified as fair-value hedges and recorded as hedge accounting where they effectively hedge changes in the hedged assets or liabilities.

This enables application of the hedge accounting method, with their fair value measurement effect in equity and their realization in the statement of profit or loss, in an account corresponding to the hedged item.

Financial instruments are measured at fair value, with changes recorded against profit or loss for the period, except when designated in cash flow hedge accounting, where changes in fair value are entered in “other comprehensive income,” as set forth in paragraph 6.4.1, item b, of CPC 48.

The Treasury area has a hedging limit for each type of exposure:

- Cash flow hedge transactions are subject to a cap of up to fifty percent (50%) of the exposure and a maximum maturity period of 12 months.
- Exchange Rate Risk (other currencies): Aiming to avoid exposure to the volatility of any currency other than the USD, transactions involving derivatives can represent up to fifty percent (50%) of the Exchange Rate Exposure to such currencies, so long as the related risk is in USD.

The fair value of derivative financial instruments is calculated by the Company’s Treasury area based on the information of each transaction contracted and the relevant market information on the closing dates of the financial statements, such as interest and exchange rates.

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Notes to the individual and consolidated financial statements – Continued

As of December 31, 2022

(In thousands of *Reais*, except when otherwise indicated)

8. Cash and cash equivalents

8.1 Accounting policy

Management defines “cash and cash equivalents” as available money in cash and bank deposits.

8.2 Breakdown of balances

| | Individual | | Consolidated | |
|--|--------------|---------------|---------------|---------------|
| | 12/31/2022 | 12/31/2021 | 12/31/2022 | 12/31/2021 |
| Cash and bank deposits | 4,710 | 45,497 | 14,114 | 51,864 |
| Total cash and cash equivalents | 4,710 | 45,497 | 14,114 | 51,864 |

The R\$37,750 change relative to December 2021 (consolidated) is primarily related to a transfer of the balance of cash and bank deposits to financial investments, most of which to international banks.

The Company’s exposure to credit risks together with a sensitivity analysis for financial assets and liabilities are disclosed in Note No. 32.

9. Financial investments

9.1 Accounting policy

The Company classifies as financial investments lower-liquidity investments as well as amounts intended for investments in production capacity expansion and in research and development of new products.

9.2 Breakdown of balances

Financial investments comprise transactions involving LAMs (Commercial Lease Bills) and CDB (Bank Deposit Certificate) featuring average yields of 105% of the CDI (Interbank Deposit Certificate) and high liquidity, which can be immediately used because they are free of wait periods, as they are intended for use in the Company’s investments and expansion.

| | Individual | | Consolidated | |
|---|----------------|----------------|----------------|----------------|
| | 12/31/2022 | 12/31/2021 | 12/31/2022 | 12/31/2021 |
| Financial investments | 430,857 | 859,343 | 434,721 | 870,958 |
| Financial investments in foreign currency (a) | 194,812 | - | 194,812 | - |
| Total financial investments | 625,669 | 859,343 | 629,533 | 870,958 |

(a) Financial investments in foreign currency amounting to USD 37,000.

Blau Farmacêutica S.A.

Notes to the individual and consolidated financial statements – Continued

As of December 31, 2022

(In thousands of *Reais*, except when otherwise indicated)

10. Trade accounts receivable

10.1 Accounting policy

Balances of accounts receivable correspond to amounts receivable for goods sold in the ordinary course of the Company's and its subsidiaries' business and are initially recognized at the transaction amount, which corresponds to the selling price, net of expected credit losses, and subsequently measured at amortized cost.

10.2 Provision for expected losses on doubtful debts

It is estimated based on the risk of loss in an aging list model. The portfolio breaks down into customer segments: public sector, private sector, and related parties.

The Company takes this approach to calculating expected credit losses (EAD, or Exposure at Default – Amount of transaction exposed to credit risk) – PD, or Probability of Default (Probability that the counterparty will not meet its obligations) and LGD, or Loss Given Default (Amount not recovered in an event of default). The provision is determined based on:

- I. The historical experience with credit losses of each of the subsidiaries in each aging list group of accounts receivable.
- II. Adjustments for forward-looking factors specific to the assets in default and/or by reason of the economic impacts of an act of God or event of force majeure. An estimated range is used based on the weighted average losses for the past 18 years.

10.3 Breakdown of balances

| | Individual | | Consolidated | |
|--|----------------|----------------|----------------|----------------|
| | 12/31/2022 | 12/31/2021 | 12/31/2022 | 12/31/2021 |
| Customers in the country | 381,173 | 316,989 | 381,173 | 316,989 |
| Customers abroad | 12,505 | 9,807 | 48,397 | 24,033 |
| Total | 393,678 | 326,796 | 429,570 | 341,022 |
| Expected credit losses | (8,245) | (8,007) | (9,461) | (9,502) |
| Total trade accounts receivable | 385,433 | 318,789 | 420,109 | 331,520 |

Out of the total amount, R\$392,993 represents instruments not yet due, and R\$36,577 are instruments overdue, corresponding to 91.49% and 8.51%, respectively.

Blau Farmacêutica S.A.

Notes to the individual and consolidated financial statements – Continued

As of December 31, 2022

(In thousands of *Reais*, except when otherwise indicated)

10. Trade accounts receivable—Continued

The change of R\$88,589 (27.72%) in the consolidated statement relative to December 31, 2021 is a result of an increase in sales for the last quarter. In 2022, there was an increase in sales in the public channel, when compared to December 2021.

a) Aging of balances of trade accounts receivable

| | Individual | | | | | |
|------------------------|----------------|----------------|----------------|---------------|----------------|----------------|
| | Private | | Public | | Total | |
| | 12/31/2022 | 12/31/2021 | 12/31/2022 | 12/31/2021 | 12/31/2022 | 12/31/2021 |
| Due | 282,809 | 295,722 | 92,231 | 20,597 | 375,040 | 316,319 |
| Overdue | 5,053 | 7,080 | 13,583 | 3,397 | 18,638 | 10,477 |
| From 1 to 30 days | 217 | 2,846 | 10,768 | 741 | 10,985 | 3,587 |
| From 31 to 60 days | 150 | 197 | 640 | 454 | 790 | 651 |
| From 61 to 180 days | 969 | 206 | 1,068 | 543 | 2,037 | 749 |
| More than 181 days | 3,717 | 3,831 | 1,109 | 1,659 | 4,826 | 5,490 |
| Customers | 287,862 | 302,802 | 105,814 | 23,994 | 393,678 | 326,796 |
| Expected credit losses | (6,933) | (6,902) | (1,312) | (1,105) | (8,245) | (8,007) |
| Total | 280,929 | 295,900 | 104,504 | 22,889 | 385,433 | 318,789 |

| | Consolidated | | | | | |
|------------------------|----------------|----------------|----------------|---------------|----------------|----------------|
| | Private | | Public | | Total | |
| | 12/31/2022 | 12/31/2021 | 12/31/2022 | 12/31/2021 | 12/31/2022 | 12/31/2021 |
| Due | 299,089 | 303,048 | 93,904 | 20,669 | 392,993 | 323,717 |
| Overdue | 21,052 | 13,665 | 15,525 | 3,640 | 36,577 | 17,305 |
| From 1 to 30 days | 6,638 | 5,109 | 12,545 | 868 | 19,183 | 5,977 |
| From 31 to 60 days | 4,169 | 1,256 | 803 | 570 | 4,972 | 1,826 |
| From 61 to 180 days | 5,452 | 2,134 | 1,068 | 543 | 6,520 | 2,677 |
| More than 181 days | 4,793 | 5,166 | 1,109 | 1,659 | 5,902 | 6,825 |
| Customers | 320,141 | 316,713 | 109,429 | 24,309 | 429,570 | 341,022 |
| Expected credit losses | (8,149) | (8,397) | (1,312) | (1,105) | (9,461) | (9,502) |
| Total | 311,992 | 308,316 | 108,117 | 23,204 | 420,109 | 331,520 |

Blau Farmacêutica S.A.

Notes to the individual and consolidated financial statements – Continued

As of December 31, 2022

(In thousands of *Reais*, except when otherwise indicated)

10. Trade accounts receivable—Continued

b) Aging of balances of trade accounts receivable by segment

| | Individual | | | | | |
|------------------------|----------------|----------------|---------------|---------------|----------------|----------------|
| | Institutional | | Retail | | Total | |
| | 12/31/2022 | 12/31/2021 | 12/31/2022 | 12/31/2021 | 12/31/2022 | 12/31/2021 |
| Due | 340,526 | 293,667 | 34,514 | 22,652 | 375,040 | 316,319 |
| Overdue | 16,923 | 9,726 | 1,715 | 751 | 18,638 | 10,477 |
| From 1 to 30 days | 9,974 | 3,330 | 1,011 | 257 | 10,985 | 3,587 |
| From 31 to 60 days | 717 | 604 | 73 | 47 | 790 | 651 |
| From 61 to 180 days | 1,850 | 695 | 187 | 54 | 2,037 | 749 |
| More than 181 days | 4,382 | 5,097 | 444 | 393 | 4,826 | 5,490 |
| Customers | 357,449 | 303,393 | 36,229 | 23,403 | 393,678 | 326,796 |
| Expected credit losses | (7,486) | (7,434) | (759) | (573) | (8,245) | (8,007) |
| Total | 349,963 | 295,959 | 35,470 | 22,830 | 385,433 | 318,789 |

| | Consolidated | | | | | |
|------------------------|----------------|----------------|---------------|---------------|----------------|----------------|
| | Institutional | | Retail | | Total | |
| | 12/31/2022 | 12/31/2021 | 12/31/2022 | 12/31/2021 | 12/31/2022 | 12/31/2021 |
| Due | 356,827 | 300,534 | 36,166 | 23,182 | 392,993 | 323,716 |
| Overdue | 33,211 | 16,065 | 3,366 | 1,241 | 36,577 | 17,306 |
| From 1 to 30 days | 17,418 | 5,549 | 1,765 | 428 | 19,183 | 5,977 |
| From 31 to 60 days | 4,514 | 1,695 | 458 | 131 | 4,972 | 1,826 |
| From 61 to 180 days | 5,920 | 2,485 | 600 | 192 | 6,520 | 2,677 |
| More than 181 days | 5,359 | 6,336 | 543 | 490 | 5,902 | 6,826 |
| Customers | 390,038 | 316,599 | 39,532 | 24,423 | 429,570 | 341,022 |
| Expected credit losses | (8,590) | (8,822) | (871) | (680) | (9,461) | (9,502) |
| Total | 381,448 | 307,777 | 38,661 | 23,743 | 420,109 | 331,520 |

Blau Farmacêutica S.A.

Notes to the individual and consolidated financial statements – Continued

As of December 31, 2022

(In thousands of *Reais*, except when otherwise indicated)

10. Trade accounts receivable—Continued

c) Change in the expected credit losses

The changes in expected losses are based on estimates in accordance with the potential realization of receivables under the trade accounts receivables credit risk policy or the reversal of estimates of previous periods.

| | Individual | | Consolidated | |
|---|----------------|----------------|----------------|----------------|
| | 12/31/2022 | 12/31/2021 | 12/31/2022 | 12/31/2021 |
| Initial balance | (8,007) | (5,844) | (9,502) | (7,376) |
| Provision recorded in the period | (34,335) | (31,359) | (34,056) | (31,436) |
| Write-offs during the period | 12,394 | 9,358 | 12,394 | 9,366 |
| Reversal in the period | 21,656 | 19,836 | 21,656 | 19,942 |
| Other write-offs not affecting profit or loss | 47 | 2 | 47 | 2 |
| Final balance | (8,245) | (8,007) | (9,461) | (9,502) |

No receivables had been given as collateral for debt as of December 31, 2022 and 2021.

11. Inventories

11.1 Accounting policy

Inventories are measured at acquisition cost, including unrecoverable taxes, transportation costs and other costs that need to be incurred in order to bring the inventories to their current conditions, and are valued at their weighted average cost.

Inventories are impaired through a loss estimate. The methodology contemplates obsolete products, negative margin and low-turnaround products, products past or near their expiration dates, and products outside quality parameters.

11.2 Breakdown of balances

| | Individual | | Consolidated | |
|--|----------------|----------------|----------------|----------------|
| | 12/31/2022 | 12/31/2021 | 12/31/2022 | 12/31/2021 |
| Finished goods | 94,945 | 80,173 | 119,792 | 101,172 |
| Semi-finished goods and goods in process | 88,448 | 61,399 | 88,448 | 61,636 |
| Raw materials and packaging | 249,045 | 168,151 | 249,045 | 168,253 |
| Imports in progress | 82,345 | 80,544 | 82,345 | 80,544 |
| Development material | 50,171 | 23,433 | 50,171 | 23,766 |
| Others | 11,335 | 5,294 | 11,335 | 5,369 |
| Provision for impairment | (31,082) | (22,994) | (32,113) | (23,892) |
| Blau Goiás merger | - | 560 | - | - |
| Total | 545,207 | 396,560 | 569,023 | 416,848 |

Blau Farmacêutica S.A.

Notes to the individual and consolidated financial statements – Continued

As of December 31, 2022

(In thousands of *Reais*, except when otherwise indicated)

11. Inventories—Continued

The fluctuation in the balances of inventories, when compared to December 31, 2022, is mainly due to an increase in the volume of inventories of strategic inputs for the biologicals line, to meet the demand from the public channel, and mainly from the private channel. Another factor that drove this fluctuation, to a lesser extent, was an increase in the balances of research and development inputs.

a) Change in the provision for impairment of inventories

| | Individual | | Consolidated | |
|----------------------------------|-----------------|-----------------|-----------------|-----------------|
| | 12/31/2022 | 12/31/2021 | 12/31/2022 | 12/31/2021 |
| Initial balance | (22,994) | (18,454) | (23,892) | (19,620) |
| Provision recorded in the period | (16,064) | (17,397) | (17,228) | (18,027) |
| Write-off | 7,976 | 12,857 | 9,007 | 13,755 |
| Final balance | (31,082) | (22,994) | (32,113) | (23,892) |

No inventory had been given as collateral for debt by the Company as December 31, 2022 and 2021.

12. Recoverable taxes

12.1 Accounting policy

The Company records tax credits every time it has gained legal, documentary and factual understanding of such credits that allows it to recognize them, including estimated realization.

ICMS, IPI, PIS AND COFINS RECOVERABLE: These accounts are intended to reflect the amounts payable in ICMS (tax on the circulation of goods and on interstate and intermunicipal transportation and communication services provided), IPI (tax on industrial products), PIS (social integration program) and COFINS (social security-funding contribution), respectively. Due to the very collection system for these taxes, taxes charged on sales are monthly offset against credits on purchases that are eligible for use, with an amount payable or recoverable remaining, depending on the volume of such purchases and sales.

When balances determined result in taxes “payable,” they are stated in current liabilities, and when the amount of purchases with credit rights exceeds sales with taxes accounted for in the same period, they give rise to amounts recoverable, being stated in that account in current assets. Their balances are monthly reconciled with those in the relevant tax books, and the applicable accounting adjustments are made.

Blau Farmacêutica S.A.

Notes to the individual and consolidated financial statements – Continued

As of December 31, 2022

(In thousands of *Reais*, except when otherwise indicated)

12. Recoverable taxes—Continued

12.2 Breakdown of balances

| | Individual | | Consolidated | |
|------------------------------|---------------|---------------|---------------|---------------|
| | 12/31/2022 | 12/31/2021 | 12/31/2022 | 12/31/2021 |
| Current | | | | |
| ICMS | 4,901 | 317 | 4,901 | 317 |
| IPI | 295 | 174 | 295 | 174 |
| PIS | 1,563 | 452 | 1,563 | 452 |
| COFINS | 7,109 | 1,966 | 7,109 | 1,966 |
| IVA/IRAE | - | - | 11,811 | 1,855 |
| IRPJ/CSLL | 43 | 522 | 43 | 522 |
| Others | 87 | 154 | 87 | 342 |
| Total current | 13,998 | 3,585 | 25,809 | 5,628 |
| Non-current | | | | |
| CIAP | 12,892 | 15,641 | 12,892 | 15,641 |
| PIS | 1,604 | 2,101 | 1,604 | 2,101 |
| COFINS | 7,561 | 9,847 | 7,561 | 9,847 |
| Other | - | 193 | - | 193 |
| Total non-current (a) | 22,057 | 27,782 | 22,057 | 27,782 |
| Total | 36,055 | 31,367 | 47,865 | 33,410 |

12.3 Expected Realization

The expected realization of ICMS is based on the forecast of operations and growth, operating management, the ICMS laws in each State, and debits generated for use of the relevant credits per transaction.

The ICMS credit realization plan is periodically monitored to ensure the specified assumptions are met and reassessed according to business events, allowing for credit realization to perform better.

The Company's expected realization of recoverable taxes is provided below:

| Expected realization | Individual | Consolidated |
|----------------------|---------------|---------------|
| 2023 | 13,998 | 25,808 |
| 2024 | 166 | 166 |
| 2025 | 21,891 | 21,891 |
| Total | 36,055 | 47,865 |

The increase in the balance of recoverable taxes (43.27% change) in the consolidated statements relative to December 31, 2021 refers to items of property, plant and equipment purchased in the period in connection with the expansion of the Cotia production units.

Blau Farmacêutica S.A.

Notes to the individual and consolidated financial statements – Continued

As of December 31, 2022

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13. Other receivables

| | Individual | | Consolidated | |
|--------------------------------|---------------|--------------|---------------|---------------|
| | 12/31/2022 | 12/31/2021 | 12/31/2022 | 12/31/2021 |
| Advances to suppliers | 13,636 | 4,382 | 13,625 | 4,575 |
| Advances to employees | 1,858 | 1,449 | 1,858 | 1,451 |
| Other advances | 628 | 807 | 645 | 830 |
| Other receivables | 1,435 | 1,393 | 2,779 | 6,896 |
| Total | 17,557 | 8,031 | 18,907 | 13,752 |
| | | | | |
| Current | 17,430 | 7,590 | 18,774 | 8,030 |
| Non-current | 127 | 441 | 133 | 5,722 |
| Total Other Receivables | 17,557 | 8,031 | 18,907 | 13,752 |

14. Investments

14.1 Accounting policy

Subsidiaries are all entities whose operations are directly or indirectly controlled by Blau Farmacêutica. Control is determined according to the decision power that the Company has over material operating and financial activities of its investees:

- I. Power over an investee (i.e. existing rights ensuring the actual ability to direct the investee's relevant activities.
- II. Exposure or right to variable returns arising from its involvement with the investee.
- III. The ability to use its power over an investee to affect the value of its returns.

The subsidiaries' financial statements have been included in the consolidated financial statements since the date on which control was acquired.

At the time that control over a certain subsidiary is lost, the financial statements of the entity that was until then a subsidiary cease to be consolidated. Any resulting gains or losses, including any amount received for disposal of an investment, are recognized in profit or loss for the year at the time the loss of control occurs.

Blau Farmacêutica S.A.

Notes to the individual and consolidated financial statements – Continued

As of December 31, 2022

(In thousands of *Reais*, except when otherwise indicated)

14. Investments—Continued

In the parent company's individual financial statements, investments in subsidiaries and affiliates are recorded at the equity method. By this method, interests in investments are recognized at cost in the statement of financial position and periodically adjusted for the amount corresponding to the share in their net income, against equity pick-up, and for other changes that occurred in net assets acquired.

Interests can also be adjusted for the recognition of impairment losses. Dividends received from these companies are recorded as a reduction in the value of such investments.

14.2 Breakdown of balances

| | Individual and Consolidated | |
|--|-----------------------------|---------------|
| | 12/31/2022 | 12/31/2021 |
| Equity interest in Blau Farmacêutica Colombia S.A.S. | 24,322 | 28,957 |
| Goodwill Blau Farmacêutica Colombia S.A.S. | 6,801 | 6,801 |
| Total Blau Farmacêutica Colombia S.A.S. | 31,123 | 35,758 |
| Equity interest in Blau Farma Uruguay S.A. | 38,036 | 9,546 |
| Goodwill Blau Farma Uruguay S.A. | 271 | 271 |
| Total Blau Farma Uruguay S.A. | 38,307 | 9,817 |
| Equity interest in Plex - Plasma Experts Corp. | 27,718 | 14,650 |
| Total PLEX | 27,718 | 14,650 |
| Other investments | - | 43 |
| Total | 97,148 | 60,268 |

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Notes to the individual and consolidated financial statements – Continued

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(In thousands of *Reais*, except when otherwise indicated)

14. Investments—Continued

14.3 Changes in investments

| | Blau Colombia | Blau Uruguay | Blau Goiás | Plex Plasma | Other investments | Total |
|---|------------------|-----------------|---------------|----------------|----------------------|---------------|
| Balance of investments as of December 31, 2020 | 33,773 | 7,98 | 138,671 | 3,698 | 29 | 184,158 |
| Equity pick-up | 4,534 | (3,954) | (2,801) | (2,500) | - | (4,721) |
| Translation adjustment | (2,549) | 548 | - | (4,920) | - | (6,921) |
| Advance for future capital increase | - | - | - | - | - | - |
| Capital increase | - | 5,236 | 8,835 | 18,372 | 14 | 32,457 |
| Blau Goiás merger (i) | - | - | 144,705) | - | - | 44,705) |
| Balance of investments as of December 31, 2021 | 35,758 | 9,817 | - | 14,650 | 43 | 60,268 |
| Equity pick-up | 1,865 | 15,480 | - | (10,032) | (43) | 7,270 |
| Translation adjustment | (6,500) | (3,280) | - | (2,123) | - | (11,903) |
| Adjustment for future capital increase | - | - | - | - | - | - |
| Capital increase | - | 16,290 | - | 25,223 | - | 41,513 |
| Balance of investments as of December 31, 2022 | 31,123 | 38,307 | - | 27,718 | - | 97,148 |

(i) Merger balances refer to investment, surplus value and goodwill of R\$8,533, R\$24,650 and R\$111,523, respectively. The goodwill added to Blau Headquarters was transferred to the Intangible Assets subgroup, in a specific account, and is annually tested for impairment (as per CPC 01 – Asset Impairment). Surplus value was stated according to the assets from which it originated in the Sanitary Registrations line under in intangible assets.

In the following table, the Company provides a summary of its subsidiaries' financial information:

| | 12/31/2022 | | | 12/31/2021 | | |
|-----------------------------------|------------------|-----------------|----------------|------------------|-----------------|---------------|
| | Blau Colombia | Blau Uruguay | Plex Plasma | Blau Colombia | Blau Uruguay | Plex Plasma |
| Current assets | 30,750 | 47,179 | 6,165 | 34,009 | 16,723 | 2,174 |
| Non-current assets | 3,306 | 14,629 | 35,466 | 2,141 | 6,603 | 14,837 |
| Total assets | 34,056 | 61,808 | 41,631 | 36,150 | 23,326 | 17,011 |
| Current liabilities | 9,169 | 25,046 | 3,478 | 7,302 | 14,250 | 138 |
| Non-current liabilities | - | 112 | 14,657 | - | - | 3,627 |
| Equity | 24,887 | 36,649 | 23,496 | 28,848 | 9,076 | 13,246 |
| Total Liabilities + Equity | 34,056 | 61,807 | 41,631 | 36,150 | 23,326 | 17,011 |
| | 12/31/2022 | | | 09/30/2021 | | |
| | Blau Colombia | Blau Uruguay | Plex Plasma | Blau Colombia | Blau Uruguay | Plex Plasma |
| Operating revenue | 34,185 | 55,429 | 15,481 | 35,579 | 15,420 | 1,706 |
| Profit (loss) for the period | 1,711 | 14,092 | (10,031) | 4,614 | (3,929) | (2,499) |

Blau Farmacêutica S.A.

Notes to the individual and consolidated financial statements – Continued

As of December 31, 2022

(In thousands of *Reais*, except when otherwise indicated)

15. Right-of-use assets and lease liabilities

15.1 Accounting policy

Technical accounting pronouncement “CPC 06 (R2) – Leases” introduced a single model for lease accounting in statements of financial position for lessees. The regulation requires all leases and their respective contractual rights and obligations to be recognized in the statement of financial position. Still according to such regulation, leases for terms of less than 12 months where the underlying asset is a low-value item are exempt from recognition. Also outside the scope of the regulation are lease agreements for unspecified periods and where the consideration is based on variable amounts.

The Company has no short-term leases (i.e. leases for lease terms of 12 months or less after the effective date and containing no purchase option). The Company applies the exemption from recognition of low-value assets as permitted. Lease payments for low-value assets are recognized as expenses at the straight-line method over the course of the lease term, where applicable.

The pronouncement also introduced changes concerning COVID-19 benefits granted to lessees under lease agreements that were intended to apply until June 30, 2021, but since the impacts of the COVID-19 pandemic can continue, the CPC extended the period for which these practical changes would apply to June 30, 2022. These changes took effect for fiscal years commencing on or after January 1, 2021. However, the Company has not yet received any COVID-19 benefits granted to lessees, so the changes had no impact according to the Company's assessment.

For each lease agreement, the Company recognizes one right-of-use asset and one lease liability.

- I. Right of Use: A right-of-use asset is recognized on the effective date of the lease, i.e. the date when the underlying asset becomes available for use to the Company. Initially, the right-of-use asset is measured at cost, and subsequently at cost minus cumulative depreciation and impairment losses. It is adjusted for any new remeasurement of the lease liability. Depreciation is calculated at the straight-line method, considering either the lease period or the estimated useful life of the assets, whichever the shorter.

The average amortization time for right-of-use assets is provided below:

| <u>Class name</u> | <u>Useful life usable (in years)</u> |
|-------------------|--------------------------------------|
| Buildings | 10 |
| Vehicles | 3 |

Blau Farmacêutica S.A.

Notes to the individual and consolidated financial statements – Continued

As of December 31, 2022

(In thousands of *Reais*, except when otherwise indicated)

15. Right-of-use assets and lease liabilities—Continued

- II. Lease Liability: Lease liability consists of the present value of payments to be made during the lease term. Lease payments include payments that are either fixed or fixed in essence, which would be minimum payments agreed upon with the lessor. When calculating lease liability, the Company used its incremental borrowing rate, which was nominally applied toward discounting payment flows. Interest on lease liability and depreciation of right-of-use assets are recognized in the statement of profit or loss according to the lease term.
- III. Low-value lease: The Company opted not to recognize right-of-use assets and lease liabilities for leases on low-value assets and short-term leases, including information technology (IT) equipment. In these cases, lease payments related to those leases are recognized as expenses on a straight-line basis for the lease term.

15.2 Breakdown of balances

a) Breakdown of balances and changes - Right of Use

| | Controladora | Consolidado |
|--|---------------|---------------|
| Balance as of December 31, 2020 | 855 | 1.588 |
| Additions | 9.503 | 10.210 |
| Write-off | (9) | (346) |
| Depreciation | (1355) | (1.715) |
| Merger | 234 | - |
| Balance as of December 31, 2021 | 9.228 | 9.737 |
| Additions | 6.821 | 23.582 |
| Write-off | (2) | (2) |
| Depreciation | (2.856) | (3.268) |
| Balance as of December 31, 2022 | 13.191 | 30.049 |

Blau Farmacêutica S.A.

Notes to the individual and consolidated financial statements – Continued

As of December 31, 2022

(In thousands of *Reais*, except when otherwise indicated)

15. Right-of-use assets and lease liabilities—Continued

b) Breakdown of balances and changes – Lease liabilities

| | Consolidated | Individual |
|--|---------------|---------------|
| Balance as of December 31, 2020 | 868 | 1,817 |
| Additions | 9,516 | 10,364 |
| Write-off | (9) | (668) |
| Principal payment | (1,088) | (1,261) |
| Interest payment | (67) | (117) |
| Interest incurred | 278 | 328 |
| Merger | 239 | - |
| Balance as of December 31, 2021 | 9,737 | 10,463 |
| Additions | 6,821 | 23,582 |
| Write-off | (2) | (2) |
| Principal payment | (1,948) | (2,686) |
| Interest payment | (782) | (943) |
| Interest incurred | 1,268 | 1,429 |
| Balance as of December 31, 2022 | 15,094 | 31,843 |
| Current | 1,579 | 3,671 |
| Non-current | 13,515 | 28,172 |

c) Lease liabilities maturity schedule – recognized in non-current liabilities

| Year | Individual Gross flow | Consolidated Gross flow |
|---------------|--------------------------|----------------------------|
| 2024 | 1,873 | 3,256 |
| 2025 | 2,089 | 3,608 |
| 2026 | 2,265 | 3,943 |
| 2027 | 1,897 | 3,769 |
| 2028 | 1,489 | 3,573 |
| Above 5 years | 3,902 | 10,023 |
| Total | 13,515 | 28,172 |

- d) **Potential right to PIS and COFINS recoverable:** The Company has a potential right to PIS and COFINS recoverable built in the consideration for leases. The measurement of lease cash flow did not highlight the tax credits.

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Notes to the individual and consolidated financial statements – Continued

As of December 31, 2022

(In thousands of *Reais*, except when otherwise indicated)

15. Right-of-use assets and lease liabilities—Continued

e) Additional information (actual cash flow x nominal cash flow)

Although the accounting method used by the Company is in line with the rule set forth in IFRS 16/CPC06(R2), it generates distortions in the information to be provided due to the mismatch between cash flows and present value, given the current reality of long-term interest rates in the Brazilian economic environment. Accordingly, the Company recalculated the depreciation and financial charges for the total term of the effectiveness of the active agreements as of December 31, 2022, based on a future cash flow that incorporates the expected inflation (nominal flow).

The payment flows under the Company's lease agreements are substantially tied to inflation indices and, to ensure reliable representation and comply with CVM guidelines in its CVM Circular Notice No. 2/2019, liability balances are provided without inflation, as actually accounted for, and so are estimated inflated balances.

The nominal flow was measured at the present value of lease payments expected until the end of each agreement, plus projected future inflation, net of incremental financing rate, i.e., the nominal interest rate.

| | Individual | | Consolidated | |
|-------------------|---------------|---------------|---------------|---------------|
| | 12/31/2022 | 12/31/2021 | 12/31/2022 | 12/31/2021 |
| Actual flow | | | | |
| Lease liabilities | 16,362 | 10,015 | 33,272 | 10,971 |
| Interest | (1,268) | (278) | (1,429) | (328) |
| | <u>15,094</u> | <u>9,737</u> | <u>31,843</u> | <u>10,643</u> |
| Nominal flow | | | | |
| Lease liabilities | 17,250 | 10,308 | 35,077 | 11,107 |
| Interest | (1,337) | (286) | (1,507) | (338) |
| | <u>15,913</u> | <u>10,022</u> | <u>33,570</u> | <u>10,769</u> |

16. Property, plant and equipment

16.1 Accounting policy

Property, plant and equipment is measured at the acquisition and/or construction costs of its items, plus interest capitalized during the construction period, as applicable for qualifying assets considering:

Blau Farmacêutica S.A.

Notes to the individual and consolidated financial statements – Continued

As of December 31, 2022

(In thousands of *Reais*, except when otherwise indicated)

16. Property, plant and equipment—Continued

- (a) that their purchase price is increased by import duties and unrecoverable taxes on purchases, upon deduction of commercial discounts and rebates;
- (b) that any costs directly attributable to bringing an asset to the location and conditions needed so that it can operate as intended by Management.

Upon recognition as an asset, a property, plant and equipment item is stated at cost minus any cumulative depreciation or impairment, where applicable.

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

I. Useful life by asset class

| Class name | Useful life usable (in years) period review |
|----------------------------------|--|
| Buildings | 25-50 |
| Machinery and Equipment | 8-15 |
| Facilities | 10 |
| Furniture and Fixtures | 10 |
| Vehicles | 5 |
| Information Technology Equipment | 5 |

We presented above the useful life in years by class of property, plant and equipment asset upon the December 2022 useful life review. Despite the adjustment made, there was no significant change in the calculation of the weighted useful life compared to the previous year.

II. Impairment

On the date of each statement of financial position, the Company and its subsidiaries determine whether any indication exists that an asset may be impaired. If there is any such indication, or otherwise when an annual impairment test of an asset is needed, the Company and its subsidiaries estimate the recoverable value of such asset. As of December 31, no indications were found of potential losses on property, plant and equipment, as there were no significant technology changes in fixed assets that could impair or accelerate the useful life of the assets.

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Notes to the individual and consolidated financial statements
As of December 31, 2022
(In thousands of *Reais*, except when otherwise indicated)

16. Property, plant and equipment—Continued

16.2 Accounting policy

| | | Individual | | | | | | | | | |
|---|-------------|-----------------------|-----------------|----------------|----------------|----------------|-----------------------|----------------|----------------|-----------------|-----------------------|
| | | Balance 12/31/2020 | Additions | Incorporation | Transfer | Write- off | Balance 12/31/2021 | Additions | Transfer | Write- off | Balance 12/31/2022 |
| Custo | | | | | | | | | | | |
| Property and land (a) | | 93,169 | 1,572 | 3,250 | 1,425 | - | 99,416 | 54,828 | 12,931 | - | 167,175 |
| Improvements | | - | - | 766 | - | - | 766 | 7,182 | 53 | - | 8,001 |
| Machinery and equipment | | 102,646 | 9,842 | 4,875 | 1,715 | (1,473) | 117,605 | 17,269 | 29,381 | (12,963) | 151,292 |
| Vehicles | | 3,491 | 1,118 | - | - | (35) | 4,574 | - | (38) | (258) | 4,278 |
| Furniture and fixtures | | 7,137 | 325 | 111 | - | (16) | 7,557 | 1,393 | 474 | (797) | 8,627 |
| Facilities in use | | 20,360 | 330 | 389 | 788 | - | 21,867 | 3,129 | 7,724 | - | 32,720 |
| IT equipment | | 7,227 | 1,457 | 161 | 138 | (212) | 8,771 | 2,530 | 79 | (1,506) | 9,874 |
| Property, plant and equipment in progress | | 83,702 | 111,160 | 2,668 | (5,549) | - | 191,981 | 68,965 | (52,843) | - | 208,103 |
| Advance on goods for future delivery | | 13,278 | 5,067 | 2,679 | - | - | 21,024 | - | - | (12,667) | 8,357 |
| Total cost | | 331,010 | 130,871 | 14,899 | 1,483 | 1,736 | 473,561 | 155,296 | (2,239) | (28,191) | 598,427 |
| Cumulative depreciation | Rate | | | | | | | | | | |
| Property | 2% a 4% | (6,587) | (3,071) | - | 2 | - | (9,656) | (3,328) | - | - | (12,984) |
| Improvements | 4% | - | (134) | (2,656) | - | - | (2,790) | (616) | - | - | (3,406) |
| Machinery and equipment | 7% a 13% | (52,475) | (11,186) | (3,401) | 22 | 75 | (66,965) | (8,390) | 1 | 12,036 | (63,318) |
| Vehicles | 20% | (2,615) | (452) | - | - | 35 | (3,032) | (517) | 5 | 264 | (3,280) |
| Furniture and fixtures | 10% | (4,503) | (345) | (26) | - | 15 | (4,859) | (424) | (5) | 774 | (4,514) |
| Facilities in use | 10% | (8,171) | (1,588) | (306) | (1) | - | (10,066) | (1,790) | (1) | - | (11,857) |
| IT equipment | 20% | (4,120) | (1,102) | (63) | (23) | 210 | (5,098) | (1,300) | - | 1,397 | (5,001) |
| Total cumulative depreciation | | (78,471) | (17,878) | (6,452) | - | 335 | (102,466) | (16,65) | - | 14,471 | (104,360) |
| Net property, plant and equipment | | 252,539 | 112,993 | 8,447 | (1,483) | (1,401) | 371,095 | 138,931 | (2,239) | (13,720) | 494,067 |

- (a) The 2022 additions in the property and land class had a significant increase due to the purchase of land for the construction of the P1000 in Pernambuco, R\$14,118 of which for the land and R\$32,943 for the subsidy to be carried out by the State of Pernambuco, pursuant to contractual clauses accounted for under "Other accounts payable".

Blau Farmacêutica S.A.

Notes to the individual and consolidated financial statements – Continued

As of December 31, 2022

(In thousands of *Reais*, except when otherwise indicated)

16. Property, plant and equipment—Continued

| | | Consolidated | | | | | | | | | | |
|--|-------------|-----------------------|-----------------|----------------|----------------|---------------------------|-----------------------|-----------------|--------------|-----------------|---------------------------|-----------------------|
| | | Balance 12/31/2020 | Additions | Transfer | Write-off | Translation adjustment | Balance 12/31/2021 | Additions | Transfer | Write-off | Translation adjustment | Balance 31/12/2022 |
| Cost | | | | | | | | | | | | |
| Property and land | | 93,611 | 11,111 | 1,425 | - | - | 106,147 | 65,094 | 14,817 | (259) | - | 185,799 |
| Improvements | | 2,976 | 766 | - | - | - | 3,742 | 7,182 | 3,688 | - | - | 14,612 |
| Machinery and equipment | | 101,734 | 10,277 | 1,715 | (1,510) | - | 112,216 | 17,487 | 29,381 | (12,963) | - | 146,121 |
| Vehicles | | 3,837 | 1,118 | - | (35) | - | 4,920 | 5 | (38) | (436) | - | 4,451 |
| Furniture and fixtures | | 8,282 | 692 | - | (16) | - | 8,958 | 1,467 | 474 | (799) | - | 10,100 |
| Facilities in use | | 20,971 | 330 | 788 | - | - | 22,089 | 3,129 | 7,724 | - | - | 32,941 |
| IT equipment | | 7,662 | 1,579 | 138 | (258) | - | 9,121 | 2,570 | 79 | (1,520) | - | 10,250 |
| Property, plant and equipment in progress | | 84,276 | 115,337 | (5,549) | - | - | 194,064 | 68,965 | (52,843) | - | - | 210,186 |
| Advance on goods for future delivery | | 13,312 | 7,746 | - | - | - | 21,058 | 6,808 | - | (12,667) | - | 15,199 |
| Total cost | | 336,661 | 148,956 | (1,483) | (1,819) | - | 482,315 | 172,707 | 3,282 | (28,644) | - | 629,659 |
| Cumulative depreciation | Taxa | | | | | | | | | | | |
| Property | 4% | (7,396) | (3,160) | 2 | - | (10) | (10,564) | (3,526) | (435) | - | (33) | (14,558) |
| Improvements | 4% | (222) | (486) | - | - | - | (708) | (616) | - | - | - | (1,324) |
| Machinery and equipment | 10% | (52,570) | (11,601) | 22 | 98 | - | (64,051) | (8,462) | 1 | 12,036 | 3 | (60,473) |
| Vehicles | 20% | (3,125) | (458) | - | 43 | 6 | (3,534) | (517) | 5 | 318 | 15 | (3,713) |
| Furniture and fixtures | 10% | (4,658) | (405) | - | (2) | (1) | (5,066) | (476) | (5) | 776 | 3 | (4,768) |
| Facilities in use | 10% | (8,420) | (1,618) | (1) | - | - | (10,039) | (1,790) | (1) | - | - | (11,830) |
| IT equipment | 20% | (4,542) | (1,156) | (23) | 252 | 15 | (5,454) | (1,336) | - | 1,401 | 30 | (5,359) |
| Total cumulative depreciation | | (80,933) | (18,884) | - | 391 | 10 | (99,416) | (16,723) | (435) | 14,531 | 18 | (102,025) |
| Net property, plant and equipment | | 255,728 | 130,072 | (1,483) | (1,428) | 10 | 382,899 | 155,984 | 2,847 | (14,113) | 18 | 527,634 |

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Notes to the individual and consolidated financial statements

As of December 31, 2022

(In thousands of *Reais*, except when otherwise indicated)

16. Property, plant and equipment—Continued

Additions to property, plant and equipment are basically related to investments in the Company's capacity expansion plan for its existing production units and the construction of two new production units.

Advances on goods for future delivery refer to purchases of imported machines expected to be received over the course of 2022.

Below we disclose the breakdown of property, plant and equipment in progress. Of the balance, R\$118,301 (44%) refer to the acquisition of installation machinery and equipment, and R\$91,885 (56%) refer to the industrial expansion of the São Paulo, Cotia and Goiás, production units. Completion expected by the end of 2023.

| | Individual | | Consolidated | |
|---|----------------|----------------|----------------|----------------|
| | 12/31/2022 | 12/31/2021 | 12/31/2022 | 12/31/2021 |
| Machinery and equipment being installed | 118,301 | 127,994 | 118,301 | 127,994 |
| Industrial expansion | 89,802 | 63,987 | 91,885 | 66,070 |
| Total | 208,103 | 191,981 | 210,186 | 194,064 |

No property, plant and equipment had been given as collateral for debt incurred by the Company as of December 31, 2022 and 2021.

17. Intangible Assets

17.1 Accounting Policy

Intangible assets purchased separately are measured at cost upon initial recognition. The cost of intangible assets purchased through a combination of transactions corresponds to the fair value as of the purchase date. Following initial recognition, intangible assets are stated at cost minus cumulative amortization and cumulative impairment losses. Intangible assets that are developed internally, excluding new product development costs, are not capitalized, and related expenses are reflected in profit or loss for the period in which they are incurred.

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Notes to the individual and consolidated financial statements – Continued

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(In thousands of *Reais*, except when otherwise indicated)

17. Intangible Assets—Continued

The principal classes of intangible assets are described below:

- (a) Goodwill: Goodwill is initially recognized in the individual financial statements in the “investments” account, and in the consolidated financial statements in the “intangible assets” account, by the difference between the fair value of consideration paid and the fair value of net purchased assets. Annually or whenever indications exist of uncertainties about recovery, intangible assets with indefinite useful life are tested for impairment. Goodwill is accounted for at cost minus cumulative impairment losses.
- (b) Trademarks: Registered trademarks and licenses purchased separately are initially stated at the purchase price. If part of an amount paid as part of a business combination is related to trademarks, then these are recognized in a specific account in intangible assets and measured at fair value as of the purchase date. Subsequently, since trademarks have indefinite useful lives, they are annually tested for impairment. Expenses internally incurred in connection with the development and strengthening of trademarks are recognized as expenses in profit or loss.
- (c) Sanitary registrations: The spending on sanitary registrations is only capitalized if the costs incurred in connection with registrations can be reliably measured and the Company has the intention and sufficient funds to complete each registration and start manufacturing and selling the relevant product. Other sanitary registration expenses are recognized in profit or loss as incurred. Upon initial recognition, capitalized sanitary registration expenses are measured at cost, net of cumulative amortization, from the time registration is approved and the item goes into production line, and any impairment loss.
- (d) Research and development: The spending on research and development is only capitalized if the development costs can be reliably measured, if the product or process is both technically and commercially viable, if future economic benefits are likely to arise, and if the Company has the intention and sufficient funds to complete the development and use or sell the asset. Other development expenses are recognized in profit or loss as incurred. Following initial recognition, capitalized development expenses are measured at cost, net of cumulative amortization, from the time the item goes into the production line, and any impairment losses.

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Notes to the individual and consolidated financial statements – Continued

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17. Intangible Assets—Continued

- (e) Software: The spending on purchase and implementation of enterprise management systems is capitalized as intangible assets when the asset is identified, when there is evidence that future economic benefits will be created and when the asset is controlled by the Company and its subsidiaries, considering its economic and technical feasibility. Spending on development of software that is recognized as assets is amortized at the straight-line method in the course of its estimated useful life. Software maintenance expenses are recognized in profit or loss for the period as incurred.

Except for goodwill, trademarks and patents, intangible assets are amortized based on the straight-line method, and amortization is recognized in profit or loss at the estimated useful life of such assets, from the date they become available for use.

I. Estimated useful lives are as follows:

| Class name | Useful life usable (in years) |
|--------------------------|-------------------------------|
| Software | 5 |
| Research and development | 5 |
| Sanitary registrations | 4 |

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17. Intangible Assets—Continued

17.2 Breakdown of Balances

| | Individual | | | | | | | | | |
|--------------------------------------|-----------------------|---------------|----------------|--------------|-----------|-----------------------|----------------|--------------|-----------|-----------------------|
| | Balance 12/31/2020 | Additions | Incorporation | Transfer | Write-off | Balance 12/31/2021 | Additions | Transfer | Write-off | Balance 12/31/2022 |
| Cost | | | | | | | | | | |
| Software | 5,964 | 123 | - | 1,483 | - | 7,570 | 1,540 | 2,239 | - | 11,349 |
| Trademarks | 881 | - | - | - | - | 881 | - | - | - | 881 |
| Sanitary registrations | - | 500 | - | - | - | 500 | 1,170 | 7,055 | - | 8,725 |
| Development of new products | 21,771 | 24,389 | - | - | - | 46,160 | 35,119 | (7,055) | - | 74,224 |
| Goodwill (a) | - | - | 136,173 | - | - | 136,173 | - | - | - | 136,173 |
| Total cost | 28,616 | 25,012 | 136,173 | 1,483 | - | 191,284 | 37,829 | 2,239 | - | 231,352 |
| Cumulative amortization | | | | | | | | | | |
| Software | (4,376) | (700) | - | - | - | (5,076) | (1,092) | - | - | (6,168) |
| Sanitary registrations | - | (8) | - | - | - | (8) | (527) | - | - | (535) |
| Total cumulative amortization | (4,376) | (708) | - | - | - | (5,084) | (1,619) | - | - | (6,703) |
| Net intangible assets | 24,240 | 24,304 | 136,173 | 1,483 | - | 186,200 | 36,210 | 2,239 | - | 224,649 |

| | Consolidated | | | | | | | | | | |
|--------------------------------------|-----------------------|----------------|--------------|----------------|---------------------------|-----------------------|----------------|----------------|--------------|---------------------------|-----------------------|
| | Balance 12/31/2020 | Additions | Transfer | Write-off | Translation adjustment | Balance 12/31/2020 | Additions | Transfer | Write-off | Translation adjustment | Balance 12/31/2021 |
| Cost | | | | | | | | | | | |
| Software | 6,183 | 841 | 624 | - | - | 7,648 | 3,025 | 788 | (24) | - | 11,437 |
| Trademarks | 1,038 | 5 | - | (10) | - | 1,033 | - | (78) | - | - | 955 |
| Sanitary registrations | 1,420 | 712 | 1,048 | (85) | - | 3,095 | 1,991 | 7,133 | (116) | - | 12,103 |
| Development of new products | 21,777 | 28,018 | 159 | - | - | 49,954 | 35,119 | (10,690) | - | - | 74,383 |
| Goodwill | 144,644 | - | (483) | (917) | - | 143,244 | - | - | - | - | 143,244 |
| Total cost | 175,062 | 29,576 | 1,348 | (1,012) | - | 204,974 | 40,135 | (2,847) | (140) | - | 242,122 |
| Cumulative amortization | | | | | | | | | | | |
| Software | (4,301) | (972) | - | - | 3 | (5,270) | (1,590) | 113 | 21 | 19 | (6,707) |
| Sanitary registrations | (672) | (152) | - | 60 | 60 | (704) | (673) | (142) | 150 | 158 | (1,211) |
| Development of new products | (137) | - | - | - | - | (137) | - | - | - | - | (137) |
| Other | (190) | (9) | 135 | 10 | 4 | (50) | - | 29 | - | 10 | (11) |
| Total cumulative amortization | (5,300) | (1,133) | 135 | 70 | 67 | (6,161) | (2,263) | - | 171 | 187 | (8,066) |
| Net intangible assets | 169,762 | 28,443 | 1,483 | (942) | 67 | 198,813 | 37,872 | (2,847) | 31 | 187 | 234,056 |

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17. Intangible Assets—Continued

- (a) The goodwill arises from the acquisitions of the investees Blau Farmacêutica Colombia S.A.S. in the amount of R\$6,800, Blau Farma Uruguai in the amount of R\$271 and Blau Farmacêutica Goiás in the amount of R\$111,523 and R\$24,650 related to the operating license and products under development by Blau Goiás.

17.3 Impairment testing

On the date of each statement of financial position, the Company and its subsidiaries determine whether any indication exists that an asset can be impaired. If there is any indication or when an annual impairment test of an asset is needed, the Company and its subsidiaries estimate the recoverable value of such asset. The recoverable value of an asset is either the fair value of an asset or CGU minus selling costs or its value in use. A recoverable value will be determined for an individual asset, unless that asset does not generate any cash inflows that are broadly independent from other assets or groups of assets. When the carrying amount of an asset or CGU exceeds its recoverable value, that asset is deemed impaired and reduced 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 for the subsidiary in which the CGU operates, as well as current perceptions among market players.

The Company's impairment calculation is based on financial budgets approved by Management for the following year and more recent projection calculations, which are separately prepared for each of the cash-generating units of the Company and its subsidiaries to which the individual assets are allocated. These budgets and projection calculations usually cover a five-year period.

Projections consider operating margins determined in accordance with: (i) the Company's historical performance; (ii) future expectations of evolution in business; and (iii) weighted average growth rates in line with industry forecasts for the market served. In the context of impairment testing, the pre-tax discount rate was reconciled through an interactive calculation, taking the after-tax discount rate as a starting point. Accordingly, a discount rate of 18%, in nominal terms and after tax, was calculated using the weighted average cost of capital (WACC) method, corresponding to a 16.75% rate.

Impairment losses are recognized in the statement of profit or loss as expenses, consistent with the purpose of each asset impaired.

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Notes to the individual and consolidated financial statements – Continued

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(In thousands of *Reais*, except when otherwise indicated)

17. Intangible Assets—Continued

Goodwill is annually tested for impairment, on December 31 and when circumstances indicate carrying amounts may be impaired.

Impairment is determined for goodwill by assessing the recoverable value of the group of the CGU(Company). When the recoverable value of the CGU is lower than its carrying amount, an impairment loss is recognized. Goodwill impairment losses cannot be reversed in future periods.

Intangible assets with indefinite useful life are annually tested for impairment, on December 31 at the CGU (Company) level, as appropriate, and when circumstances indicate that the carrying amount may be impaired.

- a) Any goodwill arising from expected future profits of acquired companies and indefinite-useful life intangible assets were allocated to the CGU (Company), as follows:

| | Trademarks and Patents | | Goodwill | | Total | |
|----------------------------|------------------------|--------------|----------------|----------------|----------------|----------------|
| | 2022 | 2021 | 2022 | 2021 | 2022 | 2021 |
| Blau Farmacêutica Goiás | - | - | 136,173 | 136,173 | 136,173 | 136,173 |
| Blau Farmacêutica Colômbia | - | 78 | 6,800 | 6,800 | 6,800 | 6,878 |
| Blau Farmacêutica Uruguai | - | - | 271 | 271 | 271 | 271 |
| Blau Farmacêutica S/A | 955 | 955 | - | - | 955 | 955 |
| Total | 955 | 1,033 | 143,244 | 143,244 | 144,199 | 144,277 |

The recoverable value is analyzed by the Company by Cash Generating Unit (CGU). Each CGU has its own technical and commercial feasibility study, projected cash flows for a 5-year horizon discounted at present value at a rate of 16.75% per annum (11.50% for 2021), as prepared based on estimated sales volumes, prices and production costs determined according to financial and trend analyses of the market segment in which the Company operates.

Based on the annual impairment testing of intangible assets, drawn up based on the projections made on the financial statements as of December 31, 2022, growth prospects at the time and monitoring of the projections and operating results during the period, no possible losses or indications of losses were identified, taking into account that the value in use is greater than the net carrying amount on the valuation date.

Blau Farmacêutica S.A.

Notes to the individual and consolidated financial statements – Continued

As of December 31, 2022

(In thousands of *Reais*, except when otherwise indicated)

18. Related parties

18.1 Accounting Policy

Transactions with related parties comply with the Company's current policy, which is designed to establish rules and procedures aimed at guaranteeing that all decisions where there is a potential conflict of interest are made taking into account the best interests of the Company and its shareholders.

Transactions with related parties are formally carried out under a contract and on an arms' length basis, i.e. subject to the same principles and procedures as those underpinning the dealings of the Company and its subsidiaries with unrelated parties, except for the debentures issued, where interest is below market rates. Transactions between related parties or showing a potential conflict of interest require approval by the Company's board of directors, as per policy.

a) Shareholding structure

The Company's shareholding structure is distributed as follows: The main shareholder is Mr. Marcelo Rodolfo Hahn, who has 82.50% of the Company's share capital, 16.63% are held by various other shareholders and 0.87% are treasury shares.

b) Compensation of key management personnel

As of December 31, 2022, the annual compensation paid to key management personnel, made up of the Company's statutory officers (CEO, CFO, M&A Officer, Legal Counsel, Compliance Officer, and Quality Officer), is as follows:

| | Individual | |
|-------------------------|----------------|-----------------|
| | 12/31/2022 | 12/31/2021 |
| Management compensation | (5,735) | (4,826) |
| Bonuses (i) | (1,331) | (9,552) |
| Benefits | (736) | (580) |
| Total | (7,802) | (14,958) |

(i) The significant variation, by comparison to the balances for the same period of 2021, is tied to the bonus on the going public process in April 2021.

Blau Farmacêutica S.A.

Notes to the individual and consolidated financial statements – Continued

As of December 31, 2022

(In thousands of *Reais*, except when otherwise indicated)

18. Related parties—Continued

c) Balances and transactions with related parties

The main balances with related parties as of December 31, 2022 and December 31, 2021 in the equity accounts, as well as the transactions in the profit or loss accounts are shown below:

| | Controladora | | Consolidado | |
|---|----------------|---------------|-------------|------------|
| | 12/31/2022 | 12/21/2021 | 12/31/2022 | 12/31/2021 |
| Assets | | | | |
| Customers | | | | |
| The Package Store Imp. Com. Distr. Emb. Ltda. (a) | 500 | 272 | 500 | 272 |
| Blau Farmacêutica Colombia S.A.S. (b) | 7,538 | 4,931 | - | - |
| Blau Farma Uruguay S.A. (c) | 15,991 | 11,082 | - | - |
| Position of receivables from subsidiaries | 24,029 | 16,285 | 500 | 272 |
| Investments (Note 14) | | | | |
| Blau Farmacêutica Colombia S.A.S. | 31,123 | 35,758 | - | - |
| Blau Farma Uruguay S.A. | 38,307 | 9,860 | - | 43 |
| Plex – Plasm Experts Corp. (d) | 27,718 | 14,650 | - | - |
| Total Investments | 97,148 | 60,268 | - | 43 |
| Total assets with related parties | 121,177 | 76,553 | 500 | 315 |
| Liabilities | | | | |
| Related party suppliers | | | | |
| F11 Segurança Privada Ltda. (e) | 12 | 369 | 12 | 369 |
| F11 Facilities Eireli (f) | - | 527 | - | 527 |
| Hahn Participações | - | - | - | - |
| Total Suppliers | 12 | 896 | 12 | 896 |
| Total liabilities with related parties | 12 | 896 | 12 | 896 |

Income – gross revenue (Note No. 28) and cost of goods and products sold.

| | Individual | | | |
|---|---------------|-----------------|---------------|-----------------|
| | 12/31/2022 | | 12/31/2021 | |
| | Revenue | Cost | Revenue | Cost |
| The Package Store Imp. Com. Distr. Emb. Ltda. (a) | 2,295 | (1,648) | 1,843 | (1,424) |
| Blau Farmacêutica Colombia S.A.S. (b) | 21,620 | (17,806) | 16,343 | (12,537) |
| Blau Farma Uruguay S.A. (c) | 29,110 | (28,911) | 11,093 | (9,204) |
| Total income from related parties | 53,025 | (48,365) | 29,279 | (23,165) |
| | Consolidated | | | |
| | 12/31/2022 | | 12/31/2021 | |
| | Revenue | Cost | Revenue | Cost |
| The Package Store Imp. Com. Distr. Emb. Ltda. (a) | 2,295 | (1,648) | 1,843 | (1,424) |
| Total income from related parties | 2,295 | (1,648) | 1,843 | (1,424) |

Blau Farmacêutica S.A.

Notes to the individual and consolidated financial statements – Continued

As of December 31, 2022

(In thousands of *Reais*, except when otherwise indicated)

18. Related parties—Continued

c) Balances and transactions with related parties—Continued

Transactions income

| | Individual | |
|---|-----------------|-----------------|
| | 12/31/2022 | 12/31/2021 |
| F11 Segurança Privada Ltda. (e) | (6,730) | (5,760) |
| F11 Facilities Eireli (f) | (13,804) | (7,603) |
| Symbiosis Fundo de investimento Multimercado de Crédito Privado no Exterior (g) | - | (2,919) |
| Hahn Participações (h) | (428) | - |
| | <u>(20,962)</u> | <u>(16,282)</u> |

(a) The main activity of The Package Store Imp. Com. Distr. Ltda. ("The Package Store") is the sale of glass packaging to the pharmaceutical industry. The amounts billed to The Package Store are the result of the glass packaging purchased by the Company from suppliers abroad and resold to The Package Store under normal market conditions;

(b) Blau Farmacêutica Colombia S.A.S. – This refers to operations entailing the export of drugs manufactured by the Company, which are resold by the subsidiary in Colombia;

(c) Blau Farma Uruguay S.A – This refers to operations entailing the export of drugs manufactured by the Company, which are resold by the subsidiary in Uruguay;

(d) Plex is the holding company for joint ventures in the plasma collection segment abroad. The Company owns 64,16% of Hemarus Plasma-Luderhill, LLC and of Hemarus Plasma-Miami, LLC, both of which are limited liability companies duly incorporated and existing in accordance with the laws of the State of Florida, set up to develop, operate and manage a plasma collection center;

(e) The Company has an agreement for security services entered into in the second half of 2016 with the related company F-11 Segurança Privada Ltda;

(f) F-11 Facilities Ltda. is an individual limited liability company and provides outsourced labor services to the Company, such as cleaning and concierge services;

(g) Symbiosis - Fundo de Investimento Multimercado de Crédito Privado no Exterior, in the capacity of debenture holder. The amount relates to interest on the debentures.

(h) Concerning corporate services provided by Hahn Participações Ltda. to the Company during the year.

19. Employee benefits

Regarding the benefits policy, Blau offers its employees: medical assistance, dental assistance, food vouchers, meal vouchers, private pension and profit sharing. The Company and its subsidiaries do not provide non-cash benefits to officers, nor do they contribute to a defined benefit post-employment plan or provide any other post-employment benefits.

19.1 Long-Term Incentive Program (ILP)

At a meeting held by the Board on July 19, 2022, two long-term incentive plans ("ILP" or "Plan") were approved for certain executives and key members of the Company. The plan establishes the terms and conditions for the payment of a financial award, based on the future appreciation of the Company in the long term.

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Notes to the individual and consolidated financial statements – Continued

As of December 31, 2022

(In thousands of *Reais*, except when otherwise indicated)

19. Employee benefits—Continued

19.1 Long-Term Incentive Program (ILP)—Continued

These plans were structured considering: a) *Performance Phantom Shares* and b) *Retention Phantom Shares*, which will give the holder the possibility of receiving, 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, of which 139,414 for the *Performance Phantom Shares* plan and 82,832 for the *Retention Phantom Shares* plan, which remain subject to the vesting period.

As agreed in the grant agreement, the beneficiary must meet the following vesting criteria:

- (a) *Performance Phantom Shares*: the beneficiary will be entitled to receive a certain amount of Phantom Shares if: i) they fulfill a specific term of service (i.e., condition of service); and ii) a specific performance target during the provision of these services.
- (b) *Retention Phantom Shares*: the beneficiary will be entitled to receive a certain amount of Phantom Shares, as long as they remain linked as a member of management or employee of the Company during the period of acquisition of the plan (for at least 3 years);

| Program | Date of grant | Exercise right | | Number of Phantom Shares granted |
|------------|---------------|-------------------------|------------|----------------------------------|
| | | | | |
| ILP - 2022 | 08/09/2022 | 1 st vesting | 04/30/2023 | 34,854 |
| | | 2 nd vesting | 04/30/2024 | 34,854 |
| | | 3 rd vesting | 04/30/2025 | 152,539 |

On December 31, 2022, the Company recognized R\$377 thousand as the fair value of the Performance Phantom Shares plan and for the phantom shares retention plan recognized R\$744 thousand.

19.2 Accounting policy

Accounting for obligations with long-term incentive plans will be recognized based on the fair value of the Company's obligation in relation to the beneficiary, as a result of which, at the time of settlement, the balance of this liability will be exactly the amount, in local currency, that will be transferred to the employee.

The initial recognition of the "retention" long-term incentive plan was calculated using the average value of the last 90 trading sessions, taking into account the retention factor stipulated by the Company (*turnover*)

The initial recognition of the "performance" long-term incentive plan was calculated using the Monte

Blau Farmacêutica S.A.

Notes to the individual and consolidated financial statements – Continued

As of December 31, 2022

(In thousands of *Reais*, except when otherwise indicated)

19. Employee benefits—Continued

Carlo (MC) pricing methodology, considering the performance rules and market conditions within the estimated window of occurrence of the liquidity event, with its effects being recognized based on the grants.

Random scenarios are generated that simulate the share price on the vesting date. For each scenario, the performance ratio is calculated to define the percentage provision and the resulting amount is brought to present value, at the DI rate. Subsequently, the average of all simulated scenarios is calculated and the final result is considered as the fair value of the performance program share.

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

Phantom Shares will only be settled if the beneficiary is still employed on the payment date. In the event of termination, whether on the initiative of the Company or of the beneficiary, before completing the vesting period, the beneficiary loses the right to receive all amounts, except when otherwise established in the agreement. As of December 31, 2022, the consolidated position of outstanding phantom share plans is presented below:

| Program | 2022 Retention | 2022 Performance |
|------------------------------|-------------------|---------------------|
| Grant date | 09/08/2022 | 09/08/2022 |
| Number of phantom shares | 139,414 | 82,832 |
| Phantom shares cancelled | - | - |
| Phantom actions vested | - | - |
| Phantom actions to vest | 139,414 | 82,832 |
| Price exercised | - | - |
| Fair value of Phantom Shares | 25.16 | 25.16 |
| Volatility | 40.46% | 40.46% |
| Risk-free interest rate | 13.90% | 13.90% |
| Term | 2.3 (years) | 2.3 (years) |

20. Trade Accounts Payable

20.1 Accounting Policy

Trade accounts payable are obligations to pay suppliers for goods or services purchased from them in the ordinary course of business, and are classified in current liabilities if payment is due within the year. Otherwise, trade accounts payable are stated in non-current liabilities. They are initially recognized at fair value, and subsequently measured at amortized cost using the effective interest rate method. In practice, they are usually recognized in the amount of the relevant invoices.

Blau Farmacêutica S.A.

Notes to the individual and consolidated financial statements – Continued

As of December 31, 2022

(In thousands of *Reais*, except when otherwise indicated)

20. Trade Accounts Payable—Continued

a. Breakdown of balances

| | Individual | | Consolidated | |
|-------------------------------------|----------------|----------------|----------------|----------------|
| | 12/31/2022 | 12/31/2021 | 12/31/2022 | 12/31/2021 |
| In the country | 21,833 | 24,694 | 21,833 | 24,694 |
| Abroad | 137,301 | 90,285 | 141,792 | 90,841 |
| Total trade accounts payable | 159,134 | 114,979 | 163,625 | 115,535 |

The increase in the balance of trade accounts payable abroad is related to purchases of inputs required for RD&I activities and for producing new drugs that will be launched over the coming years. Strategies are tied to the Company's expansion plan.

The information regarding the Company's exposure to market and liquidity risks related to trade accounts payable can be found in Note No. 32.

21. Loans and financing

a. Accounting Policy

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

Loans are classified in current assets, unless the Company has an unconditional right to defer the settlement of a liability for at least 12 months after the date of the statement of financial position.

b. Breakdown of loans and financing balance

| Modality | Average rate | Bank | Guarantee | Individual | | Consolidated | |
|-------------------------|---------------|----------|-------------------------|------------|---------------|--------------|---------------|
| | | | | 12/31/2022 | 12/31/2021 | 12/31/2022 | 12/31/2021 |
| Working capital | 1.65% p.a. | Citibank | Controlling shareholder | - | 39,861 | - | 39,861 |
| Working capital Uruguay | USD + 8% p.a. | Itaú | No guarantee | - | - | - | 1,868 |
| Total | | | | - | 39,861 | - | 41,729 |

The loan in foreign currency and the hedge instrument related to the swap transactions (Citibank), classified as derivatives, were stated at fair value.

Blau Farmacêutica S.A.

Notes to the individual and consolidated financial statements – Continued

As of December 31, 2022

(In thousands of *Reais*, except when otherwise indicated)

21. Loans and financing—Continued

a) Changes in loans and financing

| | Individual | Consolidated |
|--|---------------|---------------|
| Balance as of December 31, 2020 | 15,051 | 15,805 |
| Loan raised with cash effect | 154,182 | 155,296 |
| Appropriation of interest | 7,878 | 7,878 |
| Payment of principal | (131,020) | (131,020) |
| Payment of interest | (7,132) | (7,132) |
| Monetary adjustment | 902 | 902 |
| Balance as of December 31, 2021 | 39,861 | 41,729 |
| Appropriation of interest | 33 | 33 |
| Payment of principal | (38,672) | (40,540) |
| Payment of interest | (831) | (831) |
| Monetary adjustment | (391) | (391) |
| Balance as of December 31, 2022 | - | - |

b) Schedule of debt amortization for outstanding loans and financing

| Year | Individual | | Consolidated | |
|---------------------|------------|---------------|--------------|---------------|
| | 12/31/2022 | 12/31/2021 | 12/31/2022 | 12/31/2021 |
| Until December 2022 | - | 39,861 | - | 41,729 |
| Total | - | 39,861 | - | 41,729 |

22. Debentures

| Modality | Average rate | Guarantee | Individual and Consolidated | |
|----------------------------------|------------------|-------------------------------------|-----------------------------|----------------|
| | | | 12/31/2022 | 12/31/2021 |
| Debentures 1 st issue | CDI + 1.05% p.a. | Surety from controlling shareholder | 22,601 | 67,738 |
| Debentures 3 rd issue | CDI + 1.10% p.a. | Surety from controlling shareholder | 257,269 | 254,588 |
| Total debentures | | | 279,870 | 322,326 |
| Current | | | 79,870 | 49,823 |
| Non-current | | | 200,000 | 272,503 |
| Total | | | 279,870 | 322,326 |

The net proceeds raised are earmarked for investments in studies, production capacity expansion projects, launches, research, development and innovation, as well as for general corporate use.

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Notes to the individual and consolidated financial statements – Continued

As of December 31, 2022

(In thousands of *Reais*, except when otherwise indicated)

22. Debentures—Continued

a. Breakdown of loans and financing balance

The characteristics of the debentures are shown in the following table:

| Description | 1st issue | 2nd issue | 3rd issue | 4th issue | 5th issue |
|---|--------------------|---------------------|---------------------------------|---------------------|---------------------|
| Issuing entity | Blau | Blau | Blau | Blau | Blau |
| Financial institution | Bradesco | Symbiosis | Bradesco 66.7% Itaú 33.3% | Symbiosis | Symbiosis |
| Total value of the issue in a single series | 180,000 | 80,000 | 250,000 | 135,000 | 125,000 |
| Nature | Public | Private | Public | Private | Private |
| Date of issue | 06/20/2018 | | 04/15/2020 | | |
| Funding date | 06/27/2018 | | 04/20/2020 | | |
| Maturity | 06/20/2023 | | 04/15/2027 | | |
| Type | Unsecured | Unsecured | Unsecured | Unsecured | Unsecured |
| Identification of asset at CETIP | BLAU13 | BLAU12 | BLAU13 | BLAU14 | BLAU15 |
| b. Effective interest rate p.a. % | 105% + 100% CDI | 0,45% + 100% CDI | 1.30% + 100% CDI | 0,45% + 100% CDI | 0,45% + 100% CDI |
| c. Total amount of debt | (22,601) | - | (257,269) | - | - |

a) Changes in the balance of debentures:

| | 1st Issue | 2nd Issue | 3rd Issue | 4th Issue | 5th Issue | Total |
|---------------------------------|---------------|-----------|----------------|-----------|-----------|----------------|
| Balance in December 2020 | (112,593) | (76,759) | (251,671) | (117,672) | (114,645) | (673,340) |
| Reclassification (i) | - | 3,418 | - | 17,341 | 10,412 | 31,171 |
| Interest paid | (4,431) | (796) | (11,120) | (1,207) | (1,163) | (18,717) |
| Interest accrued | 4,575 | 619 | 14,037 | 1,194 | 1,106 | 21,531 |
| Amortization | (44,999) | (80,000) | - | (135,000) | (125,000) | (384,999) |
| Balance in December 2021 | 67,738 | - | 254,588 | - | - | 322,326 |
| Interest paid | (5,793) | - | (30,161) | - | - | (35,954) |
| Interest accrued | 5,655 | - | 32,842 | - | - | 38,497 |
| Amortization | (44,999) | - | - | - | - | (44,999) |
| Balance in December 2022 | 22,601 | - | 257,269 | - | - | 279,870 |

- (i) The reclassification refers to the convertible debentures recorded in the Company's assets, in the amount of R\$3,390, and equity, in the amount of R\$34,562, set up in the previous year and reversed in 2021 in relation to the acceleration of second, fourth and fifth issues of debentures.

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Notes to the individual and consolidated financial statements – Continued

As of December 31, 2022

(In thousands of *Reais*, except when otherwise indicated)

b) Schedule of debt amortization in relation to the balance of debentures

| Year | Consolidated and Individual | | Total |
|--------------------------|-----------------------------|--------------|----------------|
| | Principal | Interest | |
| 01/01/2023 to 12/31/2023 | 72,502 | 7,368 | 79,870 |
| 01/01/2024 to 12/31/2024 | 50,000 | - | 50,000 |
| 01/01/2025 to 12/31/2025 | 50,000 | - | 50,000 |
| 01/01/2026 to 12/31/2026 | 50,000 | - | 50,000 |
| 01/01/2027 to 12/31/2027 | 50,000 | - | 50,000 |
| Total | 272,502 | 7,368 | 279,870 |

c) Covenants

Due to the fact that funds have been raised by means of debentures, certain covenants are provided to be complied with by the Company. The financial ratio consists of a net debt / EBITDA ratio of less than 2.50x, only taking into account the year ended December 31 of each year and based on the consolidated financial statements. As of December 31, 2022, the covenants have been met.

23. Income tax and social contribution payable

a. **Accounting Policy**

Current income tax assets and liabilities are measured based on the amount expected to be recovered from or paid to tax authorities at the tax rates and under the tax laws used to calculate the amount, as enacted or substantially enacted on the date of the statement of financial position in the countries where the Company operates and generates taxable income.

Current and deferred income tax and social contribution are calculated at the rate of 15%, plus 10% additional tax on taxable income in excess of R\$240, for income tax, and 9% additional tax on taxable income, for social contribution on net income. Offsets of tax losses are considered, but limited to 30% of the annual taxable income. Taxable income reflects income before taxes, as adjusted for non-taxable and non-deductible items (temporary and permanent items).

Deferred taxes represents tax debts and credits on temporary differences between the tax basis and the accounting basis for assets and liabilities on accumulated tax losses. Deferred income tax assets and liabilities are classified as “non-current” as required by CPC 32 – Income Taxes.

Current taxes and deferred taxes are recognized in profit or loss, unless they pertain to a business combination or items directly recognized in equity or other comprehensive income.

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Notes to the individual and consolidated financial statements – Continued

As of December 31, 2022

(In thousands of *Reais*, except when otherwise indicated)

23. Income tax and social contribution payable— Continued

a. Breakdown of balances

| | Individual | | Consolidated | |
|---------------------|---------------|---------------|---------------|---------------|
| | 12/31/2022 | 12/31/2021 | 12/31/2022 | 12/31/2021 |
| Current | | | | |
| Income tax | 13,629 | 13,917 | 13,629 | 13,917 |
| Social contribution | 5,815 | 6,074 | 5,815 | 6,074 |
| Total | 19,444 | 19,991 | 19,444 | 19,991 |

a) Changes in income tax and social contribution payable

| | Individual | | Consolidated | |
|-----------------|---------------|---------------|---------------|---------------|
| | 12/31/2022 | 12/31/2021 | 12/31/2022 | 12/31/2021 |
| Initial balance | 19,991 | 36,228 | 19,991 | 36,228 |
| Provision | 90,130 | 122,479 | 91,105 | 124,485 |
| Compensation | (17,087) | (5,771) | (17,087) | (5,771) |
| Tax paid | (73,590) | (132,945) | (74,565) | (134,951) |
| Total | 19,444 | 19,991 | 19,444 | 19,991 |

b) Effective rate in the parent company

| | Individual | |
|--|------------------|------------------|
| | 12/31/2022 | 12/31/2021 |
| Reconciliation of income tax and social contribution | | |
| Income before income tax and social contribution | 470,461 | 481,820 |
| Statutory rate | 34.00% | 34.00% |
| Amount of income tax and social contribution on accounting profit at the statutory rate | 159,957 | 163,819 |
| Theoretical IR/CS Expense | | |
| Permanent non-taxable differences | 5,417 | 2,559 |
| Equity Pick-Up | (1,948) | 1,569 |
| Interest on equity | (42,780) | (15,956) |
| Tax incentive – ‘Lei do bem’ | (12,024) | (8,425) |
| Others | (1,529) | 13,032 |
| Effective IR/CS Expense | 107,093 | 156,598 |
| Effective IR/CS Rate (%) | 22.76% | 32.50% |
| Current income tax and social contribution expenses | | |
| Current income tax and social contribution | (90,130) | (122,479) |
| Deferred income tax and social contribution | (16,963) | (34,119) |
| Current income tax and contribution, net | (107,093) | (156,598) |

Blau Farmacêutica S.A.

Notes to the individual and consolidated financial statements – Continued

As of December 31, 2022

(In thousands of *Reais*, except when otherwise indicated)

23. Income tax and social contribution payable—Continued

c) Deferred income tax and social contribution

| ASSETS | Individual | | Consolidated | |
|------------------------------------|---------------|----------------|---------------|---------------|
| | 2022 | 2021 | 2022 | 2021 |
| Provision for inventory losses | 10,568 | 7,818 | 10,568 | 8,123 |
| Provision for contingencies | 1,781 | 2,059 | 1,781 | 2,059 |
| Provision for expected losses | 1,303 | 1,258 | 1,303 | 1,715 |
| Provision for expenses | 2,234 | 1,387 | 2,234 | 1,387 |
| Depreciation | 2,949 | 1,718 | 2,949 | 1,718 |
| Right-of-use | 8,595 | - | 8,595 | - |
| Other | 2,591 | 4,007 | 11,186 | 3,691 |
| Non-current assets | 30,021 | 18,247 | 30,021 | 18,693 |
| Initial balance of deferred assets | (18,247) | (19,265) | (18,693) | (19,671) |
| Change in income for the year | 11,774 | (1,018) | 11,328 | (978) |

| LIABILITIES | Individual | | Consolidated | |
|--|-----------------|-----------------|-----------------|-----------------|
| | 2022 | 2021 | 2022 | 2021 |
| Derivatives | - | (4,261) | - | (4,261) |
| R&D | (39,587) | (26,615) | (39,587) | (26,615) |
| Tax benefit on goodwill | (9,479) | (1,896) | (9,479) | (1,896) |
| Interest | (8,251) | (3,979) | (8,251) | (3,979) |
| IFRS 16 | (7,950) | - | (7,950) | - |
| Other | (412) | (191) | 224 | (191) |
| Non-current liabilities | (65,679) | (36,942) | (65,043) | (36,942) |
| Initial balance of deferred liabilities | 36,942 | 3,805 | 36,942 | (33,137) |
| Variation in income for the year | (28,737) | (33,137) | (28,101) | (3,805) |
| Unrealized inventory abroad – deferred income | - | 36 | - | (4) |
| Other | - | - | (190) | - |
| Variation of deferred income tax and social contribution in profit for the year | (16,963) | (34,119) | (16,963) | (34,119) |

| | Individual | | Consolidated | |
|--|------------|------------|--------------|------------|
| | 12/31/2022 | 12/31/2021 | 12/31/2022 | 12/31/2021 |
| Balance in non-current assets | 30,021 | 18,247 | 30,021 | 18,693 |
| Balance in non-current liabilities | (65,679) | (36,942) | (65,043) | (36,942) |
| Deferred income tax and social contribution, net | (35,658) | (18,695) | (35,022) | 18,249 |

The Company, based on the expectation of generating future taxable income, determined in a technical study approved by Management, recognized tax credits on temporary differences. The carrying amount of deferred assets is reviewed annually by the Company.

Based on future taxable income generation assessments, the Company estimates that such tax credits will be recovered in the following years:

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Notes to the individual and consolidated financial statements – Continued

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(In thousands of *Reais*, except when otherwise indicated)

23. Income tax and social contribution payable—Continued

| | |
|--------------------------|---------------|
| Estimated deferred taxes | 2022 |
| 2023 | 19,170 |
| 2024 to 2026 | 10,851 |
| | 30,021 |

The tax credit recovery estimates were based on taxable income projections taking into account various financial and business assumptions considered at the close of the year 2022. As a result, such estimates may not materialize in the future, in view of the uncertainties inherent in such forecasts.

24. Labor related obligations

| | Controladora | | Consolidado | |
|------------------------------|---------------|---------------|---------------|---------------|
| | 12/31/2022 | 12/31/2021 | 12/31/2022 | 12/31/2021 |
| Payroll | 5,256 | 4,089 | 5,951 | 4,692 |
| Social charges | 8,318 | 7,167 | 8,318 | 7,167 |
| Vacations | 16,407 | 13,540 | 16,516 | 13,620 |
| Provision for profit sharing | 3,586 | 9672 | 3,586 | 9,672 |
| Other accounts | 1,406 | 398 | 1,406 | 398 |
| Total | 34,973 | 34,866 | 35,777 | 35,549 |
| Current | 34,015 | 34,866 | 34,819 | 35,549 |
| No current | 958 | - | 958 | - |
| Total | 34,973 | 34,866 | 35,777 | 35,549 |

25. Dividends and interest on equity

25.1 Accounting Policy

- Dividends:** Dividend distributions to the Company's shareholders are recognized as liabilities, based on the minimum mandatory dividends set forth in its bylaws, which stipulate a minimum payment equivalent to 25% of net profit for the year, net of any such interim dividends as may have already been declared in the course of the year, as dividends can be paid out of the profit determined based on the Company's quarterly information and also offset against the net amount of interest on own capital. The bylaws provide that interim and/or intermediary dividends can be declared and distributed by resolution of the board of directors.
- Interest on equity:** Any interest on own capital paid or credited is originally accounted for in profit or loss as a financial expense, and subsequently reversed upon determination of net profit for the year and stated as allocation of retained earnings in the statement of changes in equity as interest on own capital paid or payable, according to the essence of the transaction.

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Notes to the individual and consolidated financial statements – Continued

As of December 31, 2022

(In thousands of *Reais*, except when otherwise indicated)

25.2 Breakdown of balances

| | Individual and Consolidated | |
|---|-----------------------------|----------------|
| | 12/31/2022 | 12/31/2021 |
| Net profit for the year | 363,368 | 325,222 |
| (-) Legal reserve set up (5%) | (18,168) | (16,261) |
| Dividend calculation basis (a) | 345,200 | 308,961 |
| Minimum mandatory dividend under the bylaws (25%) | 86,300 | 77,240 |
| Minimum mandatory dividends | - | 36,882 |
| Proposed additional dividends | - | - |
| Proposed interest on equity | 125,702 | 46,927 |
| Withholding tax on interest on equity | (17,867) | (6,569) |
| Remuneration net of withholding tax (b) | 107,835 | 77,240 |
| % distributed on the dividend calculation basis (b / a) | 31,24% | 25% |
| Mandatory minimum dividend excess amount | 21,535 | - |

25.3 Change in balances

Change in dividend and interest on own capital obligations

| | Individual and Consolidated | |
|-----------------|-----------------------------|------------|
| | 12/31/2022 | 12/31/2021 |
| Initial balance | 36,882 | 57,206 |
| Additions | 107,835 | 83,809 |
| Payments | (135,400) | (104,133) |
| Final balance | 9,317 | 36,882 |

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Notes to the individual and consolidated financial statements – Continued

As of December 31, 2022

(In thousands of *Reais*, except when otherwise indicated)

26. Other accounts payable

| | Individual | | Consolidated | |
|---|---------------|---------------|---------------|---------------|
| | 12/31/2022 | 12/31/2021 | 12/31/2022 | 12/31/2021 |
| Investments payable (a) | 17,981 | 47,979 | 17,981 | 51,606 |
| Advances from customers | 462 | 284 | 490 | 341 |
| Provision for distribution costs of products and goods sold | 6,572 | 2,116 | 6,572 | 2,116 |
| Investment subsidy (b) | 32,943 | - | 32,943 | - |
| Land plot purchased in Pernambuco (b) | 10,396 | - | 10,396 | - |
| Other accounts payable | 2,129 | 3,404 | 3,071 | 3,830 |
| Total | 70,483 | 53,783 | 71,453 | 57,893 |
| Current | 37,540 | 20,354 | 38,397 | 20,837 |
| Non-current | 32,943 | 33,429 | 33,056 | 37,056 |
| Total | 70,483 | 53,783 | 71,453 | 57,893 |

(a) Refers to the remaining amounts payable (R\$17,981) to the former owners of Blau Goiás (acquisition carried out in May 2020), as per the purchase and sale agreement.

(b) Governmental subsidy tied to terms of purchase of land plot for construction of P1000 in Pernambuco, in accordance with State Law No. 16,582, of June 7, 2019 (Reducer Law), which will be subsidized by the State of Pernambuco, upon deduction of the respective balance. When all the conditions of the contractual clauses are met, the amount will be recognized in income as investment subsidy revenue.

27. Provisions for tax, civil and labor lawsuits

27.1 Accounting Policy

The Company and its subsidiaries, in the normal course of their activities, are subject to tax, civil and labor proceedings. The company's management, supported by the opinion of its legal advisors and, when applicable, based on specific opinions issued by experts, assesses the expected outcome of the proceedings in progress and determines whether or not there is a need to set up a provision for tax, civil and labor contingencies.

Provisions are recognized when the Company and its subsidiaries have a present obligation (legal or constructive) due to a past event, an outflow of funds is likely to be needed to settle to obligation, and the amount of that obligation can be reliability estimated. The expense related to any provision is recorded in profit or loss for the year, net of any reimbursements. For success fees, the Company and its subsidiaries have a policy of setting up the provision at the time the fees are incurred, i.e. when a final judgement is entered in the cases.

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Notes to the individual and consolidated financial statements – Continued

As of December 31, 2022

(In thousands of *Reais*, except when otherwise indicated)

27. Provisions for tax, civil and labor lawsuits—Continued

27.2 Breakdown of Balances

Based on those considerations, the following provisions were set up:

| | Consolidated and Individual | | | Total |
|--|-----------------------------|----------------|--------------------|----------------|
| | Labor Claims | Civil Claims | ANVISA proceedings | |
| Balance as of December 31, 2020 | 4,177 | 741 | 144 | 5,062 |
| Net addition | 2,562 | 488 | - | 3,050 |
| New proceedings | 1,336 | - | - | 1,336 |
| Reclassification | 62 | 287 | - | 349 |
| Monetary adjustment | 1,164 | 201 | - | 1,365 |
| Write-off | (2,013) | (43) | - | (2,056) |
| Payments | (147) | (2) | - | (149) |
| Reclassification | (552) | (41) | - | (593) |
| Monetary adjustment | (1,314) | - | - | (1,314) |
| Balance as of December 31, 2021 | 4,726 | 1,186 | 144 | 6,056 |
| Addition | 2,734 | 98 | - | 2,832 |
| New proceedings | 1,529 | 23 | - | 1,552 |
| Reclassification | 64 | - | - | 64 |
| Monetary adjustment | 1,141 | 75 | - | 1,216 |
| Write-off | (2,423) | (1,081) | (144) | (3,648) |
| Payments | (65) | - | - | (65) |
| Reclassification | (676) | (563) | (144) | (1,383) |
| Monetary correction | (1,682) | (518) | - | (2,200) |
| Balance as of December 31, 2022 | 5,037 | 203 | - | 5,240 |

a) Claims classified by legal advisors as a possible loss

The Company and its subsidiaries are subject to other legal proceedings, and based on the assessment of the legal advisors, there is a probability of possible loss in the amount of R\$6,328 as of December 31, 2022 (R\$684 as of December 31, 2021). No provision was recognized for labor and civil risks classified as possible, according to their nature:

| Nature | Consolidated | |
|--------------|--------------|------------|
| | 12/31/2022 | 12/31/2021 |
| Labor | 702 | 509 |
| Civil | 9 | 175 |
| Tax | 5,617 | - |
| Total | 6,328 | 684 |

Blau Farmacêutica S.A.

Notes to the individual and consolidated financial statements – Continued

As of December 31, 2022

(In thousands of *Reais*, except when otherwise indicated)

27. Provisions for tax, civil and labor lawsuits—Continued

b) Judicial deposits

Represent restricted assets of the Company and its subsidiaries and are related to amounts deposited and held in court until the resolution of the related disputes. Accordingly, provisions for lawsuits are presented in accordance with the amounts of the lawsuits, and do not consider the balances of judicial deposits, as the conditions required to present them net with the provision do not exist.

| | Balance 12/31/2020 | Addition | Write- off | Monetary Update | Balance 12/31/2021 | Addition | Write- off | Monetary Update | Balance 12/31/2022 |
|--------------|-----------------------|-----------|---------------|--------------------|-----------------------|--------------|----------------|--------------------|-----------------------|
| Labor | 569 | - | - | 35 | 604 | - | - | 74 | 678 |
| Civil | 5,447 | 91 | - | 436 | 5,974 | - | (4,665) | 253 | 1,562 |
| Tax | - | - | - | - | - | 4,574 | - | 444 | 5,018 |
| Total | 6,016 | 91 | - | 471 | 6,578 | 4,574 | (4,665) | 771 | 7,258 |

28 Equity

a) Capital stock

The Company's subscribed and paid-in capital stock was R\$1,316,609 as of December 31, 2022 and December 31, 2021 and was represented by 179,393,939 thousand registered, book-entry common shares with no par value.

Under the terms of article 5 of its Bylaws, the Company is authorized to increase its share capital by resolution of the Board of Directors, regardless of a statutory amendment, through the issue of shares, debentures convertible into shares, or subscription bonuses, up to a limit of one hundred and ninety-eight million (198,000,000) shares. It is also up to the Board of Directors to establish the conditions of the issue, including price, term and form of payment

b) Treasury shares

On June 14, 2022, the Company informed the shareholders and the market in general of its Share Buyback Program, approved at a meeting of the Company's Board of Directors on June 13, 2022. in the purpose of the program was to use the Company's available funds to maximize value generation for shareholders. The acquired shares will be held in treasury, and may later be canceled or sold on the market, without reducing the Company's capital stock, in compliance with the provisions of paragraph 1 of article 30 of Law No. 6.404/1976 ("Corporate Law"), and in rules provided for in CVM Resolution No. 77, of March 29, 2022 ("CVM Resolution No. 77").

The Company may, at its sole discretion and pursuant to the Buyback Program, acquire up to four million, four hundred and eighty-four thousand, eight hundred and forty-eight (4,484,848) common, nominative, book-entry shares with no par value, of issuance of the Company,

Blau Farmacêutica S.A.

Notes to the individual and consolidated financial statements – Continued

As of December 31, 2022

(In thousands of *Reais*, except when otherwise indicated)

28. Equity—Continued

representing up to 2.50% of the total shares issued by the Company in circulation on this date, as resolved at the Board of Directors' Meeting.

The changes in treasury shares are shown in the table below:

| | Value | Amount (thousands of shares) |
|---------------------------------|----------|---------------------------------|
| Balance as of December 31, 2021 | - | - |
| Acquisition in the period | (39,895) | 1,563 |
| Balance as of December 31, 2022 | (39,895) | 1,563 |

c) Profit reserves

Consists of the legal reserve, the reserve for investments and proposed additional dividends. The legal reserve is set up in accordance with the Brazilian Corporate Law, based on 5% of net income for each year until it reaches 20% of share capital.

The investment reserve is set up based on up to 75% of net income for each year, minus the amounts set aside for the legal reserve, the contingencies reserve and the tax incentive reserve as per the bylaws. The purpose of the investment reserve is to ensure sufficient funds for the expansion of the Company's activities and investments, and the balance of this reserve may not exceed share capital, either separately or together with the other profit reserves.

d) Other comprehensive income

This refers to gain and loss on the translation of the financial statements of subsidiaries domiciled abroad, as well as equity valuation adjustment to property, plant, and equipment upon initial adoption (deemed cost).

e) Profit allocation

As allowed under paragraph "c" of Article 28 combined with Article 29 of the Company's Bylaws, the balance of net income as of December 31, 2022 is shown after deductions for the minimum compulsory dividends and Interest on Own Capital, equivalent to R\$125,702, which was allocated to an investment reserve for future distribution.

f) Earnings per share

Earnings per share are shown by type and nature of share, in accordance with the practice in Brazil of trading and quoting shares in lots of shares.

Basic and diluted

Blau Farmacêutica S.A.

Notes to the individual and consolidated financial statements – Continued

As of December 31, 2022

(In thousands of *Reais*, except when otherwise indicated)

28. Equity—Continued

Basic earnings per share was calculated based on the weighted average of the number of outstanding common shares.

| | Consolidated | |
|---|--------------|------------|
| | 12/31/2022 | 12/31/2021 |
| Net income attributable to controlling shareholders | 363,368 | 323,864 |
| Number of common shares (thousands of shares) | 179,394 | 179,394 |
| Number of convertible shares (thousands of shares) | (1,563) | - |
| Basic and diluted earnings per common share | 2.043 | 1.8917 |

29 Net operating revenue

29.1 Breakdown of Balances

| | Consolidated | | Individual | |
|--|------------------|------------------|------------------|------------------|
| | 12/31/2022 | 12/31/2021 | 12/31/2022 | 12/31/2021 |
| Sales of products – domestic market | 1,410,778 | 1,449,998 | 1,516,226 | 1,503,262 |
| Sales of products – overseas market | 20,574 | 21,168 | 20,574 | 21,168 |
| Sales – related parties (Note 17) | 53,025 | 29,279 | 2,295 | 1,843 |
| Gross revenue | 1,484,377 | 1,500,445 | 1,539,095 | 1,526,273 |
| (-) Taxes (a) | (104,260) | (148,349) | (104,260) | (148,349) |
| (-) Discounts | (480) | (495) | (672) | (799) |
| (-) Returns | (27,094) | (10,463) | (27,254) | (10,718) |
| Total deductions from gross revenue | (131,834) | (159,307) | (132,186) | (159,866) |
| Net operating revenue | 1,352,543 | 1,341,138 | 1,406,909 | 1,366,407 |

Blau Farmacêutica S.A.

Notes to the individual and consolidated financial statements – Continued

As of December 31, 2022

(In thousands of *Reais*, except when otherwise indicated)

29. Net operating revenue - Continued

29.2 Accounting policy

a) Net operating revenue

Net operating revenue is shown by segment in Note No. 34 and consists of the fair value of the consideration received or receivable for the sale of products and goods in the ordinary course of the Company's activities.

The Company recognizes revenue when the amount can be reliably measured, it is probable that future economic benefits will flow to the entity, and when control over the products is transferred, which normally occurs upon delivery of the products to the buyer, who will have total freedom over the selling price of the products and goods, and as long as there is no unfulfilled obligation and there is no permanent involvement with the goods sold or any other factor that may affect the buyer's acceptance of the goods.

Revenue is shown net of sales taxes, returns, rebates and discounts, and on a consolidated basis, net of eliminations of sales between controlled companies.

The right to recover returned goods is measured at the previous carrying amount of the inventory minus any expected costs, while the obligation to make reimbursement is recorded under other payables. The Company does not make provisions for returns of goods sold on account of the fact that it does not consider the effect to be material; however, on an annual basis management reassesses the need to make a provision for sales returns on the reporting date.

Sales discounts are only granted in the case of specific deals or events, such as slow-moving inventory items with a risk of obsolescence at the customer, in order to avoid sales return. For the retail channel, there are usual discounts based on the level of sales, and these discounts are made on the amounts payable by the customer to the Company. The Company does not make any provision for sales discounts as it does consider the amount to be material.

b) Revenue from Contracts with Customers

Revenue from contracts with customers is recognized when control of goods or services is transferred to the customer for an amount that reflects the consideration to which the Company expects to be entitled in exchange for those goods. The Company concludes, in general, that this is the principal item in its revenue contracts.

Blau Farmacêutica S.A.

Notes to the individual and consolidated financial statements – Continued

As of December 31, 2022

(In thousands of *Reais*, except when otherwise indicated)

29. Net operating revenue—Continued

The Company does not have any contracts with private sector customers as of December 2022 with expected realization within one year. In the case of a new contract being signed, the Company assesses contracts with customers that will be subject to revenue recognition and identifies the different goods promised in each contract and the performance obligations, if any.

In the Public channel, contracts are signed following the auctions in order to guarantee all the obligations of both parties.

The growth in sales for December 2022 is due to an increase in demand in the public segment, especially for the Biologicals and other lines.

In relation to geographical location, net revenue in Brazil accounted for 91.11% of the Company's consolidated net revenue in December 2022 (94.72% for 2021).

| | Consolidated | |
|--------------|------------------|------------------|
| | 12/31/2022 | 12/31/2021 |
| Brazil | 1,281,846 | 1,294,240 |
| Colombia | 34,185 | 35,579 |
| Peru | 2,675 | - |
| Uruguay | 55,429 | 15,420 |
| Chile | 8,836 | 12,458 |
| USA | 15,481 | 1,706 |
| Others | 8,457 | 7,004 |
| Total | 1,406,909 | 1,366,407 |

Regarding consolidated net revenue in the year ended December 31, 2022 between public and private customers is as follows:

| | Consolidated | |
|--------------|------------------|------------------|
| | 12/31/2022 | 12/31/2021 |
| Public | 368,043 | 164,697 |
| Private | 1,038,866 | 1,201,710 |
| Total | 1,406,909 | 1,366,407 |

Revenue from private customers represented 73.84% of total net operating revenue as of December 31, 2022 (87.95% for 2021).

Regarding consolidated net revenue in the period ended December 31, 2022, the breakdown among the various lines of medication is as follows:

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Notes to the individual and consolidated financial statements – Continued

As of December 31, 2022

(In thousands of *Reais*, except when otherwise indicated)

29. Net operating revenue—Continued

| | Consolidated | |
|--------------|------------------|------------------|
| | 12/31/2022 | 12/31/2021 |
| Biologicals | 842,775 | 682,767 |
| Specialties | 347,191 | 500,778 |
| Oncology | 77,008 | 84,448 |
| Outros | 139,935 | 98,414 |
| Total | 1,406,909 | 1,366,407 |

Much of the increase in net operating revenue as of December 31, 2022 concerns sales of the Biologicals and other lines, which rose 23.44% and 42.19%, respectively, compared to the previous year.

c) Performance obligations and revenue recognition policies

Revenue is measured based on the consideration specified in the contract with the customer. The Company and its subsidiaries recognize revenue when control over the product or service is transferred to the customer.

The notes below provide information regarding the nature and period of fulfillment of performance obligations in contracts with customers, including significant payment terms, and the related revenue recognition policies.

i) *Nature and period of fulfillment of performance obligations, including significant payment terms*

Customers receive control of the products when the goods are delivered and accepted on their premises. Invoices are issued at that time. Payment terms depend on the segment and the contract signed, and can vary from 30 to 120 days.

ii) *Revenue recognition policy*

Revenues are recognized when products are delivered to and accepted by customers on their premises.

For contracts that allow customers to return goods, revenues are recognized to the extent that a significant reversal of the amount of accumulated revenues recognized is highly likely not to occur.

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Notes to the individual and consolidated financial statements – Continued

As of December 31, 2022

(In thousands of *Reais*, except when otherwise indicated)

29. Net operating revenue—Continued

The Company reviews its expectation of returns on the date of the statement of financial position and updates the amounts of assets and liabilities accordingly.

30 Cost of goods and products sold

| | Consolidated | | Individual | |
|-------------------------------|------------------|------------------|------------------|------------------|
| | 12/31/2022 | 12/31/2021 | 12/31/2022 | 12/31/2021 |
| Raw materials and packaging | (566,736) | (569,625) | (590,632) | (579,128) |
| Workforce | (35,817) | (26,012) | (35,817) | (26,012) |
| Depreciation and amortization | (6,169) | (6,542) | (6,169) | (6,542) |
| Quality Control | (55,060) | (46,280) | (55,060) | (46,280) |
| Other manufacturing expenses | (51,353) | (42,511) | (51,353) | (42,511) |
| Total cost of sales | (715,135) | (690,970) | (739,031) | (700,473) |

As of December 31, 2022, the costs of goods and products sold increased by R\$24,116 in the individual statement and R\$38,558 (up 3.50%) in the consolidated statement (up 5.50%) relative to the year ended December 31, 2021.

The increase in total cost of goods sold in 2022 compared to 2021 is related to the increase in sales volume. In 2022, the Company implemented the third production shift at the plants in Cotia and São Paulo to meet this demand. In November 2022, the new P210 production building in Cotia started operating and, consequently, hiring a shift of employees.

31 Operating expenses by category

| | Individual | | Consolidated | |
|--|------------------|------------------|------------------|------------------|
| | 12/31/2022 | 12/31/2021 | 12/31/2022 | 12/31/2021 |
| Sales expenses | (56,095) | (44,513) | (65,218) | (51,315) |
| Research and development expenses | (38,912) | (52,117) | (38,913) | (52,118) |
| Total commercial expenses | (95,007) | (96,630) | (104,131) | (103,433) |
| Expected loss due to impairment of trade receivables | (285) | (2,165) | (6) | (2,128) |
| Administrative expenses | (93,287) | (88,976) | (109,717) | (98,336) |
| Other operating revenue, net | (1,342) | (2,596) | (1,834) | (5,413) |
| Total expenses | (189,921) | (190,367) | (215,688) | (209,310) |

Blau Farmacêutica S.A.

Notes to the individual and consolidated financial statements – Continued

As of December 31, 2022

(In thousands of *Reais*, except when otherwise indicated)

31. Operating expenses by category—Continued

a) Expenses by type

| | Individual | | Consolidated | |
|---------------------------------|------------------|------------------|------------------|------------------|
| | 12/31/2022 | 12/31/2021 | 12/31/2022 | 12/31/2021 |
| Personnel | (88,311) | (96,911) | (99,341) | (103,460) |
| Specialized services | (17,923) | (13,624) | (22,912) | (13,630) |
| Marketing | (13,991) | (9,152) | (14,430) | (9,257) |
| Freight | (7,911) | (7,008) | (7,958) | (7,202) |
| Materials | (19,298) | (23,003) | (19,976) | (23,003) |
| Depreciation | (14,671) | (13,465) | (16,116) | (14,147) |
| Maintenance | (12,615) | (13,098) | (12,615) | (14,713) |
| General | (15,201) | (14,106) | (22,340) | (23,898) |
| Total operating expenses | (189,921) | (190,367) | (215,688) | (209,310) |

32 Net financial income

| | Individual | | Consolidated | |
|--|-----------------|-----------------|-----------------|-----------------|
| | 12/31/2022 | 12/31/2021 | 12/31/2022 | 12/31/2021 |
| Interest received | 70,004 | 34,877 | 70,222 | 34,951 |
| Unrealized gains on derivative instruments | - | 21,156 | - | 21,156 |
| Discounts obtained | 696 | 732 | 696 | 738 |
| Total financial revenues | 70,700 | 56,765 | 70,918 | 56,845 |
| Foreign exchange variation | (5,885) | 1,808 | (4,447) | 1,230 |
| Derivative instruments | (11,606) | - | (11,606) | - |
| Interest incurred | (31,440) | (26,710) | (32,431) | (26,796) |
| Tax on financial operations | (2,266) | (1,878) | (2,266) | (1,878) |
| Bank commissions and expenses | (238) | (395) | (238) | (520) |
| Discounts granted | (36) | (19) | (36) | (208) |
| Others | (3,525) | (2,831) | (3,524) | (2,829) |
| Total financial expenses | (54,996) | (30,025) | (54,548) | (31,001) |
| Total net financial income | 15,704 | 26,740 | 16,370 | 25,844 |

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Notes to the individual and consolidated financial statements – Continued

As of December 31, 2022

(In thousands of *Reais*, except when otherwise indicated)

33 Financial instruments

The financial instruments of the Company and its subsidiaries are substantially the same and therefore the Company only presents the consolidated information.

a) Accounting classification and fair values

The table below shows the carrying amounts and the fair values of financial assets and liabilities, including their fair value hierarchy levels. It does not include fair value information for financial assets and liabilities that are not measured at fair value, if the carrying amount reasonably approaches fair value.

| | Note | Classification by Category | Fair value hierarchy | Accounting balance | | Valor Justo | |
|--|------|-----------------------------------|----------------------|--------------------|------------|-------------|------------|
| | | | | 12/31/2022 | 12/31/2021 | 12/31/2022 | 12/31/2021 |
| Cash and cash equivalents | | | | | | | |
| Cash and cash equivalents | 8 | Amortized cost | Level 1 | 14,114 | 51,864 | - | - |
| Financial investments | 9 | Fair value through profit or loss | Level 1 | 629,533 | 870,958 | 629,533 | 870,958 |
| Accounts receivables | | | | | | | |
| Accounts receivable | 10 | Amortized cost | Level 1 | 420,109 | 331,520 | - | - |
| Accounts receivable from related parties | 18 | Amortized cost | Level 1 | 500 | 272 | - | - |
| Derivative financial instruments | | | | | | | |
| Swap | 33 | Fair value through profit or loss | Level 2 | - | (1,179) | - | (1,179) |
| NDF | | Fair value through profit or loss | Level 2 | - | 12,543 | - | 12,533 |
| Other receivables | | | | | | | |
| Other receivables | 12 | Amortized cost | Level 1 | 18,907 | 13,752 | - | - |
| Trade accounts payable | | | | | | | |
| Trade accounts payable | 20 | Amortized cost | Level 2 | 163,625 | 115,535 | - | - |
| Related party suppliers | 18 | Amortized cost | Level 2 | 12 | 896 | - | - |
| Financing | | | | | | | |
| Loans and financing | 21 | Amortized cost | Level 2 | - | 39,861 | - | - |
| Loans and financing | 21 | Amortized cost | Level 2 | - | 1,868 | - | - |
| Leases payable | 15 | Amortized cost | Level 2 | 31,843 | 10,463 | - | 902 |
| Swap | 33 | | | - | 902 | - | - |
| Debentures | 22 | Amortized cost | Level 2 | 279,870 | 322,326 | - | - |
| Other accounts payable | 26 | Amortized cost | Level 1 | 71,453 | 57,893 | 71,453 | 57,893 |

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Notes to the individual and consolidated financial statements – Continued

As of December 31, 2022

(In thousands of *Reais*, except when otherwise indicated)

33. Financial instruments—Continued

b) Fair Value Measurement

i) *Valuation Techniques and Significant Unobservable Inputs*

The table below presents the valuation technique used in Level 2 fair value measurement, as well as the significant unobservable inputs used.

Financial instruments measured at fair value

| Type | Valuation technique | Assumptions |
|---|--|--|
| Forward exchange contracts and interest rate SWAPS | Market approach: the market approach takes into account the amounts that would be received from the sale of an asset under analysis. It reflects the market's perception of the value of a given asset. | The fair values are based on quotations from brokers. Similar contracts are traded in active markets and the quotes reflect current transactions of similar instruments. |
| Liabilities from the acquisition of subsidiaries - contingent consideration | Fair value estimated based on management's estimate of the realization of payment, based on knowledge of processes for registration of new drugs in progress at ANVISA. Obtaining the registrations will result in payment of the contingent obligation. | Estimate of success in obtaining ANVISA registrations. Management's estimate directly determined the fair value applied to the amount payable, and the same estimate determined the value of the intangible assets related to the aforesaid ANVISA registrations. |

c) Financial risk management

The Company and its subsidiaries are exposed to the following risks resulting from financial instruments:

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

i) *Credit risk*

Credit risk is the risk that the Company and its subsidiaries will incur financial losses if a customer or counterparty to a financial instrument fails to fulfill its contractual obligations. This risk mainly results from the trade accounts receivable and financial instruments of the Company and its subsidiaries.

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

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Notes to the individual and consolidated financial statements – Continued

As of December 31, 2022

(In thousands of *Reais*, except when otherwise indicated)

33. Financial instruments—Continued

c) Financial risk management—Continued

Trade accounts and other receivables

The exposure of the Company and its subsidiaries to credit risk is mainly influenced by each customer's individual characteristics. However, management also takes into account factors that may influence the credit risk of its customer base, including the risk of default of the industry and country in which the customer operates.

As of December 31, 2022 and 2021, the maximum exposure to credit risk was as follows:

| | Individual | | Consolidated | |
|----------------------------------|-------------------|-------------------|---------------------|-------------------|
| | 12/31/2022 | 12/31/2021 | 12/31/2022 | 12/31/2021 |
| Cash and cash equivalents | 4,710 | 45,497 | 14,114 | 51,864 |
| Financial investments | 625,669 | 859,343 | 629,533 | 870,958 |
| Trade accounts receivable | 409,462 | 335,074 | 420,609 | 331,792 |
| Derivative financial instruments | - | 13,713 | - | 13,713 |
| Other receivables | 17,557 | 8,031 | 18,907 | 13,752 |
| Total | 1,057,398 | 1,261,658 | 1,083,163 | 1,282,079 |

ii) Liquidity risk

Liquidity risk is the risk that the Company and its subsidiaries may have difficulty to meet obligations associated with their financial liabilities settled in cash or another financial asset. The approach of the Company and its subsidiaries to managing liquidity is to ensure, as far as possible, that it always has sufficient liquidity to meet its obligations when due, both under normal conditions as well as under stress conditions, without incurring unacceptable losses or risking any damage to their reputation.

The Company and its subsidiaries monitor the expected level of cash receipts from 'Trade accounts and other receivables' together with the expected cash outflows related to 'Trade and other accounts payable'.

Exposure to liquidity risk

The contractual maturities of financial liabilities at the reporting date are shown below.

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Notes to the individual and consolidated financial statements – Continued

As of December 31, 2022

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33. Financial instruments—Continued

| | Consolidated – 12/31/2022 | | |
|------------------------|---------------------------|----------------|------------------|
| | Up to 1 year | Up to 5 years | Accounting total |
| Trade accounts payable | 163,637 | - | 163,637 |
| Debentures | 79,870 | 200,000 | 279,870 |
| Leases payable | 3,671 | 28,172 | 31,843 |
| Other accounts payable | 38,397 | 33,306 | 71,703 |
| Total | 285,575 | 261,478 | 547,053 |

| | Consolidated – 12/31/2021 | | |
|------------------------|---------------------------|----------------|------------------|
| | Up to 1 year | Up to 5 years | Accounting total |
| Trade accounts payable | 116,431 | - | 116,431 |
| Loans and financing | 43,741 | - | 43,741 |
| Debentures | 49,823 | 272,503 | 322,326 |
| Leases payable | 2,110 | 8,353 | 10,463 |
| Other accounts payable | 20,838 | 44,995 | 65,833 |
| Total | 232,943 | 325,851 | 558,794 |

iii) *Market risks*

Market risk is the risk that changes in market prices such as foreign exchange rates and interest rates will affect the income of the Company and its subsidiaries or the value of their financial instruments. The objective of market risk management is to manage and control this type of exposure, keeping it within acceptable parameters.

In order to manage market risks, the Company and its subsidiaries use derivatives.

iv) *Foreign exchange risk*

The Company and its subsidiaries are exposed to foreign exchange risk as a result of differences between the 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 (R\$), the Colombian Peso (COP) 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.

In general, loans are denominated in currencies equivalent to the cash flows generated by the business operations of the Company and its subsidiaries, primarily in BRL, but also in USD.

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Notes to the individual and consolidated financial statements – Continued

As of December 31, 2022

(In thousands of *Reais*, except when otherwise indicated)

33. Financial instruments—Continued

The Company designates the spot element of forward exchange contracts as a hedging instrument, applying a hedge ratio of 1:1. The forward elements of forward exchange contracts are removed from their designation as hedging instrument and are accounted for separately as hedging costs, which are recognized in equity in the hedge cost reserve. The Company's policy is that the critical terms of the forward exchange contracts are in alignment with the hedged items.

The Company determines the existence of an economic relationship between the hedging instrument and the hedged item based on the currency, amount and timing of the respective cash flows. The Company also makes an assessment as to whether or not the derivative designated in each hedging relationship is expected to be and has been effective in offsetting changes in the cash flows of the hedged item using the hypothetical derivative method.

In these hedge relationships, the main sources of ineffectiveness are:

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

Exposure to foreign exchange risk

A summary of the Company's and its subsidiaries' exposure to foreign exchange risk, as reported to management, is shown below:

| | Consolidated 12/31/2022 | | Consolidated 12/31/2021 | |
|--|----------------------------|-----------------|----------------------------|------------------|
| | USD thousand | <i>Reais</i> | USD thousand | <i>Reais</i> |
| Trade accounts receivable | 9,276 | 48,397 | 4,307 | 24,033 |
| Trade accounts payable | (27,175) | (141,792) | (16,278) | (90,841) |
| Loans and financing | - | - | (7,839) | (43,741) |
| Net exposure to expected transactions | (17,899) | (93,395) | (19,810) | (110,549) |
| Non deliverable forward (NDF) contracts | - | - | 23,000 | 137,091 |
| Net exposure | (17,899) | (93,395) | 3,090 | 26,542 |

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Notes to the individual and consolidated financial statements – Continued

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33. Financial instruments—Continued

Sensitivity analysis

Pursuant to CVM instruction No. 475, of December 17, 2008, the Company, in addition to the provisions of item 40 of CPC 40 (R1) – Financial Instruments: Evidencing, discloses a sensitivity analysis chart for each type of market risk considered material by Management and originated from financial statements, to which the Company is exposed at the balance sheet date, including all transactions with derivative financial instruments.

Transactions linked to the Dollar: A reasonably possible appreciation (depreciation) of the dollar versus all other currencies would have affected the measurement of financial instruments denominated in foreign currency and affected equity and net income by the amounts shown below.

For sensitivity analysis purposes, we start off from the realized basis, where the closing dollar rate was R\$5.2177 and we considered two increase and decrease scenarios, according to the forecasts established in the FOCUS table for the coming periods.

| Consolidated 12/31/2022 | | | | | |
|---------------------------|------|--------------------|------------|-------------|--------------|
| | Risk | Exposure in R\$ | Scenario I | Scenario II | Scenario III |
| Transactions | | | | | |
| Trade accounts receivable | USD | 48,397 | (1,092) | (628) | 763 |
| Financial investments | USD | 194,812 | (5) | (3) | 3 |
| Effect on net income | | 243,209 | 1,097 | (631) | 766 |

Transactions linked to CDI and IPCA: An appreciation (depreciation) would have affected the measurement of the Company's financial assets and liabilities and affected shareholders' equity and income by the amounts shown below.

For sensitivity analysis purposes, we started from the closing base, with CDI and IPCA respectively at 13.25% and 5.90% and considered three increase scenarios, according to the forecasts established in the FOCUS table.

| | | Consolidated 12/31/2022 | | | |
|-----------------------|------|-------------------------|------------|-------------|--------------|
| | Risk | Exposure in R\$ | Scenario I | Scenario II | Scenario III |
| Operation | | | | | |
| Financial investments | CDI | 430,857 | (2,577) | (9,279) | (11,341) |
| Debentures | CDI | 279,870 | (670) | (2,411) | 2,947 |
| Leases payable | IPCA | 31,843 | 1,716 | 1,178 | 1,115 |
| Effect on net income | | 742,570 | (1,531) | (10,512) | (13,173) |

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Notes to the individual and consolidated financial statements – Continued

As of December 31, 2022

(In thousands of *Reais*, except when otherwise indicated)

33. Financial instruments—Continued

c) Financial risk management—Continued

The Company estimates the following probable scenarios: For scenario I, considering the next period of the contracts, the CDI at 12.50% and the IPCA at 5.39%, for scenario II the CDI at 9.25% and the IPCA at 3.70%, and for scenario III the CDI at 8.25% and the IPCA at 3.50%.

We ended the year without any sort of foreign exchange hedging through financial instruments due to the Company's temporary strategy of using cash in USD and awaiting better market conditions.

34 Insurance Coverage

34.1 Accounting policy

The Company and its subsidiaries adopt an insurance policy that primarily considers the concentration of risks and their materiality, taking into account the nature of their activities and the guidance of their insurance advisors.

Insurance coverage, as of December 31, 2022, is shown below:

| Insured assets | Risks covered | Coverage amount |
|---|--|-----------------|
| Industrial complex and administrative sites | Any material damage to buildings, facilities, inventories and machinery and equipment. | 345,330,000 |
| Vehicles | Fire, theft and collision in vehicles insured by the Company and its subsidiaries. | 17,757,000 |
| Loss of profits | Loss of profits due to material damage to facilities, buildings and production machinery and production equipment. | 200,000,000 |
| Transportation | Damage to goods in transit | 25,000,000 |
| Civil liability | Protection against errors or claims in the exercise of professional activity that affects third parties. | 30,000,000 |

35 Information by business segment

35.1 Accounting policy

The Company's segmentation is based on the commercial strategy found in the pharmaceutical market and as presented to the main internal decision maker, which is the Company's Board of Directors, as well as the performance assessment of the business units, which break down as follows:

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Notes to the individual and consolidated financial statements – Continued

As of December 31, 2022

(In thousands of *Reais*, except when otherwise indicated)

35. Information by business segment—Continued

- Institutional – the business segment consisting of drugs applied in specific treatments in public and private hospitals and clinics, with a broad portfolio of biological, oncology, and specialties products, among others.
- Retail - the business segment that caters to the pharmaceutical retail channel, which consists of a less varied portfolio.

Information regarding the results of each reportable segment is shown below. Performance is assessed based on the result of the segment before income tax and social contribution, as it is management's opinion that this information is more relevant in assessing the results of the respective segments for comparability with other entities operating in the same industry.

a) Statements of profit or loss by segment

| | Individual Institutional | | Consolidated Institutional | |
|---------------------------------|---------------------------------|-------------------|-----------------------------------|-------------------|
| | 12/31/2022 | 12/31/2021 | 12/31/2022 | 12/31/2021 |
| Net revenue | 1,228,071 | 1,245,096 | 1,277,434 | 1,268,555 |
| Cost of goods and products sold | (649,323) | (641,488) | (671,020) | (650,310) |
| Gross Profit | 578,748 | 603,608 | 606,414 | 618,245 |
| Operating expenses | (170,966) | (174,324) | (194,168) | (189,296) |
| Other operating revenue | (1,477) | (2,410) | (1,671) | (5,025) |
| Financial income | 14,260 | 25,147 | 14,863 | 24,314 |
| Equity accounting income | 6,601 | (4,383) | - | - |
| Income before taxes | 427,166 | 447,638 | 425,438 | 448,238 |

| | Individual Retail | | Consolidated Retail | |
|---------------------------------|--------------------------|-------------------|----------------------------|-------------------|
| | 12/31/2022 | 12/31/2021 | 12/31/2022 | 12/31/2021 |
| Net revenue | 124,472 | 96,042 | 129,475 | 97,852 |
| Cost of goods and products sold | (65,812) | (49,482) | (68,011) | (50,163) |
| Gross profit | 58,660 | 46,560 | 61,464 | 47,689 |
| Operating expenses (i) | (17,328) | (13,447) | (19,680) | (14,601) |
| Other operating revenue | (151) | (186) | (169) | (388) |
| Financial income | 1,445 | 1,940 | 1,507 | 1,876 |
| Equity accounting income | 669 | (338) | - | - |
| Income before taxes | 43,295 | 34,529 | 43,122 | 34,576 |

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Notes to the individual and consolidated financial statements – Continued

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(In thousands of *Reais*, except when otherwise indicated)

35. Information by business segment—Continued

| Institutional | Individual | | Consolidated | |
|-------------------------------|------------------|------------------|------------------|------------------|
| | 12/31/2022 | 12/31/2021 | 12/31/2022 | 12/31/2021 |
| Raw materials and packaging | (514,581) | (528,833) | (536,277) | (537,655) |
| Workforce | (32,521) | (24,149) | (32,521) | (24,149) |
| Depreciation and amortization | (5,601) | (6,074) | (5,601) | (6,074) |
| Other manufacturing expenses | (96,620) | (82,432) | (96,620) | (82,432) |
| Total cost of sales | (649,323) | (641,488) | (671,019) | (650,310) |

| Retail | Individual | | Consolidated | |
|-------------------------------|-----------------|-----------------|-----------------|-----------------|
| | 12/31/2022 | 12/31/2021 | 12/31/2022 | 12/31/2021 |
| Raw materials and packaging | (52,155) | (40,792) | (54,355) | (41,473) |
| Workforce | (3,296) | (1,863) | (3,296) | (1,863) |
| Depreciation and amortization | (568) | (468) | (568) | (468) |
| Other manufacturing expenses | (9,793) | (6,359) | (9,793) | (6,359) |
| Total cost of sales | (65,812) | (49,482) | (68,012) | (50,163) |

(i) Operating expenses

| Institutional | Individual | | Consolidated | |
|----------------------------------|-----------------|-----------------|-----------------|-----------------|
| | 12/31/2022 | 12/31/2021 | 12/31/2022 | 12/31/2021 |
| Sales | (50,933) | (41,325) | (59,216) | (47,640) |
| Research and development | (35,331) | (48,385) | (35,332) | (48,386) |
| Total commercial expenses | (86,264) | (89,710) | (94,548) | (96,026) |

| | | | | |
|--|------------------|------------------|------------------|------------------|
| Expected loss from impairment of accounts receivable | (259) | (2,011) | (5) | (1,975) |
| Administrative expenses | (84,702) | (82,603) | (99,620) | (91,295) |
| Total expenses | (171,225) | (174,324) | (194,173) | (189,296) |

| Retail | Individual | | Consolidated | |
|----------------------------------|----------------|----------------|----------------|----------------|
| | 12/31/2022 | 12/31/2021 | 12/31/2022 | 12/31/2021 |
| Sales | (5,162) | (3,188) | (6,002) | (3,675) |
| RD&I | (3,581) | (3,732) | (3,581) | (3,732) |
| Total commercial expenses | (8,743) | (6,920) | (9,583) | (7,407) |

| | | | | |
|--|-----------------|-----------------|-----------------|-----------------|
| Expected loss from impairment of accounts receivable | (26) | (154) | (1) | (153) |
| Administrative expenses | (8,585) | (6,373) | (10,097) | (7,041) |
| Total expenses | (17,354) | (13,447) | (19,681) | (14,601) |

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Notes to the individual and consolidated financial statements – Continued

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(In thousands of *Reais*, except when otherwise indicated)

35. Information by business segment—Continued

b) Statement of financial position accounts by segment

| | Individual Institutional | | Consolidated Institutional | |
|---------------------------|---------------------------------|-------------------|-----------------------------------|-------------------|
| | 12/31/2022 | 12/31/2021 | 12/31/2022 | 12/31/2021 |
| Assets | | | | |
| Trade accounts receivable | 379,266 | 318,512 | 390,492 | 316,853 |
| Expected losses | (7,486) | (7,434) | (8,590) | (8,822) |
| Inventories | 526,135 | 389,508 | 548,696 | 409,177 |
| Provision for impairment | (31,103) | (21,347) | (32,039) | (22,181) |
| Total assets | 866,812 | 679,239 | 898,559 | 695,027 |
| Trade accounts payable | 144,499 | 107,577 | 148,577 | 108,093 |
| Total liabilities | 144,499 | 107,577 | 148,577 | 108,093 |
| | | | | |
| | Individual Retail | | Consolidated Retail | |
| | 12/31/2022 | 12/31/2021 | 12/31/2022 | 12/31/2021 |
| Assets | | | | |
| Trade accounts receivable | 38,441 | 24,569 | 39,578 | 24,441 |
| Expected losses | (759) | (573) | (871) | (680) |
| Inventories | 53,327 | 30,046 | 55,613 | 31,563 |
| Provision for impairment | (3,152) | (1,647) | (3,247) | (1,711) |
| Total assets | 87,857 | 52,395 | 91,073 | 53,613 |
| Trade accounts payable | 14,647 | 8,298 | 15,060 | 8,338 |
| Total liabilities | 14,647 | 8,298 | 15,060 | 8,338 |

36. Subsequent Events

Continuing the Company's strategy of operating in the plasma collection market, in February 2023 the Company acquired a 25% stake in the Hemarus LLC center located in Jacksonville, state of Florida in the United States of America. The center started its operations in 2009 and has a collection capacity of 55,000 liters/year. The acquisition of this stake adds the amount of USD 500,000 (five hundred thousand dollars) and will be settled with resources from the cash of the Company.

Blau Farmacêutica S.A.

Notes to the individual and consolidated financial statements – Continued

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(In thousands of *Reais*, except when otherwise indicated)

* * *

Marcelo Rodolfo Hahn
Chief Executive Officer

Douglas Rodrigues
Chief Financial Officer and Investor Relations Officer

Darcio Siqueira Zarpellon
Accountant CRC-1SP216891/O9
Controllership Manager