

**Interim Financial Statements
Individual and Consolidated**

Blau Farmacêutica S.A.

June 30, 2023
with Report on the review of quarterly information



Blau Farmacêutica S.A.

Interim financial information
June 30, 2023

Contents

Report on the review of quarterly information.....	1
Statements of financial position.....	3
Statements of profit or loss	5
Statements of comprehensive income	6
Statements of changes in equity	7
Statements of cash flows – indirect method	8
Statements of value added	10
Notes to the interim financial information	11

Report on the review of interim financial information

The Shareholders and Officers

Blau Farmacêutica S.A.

Cotia – SP

Introduction

We have reviewed the interim individual and consolidated financial information of Blau Farmacêutica S.A. (the "Company") contained in the Quarterly Information Form (ITR) for the quarter ended June 30, 2023, which comprise the statement of financial position on June 30, 2023, and the statements of operations and of comprehensive income (loss) for the quarter and six-month period then ended, and the statements of changes in equity and of cash flows for the six-month period then ended, including explanatory notes.

The Company's board of directors is responsible for the preparation of the individual and consolidated interim financial information in accordance with the NBC TG 21 - Interim Financial Reporting and the international standard IAS 34 - Interim Financial Reporting issued by the International Accounting Standards Board (IASB), as well as for the presentation of this information in accordance with the rules issued by the Brazilian Securities and Exchange Commission (CVM) applicable to the preparation of Quarterly Information (ITR). Our responsibility is to express a conclusion on this interim financial information based on our review.

Scope of review

We conducted our review in accordance with the Brazilian and international standards on review engagements (NBC TR 2410 and ISRE 2410 - Review of Interim Financial Information Performed by the Independent Auditor of the Entity, respectively). A review of interim financial information consists of making inquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with auditing standards and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

Conclusion on the individual and consolidated interim financial information

Based on our review, nothing has come to our attention that causes us to believe that the individual and consolidated interim financial information included in the quarterly information referred to above was not prepared, in all material respects, in accordance with the NBC TG 21 and IAS 34 applicable to the preparation of Quarterly Information (ITR), and presented consistently with the rules issued by the Brazilian Securities and Exchange Commission (CVM).

Other matters

Statements of value added

The quarterly information referred to above includes the individual and consolidated statements of value added (DVA) for the six-month period ended June 30, 2023, prepared under the responsibility of the Company management and presented as supplementary information under IAS 34. These statements have been subject to review procedures performed in conjunction with the review of the quarterly information, in order to determine whether they are reconciled with the interim financial information and accounting records, as applicable, and whether their form and content are in accordance with the criteria defined in NBC TG 09 – Statement of Value Added. Based on our review, nothing has come to our attention that causes us to believe that these statements of value added were not prepared, in all material respects, in accordance with the criteria set forth by this Standard and consistently with the individual and consolidated interim financial information taken as a whole.

São Paulo, August 9, 2023.

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

Márcio D. Berstecher
Accountant CRC-SP 259735/O

Blau Farmacêutica S.A.

Statements of financial position
June 30, 2023 and December 31, 2022
(In thousands of *Reais*)

	Notes	Individual		Consolidated	
		06/30/2023	12/31/2022	06/30/2023	12/31/2022
Assets					
Cash and cash equivalents	6	91,176	4,710	97,498	14,114
Financial Investments	7	291,005	625,669	294,245	629,533
Trade accounts receivable	8	361,483	385,433	391,904	420,109
Accounts receivable from related parties	16	38,249	24,029	404	500
Inventories	9	536,545	545,207	580,648	569,023
Taxes recoverable	10	22,884	13,998	35,896	25,808
Other receivables	12	19,574	17,430	21,072	18,774
Total current assets		1,360,916	1,616,476	1,421,667	1,677,861
Taxes recoverable	10	3,116	22,057	3,116	22,057
Judicial deposits	22	7,650	7,258	7,650	7,258
Other receivables	12	134,157	127	134,162	133
Investments	11	106,656	97,148	2,410	-
Right of use	13	11,879	13,191	36,087	30,049
Property, plant and equipment	14	560,878	494,067	603,559	527,634
Intangible assets	15	281,063	224,649	290,432	234,056
Total non-current assets		1,105,399	858,497	1,077,416	821,187
Total assets		2,466,315	2,474,973	2,499,083	2,499,048

Liabilities	Notes	Individual		Consolidated	
		06/30/2023	12/31/2022	06/30/2023	12/31/2022
Trade accounts payable	18	151,854	159,134	156,147	163,625
Related party suppliers	16	9	12	9	12
Debentures	19	55,929	79,870	55,929	79,870
Taxes payable		14,113	16,039	21,846	21,958
Income and social contribution taxes payable	20	48	19,444	1,152	19,444
Labor obligations	21	46,208	34,015	47,015	34,819
Dividends and interest on own capital payable		38,036	9,317	38,036	9,317
Leases payable	13	1,425	1,579	3,826	3,671
Other accounts payable	22	18,521	37,539	19,342	38,397
Total current liabilities		326,143	356,949	343,302	371,113
Debentures	19	150,000	200,000	150,000	200,000
Tax liabilities		7,748	7,553	7,748	7,553
Provision for tax, civil and labor lawsuits	23	4,002	5,240	4,002	5,240
Leases payable	13	12,715	13,515	34,002	28,172
Deferred income and social contribution taxes	20	58,445	35,658	57,763	35,022
Other labor obligations	21	397	958	397	958
Other accounts payable	22	32,944	32,944	32,943	33,056
Total non-current liabilities		266,251	295,868	286,855	310,001
Equity					
Share capital	24	1,316,609	1,316,609	1,316,609	1,316,609
Treasury shares		(42,891)	(39,895)	(42,891)	(39,895)
Profit reserve		562,798	562,798	562,798	562,798
Retained Earnings		56,980	-	56,980	-
Equity valuation adjustments		(19,575)	(17,356)	(19,575)	(17,356)
Equity attributed to controlling shareholders		1,873,921	1,822,156	1,873,921	1,822,156
Share of non-controlling shareholders		-	-	(4,995)	(4,222)
Total equity		1,873,921	1,822,156	1,868,926	1,817,934
Total liabilities and equity		2,466,315	2,474,973	2,499,083	2,499,048

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

Blau Farmacêutica S.A.

Statements of profit or loss
Three-month periods ended June 30, 2023 and 2022
(In thousands of *Reais*, except basic earnings per share)

Notes	Individual				Consolidated				
	Six months ended	Three months ended	Six months ended	Three months ended	Six months ended	Three months ended	Six months ended	Three months ended	
	06/30/2023	06/30/2023	06/30/2022	06/30/2022	06/30/2023	06/30/2023	06/30/2022	06/30/2022	
Net operating revenue	25	594,434	350,541	657,951	348,218	622,510	364,309	678,581	365,239
Cost of goods and products sold	26	(349,645)	(206,568)	(348,544)	(192,645)	(363,532)	(212,690)	(350,463)	(198,607)
Gross profit		244,789	143,973	309,407	155,573	258,978	151,619	328,118	166,632
Selling expenses	27	(50,289)	(28,188)	(46,690)	(22,528)	(56,395)	(31,555)	(51,564)	(25,233)
Administrative expenses	27	(54,639)	(28,966)	(42,372)	(20,528)	(63,044)	(33,031)	(51,689)	(25,307)
Impairment loss on accounts receivable	27	(1,799)	(615)	(847)	(1,567)	(1,572)	(550)	(928)	(1,741)
Other operating revenues and expenses, net	27	(543)	(298)	1,434	731	(443)	(237)	1,497	893
Total operating expenses, net		(107,270)	(58,067)	(88,475)	(43,892)	(121,454)	(65,373)	(102,684)	(51,388)
Income before financial income, interest in investees and taxes		137,519	85,906	220,932	111,681	137,524	86,246	225,434	115,244
Financial revenues	28	27,934	11,711	34,911	17,837	28,062	11,718	34,975	17,881
Financial expenses	28	(20,106)	(12,552)	(37,582)	12,901	(19,135)	(11,123)	(35,974)	13,287
Financial income		7,828	(841)	(2,671)	30,738	8,927	595	(999)	31,168
Profit sharing of investees by the equity method		1,123	1,428	6,241	3,900	-	-	-	-
Income before taxes		146,470	86,493	224,502	146,319	146,451	86,841	224,435	146,412
Current income tax and social contribution	20	(945)	(906)	(42,519)	(25,460)	(2,028)	(1,932)	(42,981)	(25,768)
Deferred income tax and social contribution	20	(22,787)	(14,799)	(8,122)	(8,459)	(22,787)	(14,799)	(8,122)	(8,459)
Income tax and social contribution		(23,732)	(15,705)	(50,641)	(33,919)	(24,815)	(16,731)	(51,103)	(34,227)
Net income for the period		122,738	70,788	173,861	112,400	121,636	70,110	173,332	112,185
Income attributed to:									
Controlling shareholders		122,738	70,788	173,861	112,400	122,738	70,788	173,861	112,400
Non-controlling shareholders		-	-	-	-	(1,102)	(678)	(529)	(215)
		122,738	70,788	173,861	112,400	121,636	70,110	173,332	112,185
Earnings per share (in R\$)									
Basic		0.69	0.40	0.97	0.63	0.69	0.40	0.97	0.63
Diluted		0.69	0.40	0.97	0.63	0.69	0.40	0.97	0.63

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

Blau Farmacêutica S.A.

Statements of comprehensive income
 Three-month periods ended June 30, 2023 and 2022
 (In thousands of *Reais*)

	Individual				Consolidated			
	Six months ended 06/30/2023	Three months ended 06/30/2023	Six months ended 06/30/2022	Three months ended 06/30/2022	Six months ended 06/30/2023	Three months ended 06/30/2023	Six months ended 06/30/2022	Three months ended 06/30/2022
Net profit for the year	122,738	70,788	173,861	112,400	121,636	70,110	173,332	112,185
Accumulated translation adjustments in subsidiaries	(2,219)	5,387	(9,615)	(1,541)	(1,890)	5,387	(8,948)	(1,541)
Total comprehensive income	120,519	76,175	164,246	110,859	119,746	75,497	164,384	110,644
Comprehensive income attributable to:								
Controlling shareholders	120,519	76,175	164,246	110,859	120,519	76,175	164,246	110,859
Non-controlling shareholders	-	-	-	-	(773)	(678)	138	(215)
Total comprehensive income	120,519	76,175	164,246	110,859	119,746	75,497	164,384	110,644

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

Blau Farmacêutica S.A.

Statements of changes in equity
 Three-month periods ended June 30, 2023 and 2022
 (In thousands of *Reais*)

	Share capital	Treasury shares	Legal reserve	Profit reserve	Other comprehensive income	Retained earnings	Total	Non-controlling interests	Total equity
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	-	-	-	-	-	173,861	173,861	(529)	173,332
Accumulated translation adjustments in subsidiaries	-	-	-	-	(9,615)	-	(9,615)	667	(8,948)
Treasury Shares	-	(15,062)	-	-	-	-	(15,062)	-	(15,062)
Interest on own capital	-	-	-	(64,530)	-	-	(64,530)	-	(64,530)
Balances as of June 30, 2022	1,316,609	(15,062)	36,389	224,213	(15,067)	173,861	1,720,943	(1,266)	1,719,677
Balances as of January 1, 2023	1,316,609	(39,895)	54,557	508,241	(17,356)	-	1,822,156	(4,222)	1,817,934
Net profit for the period	-	-	-	-	-	122,738	122,738	(1,102)	121,636
Accumulated translation adjustments in subsidiaries	-	-	-	-	(2,219)	-	(2,219)	329	(1,890)
Treasury Shares	-	(2,996)	-	-	-	-	(2,996)	-	(2,996)
Interest on own capital	-	-	-	-	-	(65,758)	(65,758)	-	(65,758)
Balances as of June 30, 2023	1,316,609	(42,891)	54,557	508,241	(19,575)	56,980	1,873,921	(4,995)	1,868,926

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

Blau Farmacêutica S.A.

Statements of cash flows – Indirect method
 Three-month periods ended June 30, 2023 and 2022
 (In thousands of *Reais*)

	Individual		Consolidated	
	06/30/2023	06/30/2022	06/30/2023	06/30/2022
Cash flows from operating activities				
Profit before taxes	146,470	224,502	146,451	224,435
Adjustments to reconcile income for the year with cash from operating activities:				
Depreciation and amortization	12,768	9,836	14,761	10,482
Write-offs of property, plant and equipment and intangible assets	516	(7)	521	10
Write-off of right of use and leases	-	-	-	-
Interest on leases	774	444	1,696	460
Charges on loans and financing	-	33	-	33
Charges on debentures	17,306	18,121	17,306	18,121
Earnings from investments	(27,472)	(34,153)	(27,673)	(34,239)
Unrealized foreign exchange variation in investments	19,525	(12,424)	19,525	(12,424)
Unrealized foreign exchange variation in loans	-	10,330	-	10,330
Unrealized gains and losses on changes in fair value of assets	(2,969)	925	(2,969)	925
Unrealized foreign exchange variation in trade accounts payable and receivable	(1,123)	(6,241)	-	-
Equity pick-up				
Provision for expected losses on trade accounts receivable from related parties	1,799	847	1,572	928
Provision (reversal) for inventory impairment, net	5,842	(6)	6,081	(59)
Provision for tax, civil and labor risks, net	(1,124)	(575)	(1,124)	(575)
Provision for long-term incentives	(676)	-	(676)	-
Monetary adjustment, judicial deposits	(785)	(356)	(785)	(356)
Other (reversals), net	-	-	-	-
	170,851	211,276	174,686	218,071
(Increase) decrease in asset accounts				
Trade accounts receivable	6,498	(35,664)	25,296	(45,703)
Inventories	2,820	(75,032)	(17,706)	(80,127)
Taxes recoverable	7,820	(12,568)	6,639	(15,819)
Derivative financial instruments	-	2,205	-	2,205
Other receivables	(2,017)	422	(2,170)	5,430
Judicial deposits	393	91	393	91
Increase (decrease) in liability accounts				
Trade accounts payable	(2,881)	32,736	(3,079)	32,326
Labor obligations	12,308	1,321	12,311	1,399
Taxes payable	(10,644)	299	(8,876)	1,862
Other accounts payable	(4,326)	(2,148)	(7,880)	(14,232)
Cash generated by operating activities	180,822	122,938	179,614	105,503
Income tax and social contribution paid	(18,106)	(34,332)	(18,106)	(34,477)
Net cash from operating activities	162,716	88,606	161,508	71,026
Cash flows from investing activities				
Financial investments	342,611	126,175	343,436	133,461
Additions to property, plant and equipment	(80,626)	(55,412)	(90,350)	(56,178)
Payment for acquisition of interest	(134,157)	-	(136,567)	-
Advance for future capital increase in investee	(10,604)	(17,900)	-	-
Additions to intangible assets	(54,366)	(12,768)	(54,219)	(14,453)
Net cash used in investing activities	62,858	40,095	62,300	62,830

Blau Farmacêutica S.A.

Statements of cash flows – Indirect method-- Continued
 Three-month periods ended June 30, 2023 and 2022
 (In thousands of *Reais*)

Cash flows from financing activities

Dividends and interest on own capital	(28,126)	(58,095)	(28,126)	(58,095)
Payment of leases payable – principal	(1,158)	(861)	(1,872)	(1,077)
Payment of leases payable – interest	(774)	(70)	(1,376)	(86)
Acquisition of financed equity interests	(14,807)	(17,529)	(14,807)	(17,529)
Purchase of treasury shares	(2,996)	(15,062)	(2,996)	(15,062)
Payment of loans and financing – principal	-	(39,063)	-	(39,598)
Payment of loans and financing – interest	-	(831)	-	(831)
Payment of debentures – principal	(72,502)	(22,500)	(72,502)	(22,500)
Payment of debentures – interest	(18,745)	(16,154)	(18,745)	(16,154)

Net cash used in financing activities

	(139,108)	(170,165)	(140,424)	(170,932)
Net increase (decrease) in cash and cash equivalents	86,466	(41,464)	83,384	(37,076)
Cash and cash equivalents as of January 1	4,710	45,497	14,114	51,864
Cash and cash equivalents as of June 30	91,176	4,033	97,498	14,788

Net increase (decrease) in cash and cash equivalents

	86,466	(41,464)	83,384	(37,076)
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Transactions not affecting cash

Acquisition of property, plant and equipment	5,902	5,104	5,902	5,104
Acquisition of Pharma Limirio	6,380	39,332	6,380	39,332
Government subsidies	32,943	-	32,943	-
Increase in interest in Hemarus	-	1,100	-	1,100
	45,225	45,536	45,225	45,536

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

Blau Farmacêutica S.A.

Statements of value added
Three-month periods ended June 30, 2023 and 2022
(In thousands of *Reais*)

	Individual		Consolidated	
	06/30/2023	06/30/2022	06/30/2023	06/30/2022
Revenues	629,536	709,635	657,890	730,746
Sales of goods, products and services	630,746	709,134	658,822	729,764
Other (expenses) revenues, net	589	(346)	640	164
Provision for expected losses on trade accounts receivable	(1,799)	847	(1,572)	818
Inputs acquired from third parties	(340,903)	(343,946)	(360,797)	(352,167)
Cost of products, goods and services sold	(263,054)	(281,999)	(276,941)	(283,918)
Materials, energy, outsourced services and others	(77,342)	(62,042)	(83,349)	(68,344)
Gain (loss) of active values	(507)	95	(507)	95
Gross value added	288,633	365,689	297,093	378,579
Depreciation and amortization	(12,768)	(9,836)	(14,761)	(10,482)
Net value added produced by the Company	275,865	355,853	282,332	368,097
Value added received in transfer	27,889	202,672	28,772	198,103
Equity pick-up	1,123	6,241	-	-
Financial revenues	26,766	196,431	28,772	198,103
Total value added distributable	303,754	558,525	311,104	566,200
Personnel	90,248	78,270	96,016	85,072
Direct remuneration	63,895	70,324	69,192	76,748
Benefits	18,052	1,237	18,523	1,615
FGTS	8,301	6,709	8,301	6,709
Taxes, fees and contributions	70,241	107,477	72,017	108,350
Federal	44,622	68,683	45,705	69,145
State	24,130	37,935	24,823	38,346
Municipal	1,489	859	1,489	859
Third-party capital remuneration	20,527	198,917	21,435	198,917
Interest	8,634	15,175	8,634	15,175
Financial expenses (includes foreign exchange rate variation)	9,479	181,655	10,387	181,655
Rent	2,414	2,087	2,414	2,087
Own capital remuneration	122,738	173,861	121,636	173,861
Interest on own capital	65,758	39,574	65,758	39,574
Retained earnings for the period	56,980	134,287	56,980	134,816
Share of non-controlling shareholders in retained earnings	-	-	(1,102)	(529)
Total value added distributed	303,754	558,525	311,104	566,200

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

Blau Farmacêutica S.A.

Notes to the financial statements – Continued

As of June 30, 2023

(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 having 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 sale of highly complex private label drugs for the institutional and retail segments with business activities divided into four business units: Biologicals, Oncology, Specialties, and Others, as per note No. 31 (information by business segment).

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 (IFAS) inputs, 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).

The company has its own sales structure with national coverage, catering to distributors, health institutions and retailers, and international coverage, by means of its subsidiaries located in Uruguay, Colombia, Peru, Chile, Argentina and the United States and through direct exports to other countries. Blau makes continuous investments in research, development and innovation, operational excellence and production capacity.

2. Relationships with subsidiaries

The Company’s consolidated interim financial information includes the parent company Blau Farmacêutica S.A. and its subsidiaries, collectively referred to as “Company” and or “Group”.

Company	Country	Equity Interest	
		06/30/2023	12/31/2022
Blau Farmacêutica Colombia S.A.S.	Colombia	Direct 100%	Direct 100%
Blau Farma Uruguay S.A.	Uruguay	Direct 100%	Direct 100%
Blau Farmacêutica Chile S.p.A.	Chile	Indirect 100%	Indirect 100%
Blau Farmacêutica Peru S.A.C.	Peru	Indirect 100%	Indirect 100%
Blau Farmacêutica Argentina S.A.	Argentina	Indirect 100%	Indirect 100%
Blau Farmacêutica Ecuador	Republic of Ecuador	Indirect 100%	Indirect 100%
Plex – Plasma Experts Corp.	USA	Direct 100%	Direct 100%
Hemarus Plasma-Flamingo LLC	USA	Indirect 100%	Indirect 100%
Hemarus Plasma-Lauderhill, LLC	USA	Indirect 66%	Direct 66%
Hemarus Plasma – Miami Northside, LLC	USA	Indirect 73.50%	Indirect 73.50%
Hemarus LLC	USA	Indirect 25%	-

Blau Farmacêutica S.A.

Notes to the financial statements – Continued

As of June 30, 2023

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

2. Relationships with subsidiaries – Continued

a) Blau Farmacêutica Colombia S.A.S.

This is a subsidiary with its headquarters in the city of Bogota, in Colombia, and acquired by the Company as part of its expansion policy in August 2011. It sells pharmaceutical drugs and biopharmaceutical inputs. The drugs mostly produced by the parent company. The subsidiary currently has 66 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 80 sanitary registrations of drugs. The company's main activity is importing the Company's products for distribution and sale in Uruguay.

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 respectively 27 and 32 sanitary registrations of drugs.

c) Plex – Plasma Experts Corp.

Incorporated on September 25, 2020, with the purpose of consolidating new investments in the USA in the plasma collection segment. The company's headquarters are located in the state of Delaware.

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 set up the legal entity Hemarus Plasma-Miami Northside, LLC, in which capital Plex Plasma Experts hold an interest of 73.5%. Both are limited liability entities duly incorporated under the laws of the State of Florida in the United States of America to develop, operate and manage blood plasma collection centers.

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

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

Blau Farmacêutica S.A.

Notes to the financial statements – Continued

As of June 30, 2023

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

2. Relationships with subsidiaries – Continued

Continuing its strategy for operating in the plasma collection market, in June 2023 Plax Plasma completed the purchase of 25% equity interest in the Hemarus LLC center, located in Jacksonville, state of Florida, in the United States of America. The center started to operate in 2009, and has capacity to collect 55,000 liters/year.

3. Management statement and basis for preparation of the information

3.1. Statement of compliance

The interim financial information of the Company and its subsidiaries for the period ended June 30, 2023 comprise the individual and consolidated interim financial information prepared according to CPC Technical Pronouncement No. 21 (R1) - Interim Financial Statements, issued by the Accounting Pronouncements Committee (“CPC”), and to International Accounting Standard (“IAS”) No. 34 - Interim Financial Reporting, issued by the International Accounting Standards Board (“IASB”), and is also based on the provisions contained in the Brazilian Corporate Law, and presented in a manner consistent with the standards issued by the Brazilian Securities and Exchange Commission (“CVM”), as applicable to the preparation of quarterly information.

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

3.2 Basis of preparation

The individual and consolidated interim financial information was prepared based on historical cost, with the exception of the following material items recognized in the balance sheets measured at fair value, and provided in thousands of *Reais* (R\$), rounded to the nearest thousand:

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

The Company’s individual and consolidated interim financial information was approved by the Board of Directors and authorized for publication at a meeting held on August 9, 2023.

Blau Farmacêutica S.A.

Notes to the financial statements – Continued

As of June 30, 2023

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

3. Management statement and basis for preparation of the information – Continued

3.3 Functional currency and presentation currency

Items included in the individual and consolidated interim financial information are measured in *Reais* (R\$), the functional and presentation currency of the individual and consolidated financial statements, which represents the currency of the main economic environment in which the Company operates.

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

4. Summary of critical accounting policies and estimates

The individual and consolidated interim financial information presented herein was prepared based on the accounting policies and practices and on estimate calculation methods used and described in detail in the annual financial statements for the year ended December 31, 2022, published on March 1, 2023, and should therefore be read together.

5. New or revised pronouncements first applied in 2023

The Group applied for the first time certain standards and amendments, which are effective for annual periods beginning on or after January 1, 2023 (except as otherwise stated). The Group decided not to early adopt any other standard, interpretation or amendment been issued but is not yet in force.

5.1 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:

Blau Farmacêutica S.A.

Notes to the financial statements – Continued

As of June 30, 2023

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

5. New or revised pronouncements first applied in 2023 – Continued

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

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

5.2 Alterations in 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;

These amendments have not impacted the interim individual and consolidated financial information of the Company, which intends to use practical measures in future periods in case they become applicable.

5.3 Amendments to IAS 8: Definition of accounting estimates

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

These amendments have not impacted the interim individual and consolidated financial information of the Company, which intends to use practical measures in future periods in case they become applicable.

Blau Farmacêutica S.A.

Notes to the financial statements – Continued

As of June 30, 2023

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

5. New or revised pronouncements first applied in 2023 – Continued

5.4 Amendments to IAS 1 and IFRS Practice Statement 2: Disclosure of accounting policies

In February 2021, the IASB issued amendments to IAS 1 (standard related to CPC 26 (R1)) and IFRS Practice Statement 2, Making Materiality Judgments, in which it provides guides and examples to help entities apply materiality judgment to the disclosure of accounting policies.

The amendments are to assist entities in disclosing the most useful accounting policies by replacing the requirement for disclosure of significant accounting policies with material accounting policies and adding guidance on how entities should apply the concept of materiality in making decisions about disclosure of accounting policies.

These amendments have not impacted the interim individual and consolidated financial information of the Company, which intends to use practical measures in future periods in case they become applicable.

6. Cash and cash equivalents

	Individual		Consolidated	
	06/30/2023	12/31/2022	06/30/2023	12/31/2022
Cash and bank deposits	91,176	4,710	97,498	14,114
Total cash and cash equivalents	91,176	4,710	97,498	14,114

The Company's exposure to credit risks and a sensitivity analysis for financial assets and liabilities can be found in Note No. 28.

7. Financial investments

	Individual		Consolidated	
	06/30/2023	12/31/2022	06/30/2023	12/31/2022
Financial investments	291,005	430,857	294,245	434,721
Financial investments in foreign currency (a)	-	194,812	-	194,812
Total financial investments	291,005	625,669	294,245	629,533

(a) Financial investments in foreign currency in the amount of US\$37,561 thousand in 2022.

As of June 30, 2023, investments in national currency were made in bank deposit certificates ("CBDs") and commercial lease bills ("LAMs") were remunerated at an average rate of 104% of the CDI (Interbank Deposit Certificate) rate (105% of the CDI on December 31, 2022).

The variation in investments in foreign currency is linked to funds allocated to new investments and the acquisition of Laboratório Químico Farmacêutico Bergamo Ltda. The variation in *Reais* is due to the settlement of the Blau 11 debenture and the payment of the first installment of the Blau 13 debenture. For more information, see note No. 19, debentures.

Blau Farmacêutica S.A.

Notes to the financial statements – Continued

As of June 30, 2023

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

8. Trade accounts receivable

	Individual		Consolidated	
	06/30/2023	12/31/2022	06/30/2023	12/31/2022
Customers in the country	354,505	381,173	354,505	381,173
Customers abroad	17,022	12,505	48,432	48,397
Total	371,527	393,678	402,937	429,570
Expected credit losses	(10,044)	(8,245)	(11,033)	(9,461)
Total Trade accounts receivable	361,483	385,433	391,904	420,109

As of June 30, 2023, the maximum credit risk exposure on the date of the individual and consolidated interim financial information is the book value of each maturity aging range net of the provision for expected credit losses. The aging of maturities in table (a), the maturities of the entire portfolio, and maturity dates by segment in table (b) are demonstrated below:

a) Aging of balances of public and private trade accounts receivable

	Individual					
	Private		Public		Total	
	06/30/2023	12/31/2022	06/30/2023	12/31/2022	06/30/2023	12/31/2022
Due	245,329	282,809	44,424	92,231	289,753	375,040
Overdue	15,465	5,053	66,309	13,585	81,774	18,638
From 1 to 30 days	3,848	217	57,941	10,768	61,789	10,985
From 31 to 60 days	291	150	1,137	640	1,428	790
From 61 to 180 days	6,709	969	5,395	1,068	12,104	2,037
More than 181 days	4,617	3,717	1,836	1,109	6,453	4,826
Trade accounts receivable	260,794	287,862	110,733	105,816	371,527	393,678
Expected credit losses	(8,748)	(6,933)	(1,296)	(1,312)	(10,044)	(8,245)
Total	252,046	280,929	109,437	104,504	361,483	385,433
	Consolidated					
	Private		Public		Total	
	06/30/2023	12/31/2022	06/30/2023	12/31/2022	06/30/2023	12/31/2022
Due	265,183	299,089	45,304	93,904	310,487	392,993
Overdue	24,765	21,052	67,685	15,525	92,450	36,577
From 1 to 30 days	7,422	6,638	58,621	12,545	66,043	19,183
From 31 to 60 days	2,546	4,169	1,833	803	4,379	4,972
From 61 to 180 days	9,340	5,452	5,395	1,068	14,735	6,520
More than 181 days	5,457	4,793	1,836	1,109	7,293	5,902
Trade accounts receivable	289,948	320,141	112,989	109,429	402,937	429,570
Expected credit losses	(9,737)	(8,149)	(1,296)	(1,312)	(11,033)	(9,461)
Total	280,211	311,992	111,693	108,117	391,904	420,109

Blau Farmacêutica S.A.

Notes to the financial statements – Continued

As of June 30, 2023

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

8. Trade accounts receivable – Continued

b) Aging of balances of institutional and retail trade accounts receivable

	Individual					
	Institutional		Retail		Total	
	06/30/2023	12/31/2022	06/30/2023	12/31/2022	06/30/2023	12/31/2022
Due	263,769	340,526	25,984	34,514	289,753	375,040
Overdue	74,441	16,923	7,333	1,715	81,774	18,638
From 1 to 30 days	56,248	9,974	5,541	1,011	61,789	10,985
From 31 to 60 days	1,300	717	128	73	1,428	790
From 61 to 180 days	11,019	1,850	1,085	187	12,104	2,037
More than 181 days	5,874	4,382	579	444	6,453	4,826
Trade accounts receivable	338,210	357,449	33,317	36,229	371,527	393,678
Expected credit losses	(9,143)	(7,486)	(901)	(759)	(10,044)	(8,245)
Total	329,067	349,963	32,416	35,470	361,483	385,433

	Consolidated					
	Institutional		Retail		Total	
	63/30/2023	12/31/2022	06/30/2023	12/31/2022	06/30/2023	12/31/2022
Due	282,644	356,827	27,843	36,166	310,487	392,993
Overdue	84,160	33,211	8,290	3,366	92,450	36,577
From 1 to 30 days	60,121	17,418	5,922	1,765	66,043	19,183
From 31 to 60 days	3,986	4,514	393	458	4,379	4,972
From 61 to 180 days	13,414	5,920	1,321	600	14,735	6,520
More than 181 days	6,639	5,359	654	543	7,293	5,902
Trade accounts receivable	366,804	390,038	36,133	39,532	402,937	429,570
Expected credit losses	(10,044)	(8,590)	(989)	(871)	(11,033)	(9,461)
Total	356,760	381,448	35,144	38,661	391,904	420,109

c) Change in expected 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	
	06/30/2023	12/31/2022	06/30/2023	12/31/2022
Initial balance	(8,245)	(8,007)	(9,461)	(9,502)
Provision recorded in the period	(30,154)	(34,335)	(30,069)	(34,056)
Write-offs in the period	7,843	12,394	7,985	12,394
Reversal in the period	20,512	21,656	20,512	21,656
Other write-offs not affecting profit or loss	-	47	-	47
Final balance	(10,044)	(8,245)	(11,033)	(9,461)

Blau Farmacêutica S.A.

Notes to the financial statements – Continued

As of June 30, 2023

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

8. Trade accounts receivable - Continued

	Individual		Consolidated	
	06/30/2022	12/31/2021	06/30/2022	12/31/2021
Initial balance	(8,007)	(5,844)	(9,502)	(7,376)
Provision recorded in the period	(17,560)	(31,359)	(17,479)	(31,436)
Write-offs in the period	7,225	9,358	7,225	9,366
Reversal in the period	11,182	19,836	11,182	19,942
Other write-offs not affecting profit or loss	47	2	47	2
Final balance	(7,113)	(8,007)	(8,527)	(9,502)

No receivables had been given as collateral for debt as of June 30, 2023 and December 31, 2022.

9. Inventories

	Individual		Consolidated	
	06/30/2023	12/31/2022	06/30/2023	12/31/2022
Finished goods	120,951	94,945	166,324	119,792
Semi-finished goods and goods in process	79,199	88,448	79,199	88,448
Raw materials and packaging	242,952	249,045	242,952	249,045
Development materials	58,025	50,171	58,025	50,171
Imports in progress	61,316	82,345	61,316	82,345
Others	11,026	11,335	11,026	11,335
Provision for impairment	(36,924)	(31,082)	(38,194)	(32,113)
Total	536,545	545,207	580,648	569,023

a) Change in the provision for impairment of inventories

The provision for impairment of inventories is calculated considering product expiration dates as well as expected future product sales. This provision is recognized in the costs of goods and products sold line in the statement of profit or loss.

	Individual		Consolidated	
	06/30/2023	12/31/2022	06/30/2023	12/31/2022
Initial balance	(31,082)	(22,994)	(32,113)	(23,892)
Provision recorded in the period	(10,572)	(16,064)	(9,541)	(17,228)
Write-off	4,730	7,976	3,460	9,007
Final balance	(36,924)	(31,082)	(38,194)	(32,113)

	Individual		Consolidated	
	06/30/2022	12/31/2021	06/30/2022	12/31/2021
Initial balance	(22,994)	(18,454)	(23,892)	(19,620)
Provision recorded in the period	(3,469)	(17,397)	(4,261)	(18,027)
Write-off	3,475	12,857	4,320	13,755
Final balance	(22,988)	(22,994)	(23,833)	(23,892)

Blau Farmacêutica S.A.

Notes to the financial statements – Continued

As of June 30, 2023

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

9. Inventories – Continued

No inventory had been given as collateral for debt by the Company as of June 30, 2023 and December 31, 2022.

10. Taxes recoverable

	Individual		Consolidated	
	06/30/2023	12/31/2022	06/30/2023	12/31/2022
Current				
ICMS	1,639	4,901	1,639	4,901
IPI	397	295	397	295
PIS	1,904	1,563	1,904	1,563
COFINS	8,355	7,109	8,355	7,109
IVA/IRAE (a)	-	-	12,421	11,811
IRPJ/CSLL	10,589	43	11,081	43
Others	-	87	99	86
Total current	22,884	13,998	35,896	25,808
Non-current				
ICMS CIAP	3,116	12,892	3,116	12,892
PIS	-	1,604	-	1,604
COFINS	-	7,561	-	7,561
Total non-current	3,116	22,057	3,116	22,057
Total	26,000	36,055	39,012	47,865

(a) The main taxes that affect business activity in Uruguay and Colombia are the Value Added Tax ("IVA") and the Income Tax on Economic Activities ("IRAE"), respectively.

10.1 Expected realization

The expected realization of ICMS is based on the projection of operations and growth, operational management, ICMS legislation in each state and generation of debts for consumption of these credits per operation.

The ICMS credit realization plan is monitored periodically in order to ensure compliance with the established assumptions, as well as their reassessment according to business events, allowing for a better performance of credit realization.

Below is the expected realization of the Company's taxes recoverable:

Expected realization	Individual	Consolidated
2023	5,334	18,346
2024	17,559	17,559
2025	1,345	1,345
More than 3 years	1,771	1,771
Total	26,000	39,012

Blau Farmacêutica S.A.

Notes to the financial statements – Continued

As of June 30, 2023

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

11. Investments

	Individual	
	06/30/2023	12/31/2022
Equity interest in Blau Farmacêutica Colombia S.A.S.	28,792	24,322
Goodwill Blau Farmacêutica Colombia S.A.S.	6,801	6,801
Total Blau Farmacêutica Colombia S.A.S.	35,593	31,123
Equity interest in Blau Farma Uruguay S.A.	34,683	38,036
Goodwill Blau Farma Uruguay S.A.	271	271
Total Blau Farmacêutica Uruguay S.A.	34,954	38,307
Equity interest in Plex - Plasma Experts Corp.	36,109	27,718
Total PLEX	36,109	27,718
Total	106,656	97,148
	Consolidated	
	06/30/2023	12/31/2022
Hemarus LLC (a)	2,410	-
Total	2,410	-

- (a) In June 2023, Plex Plasma signed the agreement for purchase of a 25% equity interest in Centro Hemarus LLC, located in Jacksonville, Florida, United States, amounting to US\$500 thousand. The control of the purchased company remains with the controlling shareholder. The objective of the purchase is to consolidate the investments in plasma.

11.1 Changes in investments

	Blau Colombia	Blau Uruguay	Plex Plasma	Other investments	Total
Balance of investments as of December 31, 2021	35,758	9,817	14,650	43	60,268
Equity valuation adjustment	1,865	15,480	(10,032)	(43)	7,270
Translation adjustment	(6,500)	(3,280)	(2,123)	-	(11,903)
Capital increase	-	16,290	25,223	-	41,513
Balance of investments as of December 31, 2022	31,123	38,307	27,718	-	97,148
Equity valuation adjustment	2,710	1,360	(2,947)	-	1,123
Translation adjustment	1,760	(4,713)	734	-	(2,219)
Capital increase	-	-	10,604	-	10,604
Balance of investments as of June 30, 2023	35,593	34,954	36,109	-	106,656

11.2 Summary of its subsidiaries' financial information:

	06/30/2023			12/31/2022		
	Blau Colombia	Blau Uruguay	Plex Plasma	Blau Colombia	Blau Uruguay	Plex Plasma
Current assets	50,290	40,609	7,175	30,750	47,179	6,165
Non-current assets	2,953	22,463	46,865	3,306	14,629	35,466
Total Assets	53,243	63,072	54,040	34,056	61,808	41,631
Current liabilities	25,381	27,965	1,639	9,169	25,046	3,478
Non-current liabilities	-	-	21,287	-	112	14,657
Equity	27,862	35,107	31,114	24,887	36,649	23,496
Total Liabilities + Equity	53,243	63,072	54,040	34,056	61,807	41,631

Blau Farmacêutica S.A.

Notes to the financial statements – Continued

As of June 30, 2023

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

11.2 Summary of its subsidiaries' financial information – Continued

	06/30/2023			06/30/2022		
	Blau Colombia	Blau Uruguay	Plex Plasma	Blau Colombia	Blau Uruguay	Plex Plasma
Operating Revenues	17,612	20,043	13,050	15,665	23,279	7,206
Profit/(Loss) for the period	1,779	1,786	(2,948)	753	5,229	(2,250)
Total	19,391	21,829	10,102	16,418	28,508	4,956

12. Other Credits

	Individual		Consolidated	
	06/30/2023	12/31/2022	06/30/2023	12/31/2022
Advances to suppliers (a)	147,357	13,636	147,438	13,625
Advances to employees	1,645	1,858	1,645	1,858
Other advances	3,293	628	3,318	645
Other credits	1,436	1,435	2,833	2,779
Total	153,731	17,557	155,234	18,907
Current	19,574	17,430	21,072	18,774
Non-current	134,157	127	134,162	133
Total other credits	153,731	17,557	155,234	18,907

(a) The other credits group showed variation of R\$134 million (USD28 million) as a result of the advance payment made for the acquisition of Laboratório Químico Farmacêutico Bergamo, which we will control as of the third quarter of 2023.

13. Right of use and lease liability

13.1 Composition of balances and variation (right of use)

	Individual	Consolidated
Balance December 31, 2021	9,228	9,737
Additions/remeasurement	6,821	23,569
Write-off	(2)	(2)
Depreciation	(2,856)	(3,268)
Translation adjustments	-	13
Balance December 31, 2022	13,191	30,049
Additions/remeasurement	205	9,183
Write-off	(1)	(1)
Depreciation	(1,516)	(3,070)
Translation adjustments	-	(74)
Balance June 30, 2023	11,879	36,087

See below, the average amortization period of the right-of-use asset:

Class Denomination	Life cycle to be used (in years)
Buildings	10
Vehicles	3

Blau Farmacêutica S.A.

Notes to the financial statements – Continued

As of June 30, 2023

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

13. Right of use and lease liability -- Continued

13.2 Composition of balances and variation (lease liabilities)

	Individual	Consolidated
Balance December 31, 2021	9,737	10,463
Additions / remeasurement	6,821	23,643
Write-off	(2)	(2)
Payment of principal	(1,948)	(2,686)
Payment of interest	(782)	(943)
Interest Incurred	1,268	1,429
Translation adjustment	-	(61)
Balance December 31, 2022	15,094	31,843
Additions/remasurement	205	8,685
Write-off	(1)	(1)
Payment of principal	(1,158)	(1,872)
Payment of interest	(774)	(1,376)
Interest Incurred	774	1,696
Translation adjustment	-	(1,147)
Balance June 30, 2023	14,140	37,828

13.3 Lease liability maturity schedule - recognized in non-current liabilities

Year	Individual	Consolidated
	Gross Flow	Gross Flow
2024	984	1,923
2025	2,134	4,178
2026	2,313	4,592
2027	1,917	4,471
More than 4 years	5,367	18,838
Total	12,715	34,002

- a) Potential right to PIS and COFINS recoverable: the Company has the potential right to PIS and COFINS recoverable embedded in the consideration for the leases. In the measurement of cash flows from leases, tax credits were not shown separately.
- b) Additional information (actual cash flow x inflated cash flow): although the accounting methodology 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 flow and present value, given the current reality of long-term interest rates in the Brazilian economic environment. Accordingly, the Company recalculated amounts for depreciation and financial charges for the total term of the active contracts as of June 30, 2023, based on a future cash flow that incorporates inflation expectation (nominal flow).

Blau Farmacêutica S.A.

Notes to the financial statements – Continued

As of June 30, 2023

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

13. Right of use and lease liability -- Continued

The Company's lease agreements have their payment flows substantially indexed to inflation rates and to safeguard the reliable representation and comply with CVM guidelines set forth in its CVM Circular Letter No. 2/2019, liability balances stated without inflation and effectively accounted for, as well as the estimate of inflated balances are provided. The inflated flow was measured at the present value of lease payments expected until the end of each contract, incorporated into projected future inflation and discounted at the incremental financing rate, i.e., the nominal interest rate.

	Individual		Consolidated	
	06/30/2023	12/31/2022	06/30/2023	12/31/2022
Actual flow				
Lease Liabilities	14,914	16,362	39,524	33,272
Interest	(774)	(1,268)	(1,696)	(1,429)
	14,140	15,094	37,828	31,843
Inflated flow				
Lease Liabilities	15,723	17,250	41,668	34,245
Interest	(816)	(1,337)	(1,788)	(1,471)
	14,907	15,913	39,880	32,774

14. Property, plant and equipment

	Individual					
	Balance 03/31/21	Additions	Transfer	Write-off	Balance 06/30/22	
Cost						
Property and land	99,416	-	(2,970)	-	96,446	
Improvements	766	-	2,976	-	3,742	
Machinery and equipment	117,605	5,336	250	-	123,191	
Vehicles	4,574	-	(37)	(98)	4,439	
Furniture and fixtures	7,557	159	46	(1)	7,761	
Facilities in use	21,867	-	-	-	21,867	
IT equipment	8,771	758	67	-	9,596	
Property, plant and equipment in progress	191,981	58,763	(332)	-	250,412	
Advance on goods for future delivery (i)	21,024	-	-	(9,604)	11,420	
Total cost	473,561	65,016	-	(9,703)	528,874	
Cumulative depreciation						
	Rate	12/31/21	Additions	Transfer	Write-off	Balance
Property	4%	(9,656)	(1,747)	-	-	(11,403)
Improvements	4%	(2,790)	(269)	-	-	(3,059)
Machinery and equipment	10%	(66,965)	(4,238)	-	-	(71,203)
Vehicles	20%	(3,032)	(295)	-	104	(3,223)
Furniture and fixtures	10%	(4,859)	(209)	-	1	(5,067)
Facilities in use	10%	(10,066)	(818)	-	-	(10,884)
IT equipment	20%	(5,098)	(618)	-	1	(5,715)
Total cumulative depreciation		(102,466)	(8,194)	-	106	(110,554)
Net property, plant and equipment		371,095	56,822	-	(9,597)	418,320

Blau Farmacêutica S.A.

Notes to the financial statements – Continued

As of June 30, 2023

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

14. Property, plant and equipment -- Continued

		Consolidated					
		Balance	Additions	Transfer	Write-off	Translation	Balance
		03/31/21				adjustment	06/30/22
Cost							
Property and land		106,147	637	309	(7)	-	107,086
Improvements		3,742	-	-	-	-	3,742
Machinery and equipment		112,216	5,421	264	-	-	117,901
Vehicles		4,920	-	(44)	(91)	-	4,785
Furniture and fixtures		8,958	182	70	(3)	-	9,207
Facilities in use		22,088	-	-	-	-	22,088
IT equipment		9,121	766	65	(3)	-	9,949
Property, plant and equipment in progress		194,064	58,786	(326)	-	-	252,524
Advance on goods for future delivery (i)		21,058	-	-	(9,604)	-	11,454
Total cost		482,314	65,792	338	(9,708)	-	538,736
Cumulative depreciation							
	Rate	Balance	Additions	Transfer	Write-off	Translation	Balance
		12/31/21				adjustment	06/30/22
Property	4%	(10,564)	(1,800)	(333)	-	(49)	(12,746)
Improvements	4%	(708)	(269)	-	-	-	(977)
Machinery and equipment	10%	(64,051)	(4,271)	-	-	(1)	(68,323)
Vehicles	20%	(3,534)	(290)	-	104	(5)	(3,725)
Furniture and fixtures	10%	(5,066)	(240)	(5)	3	(1)	(5,309)
Facilities in use	10%	(10,039)	(818)	-	-	-	(10,857)
IT equipment	20%	(5,454)	(621)	-	4	(6)	(6,077)
Total cumulative depreciation		(99,416)	(8,309)	(338)	111	(62)	(108,014)
Net property, plant and equipment		382,898	57,483	-	(9,597)	(62)	430,722

- (i) Due to the nature of the balances in "advances on goods for future delivery," the write-off indicated refers to additions for the period (see "additions" column). Therefore, the write-off has no effect on income.

		Individual					
		Balance	Additions	Transfer	Write-off	Balance	
		12/31/22				06/30/23	
Cost							
Property and land		167,175	1,923	20,241	-	189,339	
Improvements		8,001	433	2,143	-	10,577	
Machinery and equipment		151,292	7,821	16,831	(764)	175,180	
Vehicles		4,278	-	-	-	4,278	
Furniture and fixtures		8,627	720	3,082	(4)	12,425	
Facilities in use		32,720	1,261	10,925	-	44,906	
IT equipment		9,874	1,327	4,057	(315)	14,943	
Property, plant and equipment in progress		208,103	66,139	(60,698)	-	213,544	
Advance on goods for future delivery		8,357	1,002	-	-	9,359	
Total cost		598,427	80,626	(3,419)	(1,083)	674,551	
Cumulative depreciation							
	Rate						
Property	4%	(12,984)	(1,494)	-	-	(14,478)	
Improvements	4%	(3,406)	(577)	-	-	(3,983)	
Machinery and equipment	10%	(63,318)	(4,745)	-	264	(67,799)	
Vehicles	20%	(3,280)	(151)	-	-	(3,431)	
Furniture and fixtures	10%	(4,514)	(340)	-	4	(4,850)	
Facilities in use	10%	(11,857)	(1,559)	-	-	(13,416)	
IT equipment	20%	(5,001)	(1,014)	-	299	(5,716)	
Total cumulative depreciation		(104,360)	(9,880)	-	567	(113,673)	
Net property, plant and equipment		494,067	70,746	(3,419)	(516)	560,878	

Blau Farmacêutica S.A.

Notes to the financial statements – Continued

As of June 30, 2023

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

14. Property, plant and equipment – Continued

	Consolidated					Balance 06/30/23	
	Balance 12/31/2022	Additions	Transfer	Write-off	Translation adjustment		
Cost							
Property and land	185,799	1,923	4,644	-	(40)	192,326	
Improvements	14,612	433	9,873	-	-	24,918	
Machinery and equipment	146,121	7,826	16,831	(764)	-	170,014	
Vehicles	4,451	-	-	-	-	4,451	
Furniture and fixtures	10,100	733	3,082	(4)	(2)	13,909	
Facilities in use	32,941	1,261	10,925	-	-	45,127	
IT equipment	10,250	1,347	4,057	(315)	-	15,339	
Property, plant and equipment in progress	210,186	76,848	(51,632)	-	-	235,402	
Advance on goods for future delivery (i)	15,199	-	(1,199)	-	-	14,000	
Total cost	629,659	91,371	(3,419)	(1,083)	(42)	715,486	
Cumulative depreciation							
	Rate						
Property	4%	(14,558)	(1,494)	256	-	94	(15,702)
Improvements	4%	(1,324)	(797)	(583)	-	5	(2,699)
Machinery and equipment	10%	(60,473)	(4,796)	-	264	(2)	(65,007)
Vehicles	20%	(3,713)	(151)	-	-	-	(3,864)
Furniture and fixtures	10%	(4,768)	(364)	-	4	1	(5,127)
Facilities in use	10%	(11,830)	(1,559)	-	-	-	(13,389)
IT equipment	20%	(5,359)	(1,025)	-	299	(54)	(6,139)
Total cumulative depreciation		(102,025)	(10,186)	(327)	567	44	(111,927)
Net property, plant and equipment		527,634	80,185	(3,746)	(516)	2	603,559

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.

Below we disclose the breakdown of property, plant and equipment in progress. In the individual, R\$136,161 (63.76%) of the balance refers to the acquisition of installation machinery and equipment, and R\$77,383 (36.24%) refers to industrial expansion at the São Paulo and Cotia production units. Completion is expected by the end of 2025.

	Individual		Consolidated	
	06/30/2023	12/31/2022	06/30/2023	12/31/2022
Machinery and equipment being installed	136,161	118,301	136,161	118,301
Industrial expansion	77,383	89,802	99,241	91,885
Total	213,544	208,103	235,402	210,186

No property, plant and equipment had been given as collateral for debt incurred by the Company as of June 30, 2023 and December 31, 2022.

Blau Farmacêutica S.A.

Notes to the financial statements – Continued

As of June 30, 2023

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

15. Intangible Assets

	Individual			
	Balance 12/31/2021	Additions	Transfer	Balance 06/30/2022
Cost				
Software	7,570	1,061	-	8,631
Trademarks	881	-	-	881
Sanitary registrations	500	721	3,948	5,169
Development of new products	46,160	10,986	(3,948)	53,198
Goodwill	136,173	-	-	136,173
Total Cost	191,284	12,768	-	204,052
Cumulative amortization				
Software	(5,076)	(418)	-	(5,494)
Sanitary registrations	(8)	(62)	-	(70)
Total cumulative amortization	(5,084)	(480)	-	(5,564)
Net intangible assets	186,200	12,288	-	198,488

	Consolidated					
	Balance 12/31/2022	Additions	Transfer	Write- off	Translation adjustment	Balance 06/30/2023
Cost						
Software	7,648	1,682	-	(22)	-	9,308
Trademarks	1,033	267	-	(17)	-	1,283
Sanitary registrations	3,095	721	3,948	(84)	-	7,680
Development of new products	49,954	11,783	(3,948)	-	-	57,789
Goodwill	143,244	-	-	-	-	143,244
Total cost	204,974	14,453	-	(123)	-	219,304
Cumulative amortization						
Software	(5,270)	(652)	-	22	(10)	(5,910)
Sanitary Registrations	(704)	(88)	-	84	(45)	(753)
Development of new products	(137)	-	-	-	-	(137)
Other	(50)	-	-	-	-	(50)
Total cumulative amortization	(6,161)	(740)	-	106	(55)	(6,850)
Net intangible assets	198,813	13,713	-	(17)	(55)	212,454

	Individual			
	Balance 12/31/2022	Additions	Transfer	Balance 06/30/2023
Cost				
Software	11,349	690	3,419	15,458
Trademarks	881	-	-	881
Sanitary registrations	8,725	-	-	8,725
Development of new products	74,224	53,676	-	127,900
Goodwill	136,173	-	-	136,173
Total cost	231,352	54,366	3,419	289,137
Cumulative amortization				
Software	(6,168)	(386)	-	(6,554)
Sanitary registrations	(535)	(985)	-	(1,520)
Total cumulative amortization	(6,703)	(1,371)	-	(8,074)
Net intangible assets	224,649	52,995	3,419	281,063

Blau Farmacêutica S.A.

Notes to the financial statements – Continued

As of June 30, 2023

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

15. Intangible Assets -- Continued

	Consolidated					Balance 06/30/2023
	Balance 12/31/2022	Additions	Transfer	Write- off	Translation adjustment	
Cost						
Software	11,437	690	3,419	-	-	15,546
Trademarks	955	-	-	-	-	955
Sanitary registrations	12,103	184	-	(7)	(79)	12,201
Development of new products	74,383	53,676	-	-	-	128,059
Goodwill	143,244	-	-	-	-	143,244
Total Cost	242,122	54,550	3,419	(7)	(79)	300,005
Cumulative amortization						
Software	(6,707)	(512)	327	-	(12)	(6,904)
Sanitary registrations	(1,211)	(1,072)	-	2	(240)	(2,521)
Development of new products	(137)	-	-	-	-	(137)
Others	(11)	-	-	-	-	(11)
Total cumulative amortization	(8,066)	(1,584)	327	2	(252)	(9,573)
Net intangible assets	234,056	52,966	3,746	(5)	(331)	290,432

The change in intangible assets mainly refers to investments in the development of new products, software and sanitary registrations.

15.1 Impairment testing - Intangible Assets

The book values of the Company's intangible assets are reviewed every balance sheet date to find out whether any indication of impairment exists. If there is such an indication, then the impairment test is done annually. For the period ended June 30, 2023, the Company did not find any other intangible assets that, in Management's assessment, would not be able to generate future economic benefits.

Based on the annual test of impairment 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 financial statements – Continued

As of June 30, 2023

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

16. Related parties

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 contractually formalized and on an arm's length basis, that is, observing the same principles and procedures that guide negotiations carried out by the Company and its subsidiaries with unrelated parties, except for the debentures issued, regarding which interest applied is below market rates. Transactions between related parties or those with a potential conflict of interest must be approved by the Company's Board of Directors, in accordance with applicable policy.

a) Shareholding composition

The Company's shareholding structure is distributed as follows: the main shareholder is Mr. Marcelo Rodolfo Hahn, who has 82.50% of the capital stock of the Company; 16.55% is held by several other shareholders; and 0.95% are treasury shares.

b) Compensation of key management personnel

The annual compensation of key management personnel as of June 30, 2023, which includes the statutory officers (CEO, CFO, M&A Officer, Legal, and Quality Officer), is shown below:

	Individual	
	06/30/2023	06/30/2022
Management compensation	(3,060)	(2,711)
Bonus	(940)	(1,987)
Benefits	(450)	(290)
Total	(4,450)	(4,988)

c) Balances and transactions with related parties

The main balances with related parties as of June 30, 2023 and December 31, 2022 in the equity accounts, as well as the transactions in the profit or loss accounts are shown below:

Blau Farmacêutica S.A.

Notes to the financial statements – Continued

As of June 30, 2023

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

16. Related parties – Continued

	Individual		Consolidated	
	06/30/2023	12/31/2022	06/30/2023	12/31/2022
Assets				
Trade accounts receivable				
The Package Store Imp. Com. Distr. Emb. Ltda. (a)	404	500	404	500
Blau Farmacêutica Colombia S.A.S. (b)	21,563	7,538	-	-
Blau Farma Uruguay S.A. (c)	16,265	15,991	-	-
Blau Farma Chile (c)	17	-	-	-
Total assets related parties	38,249	24,029	404	500
Liabilities				
Related party suppliers				
F11 Segurança Privada Ltda. (d)	9	12	9	12
Total liabilities with related parties	9	12	9	12

d) Income – gross revenue (Note No. 25) and cost of goods and products sold (Note No. 26).

	Individual				
	06/30/2023		06/30/2022		
	Revenue	Cost	Revenue	Cost	
The Package Store Imp. Com. Distr. Emb. Ltda. (a)	963	(632)	1,335	(1,023)	
Blau Farmacêutica Colombia S.A.S. (b)	13,716	(12,732)	11,348	(10,417)	
Blau Farma Uruguay S.A. (c)	8,914	(10,292)	14,171	(14,680)	
Total income from related parties	23,593	(23,656)	26,854	(26,120)	
Consolidated					
		06/30/2023		06/30/2022	
		Revenue	Cost	Revenue	Cost
The Package Store Imp. Com. Distr. Emb. Ltda. (a)		963	(632)	1,335	(1,023)
Total income from related parties		963	(632)	1,335	(1,023)

e) Income from Transactions

	Individual	
	06/30/2023	06/30/2022
F11 Segurança Privada Ltda, (d)	(3,650)	(3,221)
F11 Facilities Eireli (e)	(5,581)	(3,227)
Hahn Participações (f)	(235)	-
	(9,466)	(6,448)

Blau Farmacêutica S.A.

Notes to the financial statements – Continued

As of June 30, 2023

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

16. Related parties – Continued

- (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 Uruguai S.A – This refers to operations entailing the export of drugs manufactured by the Company, which are resold by the subsidiary in Uruguay;
- (d) 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;
- (e) F-11 Facilities Ltda. is an individual limited liability company and provides outsourced labor services to the Company, such as cleaning and concierge services;
- (f) Refers to corporate services provided by Hahn Participações Ltda. to the Company;

17. Employee benefits

Considering the benefits policy, Blau provides its employees with: healthcare, dental care, grocery allowance, meal allowance, 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.

17.1. Long-term incentive program (“ILP”)

In the Board meeting held 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 payment terms and conditions for a financial award, based on the future appreciation of the Company in the long term.

These plans were structured considering: a) Performance Phantom Shares and b) Retention Phantom Shares, which will give the beneficiary the possibility of receiving, in domestic currency, amounts based on the quantity of Phantom Shares obtained on the vesting date.

222,244 Phantom Shares were granted in August 2022, being 139,414 to the Performance Phantom Shares plan, and 82,832 to the Retention Phantom Shares plan, which remain subject to the vesting period.

As per the grant agreement, the beneficiary should meet the following vesting criteria:

Blau Farmacêutica S.A.

Notes to the financial statements – Continued

As of June 30, 2023

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

17. Employee benefits – Continued

17.1. Long-term incentive program (“ILP”) – Continued

- (a) *Performance Phantom Shares*: the beneficiary will be entitled to receive a certain quantity of Phantom Shares if he/she: i) provides services for a specific period (that is, a service condition); and ii) achieves a specific performance target during the provision of the services.
- (b) *Retention Panthom Shares*: The beneficiary will be entitled to receive a certain quantity of Phantom Shares, if he/she continues to be linked to the company as a manager or employee during the vesting period of the plan (at least 3 years);

Program	Grant date	Exercise rights		Qty. 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	152,536

In May 2023, the company paid the first vesting of the long-term incentive program for the 2022 grant in the amount of R\$855.

On June 30, 2023, the Company recognized a fair value of R\$240 for the Performance Phantom Shares plan, and of R\$236 for the Retention Phantom Shares.

17.2 The variation in the quantity of phantom shares is presented below:

	06/30/2023	12/31/2022
At the beginning of the period	222,244	-
Phantom Shares granted aug/2022	-	222,244
Exercised(a)	(33,386)	-
Cancelled due to termination (a)	(9,419)	-
At the end of the period	179,439	222,244

- (a) The average price of shares exercised in the period ended June 30, 2022 was twenty-five *Reais* and sixty-two cents (R\$25.62).

Blau Farmacêutica S.A.

Notes to the financial statements – Continued

As of June 30, 2023

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

17. Employee benefits – Continued

17.3. Accounting policy

The obligations arising from 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, at the moment of the settlement, the balance of this liability will be exactly the amount, in currency, that will be transferred to the employee.

The initial recognition of the "Retention" long-term incentive plan was calculated by the average value in the last 90 trading sessions, taking into account the turnover factor stipulated by the Company.

The initial recognition of the "Performance" long-term incentive plan was calculated using the Monte Carlo (MC) pricing method, considering the performance rules and market conditions within the estimated window of occurrence of the liquidity event, with effects recognized after the granting.

Aleatory scenarios are generated to simulate the price of shares on the vesting date. For each scenario, the performance ratio is calculated to define the percentage of the provision, and the resulting amount is calculated at present value using the DI rate. Then, the average of all simulated scenarios is calculated, and the final result will be the fair value of shares of the performance program.

Regarding volatility, the historical period of 1 year was considered, and the fair value will be adjusted at each reporting date.

Phantom Shares will only be settled if the beneficiary maintains an employment relationship until the payment date. In the case of termination, whether by initiative of the Company or of the beneficiary, before the end of the grace period, the beneficiary will no more be entitled to receive the amounts, except as otherwise stated in the agreement. On June 30, 2023, the consolidated position of plans of outstanding phantom shares are presented below:

Program	Jun/23 Retention	Jun/23 Performance
Grant date	08/09/2022	08/09/2022
Qty. of options	139,412	82,832
Options cancelled due to termination	(6,778)	(2,641)
Options vested	(33,386)	-
Options to be vested	99,248	80,191
Exercise price	25.62	-
Fair value of options	22.38	22.38
Volatility	39.99%	39.99%
Risk-free interest rate	10.43%	10.43%
Term	1.84	1.84

Blau Farmacêutica S.A.

Notes to the financial statements – Continued

As of June 30, 2023

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

18. Trade accounts payable

	Individual		Consolidated	
	06/30/2023	12/31/2022	06/30/2023	12/31/2022
In the country	18,123	21,833	18,123	21,833
Abroad	133,731	137,301	138,024	141,792
Total trade accounts payable	151,854	159,134	156,147	163,625

19. Debentures

Modality	Average rate	Collateral	Consolidated and Individual	
			06/30/2023	12/31/2022
Debentures 1 st issue	CDI + 1,05% p.a.	Controlling shareholder surety	-	22,601
Debentures 3 rd issue	CDI + 1,10% p.a.	Controlling shareholder surety	205,929	257,269
Total debentures			205,929	279,870
Current			55,929	79,870
Non-current			150,000	200,000
Total			205,929	279,870

The net proceeds raised were earmarked for investments in studies, production capacity expansion projects, launches, research, development and innovation, as well as for general corporate use. The characteristics of the debentures are shown in the following table:

Description	1st issue	3rd issue
Issuing entity	Blau	Blau
Financial institution	Bradesco	Bradesco 66.7% / Itaú 33.3%
Total value of the issue in a single series	180,000,000	250,000,000
Nature	Public	Public
Date of issue	06/20/2018	04/15/2020
Account credit date	06/27/2018	04/20/2020
Maturity	06/20/2023	04/15/2027
Type	Unsecured	unsecured
Identification of asset at CETIP	BLAU11	BLAU13
b. Effective interest rate p.a. %	1.05% + 100% CDI	1.10% + 100% CDI
c. Valor total da dívida	-	(205,928,500)

Blau Farmacêutica S.A.

Notes to the financial statements – Continued

As of June 30, 2023

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

19. Debentures - Continued

a) Changes in the balance of debentures

	<u>1st Issue</u>	<u>3rd Issue</u>	<u>Total</u>
Balance as of December 31, 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 as of December 31, 2022	(22,601)	(257,269)	(279,870)
Interest paid	914	17,831	18,745
Interest accrued	(815)	(16,491)	(17,306)
Amortization	22,502	50,000	72,502
Balance as of June 30, 2023	-	(205,929)	(205,929)

b) Debt repayment schedule in relation to the balance of debentures

Consolidated and Individual			
<u>Year</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
07/01/2023 to 06/30/2024	50,000	5,929	55,929
07/01/2024 to 06/30/2025	50,000	-	50,000
07/01/2025 to 06/30/2026	50,000	-	50,000
04/15/2027	50,000	-	50,000
Total	200,000	5,929	205,929

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, which do not consider the effect of IFRS 16. The financial ratio consists of a net debt / EBITDA ratio (excluding the effects of leases) of less than 2.50x, only taking into account the year ended December 31 of each year and based on the consolidated financial statements.

Blau Farmacêutica S.A.

Notes to the financial statements – Continued

As of June 30, 2023

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

20. Income tax and social contribution payable

Current	Individual		Consolidated	
	06/30/2023	12/31/2022	06/30/2023	12/31/2022
Income tax	-	13,629	1,104	13,629
Social contribution	48	5,815	48	5,815
Total	48	19,444	1,152	19,444

a) Changes in income tax and social contribution payable

	Individual		Consolidated	
	06/30/2023	12/31/2022	06/30/2023	12/31/2022
Initial balance	19,444	19,991	19,444	19,991
Provision	945	90,130	2,028	91,105
Compensation	(2,235)	(17,087)	(2,214)	(17,087)
Tax paid	(18,106)	(73,590)	(18,106)	(74,565)
Total	48	19,444	1,152	19,444

b) Effective rate in the parent company

	Individual	
	06/30/2023	06/30/2022
Reconciliation of income tax and social contribution		
Income before income tax and social contribution	(146,470)	(224,502)
Statutory rate	34.00%	34.00%
Amount of income tax and social contribution on accounting profit at the statutory rate	(49,800)	(76,331)
Theoretical difference in income tax and social contribution		
Non-taxable Permanent differences	(978)	(2,702)
Equity Pick-up	(177)	1,269
Interest on own capital	22,357	21,940
Tax incentive – ‘Lei do bem’	4,689	4,023
Others	177	1,160
IR/CS Effective Expense	(23,732)	(50,641)
IR/CS Effective Rate (%)	16.20%	22.56%
Current income tax and social contribution expenses		
Current income tax and social contribution	(945)	(42,519)
Deferred income tax and social contribution	(22,787)	(8,122)
Current income tax and contribution, net	(23,732)	(50,641)

Blau Farmacêutica S.A.

Notes to the financial statements – Continued

As of June 30, 2023

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

20. Income tax and social contribution payable-- Continued

c) Deferred income tax and social contribution

ASSETS	Individual		Consolidated	
	06/30/2023	12/31/2022	06/30/2023	12/31/2022
Provision for inventory impairment	12,554	10,568	12,986	10,568
Provision for contingencies	1,361	1,781	1,361	1,781
Provision for expected losses	1,809	1,303	2,145	1,303
Provision for expenses	1,377	2,234	1,377	2,234
Depreciation	3,615	2,949	3,615	2,949
Right of use	8,309	8,595	8,309	8,595
Others	3,267	2,591	3,181	2,591
Non-current assets	32,292	30,021	32,974	30,021
Initial balance of deferred assets	(30,021)	(18,247)	(30,021)	(18,693)
Change in income for the year	2,271	11,774	2,953	11,328
LIABILITIES	Individual		Consolidated	
	06/30/2023	12/31/2022	06/30/2023	12/31/2022
R&D	(56,693)	(39,587)	(56,693)	(39,587)
Tax benefit on goodwill	(13,271)	(9,479)	(13,271)	(9,479)
Capitalized interest on debentures	(11,919)	(8,251)	(11,919)	(8,251)
Right of use	(7,541)	(7,950)	(7,541)	(7,950)
Others	(1,313)	(412)	(1,313)	224
Non-current liabilities	(90,737)	(65,679)	(90,737)	(65,043)
Initial balance of deferred liabilities	65,679	36,942	65,043	36,942
Change in income for the year	(25,058)	(28,737)	(25,694)	(28,101)
Others	-	-	(46)	(190)
Variation in deferred income tax and social contribution in income for the year	(22,787)	(16,963)	(22,787)	(16,963)
	Individual		Consolidated	
	06/30/2023	12/31/2022	06/30/2023	12/31/2022
Balance of non-current assets	32,292	30,021	32,974	30,021
Balance of non-current liabilities	(90,737)	(65,679)	(90,737)	(65,043)
Deferred income tax and social contribution, net	(58,445)	(35,658)	(57,763)	(35,022)

21. Labor related obligations

	Individual		Consolidated	
	06/30/2023	12/31/2022	06/30/2023	12/31/2022
Salaries	5,852	5,256	6,528	5,951
Charges	7,644	8,318	7,644	8,318
Vacation pay	18,336	16,407	18,467	16,516
13 th salary	6,971	-	6,971	-
Provision for profit sharing	7,225	3,586	7,225	3,586
Other accounts	577	1,406	577	1,406
Total	46,605	34,973	47,412	35,777
Current	46,208	34,015	47,015	34,819
Non-current	397	958	397	958
Total	46,605	34,973	47,412	35,777

Blau Farmacêutica S.A.

Notes to the financial statements – Continued

As of June 30, 2023

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

22. Other accounts payable

	Individual		Consolidated	
	06/30/2023	12/31/2022	06/30/2023	12/31/2022
Investments payable (a)	6,380	17,981	6,380	17,981
Advances from customers	1,480	462	1,529	490
Provisions for miscellaneous expenses	4,049	6,572	4,049	6,572
Subsidies for investments (b)	32,943	32,943	32,943	32,943
Purchase of land Pernambuco (b)	3,464	10,396	3,466	10,396
Other accounts payable	3,149	2,129	3,918	3,071
Total	51,465	70,483	52,285	71,453
Current	18,521	37,539	19,342	38,397
Non-current	32,944	32,944	32,943	33,056
Total	51,465	70,483	52,285	71,453

- (a) Refers to the remaining amounts payable (R\$6,380) to the former owners of Blau Goiás (acquisition closed in May 2020), as per the purchase and sale agreement, balances will be settled during the year 2023.
- (b) Government subsidies relating to the conditions for the purchase of land for construction of P1000 in the State of Pernambuco, according to State Law No. 16.582, of June 7, 2019 (Reducer Law), which will be subsidized by the State of Pernambuco through discount on the respective balance. When all contractual conditions are met, the amount will be recognized in income as “revenues from subsidies for investments.”

23. Provisions for tax, civil and labor lawsuits

The Company and its subsidiaries are subject to tax, civil and labor proceedings in the normal course of their activities. 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. Based on this evaluation, the following provisions have been set up:

	Individual and Consolidated			
	Labor claims	Civil claims	Administrative proceedings	Total
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
Probability reclassification	64	-	-	64
Adjustment to the amount in dispute	1,141	75	-	1,216
Write-off	(2,423)	(1,081)	(144)	(3,648)
Payments	(65)	-	-	(65)
Probability reclassification	(676)	(563)	(144)	(1,383)
Adjustment to the amount in dispute	(1,682)	(518)	-	(2,200)
Balance as of December 31, 2022	5,037	203	-	5,240
Addition	1,437	49	-	1,486
New proceedings	490	31	-	521
Probability reclassification	3	-	-	3
Adjustment to the amount in dispute	944	18	-	962
Write-off	(2,677)	(47)	-	(2,724)
Payments	(114)	-	-	(114)
Probability reclassification	(721)	(6)	-	(727)
Adjustment to the amount in dispute	(1,842)	(41)	-	(1,883)
Balance as of June 30, 2023	3,797	205	-	4,002

Blau Farmacêutica S.A.

Notes to the financial statements – Continued

As of June 30, 2023

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

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

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\$6,996 as of June 30, 2023 (R\$6,328 as of December 31, 2022). No provision was recognized for labor and civil risks classified as possible, according to their nature:

Nature	Consolidated	
	06/30/2023	12/31/2022
Labor	1,101	702
Civil	25	9
Tax	5,870	5,617
Total	6,996	6,328

b) Judicial deposits

They represent restricted assets of the Company and its subsidiaries and are related to the amounts deposited and kept in court until the resolution of the related disputes. Therefore, provisions for lawsuits are presented in accordance with the amounts of the lawsuits, and do not consider the balances of escrow deposits, given that the conditions required to show them net with the provision do not exist.

	Balance 12/31/21	Addition	Write-off	Monetary Adjustment	Balance 12/31/22	Write- off	Monetary Adjustment	Balance 06/30/23
Labor	604	-	-	74	678	(393)	21	306
Civil	5,974	-	(4,665)	253	1,562	-	79	1,641
Tax	-	4,574	-	444	5,018	-	685	5,703
Total	6,578	4,574	(4,665)	771	7,258	(393)	785	7,650

24. Equity

a) Capital Stock

The Company's subscribed and paid-in capital stock on June 30, 2023 and December 31, 2022 was R\$1,316,609, represented by 179,393,939 common, registered, book-entry 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.

Blau Farmacêutica S.A.

Notes to the financial statements – Continued

As of June 30, 2023

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

24. Equity – Continued

b) Treasury shares

On June 14, 2022, the Company informed the shareholders and the market in general about the share Repurchase Program approved by the Company's Board of Directors on June 13, 2022. The objective was to invest the Company's available funds in order to maximize the generation of value for shareholders. The purchased shares will be kept in treasury, and they may be cancelled or sold in the market without reducing the Company's capital stock, and according to the provisions of paragraph 1 of Article 30 of Law No. 6.404/1976 ("Brazilian Corporation Law") and the norms set forth in CVM Resolution No. 77, of March 29, 2022 ("CVM Resolution No. 77").

The Company may, at its own discretion and as per the Repurchase Program, purchase up to four million, four hundred eighty-four thousand, eight hundred forty-eight (4,484,848) common, book-entry shares with no par value issued by the Company, representing up to 2.50% of total shares issued by the Company, and outstanding as of that date, as resolved by the Meeting of the Board of Directors.

The table below describes the changes in treasury shares:

	<u>Amount</u>	<u>Quantity of shares</u>
Balance as of December 31, 2021	-	-
Acquisition in the period	39,895	1,563,200
Balance as of December 31, 2022	39,895	1,563,200
Acquisition in the period	2,996	150,000
Balance as of June 30, 2023	42,891	1,713,200

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.

Blau Farmacêutica S.A.

Notes to the financial statements – Continued

As of June 30, 2023

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

24. Equity – Continued

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 “b” of Article 28 of the Company’s Bylaws, 25% of net income will be allocated to minimum mandatory dividends.

In March 2023, the Meeting of the Board of Directors (RCA), approved the allocation of Interest on Own Capital (JCP) in the amount of R\$32,539, equivalent to R\$0.1829780750 per share. The payment was settled in one single installment on April 17, 2023. JCP declared net of withholding income tax will be included in the mandatory minimum dividends for the year 2023.

On June 2023, the Meeting of the Board of Directors (RCA) approved the payment of Interest on Own Capital (JCP) in the amount of R\$33,219, corresponding to R\$0.1869586240 per share. Of the total amount, R\$12,338 will be paid to shareholders, in a single installment, on July 14, 2023, and the remaining amount will be paid by December 31, 2023. JCP declared net of withholding income tax will be included in the mandatory minimum dividends for the year 2023.

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

Basic earnings per share were calculated based on the weighted average number of common shares outstanding and has no dilution factors.

	Consolidated	
	06/30/2022	12/31/2022
Net income attributed to controlling shareholders	122,738	363,368
Number of common shares (thousands of shares)	179,394	179,394
Number of treasury shares (thousands of shares)	(1,713)	(1,563)
Basic and diluted earnings per common share	0.6908	2.0430

Blau Farmacêutica S.A.

Notes to the financial statements – Continued

As of June 30, 2023

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

25. Net operating revenue

	Individual		Consolidated	
	06/30/2023	06/30/2022	06/30/2023	06/30/2022
Sales of products – domestic market	622,520	678,969	673,457	725,254
Sales of products – overseas market	17,192	7,301	17,192	7,301
Sales – related parties (Note 16)	23,593	26,854	963	1,335
Gross revenue	663,305	713,124	691,612	733,890
(-) Taxes	(36,312)	(51,183)	(36,311)	(51,183)
(-) Discounts	(277)	(422)	(440)	(496)
(-) Returns	(32,282)	(3,568)	(32,351)	(3,630)
Total deductions from gross revenue	(68,871)	(55,173)	(69,102)	(55,309)
Net operating revenue	594,434	657,951	622,510	678,581

a) Net operating revenue

Net operating revenue is shown by segment in Note No. 31 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.

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.

In relation to geographical location, net revenue in Brazil accounted for 90.64% of the Company's consolidated net revenue in June 2023 (92.22% in 2022).

	Consolidated	
	06/30/2023	06/30/2022
Brazil	564,248	625,782
Uruguay	20,043	23,279
Colombia	17,612	15,665
USA	13,050	7,206
Chile	5,591	3,907
Peru	1,966	2,675
Others	-	67
Total	622,510	678,581

The distribution of consolidated net revenue for the years ended June 30, 2023 and 2022 between the institutional and retail divisions as follows:

Blau Farmacêutica S.A.

Notes to the financial statements – Continued

As of June 30, 2023

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

25. Net operating revenue – Continued

	30/06/2023	30/06/2022	30/06/2023	30/06/2022
Institutional	543,139	597,099	568,792	615,821
Retail	51,295	60,852	53,718	62,760
Total	594,434	657,951	622,510	678,581

26. Cost of goods and products sold by type

	Individual		Consolidated	
	06/30/2023	06/30/2022	06/30/2023	06/30/2022
Raw materials and packaging	(267,083)	(274,673)	(280,970)	(276,593)
Workforce	(20,419)	(17,657)	(20,419)	(17,657)
Depreciation and amortization	(5,521)	(2,850)	(5,521)	(2,850)
Quality Control	(30,135)	(27,840)	(30,135)	(27,840)
Other manufacturing expenses	(26,487)	(25,524)	(26,487)	(25,523)
Total cost of sales	(349,645)	(348,544)	(363,532)	(350,463)

27. Operating expenses by category

a) Expenses by function

	Individual		Consolidated	
	06/30/2023	06/30/2022	06/30/2023	06/30/2022
Sales expenses	(30,136)	(24,188)	(36,242)	(29,062)
Research, development, and innovation expenses	(20,153)	(22,502)	(20,153)	(22,502)
Total selling expenses	(50,289)	(46,690)	(56,395)	(51,564)
Expected loss due to impairment of trade receivables	(1,799)	(847)	(1,572)	(928)
Administrative expenses	(54,639)	(42,372)	(63,044)	(51,689)
Other operating revenue, net	(543)	1,434	(443)	1,497
Total expenses	(107,270)	(88,475)	(121,454)	(102,684)

b) Expenses by type

	Individual		Consolidated	
	06/30/2023	06/30/2022	06/30/2023	06/30/2022
Personnel	(49,055)	(42,925)	(54,978)	(49,837)
Specialized services	(10,238)	(8,901)	(10,583)	(9,460)
Marketing	(7,799)	(5,400)	(7,974)	(5,657)
Freight	(3,694)	(2,657)	(3,735)	(2,682)
Materials	(11,253)	(8,064)	(11,506)	(8,393)
Depreciation	(7,247)	(6,986)	(9,240)	(7,632)
Maintenance	(5,611)	(7,223)	(5,611)	(7,332)
General	(12,373)	(6,319)	(17,827)	(11,691)
Total operating expenses	(107,270)	(88,475)	(121,454)	(102,684)

Blau Farmacêutica S.A.

Notes to the financial statements – Continued

As of June 30, 2023

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

28. Net financial result

	Individual		Consolidated	
	06/30/2023	06/30/2022	06/30/2023	06/30/2022
Interest received	27,918	34,276	28,046	34,340
Discounts obtained	16	635	16	635
Total financial revenues	27,934	34,911	28,062	34,975
Foreign exchange variation	(9,280)	(7,627)	(6,939)	(5,694)
Derivatives	-	(10,330)	-	(10,330)
Interest incurred	(8,199)	(15,442)	(9,569)	(15,768)
Tax on financial operations	(824)	(2,119)	(824)	(2,119)
Bank commissions and expenses	(431)	(141)	(431)	(141)
Discounts granted	(4)	(36)	(4)	(36)
Others	(1,368)	(1,887)	(1,368)	(1,886)
Total financial expenses	(20,106)	(37,582)	(19,135)	(35,974)
Total net financial income	7,828	(2,671)	8,927	(999)

29. 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		Fair value	
				06/30/2023	12/31/2022	06/30/2023	12/31/2022
Cash and Cash Equivalents							
Cash and Cash Equivalents	6	Amortized cost	Level 1	97,498	14,114	-	-
Financial investments	7	Fair value through profit or loss	Level 1	294,245	434,721	294,245	434,721
Financial investments USD	7	Fair value through profit or loss	Level 1	-	194,812	-	194,812
Trade accounts							
Trade accounts	8	Amortized cost	Level 1	391,904	420,109	-	-
Related parties trade accounts	15	Amortized cost	Level 1	404	500	-	-
Other credits							
Other credits		Amortized cost	Level 1	155,234	18,907	-	-
Trade accounts payable							
Trade accounts payable	17	Amortized cost	Level 2	156,147	163,625	-	-
Related party suppliers	15	Amortized cost	Level 2	9	12	-	-
Financing							
Leases payable	12	Amortized cost	Level 2	37,828	31,843	-	-
Debentures							
Debentures	18	Amortized cost	Level 2	205,929	279,870	-	-
Other accounts payable							
Other accounts payable	21	Amortized cost	Level 1	52,285	71,453	52,285	71,453

Blau Farmacêutica S.A.

Notes to the financial statements – Continued

As of June 30, 2023

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

29. 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.

Blau Farmacêutica S.A.

Notes to the financial statements – Continued

As of June 30, 2023

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

29. Financial instruments – Continued

(c) Financial risk management – Continued

i) *Credit risk - Continued*

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.

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 June 30, 2023 and 2022, the maximum exposure to credit risk was as follows:

	Individual		Consolidated	
	06/30/2023	12/31/2022	06/30/2023	12/31/2022
Cash and cash equivalents	91,176	4,710	97,498	14,114
Financial investments	291,005	625,669	294,245	629,533
Trade accounts receivable	399,732	409,462	392,308	420,609
Other receivables	153,731	17,557	155,234	18,907
Total	935,644	1,057,398	939,285	1,083,163

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 accounts payable and other accounts payable.'

Blau Farmacêutica S.A.

Notes to the financial statements – Continued

As of June 30, 2023

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

29. Financial instruments -- Continued

c) Financial risk management- Continued

ii) *Liquidity risk* - Continued

Exposure to liquidity risk

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

Consolidated – 06/30/2023			
	Up to 1 year	Up to 5 years	Accounting total
Trade accounts payable	156,156	-	156,156
Debentures	55,929	150,000	205,929
Lease payable	3,826	34,002	37,828
Other accounts payable	19,342	32,943	52,285
Total	235,253	216,945	452,198

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
Lease payable	3,671	28,172	31,843
Other accounts payable	38,397	33,056	71,453
Total	285,575	261,228	546,803

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.

Foreign exchange coverage is being carried out through dollarized cash, until management finds better market conditions to purchase new financial instruments.

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.

Blau Farmacêutica S.A.

Notes to the financial statements – Continued

As of June 30, 2023

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

29. Financial instruments -- Continued

c) Financial risk management - Continued

iv) Foreign exchange risk – continued

The Company designates the spot element of the forward exchange contracts in order to hedge its currency risk, applying a hedge ratio of 1:1. 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 06/30/2023		Consolidated 12/31/2022	
	USD thousands	<i>Reais</i>	USD thousands	<i>Reais</i>
Financial investments	-	-	37,337	194,812
Trade accounts receivable	10,043	48,397	9,276	48,397
Trade accounts payable	28,640	138,024	(27,175)	(141,792)
Net exposure from expected transactions	38,683	186,421	19,438	101,417
NDF contracts	-	-	23,000	137,091
Net exposure	38,683	186,421	42,438	238,508

Blau Farmacêutica S.A.

Notes to the financial statements – Continued

As of June 30, 2023

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

29. Financial instruments -- Continued

c) Fair Value Measurement – Continued

iv) *Foreign exchange risk* – 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: Disclosure, discloses a sensitivity analysis chart for each type of market risk considered material by Management, originated by financial instruments, to which the Company is exposed at the statement of financial position date, including all operations with derivative financial instruments.

Dollar-linked transactions: A reasonably possible appreciation (depreciation) of the US 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\$4.8192 (R\$5.2177 in Dec/22) and we considered two increase and decrease scenarios, according to the forecasts established in the FOCUS table for the coming periods.

The Company estimates for scenario I the dollar at 4.11/USD (5.10 in Dec/22); for scenario II, the dollar at 3.90/USD (5.15 in Dec/22); and for scenario III, the dollar at 4.00/USD (5.30 in Dec/22).

Consolidated 06/30/2023				
Risk	Exposure in R\$	Scenario I	Scenario II	Scenario III
Transaction				
Trade accounts receivable	USD 48,397	(7,122)	(9,231)	(8,227)
Effect on income	48,397	(7,122)	(9,231)	(8,227)
Consolidated 12/31/2022				
Risk	Exposure in R\$	Scenario I	Scenario II	Scenario III
Transaction				
Trade accounts receivable	USD 48,397	(1,092)	(628)	736
Financial Investments	USD 194,812	(5)	(3)	3
Effect on income	243,209	(1,097)	(631)	739

Blau Farmacêutica S.A.

Notes to the financial statements – Continued

As of June 30, 2023

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

29. Financial instruments -- Continued

c) Financial risk management- Continued

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

For sensitivity analysis purposes, for transactions linked to CDI and IPCA, we started from the closing basis, with CDI and IPCA respectively at 13.75% and 5.78% (13.75% and 5.90% respectively in December 2022), and considered two scenarios of increase and decrease, according to the forecasts established for in the FOCUS table.

iv) *Foreign exchange risk* - Continued

The Company estimates the following probable scenarios: for scenario I, considering the next period of contracts is CDI at 12.50 (sic) and IPCA at 5.29% (sic), (CDI at 12.50% and IPCA at 5.39% in Dec/22); for scenario II is CDI at 9.25% and IPCA at 3.80%, (CDI at 9.25% and IPCA at 3.70% in Dec 22); and for scenario III is CDI at 8.25% and IPCA at 3.50% same percentages used in Dec/22.

		Consolidated 06/30/2023				
		Risk	Exposure in R\$	Scenario I	Scenario II	Scenario III
Transaction						
	Financial investments	CDI	294,245	(1,016)	(3,659)	(4,472)
	Debentures	CDI	205,929	(539)	(1,940)	(2,371)
	Lease payable	IPCA	37,828	2,001	1,437	1,324
	Effect on net income		538,002	446	(4,162)	(5,519)
		Consolidated 03/31/2022				
		Risk	Exposure in R\$	Scenario I	Scenario II	Scenario III
Transaction						
	Financial investments	CDI	434,721	(2,577)	(9,279)	(11,341)
	Debentures	CDI	279,870	(670)	(2,411)	(2,947)
	Lease payable	IPCA	31,843	1,716	1,178	1,115
	Effect on net income		746,434	(1,531)	(10,512)	(13,173)

Blau Farmacêutica S.A.

Notes to the financial statements – Continued

As of June 30, 2023

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

30. Insurance Coverage

The Company and its subsidiaries adopt an insurance policy that mainly 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 June 30, 2023, is as follows:

Insured goods	Covered risks	Coverage amount (in R\$)
Industrial complex and administrative sites	Any material damage to buildings, facilities, inventories and machinery and equipment.	724,174,355
Vehicles	Fire, theft and collision of vehicles insured by the Company and its subsidiaries.	41,880
Loss of profits	Non-realization of profits resulting from material damage to facilities, buildings and production machinery and equipment.	403,000,000
Transport	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

31. Information by business segment

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 segments listed below:

- 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.

The Company's business activities is 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.

Blau Farmacêutica S.A.

Notes to the financial statements – Continued

As of June 30, 2023

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

31. Information by business segment – Continued

- **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.

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	
	06/30/2023	06/30/2022	06/30/2023	06/30/2022
Net revenue	543,139	597,099	568,792	615,821
Cost of goods and products sold (i)	(319,473)	(316,308)	(332,162)	(318,050)
Gross Profit	223,666	280,791	236,630	297,771
Operating expenses	(95,874)	(80,825)	(109,132)	(93,703)
Other operating revenue	(2,140)	533	(1,841)	516
Financial income	7,153	(2,424)	8,157	(907)
Equity accounting income	1,026	5,664	-	-
Income before taxes	133,831	203,739	133,814	203,677
	Individual Retail		Consolidated Retail	
	06/30/2023	06/30/2022	06/30/2023	06/30/2022
Net revenue	51,295	60,852	53,718	62,760
Cost of products sold (i)	(30,172)	(32,236)	(31,370)	(32,413)
Gross Profit	21,123	28,616	22,348	30,347
Operating expenses (ii)	(9,054)	(8,237)	(10,307)	(9,550)
Other operating revenues	(203)	54	(174)	53
Financial income	676	(247)	770	(92)
Equity accounting income	97	577	-	-
Income before taxes	12,639	20,763	12,637	20,758

Blau Farmacêutica S.A.

Notes to the financial statements – Continued

As of June 30, 2023

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

31. Information by business segment – Continued

(i) Costs of products sold

	Individual		Consolidated	
	06/30/2023	06/30/2022	06/30/2023	06/30/2022
Institutional				
Raw materials and packaging	(244,036)	(249,575)	(256,725)	(251,317)
Workforce	(18,657)	(16,024)	(18,657)	(16,024)
Depreciation and amortization	(5,045)	(2,281)	(5,045)	(2,281)
Other manufacturing expenses	(54,022)	(48,428)	(54,022)	(48,428)
Total cost of sales	(321,760)	(316,308)	(334,449)	(318,050)
Retail				
Raw materials and packaging	(23,047)	(25,435)	(24,245)	(25,612)
Workforce	(1,762)	(1,633)	(1,762)	(1,633)
Depreciation and amortization	(476)	(233)	(476)	(233)
Other manufacturing expenses	(2,600)	(4,935)	(2,600)	(4,935)
Total cost of sales	(27,885)	(32,236)	(29,083)	(32,413)

(ii) Operating expenses

	Individual		Consolidated	
	06/30/2023	06/30/2022	06/30/2023	06/30/2022
Institutional				
Sales	(27,536)	(21,951)	(33,115)	(26,374)
Research, development and Innovation	(18,414)	(20,421)	(18,414)	(20,421)
Total selling expenses	(45,950)	(42,372)	(51,529)	(46,795)
Expected loss from impairment of accounts receivable	(1,644)	(769)	(1,436)	(842)
Administrative expenses	(49,924)	(38,453)	(57,603)	(46,908)
Total expenses	(97,518)	(81,594)	(110,568)	(94,545)
Retail				
Sales	(2,600)	(2,237)	(3,127)	(2,688)
Research, development and innovation	(1,739)	(2,081)	(1,739)	(2,081)
Total selling expenses	(4,339)	(4,318)	(4,866)	(4,769)
Expected loss from impairment of accounts receivable	(155)	(78)	(136)	(86)
Administrative expenses	(4,715)	(3,919)	(5,441)	(4,781)
Total expenses	(9,209)	(8,315)	(10,443)	(9,636)

Blau Farmacêutica S.A.

Notes to the financial statements – Continued

As of June 30, 2023

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

31. Information by business segment – Continued

b) Statement of financial position accounts by segment

	Individual Institutional		Consolidated Institutional	
	06/30/2023	12/31/2022	06/30/2023	12/31/2022
Assets				
Trade accounts receivable	374,416	379,266	368,536	390,492
Provision for expected losses	(9,177)	(7,486)	(10,081)	(8,590)
Inventories	524,403	526,135	565,860	548,696
Provision for Impairment	(34,157)	(31,103)	(35,318)	(32,039)
Total assets	855,485	866,812	888,997	898,559
Trade accounts payable	138,758	144,499	142,681	148,577
Total liabilities	138,758	144,499	142,681	148,577
	Individual Retail		Consolidated Retail	
	06/30/2023	12/31/2022	06/30/2023	12/31/2022
Assets				
Trade accounts receivable	35,360	38,441	34,805	39,578
Provision for expected losses	(867)	(759)	(952)	(871)
Inventories	49,525	53,327	53,441	55,613
Provision for impairment	(3,226)	(3,152)	(3,335)	(3,247)
Total assets	80,792	87,857	83,959	91,073
Trade accounts payable	13,105	14,647	13,475	15,060
Total liabilities	13,105	14,647	13,475	15,060

32. Subsequent Event

On June 30, 2023, the advance payment made for the acquisition of Laboratório Bergamo was completed with a payment of R\$134,000. Blau will take control of the Company from the third quarter of 2023.

On June 30, Blau entered into a long-term agreement with Korean company Green Cross Corporation (“GCC”), for the supply of immunoglobulin and human albumin. The Agreement entered into force on July 1, 2023 and guarantees Blau’s supply until June 2028, in accordance with its business plan.

Blau Farmacêutica S.A.

Notes to the financial statements – Continued

As of June 30, 2023

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

* * *

Marcelo Rodolfo Hahn
Chief Executive Officer

Douglas Leandro Rodrigues
Chief Financial and Investor Relations Officer

Eduardo Moreira do Carmo
Accountant CRC-SP256665/O-2