# Hypera S.A.

Financial Statements
December 31, 2023

# Content

# Management Report

In compliance with legal and Bylaws dispositions, the Management of Hypera S.A. ('Company' or 'Hypera Pharma') submits the Company's Management Report and its individual and consolidated Standard Financial Statements to its shareholders, as well as the independent auditors report, regarding the fiscal year ended December 31, 2023.

## Management Statement

Hypera Pharma achieved significant progress in its sustainable growth strategy in 2023. New product launches and investments in marketing and increased production capacity enabled the Company to expand its sales in the Retail and Non-Retail Markets.

Sell-out growth was 5.7% in the year, according to IQVIA. Categories related to off-patent chronic and preventive treatments, such as Cardiology, Central Nervous System, Ophthalmology and Women's Health, as well as vitamins, probiotics, antispasmodics and medicines for relieving symptoms of nausea, contributed positively to the sell-out growth, while categories related to Flu, Respiratory, Pain and Fever contributed negatively, impacted mainly by the reduction in the number of flu cases in Brazil in 2023.

The positive performance in the Non-Retail is the result of the initiatives implemented by the new business unit created in 2021 to boost the growth of the current portfolio, the increase in sales teams and the increase in product availability. Hypera Pharma also has an innovation pipeline for the launch of 98 new products in Oncology, Specialties and Biologicals, in a potential market of approximately R$16 billion, according to IQVIA.

In 2023, Hypera Pharma was recognized once again for its medium and long-term sustainability practices and commitments. The Company became part of the FTSE4Good Index Series of the London Stock Exchange and IDIVERSA of B3, which recognizes companies that meet gender and race diversity criteria.

In addition, Hypera Pharma was selected for the second consecutive year to be part of B3's Corporate Sustainability Index ("ISE") portfolio and to be part of the S&P Global Sustainability Yearbook, which brought together the 22 most sustainable companies in the world in the pharmaceutical sector.

The Company also inaugurated two substations to increase the availability of electricity for the production of its products and to reduce direct $CO_2$ emissions by almost 20% at its manufacturing complex located in Anápolis/GO. With this initiative, Hypera Pharma is strengthening its energy infrastructure and its commitment to combating climate change.

More information on the performance of the Company and its subsidiaries on issues related to the environment, people, social responsibility and corporate governance can be found in our Sustainability Report, available on our Investor Relations website https://ri.hypera.com.br/en/, including quantitative data and qualitative discussions on relevant ESG indicators.

## Key Indicators

In 2023, Net Revenue grew by 4.9% and reached R$7,914.7 million, mainly as a result of the expansion of sales in the Retail and Non-Retail Markets. Gross Profit reached R$4,995.5 million in the year, with a Gross Margin of 63.1%. The maintenance of the Gross Margin when compared to 2022 is mainly due to the increase in product prices and the valuation of the Brazilian Real (BRL) against the US Dollar (USD), which offset the increase in raw material and transformation costs in the period.

EBITDA from Continuing Operations was R$2,756.1 million for the year, with an EBITDA Margin of 34.8%. The variation in the EBITDA Margin in 2023 is mainly the result of the lower dilution of Sales Expenses in the period. Net Profit from

Continuing Operations was R$1,651.1 million in 2023. The variation in Net Profit is the result of the 1.4% growth in EBIT from Continuing Operations and the R$136.7 million increase in Net Financial Expenses.

Cash Flow from Operations was R$2,396.0 million in the year, up 17.5% on the previous year. In the year, the conversion of EBITDA from Continuing Operations, when excluding the contribution from Other Operating Revenues, into Cash Flow from Operations was 87.7%, compared to 76.9% in 2022, contributing to Hypera Pharma recording the highest Cash Flow from Operations in its history.

The growth in Cash Flow from Operations, the investments for the purchase of fixed assets, including the acquisition of the Boehringer Ingelheim manufacturing facilities in Itapecerica da Serra/SP in 3Q23, and the investments in research, development and innovation, resulted in Free Cash Flow of R$1,458.7 million in 2023, compared to R$304.8 million in 2022. It is important to mention that the 2022 Free Cash Flow was impacted by the payments for the acquisitions of Sanofi's brands and the know-how and site responsible for producing the raw material related to scopolamine.

## Macroeconomic Environment

The world economy was once again affected by geopolitical tensions, such as the conflicts between Russia and Ukraine and between Israel and Palestine, by the slower growth of the Chinese economy in the middle of the deepening real estate crisis and rising unemployment among young people in the country, and by the increase in interest rates by central banks to contain inflation in important global economies. At the end of 2023, the IMF (International Monetary Fund) forecasted the world economic growth of around 3% for 2023 and 2024, lower than the growth of 3.5% in 2022.

In Brazil, 2023 was the first year of the new government, elected in the previous year, and was market by the approval of the new fiscal framework to replace the public spending ceiling and the constitutional amendment on tax reform, aiming to simplify the collection of taxes on consumption and reduce companies' spending on paying taxes.

With the fiscal targets set by the new government and the lower inflation scenario observed in 2023, with the IPCA ending the year at 4.6%, compared to 5.8% at the end of 2022, the Central Bank began the process of reducing the interest rates in the Brazilian economy throughout the second half of the year. The Selic rate, previously at 13.75%, ended the year at 11.75%, while the US dollar devalued against the Brazilian Real and ended the year at R$4.85. Brazil's GDP rose by 2.9% in 2023, according to IBGE.

The most recent expectations point to a further reduction in the Selic rate and IPCA in 2024, which together with the increase in health care, the reduction observed in 2023 in the unemployment rate in Brazil and the aging of the population bring good prospects for the growth of the Brazilian pharmaceutical sector in 2024.

## Outlook

In October 2023, IQVIA projected growth of 11.2% for the Brazilian pharmaceutical market (including the retail and non-retail channels) in 2024, followed by expansions of 9.6%, 8.7% and 8.0%, respectively, for the years 2025, 2026 and 2027.

Population ageing in Brazil is the main factor contributing to these estimates, since the consumption of medicines by people over 60 years old is higher than by younger age groups. In addition to the ageing population, the increase of diseases in the elderly due to the population's lifestyle, the potential for increased adherence to chronic therapy treatments, the number of new product launches and the adoption of new technologies tend to contribute positively to the growth of the Brazilian pharmaceutical market.

Therefore, after analyzing the growth of the pharmaceutical market in the categories in which it operates and the macroeconomic scenario, the Company established the following financial projections ("guidances") for the 2024 financial year:

- **Net Revenue** around R$8.6 billion
- **Adjusted EBITDA from Continuing Operations** around R$3.0 billion
- **Net Income from Continuing Operations** around R$1.85 billion

The Net Income from Continuing Operations guidance considered the current interest rate scenario expected for 2024.

## Profile and Business Units

Hypera Pharma is one of the biggest and most diversified pharmaceutical companies in Brazil and is present in all relevant segments of the sector. With leading position in diverse categories offering high quality and secure products, it invests continuously in innovation and has been growing sustainably, so that people live more and better.

With a forward-looking and innovative vision, Hypera Pharma is supported by one of the biggest and most modern pharmaceutical research centers in Brazil, in the structure of its subsidiary Brainfarma. The center is composed of a highly qualified team of professionals, including Masters and PhD's, for the development of medicines, dermocosmetics and health products, using high technology to pioneer the launch of new treatments in Brazil.

Headquartered in São Paulo and listed on B3's Novo Mercado since 2008, the Company operates in the following market segments:

**Consumer Health:** Market leader in non-prescription drugs, with iconic brands recognized by Brazilians for decades, including Apracur, Benegrip, Buscopan, Coristina D, Engov, Epocler, Estomazil, Neosaldina, among others. It also competes in nutraceuticals and vitamin supplements, with brands such as Tamarine, Biotônico Fontoura and Zero-Cal, a Top-of-Mind brand for 20 consecutive years. It is one of the largest media investors in Brazil, with dozens of advertising campaigns each year in traditional and digital media.

**Branded Prescription**: Under Mantecorp Farmasa, it is among the main brands in the Brazilian prescription pharmaceutical market, with a diversified portfolio of products and presentations in the Primary Care segment. It owns a portfolio of highly recognized drugs recommended by the medical community, with products such Addera, Alektos, Alivium, Celestamine, Dramin, Masxulid, Nesina, Ofolato, Predsim and Rinosoro. In this segment, it combines innovation with a focus on the medical community in several therapy specialties, to guarantee new treatment options for the Brazilian population, and operates through a team of more than a thousand medical reps all over Brazil.

**Similars e Generics**: Over more than 65 years of history, Neo Química has consolidated its position as one of the main medicine brands in the Brazilian pharmaceutical industry. In its portfolio of more than 300 products, among generics and similars, are some of the best-selling drugs in Brazil, being present in more than 95% of pharmacies in the country, according to IQVIA. Under the signature "Your health is our vocation", the brand expanded the concept of health beyond the absence of disease and the use of medicines, focusing also on prevention, healthcare, and physical, mental and social well-being. Through incentives to sports projects and teams, Neo Química also believes in sports as a way to promote health and well-being.

**Skincare**: With over 40 years in the dermatological market, Mantecorp Skincare understands the needs of Brazilian skin and develops products with proven efficacy and unique sensory experience, with the function of protecting, recovering and improving skin health. The brand, most prescribed by dermatologists, according to Close-up, counts with more than 50 products and several projects under development. The company also operates in the skincare market with the brands Simple Organic, of organic, vegan and animal cruelty-free products, and Bioage, focused on the professional aesthetic treatments market.

**Non-Retail Market**: In 2021, Hypera Pharma began its participation in the Non-Retail Market, aimed at serving public and private clinics and hospitals. The team has experienced professionals and a portfolio of molecules divided between anesthetics, antibiotics, anti-inflammatories, antiemetics, antispasmodics and gastric protectors. For the coming years, products have already been mapped out in the innovation pipeline for launches in Oncology, Hematology, Specialties and Biologicals.

## Portfolio & Innovation

Total investments in Research and Development, including the amount capitalized as intangible assets, were R$618.1 million in 2023, or 19.6% higher than in 2022, evidencing the Company's commitment to the constant innovation of its product portfolio and the additional investments in R&D for the innovation pipeline development to support growth in the Non-Retail Market. In 2023, Hypera Pharma strengthened its product portfolio with approximately 90 launches.

In Prescription Products, the main highlights were the launches in Pain, Central Nervous System and Probiotics. In Consumer Health, the Company launched line extensions of important brands in Flu, Respiratory and Antiallergics.

In Skincare, the main highlights were the line extensions in Sun Protection, Moisturizing, Anti-aging and Skin-Cleaning. In Similars and Generics, the Company advanced in its strategy to increase the coverage of molecules in Central Nervous System, Cardiology and Endocrinology, and in the Non-Retail, the highlights were the launches of antibiotics and anesthetics.

## Investments

In 2023, the Company and its subsidiaries invested around R$2.5 billion to expand their presence in the Brazilian pharmaceutical sector, paving the way to compete for leadership in this market. This amount includes investments in media, point of sale and medical visits, investments in acquisitions, research and development and in the Anápolis manufacturing complex, especially in the Brainfarma's new injectables facilities. Progress was also made in the creation of a new innovation center, pilot plant and oncology products facilities to support the Company's expansion in Non-Retail.

## Acquisitions and Divestments

In 2023, the Company acquired a facility in Itapecerica da Serra/SP that will add ten production lines and a warehouse with 11,000 pallet positions, contributing to the expansion of its production capacity and the production internalization of the Buscopan brand and the brands acquired from Takeda and Sanofi.

## Issuance of Debentures

On April 24, 2023, 800,000 non-convertible debentures of the 15th public issue were issued, in a single series, in the total amount of R$800 million, with a unit price of R$1,000.00 (one thousand reais) and remunerative interest corresponding to 100% (one hundred percent) of the accumulated variation of the average daily rates of the DI - Interbank Deposits + spread of 2.20% per year. The balance of the Nominal Unit Value of the Debentures will be amortized in two instalments, on April 26, 2027 and April 25, 2028. The funds from the Issue were used in the process of reprofiling the Company's debts.

On October 10, 2023, 750,000 non-convertible debentures of the 16th public issue were issued, in a single series, in the total amount of R$750 million, with a unit price of R$1,000.00 (one thousand reais), with remunerative interest corresponding to 100% (one hundred percent) of the accumulated variation of the average daily rates of the DI - Interbank Deposits + spread of 1.35% per year. The balance of the Nominal Unit Value of the Debentures will be amortized in two instalments, on October 11, 2027 and October 10, 2028. The funds from these issues were for reinforcing the Company's cash position.

On December 15, 2023, 600,000 non-convertible debentures of the 17th public issue were issued, first and second series, in the total amount of R$600 million, with a unit price of R$1,000.00 (one thousand reais), with remunerative interest corresponding to 100% (one hundred percent) of the accumulated variation of the average daily rates of the DI - Interbank Deposits + spread of 1.30% per year. The balance of the Nominal Unit Value of the Debentures will be amortized in two instalments, on December 15, 2027 and December 15, 2028. The funds from these issues were for cash reinforcement to attend to the Company's ordinary management business.

## Human Capital

In 2023, Hypera Pharma was recognized as one of the best employers in the world, with the Top Employer certification, being the only 100% Brazilian company in the pharmaceutical sector to make the list organized by the Top Employers Institute, a global authority in the certification of excellence in people management. In recent years, the company has developed various people management and HR practices to improve the work environment, such as talent development to connect employees with the company's culture strategy, the Corporate Education program, ESG policies and practices, and the use of technology to facilitate daily experiences.

Also in 2023, the Company received its third Great Place to Work certification and, in the sector ranking, was one of the 20 best healthcare companies to work for in Brazil, according to the GPTW Best Healthcare Companies Ranking.

The Company's Corporate Education program has offered more than 120 development opportunities since the end of 2021, through three corporate schools: the School of Leaders, focused on themes related to leadership and skills aligned with Hypera Pharma's values; the School of the Future, which encourages learning with a focus on trends and innovation; and the Business School, which addresses themes and attitudes required by today's business that can help achieve results with guaranteed safety, quality and high performance. Within the learning path of each of the schools, employees also have digital content available in different formats.

The Company also runs internship and trainee programs, which seek to offer young professionals training and development so that they can actively contribute to solutions for real challenges in Hypera Pharma's business.

Hypera Pharma continues to expand the "*Tem Valor*" Program, with financial education, anti-smoking and rehabilitation initiatives for former addicts, and the "*Farmácia Tem Valor*" Program, which offers medicines free of charge to employees in physical units and the Company's health products free of charge to field teams working throughout Brazil. In 2023, the "*Nova Vida Tem Valor*" Program, launched in 2022, was consolidated, offering welcome and support during pregnancy, childbirth and the puerperium for female employees.

**Diversity and Inclusion:** In 2022, the Diversity Committee and the Inclusion and Diversity Program were formalized to discuss issues related to gender equity, ethnicity, LGBTQIAP+ and people with disabilities, and this year the Generational pillar was included, following the results of our first Company Diversity Census carried out in 2023. The Company also continued to create affirmative positions and actions aimed at representative minority groups in 2023.

In addition, almost 40% of senior leadership positions are held by women, who also make up Hypera Pharma's Board of Directors with three representatives. As a result, the Company has maintained its Women on Board certification since 2021, which recognizes companies with over 30% representation of women on their Boards of Directors.

Because of its commitment to this agenda, the Company is part of the inaugural IDIVERSA B3 portfolio, an index of companies listed in São Paulo that stand out for their gender and race diversity criteria, and the Teva Women in Leadership Index, which selects companies with the highest representation of women in governance.

In Anápolis (GO), the Company runs the CDI - Centro de Desenvolvimento Infantil (Child Development Center), a daycare center for the sons and daughters of female employees, aged between 4 months and 5 years and 11 months. There, educational practices are developed, organized in such a way that the child gradually acquires independence and autonomy, specific to each age group.

## Capital Markets

The shares issued by Hypera Pharma are traded under the ticker HYPE3 at B3's Novo Mercado – the segment of the Brazilian stock exchange with the highest corporate governance standards in the Brazilian market.

By the end of 2023, the total number of outstanding shares issued by the Company remained 633,420,823 common shares, with around 63% of free float. HYPE3 shares ended the year at R$35.75, versus R$45.20 at the end of 2022, and the Ibovespa index, main index of the Brazilian Stock Exchange ended the year at 134,185 points, versus 109,734 points at the end of 2022.

The Company has a Level I ADR (American Depositary Receipts) Program traded in over-the-counter markets in the United States.

## Dividends

The Company's mandatory dividend is of at least 25% of the adjusted net income, under the terms of the Brazilian Corporate Law and the Company's Bylaws, based on the consolidated financial statements after the constitution of reserves according to the law. The yearly distribution of dividends, including dividends more than the minimum mandatory dividend, requires approval at the Annual General Meeting by a majority vote of the shareholders of the Company's common shares and will depend on many factors, including the Company's operating results, financial condition, cash requirements, future prospects and other eventual elements deemed relevant by the Company´s Board of Directors and shareholders.

In 2023, Hypera Pharma distributed a total amount of approximately R$779.1 million to its shareholders under the form of interest on capital (IOC), referring to fiscal year 2022.

The following table presents the history of dividend payment of the past three fiscal years:

| | 2021 | 2022 | 2023 |
|---|---|---|---|
| **Total Dividends (R$ million)** | 779.1 | 779.1 | 779.1 |
| **Dividends Per Share (R$)** | 1.23 | 1.23 | 1.23 |

## Social Responsibility

Hypera Pharma has "Social Responsibility" as one of the main pillars of its corporate performance, investing in social projects in line with its priority Sustainable Development Goals (SDGs).

**Donations**: In 2023, Hypera Pharma joined the efforts to help the victims of the heavy rains that hit the northern coast of São Paulo during Carnival in February, and also the communities hit by a cyclone in Rio Grande do Sul in September, with the donation of various medicines, such as anti-inflammatories, antipyretics and painkillers, as well as medicines for chronic diseases and supplies such as absorbent cotton, bandages and compresses.

***Mutirões da Saúde***: Throughout the year, Hypera Pharma conducted two *Mutirões da Saúde* in partnership with *Horas da Vida*, guaranteeing access to health and quality medicines for socially vulnerable people in São Paulo.

- ***Mutirão Saúde Feminina***: sponsored by Neo Química, this task force was held for more than 150 socially vulnerable women in Paraisópolis, at G10 Favelas. The event offered discussions about health and female issues, as well as free medical care focusing on gynecology.
- ***Mutirão da Saúde e Meio Ambiente***: through the Mantecorp Farmasa and Mantecorp Skincare brands and the Horas da Vida Institute, the task force assisted 90 children and teenagers in vulnerable situations at the "*Sementes do Amanhã*" (Seeds of Tomorrow) NGO in Taboão da Serra (SP), and provided pediatric, family health and general medical care to the youngsters, as well as nutritional education, tips on sleep, vaccination and disease prevention.

***Instituto Horas da Vida***: Mantecorp Farmasa and Mantecorp Skincare support the institution, which continues to structure a volunteer network with doctors, focusing on low-complexity treatments.

***Projeto Meta Social***: Mantecorp Skincare, Hypera Pharma's dermo cosmetics brand, in partnership with the Metasocial Institute and the Grapa agency, trained 12 young people belonging to minority groups, such as people with physical and intellectual disabilities, people in social vulnerability, black people and LGBTQIAP+ people for the influencer marketing market. The project's main motivation is to support social causes, accelerate the visibility of these young people on social networks and materialize the promotion of positive impact on society, one of Mantecorp Skincare's main pillars.

***Projeto De Bem com Você* - Beauty against Cancer**: the Mantecorp Skincare brand donated around four thousand products to the ABIHPEC Institute's *Projeto De Bem com Você* - Beauty against Cancer. In 2023, the more than 600 workshops held by the initiative had an impact on more than 6,000 cancer patients.

***Instituto Semear***: This year, Hypera Pharma supported the actions developed by *Semear* Institute with 10 scholarship students sponsored by the Company, who will be mentored by some of our employees throughout the project. Instituto Semear is a non-profit organization (NGO) that aims to offer development opportunities to young university students from low-income backgrounds, so that they remain in college fighting for their dreams and achieving their dream job. Through Scholarships, Mentoring and Networking, the three fundamental pillars of the *Semear* Institute, young people turn into multiplier leaders.

***Receita do Bem***: the Company has a corporate volunteering program, with initiatives related to health issues. In 2023, the project carried out more than 30 voluntary activities, involving almost 100 voluntary participations by our employees in more than 180 hours of volunteering, and benefiting around 280 people in 10 different institutions, including homes for the elderly, public schools, NGOs, hospitals and children's shelters.

## Environmental Pillar

In 2023, Hypera Pharma continued the "Juntos pelo Araguaia" Project, the largest watershed restoration program in the world, in partnership with the Espinhaço Institute and the Goiás State Secretariat for the Environment and Sustainable Development (Semad-GO).

In total, Hypera Pharma has invested around R$11 million over the last three years to implement Lot II of the Program, which represents 230 hectares with Forest Restoration, Soil Conservation and Integrated Social Engagement.

Throughout 2023, the Natural Resources Efficiency Committee (COMEF), created in 2021 to promote the efficient use of natural resources, developed actions and projects that optimized the waste generation efficiency index, the water efficiency index and the reduction of scope 1 greenhouse gas emissions. At the Brainfarma subsidiary's manufacturing complex in Anápolis, the actions aimed at reducing the amount of common waste sent to landfill stand out.

As a result of the company's transparency in relation to greenhouse gas emissions, its shares are part of B3's ICO2 (Carbon Efficient Index) portfolio. In 2023, the Company's CDP (Carbon Disclosure Project) score remained at "B", higher than the global average for the pharmaceutical sector.

## Relationship with Auditors

In compliance with CVM Instruction No. 381/2003, it is informed that in 2023 the Company hired its independent auditors for services other than those related to external auditing, regarding the issuance of a limited assurance report on the data of the Company's 2022 sustainability report. The total compensation for such services was R$137.5 thousand, or 5.9% of the overall remuneration for external audit services fees.

The Company's policy when contracting the services of independent auditors ensures that there is no conflict of interest, loss of independence or objectivity of services eventually rendered by independent auditors unrelated to the external audit services.

The independent auditors declared to the Company's Management that they do not have aspects of independence that could affect the independence and objectivity necessary for the performance of the external audit services.

## Arbitration Panel

In accordance to the Company's by-laws, disputes and litigations regarding or related to by-laws, the Novo Mercado Rules, the Brazilian Corporations Law, the norms edited by the National Monetary Council, by the Central Bank of Brazil and by the Securities and Exchange Commission of Brazil, B3's Rules and other norms applicable to the functioning of capital markets in general must be solved by arbitration, to be conducted in the form of the Rules of the Market Arbitration Panel Rules, established by B3.

## General Information

| | |
|---|---|
| **Tax jurisdiction** | Brazil |
| **Entities that are part of the tax jurisdiction** | Cosmed Indústria de Cosméticos e Medicamentos S.A., My Agência de Propaganda Ltda., Brainfarma Indústria Química e Farmacêutica S.A, Neolatina Comércio e Indústria Farmacêutica S.A., Simple Organic Beauty S.A., Mantecorp Participações S.A., Bio Brands Franchising Gestão de Marcas Ltda., Bio Scientific Indústria de Cosméticos Ltda. e Solana Agropecuária Ltda. |
| **Activities description** | Manufacture and distribution of medicines, cosmetics, perfumery, and personal care products |
| **Number of employees at the end of 2023** | 10,301 |
| **2023 Net Revenues** | R$7,914.7 million |
| **2023 EBITDA** | R$1,509.5 million |
| **Income Tax and Social Contribution in 2023** | R$141.6 million |
| **Income Tax and Social Contribution paid in 2023** | R$4.1 million |

**HYPERA S.A.**

**São Paulo, March 13, 2024**

# Hypera Pharma reports Net Revenue of R$7,914.7 million and Operating Cash Flow growth of 17.5% in 2023

**São Paulo, March 13, 2024 – Hypera S.A. ("Hypera Pharma" or "Company"; B3: HYPE3; Bloomberg: HYPE3 BZ; ISIN: BRHYPEACNOR0; Reuters: HYPE3.SA; ADR: HYPMY)** announces its financial results for 2023. Financial data disclosed here are taken from the consolidated financial statements of Hypera S.A., prepared in accordance with the Brazilian Accounting Pronouncement Committee (CPC) and the International Financial Reporting Standards (IFRS) issued by the International Accounting Standards Board (IASB).

## 2023 Highlights

- **Net Revenue growth of 4.9% in 2023**
- **Conversion of 87.7% of EBITDA from Continuing Operations (Ex-Others) into Cash Flow from Operations in the year**
- **Highest ever recorded Cash Flow from Operations in 2023, up 17.5% versus 2022**
- **Interest on Equity approval of R$779.1 million (R$1.23/share) related to the 2023 fiscal year**

Table 1

| (R$ million) | 4Q22 | % NR | 4Q23 | % NR | Δ % | 2022 | % NR | 2023 | % NR | Δ % |
|---|---|---|---|---|---|---|---|---|---|---|
| Gross Revenue, net of Returns and Unconditional Discounts | 2,452.8 | *115.6%* | 2,174.8 | *117.8%* | *-11.3%* | 8,658.3 | *114.7%* | 9,150.2 | *115.6%* | *5.7%* |
| Net Revenue | 2,121.4 | *100.0%* | 1,846.9 | *100.0%* | *-12.9%* | 7,546.4 | *100.0%* | 7,914.7 | *100.0%* | *4.9%* |
| Gross Profit | 1,322.0 | *62.3%* | 1,146.4 | *62.1%* | *-13.3%* | 4,761.5 | *63.1%* | 4,995.5 | *63.1%* | *4.9%* |
| SG&A (excl. Marketing and R&D) | (274.2) | *-12.9%* | (286.6) | *-15.5%* | *4.5%* | (965.5) | *-12.8%* | (1,108.0) | *-14.0%* | *14.8%* |
| Research & Development | (54.1) | *-2.5%* | (40.8) | *-2.2%* | *-24.5%* | (159.4) | *-2.1%* | (169.5) | *-2.1%* | *6.3%* |
| Marketing | (302.2) | *-14.2%* | (292.7) | *-15.8%* | *-3.2%* | (1,174.3) | *-15.6%* | (1,243.0) | *-15.7%* | *5.9%* |
| EBITDA from Continuing Operations (excl. Others) | 756.5 | *35.7%* | 606.1 | *32.8%* | *-19.9%* | 2,654.2 | *35.2%* | 2,733.2 | *34.5%* | *3.0%* |
| EBITDA from Continuing Operations | 735.0 | *34.6%* | 580.7 | *31.4%* | *-21.0%* | 2,651.1 | *35.1%* | 2,756.1 | *34.8%* | *4.0%* |
| Cash Flow from Operations | 514.5 | *24.3%* | 792.0 | *42.9%* | *54.0%* | 2,038.8 | *27.0%* | 2,396.0 | *30.3%* | *17.5%* |

**EARNINGS CONFERENCE CALL – PORTUGUESE: 03/14/2024, 11am (Brasília) / 10am (New York)**
**Webcast:** click here / **Phone:** +55 (11) 4700-9668 **ID**: 849 6597 2287 **Passcode:** 559812
**Replay:** ri.hypera.com.br

**EARNINGS CONFERENCE CALL – ENGLISH: (Simultaneous translation): 03/14/2024, 11am (Brasília) / 10am (New York)**
**Webcast:** click here / **Phone:** +1 (720) 707-2699 **ID**: 849 6597 2287 **Passcode:** 559812
**Replay:** ri.hypera.com.br/en

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## Operating Scenario

Hypera Pharma's Net Revenue grew by 4.9% in 2023 and reached R$7,914.7 million, mainly due to the growth in sell-out[1] in the retail market. This growth was lower than the Company's initial expectations for the period and the main reason for not achieving the financial projections set for 2023.

The sell-out performance was negatively impacted by: (i) the reduction of approximately 3% in sales of medicines in the Flu, Respiratory, Pain and Fever[2] categories, which concentrate Hypera Pharma's important Power Brands[3] and represent around 1/3 of the sell-out, compared to just over 10% of total pharmaceutical retail sales, reflecting the highest temperatures in the last 60 years; and (ii) by the lower level of credit granted by distributors to their clients, which contributed negatively to the inventory replenishment at medium-sized chains and independent retailers, especially in 4Q23. The market's performance in 4Q23 was atypical, with a temporary and one-off slowdown.

**On the other hand, the Company's sell-out growth in categories not related to Flu, Respiratory, Pain and Fever was approximately 12%, especially those related to off-patented chronic and preventive treatments, such as Cardiology, Central Nervous System, Ophthalmology, Women's Health, Vitamins and Probiotics.**

**It is worth noting that these categories have been positively impacted by recent launches, and that Hypera Pharma has several projects in its innovation pipeline to strengthen its operations in chronic and preventive treatments, vitamins and probiotics, whose growth estimated by IQVIA for the next 5 years is higher than the average growth expected for the total pharmaceutical retail.**

As a result, sell-out growth reached 5.7% in 2023 and Hypera Pharma ended the year with 8.5% market-share[4] in pharmacies and distributors, compared to 8.8% in 2022. **It is important to mention that the Company preserved its market-share in the categories in which it operates, and that the year-on-year market-share variation is exclusively the result of the difference in the importance of the categories for the Company's sell-out and for the pharmaceutical retail sales (composition of Hypera Pharma's sales mix vs. the market sales mix)**. In 4Q23, sell-out growth was 3.8%, or 2.0 percentage points lower than the market growth.

The slowdown in sell-out growth in 2H23 led the Company to reduce its sales in the retail market in 4Q23 with the aim of seeking greater alignment between the annual sell-out and the annual sales growth, in line with its strategy of keeping an appropriate level of finished products inventories at its clients, which has been underway since 2019. This move resulted in a 12.9% reduction in Net Revenue in 4Q23, when compared to the same period of previous year.

The Non-Retail performance was better than the Company's initial expectations for the year and is the result of the initiatives implemented by the new business unit created in 2021 to boost the growth of the current portfolio, the increase in sales teams and the greater product availability. Hypera Pharma also has an innovation pipeline to launch 98 products in Oncology, Specialties and Biologicals, in a potential market of approximately R$16 billion, according to IQVIA.

The growth in Net Revenue and the discipline in managing costs and expenses during the pharmaceutical market growth slowdown in 2H23 allowed Hypera Pharma to preserve the operating profitability of its businesses and increase its operating cash generation.

The Company reached Gross Profit of R$4,995.5 million and EBITDA from Continuing Operations of R$2,756.1 million, with Gross Margin and EBITDA Margin in line with 2022. **Cash Flow from Operations grew 17.5% to R$2,396.0 million, the highest level ever recorded by the Company, which contributed to the maintenance of Hypera Pharma´s significant investments in its business sustainable growth and to shareholders remuneration.**

**Investments in research, development and innovation amounted to R$618.1 million, versus R$516.7 million invested in 2022**, and exceeded R$2.0 billion in the last 5 years, with more than 440 products launched in the same period, which contributed with R$1,725.6 million to Net Revenue in 2023.

*Note: (1) Sell-out PPP (Pharmacy Purchase Price), as reported by IQVIA, includes the average purchase price by pharmacies and chains; (2) according to IQVIA; (3) Power Brands are brands with +R$100 million in sales; (4) according to IQVIA, excludes Therapeutic Class Z, Infant Formulas and MECE Diagnostic Tests Market*

**Investments in the purchase of fixed assets to increase production capacity amounted to R$554.1 million this year**, including the acquisition of the Boehringer Ingelheim manufacturing facilities in Itapecerica da Serra/SP and investments to support the Non-Retail growth, such as the new innovation center, the new pilot plant and the new oncology and biological manufacturing facilities.

It was approved the payment of Interest on Equity of R$194.8 million (R$0.31/share) in 4Q23, totaling R$779.1 million (R$1.23/share) in Interest on Equity approved throughout the year related to the 2023 fiscal year, resulting in a dividend yeld of 3.6%.

**Hypera Pharma was once again acknowledged for its medium and long-term sustainability practices and commitments**. The company has been included in the London Stock Exchange's **FTSE4Good Index Series** and B3's **IDIVERSA**, which recognizes companies that meet gender and race diversity criteria. In addition, Hypera Pharma was selected for the second consecutive year to be part of B3's **Corporate Sustainability Index** ("ISE") portfolio and to be part of the **S&P Global Sustainability Yearbook**, which brought together the 22 most sustainable companies in the world in the pharmaceutical sector in 2023.

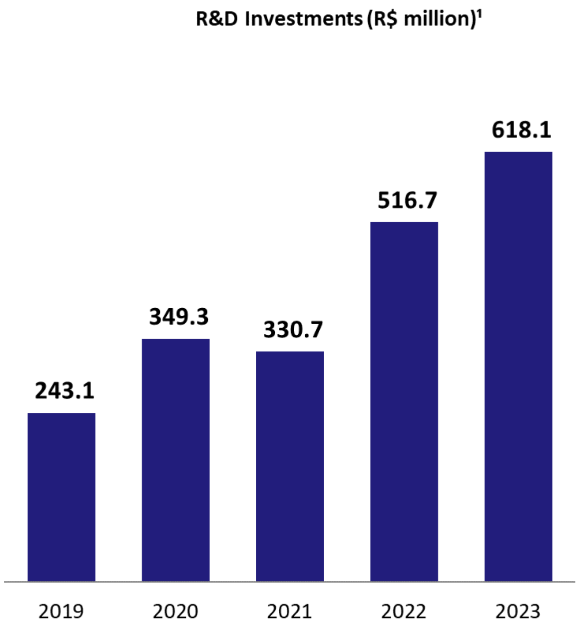
**The Company also launched two substations to increase electricity availability to produce its products and reduce direct $CO_2$ emissions by almost 20% at its manufacturing complex located in Anápolis/GO**. With this initiative, Hypera Pharma is strengthening its energy infrastructure and its commitment to combating climate change.

**Hypera Pharma has the key attributes to combine sustainable growth and profitability in the Brazilian pharmaceutical market. It is the only Company with a relevant footprint in all the retail market segments, present in almost 100% of points of sale with an irreplicable portfolio of leading brands, being 25 Power Brands, and with an innovation pipeline of more than 500 products to be launched in the coming years**.

**As a result, after analyzing the macroeconomic scenario and the dynamics of the segments in which it operates, the Company has published guidance for Net Revenue of around R$8.6 billion, EBITDA from Continuing Operations of around R$3.0 billion, and Net Income from Continuing Operations of around R$1.85 billion.**

## Innovation & Launches

Graph 1




Total R&D investments, including the amount capitalized as intangible assets, reached R$618.1 million in 2023, or 19.6% higher than 2022, once again highlighting the Company's commitment to the constant innovation of its portfolio of products and the additional investments in R&D to develop the innovation pipeline to support the growth in Non-Retail.

The Freshness Index, corresponding to the percentage of Net Revenue from products launched in the last five years, was 24% in the 4Q23, compared to 23% in 4Q22.

In 2023, Hypera Pharma reinforced its portfolio of products with approximately 90 launches. In Prescription Products, the main highlights were the launches in Pain, Central Nervous System and Probiotics. In Consumer Health, the Company launched important brand extensions of its leading brands in Flu, Respiratory and Anti-Allergic categories.

In Skincare, the main highlights were the brand extensions in Sun Protection, Moisture, Antiaging and Skin Cleaning. In Similars and Generics, the Company made progress in its strategy to increase the coverage of molecules in the Central Nervous System, Cardiology and Endocrinology, and in Non-Retail, the highlights included the launches of antibiotics and anesthetics.

**It's important to mention that the average growth of recent launches has exceeded the Company's expectations. The products launched in 2022 and 2023 contributed R$694.5 million to the year's sales.**

*Note: (1) Considers the R&D expenses and the amount capitalized as intangible assets. Excludes the effect of the Lei do Bem and the R&D amortization.*

## Earnings Discussion

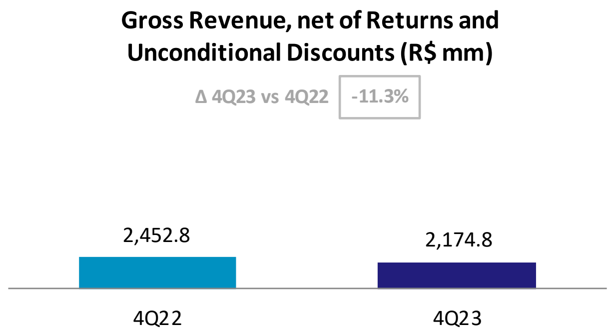
# Income Statement

Table 2

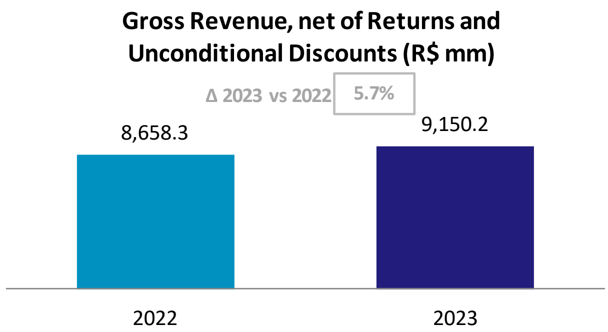
| (R$ million) | 4Q22 | % NR | 4Q23 | % NR | Δ % | 2022 | % NR | 2023 | % NR | Δ % |
|---|---|---|---|---|---|---|---|---|---|---|
| **Net Revenue** | **2,121.4** | *100.0%* | **1,846.9** | *100.0%* | *-12.9%* | **7,546.4** | *100.0%* | **7,914.7** | *100.0%* | *4.9%* |
| **Gross Profit** | **1,322.0** | *62.3%* | **1,146.4** | *62.1%* | *-13.3%* | **4,761.5** | *63.1%* | **4,995.5** | *63.1%* | *4.9%* |
| Marketing Expenses | (302.2) | *-14.2%* | (292.7) | *-15.8%* | *-3.2%* | (1,174.3) | *-15.6%* | (1,243.0) | *-15.7%* | *5.9%* |
| Selling Expenses | (232.4) | *-11.0%* | (239.2) | *-13.0%* | *2.9%* | (810.4) | *-10.7%* | (929.4) | *-11.7%* | *14.7%* |
| General and Administrative Expenses | (95.9) | *-4.5%* | (88.2) | *-4.8%* | *-8.0%* | (314.5) | *-4.2%* | (348.1) | *-4.4%* | *10.7%* |
| Other Operating Revenues (Expenses) | (21.5) | *-1.0%* | (25.3) | *-1.4%* | *17.7%* | (3.0) | *0.0%* | 22.9 | *0.3%* | - |
| Equity in Subsidiaries | 16.7 | *0.8%* | 11.1 | *0.6%* | *-33.8%* | 23.4 | *0.3%* | 19.9 | *0.3%* | *-15.0%* |
| **EBIT from Continuing Operations** | **686.6** | *32.4%* | **512.0** | *27.7%* | *-25.4%* | **2,482.8** | *32.9%* | **2,517.8** | *31.8%* | *1.4%* |
| Net Financial Expenses | (245.8) | *-11.6%* | (218.8) | *-11.8%* | *-11.0%* | (871.6) | *-11.6%* | (1,008.3) | *-12.7%* | *15.7%* |
| Income Tax and CSLL | (9.1) | *-0.4%* | 14.6 | *0.8%* | - | 95.3 | *1.3%* | 141.6 | *1.8%* | *48.5%* |
| Net Income (Loss) from Continuing Operations | 431.7 | *20.4%* | 307.8 | *16.7%* | *-28.7%* | 1,706.5 | *22.6%* | 1,651.1 | *20.9%* | *-3.2%* |
| Net Income from Discontinued Operations | (2.2) | *-0.1%* | 0.3 | *0.0%* | - | (8.1) | *-0.1%* | (0.6) | *0.0%* | *-93.0%* |
| Net Income (Loss) | 429.6 | *20.2%* | 308.1 | *16.7%* | *-28.3%* | 1,698.4 | *22.5%* | 1,650.6 | *20.9%* | *-2.8%* |
| **EBITDA from Continuing Operations** | **735.0** | *34.6%* | **580.7** | *31.4%* | *-21.0%* | **2,651.1** | *35.1%* | **2,756.1** | *34.8%* | *4.0%* |

## Net Revenue

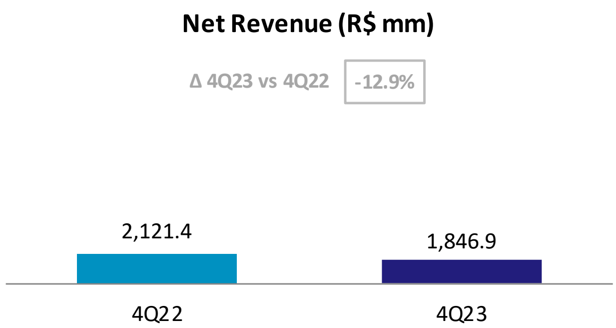
Graph 2




Graph 3




Graph 4




Graph 5

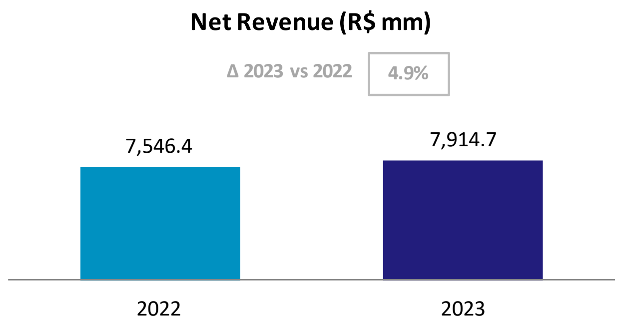



Table 3

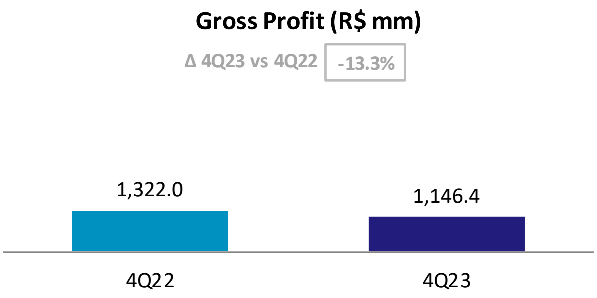
| (R$ million) | 4Q22 | 4Q23 | Δ % | 2022 | 2023 | Δ % |
|---|---|---|---|---|---|---|
| **Gross Revenue, net of Returns and Unconditional Discounts** | **2,452.8** | **2,174.8** | ***-11.3%*** | **8,658.3** | **9,150.2** | ***5.7%*** |
| Promotional Discounts | (154.9) | (168.4) | *8.8%* | (492.5) | (591.7) | *20.2%* |
| Taxes | (176.6) | (159.4) | *-9.7%* | (619.5) | (643.9) | *3.9%* |
| **Net Revenue** | **2,121.4** | **1,846.9** | ***-12.9%*** | **7,546.4** | **7,914.7** | ***4.9%*** |

Net Revenue reached R$1,846.9 million in 4Q23, compared to R$2,121.4 million in 4Q22. The variation in Net Revenue in 4Q23 is mainly a consequence of the 2H23 slowdown in sell-out growth, which led the Company to reduce its sales in the retail market in 4Q23 to seek greater alignment between the annual sell-out and the annual sales growth.

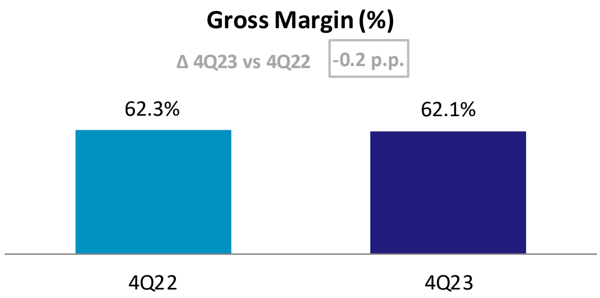
In 2023, Net Revenue grew by 4.9% to R$7,914.7 million, mainly because of the sell-out growth in the retail market.

## Gross Profit

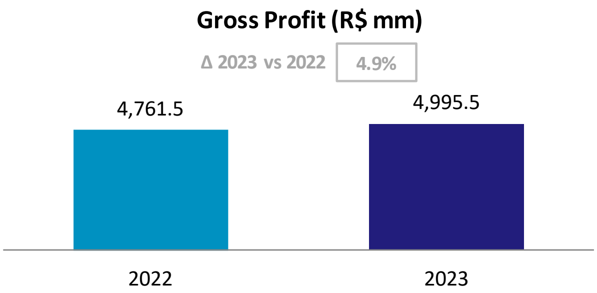
Graph 6




Graph 7




Graph 8




Graph 9

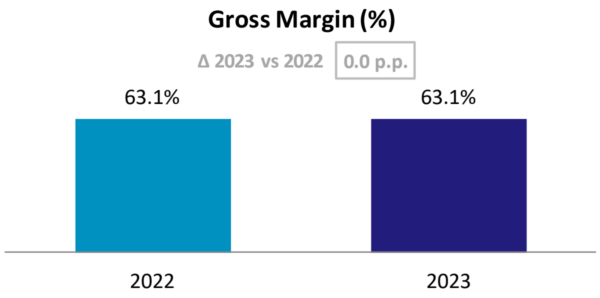



Table 4

| (R$ million) | 4Q22 | % NR | 4Q23 | % NR | Δ % | Δ p.p. | 2022 | % NR | 2023 | % NR | Δ % | Δ p.p. |
|---|---|---|---|---|---|---|---|---|---|---|---|---|
| Gross Profit | 1,322.0 | *62.3%* | 1,146.4 | *62.1%* | *-13.3%* | *-0.2 p.p.* | 4,761.5 | *63.1%* | 4,995.5 | *63.1%* | *4.9%* | *0.0 p.p.* |

Gross Profit reached R$1,146.4 million in the quarter and R$4,995.5 million in the year, with a Gross Margin of 62.1% and 63.1%, respectively. The maintenance of the Gross Margin levels in the year-on-year comparison, both in 4Q23 and 2023, is mainly the result of the impact of the price increases and the valuation of the Brazilian Real (BRL) against the US Dollar (USD), which offset the increase in raw material and processing costs in both periods.

## Marketing Expenses

Table 5

| (R$ million) | 4Q22 | % NR | 4Q23 | % NR | Δ % | 2022 | % NR | 2023 | % NR | Δ % |
|---|---|---|---|---|---|---|---|---|---|---|
| Marketing Expenses | (302.2) | -14.2% | (292.7) | -15.8% | -3.2% | (1,174.3) | -15.6% | (1,243.0) | -15.7% | 5.9% |
| Advertisement and Consumer Promotion | (88.0) | -4.1% | (81.9) | -4.4% | -6.9% | (350.1) | -4.6% | (356.0) | -4.5% | 1.7% |
| Trade Deals | (54.6) | -2.6% | (60.9) | -3.3% | 11.5% | (182.3) | -2.4% | (219.1) | -2.8% | 20.2% |
| Medical Visits, Promotions and Others | (159.6) | -7.5% | (149.9) | -8.1% | -6.1% | (641.9) | -8.5% | (667.9) | -8.4% | 4.1% |

Marketing Expenses increased its share of Net Revenue by 1.6 percentage point in 4Q23, compared to the same period of previous year, because of the lower dilution of fixed marketing expenses due to lower sales to the retail market in the quarter.

In 2023, Marketing Expenses grew by 5.9% and represented 15.7% of Net Revenue, in line with 2022. The variation in Marketing Expenses in the period is the result of: (i) the higher investments in marketing at points of sale; (ii) the increase in medical visitation teams and free samples due to the recent launches of prescription products; and (iii) the reduction in expenses related to the Flu, Respiratory, Pain and Fever categories, whose performance was negatively affected by the lower number of flu cases in Brazil in 2023.

## Selling Expenses

Table 6

| (R$ million) | 4Q22 | % NR | 4Q23 | % NR | Δ % | 2022 | % NR | 2023 | % NR | Δ % |
|---|---|---|---|---|---|---|---|---|---|---|
| Selling Expenses | (232.4) | -11.0% | (239.2) | -13.0% | 2.9% | (810.4) | -10.7% | (929.4) | -11.7% | 14.7% |
| Commercial Expenses | (132.1) | -6.2% | (150.1) | -8.1% | 13.6% | (486.8) | -6.5% | (571.2) | -7.2% | 17.3% |
| Freight and Logistics Expenses | (46.2) | -2.2% | (48.3) | -2.6% | 4.5% | (164.2) | -2.2% | (188.7) | -2.4% | 14.9% |
| Research & Development | (54.1) | -2.5% | (40.8) | -2.2% | -24.5% | (159.4) | -2.1% | (169.5) | -2.1% | 6.3% |

Selling Expenses increased its share of Net Revenue by 2.0 percentage points in 4Q23 and by 1.0 percentage point in 2023, compared to 4Q22 and 2022, respectively, mainly because of the lower dilution of fixed selling expenses due to the performance of Net Revenue below the Company's initial expectations for the quarter and the year.

Total investments in Research and Development (R&D), including the amount capitalized as an intangible asset, represented 7.8% of Net Revenue in the year, or 1.0 percentage point higher than 2022. In 4Q23, the benefit from Lei do Bem totaled R$8.4 million, compared to R$19.5 million in 4Q22.

## General and Administrative Expenses & Other Operating Revenues / Expenses, Net

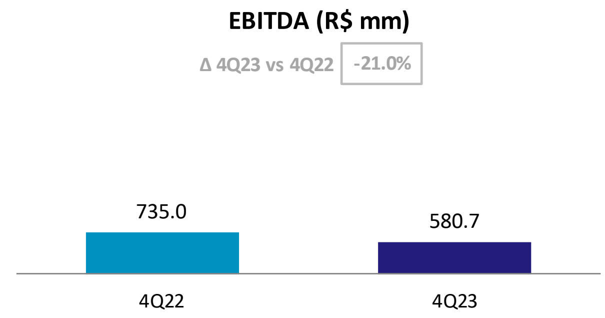
Table 7

| (R$ million) | 4Q22 | % NR | 4Q23 | % NR | Δ % | 2022 | % NR | 2023 | % NR | Δ % |
|---|---|---|---|---|---|---|---|---|---|---|
| General & Administrative Expenses | (95.9) | -4.5% | (88.2) | -4.8% | -8.0% | (314.5) | -4.2% | (348.1) | -4.4% | 10.7% |
| Other Operating Revenues (Expenses) | (21.5) | -1.0% | (25.3) | -1.4% | 17.7% | (3.0) | 0.0% | 22.9 | 0.3% | - |

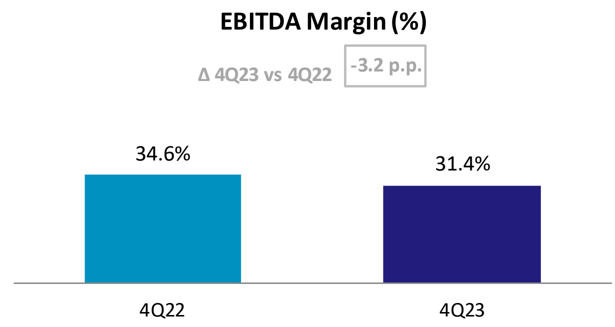
General and Administrative Expenses increased its share of Net Revenue by 0.3 percentage point in 4Q23 and by 0.2 percentage point in the year, mainly reflecting the increase in the information technology and infrastructure expenses.

# EBITDA from Continuing Operations

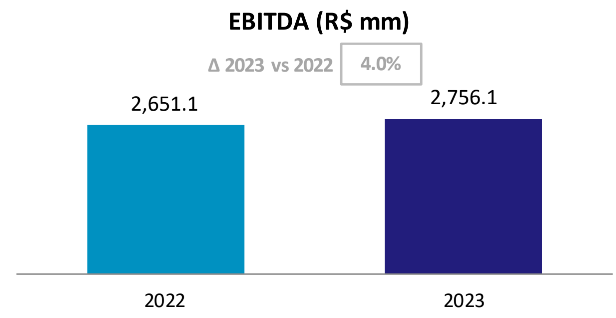
**Graph 10**




**Graph 11**




**Graph 12**




**Graph 13**

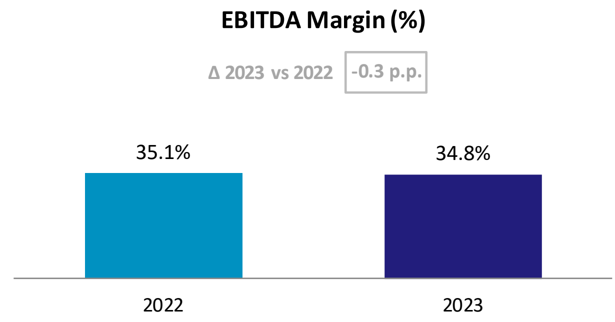



**Table 8 – EBITDA from Continuing Operations**

| (R$ million) | 4Q22 | % NR | 4Q23 | % NR | Δ % | 2022 | % NR | 2023 | % NR | Δ % |
|---|---|---|---|---|---|---|---|---|---|---|
| EBITDA from Continuing Operations | 735.0 | *34.6%* | 580.7 | *31.4%* | *-21.0%* | 2,651.1 | *35.1%* | 2,756.1 | *34.8%* | *4.0%* |
| EBITDA from Continuing Operations (excl. Others) | 756.5 | *35.7%* | 606.1 | *32.8%* | *-19.9%* | 2,654.2 | *35.2%* | 2,733.2 | *34.5%* | *3.0%* |

EBITDA from Continuing Operations, when excluding the contribution from Other Operating Revenues, was R$606.1 million in 4Q23 and R$2,733.2 million in the year, with EBITDA Margin of 32.8% and 34.5%, respectively.

The decrease in EBITDA Margin compared to 4Q22 reflects the lower dilution of operating expenses due to the sales reduction in the retail market in 4Q23, with the aim of seeking greater alignment between the annual sell-out and the annual sales growth. The EBITDA Margin variation in 2023 is mainly the result of the lower Selling Expenses dilution in the period.

## Net Financial Expenses

Table 9

| (R$ million) | 4Q22 | % NR | 4Q23 | % NR | Δ R$ | 2022 | % NR | 2023 | % NR | Δ R$ |
|---|---|---|---|---|---|---|---|---|---|---|
| Financial Result | (245.8) | -11.6% | (218.8) | -11.8% | 27.0 | (871.6) | -11.6% | (1,008.3) | -12.7% | (136.7) |
| Net Interest Expenses | (219.9) | -10.4% | (192.3) | -10.4% | 27.7 | (735.3) | -9.7% | (881.6) | -11.1% | (146.4) |
| Cost of Hedge and FX Gains (Losses) | (7.1) | -0.3% | (1.4) | -0.1% | 5.7 | (45.5) | -0.6% | (28.3) | -0.4% | 17.1 |
| Other | (18.7) | -0.9% | (25.1) | -1.4% | (6.4) | (90.9) | -1.2% | (98.4) | -1.2% | (7.4) |

The Financial Result presented a negative balance of R$1,008.3 million in 2023, compared to R$871.6 million in 2022. This variation is the result of the increase in interest expenses in the period, as a result of the increase in the Company's Net Debt and in the average Selic rate in the period.

## Net Income

Table 10

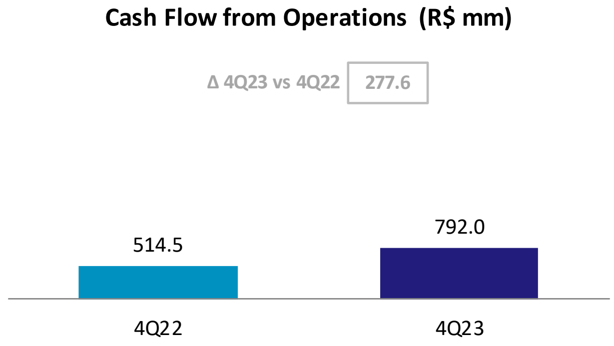
| (R$ million) | 4Q22 | % NR | 4Q23 | % NR | Δ % | 2022 | % NR | 2023 | % NR | Δ % |
|---|---|---|---|---|---|---|---|---|---|---|
| EBIT from Continuing Operations | 686.6 | 32.4% | 512.0 | 27.7% | -25.4% | 2,482.8 | 32.9% | 2,517.8 | 31.8% | 1.4% |
| (-) Net Financial Expenses | (245.8) | -11.6% | (218.8) | -11.8% | -11.0% | (871.6) | -11.6% | (1,008.3) | -12.7% | 15.7% |
| (-) Income Tax and Social Contribution | (9.1) | -0.4% | 14.6 | 0.8% | - | 95.3 | 1.3% | 141.6 | 1.8% | 48.5% |
| **Net Income from Continuing Operations** | **431.7** | **20.4%** | **307.8** | **16.7%** | **-28.7%** | **1,706.5** | **22.6%** | **1,651.1** | **20.9%** | **-3.2%** |
| (+) Net Income from Discontinued Operations | (2.2) | -0.1% | 0.3 | 0.0% | - | (8.1) | -0.1% | (0.6) | 0.0% | -93.0% |
| **Net Income** | **429.6** | **20.2%** | **308.1** | **16.7%** | **-28.3%** | **1,698.4** | **22.5%** | **1,650.6** | **20.9%** | **-2.8%** |
| **EPS** | **0.68** | **0.00** | **0.49** | **0.0%** | **-28.3%** | **2.68** | **0.00** | **2.61** | **0.0%** | **-2.9%** |
| **EPS from Continuing Operations** | **0.68** | **0.0%** | **0.48** | **0.0%** | **-29.0%** | **2.70** | **0.0%** | **2.61** | **0.0%** | **-3.3%** |

Net Income from Continuing Operations was R$307.8 million in 4Q23 and R$1,651.1 million in 2023. The variation in Net Income compared to 4Q22 is mainly a consequence of the decrease in EBIT from Continuing Operations, which was impacted by the reduction in sales in the retail market in the quarter with the aim of seeking greater alignment between the annual sell-out and the annual sales growth.

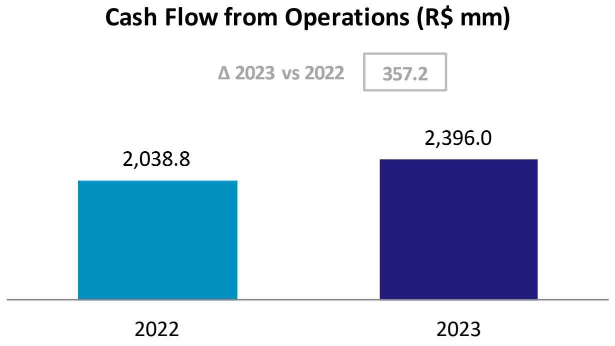
In the comparison with 2022, the variation in Net Income from Continuing Operations is the result of the growth in EBIT from Continuing Operations and the R$136.7 million increase in Net Financial Expenses.

## Cash Flow (Continuing and Discontinued Operations)

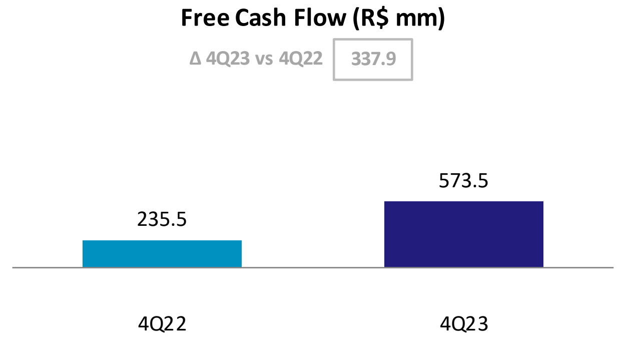
Graph 14




Graph 15




Graph 16




Graph 17

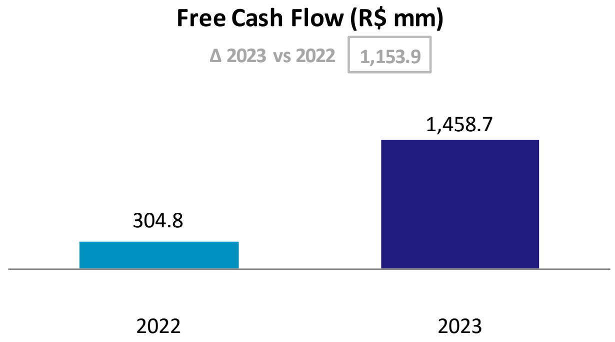



Table 11

| (R$ million) | 4Q22 | 4Q23 | 2022 | 2023 |
|---|---|---|---|---|
| Cash Flow from Operations | 514.5 | 792.0 | 2,038.8 | 2,396.0 |
| Capital increase in subsidiaries/associates | (3.8) | (3.7) | (14.7) | (10.8) |
| Dividends Received | 2.5 | 3.5 | 2.5 | 3.5 |
| Purchase of Property, Plant and Equipment | (176.3) | (117.0) | (515.5) | (460.2) |
| Purchase of Intangible Assets | (93.6) | (95.2) | (993.9) | (352.5) |
| Acquisitions of Subsidiaries, Net of Cash Acquired | (3.8) | (4.8) | (212.3) | (115.2) |
| Sale of Property, Plant and Equipment | (3.9) | (1.4) | (0.1) | (2.1) |
| **(=) Free Cash Flow** | **235.5** | **573.5** | **304.8** | **1,458.7** |

**Cash Flow from Operations was R$792.0 million in the quarter and R$2,396.0 million in the year, up 54.0% versus 4Q22 and 17.5% versus the previous year. In the year, the conversion of EBITDA from Continuing Operations, when excluding the contribution from Other Operating Revenues, into Cash Flow from Operations was 87.7%, compared to 76.9% in 2022, contributing to Hypera Pharma highest ever recorded Cash Flow from Operations.**

The growth in Cash Flow from Operations, the investments in the purchase of fixed assets, including the acquisition of the Boehringer Ingelheim manufacturing facilities in Itapecerica da Serra/SP in 3Q23, and investments in research, development and innovation, resulted in a Free Cash Flow of R$1,458.7 million in 2023. It is important to mention that the 2022 Free Cash Flow was impacted by the payments for the acquisitions of Sanofi brands and the know-how and site responsible for the production of the raw material related to scopolamine.

## Net Debt

Table 12

| (R$ million) | 3Q23 | 4Q23 |
|---|---|---|
| Loans and Financing | (9,839.3) | (9,937.8) |
| Notes Payable | (29.8) | (24.1) |
| **Gross Debt** | **(9,869.2)** | **(9,961.8)** |
| Cash and Cash Equivalents | 2,218.4 | 2,580.9 |
| **Net Cash / (Debt)** | **(7,650.8)** | **(7,380.9)** |
| Unrealized Gain/Loss on Debt Hedge | 1.8 | (27.8) |
| **Net Cash / (Debt) After Hedge** | **(7,649.0)** | **(7,408.7)** |

The Company ended 2023 with Net Debt after Hedge of R$7,408.7 million, compared to R$7,649.0 million at the end of 3Q23, mainly because of the cash generation in the quarter.

# Other Information

## Cash Conversion Cycle – Continuing Operations

Table 13

| (Days) | 4Q22 | 1Q23 | 2Q23 | 3Q23 | 4Q23 |
|---|---|---|---|---|---|
| Receivables (1) | 98 | 112 | 99 | 111 | 116 |
| Inventories (2) | 247 | 352 | 252 | 253 | 282 |
| Payables (2) (3) | (147) | (184) | (117) | (110) | (108) |
| **Cash Conversion Cycle** | **198** | **281** | **234** | **254** | **290** |

| (R$ million) | 4Q22 | 1Q23 | 2Q23 | 3Q23 | 4Q23 |
|---|---|---|---|---|---|
| Receivables | 2,532 | 2,320 | 2,691 | 2,896 | 2,642 |
| Inventories | 2,196 | 2,394 | 2,302 | 2,207 | 2,192 |
| Payables (3) | (1,310) | (1,248) | (1,072) | (957) | (838) |
| **Working Capital** | **3,418** | **3,466** | **3,921** | **4,146** | **3,996** |
| ***% of Annualized Net Revenue (4)*** | ***40%*** | ***51%*** | ***44%*** | ***48%*** | ***54%*** |

*(1) Calculated based on Continuing Operations Gross Revenue, Net of Discounts*
*(2) Calculated based on Continuing Operations COGS*
*(3) Includes Suppliers' Assignment of Receivables*
*(4) Annualized Net Revenue for the last 3 months*

## Tax Credits that offset Income Tax cash payment

i) **Federal Recoverable Taxes:** R$482.5 million (please refer to Explanatory Note 13 of the Financial Statements)

ii) **Cash effect of Income Tax and Social Contribution Losses Carryforward**: R$3,221.5 million (please refer to Explanatory Note 21(a) of the Financial Statements)

iii) **Goodwill**: the Company has R$1,791.4 million in goodwill to be amortized for tax purposes until August 2026, which will generate a reduction in cash disbursement for the payment of Income Taxes of R$609.1 million

## Reconciliation of Adjusted EBITDA, or EBITDA from Continuing Operations Calculation

Table 14

| (R$ million) | 4Q22 | % NR | 4Q23 | % NR | Δ % | 2022 | % NR | 2023 | % NR | Δ % |
|---|---|---|---|---|---|---|---|---|---|---|
| Net Income | 429.6 | *20.2%* | 308.1 | *16.7%* | *-28.3%* | 1,698.4 | *22.5%* | 1,650.6 | *20.9%* | *-2.8%* |
| (+) Income Tax and CSLL | 7.6 | *0.4%* | (14.1) | *-0.8%* | - | (100.6) | *-1.3%* | (143.6) | *-1.8%* | *42.7%* |
| (+) Net Interest Expenses | 245.8 | *11.6%* | 218.8 | *11.8%* | *-11.0%* | 871.6 | *11.6%* | 1,008.3 | *12.7%* | *15.7%* |
| (+) Depreciations / Amortizations | 49.1 | *2.3%* | 68.7 | *3.7%* | *40.1%* | 169.1 | *2.2%* | 238.3 | *3.0%* | *40.9%* |
| **EBITDA** | **732.0** | ***34.5%*** | **581.4** | ***31.5%*** | ***-20.6%*** | **2,638.6** | ***35.0%*** | **2,753.6** | ***34.8%*** | ***4.4%*** |
| (-) EBITDA from Discontinued Operations | 3.0 | *0.1%* | (0.7) | *0.0%* | - | 12.6 | *0.2%* | 2.5 | *0.0%* | ***-80.2%*** |
| **Adjusted EBITDA (EBITDA from Continuing Operations)** | **735.0** | ***34.6%*** | **580.7** | ***31.4%*** | ***-21.0%*** | **2,651.1** | ***35.1%*** | **2,756.1** | ***34.8%*** | ***4.0%*** |

EBITDA is a non-accounting measure prepared by the Company and it is calculated based on net income, added by income taxes, financial expenses net of financial income, depreciation and amortization. The Adjusted EBITDA, or EBITDA from Continuing Operations, represents the EBITDA, excluding the effects related to discontinued operations that affected the Company's EBITDA. The Company uses Adjusted EBITDA, or EBITDA from Continuing Operations, as a non-accounting measure, to present its performance in a way that better translates the operating cash generation potential of its business.

## Disclaimer

This release contains forward-looking statements that are exclusively related to the prospects of the business, its operating and financial results, and prospects for growth. These data are merely projections and, as such, based exclusively on our management's expectations for the future of the business and its continued access to capital to fund its business plan. These forward-looking statements substantially depend on changing market conditions, government regulations, competitive pressures, the performance of the Brazilian economy and the industry, among other factors, as well as the risks shown in our filed disclosure documents, and are therefore subject to change without prior notice.

Additional unaudited information herein reflects management's interpretation of information taken from its financial information and their respective adjustments, which were prepared in accordance with market practices and for the sole purpose of a more detailed and specific analysis of our results. Therefore, these additional data must also be analyzed and interpreted independently by shareholders and market agents, who should carry out their own analysis and draw their own conclusions from the results reported herein. No data or interpretative analysis provided by our management should be treated as a guarantee of future performance or results and are merely illustrative of our directors' vision of our results.

Our management is not responsible for compliance or accuracy of the management financial data discussed in this report, which must be considered as for informational purposes only, and should not override the analysis of our audited consolidated financial statements or our reviewed quarterly information for purposes of a decision to invest in our stock, or for any other purpose.

# Consolidated Income Statement (R$ thousand)

Table 15

| | 4Q22 | 4Q23 | 2022 | 2023 |
|---|---|---|---|---|
| **Net Revenue** | **2,121,394** | **1,846,925** | **7,546,355** | **7,914,658** |
| Cost of Goods Sold | (799,441) | (700,503) | (2,784,831) | (2,919,114) |
| **Gross Profit** | **1,321,953** | **1,146,422** | **4,761,524** | **4,995,544** |
| Selling and Marketing Expenses | (534,640) | (531,922) | (1,984,715) | (2,172,415) |
| General and Administrative Expenses | (95,914) | (88,215) | (314,460) | (348,121) |
| Other Operating Revenues (Expenses) | (21,499) | (25,315) | (3,009) | 22,910 |
| Equity in Subsidiaries | 16,723 | 11,064 | 23,411 | 19,893 |
| **Operating Income Before Equity Income and Financial Result** | **686,623** | **512,034** | **2,482,751** | **2,517,811** |
| Net Financial Expenses | (245,784) | (218,755) | (871,647) | (1,008,336) |
| Financial Expenses | (317,952) | (281,998) | (1,122,687) | (1,255,941) |
| Financial Income | 72,168 | 63,243 | 251,040 | 247,605 |
| **Profit Before Income Tax and Social Contribution** | **440,839** | **293,279** | **1,611,104** | **1,509,475** |
| Income Tax and Social Contribution | (9,104) | 14,561 | 95,348 | 141,638 |
| **Net Income from Contining Operations** | **431,735** | **307,840** | **1,706,452** | **1,651,113** |
| Net Income from Discontinued Operations | (2,184) | 279 | (8,053) | (563) |
| **Income for the Period** | **429,551** | **308,119** | **1,698,399** | **1,650,550** |
| **Earnings per Share – R$** | **0.68** | **0.49** | **2.68** | **2.61** |

# Consolidated Balance Sheet (R$ thousand)

Table 16

| Assets | 12/31/2022 | 12/31/2023 |
|---|---|---|
| **Current Assets** | **8,530,120** | **8,077,766** |
| Cash and Cash Equivalents | 2,862,473 | 2,580,893 |
| Accounts Receivables | 2,531,789 | 2,642,146 |
| Inventories | 2,195,982 | 2,191,731 |
| Recoverable Taxes | 532,564 | 446,514 |
| Financial Derivatives | 10,303 | 295 |
| Other Assets | 391,058 | 211,392 |
| Dividends and IOC receivables | 5,951 | 4,795 |
| **Non-Current Assets** | **15,225,513** | **16,430,985** |
| **Long Term Assets** | **1,159,417** | **1,317,883** |
| Deferred Income Tax and Social Contribution | 603,170 | 869,524 |
| Recoverable Taxes | 344,013 | 222,666 |
| Other Assets | 188,109 | 213,845 |
| Financial Derivatives | 24,125 | 11,848 |
| **Fixed Assets and Investments** | **14,066,096** | **15,113,102** |
| Investments | 131,717 | 120,639 |
| Investment Properties | 19,568 | 0 |
| Biological Assets | 4,799 | 12,583 |
| Property, Plants and Equipments | 2,814,540 | 3,548,040 |
| Intangible Assets | 11,095,472 | 11,431,840 |
| **Total Assets** | **23,755,633** | **24,508,751** |

| Liabilities and Shareholders' Equity | 12/31/2022 | 12/31/2023 |
|---|---|---|
| **Current Liabilities** | **5,225,194** | **4,644,236** |
| Suppliers | 421,501 | 389,667 |
| Assignment of Receivables | 888,150 | 448,307 |
| Loans, Financing and Debentures | 2,230,678 | 2,120,539 |
| Salaries Payable | 378,933 | 442,286 |
| Income Tax and Social Contribution | 6,389 | 3,759 |
| Taxes Payable | 70,861 | 86,565 |
| Accounts Payable | 431,239 | 418,705 |
| Dividends and IOC Payable | 677,773 | 696,966 |
| Notes Payable | 68,079 | 20,457 |
| Financial Derivatives | 51,591 | 16,985 |
| **Non-Current Liabilites** | **7,874,998** | **8,346,642** |
| Loans, Financing and Debentures | 7,376,881 | 7,817,240 |
| Deferred Income Tax and Social Contribution | 206,378 | 175,752 |
| Taxes Payable | 4,179 | 2,805 |
| Accounts Payable | 128,966 | 180,905 |
| Provisions for Contingencies | 153,256 | 127,553 |
| Notes Payable | 5,331 | 3,600 |
| Financial Derivatives | 7 | 38,787 |
| **Shareholders' Equity** | **10,655,441** | **11,517,873** |
| Capital | 4,478,126 | 4,478,126 |
| Capital Reserve | 1,232,710 | 1,190,071 |
| Equity Valuation Adjustments | (244,191) | (278,927) |
| Profit Reserves | 5,266,249 | 6,135,131 |
| Treasury Stock | (87,134) | (20,277) |
| Attributed to non-controlling shareholders | 9,681 | 13,749 |
| **Total Liabilities and Shareholders' Equity** | **23,755,633** | **24,508,751** |

## Consolidated Cash Flow Statement (R$ thousand)

Table 17

| | 4Q22 | 4Q23 | 2022 | 2023 |
|---|---|---|---|---|
| **Cash Flows from Operating Activities** | | | | |
| Income (Loss) Before Income Taxes including Discontinued Operations | 437,162 | 293,970 | 1,597,822 | 1,506,986 |
| Depreciation and Amortization | 49,055 | 68,703 | 169,101 | 238,312 |
| Asset Impairment | 27,325 | 40,002 | 15,763 | 37,014 |
| Gain on Permanent Asset Disposals | (2,332) | (1,592) | 61,146 | 43,665 |
| Equity Method | (16,622) | (10,504) | (22,927) | (20,035) |
| Foreign Exchange (Gains) Losses | 7,104 | 1,370 | 45,416 | 28,337 |
| Net Interest and Related Revenue/Expenses | 238,679 | 217,385 | 826,200 | 979,999 |
| Expenses Related to Share Based Remuneration | 6,177 | 16,678 | 24,875 | 46,196 |
| Provisions and Others | (8,745) | 46,310 | 8,607 | (25,939) |
| **Adjusted Results** | **737,803** | **672,322** | **2,726,003** | **2,834,535** |
| **Decrease (Increase) in Assets** | **(321,005)** | **337,353** | **(1,239,518)** | **160,562** |
| Trade Accounts Receivable | (293,505) | 265,301 | (471,365) | (116,421) |
| Inventories | (204,636) | (4,345) | (961,655) | (90,970) |
| Recoverable Taxes | 120,027 | 25,446 | 195,360 | 154,768 |
| Judicial Deposits and Others | 2,523 | 1,238 | (15,037) | 8,532 |
| Other Accounts Receivable | 54,586 | 49,713 | 13,179 | 204,653 |
| **Increase (Decrease) in Liabilities** | **97,655** | **(217,657)** | **552,308** | **(599,104)** |
| Suppliers | (32,330) | 82,568 | 91,673 | (10,980) |
| Assignment of Receivables | 172,998 | (195,521) | 419,595 | (420,151) |
| Financial Derivatives | (7,523) | (19,092) | (115,662) | (86,620) |
| Income Tax and Social Contribution Paid | (4,920) | (1,342) | (5,950) | (4,132) |
| Taxes Payable | (4,587) | (14,534) | 336 | 16,288 |
| Salaries and Payroll Charges | (2,590) | (37,875) | 91,066 | 8,499 |
| Accounts Payable | (10,021) | (36,852) | 18,190 | (120,118) |
| Operations Interest Paid | (10,918) | 8,515 | 45,262 | 33,248 |
| Other Accounts Payable | (2,454) | (3,524) | 7,798 | (15,138) |
| **Net Cash Provided by Operating Activities** | **514,453** | **792,018** | **2,038,793** | **2,395,993** |
| **Cash Flows from Investing Activities** | | | | |
| Capital Increase/Decrease in Subsidiaries/Affiliates | (3,847) | (3,708) | (14,673) | (10,812) |
| Acquisitions of Subsidiaries, Net of Cash Acquired | (3,804) | (4,755) | (212,267) | (115,184) |
| Acquisitions of Property, Plant and Equipment | (176,287) | (117,027) | (515,548) | (460,183) |
| Intangible Assets | (93,618) | (95,191) | (993,908) | (352,530) |
| Proceeds from the Sale of Assets with Permanent Nature | (3,885) | (1,364) | (139) | (2,065) |
| Interest and Others | 42,536 | 38,869 | 140,294 | 146,108 |
| Dividends Received | 2,533 | 3,478 | 2,533 | 3,478 |
| Investment Hedge | 0 | 0 | (148,629) | 0 |
| **Net Cash From Investing Activities** | **(236,372)** | **(179,698)** | **(1,742,337)** | **(791,188)** |
| **Cash Flows from Financing Activities** | | | | |
| Inflow from Loans and Financing | 762,144 | 865,883 | 2,419,817 | 2,221,882 |
| Treasury Stock Purchase / Sale | (38,466) | 6,429 | (2,694) | (48,968) |
| Repayment of Loans - Principal | (37,243) | (713,629) | (409,551) | (1,925,175) |
| Repayment of Loans - Interest | (267,446) | (378,865) | (867,238) | (1,306,450) |
| Dividends and IOC Paid | (51,146) | (27,839) | (806,208) | (759,885) |
| Loan Derivatives | (2,356) | (1,807) | (55,171) | (67,789) |
| **Net Cash From Financing Activities** | **365,487** | **(249,828)** | **278,955** | **(1,886,385)** |
| **Net Increase (Decrease) in Cash and Cash Equivalents** | **643,568** | **362,492** | **575,411** | **(281,580)** |
| **Statement of Increase in Cash and Cash Equivalents, Net** | | | | |
| Cash and Cash Equivalents at the Beginning of the Period | 2,218,905 | 2,218,401 | 2,287,062 | 2,862,473 |
| Cash and Cash Equivalents at the End of the Period | 2,862,473 | 2,580,893 | 2,862,473 | 2,580,893 |
| **Change in Cash and Cash Equivalent** | **643,568** | **362,492** | **575,411** | **(281,580)** |

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(A free translation of the original in Portuguese)

# *Hypera S.A.*

## *Parent company and consolidated financial statements at December 31, 2023 and independent auditor's report*

(A free translation of the original in Portuguese)

# *Independent auditor's report*

To the Board of Directors and Stockholders
Hypera S.A.

## Opinion

We have audited the accompanying parent company financial statements of Hypera S.A. (the "Company"), which comprise the balance sheet as at December 31, 2023 and the statements of income, comprehensive income, changes in equity and cash flows for the year then ended, as well as the accompanying consolidated financial statements of Hypera S.A. and its subsidiaries ("Consolidated"), which comprise the consolidated balance sheet as at December 31, 2023 and the consolidated statements of income, comprehensive income, changes in equity and cash flows for the year then ended, and notes to the financial statements, including material accounting policies and other explanatory information.

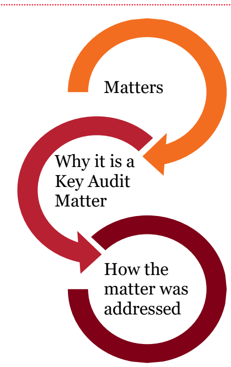
In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Company and of the Company and its subsidiaries as at December 31, 2023, and the financial performance and the cash flows for the year then ended, as well as the consolidated financial performance and the cash flows for the year then ended, in accordance with accounting practices adopted in Brazil and with the International Financial Reporting Standards (IFRS) as issued by the International Accounting Standards Board (IASB)) (currently described as "IFRS Accounting Standards" by the IFRS Foundation).

## Basis for opinion

We conducted our audit in accordance with Brazilian and International Standards on Auditing. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Parent Company and Consolidated Financial Statements section of our report. We are independent of the Company and its subsidiaries in accordance with the ethical requirements established in the Code of Professional Ethics and Professional Standards issued by the Brazilian Federal Accounting Council, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

## Key Audit Matters

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

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| Why it is a Key Audit Matter | How the matter was addressed in the audit |
|---|---|
| **Assessment of loss due to impairment of non-financial assets (Notes 3 and 17)** | |
| As of December 31, 2023, the balance of trademarks and patents and goodwill on the acquisition of investments in companies amounts to R$ 10,067,969 thousand, which corresponds to approximately 41% of the total assets in the consolidated financial statements.<br><br>The recoverable value of these assets was determined by value in use, whose recovery is based on projections discounted to the present value of future cash flows, with an inherently high degree of judgment. Among the assumptions that most impact projections are sales growth using existing brands and the discount rate used.<br><br>This matter remained one of the key audit matters in our audit due to the relevance of the values, associated with facts such as the definition of cash-generating units and the necessary management judgments in defining assumptions. | Among other procedures, and with the support of our internal business valuation experts, we tested the mathematical accuracy of cash flow projections, as well as the consistency of the information and main assumptions used in these projections, by comparing them with the budget approved by the Board of Administration and information and data that are public and/or have limited access in the market. We also compared projections made in the previous year with the results obtained subsequently to observe the effectiveness of the projections and the model developed.<br><br>We also reviewed the sensitivity analysis for the most significant assumptions, as well as reading the disclosures made in the explanatory notes.<br><br>Our audit procedures demonstrated that the judgments and assumptions used by management are reasonable and the disclosures are consistent with data and information obtained. |
| **Recoverability of deferred income tax and social contribution balance (Notes 3 and 21)** | |
| As of December 31, 2023, the net balance of deferred income tax and social contribution recorded in non-current assets amounts to R$ 869,524 thousand in the consolidated financial statements, arising from income tax losses, negative basis of social contribution and temporary differences. These deferred taxes are considered recoverable based on projections of future taxable income generation.<br><br>The recoverable value of recognized deferred tax assets may vary significantly if different assumptions and projections of future taxable profits are applied, which may impact the value of the deferred income tax and social contribution balance presented in the financial statements. Furthermore, estimating the moment of realization of the income tax loss, negative basis of social contribution and temporary differences and their | Our audit procedures included, among others, the understanding and testing of the processes established by the Company's management to measure the recoverable value, as well as the evaluation methodology, assumptions and data used in the calculation.<br><br>We evaluate, with the support of our experts, the reasonableness of the main assumptions used to support the projection of future taxable profits, including sales growth, the impacts of tax incentives and the tax amortization of goodwill.<br><br>We compared the data used in the projection with historical data and growth, sector and market projections, as well as carrying out a sensitivity analysis on the projection prepared by management. We assessed whether the projections, including the estimate of the moment of realization of temporary |

| Why it is a Key Audit Matter | How the matter was addressed in the audit |
|---|---|
| impacts on future taxation require significant judgments by the Company's management.<br><br>For this reason and the magnitude of the values presented, we consider this matter to be significant for our audit. | differences, indicated sufficient future taxable profits to realize the deferred tax assets, as well as the adequacy of the disclosures presented in the explanatory notes.<br><br>Our audit procedures demonstrated that the methodology, judgments and assumptions used by the Company's management are reasonable and the disclosures are consistent with data and information obtained. |
| **Taxes to be recovered and tax and labor contingencies (Notes 3, 13 and 24)** | |
| Among the estimates that represent significant risk and are likely to cause material adjustments to the set of individual and consolidated financial statements in the coming years are the realization of recoverable taxes and estimates related to tax and labor contingencies.<br><br>These processes are normally closed after a long period and involve not only discussions on the merits, but also complex procedural aspects depending on the legislation.<br><br>Some laws and regulations present a high degree of complexity and, therefore, measurement, recognition and disclosures related to risks involve interpretation. Therefore, the decision to recognize an asset or liability and its corresponding measurement bases or, even, the disclosures in the financial statements consider an exercise of critical judgment by management, including, among others, positions of its internal and external legal advisors.<br><br>For the above reasons, this topic remained one of the key audit matters in our audit. | Our audit procedures included, among others, understanding the procedures for measuring, accounting and disclosing topics in explanatory notes.<br><br>With the support of our tax experts, we carried out tests and inspected the base transaction documentation and obtained confirmation of the main processes directly from the external lawyers who sponsor the cases and from the internal legal department, in order to confirm the assessment of the prognosis, the totality of information and the values involved. For certain cases, we request legal opinions from legal advisors and discuss the reasonableness of the prognoses.<br><br>We noted that the criteria adopted by management to determine the taxes to be recovered, the provisions recognized and the disclosures in explanatory notes are consistent with documents received and with the position of the lawyers and the Company's Legal department. |

## Other matters

### Statements of Value Added

The parent company and consolidated Statements of Value Added for the year ended December 31, 2023, prepared under the responsibility of the Company's management and presented as supplementary information for IFRS Accounting Standards purposes, were submitted to audit procedures performed in conjunction with the audit of the Company's financial statements. For the purposes of forming our opinion, we evaluated whether these statements are reconciled with the financial statements and accounting records, as applicable, and if their form and content are in accordance with the criteria defined in Technical Pronouncement CPC 09 - "Statement of Value Added". In our opinion, these Statements of Value Added have been properly prepared in all material respects, in accordance with the criteria established in the Technical Pronouncement, and are consistent with the parent company and consolidated financial statements taken as a whole.

## Other information accompanying the parent company and consolidated financial statements and the auditor's report

The Company's management is responsible for the other information that comprises the Management Report.

Our opinion on the parent company and consolidated financial statements does not cover the Management Report, and we do not express any form of audit conclusion thereon.

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

## Responsibilities of management and those charged with governance for the parent company and consolidated financial statements

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

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

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

## Auditor's responsibilities for the audit of the parent company and consolidated financial statements

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

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

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

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

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

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

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

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

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

We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, actions taken to eliminate threats to our independence or safeguards applied.

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

Goiânia, March 13, 2024

PricewaterhouseCoopers

PricewaterhouseCoopers
Auditores Independentes Ltda.
CRC 2GO001774/F-2

Marcos Magnusson de Carvalho
Contador CRC 1SP215373/O-9

(A free translation of the original in Portuguese)

# Hypera S.A.

Financial statements at
December 31, 2023

**Hypera S.A.**

## Balance sheets

**In thousands of Reais**

(A free translation of the original in Portuguese)

| **Assets** | **Parent company** December 31, 2023 | December 31, 2022 | **Consolidated** December 31, 2023 | December 31, 2022 |
|---|---|---|---|---|
| Current assets | | | | |
| Cash and cash equivalents (Note 10) | 2,366,433 | 2,597,837 | 2,580,893 | 2,862,473 |
| Accounts receivable (Note 11) | 2,596,277 | 2,501,327 | 2,642,146 | 2,531,789 |
| Inventory (Note 12) | 549,064 | 445,753 | 2,191,731 | 2,195,982 |
| Taxes recoverable (Note 13) | 291,117 | 378,774 | 446,514 | 532,564 |
| Derivative financial instruments (Note 4 (f)) | - | - | 295 | 10,303 |
| Dividends receivable | 35,389 | 68,733 | 4,795 | 5,951 |
| Other assets (Note 14) | 126,609 | 277,200 | 211,392 | 391,058 |
| | 5,964,889 | 6,269,624 | 8,077,766 | 8,530,120 |
| Non-current assets | | | | |
| Long-term receivables | | | | |
| Deferred income tax and social contribution (Note 21 (a)) | 828,826 | 558,784 | 869,524 | 603,170 |
| Taxes recoverable (Note 13) | 165,273 | 284,836 | 222,666 | 344,013 |
| Derivative financial instruments (Note 4 (f)) | 11,841 | 24,087 | 11,848 | 24,125 |
| Other assets (Note 14) | 188,052 | 165,844 | 213,845 | 188,109 |
| | 1,193,992 | 1,033,551 | 1,317,883 | 1,159,417 |
| Biological assets | - | - | 12,583 | 4,799 |
| Investments (Note 15) | 6,299,087 | 5,038,461 | 120,639 | 131,717 |
| Investment properties | - | 19,568 | - | 19,568 |
| Property, plant and equipment (Note 16) | 298,941 | 213,965 | 3,548,040 | 2,814,540 |
| Intangible assets (Note 17) | 10,062,700 | 10,058,185 | 11,431,840 | 11,095,472 |
| | 16,660,728 | 15,330,179 | 15,113,102 | 14,066,096 |
| | 17,854,720 | 16,363,730 | 16,430,985 | 15,225,513 |
| Total assets | 23,819,609 | 22,633,354 | 24,508,751 | 23,755,633 |

| **Liabilities and equity** | **Parent company** December 31, 2023 | December 31, 2022 | **Consolidated** December 31, 2023 | December 31, 2022 |
|---|---|---|---|---|
| Current liabilities | | | | |
| Suppliers (Note 18) | 771,973 | 755,614 | 389,667 | 421,501 |
| Suppliers' assignment of receivables (Note 19) | 14,640 | 39,124 | 448,307 | 888,150 |
| Loans, financing and debentures (Note 20) | 2,108,923 | 2,224,673 | 2,120,539 | 2,230,678 |
| Salaries payable | 296,198 | 249,674 | 442,286 | 378,933 |
| Income tax and social contribution payable | - | - | 3,759 | 6,389 |
| Taxes payable (Note 22) | 19,981 | 21,003 | 86,565 | 70,861 |
| Notes payable | 20,457 | 68,079 | 20,457 | 68,079 |
| Dividends and interest on capital payable | 696,966 | 677,773 | 696,966 | 677,773 |
| Derivative financial instruments (Note 4 (f)) | 859 | 41,347 | 16,985 | 51,591 |
| Other liabilities (Note 23) | 293,770 | 295,783 | 418,705 | 431,239 |
| | 4,223,767 | 4,373,070 | 4,644,236 | 5,225,194 |
| Non-current liabilities | | | | |
| Loans, financing and debentures (Note 20) | 7,817,139 | 7,376,443 | 7,817,240 | 7,376,881 |
| Taxes payable (Note 22) | - | 763 | 2,805 | 4,179 |
| Deferred income tax and social contribution (Note 21(b)) | - | - | 175,752 | 206,378 |
| Provision for contingencies (Note 24) | 115,810 | 139,387 | 127,553 | 153,256 |
| Derivative financial instruments (Note 4 (f)) | 38,781 | - | 38,787 | 7 |
| Notes payable | 3,600 | 5,331 | 3,600 | 5,331 |
| Other liabilities (Note 23) | 116,388 | 92,600 | 180,905 | 128,966 |
| | 8,091,718 | 7,614,524 | 8,346,642 | 7,874,998 |
| Total liabilities | 12,315,485 | 11,987,594 | 12,990,878 | 13,100,192 |
| **Equity** | | | | |
| Share capital (Note 25 (a)) | 4,478,126 | 4,478,126 | 4,478,126 | 4,478,126 |
| Capital reserves | 1,190,071 | 1,232,710 | 1,190,071 | 1,232,710 |
| Equity valuation adjustments | (278,927) | (244,191) | (278,927) | (244,191) |
| Profit reserves | 6,135,131 | 5,266,249 | 6,135,131 | 5,266,249 |
| Treasury shares | (20,277) | (87,134) | (20,277) | (87,134) |
| **Equity attributable to the owners of the parent company** | 11,504,124 | 10,645,760 | 11,504,124 | 10,645,760 |
| Equity attributable to non-controlling interests | - | - | 13,749 | 9,681 |
| **Total equity** | 11,504,124 | 10,645,760 | 11,517,873 | 10,655,441 |
| Total liabilities and equity | 23,819,609 | 22,633,354 | 24,508,751 | 23,755,633 |

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

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## Statement of income
## Years ended December 31
**In thousands of Reais, unless stated otherwise** (A free translation of the original in Portuguese)

| | Parent company | | Consolidated | |
|---|---|---|---|---|
| | 2023 | 2022 | 2023 | 2022 |
| **Continuing operations** | | | | |
| Net revenue (Note 26) | 7,994,963 | 7,645,986 | 7,914,658 | 7,546,355 |
| Cost of sales (Note 27(a)) | (3,728,331) | (3,541,132) | (2,919,114) | (2,784,831) |
| **Gross profit** | **4,266,632** | **4,104,854** | **4,995,544** | **4,761,524** |
| Selling and marketing expenses (Note 27(a)) | (1,914,619) | (1,769,102) | (2,172,415) | (1,984,715) |
| General and administrative expenses (Note 27(a)) | (232,582) | (218,560) | (348,121) | (314,460) |
| Other operating income (expenses), net (Note 27(b)) | (198,040) | (43,863) | 22,910 | (3,009) |
| Equity accounting (Note 15 (b)) | 554,193 | 335,302 | 19,893 | 23,411 |
| **Income before financial income and expenses** | **2,475,584** | **2,408,631** | **2,517,811** | **2,482,751** |
| Financial income (Note 27 (c)) | 219,098 | 220,935 | 247,605 | 251,040 |
| Financial expenses (Note 27 (d)) | (1,371,031) | (1,151,195) | (1,255,941) | (1,122,687) |
| **Financial expenses, net** | **(1,151,933)** | **(930,260)** | **(1,008,336)** | **(871,647)** |
| **Income before income tax and social contribution** | **1,323,651** | **1,478,371** | **1,509,475** | **1,611,104** |
| Income tax and social contribution (Note 21(c)) | 324,872 | 226,379 | 141,638 | 95,348 |
| **Net income from continuing operations** | **1,648,523** | **1,704,750** | **1,651,113** | **1,706,452** |
| **Discontinued operations** | | | | |
| Loss from discontinued operations | (563) | (8,053) | (563) | (8,053) |
| **Net income for the year** | **1,647,960** | **1,696,697** | **1,650,550** | **1,698,399** |
| **Attributable to** | | | | |
| Owners of the parent company | | | 1,647,960 | 1,696,697 |
| Non-controlling interests | | | 2,590 | 1,702 |
| | | | **1,650,550** | **1,698,399** |
| **Earnings per share** | | | | |
| Basic earnings per share (in R$) | | | 2.60564 | 2.68375 |
| Diluted earnings per share (in R$) | | | 2.58385 | 2.65481 |
| **Earnings per share - Continuing operations** | | | | |
| Basic earnings per share (in R$) | | | 2.60653 | 2.69649 |
| Diluted earnings per share (in R$) | | | 2.58473 | 2.66741 |

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

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## Statement of comprehensive income
**Years ended December 31**
**In thousands of Reais, unless stated otherwise** (A free translation of the original in Portuguese)

| | Parent company | | Consolidated | |
|---|---|---|---|---|
| | **2023** | **2022** | **2023** | **2022** |
| **Net income for the year** | **1,647,960** | **1,696,697** | **1,650,550** | **1,698,399** |
| Other comprehensive income | | | | |
| **Items that will be reclassified to profit or loss** | | | | |
| Cash flow hedge - effective portion of changes in fair value | (27,053) | (21,429) | (27,053) | (21,429) |
| Income tax and social contribution on other comprehensive income | 9,198 | 7,286 | 9,198 | 7,286 |
| | (17,855) | (14,143) | (17,855) | (14,143) |
| **Items that will not be reclassified to profit or loss** | | | | |
| Cash flow hedge - effective portion of changes in fair value | - | (42,944) | - | (42,944) |
| Income tax and social contribution on other comprehensive income | - | (4,166) | - | (4,166) |
| | - | (47,110) | - | (47,110) |
| **Other comprehensive income, net of income tax and social contribution** | (17,855) | (61,253) | (17,855) | (61,253) |
| **Comprehensive income for the year** | **1,630,105** | **1,635,444** | **1,632,695** | **1,637,146** |
| **Attributable to** | | | | |
| Owners of the parent company | | | 1,630,105 | 1,635,444 |
| Non-controlling interests | | | 2,590 | 1,702 |
| | | | **1,632,695** | **1,637,146** |

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

## Statement of changes in equity

**In thousands of Reais** (A free translation of the original in Portuguese)

| | | Capital reserves | | | | | | Profit reserves | | | | | |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| | Capital | Premium on share issuance | Stock options | Debenture subscription bonus options | Treasury shares | Equity valuation adjustments | Legal reserve | Government grant reserve | Profit retention reserve | Retained earnings | Equity attributable to the owners of the parent company | Equity attributable to non-controlling interests | Total equity |
| **Balances at January 1, 2022** | **4,478,126** | **1,090,895** | **110,278** | **50,244** | **(81,350)** | **(181,839)** | **180,592** | **3,993,329** | **186,316** | **-** | **9,826,591** | **6,880** | **9,833,471** |
| Adjustments from prior years | - | - | - | - | - | - | - | - | - | (11,595) | (11,595) | | (11,595) |
| Stock options | - | - | 22,628 | - | - | - | - | - | - | - | 22,628 | - | 22,628 |
| Results on sales of treasury shares | - | (41,335) | - | - | - | - | - | - | - | - | (41,335) | - | (41,335) |
| Goodwill on interests in subsidiaries | - | - | - | - | | (1,099) | | | | | (1,099) | - | (1,099) |
| Acquisitions of shares (Note 25(d)) | - | - | - | - | (131,673) | - | - | - | - | - | (131,673) | - | (131,673) |
| Sales of shares (Note 25(d)) | - | - | - | - | 125,889 | - | - | - | - | - | 125,889 | - | 125,889 |
| Net income for the year | - | - | - | - | - | - | - | - | - | 1,696,697 | 1,696,697 | 1,702 | 1,698,399 |
| Government grant reserve (Note 25(f)) | - | - | - | - | - | - | - | 956,971 | - | (956,971) | - | - | - |
| Interest on capital | - | - | - | - | - | - | - | - | - | (779,090) | (779,090) | - | (779,090) |
| Reversal of capital budget reserve | - | - | - | - | - | - | - | - | (50,959) | 50,959 | - | - | - |
| Interest attributable to non-controlling interests | - | - | - | - | - | - | - | - | - | - | - | 1,099 | 1,099 |
| **Other comprehensive income** | | | | | | | | | | | | | |
| Gains or losses on derivatives, net of tax | - | - | - | - | - | (61,253) | - | - | - | - | (61,253) | - | (61,253) |
| **At December 31, 2022** | **4,478,126** | **1,049,560** | **132,906** | **50,244** | **(87,134)** | **(244,191)** | **180,592** | **4,950,300** | **135,357** | **-** | **10,645,760** | **9,681** | **10,655,441** |
| **At January 1, 2023** | **4,478,126** | **1,049,560** | **132,906** | **50,244** | **(87,134)** | **(244,191)** | **180,592** | **4,950,300** | **135,357** | **-** | **10,645,760** | **9,681** | **10,655,441** |
| Stock options | - | - | 28,761 | - | - | - | - | - | - | - | 28,761 | - | 28,761 |
| Results on sales of treasury shares | - | (71,400) | - | - | - | - | - | - | - | - | (71,400) | - | (71,400) |
| Goodwill on interests in subsidiaries | - | - | - | - | - | (16,881) | - | - | - | - | (16,881) | - | (16,881) |
| Acquisitions of shares (Note 25(d)) | - | - | - | - | (44,028) | - | - | - | - | - | (44,028) | - | (44,028) |
| Sales of shares (Note 25(d)) | - | - | - | - | 110,885 | - | - | - | - | - | 110,885 | - | 110,885 |
| Net income for the year | - | - | - | - | - | - | - | - | - | 1,647,960 | 1,647,960 | 2,590 | 1,650,550 |
| Interest on capital | - | - | - | - | - | - | - | - | - | (779,078) | (779,078) | - | (779,078) |
| Government grant reserve (Note 25(i)) | - | - | - | - | - | - | - | 786,484 | - | (786,484) | - | - | - |
| Legal reserve (Note 25(i)) | | | | | | | 82,398 | - | - | (82,398) | - | - | - |
| Interest attributable to non-controlling interests | - | - | - | - | - | - | - | - | - | - | - | 1,478 | 1,478 |
| **Other comprehensive income** | | | | | | | | | | | | | |
| Gains or losses on derivatives, net of tax | - | - | - | - | - | (17,855) | - | - | - | - | (17,855) | - | (17,855) |
| **At December 31, 2023** | **4,478,126** | **978,160** | **161,667** | **50,244** | **(20,277)** | **(278,927)** | **262,990** | **5,736,784** | **135,357** | **-** | **11,504,124** | **13,749** | **11,517,873** |

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

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**Statement of cash flow**
**Years ended December 31**
**In thousands of Reais** (A free translation of the original in Portuguese)

| | Parent company | | Consolidated | |
|---|---|---|---|---|
| | 2023 | 2022 | 2023 | 2022 |
| **Cash flow from operating activities** | | | | |
| **Income before income tax and social contribution, including discontinued operations** | 1,321,305 | 1,464,723 | 1,506,986 | 1,597,822 |
| **Adjustments** | | | | |
| Depreciation and amortization | 89,320 | 64,194 | 238,312 | 169,101 |
| Impairment of assets | (2,922) | 4,791 | 37,014 | 15,763 |
| Results of sales of fixed assets | 43,366 | 60,792 | 43,665 | 61,146 |
| Equity accounting | (554,181) | (335,594) | (20,035) | (22,927) |
| Foreign exchange losses (gains) | 906 | (548) | 28,337 | 45,416 |
| Interest and related expenses (income), net | 1,151,027 | 930,808 | 979,999 | 826,200 |
| Share-based compensation expenses | 39,333 | 21,269 | 46,196 | 24,875 |
| Provisions (reversals) and other | 218,329 | 10,965 | (25,939) | 8,607 |
| **Adjusted income** | 2,306,483 | 2,221,400 | 2,834,535 | 2,726,003 |
| Changes in assets and liabilities | | | | |
| Accounts receivable | (100,665) | (462,768) | (116,421) | (471,365) |
| Inventory | (170,696) | (169,817) | (90,970) | (961,655) |
| Taxes recoverable | 221,826 | 244,386 | 154,768 | 195,360 |
| Deposits with courts and others | 6,268 | (14,524) | 8,532 | (15,037) |
| Other accounts receivable | 172,973 | 72,372 | 204,653 | 13,179 |
| Suppliers | 16,360 | (122,876) | (10,980) | 91,673 |
| Suppliers' assignments of receivables | (5,959) | 27,057 | (420,151) | 419,595 |
| Derivative financial instruments | - | 1,062 | (86,620) | (115,662) |
| Accounts payable | (112,485) | (3,732) | (120,118) | 18,190 |
| Interest on transactions | (13,766) | (756) | 33,248 | 45,262 |
| Taxes payable | (688) | 1,412 | 16,288 | 336 |
| Payroll and related taxes | 10,781 | 68,974 | 8,499 | 91,066 |
| Income tax and social contribution paid | - | - | (4,132) | (5,950) |
| Other accounts payable | (14,850) | 2,045 | (15,138) | 7,798 |
| **Net cash provided by operating activities** | 2,315,582 | 1,864,235 | 2,395,993 | 2,038,793 |
| **Cash flow from investing activities** | | | | |
| Acquisitions of subsidiaries (less net cash upon acquisition) | (20,526) | (14,355) | (115,184) | (212,267) |
| Capital increases in subsidiaries/associates | (783,036) | (945,705) | (10,812) | (14,673) |
| Purchases of property, plant and equipment | (28,680) | (12,734) | (460,183) | (515,548) |
| Purchases of intangible assets | (27,139) | (708,899) | (352,530) | (993,908) |
| Derivative financial instruments | - | (145,678) | - | (148,629) |
| Proceeds from sales of fixed assets | (1,187) | (1,428) | (2,065) | (139) |
| Interest and other | 130,342 | 124,794 | 146,108 | 140,294 |
| Dividends received | 56,392 | 11,806 | 3,478 | 2,533 |
| Loans receivable | 2,587 | 750 | - | - |
| **Net cash used in investing activities** | (671,247) | (1,691,449) | (791,188) | (1,742,337) |
| **Cash flow from financing activities** | | | | |
| Purchases of treasury shares | (88,453) | (87,003) | (88,453) | (87,003) |
| Derivative financial instruments | (67,789) | (55,171) | (67,789) | (55,171) |
| Sales of treasury shares | 39,485 | 84,309 | 39,485 | 84,309 |
| Loans taken out | 2,210,882 | 2,419,817 | 2,221,882 | 2,419,817 |
| Payment of loans – principal | (1,910,718) | (397,227) | (1,925,175) | (409,551) |
| Payment of loans – interest | (1,298,351) | (856,708) | (1,306,450) | (867,238) |
| Dividends and interest on capital paid | (759,885) | (806,126) | (759,885) | (806,208) |
| Loans payable | (910) | 1,907 | - | - |
| **Net cash provided by (used in) financing activities** | (1,875,739) | 303,798 | (1,886,385) | 278,955 |
| **Net increase (decrease) in cash and cash equivalents** | (231,404) | 476,584 | (281,580) | 575,411 |
| Cash and cash equivalents at the beginning of the year | 2,597,837 | 2,121,253 | 2,862,473 | 2,287,062 |
| Cash and cash equivalents at the end of the year | 2,366,433 | 2,597,837 | 2,580,893 | 2,862,473 |
| **Change in cash and cash equivalents** | (231,404) | 476,584 | (281,580) | 575,411 |
| **Transactions not involving cash** | **5,835** | **8,347** | **24,089** | **39,539** |
| Acquisitions of companies | - | 1,252 | - | 1,252 |
| Acquisitions of property, plant and equipment | 5,835 | 7,095 | 24,089 | 38,287 |

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

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## Statement of value added (*)
## Years ended December 31

**In thousands of Reais** (A free translation of the original in Portuguese)

| | Parent company | | Consolidated | |
|---|---|---|---|---|
| | **2023** | **2022** | **2023** | **2022** |
| **Gross revenue** | | | | |
| Sales of goods and products, including discontinued operations | 8,371,111 | 8,015,375 | 8,558,535 | 8,165,855 |
| Other income | 7,855 | (2,175) | 372,530 | 43,107 |
| Income related to construction of own assets | 15,996 | 9,967 | 180,274 | 193,477 |
| Allowance for doubtful accounts | 1,890 | (1,094) | 1,725 | (1,499) |
| | 8,396,852 | 8,022,073 | 9,113,064 | 8,400,940 |
| **Inputs acquired from third parties** | | | | |
| Costs of materials, goods and services sold | (3,703,612) | (3,563,485) | (2,279,574) | (2,558,019) |
| Materials, power, third party services and others | (1,443,206) | (1,196,654) | (2,244,940) | (1,873,263) |
| Impairment of assets | (114,298) | (88,363) | (158,344) | (117,545) |
| | (5,261,116) | (4,848,502) | (4,682,858) | (4,548,827) |
| **Gross value added** | 3,135,736 | 3,173,571 | 4,430,206 | 3,852,113 |
| Depreciation and amortization | (89,320) | (64,194) | (238,312) | (169,101) |
| **Net value added generated by the Company** | 3,046,416 | 3,109,377 | 4,191,894 | 3,683,012 |
| **Transfers of value added received** | | | | |
| Equity accounting | 554,181 | 335,594 | 20,035 | 22,927 |
| Financial income | 219,098 | 220,935 | 247,605 | 251,040 |
| | 773,279 | 556,529 | 267,640 | 273,967 |
| **Total value added to be distributed** | 3,819,695 | 3,665,906 | 4,459,534 | 3,956,979 |
| **Distribution of value added** | | | | |
| Personnel and charges | 889,243 | 783,670 | 1,609,568 | 1,371,808 |
| Salaries and wages | 734,988 | 663,678 | 1,290,643 | 1,124,716 |
| Benefits | 109,933 | 78,302 | 240,434 | 174,936 |
| Government severance indemnity fund for employees (FGTS) | 44,322 | 41,690 | 78,491 | 72,156 |
| Taxes and contributions | (95,704) | 28,079 | (76,588) | (255,628) |
| Federal | (216,775) | (119,515) | 120,478 | 44,310 |
| State | 119,346 | 145,989 | (201,459) | (302,699) |
| Municipal | 1,725 | 1,605 | 4,393 | 2,761 |
| Interest | 1,370,863 | 1,150,953 | 1,254,969 | 1,121,903 |
| Rentals | 7,333 | 6,507 | 21,035 | 20,497 |
| Capital remuneration | 1,647,960 | 1,696,697 | 1,650,550 | 1,698,399 |
| Interest on capital | 779,078 | 779,090 | 779,078 | 779,090 |
| Retained earnings | 868,882 | 917,607 | 868,882 | 917,607 |
| Non-controlling interests | - | - | 2,590 | 1,702 |
| **Total value added distributed** | 3,819,695 | 3,665,906 | 4,459,534 | 3,956,979 |

(*) The statement of value added is not an integral part of the financial statements under the International Financial Reporting Standards (IFRS).

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

(A free translation of the original in Portuguese)

# Hypera S.A.

Financial statements
at December 31, 2023

**Contents**

(A free translation of the original in Portuguese)

# Notes to the financial statements
***(In thousands of Reais, unless stated otherwise)***

## 1 General information

Hypera S.A. (the "Company") is a Brazilian pharmaceutical company, and a leader in the various markets in which it operates.[1] Its mission consists of "providing access to healthcare for the Brazilian population, offering safe, high-quality products, continually investing in innovation and growing in a sustainable way, enabling people to live longer and better." The Company is a publicly-held company headquartered in the city of São Paulo, state of São Paulo. It is listed in the New Market (Novo Mercado) segment, and its shares are traded on the São Paulo stock exchange ((B3 S.A. - Brasil, Bolsa e Balcão). Together with its subsidiaries, it is referred to herein as the "Group".

The Company's main products are as follow:

a) Under the umbrella brand Mantecorp Farmasa, the Company operates in various medical specialty areas within the Primary Care segment, being present in most of the main classes of therapeutics in the country[1/2] with products such as Addera D3, Nesina, Dramin, Alivium, Predsim, Lisador and Rinosoro;

b) Under the Mantecorp Skincare brand, the Company offers dermo-cosmetics which are recommended by dermatologists throughout Brazil, according to information from Close-Up International. The Company also operates in this segment under the Simple Organic brand, offering organic and vegan products produced without animal cruelty, as well as the Bioage brand, which is focused on the professional aesthetic treatment market;

c) The Company is a leading supplier in the Brazilian market of over-the-counter drugs,[1] including brands such as Apracur, Benegrip, Buscopan, Coristina D Pro, Engov, Epocler, Estomazil and Neosaldina, among others. It also offers lines of nutritional products, sweeteners and vitamin supplements, under brands such as Tamarine, Biotônico Fontoura and Zero-Cal, the latter of which has been the Top of Mind brand in Brazil for 20 years;[3]

d) Through the Neo Química brand, the Company is second-placed in the Similar and Generic drugs market in Brazil.[1] The brand is Top of Mind for generic drugs,[3] and is present at almost all Brazilian pharmaceutical points of sale,[1] which is consistent with the Company's mission to provide access to health for the Brazilian population.

e) Since 2021, the Company has also been operating through the institutional channel, comprised of public and private hospitals and clinics, which represent almost 40% of

[1] IQVIA data.
[2] Considering CT Level 2 classification.
[3] According to Datafolha.

the total pharmaceutical market in Brazil.[1] In January 2023, it started to sell its first product specifically designed for this channel, Hyfol (propofol).

The Company's main distribution center is located in Anápolis, state of Goiás, and goods production is mainly carried out by the subsidiaries Brainfarma Indústria Química Farmacêutica S.A. ("Brainfarma") and Cosmed Indústria de Cosméticos e Medicamentos S.A. ("Cosmed"), at units located in the State of Goiás (GO). In 2023, Brainfarma also started to hold a production unit located in Itapecerica da Serra, state of São Paulo.

The Company's research and development activities for pharmaceuticals, dermo-cosmetics and nutritional products are concentrated at the Brainfarma innovation facility in Barueri (SP), which houses technologies for the development of various forms of pharmaceutical products across the six laboratories that make up the complex.

The Company also operates an extensive sales and distribution structure, with national coverage. Its products are distributed throughout Brazil, either directly to retailers, or indirectly via distributors.

# 2 Summary of material accounting policies

The material accounting policies applied to the preparation of these individual and consolidated financial statements are summarized below. These policies have been applied consistently to all of the years presented, unless otherwise stated.

## 2.1. Preparation basis

The financial statements have been prepared on a historical cost basis, except for certain financial assets and liabilities, which have been measured either at their fair value through profit or loss or on a comprehensive income basis.

The preparation of financial statements requires management to use critical accounting estimates and exercise judgment when applying the Company's accounting policies. Those areas that require greater use of judgment and/or have greater complexity, and those areas where assumptions and estimates are material to the financial statements, are disclosed in Note 3.

All relevant information specific to the financial statements is being disclosed, and corresponds to the information used by Management.

The present financial statements were approved by the Board of Directors on March 13, 2024.

### *a. Individual and consolidated financial statements*

The individual and consolidated financial statements have been prepared and are being presented in accordance with the accounting practices adopted in Brazil, including the pronouncements, interpretations and guidance issued by the Accounting Pronouncements Committee (CPC), as well as in accordance with the International Financial Reporting Standards (IFRS) issued by the International Accounting Standards Board (IASB) (currently, the "IFRS standards") and disclose all (and only) the applicable significant information related to the financial statements, which is consistent with the information utilized by management in the performance of their duties.

## b. *Discontinued operations*

The operations of components that were sold and/or discontinued, and that meet the criteria for presentation as discontinued operations, are disclosed in the statement of income, separately from the rest of the Company's operations, as follow:

(i) Statement of income - Income and expenses from discontinued operations, including adjustments made during the current year which are directly related to operations which were discontinued in the prior year, and gains and losses arising from the write-off of assets held for sale, are presented under the single heading "Income from discontinued operations" net of the effects of income tax and social contribution.

(ii)The assets and liabilities related to discontinued operations are presented in current assets and liabilities, separately from the other assets and liabilities in the balance sheet.

## c. *New standards and interpretations:*

### (a) Changes adopted by the Company

The following amendments to standards have been adopted for the first time during the year beginning on January 1, 2023:

. **Amendment to IAS 1/CPC 26(R1) and IFRS Practice Statement 2 - "Disclosure of Accounting Policies":** replacement of the term "significant accounting policies" with "material accounting policies". The amendment also defines "material accounting policy information", explains how to identify it and clarifies that immaterial accounting policy information does not need to be disclosed. If such immaterial information is disclosed, it should not obscure material accounting information. "IFRS Practice Statement 2 - Making Materiality Judgments", which was also amended, provides guidance on how to apply the concept of materiality to accounting policy disclosures.

. **Amendment to IAS 8/CPC 23 - "Accounting Policies, Changes in Accounting Estimates and Errors":** clarifies how entities should distinguish changes in accounting policies from changes in accounting estimates, since changes in estimates are applied prospectively to future transactions and other future events, while changes in policies are generally applied retrospectively to past transactions and other prior events, as well as to the current period.

. **Amendment to IAS 12/CPC 32 – "Income Taxes":** requires entities to recognize deferred taxes on transactions that, upon initial recognition, give rise to equal taxable and deductible temporary differences. For example, this typically applies to leasing transactions (right-of-use assets and lease liabilities) and decommissioning and restoration obligations, and requires the recognition of additional deferred tax assets and liabilities.

. **Amendment to IAS 12/CPC 32 – Income Taxes":** in December 2021, the Organization for Economic Co-operation and Development (OECD) disclosed the rules for the Pillar Two model of an international corporate tax reform aiming to ensure that multinational economic groups within the scope of these rules pay minimum taxes on income, at a rate of 15%. The effective rate of income taxes in each country, calculated using this model, is referred to as the "GloBE effective tax rate". These rules shall be approved through local legislation in each country; some countries have already enacted new laws, and others are in the process of discussing and approving these rules.

In May 2023, the IASB issued amendments to IAS 12 - "Income Taxes" to allow temporary exemptions on the recording of deferred taxes arising from legislation enacted or substantially enacted to implement the OECD's Pillar Two, and the Company adopted this exemption. However, entities must present additional disclosures in their annual financial statements for years beginning on or after January 1, 2023. There are no disclosure requirements for interim periods prior to December 31, 2023. The amendments to IAS 12 are applicable to the current period as well as retrospectively in accordance with IAS 8 - "Accounting Policies, Changes in Accounting Estimates and Errors", including the requirement to disclose if the exception was applied, and whether the entity's taxes on income were affected by the implementation of the Pillar Two rules.

The aforementioned changes had no material impact on the Company.

**(b) Amendments to new standards that are not yet effective**

The following amendments to new standards were issued by the IASB, but are not effective for 2023. The early adoption of standards, even though encouraged by the IASB, is not permitted in Brazil by the Brazilian Accounting Pronouncements Committee (CPC).

. **Amendments to IAS 1 "Presentation of Financial Statements":** In accordance with IAS 1 – "Presentation of Financial Statements", for an entity to classify liabilities as non-current in its financial statements, it must have the right to avoid the settlement of the respective liabilities for at least twelve months from the balance sheet date. In January 2020, the IASB issued amendments to IAS 1 - "Classification of liabilities as current or non-current", which were applicable to fiscal years beginning on January 1, 2023, which determined that an entity would not have the right to avoid the settlement of a liability for at least twelve months, if, at the balance sheet date, it had not complied with the ratios provided for in any applicable covenants, even if the contractual measurement of the covenant was only required within twelve months of the balance sheet date.

Subsequently, in October 2022, a new amendment was issued to clarify that liabilities that contain covenants requiring the achievement of ratios only after the balance sheet date do not affect the classification of the liability as current or non-current. Only covenants with which the entity is required to comply up to the balance sheet date affect the classification of the liability, even if the measurement only occurs after that date.

The 2022 amendment introduces additional disclosure requirements that allow users of the financial statements to understand the risks of the liability being settled within twelve months of the balance sheet date. The 2022 amendment changed the application date of the 2020 amendment, and accordingly both amendments are effective for fiscal years beginning on or after January 1, 2024.

. **Amendment to IAS 7 - "Statement of Cash Flow" and IFRS 7 - "Financial Instruments: Disclosure":** the amendment issued by the IASB in May 2023 introduces new disclosure requirements regarding supplier finance arrangements (SFAs) to allow investors to evaluate the effects on an entity's liabilities, cash flow and exposure to liquidity risk. Supplier finance arrangements are described in this amendment as arrangements whereby one or more financing providers offers to pay amounts that an entity owes to its suppliers, and the entity agrees to pay in accordance with the terms and conditions of the agreement on the same date, or at a later date, when the suppliers are paid. In general, such arrangements effectively provide the entity with extended payment terms, or the entity's suppliers with early receipt, compared to the original maturity date of the related invoice.

The new disclosure requirements include the following primary information:

(a) The terms and conditions of the SFAs.
(b) The beginning and ending date of the reporting period:

(i) The carrying amounts and accounts of the financial statements associated with the financial liabilities included in the SFAs.
(ii) The carrying amounts and accounts associated with the financial liabilities listed in (i) for which the suppliers have already received payment from the financing providers.
(iii) The range of maturity dates for the payment of the financial liabilities in (i) and comparable accounts payable that are not included in the aforementioned SFAs.

(c) Non-cash changes in the carrying amounts of financial liabilities in b (i).
(d) Any liquidity concentration risk with financial providers.

The IASB has provided a temporary exemption from the disclosure of comparative information in the first year of adoption of this amendment. This exemption also includes certain specific opening balances. In addition, the required disclosures are applicable only for annual periods during the first year of application.

This amendment will be effective from January 1, 2024.

There are no other IFRS standards or IFRIC interpretations that are not yet effective that would be expected to have a significant impact on the Company's financial statements.

The Company does not expect that these amendments will have a significant impact on its financial statements.

### *d. Hedge accounting*

IFRS 9 requires the Company and its subsidiaries to ensure that hedge accounting relationships are aligned with the Company’s risk management goals and strategies, and to apply a more qualitative, forward-looking approach to evaluating hedge effectiveness. IFRS 9 also introduced new requirements regarding the rebalancing of hedging relationships, and prohibits the voluntary termination of hedge accounting. Under this model, it is likely that a wider range of risk management strategies, particularly those related to the hedging of a risk component (other than foreign currency risk) of a non-financial item, would qualify for hedge accounting.

The Company and its subsidiaries use forward exchange contracts to hedge against the variability of cash flow arising from changes in foreign exchange rates on loans and purchases of inventory in foreign currency.

According to IFRS 9, for cash flow hedges of foreign currency risk associated with forecast purchases of non-financial assets, the accumulated amounts in the cash flow hedge reserve and the hedge cost reserve will be included directly in the initial cost of the non-financial asset when it is recognized.

## 2.2. Consolidation

The following accounting policies have been applied to the preparation of the consolidated financial statements.

Investments are mainly held in subsidiaries, which are entities over which the Company has the power to determine the financial and operating policies (Note 15). The subsidiaries are fully consolidated from the date on which control is transferred to the Company. Consolidation ceases from the date on which such control ends.

The Company has investments in associates and joint ventures that are not consolidated but are accounted for under the equity method.

Transactions between the Company and its subsidiaries, balances and unrealized gains on transactions are eliminated. Unrealized losses are also eliminated, unless the transaction provides evidence of a loss on (impairment of) the asset being transferred. The accounting policies of the subsidiaries have been changed where necessary to ensure consistency with the policies adopted by the Company.

## 2.3. Business combinations

Business combinations are accounted for using the acquisition method. The cost of an acquisition is recorded at the amount of the consideration transferred, measured based on the fair value at the acquisition date. Costs directly attributable to the acquisition are recorded as expenses as they are incurred.

Upon purchasing a business, the Company evaluates the financial assets acquired and the liabilities assumed in order to classify them, and to allocate them according to their contractual terms, economic circumstances and the relevant conditions at the acquisition date. The assets acquired and liabilities assumed as part of a business acquisition are measured upon their initial recognition at fair value.

Goodwill is measured as the excess of the fair value of the consideration transferred and to be transferred over the net assets acquired (i.e. the identified assets acquired and the liabilities assumed).

## 2.4. Translation of foreign currency

### *a. Functional currency and presentation currency*

The items included in the financial statements of each company in which the Company holds investments are measured using the currency of the main economic environment in which the Company operates (the “functional currency”). The individual and consolidated financial statements are presented in Brazilian Reais (R$), which is also the functional currency of the Company and of its investee companies, all of which are located in Brazil.

### *b. Transactions and balances*

Transactions in foreign currencies are translated into the functional currency using the exchange rate prevailing at the transaction date, or at the valuation date in cases where items are remeasured. Foreign exchange gains and losses resulting from the settlement of these transactions, and from the translation at the exchange rates in force at the end of the year of monetary assets and liabilities in foreign currencies, are recognized in the statement of income as financial income or expenses.

## 2.5. Cash and cash equivalents

Cash and cash equivalents are comprised of cash balances and financial investments with original maturities of three months or less from the date of investment, which are readily convertible into a known amount of cash, are subject to an immaterial risk of changes in fair value, and which are used by the Company for the management of short-term liabilities.

## 2.6. Classification, recognition and measurement

The Company and its subsidiaries classify their financial assets into the following categories: (a) measured at amortized cost; (b) measured at fair value through other comprehensive income; and (c) measured at fair value through profit or loss. The classification depends on the purpose for which the financial assets were acquired.

Regular purchases and sales of financial assets are recognized at the trade date, which is the date on which the Company undertakes to buy or to sell the asset. Financial assets are derecognized when the rights to receive cash flow from the investments have expired or have been transferred - in the latter case, as long as the Company has transferred substantially all of the risks and rewards of ownership of the asset.

***a. Financial assets measured at amortized cost***

These are financial assets held by the Company: (i) for the purpose of receiving contractual cash flow and not for sale, with the recognition of gains or losses; and (ii) the contractual terms of which give rise, on specified dates, to cash flow at amounts that solely represent the payment of principal plus interest on the principal amount outstanding. This category includes the balances of cash and cash equivalents, accounts receivable and certain other assets. Changes in these amounts are recognized in the profit or loss for the year, under Financial income or Financial expenses, depending on the results obtained.

***b. Financial assets measured at fair value through other comprehensive income (FVTOCI)***

These are financial assets held by the Company: (i) to receive contractual cash flow or for sale, with the recognition of gains or losses; and (ii) the contractual terms of which give rise, on specified dates, to cash flow at amounts that solely represent the payment of principal and interest on the principal amount outstanding.
This category is composed of hedging transactions to cover the risks associated with cash flow. The variation between the curve of the hedge instrument and its fair value is reflected in the Company's equity, so that both the hedge instruments and the hedged items affect the income at the amount on the curve.

***c. Financial assets measured at fair value through profit or loss (FVTPL)***

This category covers financial assets not measured at amortized cost or at fair value through other comprehensive income. This includes the balances of derivative financial instruments, including any embedded derivatives and other securities. Changes in this category are recognized in the profit or loss for the year, under Financial income or Financial expenses (depending on the results obtained) for non-derivative instruments, or in Financial Expenses for derivative instruments.

### 2.6.1 Offsetting of financial instruments

Financial assets and liabilities are offset, and the net amount is presented in the balance sheet, when there is a legally enforceable right to offset the recognized amounts, and an intention either to settle them on a net basis or to realize the assets and settle the liabilities simultaneously.

## 2.6.2 Impairment of financial assets

The Company assesses, on a prospective basis, the expected credit losses associated with its debt securities measured at amortized cost. The impairment methodology applied depends on whether there has been a significant increase in the credit risk.

For trade receivables, the Company applies the simplified approach, as permitted by IFRS 9/CPC 48, and recognizes expected losses over their useful lives from the initial recognition of the receivables.

The criteria used by the Company to determine whether there is objective evidence of an impairment loss include:

i. Material financial difficulty on the part of the issuer or obligor;
ii. A breach of contract, such as a default or delay in the payment of interest or principal;
iii. The Company, for economic or legal reasons related to financial difficulties on the part of the borrower, granting the borrower a concession that the lender would not otherwise consider;
iv. It becoming likely that the borrower will declare bankruptcy or enter into another form of financial reorganization; or
v. The disappearance of an active market for that financial asset due to financial difficulties.

The amount of any impairment loss is measured as the difference between the carrying amount of the assets and the present value of the estimated future cash flow (excluding future credit losses that have yet not been incurred), discounted at the original rate of interest applicable to the financial assets. The carrying amount of the asset is reduced, and the amount of the loss is recognized in the statement of income. If a loan has a variable interest rate, the discount rate used to measure any loss due to impairment is the effective interest rate determined in the contract. As a practical expedient, the Company is permitted to measure impairment based on the fair value of an instrument using an observable market price.

If, in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognized (such as an improvement in the debtor’s credit rating), the reversal of the previously recognized impairment loss will be recognized in the statement of income.

## 2.7. Derivative financial instruments and hedge activities

**Fair value hedges**
Initially, derivatives are recognized at their fair value at the date on which a derivative contract is entered into, and subsequently remeasured at fair value. The resulting gain or loss is accounted for in the financial results for the year.

**Cash flow hedges**
Hedge instruments are stated at fair value, and the hedged item is stated at the amount on the curve. The difference between the yield curve of the hedge instrument and the fair value is reflected in comprehensive income as part of the Company's equity, such that both the hedge instruments and the hedged items affect the income by the amount on the curve.

## 2.8. Trade accounts receivable

Trade accounts receivable are composed of amounts receivable from clients for the sale of products or the provision of services in the normal course of the Company's activities. If their terms are one year or less, the accounts receivable are classified as current assets. Otherwise, they are presented in non-current assets.

Trade accounts receivable are recognized initially at fair value and subsequently measured at amortized cost using the effective interest rate method, less a provision for impairment. In practice, they are normally recognized at the amount billed, adjusted by the amount of the provision for impairment, if necessary.

## 2.9. Inventory

Inventory is stated at its cost or its net realizable value, whichever is lower, and valued using the weighted average method. The cost of finished products and products in progress includes the costs of raw materials, direct labor, other direct costs and the respective direct production expenses (based on normal operating capacity), excluding borrowing costs. The net realizable value is the estimated selling price in the ordinary course of business, less the estimated costs of completion and the estimated costs necessary to make the sale. Inventory is presented net of allowances for losses and, in the consolidated figures, net of the elimination of unrealized profits on inventory.

## 2.10. Property, plant and equipment

Land and buildings consist mainly of factories and distribution centers. Property, plant and equipment are measured at their historical cost of acquisition or construction, less accumulated depreciation and any accumulated losses due to impairment. The historical cost includes all costs directly attributable to the acquisition of the items, and financing costs related to the acquisition of qualifying assets.

Subsequent costs are included in the carrying amount of the asset, or recognized as a separate asset, as appropriate, only when it is likely that there will be a flow of future economic benefits associated with the item, and the cost of the item can be measured reliably. The carrying amounts of replaced items or parts are written off. All other repairs and maintenance are charged to income as they are incurred.

Items of property, plant and equipment are depreciated from the date on which they are available for use or, in the event of assets built in-house, from the date on which the construction is completed and the asset becomes available for use.

Land is not depreciated. The depreciation of property, plant and equipment is calculated so as to amortize the costs of the items, net of their estimated residual values, using the straight-line method, based on their estimated useful lives, as follow:

| | **Years** |
|---|---|
| Buildings | 38.7 |
| Machinery and equipment | 19.8 |
| Vehicles | 3.7 |
| Furniture and fixtures | 19.4 |

The residual values and useful lives of assets are reviewed, and adjusted if appropriate, at the end of each reporting period.

The carrying value of an asset is written down immediately to its recoverable value if the asset's carrying value is greater than its estimated recoverable amount (Note 2.12).

Gains and losses on disposals are determined by comparing the results from the assets with their carrying amounts, and are recognized as "Other net operating expenses/income" in the statement of income.

## 2.11. Intangible assets

***a. Goodwill***

Goodwill represents the difference between the fair value paid and/or payable for the purchase of a business and the net amount of the fair value of the assets and liabilities of the subsidiary purchased. Goodwill on acquisitions of subsidiaries is recorded within Intangible Assets in the consolidated financial statements, and as an investment in the parent company financial statements. Goodwill is tested for impairment at least annually whenever indicators of impairment are identified. Goodwill is recorded at its cost less accumulated impairment losses. Impairment losses recognized on goodwill are not reversed. Gains and losses arising from the sale of an entity include the carrying amount of any goodwill related to the entity sold.

***b. Trademarks, right of use of trademarks and licenses***

Trademarks and licenses acquired separately are presented, initially, at their acquisition values.

If some part of an amount paid for a business combination is related to trademarks, they are recognized in a specific account within Intangible Assets and measured at their fair values on the date of acquisition. Subsequently, since trademarks have indefinite useful lives, they are tested annually to assess their recoverability.

Expenses incurred internally for the development and strengthening of a trademark are recognized as expenses.

In addition to trademarks acquired through business combinations, the Company holds rights to use trademarks for a certain period.

These assets are amortized over their average useful lives, as shown below:

| | **Years** |
|---|---|
| Right of use of trademarks and licenses | 5.1 |
| Operating licenses | 2.5 |

***c. Software***

Any software licenses acquired are capitalized based on the costs incurred to acquire the software and to make it ready for use. These costs are amortized over the software's estimated useful life of five years.

Costs associated with the maintenance of software are recognized as expenses as they are incurred.

***d. Research and development of products***

Spending on research is recorded directly in the statement of income as it is incurred. Development expenditure is capitalized only if: (i) the development costs can be measured reliably; (ii) the product or process is technically and commercially viable; (iii) future economic benefits are likely; and (iv) the Company has an intention and sufficient resources to complete the development and either to use or to sell the asset.

Other development expenditure is recognized in the statement of income as it is incurred. After its initial recognition, the capitalized development costs are measured at cost, less accumulated amortization and any losses due to impairment.

These costs are amortized over their estimated useful life of 7.9 years.

## 2.12. Impairment of non-financial assets

Assets with indefinite useful lives, such as goodwill and trademarks, are not subject to amortization, and are tested annually for impairment. Assets that are subject to amortization are reviewed for indications of impairment whenever events or changes in circumstances indicate that their carrying values may not be recoverable. An impairment loss is recognized at the amount by which the carrying amount of the asset exceeds its recoverable value. The latter is the higher of the asset's fair value less selling costs and its value in use. For the purposes of assessing impairment, the assets are grouped at the lowest level for which there is separately identifiable cash flow, i.e. Cash Generating Unit (CGU) level. In practice, the Company only has a single CGU. Non-financial assets, excluding goodwill, that have suffered impairment are subsequently reviewed for the possible reversal of the impairment at the reporting date.

Impairment losses are recognized in the statement of income. The losses recognized are initially allocated to write down any goodwill allocated, and then to reduce the carrying amounts of other assets on a *pro rata* basis.

Impairment losses related to goodwill are not reversed. With respect to other assets, losses due to impairment are reversed only to the extent that the carrying amount of the asset does not exceed the carrying amount that would have been obtained, net of depreciation or amortization, had the impairment not been recognized.

## 2.13. Accounts payable to suppliers

Accounts payable to suppliers are obligations to pay for goods or services that have been acquired from suppliers in the ordinary course of business, and they are classified as current liabilities if payment is due within a one-year period. Otherwise, the accounts payable are presented as non-current liabilities. They are initially recognized at fair value, and subsequently measured at amortized cost using the effective interest rate method. In practice, they are usually recognized at the amount of the respective invoice.

## 2.14. Suppliers’ assignment of receivables

Some suppliers and service providers have the option to assign their securities, without right of recourse, to financial institutions. Under such transactions, the supplier may see a reduction in its financial costs because the financial institution takes into consideration the credit risk of the Company. The Company’s accounting policy is to separate these transactions in the balance sheet as Suppliers’ assignments of receivables. However, for the Company there is no change in the nature of the transaction, or in the cash flow linked to the invoices originally issued, nor any additional financial costs.

## 2.15. Loans, financing and debentures

These are recognized initially at fair value, net of transaction costs, and subsequently stated at amortized cost. Any differences between the amounts obtained (net of transaction costs) and the settlement amounts are recognized in the statement of income during the period in which the loans are outstanding, using the effective interest rate method.

Fees paid to financial institutions, in the form of funding costs, are deferred until the actual loan is drawn down. When there is a likelihood of the withdrawal of a part of or the entire loan, the fee is capitalized as a prepayment for liquidity services, and is amortized over the period of the respective loan.

Loans are classified as current liabilities unless the Company has an unconditional right to defer the settlement of the liability for at least 12 months after the balance sheet date.

## 2.16. Provisions and other liabilities, except for loans, financing and debentures

Provisions are recognized when the Company has a present legal or implicit obligation as a result of past events, it is probable that an outflow of funds will be necessary to settle the obligation, and the amounts and terms of such outflow are uncertain. Accordingly, the recognition, measurement and disclosure of provisions and of contingent liabilities take into consideration the criteria established in CPC 25.

A provision for restructuring is recognized when the Company has approved a formal, detailed restructuring plan, and the restructuring has already begun, or has already been publicly announced. Provisions are not recorded for future operating losses (Note 24).

Other liabilities are presented at their known or estimated amounts, including, when applicable, the corresponding charges, variations in exchange rates and monetary variations incurred.

## 2.17. Current and deferred income tax and social contribution and other taxes recoverable

### *a. Current and deferred income tax and social contribution*

The expenses for income tax and social contribution for the year include current and deferred taxes. Income taxes are recognized in the statement of income, except to the extent that they relate to items recognized directly in equity or in Other Comprehensive Income ("OCI").

The current income tax and social contribution charge are calculated on the basis of the tax laws enacted or substantially enacted up to the balance sheet date. Management periodically evaluates the positions taken by the Company in its income tax returns in situations where the applicable tax regulations are open to interpretation, and establishes provisions, where appropriate, based on the estimated amounts to be paid to the tax authorities.

The current income tax and social contribution are presented net per taxpaying entity, in liabilities whenever there are amounts payable, or in assets when the amounts paid in advance exceed the total amount due on the reporting date.

Deferred income tax and social contribution are recognized using the liability method for temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the financial statements. However, deferred income tax and social contribution liabilities are not recorded in the financial statements if they arise from the initial recognition of an asset or liability as part of a transaction that is not a business combination and which, at the time of the transaction, affects neither the accounting nor the taxable income. Deferred income tax and social contribution are determined on the basis of the tax rates (and tax laws) enacted up to the balance sheet date and which are expected to apply when the respective deferred tax asset is realized, or the deferred tax liability is settled.

Deferred income tax and social contribution assets are recognized only to the extent that future taxable profits will be available against which the temporary differences can be used.

Deferred income tax assets and liabilities are offset when there is a legally enforceable right to offset current tax assets against current tax liabilities, and when the deferred income tax assets and liabilities relate to income taxes levied by the same tax authority on the same taxable entity. Current and deferred income and social contribution taxes are calculated at a rate of 15%, plus a surcharge of 10% on any taxable income in excess of R$ 240 thousand in the 12-month period for income tax, and 9% for the social contribution on net income. These rates take into consideration the offsetting of income tax and social contribution losses, which is limited to 30% of the taxable income.

***b. Recoverable taxes***

These refer to recoverable PIS, COFINS, IPI and ICMS. Assets are constituted when there is a legally enforceable right and an intention to offset them against the calculation of current taxes, or when there is the right to receive a refund from the tax authorities.

## 2.18. Employee benefits

***a. Share-based compensation expenses***

The fair value, at the grant date, of share-based payment agreements granted to employees and to the executive board are recognized within personnel expenses, with a corresponding increase in equity, during the period when the employees unconditionally acquire the right to receive the respective premiums. The amount recognized within expenses is adjusted to reflect the earned proportion of such premiums, where it is expected that the services and performance conditions will be met, in such a way that the final expenses recognized are based on the number of premiums that actually meet the conditions of service, and the performance at the date of acquisition (the vesting date).

The amounts received, net of any directly attributable transaction costs, are credited in the share capital (face value), or in the sales prices of Treasury shares once the options are exercised.

***b. Profit sharing***

The Company recognizes a liability and an expense for profit sharing arrangements based on criteria that also consider the profit attributable to the shareholders after certain adjustments. The Company recognizes a provision where it is contractually obliged to do so, or when there is a past practice that has created a constructive obligation.

***c. Short-term employee benefits***

Obligations to offer short-term benefits to employees are recognized as personnel expenses as the corresponding services are provided. The liability is recognized at the amount that is expected to be paid if the Company has a legal or constructive present obligation to pay this amount as a result of the past services provided by the employees, where the amount of the obligation can be estimated reliably.

## 2.19. Share capital

Common shares are classified in equity. Incremental costs directly attributable to the issue of new shares or options are presented in equity as a deduction from the proceeds, net of taxes.

***Treasury shares***

The Company can purchase its own shares in return for a payment, including any directly attributable incremental costs (net of tax effects) as a discount on the equity attributable to the Company's shareholders, until such time as the shares are canceled or reissued. When these shares are subsequently reissued, any amount received, net of any directly attributable additional transaction costs and the respective income tax and social contribution effects, is included in the equity attributable to the Company's shareholders. Gains or losses resulting from the transactions are presented as capital reserves.

## 2.20. Government grants

Government grants are recognized when there is reasonable certainty that the benefits will be received, and all of the related conditions will be satisfied. When the benefit refers to an expense, it is recognized as revenue over the period of the benefit, in a systematic manner and in proportion to the costs the benefit of which it is intended to offset.

The Company has been granted an ICMS tax incentive by the government of the State of Goiás, which takes the form of a Granted Credit. Based on the Special Regime Agreement entered into with the Goiás State Finance Department, this credit is to be recorded as a deduction from the ICMS payable.

The effects of this calculation are recognized in profit or loss in the line item "Sales deductions", and the credit is made monthly based on the issuance of invoices which are subject to ICMS.

These benefits, at the year-end, are allocated to the government grants reserve.

When recording these amounts, the Company considers the conditions and obligations it is required to fulfill.

## 2.21. Revenue from sales of products and goods

Revenue represents the fair value of the consideration received or receivable for the trading of products in the normal course of the Company's activities. Revenue is shown net of taxes, returns, rebates and discounts, in the consolidated financial statements, after eliminating sales between subsidiaries.

The Company recognizes revenue when its amount can be measured reliably, it is probable that future economic benefits will flow to the entity, and at the time when control over the products has been transferred, that is, when the products are delivered to the buyer, who gains full control over the sales channels and prices for the products and goods, since the Company has no continuing involvement with the goods sold, or there are no other factor that could affect the acceptance of the products by the buyer.

## 2.22. Leases

At the beginning of each agreement, the Company assesses whether the arrangement is or contains a lease.

An agreement is or contains a lease if the agreement transfers the right to control the use of an identified asset for a substantial period of time in exchange for a consideration. To assess whether an agreement transfers the right to control the use of an identified asset, the Company uses the definition of a lease set out in CPC 06 (R2)/IFRS 16.

The Company recognizes a right-of-use asset and a lease liability at the beginning of the lease term. Each right-of-use asset is initially measured at cost, which is comprised of the initial measurement of the lease liability, adjusted for any lease payments made through the commencement date, plus any initial direct costs and estimated restoration costs.

The right-of-use-asset is subsequently amortized on a straight-line basis over the shorter of the useful life of the asset or the lease term. If the Company is reasonably sure that it will exercise a purchase option, the right-of-use asset is amortized over the useful life of the underlying asset. The average amortization periods for right-of-use assets are set out below:

| | **Years** |
|---|---|
| Buildings | 6.2 |
| Vehicles | 5.0 |
| Equipment | 3.0 |

The lease liability is initially measured at the present value of the lease payments that have not been made up to the commencement date, discounted using the interest rate implicit in the lease agreement or, if this rate cannot be readily determined, at the Company's incremental borrowing rate.

The lease liability is subsequently measured at amortized cost, using the effective interest method. It is remeasured whenever there is a change in the future lease payments arising from a change in an index or a rate, if: (i) there is a change in the amount that is expected to be paid based on the guaranteed residual value; or (ii) if the Company changes its assessment of whether it will exercise a purchase, extension or termination option, or whether there is any revised fixed in-substance lease payments.

## 2.23. Earnings per share

The Company calculates the earnings per share using the weighted average number of total common shares outstanding during the period, which correspond to the results, in accordance with Technical Pronouncement CPC 41 – "Earnings per Share".

The diluted earnings per share are calculated based on the net profit attributable to the holders of common shares, and on the weighted average number of common shares outstanding after adjustments for all potential dilutive common shares.

## 2.24. Distribution of dividends and interest on capital

The distribution of dividends to the Company's shareholders is recognized as a liability in the financial statements at the end of the year, based on the Company's bylaws.
The Board of Directors may declare interim dividends based on the existence or not of profit reserves in the last balance sheet. In addition, dividends may also be paid using the profit figures based on the Company's quarterly information, but these quarterly interim dividends cannot exceed the amounts in the capital reserve accounts. Any payment of interim dividends is offset against the mandatory distributions for the year during which the interim dividends have been paid. In addition, the Board of Directors may also decide to pay or credit interest on capital to

the shareholders, calculated based on the clauses in the relevant law, which is considered an advance on the payment of the minimum dividend.

### 2.25. Statements of added value

The preparation of individual and consolidated statements of value added is required by the Brazilian corporate legislation and by the accounting practices adopted in Brazil applicable to listed companies. The statement of value added was prepared in accordance with the criteria defined in Technical Pronouncement CPC 09 – "Statement of Value Added". IFRS does not require the presentation of such a statement, and thus under IFRS this statement is considered supplementary information.

## 3 Critical accounting estimates and judgments

Accounting estimates and judgments are evaluated on an ongoing basis, and are based on experience and other factors, including expectations of future events that are considered reasonable under the circumstances.

Based on assumptions, the Company makes estimates regarding the future. By definition, the resulting accounting estimates will seldom equal the related actual results. Those estimates and assumptions that pose a significant risk, with a probability of leading to material adjustments to the carrying amounts of assets and liabilities in subsequent years, are as described below.

***a. Estimated loss on (impairment of) non-financial assets***

The Company tests for possible losses (impairment) in the goodwill, trademarks and patents line items, based on the accounting policy presented in Note 2.12. Management identified the existence of a single CGU and a single business segment (Note 26), the recoverable amount of which was determined on the basis of the calculation of the value in use, which in turn is based on estimates (Notes 16 and 17).

***b. Useful lives of trademarks and items of property, plant and equipment***

Given the business strategy and the investments made, including advertising and publicity to strengthen and sustain trademarks, it is management's assessment that the estimated useful lives of trademarks may not be adequate. For this reason, trademarks are not amortized, but are tested for impairment to ensure that their carrying amounts do not exceed their realizable values.

The useful lives of items of property, plant and equipment are reviewed annually based on a report prepared internally by the Company's own specialists. There were no material changes to the depreciation recorded, and no need was identified to change the useful life assumptions used (Note 16).

***c. Recognition, measurement and realization of tax credits***

The Company has taxes recoverable and gains arising from a final and unappealable decision on a lawsuit, authorizing the recovery of PIS and COFINS levied on the ICMS included in invoices. The balance of tax credits, calculated based on court decisions indicating that the credit is equivalent to the amounts of invoices, takes into consideration a number of estimates involving the period covered by the lawsuit, the reliability of the measurement and the alternative means available for their settlement (Note 13).

***d. Contingencies***

Note 24 presents information on the liabilities and contingencies to which the Company is exposed in the course of its business.

Determining the likelihood of favorable outcomes of lawsuits in progress, as well as estimating the expected probable losses, requires the use of critical judgment by management, since it depends on future events that are not under the Company's control. The progress of these lawsuits in the various relevant spheres may have outcomes different from those expected by management or by its internal and external legal counsel, and any changes in judicial trends or new case law may result in significant changes to these estimates.

**_e. Recoverability of the balance of deferred income tax and social contribution_**

The recoverable amounts of the recognized deferred tax assets may vary significantly if different assumptions and data regarding projections of future taxable income are applied, which may affect the balance of deferred income tax and social contribution recorded in the financial statements. In addition, the estimated time required for the realization of income tax and social contribution losses and temporary differences and their impacts on future taxation require the use of significant judgment by the Company's management.

There are no tax impacts or repercussions in the text, and this matter refers solely to the recoverability of deferred taxes, not to their quality.

# 4 Financial risk management

**_a. Financial risk factors_**

The Company's activities expose it to various financial risks: market risk (including currency risk), fair value risk, interest rate risk, cash flow risk, price risk, credit risk and liquidity risk.

The Company has a risk management policy which requires it to diversify its transactions and counterparties. Under the terms of this policy, the nature and general positions of the financial risks are regularly monitored and managed in order to evaluate the results and the financial impact on cash flow. The credit limits and the quality of the hedges of counterparties are also reviewed periodically.

Under this policy, market risks are hedged when this is considered necessary to support the corporate strategy, or to ensure the maintenance of financial flexibility. The Financial Board examines and revises information related to risk management, including significant policies, procedures and practices applied to risk management.

the Company manages some of its risk using derivative instruments, while remaining in line with the risk management policy, which prohibits speculative negotiations and short sales.

**_b. Foreign exchange risk_**

Foreign exchange risk arises from the possibility of the Company incurring losses due to fluctuations in exchange rates, increasing the balances of liabilities related to funds raised in the market.

At December 31, 2023 and 2022, the assets and liabilities denominated in foreign currencies, and the financial instruments used to mitigate the associated exchange risks, were as follow:

| | | | | | | Parent company |
|---|---|---|---|---|---|---|
| | | | 2023 | | | 2022 |
| | US$ '000 | EUR '000 | R$ '000 | USD '000 | EUR '000 | R$ '000 |
| **Liabilities** | | | | | | |
| Suppliers | 172 | - | 834 | 178 | - | 938 |
| Suppliers' assignments of receivables | - | - | - | - | - | - |
| Loans and financing | 65,787 | 56,667 | 622,644 | 114,783 | - | 606,007 |
| Derivative instruments to mitigate risks | (65,000) | (54,795) | (607,447) | (115,000) | - | (607,154) |
| Other payables | - | - | - | - | - | - |
| Net exposure | 959 | 1,872 | 16,031 | (39) | - | (209) |

| | | | | | | Consolidated |
|---|---|---|---|---|---|---|
| | | | 2023 | | | 2022 |
| | USD '000 | EUR '000 | R$ '000 | USD '000 | EUR '000 | R$ '000 |
| **Assets** | | | | | | |
| Customers | - | - | - | (384) | - | (1,982) |
| **Liabilities** | | | | | | |
| Suppliers | 5,348 | - | 25,961 | 13,588 | - | 71,739 |
| Suppliers' assignments of receivables | 35,233 | - | 171,023 | 105,298 | 105 | 557,718 |
| Loans and financing | 65,787 | 56,697 | 622,807 | 114,783 | - | 606,007 |
| Derivative instruments to mitigate risks | (119,627) | (54,795) | (874,331) | (291,528) | (877) | (1,544,093) |
| Other payables | 377 | 15 | 1,924 | 358 | 1,291 | 8,880 |
| Net exposure | (12,882) | 1,917 | (52,616) | (57,885) | 519 | (301,731) |

### c. *Cash flow or fair value risk associated with interest rates*

The Company's interest rate risk arises from financial investments, securities, debentures, short- and long-term loans and financing. Loans issued at variable rates expose the Company to interest rate risk. Loans issued at fixed rates expose the Company to fair value risk associated with changes in interest rates.

The Company analyzes its exposure to interest rates dynamically, and seeks to diversify the indices of its financial liabilities. As part of this analysis, various scenarios are simulated, taking into consideration refinancing, the renewal of existing positions, and alternative financing and hedging possibilities.

The levels of exposure to interest rate risk on transactions related to variations in the Interbank Deposit Certificate (CDI) rate, the Long-term Interest Rate (TJLP) and the Reference Rate (IPCA) are presented in the following table:

| | | 2023 |
|---|---|---|
| | Parent company | Consolidated |
| Loans, financing and swaps – CDI | 944,632 | 944,632 |
| Financing – TJLP | 337,611 | 337,611 |
| Debentures – CDI | 1,781,724 | 1,781,724 |
| Debentures – IPCA | 566,773 | 566,773 |
| Notes payable – CDI | 9,274 | 9,274 |
| Financial investments – CDI (Note 10) | (2,355,532) | (2,550,332) |
| Net exposure | 1,284,482 | 1,089,682 |

### d. *Credit risk*

Credit risk arises from cash and cash equivalents, derivative financial instruments, deposits with banks and financial institutions, and credit exposure to wholesale and retail customers, including outstanding accounts receivable and repurchase operations.

For banks and financial institutions, the Company has a policy of diversifying its financial investments in top-tier institutions with the ratings required in Note 9 (Credit quality of financial assets).

The credit analysis department assesses the credit quality by taking into account customers' financial position, payment history, publicly available information, and information obtained from credit analysis institutions (Serasa, CISP and Credinfar). Individual risk limits are determined based on regular internal monitoring.

A significant portion of the Company's sales are made to large retail chains and distributors with broad distribution networks in Brazil, which mitigates the Company's consolidated credit risk. Additionally, the credit analysis department uses the aforementioned controls for the continuous monitoring and assessment of the Company's portfolio. For details of the analysis of the due dates, see Note 11.

***e. Liquidity risk***

The Company believes that the cash flow from operating activities, cash and cash equivalents, and the available lines of credit, are be sufficient to fund its financial commitments and dividend payments in the future.

The table below analyzes the Company's financial liabilities per maturity bracket, corresponding to the remaining period from the balance sheet date to the contractual maturity date. A derivative financial liability is included in the analysis if its contractual maturity is essential to understanding the respective cash flow. The amounts disclosed in the table represent contracted non-discounted cash flow, and do not match the balance sheet amounts, as they are estimates only.

**Parent company**

| | | | | | **2023** |
|---|---|---|---|---|---|
| | **Less than one year** | **From one to two years** | **From two to five years** | **More than five years** | **Overall total** |
| Debentures | 2,114,021 | 2,377,538 | 5,326,521 | 847,067 | 10,665,147 |
| Loans and financing | 755,060 | 462,331 | 873,611 | 50,188 | 2,141,190 |
| Notes payable | 24,057 | - | - | - | 24,057 |
| Suppliers | 771,973 | - | - | - | 771,973 |
| Suppliers' assignment of receivables | 14,640 | - | - | - | 14,640 |
| Other payables | 293,770 | 27,850 | - | - | 321,620 |
| Derivative financial instruments | 19,981 | 8,735 | (11,632) | - | 17,084 |
| | 3,993,502 | 2,876,454 | 6,188,500 | 897,255 | 13,955,711 |

| | | | | | **2022** |
|---|---|---|---|---|---|
| | **Less than one year** | **From one to two years** | **From two to five years** | **More than five years** | **Overall total** |
| Debentures | 1,626,807 | 1,998,955 | 5,730,958 | 688,783 | 10,045,503 |
| Loans and financing | 1,407,876 | 690,290 | 527,700 | 66,258 | 2,692,124 |
| Notes payable | 56,990 | - | - | - | 56,990 |
| Suppliers | 755,614 | - | - | - | 755,614 |
| Suppliers' assignment of receivables | 39,124 | - | - | - | 39,124 |
| Other payables | 295,783 | 41,517 | - | - | 337,300 |
| Derivative financial instruments | 50,002 | 9,738 | (71,357) | - | (11,617) |
| | 4,232,196 | 2,740,500 | 6,187,301 | 755,041 | 13,915,038 |

## Consolidated

| | Less than one year | From one to two years | From two to five years | More than five years | Overall total |
|---|---|---|---|---|---|
| | | | | | **2023** |
| Debentures | 2,114,021 | 2,377,538 | 5,326,521 | 847,067 | 10,665,147 |
| Loans and financing | 761,384 | 462,341 | 873,611 | 50,188 | 2,147,524 |
| Notes payable | 24,057 | - | - | - | 24,057 |
| Suppliers | 389,667 | - | - | - | 389,667 |
| Suppliers' assignment of receivables | 448,307 | - | - | - | 448,307 |
| Other payables | 418,705 | 59,007 | - | - | 477,712 |
| Derivative financial instruments | 694 | 8,736 | (11,632) | - | (2,202) |
| | 4,156,835 | 2,907,622 | 6,188,500 | 897,255 | 14,150,212 |

| | Less than one year | From one to two years | From two to five years | More than five years | Overall total |
|---|---|---|---|---|---|
| | | | | | **2022** |
| Debentures | 1,626,807 | 1,998,955 | 5,730,958 | 688,783 | 10,045,503 |
| Loans and financing | 1,414,652 | 690,417 | 527,710 | 66,258 | 2,699,037 |
| Notes payable | 56,990 | - | - | - | 56,990 |
| Suppliers | 421,501 | - | - | - | 421,501 |
| Suppliers' assignment of receivables | 888,150 | - | - | - | 888,150 |
| Other payables | 431,239 | 25,870 | - | - | 457,109 |
| Derivative financial instruments | 52,524 | 9,738 | (71,357) | - | (9,095) |
| | 4,891,863 | 2,724,980 | 6,187,311 | 755,041 | 14,559,195 |

### f. *Derivatives*

In 2023 the Company had transactions involving currency forward derivative financial instruments (US Dollar vs. Brazilian Real), foreign exchange rate and interest rate swaps.

These outstanding transactions were conducted to hedge against fluctuations in liabilities denominated in foreign currencies relating to loans, financing and suppliers. These instruments were not used for speculative purposes, and are characterized as financial instruments with a high correlation with the liabilities to which they are linked (see sensitivity analysis in item (h) below).

At December 31, 2023, the derivative instruments contracted by the Company totaled R$ (5,418,666) in the consolidated (2022 – R$ 1,939,093) and R$ (5,685,550) in the parent company (2022 – R$ 1,002,154). The results of the transactions not yet settled in the year ended December 31, 2023, represented losses of R$ 43,629 (2022 – losses of R$ 17,170) in the consolidated, and losses of R$ 27,799 (2022 – losses of R$ 17,260) in the parent company.

At December 31, 2023 and 2022, these transactions can be summarized as follows:

## Parent company

| Type | Counterparties | Notional value | | Fair value receivable (payable) | | Gain (loss) realized | |
|---|---|---|---|---|---|---|---|
| *(In R$ thousand)* | | Dec/23 | Dec/22 | Dec/23 | Dec/22 | Dec/23 | Dec/22 |
| **Foreign currency** | | | | | | | |
| **Forward contracts** | | - | - | - | - | - | **(144,616)** |
| Long position | BNP Paribas, Bradesco, BTG, Itaú, BofA, Safra, Santander, Votorantin, Citibank | - | - | - | - | - | (166,247) |
| Short position | Bradesco, BTG, Itaú, BofA, Santander, Votorantim, Citibank | - | - | - | - | - | 21,631 |

| | | | | | | | |
|---|---|---|---|---|---|---|---|
| **Swaps** | | **607,447** | **607,154** | **(33,583)** | **(4,412)** | **(60,752)** | **(45,143)** |
| Long position | BNP, Citibank | 607,447 | 607,154 | (33,583) | (4,412) | (60,752) | (45,143) |
| **Subtotal** | | **607,447** | **607,154** | **(33,583)** | **(4,412)** | **(60,752)** | **(189,759)** |
| **Interest rate** | | | | | | | |
| **Swaps – Asset Position – Fixed** | | **(6,292,997)** | **395,000** | **5,784** | **(12,848)** | **(7,004)** | **(13,117)** |
| Long position | BNP Paribas, Itaú, Merril Lynch, Santander, XP Investimentos | 1,000,000 | 395,000 | 10,251 | - | (7,004) | (13,117) |
| Short position | BNP Paribas, Itaú, BOFA, XP Investimentos, Santander | (7,292,997) | - | (4,467) | (12,848) | - | - |
| **Total** | | **(5,685,550)** | **1,002,154** | **(27,799)** | **(17,260)** | **(67,756)** | **(202,876)** |

## Consolidated

| Type | Counterparties | Notional value | | Fair value receivable (payable) | | Gain (loss) realized | |
|---|---|---|---|---|---|---|---|
| *(In R$ thousand)* | | **Dec/23** | **Dec/22** | **Dec/23** | **Dec/22** | **Dec/23** | **Dec/22** |
| **Foreign currency** | | | | | | | |
| **Forward contracts** | | **266,884** | **936,939** | **(15,950)** | **90** | **(86,697)** | **(265,330)** |
| Long position | ABC Brasil, Banco do Brasil, BNP Paribas, Bradesco, BTG, CitiBank, Itaú, JP Morgan, Merril Lynch, Safra, Santander, Votorantim, XP Investimentos. | 299,730 | 941,970 | (16,202) | (159) | (91,226) | (315,978) |
| Short position | ABC Brasil, Banco do Brasil, JP Morgan, Merril Lynch, Votorantim, XP Investimentos | (32,846) | (5,031) | 252 | 249 | 4,529 | 50,648 |
| **Swaps** | | **607,447** | **607,154** | **(33,464)** | **(4,412)** | **(60,752)** | **(45,143)** |
| Long position | BNP, Citibank | 607,447 | 607,154 | (33,464) | (4,412) | (60,752) | (45,143) |
| **Subtotal** | | **874,331** | **1,544,093** | **(49,414)** | **(4,322)** | **(147,449)** | **(310,473)** |
| **Interest rate** | | | | | | | |
| **Swaps – Asset Position – Fixed** | | **(6,292,997)** | **395,000** | **5,785** | **(12,848)** | **(7,004)** | **(13,117)** |
| Long position | BNP Paribas, Itaú, Merril Lynch, Santander, XP Investimentos | 1,000,000 | 395,000 | 10,251 | - | (7,004) | (13,117) |
| Short position | BNP Paribas, Itaú, BOFA, XP Investimentos, Santander | (7,292,997) | - | (4,466) | (12,848) | - | - |
| **Total** | | **(5,418,666)** | **1,939,093** | **(43,629)** | **(17,170)** | **(154,453)** | **(323,590)** |

### g. *Methodology for calculating the fair values of derivatives*

(i) Foreign currency forward contracts are valued using the interpolations of the market rates of US Dollar futures contracts for each base date published by B3 S.A. – Brasil, Bolsa, Balcão ("B3") (formerly BM&F BOVESPA).

(ii) Swaps are valued using the interpolation of the exchange coupon market and future interbank deposit rates for each base date, as issued by B3.

### h. *Sensitivity analysis*

The table below presents a sensitivity analysis of the financial instruments, including derivatives that describe the risks that could result in material losses for the Company, with the most likely scenario (Scenario I, based on a fluctuation of 5.73% for the US Dollar, corresponding to three standard deviations of the fluctuation during the three months of the fourth quarter of the year) according to management's evaluation, considering a projection period of three months, after which the next quarterly financial information containing this analysis should be released. In addition, two additional scenarios (Scenarios II and III) are presented to show deteriorations of 25% and 50%, respectively, in the exchange rates between the Brazilian Real and the US Dollar.

**Parent company**

| Risk | Scenario I | | Scenario II | | Scenario III | |
|---|---|---|---|---|---|---|
| *(In R$ thousand)* | | | 25% fluctuation | | 50% fluctuation | |
| | Appreciation | Depreciation | Appreciation | Depreciation | Appreciation | Depreciation |
| **US Dollar quotation** | 4.576 | 5.132 | 3.641 | 6.068 | 2.427 | 7.281 |
| **Foreign currency** | | | | | | |
| **Economic hedges** | **(34,633)** | **34,633** | **(151,228)** | **151,228** | **(302,456)** | **302,456** |
| Forward contracts | - | - | - | - | - | - |
| Swaps | (34,633) | 34,633 | (151,228) | 151,228 | (302,456) | 302,456 |
| **Objects of the economic hedge** | **34,633** | **(34,633)** | **151,228** | **(151,228)** | **302,456** | **(302,456)** |
| Loans, financing and notes payable subject to short-term exchange rate variations | 34,633 | (34,633) | 151,228 | (151,228) | 302,456 | (302,456) |
| **Net effect** | - | - | - | - | - | - |

**Consolidated**

| Risk | Scenario I | | Scenario II | | Scenario III | |
|---|---|---|---|---|---|---|
| *(In R$ thousand)* | | | 25% fluctuation | | 50% fluctuation | |
| | Appreciation | Depreciation | Appreciation | Depreciation | Appreciation | Depreciation |
| **US Dollar quotation** | 4.576 | 5.132 | 3.641 | 6.068 | 2.427 | 7.281 |
| **Foreign currency** | | | | | | |
| **Economic hedges** | **(49,676)** | **49,676** | **(216,914)** | **216,914** | **(433,829)** | **433,829** |
| Forward contracts | (15,043) | 15,043 | (65,686) | 65,686 | (131,373) | 131,373 |
| Swaps | (34,633) | 34,633 | (151,228) | 151,228 | (302,456) | 302,456 |
| **Objects of the economic hedge** | **49,903** | **(49,903)** | **217,908** | **(217,908)** | **435,817** | **(435,817)** |
| Loans, financing and notes payable subject to short-term exchange rate variations | 49,903 | (49,903) | 217,908 | (217,908) | 435,817 | (435,817) |
| **Net effect** | **227** | **(227)** | **994** | **(994)** | **1,988** | **(1,988)** |

The sensitivity analysis presented above shows the net effect on the profit or loss, considering changes to the exchange rate of the Brazilian Real against the US Dollar and the Euro, holding all other risk variables constant.

The scenarios for monetary variations and the floating interest rates on the Company's loans, financing, debentures and notes payable projected for the first quarter of 2024 are as follow:

## Parent company

| Variation scenarios | Likely scenario* | 25% change | 50% change |
|---|---|---|---|
| Loans – CDI | (2,792) | 27,512 | 55,025 |
| Financing – TJLP | (63) | 5,528 | 11,057 |
| Debentures – CDI | (5,266) | 51,893 | 103,785 |
| Debentures – IPCA | 586 | 1,530 | 3,061 |
| Notes payable – CDI | (27) | 270 | 540 |
| Financial investments | 6,962 | (68,605) | (137,210) |
| **Total loss (gain)** | **(600)** | **18,128** | **36,258** |

**Consolidated**

| Variation scenarios | Likely scenario* | 25% change | 50% change |
|---|---|---|---|
| Loans – CDI | (2,792) | 27,512 | 55,025 |
| Financing – TJLP | (63) | 5,528 | 11,057 |
| Debentures – CDI | (5,266) | 51,893 | 103,785 |
| Debentures – IPCA | 586 | 1,530 | 3,061 |
| Notes payable – CDI | (27) | 270 | 540 |
| Financial investments | 7,538 | (74,278) | (148,557) |
| **Total loss (gain)** | **(24)** | **12,455** | **24,911** |

***Likely scenario assumptions**
Forecast CDI of 11.32% p.a.
Forecast TJLP of 6.53% p.a.
Forecast IPCA of 2.17 % p.a.

# 5 Capital management

The Company's objectives when managing its capital are to safeguard its ability to continue to offer returns to its shareholders and benefits to other stakeholders, while maintaining an optimal capital structure to reduce the cost of capital.

To maintain or adjust its capital structure, the Company may review the dividend payment policy, return capital to shareholders, or even issue new shares or sell assets, for example to reduce debt.

The Company monitors its capital based on the financial leverage ratio, which is calculated as net debt divided by total capitalization. Net debt includes total loans (including short- and long-term loans, financing, debentures, and notes payable, as presented in the consolidated balance sheet), less cash and cash equivalents. The total capitalization is calculated based on the sum of equity, as shown in the consolidated balance sheet, plus net debt.

The indices of financial leverage at December 31, 2023 and 2022 may be summarized as follows:

| | Parent company | | Consolidated | |
|---|---|---|---|---|
| | 2023 | 2022 | 2023 | 2022 |
| Total loans, financing and debentures (Note 20) | 9,926,062 | 9,601,116 | 9,937,779 | 9,607,559 |
| Total notes payable | 24,057 | 73,410 | 24,057 | 73,410 |
| Loss (gain) on financial hedge | 27,799 | 17,260 | 27,799 | 17,260 |
| Less: cash and cash equivalents (Note 10) | (2,366,433) | (2,597,837) | (2,580,893) | (2,862,473) |
| Debt (cash and cash equivalents), net | 7,611,485 | 7,093,949 | 7,408,742 | 6,835,756 |
| Total equity | 11,504,124 | 10,645,760 | 11,517,873 | 10,655,441 |
| Adjusted equity | 19,115,609 | 17,739,709 | 18,926,615 | 17,491,197 |
| Net debt to adjusted equity ratio | 39.8% | 39.9% | 39.1% | 39.1% |

# 6 Estimate of fair value

It is assumed that the balances of accounts receivable and suppliers at their book values, less losses (impairment), approximate their fair values. The fair values of financial liabilities for disclosure purposes are estimated by discounting the future contractual cash flow at the prevailing market interest rate available to the Company for similar financial instruments (Note 20 (b)).

The Company records Its financial instruments in the balance sheet at their fair values, in accordance with CPC 40 (R1)/IFRS 7, which requires the disclosure of fair value measurements according to their level of the following fair value measurement hierarchy:

- Prices quoted (unadjusted) in active markets for similar assets and liabilities (Level 1).
- Inputs, other than quoted prices included in Level 1, that are available in the market for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices) (Level 2).
- Inputs for assets or liabilities that are not based on data available in the market (i.e. unobservable inputs) (Level 3).

The table below presents the Company's derivative instrument assets and liabilities at December 31, 2023, as well as their fair values.

| | | | **Parent company** |
|---|---|---|---|
| | **Level 1** | **Level 2** | **Total balance** |
| Assets | | | |
| Derivative financial instruments | - | 11,841 | 11,841 |
| Total assets | - | 11,841 | 11,841 |
| Liabilities | | | |
| Derivative financial instruments | - | 39,640 | 39,640 |
| Total liabilities | - | 39,640 | 39,640 |

| | | | **Consolidated** |
|---|---|---|---|
| | **Level 1** | **Level 2** | **Total balance** |
| Assets | | | |
| Derivative financial instruments | - | 12,143 | 12,143 |
| Total assets | - | 12,143 | 12,143 |
| Liabilities | | | |
| Derivative financial instruments | - | 55,772 | 55,772 |
| Total liabilities | - | 55,772 | 55,772 |

The table below presents the Company's derivative instrument assets and liabilities at December 31, 2022, as well as the amounts measured at fair value.

| | | | **Parent company** |
|---|---|---|---|
| | **Level 1** | **Level 2** | **Total balance** |
| Assets | | | |
| Derivative financial instruments | - | 24,087 | 24,087 |
| Total assets | - | 24,087 | 24,087 |
| Liabilities | | | |
| Derivative financial instruments | - | 41,347 | 41,347 |
| Total liabilities | - | 41,347 | 41,347 |

| | | | **Consolidated** |
|---|---|---|---|
| | **Level 1** | **Level 2** | **Total balance** |
| Assets | | | |
| Derivative financial instruments | - | 34,428 | 34,428 |
| Total assets | - | 34,428 | 34,428 |
| Liabilities | | | |
| Derivative financial instruments | - | 51,598 | 51,598 |
| Total liabilities | - | 51,598 | 51,598 |

The fair values of financial instruments not traded in active markets (e.g. derivatives) are determined using valuation techniques, which maximize the use of data derived from the market, where available, and rely to the minimum extent possible on the Company's own estimates.

# 7 Hedge accounting

The Company holds derivative financial instruments to hedge its exposure to foreign currency variations and interest rate risk.

Based on the characteristics of the hedges, it is the Company's accounting policy to adopt hedge accounting, as established in CPC 38 (IAS 39). For transactions designated as subject to hedge accounting, the Company formally documents the economic relationship between the hedging instruments and the hedged items, including the risk management objectives and the strategy for conducting the hedging transaction, as well as the methods to be used to evaluate the effectiveness of the hedging relationship.

The Company makes forward-looking and retrospective assessments, both at the time of designation of the hedging relationship, and on a continuous basis if it is expected that the hedge instruments will be "highly effective" in offsetting changes in the fair values of the respective hedged items during the period for which the hedge is designated, and if the actual results of each hedge are within the range determined by management.

If a hedge instrument no longer meets the criteria for hedge accounting, expires or is sold, is closed, is exercised, or has its designation revoked, then hedge accounting is discontinued on a prospective basis. Hedged items which were previously recognized at their fair values are recorded at amortized cost.

In 2023, as part of the prospective effectiveness assessment, and considering the aspects of Phase 2 of the reference interest rate reform described in Note 2.I), management carried out an analysis of the economic relationships of its hedge accounting structures, and identified no material impacts on the hedging relationships, nor any ineffectiveness as a direct result of the reform. The end of the exemptions from the requirement to assess the effectiveness of the Phase 1 hedging relationships, with recognition in the profit or loss for the year of the ineffective portion resulting from the change in the reference rate, is being monitored by management in order to identify when such uncertainty is no longer present (that is, when the contractual replacement of the rate is complete, or when the hedging relationship is discontinued).

**Fair value hedges**

Currently, the Company has fair value hedges of its transactions, so that both the hedging instruments and hedged items are stated at fair value through profit or loss. Presented below are the transactions and accounting effects arising from the adoption of this practice:

| | | | | | Parent company 2023 |
|---|---|---|---|---|---|
| **Operation** | **Index** | **Hedge type** | **Principal amount** | **Asset/(liability) balance** | **Gain/(loss) in P&L** |
| Loan – 4131** | USD + spread | Fair value | 218,075 | 222,403 | 2,549 |
| Swap – 4131 | USD + Spread vs. CDI | Fair value | 218,075 | (3,315) | - |
| Loan – 4131** | USD + spread | Fair value | 94,600 | 98,577 | 55 |
| Swap – 4131** | USD + Spread vs. CDI | Fair value | 94,600 | 767 | - |
| Loan – 4131 | EUR + spread | Fair value | 300,000 | 303,490 | (969) |
| Swap – 4131 | EUR + Spread vs CDI+ | Fair value | 300,000 | (31,626) | - |

| | | | | | Parent company 2022 |
|---|---|---|---|---|---|
| **Operation** | **Index** | **Hedge type** | **Principal amount** | **Asset/(liability) balance** | **Gain/(loss) in P&L** |
| Loan – 4131** | USD + spread | Fair value | 218,075 | 234,909 | (4) |
| Swap – CDI** | USD + Spread vs. CDI | Fair value | 218,075 | 15,524 | - |
| Loan – 4131* | USD + spread | Fair value | 94,600 | 105,275 | 16 |
| Swap – 4131* | USD + Spread vs. % CDI | Fair value | 94,600 | 8,562 | - |
| Loan – 4131* | Fixed rate | Fair value | 395,000 | 548,964 | (398) |
| Swap – 4131* | Fixed rate vs. CDI | Fair value | 395,000 | (12,849) | - |
| Loan – 4131* | USD + spread | Fair value | 263,980 | 265,823 | 987 |
| Swap – 4131* | USD + Spread vs. CDI | Fair value | 263,980 | (28,498) | - |

| | | | | | Consolidated 2023 |
|---|---|---|---|---|---|
| **Operation** | **Index** | **Hedge type** | **Principal amount** | **Asset/(liability) balance** | **Gain/(loss) in P&L** |
| Loan – 4131** | USD + spread | Fair value | 218,075 | 222,403 | 2,549 |
| Swap – 4131 | USD + Spread vs. CDI | Fair value | 218,075 | (3,315) | - |
| Loan – 4131** | USD + spread | Fair value | 94,600 | 98,577 | 55 |
| Swap – 4131** | USD + Spread vs. CDI | Fair value | 94,600 | 767 | - |
| Loan – 4131 | EUR + spread | Fair value | 300,000 | 303,490 | (969) |
| Swap – 4131 | EUR + Spread vs CDI | Fair value | 300,000 | (31,626) | - |

| | | | | | Consolidated |
|---|---|---|---|---|---|
| | | | | | 2022 |
| **Operation** | **Index** | **Hedge type** | **Principal amount** | **Asset/(liability) balance** | **Gain/(loss) in P&L** |
| Loan – 4131** | USD + spread | Fair value | 218,075 | 234,909 | (4) |
| Swap – CDI** | USD + Spread vs. CDI | Fair value | 218,075 | 15,524 | - |
| Loan – 4131* | USD + spread | Fair value | 94,600 | 105,275 | 16 |
| Swap – 4131* | USD + Spread vs. % CDI | Fair value | 94,600 | 8,562 | - |
| Loan – 4131* | Fixed rate | Fair value | 395,000 | 548,964 | (398) |
| Swap – 4131* | Fixed rate vs. CDI | Fair value | 395,000 | (12,849) | - |
| Loan – 4131* | USD + spread | Fair value | 263,980 | 265,823 | 987 |
| Swap – 4131* | USD + Spread vs. CDI | Fair value | 263,980 | (28,498) | - |

* Maturity within one year
** Maturity in up to two years

The fair value cash flow hedge transaction maintained a hedging ratio of 1:1, with a weighted average rate of R$/USD 5.3202.

***Cash flow hedges***
The Company has cash flow hedges of most of its transactions with suppliers, and of its debt flow swaps. Gains or losses on the effective portions of these hedge are recognized in equity/other comprehensive income.

Presented below are the transactions and accounting effects arising from the adoption of this practice:

| | | | | | Parent company |
|---|---|---|---|---|---|
| | | | | | 2023 |
| **Operation** | **Index** | **Hedge type** | **Principal amount** | **Asset/(liability) balance** | **Gain/(loss) in comprehensive income** |
| Debentures | CDI | Cash flow | 500,000 | 500,000 | (25) |
| Swaps | CDI+ vs Fixed Rate | Cash flow | 500,000 | 342 | - |
| Debentures | CDI | Cash flow | 500,000 | 500,000 | (84) |
| Swaps | CDI+ vs Fixed Rate | Cash flow | 500,000 | 482 | - |
| Debentures | CDI | Cash flow | 750,000 | 750,000 | 1,052 |
| Swaps | CDI+ vs Fixed Rate | Cash flow | 750,000 | (626) | - |
| Debentures | CDI | Cash flow | 250,000 | 250,000 | 331 |
| Swaps | CDI+ vs Fixed Rate | Cash flow | 250,000 | (194) | - |
| Debentures | CDI | Cash flow | 1,000,000 | 1,000,000 | 1,446 |
| Swaps | CDI+ vs Fixed Rate | Cash flow | 1,000,000 | (791) | - |
| Debentures | CDI | Cash flow | 1,000,000 | 1,000,000 | 1,248 |
| Swaps | CDI+ vs Fixed Rate | Cash flow | 1,000,000 | (644) | - |
| Debentures | CDI | Cash flow | 800,000 | 800,000 | 805 |
| Swaps | CDI+ vs Fixed Rate | Cash flow | 800,000 | (305) | - |
| Debentures | CDI | Cash flow | 200,000 | 200,000 | 135 |
| Swaps | CDI+ vs Fixed Rate | Cash flow | 200,000 | (9) | - |
| Debentures | CDI | Cash flow | 550,000 | 550,000 | 470 |
| Swaps | CDI+ vs Fixed Rate | Cash flow | 550,000 | (128) | - |
| Debentures | CDI | Cash flow | 242,997 | 242,997 | 274 |
| Swaps | CDI+ vs Fixed Rate | Cash flow | 242,997 | (126) | - |
| Debentures | CDI | Cash flow | 500,000 | 500,000 | 260 |
| Swaps | CDI+ vs Fixed Rate | Cash flow | 500,000 | (38) | - |

| Operation | Index | Hedge type | Principal amount | Asset/(liability) balance | Gain/(loss) in comprehensive income |
|---|---|---|---|---|---|
| | | | | | **Consolidated** |
| | | | | | **2023** |
| Debentures | CDI | Cash flow | 500,000 | 500,000 | (25) |
| Swaps | CDI+ vs Fixed Rate | Cash flow | 500,000 | 342 | - |
| Debentures | CDI | Cash flow | 500,000 | 500,000 | (84) |
| Swaps | CDI+ vs Fixed Rate | Cash flow | 500,000 | 482 | - |
| Debentures | CDI | Cash flow | 750,000 | 750,000 | 1,052 |
| Swaps | CDI+ vs Fixed Rate | Cash flow | 750,000 | (626) | - |
| Debentures | CDI | Cash flow | 250,000 | 250,000 | 331 |
| Swaps | CDI+ vs Fixed Rate | Cash flow | 250,000 | (194) | - |
| Debentures | CDI | Cash flow | 1,000,000 | 1,000,000 | 1,446 |
| Swaps | CDI+ vs Fixed Rate | Cash flow | 1,000,000 | (791) | - |
| Debentures | CDI | Cash flow | 1,000,000 | 1,000,000 | 1,248 |
| Swaps | CDI+ vs Fixed Rate | Cash flow | 1,000,000 | (644) | - |
| Debentures | CDI | Cash flow | 800,000 | 800,000 | 805 |
| Swaps | CDI+ vs Fixed Rate | Cash flow | 800,000 | (305) | - |
| Debentures | CDI | Cash flow | 200,000 | 200,000 | 135 |
| Swaps | CDI+ vs Fixed Rate | Cash flow | 200,000 | (9) | - |
| Debentures | CDI | Cash flow | 550,000 | 550,000 | 470 |
| Swaps | CDI+ vs Fixed Rate | Cash flow | 550,000 | (128) | - |
| Debentures | CDI | Cash flow | 242,997 | 242,997 | 274 |
| Swaps | CDI+ vs Fixed Rate | Cash flow | 242,997 | (126) | - |
| Debentures | CDI | Cash flow | 500,000 | 500,000 | 260 |
| Swaps | CDI+ vs Fixed Rate | Cash flow | 500,000 | (38) | - |
| Suppliers | USD | Cash flow | 35,949 | (35,949) | - |
| NDF Suppliers (I) | USD vs. R$ | Cash flow | 35,949 | (14,501) | 489 |
| NDF Purchases | USD vs. R$ | Cash flow | 19,000 | (1,448) | (1,448) |

| Operation | Index | Hedge type | Principal amount | Asset/(liability) balance | Gain/(loss) in comprehensive income |
|---|---|---|---|---|---|
| | | | | | **Parent company** |
| | | | | | **2022** |
| NDF Acquisition | USD vs. R$ | Cash flow | - | - | - |

| Operation | Index | Hedge type | Principal amount | Asset/(liability) balance | Gain/(loss) in comprehensive income |
|---|---|---|---|---|---|
| | | | | | **Consolidated** |
| | | | | | **2022** |
| Suppliers | USD | Cash flow | 572,335 | (572,335) | - |
| NDF Suppliers (I) | USD vs. R$ | Cash flow | 572,335 | (7,389) | 3,269 |

(938) I) Maturities within one year.

Cash flow hedge operations maintained a hedging ratio of 1:1, with a weighted average rate of R$/USD 5.3202 and R$/EUR 5.1003 for NDF Suppliers; R$/USD 4.9516 for NDF Future Purchases. The cash flow from these operations is stated in Financial Risk Managem–nt - Liquidity Risk (NotI (e)).

# 8 Financial instruments by category

## Parent company

| | | | | | 2023 |
|---|---|---|---|---|---|
| | **Amortized cost** | **FVOCI** | **FVTPL** | **Designated as a cash flow hedge** | **Total** |
| **Financial assets per the balance sheet** | | | | | |
| Accounts receivable (Note 11) | 2,596,277 | - | - | - | 2,596,277 |
| Financial investments (Note 10) | 2,355,532 | - | - | - | 2,355,532 |
| Cash and banks (Note 10) | 10,901 | - | - | - | 10,901 |
| Derivative financial instruments | - | - | 11,018 | 823 | 11,841 |
| Other assets | 194,135 | - | - | - | 194,135 |
| | 5,156,845 | - | 11,018 | 823 | 5,168,686 |

| | | | | | 2023 |
|---|---|---|---|---|---|
| | **Amortized cost** | **FVOCI** | **FVTPL** | **Designated as a cash flow hedge** | **Total** |
| **Financial liabilities per the balance sheet** | | | | | |
| Loans, financing and debentures (Note 20) | 9,926,062 | - | - | - | 9,926,062 |
| Suppliers (Note 18) | 771,973 | - | - | - | 771,973 |
| Suppliers' assignment of receivables (Note 19) | 14,640 | - | - | - | 14,640 |
| Other payables | 321,620 | - | - | - | 321,620 |
| Notes payable | 24,057 | - | - | - | 24,057 |
| Derivative financial instruments | - | - | 36,777 | 2,863 | 39,640 |
| . | 11,058,352 | - | 36,777 | 2,863 | 11,097,992 |

| | | | | | 2022 |
|---|---|---|---|---|---|
| | **Amortized cost** | **FVOCI** | **FVTPL** | **Designated as a cash flow hedge** | **Total** |
| **Financial assets per the balance sheet** | | | | | |
| Accounts receivable (Note 11) | 2,501,327 | - | - | - | 2,501,327 |
| Financial investments (Note 10) | 2,576,489 | - | - | - | 2,576,489 |
| Cash and banks (Note 10) | 21,348 | - | - | - | 21,348 |
| Derivative financial instruments | - | - | 24,087 | - | 24,087 |
| Other assets | 320,945 | - | - | - | 320,945 |
| | 5,420,109 | - | 24,087 | - | 5,444,196 |

| | | | | | 2022 |
|---|---|---|---|---|---|
| | **Amortized cost** | **FVOCI** | **FVTPL** | **Designated as a cash flow hedge** | **Total** |
| **Financial liabilities per the balance sheet** | | | | | |
| Loans, financing and debentures (Note 20) | 9,601,116 | - | - | - | 9,601,116 |
| Suppliers (Note 18) | 755,614 | - | - | - | 755,614 |
| Suppliers' assignments of receivables (Note 19) | 39,124 | - | - | - | 39,124 |
| Other payables | 337,300 | - | - | - | 337,300 |
| Notes payable | 73,410 | - | - | - | 73,410 |
| Derivative financial instruments | - | - | 41,347 | - | 41,347 |
| | 10,806,564 | - | 41,347 | - | 10,847,911 |

## Consolidated

| | Amortized cost | FVOCI | FVTPL | Designated as a cash flow hedge | Total |
|---|---|---|---|---|---|
| | | | | | **2023** |
| **Financial assets per the balance sheet** | | | | | |
| Accounts receivable (Note 11) | 2,642,146 | - | - | - | 2,642,146 |
| Financial investments (Note 10) | 2,550,332 | - | - | - | 2,550,332 |
| Cash and banks (Note 10) | 30,561 | - | - | - | 30,561 |
| Derivative financial instruments | - | - | 11,018 | 1,125 | 12,143 |
| Other assets | 218,539 | - | - | - | 218,539 |
| | 5,441,578 | - | 11,018 | 1,125 | 5,453,721 |

| | Amortized cost | FVOCI | FVTPL | Designated as a cash flow hedge | Total |
|---|---|---|---|---|---|
| | | | | | **2023** |
| **Financial liabilities per the balance sheet** | | | | | |
| Loans, financing and debentures (Note 20) | 9,937,779 | - | - | - | 9,937,779 |
| Suppliers (Note 18) | 389,667 | - | - | - | 389,667 |
| Suppliers' assignment of receivables (Note 19) | 448,307 | - | - | - | 448,307 |
| Other payables | 477,712 | - | - | - | 477,712 |
| Notes payable | 24,057 | - | - | - | 24,057 |
| Derivative financial instruments | - | - | 39,520 | 16,252 | 55,772 |
| | 11,277,522 | - | 39,520 | 16,252 | 11,333,294 |

| | Amortized cost | FVOCI | FVTPL | Designated as a cash flow hedge | Total |
|---|---|---|---|---|---|
| | | | | | **2022** |
| **Financial assets per the balance sheet** | | | | | |
| Accounts receivable (Note 11) | 2,531,789 | - | - | - | 2,531,789 |
| Financial investments (Note 10) | 2,836,848 | - | - | - | 2,836,848 |
| Cash and banks (Note 10) | 25,625 | - | - | - | 25,625 |
| Derivative financial instruments | - | - | 24,087 | 10,341 | 34,428 |
| Other assets | 340,695 | - | - | - | 340,695 |
| | 5,734,957 | - | 24,087 | 10,341 | 5,769,385 |

| | Amortized cost | FVOCI | FVTPL | Designated as a cash flow hedge | Total |
|---|---|---|---|---|---|
| | | | | | **2022** |
| **Financial liabilities per the balance sheet** | | | | | |
| Loans, financing and debentures (Note 20) | 9,607,559 | - | - | - | 9,607,559 |
| Suppliers (Note 18) | 421,501 | - | - | - | 421,501 |
| Suppliers' assignment of receivables (Note 19) | 888,150 | - | - | - | 888,150 |
| Other payables | 457,109 | - | - | - | 457,109 |
| Notes payable | 73,410 | - | - | - | 73,410 |
| Derivative financial instruments | - | (10,246) | 51,598 | 10,246 | 51,598 |
| | 11,447,729 | (10,246) | 51,598 | 10,246 | 11,499,327 |

# 9 Credit quality of financial assets

The credit quality of financial assets (cash and cash equivalents) can be evaluated using historical information on default rates, as follows:

| | Parent company | | Consolidated | |
|---|---|---|---|---|
| | 2023 | 2022 | 2023 | 2022 |
| **Current accounts and financial investments (*)** | | | | |
| AAA | 2,366,432 | 2,597,763 | 2,580,885 | 2,862,329 |
| A | - | 71 | - | 71 |
| | 2,366,432 | 2,597,834 | 2,580,885 | 2,862,400 |

(*) Source' Moody's, Standard & Poor's and Fitch rating agencies, on a local scale when available, otherwise on a global scale.

The residual balance of "cash and cash equivalents" in the balance sheet mainly represents cash on hand.

| | Parent company | | Consolidated | |
|---|---|---|---|---|
| | 2023 | 2022 | 2023 | 2022 |
| **Derivative financial assets** | | | | |
| AAA | 11,841 | 24,087 | 12,021 | 34,064 |
| AA+ | - | - | 122 | 30 |
| A- | - | - | - | 334 |
| | 11,841 | 24,087 | 12,143 | 34,428 |

No fully performing financial assets were renegotiated during the last financial year. None of the loans with related parties are overdue or impaired.

Note 4 (d) describes the credit risks of these financial assets.

# 10 Cash and cash equivalents

| | Parent company | | Consolidated | |
|---|---|---|---|---|
| | 2023 | 2022 | 2023 | 2022 |
| Cash and banks | 10,901 | 21,348 | 30,561 | 25,625 |
| Short-term investments: | | | | |
| Repurchase transactions | 2,062 | 228 | 2,062 | 48,029 |
| Bank deposit certificates (CDBs) | 2,353,470 | 2,576,261 | 2,548,270 | 2,788,819 |
| | 2,355,532 | 2,576,489 | 2,550,332 | 2,836,848 |
| | 2,366,433 | 2,597,837 | 2,580,893 | 2,862,473 |

Financial investments (both repurchase transactions and CDBs) have yields of between 80% and 103.2% of the CDI p.a. (at December 31, 2022, between 70% and 103.5% of the CDI p.a.), with a weighted average of 101.1% of the CDI p.a. (at December 31, 2022, 101.8% p.a.) and are substantially liquid.

# 11 Accounts receivable

| | Parent company | | Consolidated | |
|---|---|---|---|---|
| | 2023 | 2022 | 2023 | 2022 |
| Domestic customers | 2,616,023 | 2,519,496 | 2,664,750 | 2,550,833 |
| Foreign customers | - | - | - | 1,982 |
| Expected credit losses | (19,746) | (18,169) | (22,604) | (21,026) |
| | 2,596,277 | 2,501,327 | 2,642,146 | 2,531,789 |

The amounts of accounts receivable that are overdue but not impaired correspond to a number of independent customers with no recent history of default, and/or which are involved in negotiations in progress with a high probability of success. The aging analysis of these accounts receivable is presented as follows:

| | Parent company | | Consolidated | |
|---|---|---|---|---|
| | **2023** | **2022** | **2023** | **2022** |
| Up to 3 months | 4,514 | 37,947 | 4,408 | 37,947 |
| From 3 to 6 months | 118 | 9,151 | 118 | 9,151 |
| Over 6 months | 1,820 | 552 | 1,820 | 552 |
| | 6,452 | 47,650 | 6,346 | 47,650 |

The additions to and write-offs of the expected credit losses were recorded in profit or loss as "selling and marketing expenses". Amounts charged to expected credit losses are generally written off from accounts receivable when there is no expectation of recovering the funds.

The maximum exposure to credit risk at the reporting date is equivalent to the carrying amount of each class of receivables mentioned above. The Company holds certain notes as guarantees (Note 20 (a)).

Changes to the expected credit losses for the year ended December 31, 2023 are as follow:

| | **Parent company** | **Consolidated** |
|---|---|---|
| Balances at 12/31/2022 | (18,169) | (21,026) |
| (Additions)/reversals, net | (2,320) | (2,485) |
| Disposals | 743 | 907 |
| Balances at 12/31/2023 | (19,746) | (22,604) |

# 12 Inventory

| | Parent company | | Consolidated | |
|---|---|---|---|---|
| | **2023** | **2022** | **2023** | **2022** |
| Finished goods and goods for resale | 604,903 | 480,149 | 887,751 | 621,931 |
| Semi-finished goods | - | - | 145,356 | 176,055 |
| Raw materials | - | - | 1,137,761 | 1,354,599 |
| Maintenance and supplies | 171 | 186 | 203,919 | 164,149 |
| Provision for inventory losses | (56,010) | (34,582) | (183,056) | (120,752) |
| | 549,064 | 445,753 | 2,191,731 | 2,195,982 |

The table below presents the changes in the provision for inventory losses:

| | **Parent company** | **Consolidated** |
|---|---|---|
| At 12/31/2022 | (34,582) | (120,752) |
| Additions for the year (a) | (120,200) | (201,235) |
| Write-offs for the year (b) | 98,772 | 138,931 |
| At 12/31/2023 | (56,010) | (183,056) |

(a) Refers to expected inventory losses due to the discontinuation, validity, quality and realization of inventory, in accordance with the policies established by the Company.

(b) Mainly composed of write-offs and reversals of products discarded by the Company and its subsidiaries.

# 13 Taxes recoverable

| | Parent company | | Consolidated | |
|---|---|---|---|---|
| | 2023 | 2022 | 2023 | 2022 |
| PIS/COFINS/IPI and others (*) | 276,857 | 505,665 | 378,389 | 608,743 |
| ICMS | 102,969 | 105,407 | 186,631 | 200,361 |
| Recoverable IRPJ and CSLL | 76,564 | 52,538 | 104,160 | 67,473 |
| | 456,390 | 663,610 | 669,180 | 876,577 |
| Current | 291,117 | 378,774 | 446,514 | 532,564 |
| Non-current | 165,273 | 284,836 | 222,666 | 344,013 |

(*) Refer mainly to the PIS and COFINS credits, recorded in 2019 when ICMS was excluded from the calculation basis for contributions to PIS and COFINS.

# 14 Other assets

| | Parent company | | Consolidated | |
|---|---|---|---|---|
| | 2023 | 2022 | 2023 | 2022 |
| Prepaid expenses (a) | 67,306 | 85,720 | 100,828 | 127,716 |
| Bills receivable (b) | 64,966 | 208,283 | 68,962 | 216,349 |
| Deposits inIurt (c) | 129,169 | 107,023 | 149,577 | 124,346 |
| Advances | 48,446 | 34,515 | 103,345 | 108,192 |
| Other | 4,774 | 7,503 | 2,525 | 2,564 |
| | 314,661 | 443,044 | 425,237 | 579,167 |
| Current | 126,609 | 277,200 | 211,392 | 391,058 |
| Non-current | 188,052 | 165,844 | 213,845 | 188,109 |

(a) Refers mainly to advance payments for advertising and publicity.
(b) The Leniency Agreement was settled in 2023 (Note 23).
(c) Refers to deposits made as guarantees of contingencies.

# 15 Investments

The investments held by the Company are presented below:

| Company | Date of incorporation | Country | Business | Interest in shares/quotas | Type of interest |
|---|---|---|---|---|---|
| Cosmed Indústria de Cosméticos e Medicamentos S.A. | 12/17/2008 | Brazil | Sweeteners/Pharma | 100% | Direct |
| My Agência de Propaganda Ltda. | 11/29/1999 | Brazil | Advertising agency | 100% | Direct |
| Brainfarma Indústria Química e Farmacêutica S.A. | 06/24/2002 | Brazil | Pharma | 93.50% | Direct |
| Brainfarma Indústria Química e Farmacêutica S.A. | 06/24/2002 | Brazil | Pharma | 6.50% | Indirect |
| Bionovis S.A. | 07/15/2010 | Brazil | Biotechnology | 25% | Direct |
| Neolatina Comércio e Indústria Farmacêutica S.A. | 09/15/1966 | Brazil | Pharma | 100% | Indirect |
| Simple Organic Beauty S.A. | 04/29/2016 | Brazil | Natural beauty dermo-cosmetics | 64.93% | Direct |
| Mantecorp Participações S.A. | 09/28/2016 | Brazil | Holding company | 100% | Direct |
| Bio Brands Franchising Gestão de Marcas Ltda. | 08/29/2014 | Brazil | Dermo-cosmetics | 100% | Direct |
| Bio Scientific Indústria de Cosméticos Ltda. | 07/13/2001 | Brazil | Dermo-cosmetics | 100% | Indirect |
| Solana Agropecuária Ltda. | 11/04/1981 | Brazil | Crop | 100% | Indirect |
| Amigotech S.A. | 07/02/2021 | Brazil | Technology | 15% | Direct |

## a. Changes in the parent company's investments

| | Brainfarma | Cosmed | Mantecorp | Bionovis | My | Other | | |
|---|---|---|---|---|---|---|---|---|
| | Cost | Cost | Cost | Cost | Cost | Cost | Goodwill | Total |
| Balances at January 1, 2023 | 3,404,418 | 1,071,419 | 275,717 | 59,744 | 9,437 | 115,739 | 101,987 | 5,038,461 |
| Capital increase | 735,986 | 19,362 | 217 | 3,478 | - | 22,298 | - | 781,341 |
| Equity accounting | 389,790 | 98,513 | 47,726 | 20,191 | 1,003 | (3,030) | - | 554,193 |
| Share of discontinued equity accounting for investments | (129) | 561 | - | - | - | (444) | - | (12) |
| Stock options/matching/restricted | 3,766 | 40 | 260 | - | - | 548 | - | 4,614 |
| Equity value adjustments | (12,263) | (1,693) | - | - | - | - | - | (13,956) |
| Write-off | - | - | - | - | - | (4,783) | (37,110) | (41,893) |
| Dividends receivable/payable | (21,733) | 1,008 | - | (2,936) | - | - | - | (23,661) |
| Balances at December 31, 2023 | 4,499,835 | 1,189,210 | 323,920 | 80,477 | 10,440 | 130,328 | 64,877 | 6,299,087 |

The table below shows the Company's share of the profits (losses) of its main direct subsidiaries, as well as its share of their total assets and liabilities:

| 2023 | Assets | Liabilities | Revenue | Profit (loss) | Adjusted profit (loss) (*) |
|---|---|---|---|---|---|
| Brainfarma Indústria Química e Farmacêutica S.A. | 5,858,262 | 1,145,647 | 3,402,455 | 328,729 | 416,888 |
| Cosmed Indústria de Cosméticos e Medicamentos S.A. | 1,372,951 | 188,533 | 692,519 | 85,666 | 98,513 |
| My Agência de Propaganda Ltda. | 11,455 | 1,029 | 4,560 | 988 | 1,003 |
| Simple Organic Beauty S.A. | 68,290 | 24,725 | 161,165 | 11,688 | 6,271 |
| Mantecorp Participações S.A. | 323,978 | - | - | 47,726 | 47,726 |
| Bio Brands Franchising Gestão de Marcas Ltda. | 52,884 | 5,564 | 20,123 | (286) | (3,065) |

| 2022 | Assets | Liabilities | Revenue | Profit (loss) | Adjusted profit (loss) (*) |
|---|---|---|---|---|---|
| Brainfarma Indústria Química e Farmacêutica S.A. | 5,183,405 | 1,502,742 | 3,183,569 | 230,436 | 235,034 |
| Cosmed Indústria de Cosméticos e Medicamentos S.A. | 1,393,707 | 313,675 | 669,632 | 66,468 | 69,738 |
| My Agência de Propaganda Ltda. | 9,977 | 540 | 4,560 | (527) | (395) |
| Simple Organic Beauty S.A. | 33,967 | 10,734 | 98,054 | 4,083 | 1,741 |
| Mantecorp Participações S.A. | 275,174 | - | - | 1,770 | 1,770 |
| Bio Brands Franchising Gestão de Marcas Ltda. | 41,891 | 3,442 | 19,760 | (4,576) | 4,472 |
| MGF Farmácia Magistral Ltda. | 732 | 414 | 364 | (468) | (468) |

(*) This refers to the net income (loss) for the period, adjusted for transactions between the investor and its investees.

## b. Equity accounting by the Parent Company

| | Number of shares and quotas | Adjusted equity at December 31, 2023 | Ownership % | Equity accounting at December 31, 2023 | Balance of the investment at December 31, 2023 | Equity accounting at December 31, 2022 | Balance of the investment at December 31, 2022 |
|---|---|---|---|---|---|---|---|
| Cosmed Indústria de Cosméticos e Medicamentos S.A. | 2,662,160,135 | 1,189,210 | 100% | 98,513 | 1,189,210 | 69,737 | 1,071,419 |
| My Agência de Propaganda Ltda. | 22,467,862 | 10,440 | 100% | 1,003 | 10,440 | (395) | 9,437 |
| Brainfarma Indústria Química e Farmacêutica S.A. | 1,427,649.85 | 4,499,835 | 100% | 389,790 | 4,499,835 | 235,034 | 3,404,418 |
| Simple Organic Beauty S.A. | 217,983 | 45,915 | 64.93% | 4,072 | 45,915 | 1,741 | 34,680 |
| Drogarias Online Agência de Farmácias S.A. | - | - | 22.50% | (298) | - | (4,072) | 40,111 |
| Bio Brands Franchising Gestão de Marcas Ltda. | 49,872,454 | 115,509 | 100% | (3,065) | 115,509 | 4,472 | 109,421 |
| Mantecorp Participações S.A. | 275,300,100 | 323,920 | 100% | 47,726 | 323,920 | 1,770 | 275,717 |
| Bionovis S.A. | 24,000,000 | 321,908 | 25% | 20,191 | 80,477 | 27,483 | 59,744 |
| MGF Farmácia Magistral Ltda. | - | - | 100% | (282) | - | (468) | 1,832 |
| | | | | 557,650 | 6,265,306 | 335,302 | 5,006,779 |

## c. Business combinations

**Acquisition of Buscopan Manufacturing Business**

On July 1, 2023, the subsidiary Brainfarma acquired a business for the manufacture of the medicine Buscopan, for R$ 95,271, which was mainly comprised of land, buildings, machinery, equipment, inventory and certain labor provisions related to the employees transferred, as well as manufacturing know-how. The Company has analyzed the transaction and concluded that it represents a business combination.

The assets acquired and liabilities assumed through the combination, measuring their fair values to determine the existence of goodwill or an advantageous purchase, were already recorded at December 31, 2023, and the composition of items and amounts are presented as follows:

| On July 1, 2023 | |
|---|---|
| Inventory | 25,431 |
| Tax recoverable | 1,077 |
| Other assets | 801 |
| Property, plant and equipment | 229,194 |
| Intangible assets | 2,108 |
| Other payables | (6,710) |
| **Total assets acquired and liabilities assumed at their fair values** | 251,901 |
| Consideration paid | (95,271) |
| **Total adjustments to the fair values of assets acquired and liabilities assumed** | 156,630 |
| Deferred income and social contribution | (53,254) |
| Total fair value adjustments, net of income tax and social contribution | 103,376 |

# 16 Property, plant and equipment

## Parent company

| Own assets | Balances at January 1, 2023 | Additions | Write-off | Depreciation | Transfer | Balances at December 31, 2023 |
|---|---|---|---|---|---|---|
| Land | - | 5,058 | (68) | - | - | 4,990 |
| Buildings and improvements | 3,442 | 383 | - | (1,574) | 8,819 | 11,070 |
| Machinery, equipment and facilities | 75,808 | 4,000 | (132) | (6,463) | 124 | 73,337 |
| Vehicles | 91 | - | (1) | (3) | 6 | 93 |
| Furniture and fixtures | 16,387 | 5,390 | (35) | (1,188) | 20 | 20,574 |
| Other | 3,395 | 44 | (116) | (650) | (2) | 2,671 |
| Total in operation | 99,123 | 14,875 | (352) | (9,878) | 8,967 | 112,735 |
| Construction in progress | 21,054 | 19,573 | - | - | (9,012) | 31,615 |
| Balances at December 31, 2023 | 120,177 | 34,448 | (352) | (9,878) | (45) | 144,350 |

| Right-of-u–e assets - leases | Balances at January 1, 2023 | Additions | Write-off | Amortization | Transfer | Balances at December 31, 2023 |
|---|---|---|---|---|---|---|
| Buildings and improvements | 43,486 | 51,494 | (26,230) | (11,263) | - | 57,487 |
| Machinery, equipment and facilities | 12,890 | 20,265 | (4,197) | (9,232) | - | 19,726 |
| Vehicles | 37,412 | 94,633 | (17,109) | (37,558) | - | 77,378 |
| Total leases | 93,788 | 166,392 | (47,536) | (58,053) | - | 154,591 |
| Net book value | 213,965 | 200,840 | (47,888) | (67,931) | (45) | 298,941 |

| Own assets | Balances at January 1, 2022 | Additions | Write-off | Depreciation | Transfer | Balances at December 31, 2022 |
|---|---|---|---|---|---|---|
| Land | 2,033 | 3,514 | - | - | (5,547) | - |
| Buildings and improvements | 3,516 | 308 | (7,367) | (778) | 7,763 | 3,442 |
| Machinery, equipment and facilities | 79,541 | 2,144 | (30) | (6,603) | 756 | 75,808 |
| Vehicles | 100 | - | - | (9) | - | 91 |
| Furniture and fixtures | 13,199 | 4,145 | (16) | (941) | - | 16,387 |
| Other | 1,127 | 2,558 | (1) | (289) | - | 3,395 |
| Total in operation | 99,516 | 12,669 | (7,414) | (8,620) | 2,972 | 99,123 |
| Construction in progress | 10,757 | 12,107 | - | - | (1,810) | 21,054 |
| Balances at December 31, 2023 | 110,273 | 24,776 | (7,414) | (8,620) | 1,162 | 120,177 |

| Right-of-u–e assets - leases | Balances at January 1, 2022 | Additions | Write-off | Amortization | Transfer | Balances at December 31, 2022 |
|---|---|---|---|---|---|---|
| Buildings and improvements | 35,312 | 33,683 | (16,072) | (9,437) | - | 43,486 |
| Machinery, equipment and facilities | - | 16,475 | - | (3,585) | - | 12,890 |
| Vehicles | 34,182 | 47,405 | (16,489) | (27,686) | - | 37,412 |
| Total leases | 69,494 | 97,563 | (32,561) | (40,708) | - | 93,788 |
| | | | | | | |
| Net book value | 179,767 | 122,339 | (39,975) | (49,328) | 1,162 | 213,965 |

## Consolidated

| Own assets | Balances at January 1, 2023 | Additions | Write-off | Depreciation | Transfer | Balances at December 31, 2023 |
|---|---|---|---|---|---|---|
| Land | 243,195 | 19,882 | (68) | - | (40) | 262,969 |
| Buildings and improvements | 277,419 | 129,300 | - | (20,839) | 35,802 | 421,682 |
| Machinery, equipment and facilities | 1,512,866 | 256,355 | (738) | (71,126) | 60,082 | 1,757,439 |
| Vehicles | 1,849 | 1,683 | (10) | (813) | - | 2,709 |
| Furniture and fixtures | 43,052 | 54,428 | (35) | (2,693) | 578 | 95,330 |
| Other | 57,437 | 40,471 | (115) | (14,599) | (5,172) | 78,022 |
| Total in operation | 2,135,818 | 502,119 | (966) | (110,070) | 91,250 | 2,618,151 |
| Construction in progress (*) | 554,243 | 257,397 | (606) | - | (91,356) | 719,678 |
| Balances at December 31, 2023 | 2,690,061 | 759,516 | (1,572) | (110,070) | (106) | 3,337,829 |

| Right-of-u–e assets - leases | Balances at January 1, 2023 | Additions | Write-off | Amortization | Transfer | Balances at December 31, 2023 |
|---|---|---|---|---|---|---|
| Buildings and improvements | 69,064 | 73,518 | (26,230) | (14,430) | - | 101,922 |
| Machinery, equipment and facilities | 15,295 | 23,657 | (4,785) | (11,808) | - | 22,359 |
| Vehicles | 40,120 | 105,918 | (19,973) | (40,135) | - | 85,930 |
| Total leases | 124,479 | 203,093 | (50,988) | (66,373) | - | 210,211 |
| Net book value | 2,814,540 | 962,609 | (52,560) | (176,443) | (106) | 3,548,040 |

| Own assets | Balances at January 1, 2022 | Additions | Write-off | Depreciation | Transfer | Balances at December 31, 2022 |
|---|---|---|---|---|---|---|
| Land | 32,786 | 219,470 | (3,515) | - | (5,546) | 243,195 |
| Buildings and improvements | 226,027 | 13,417 | (3,861) | (13,898) | 55,734 | 277,419 |
| Machinery, equipment and facilities | 1,355,041 | 217,476 | (739) | (63,669) | 4,757 | 1,512,866 |
| Vehicles | 834 | 1,357 | (48) | (294) | - | 1,849 |
| Furniture and fixtures | 29,962 | 15,140 | (20) | (2,260) | 230 | 43,052 |
| Other | 26,291 | 33,734 | (8) | (6,642) | 4,062 | 57,437 |
| Total in operation | 1,670,941 | 500,594 | (8,191) | (86,763) | 59,237 | 2,135,818 |
| Construction in progress (*) | 330,376 | 282,060 | (114) | - | (58,079) | 554,243 |
| Balances at December 31, 2023 | 2,001,317 | 782,654 | (8,305) | (86,763) | 1,158 | 2,690,061 |

| Right-of-u–e assets - leases | Balances at January 1, 2022 | Additions | Write-off | Amortization | Transfer | Balances at December 31, 2022 |
|---|---|---|---|---|---|---|
| Buildings and improvements | 58,024 | 37,544 | (16,072) | (10,432) | - | 69,064 |
| Machinery, equipment and facilities | - | 19,891 | - | (4,596) | - | 15,295 |
| Vehicles | 35,799 | 50,797 | (17,022) | (29,454) | - | 40,120 |
| Total leases | 93,823 | 108,232 | (33,094) | (44,482) | - | 124,479 |
| Net book value | 2,095,140 | 890,886 | (41,399) | (131,245) | 1,158 | 2,814,540 |

(*) Mainly represents purchases for upgrades to the Anápolis-GO plant.

# 17 Intangible assets

## a) Balance composition

| | Parent company | | Consolidated | |
|---|---|---|---|---|
| | 2023 | 2022 | 2023 | 2022 |
| **Goodwill in non-merged companies** | | | | |
| Simple Organic Beauty S.A. | - | - | 12,677 | 12,677 |
| Bio Brands Franchising Gestão de Marcas Ltda. | - | - | 43,257 | 43,257 |
| Neolatina Comércio e Indústria Farmacêutica S.A. | - | - | 12,204 | 12,204 |
| Solana Agropecuária Ltda. (*) | - | - | - | 25,200 |
| MGF Farmácia Magistral Ltda. | - | - | - | 1,515 |
| **Goodwill on acquisitions of investments in merged companies** | | | | |
| Mantecorp Indústria Química Farmacêutica S.A. | 1,798,470 | 1,798,470 | 1,798,470 | 1,798,470 |
| Darwin Prestação de Serviços de Marketing Ltda. | 2,945,156 | 2,945,156 | 2,945,156 | 2,945,156 |
| Laboratório Neo Química Comércio e Indústria S.A. | 967,154 | 967,154 | 967,154 | 967,154 |
| DM Indústria Farmacêutica Ltda. | 743,029 | 743,029 | 743,029 | 74 3, 02 9– |
| Farmasa - Laboratório Americano de Farmacoterapia S.A. | 666,808 | 666,808 | 666,808 | 666,808 |
| Amazon Distribuidora de Medicamentos e Produtos Cosméticos Ltda. | 52,614 | 52,614 | 52,614 | 52,614 |
| Luper Indústria Farmacêutica Ltda. | 45,917 | 45,917 | 45,917 | 45,917 |
| Barrenne Indústria Farmacêutica Ltda. | 33,955 | 33,955 | 33,955 | 33,955 |
| Finn Administradora de Marcas Ltda. | 17,857 | 17,857 | 17,857 | 17,857 |
| | 7,270,960 | 7,270,960 | 7,339,098 | 7,365,813 |
| Trademarks and patents | 2,707,791 | 2,711,098 | 2,728,871 | 2,732,180 |
| Rights of use and software | 74,452 | 69,509 | 152,522 | 138,874 |
| Product development | 5,701 | 1,921 | 372,792 | 265,571 |
| Intangible assets in progress | 3,796 | 4,697 | 838,557 | 593,034 |
| | 10,062,700 | 10,058,185 | 11,431,840 | 11,095,472 |

Goodwill is measured as the fair value surplus of the consideration transferred in relation to the net assets acquired, and is based mainly on future profitability, supported by appraisal reports prepared by a specialized company, using the cash flow method, discounted to its present value. The discount rates used for the calculations were determined by adopting the weighted average cost of capital (WACC).

## b) Changes to the balances

### Parent company

| | Balances at January 1, 2023 | Additions | Write-off | Amortization | Transfer | Balances at December 31, 2023 |
|---|---|---|---|---|---|---|
| Rights of use and trademarks | 2,711,098 | - | - | (3,307) | - | 2,707,791 |
| Rights of use and software | 69,509 | 25,948 | - | (21,005) | - | 74,452 |
| Product development | 1,921 | 26 | - | (764) | 4,518 | 5,701 |
| Goodwill | 7,270,960 | - | - | - | - | 7,270,960 |
| Total in operation | 10,053,488 | 25,974 | - | (25,076) | 4,518 | 10,058,904 |
| Intangible assets in progress | 4,697 | 3,625 | - | - | (4,526) | 3,796 |
| Total | 10,058,185 | 29,599 | - | (25,076) | (8) | 10,062,700 |

| | Balances at January 1, 2022 | Additions | Write-off | Amortization | Transfer | Balances at December 31, 2022 |
|---|---|---|---|---|---|---|
| Rights of use and trademarks | 2,001,133 | 713,272 | - | (3,307) | - | 2,711,098 |
| Rights of use and software | 39,508 | 41,331 | - | (11,710) | 380 | 69,509 |
| Product development | 2,364 | 70 | - | (513) | - | 1,921 |
| Goodwill | 7,270,960 | - | - | - | - | 7,270,960 |
| Total in operation | 9,313,965 | 754,673 | - | (15,530) | 380 | 10,053,488 |
| Intangible assets in progress | 3,741 | 956 | - | - | - | 4,697 |
| Total | 9,317,706 | 755,629 | - | (15,530) | 380 | 10,058,185 |

## Consolidated

| | Balances at January 1, 2023 | Additions | Write-off | Amortization | Transfer | Balances at December 31, 2023 |
|---|---|---|---|---|---|---|
| Rights of use and trademarks | 2,732,180 | - | - | (3,309) | - | 2,728,871 |
| Rights of use and software | 138,874 | 51,100 | (869) | (36,675) | 92 | 152,522 |
| Product development | 265,571 | 89,665 | (1,158) | (19,097) | 37,811 | 372,792 |
| Goodwill (*) | 7,365,813 | - | (26,715) | - | - | 7,339,098 |
| Total in operation | 10,502,438 | 140,765 | (28,742) | (59,081) | 37,903 | 10,593,283 |
| Intangible assets in progress | 593,034 | 322,218 | (38,844) | - | (37,851) | 838,557 |
| Total | 11,095,472 | 462,983 | (67,586) | (59,081) | 52 | 11,431,840 |

| | Balances at January 1, 2022 | Additions | Write-off | Amortization | Transfer | Balances at December 31, 2022 |
|---|---|---|---|---|---|---|
| Rights of use and trademarks | 2,001,446 | 725,582 | - | (3,768) | 8,920 | 2,732,180 |
| Rights of use and software | 60,057 | 99,734 | (1,183) | (20,114) | 380 | 138,874 |
| Product development | 83,092 | 87,201 | (25,221) | (15,271) | 135,770 | 265,571 |
| Goodwill | 7,366,788 | 10,106 | (2,161) | - | (8,920) | 7,365,813 |
| Total in operation | 9,511,383 | 922,623 | (28,565) | (39,153) | 136,150 | 10,502,438 |
| Intangible assets in progress | 485,779 | 243,021 | - | - | (135,766) | 593,034 |
| Total | 9,997,162 | 1,165,644 | (28,565) | (39,153) | 384 | 11,095,472 |

(*) mainly refers to the amount allocated to the assets identified and the liabilities assumed (fair value adjustment of Solana).

## Impairment of assets

The Company tests the impairment of its intangible assets with indefinite useful lives on an annual basis, or more often when there are indications that the value may not be recoverable. These assets mainly represent the portion of goodwill relating to expected future income and trademarks arising from business combinations.

Long-lived non-financial assets subject to amortization are reviewed whenever there are indications that the carrying amount will not be recovered.

The recoverable amount is determined as the higher of ’an asset's value in use and its fair value less selling costs. In this context, the recoverable amounts were determined by the Company based on calculations of the value in use. These calculations use cash flow projections for a period of ten years based on financial budgets approved by management for the next year, which foresee sales growth from existing brands, new brands arising from acquisitions, and research and development, with corresponding investments required to implement the respective plans. The amounts of cash flow subsequent to the five-year period were extrapolated based on estimated rates of growth which do not exceed the average growth rate defined for the initial period of five years.

The projections consider operating margins defined in compliance with: (i) the Company's historical performance; (ii) future expectations regarding business evolution; and (iii) the weighted average rates of growth in line with sectoral forecasts for each line of business. In the context of recoverability testing, the discount rate before tax was reviewed through an interactive calculation based on the discount rate after tax. A discount rate of 10.72%, in statutory terms and after tax, was calculated based on the WACC, which corresponds to a pre-tax rate of 12.73%.

The testing results did not identify a recoverable amount lower than the accounting balance, meaning that no impairment loss needed to be recognized.

The identification of asset impairment is based on certain key assumptions, as described above, which are influenced by the market conditions prevailing at the time when impairment testing occurs, and accordingly it is not possible to determine whether impairment losses will occur in the future, and if so whether they will be material.

A sensitivity analysis was conducted to enable an understanding of the impacts of variations on the following testing results: (i) growth in sales volumes; (ii) changes in margins; (iii) investment amounts; and (iv) discount rates. This complementary sensitivity analysis did not identify any factors that could impact the recoverability of the assets.

# 18 Suppliers

| | Parent company | | Consolidated | |
|---|---|---|---|---|
| | 2023 | 2022 | 2023 | 2022 |
| Domestic suppliers | 8,551 | 10,713 | 363,706 | 349,762 |
| Foreign suppliers | 834 | 938 | 25,961 | 71,739 |
| Related party suppliers (Note 29(a)) | 762,588 | 743,963 | - | - |
| | 771,973 | 755,614 | 389,667 | 421,501 |

# 19 Suppliers' assignments of receivables

| | Parent company | | Consolidated | |
|---|---|---|---|---|
| | 2023 | 2022 | 2023 | 2022 |
| Domestic market (drawee risk) | 7,667 | 9,982 | 248,556 | 268,499 |
| Foreign market (forfaiting) | - | - | 171,023 | 557,718 |
| Total suppliers' assignments of receivables | 7,667 | 9,982 | 419,579 | 826,217 |
| Total service providers' assignments of receivables | 6,973 | 29,142 | 28,728 | 61,933 |
| Total assignments of receivables | 14,640 | 39,124 | 448,307 | 888,150 |

Some suppliers have the option to assign the Company's receivables, without right of recourse, to financial institutions. Under these transactions, the supplier may see a reduction in its financial costs due to the financial institution taking into consideration the credit risk of the buyer.

At December 31, 2023, the discount rates for assignment operations entered into by the Company's suppliers with financial institutions in the domestic market were between 1.00% and

1.23%, with a weighted average of 1.13% p.m. (at December 31, 2022, these rates were between 1.14% and 1.55%, with a weighted average of 1.24% p.m.).

At December 31, 2023, the discount rates in assignment operations entered into between the Company's suppliers and financial institutions in the foreign market were between 6.78% and 8.88% with a weighted average of 7.76% p.a. (at December 31, 2022, these rates were between 3.01% and 9.00% p.a. with a weighted average of 5.88% p.a.).

Therefore, this operation does not alter the amounts, nature or timing of the liability (including terms, prices and conditions previously agreed) and does not affect the Company, with any financial charges being taken over by the financial institution when conducting a thorough analysis of the suppliers by category. No guarantees are pledged by the Company.

Moreover, the payments made by the Company represent purchases of goods and services, are directly related to the suppliers' invoices, and do not affect its cash flow. Accordingly, the Company continues to recognize operating suppliers in the statement of cash flow.

# 20 Loans, financing and debentures

| | | Parent company | | Consolidated | |
|---|---|---|---|---|---|
| | **Nominal rate** | **2023** | **2022** | **2023** | **2022** |
| **Foreign currency** | | | | | |
| Loans (i) | USD+SOFR+0.681% to 0.809% p.a. | 622,644 | 606,007 | 622,807 | 606,007 |
| **Local currency** | | | | | |
| Loans | CDI + 1.20% to 2.00% p.a. | 820,385 | 1,467,586 | 831,806 | 1,469,228 |
| FCO (i) and (ii) | Fixed rate from 2.50% to 8.50% p.a. | 4,185 | 8,369 | 4,185 | 12,422 |
| Financing (ii) | Fixed rate from 2.50% to 8.70% p.a. | - | 33 | 133 | 781 |
| Debentures (ii) and (iii) | CDI + 1.25% to 2.20% p.a.; IPCA + 6.2790% to 6.4451% p.a. | 8,141,237 | 7,214,540 | 8,141,237 | 7,214,540 |
| Finep | TJLP from - 1.00% to 1.00% p.a. | 337,611 | 304,581 | 337,611 | 304,581 |
| | | 9,926,062 | 9,601,116 | 9,937,779 | 9,607,559 |
| Current | | 2,108,923 | 2,224,673 | 2,120,539 | 2,230,678 |
| Non-current | | 7,817,139 | 7,376,443 | 7,817,240 | 7,376,881 |

(i) Contracts with covenants regarding debt levels and the coverage of interest payments with respect to certain financial information (EBITDA and net interest expenses), disposals, spin-offs, mergers, amalgamations or any other forms of corporate restructuring which, if they occur, require prior approval from the financial agents. If any of these events occurs without the consent of the lenders, the outstanding balances will have their maturities accelerated. As at December 31, 2023, all of the applicable covenants were met. The next measurement will be carried out on June 30, 2024.

(ii) An amount of R$ 3,231,625 related to principal and interest on loans, financing and debentures was amortized during the year.

(iii) The amount of the accounting balance of debentures considers the amounts of their related swaps.

The breakdown of long-term loans and financing at December 31, 2023, by year of maturity, is as follows:

| | Parent company | Consolidated |
|---|---|---|
| 2025 | 371,938 | 372,039 |
| 2026 | 622,606 | 622,606 |
| 2027 | 48,384 | 48,384 |
| 2028 | 48,384 | 48,384 |
| 2029 | 44,352 | 44,352 |
| | 1,135,664 | 1,135,765 |

## Debentures

On December 5, 2019, 80,000 non-convertible debentures of the 8th public issuance of debentures were issued, in a single series, in the amount of R$ 800,000, with a par value of R$ 10 and interest at 100% of the cumulative variations of the daily average Interbank Deposit (DI) rate, plus a spread of 1.25% p.a. The nominal unit value of the debentures will be amortized in five consecutive semi-annual installments, with final maturity on November 28, 2025.

On April 3, 2020, 248,500 non-convertible debentures were issued as part of the 9th public issuance of debentures, in a single series, in the amount of R$ 2,485,000, with a par value of R$ 10, and interest at 100% of the cumulative variations of the daily average DI rate, plus a spread of 1.50% p.a. The nominal unit value of the debentures will be amortized in six consecutive semi-annual installments, with final maturity on April 3, 2026.

On September 1, 2020, 73,500 non-convertible debentures were issued as part of the 10th public issuance of debentures, in a first and second series, in the amount of R$ 735,000, with a par value of R$ 10 and interest at 100% of the cumulative variations of the daily average DI rate plus a spread of 1.75% p.a. The nominal unit value of the debentures will be amortized in three consecutive installments, with final maturity on September 1, 2026.

On September 10, 2021, 1,000,000 non-convertible debentures were issued as part of the 11th public issuance of debentures, in a single series, in the amount of R$ 1,000,000, with a par value of R$ 1 and interest at 100% of the cumulative variations of the daily average DI average rate plus a spread of 1.45% p.a. The nominal unit value of the debentures will be amortized in a single installment, with final maturity on September 9, 2026.

On February 4, 2022, 500,000 non-convertible debentures were issued as part of the 12th public issuance of debentures, in a single series, in the amount of R$ 500,000, with a par value of R$ 1, and interest at 100% of the cumulative variations in the daily average DI average rates plus a spread of 1.50% p.a. The nominal unit value of the debentures will be amortized in a single installment, with final maturity on February 4, 2027.

On August 10, 2022, 750,000 non-convertible debentures were issued as part of the 13th issuance of debentures for private placement, in three series, of the unsecured type, in the total amount of R$ 750,000, which will back up the issuance of real estate receivables certificates of the 1st, 2nd and 3rd series of the 59th Issue of True Securitizadora S.A., meaning that 750,000 debentures were issued, with a nominal unit value of R$ 1.

- The 1st series in the amount of R$ 200,000 and with interest at 100% of the cumulative variations of the daily average DI rate plus a spread of 0.75% p.a.

- The 2nd series in the amount of R$ 397,641, monetarily adjusted by the Amplified Consumer Price Index (IPCA) released by the Brazilian Institute of Geography and Statistics (IBGE) and interest at a rate of 6.2790% p.a.
- The 3rd series in the amount of R$ 152,359 monetarily adjusted by the IPCA and with interest at a rate of 6.4451% p.a.

The balance of the nominal unit value of the 1st, 2nd and 3rd Series Debentures will be amortized in a single installment, and each series will be settled on August 16, 2027, August 15, 2029 and August 15, 2032, respectively.

On December 23, 2022, 750,000 non-convertible debentures were issued as part of the 14th public issuance of debentures, in a first and second series, in the amount of R$ 750,000, with a par value of R$ 1 and interest at 100% of the cumulative variations of the daily average DI rate plus a spread of 1.35% p.a. The nominal unit value of the debentures will be amortized in two installments, with final maturity on December 23, 2027.

On April 24, 2023, 800,000 non-convertible debentures were issued as part of the 15th public issuance of debentures, in a single series, in the amount of R$ 800,000, with a par value of R$ 1 and interest at 100% of the cumulative variations of the daily average DI rate plus a spread of 2.20% p.a. The nominal unit value of the debentures will be amortized in two installments, with final maturity on April 25, 2028.

On October 10, 2023, 750,000 non-convertible debentures were issued as part of the 16th public issuance of debentures, in a single series, in the amount of R$ 750,000, with a par value of R$ 1 and interest at 100% of the cumulative variations of the daily average DI rate plus a spread of 1.35% p.a. The nominal unit value of the debentures will be amortized in two installments, with final maturity on October 10, 2028.

## Debentures - Changes

| | 8th Public Issuance | 9th Public Issuance | 10th Public Issuance | 11th Public Issuance | 12th Public Issuance | 13th Public Issuance | 14th Public Issuance | 15th Public Issuance | 16th Public Issuance | |
|---|---|---|---|---|---|---|---|---|---|---|
| | **Single series** | **Single series** | **1st and 2nd Series** | **Single series** | **Single series** | **1st, 2nd and 3rd Series** | **1st and 2nd Series** | **Single series** | **Single series** | **Total** |
| At January 1, 2023 | 808,713 | 2,562,339 | 765,715 | 1,042,841 | 528,738 | 757,691 | 748,503 | - | - | 7,214,540 |
| Total issuance amount | - | - | (12,665) | - | - | - | (147) | 800,000 | 750,000 | 1,537,188 |
| Costs to be incurred | - | - | - | - | - | - | - | (4,220) | (2,414) | (6,634) |
| Financial charges | 111,152 | 345,748 | 117,755 | 142,182 | 71,357 | 89,884 | 105,914 | 78,085 | 19,792 | 1,081,869 |
| Principal amortization | (160,000) | (414,001) | (78,333) | - | - | - | - | - | - | (652,334) |
| Interest paid | (113,753) | (364,097) | (110,028) | (146,443) | (106,376) | (31,008) | (103,774) | (57,913) | - | (1,033,392) |
| At 12/31/2023 | 646,112 | 2,129,989 | 682,444 | 1,038,580 | 493,719 | 816,567 | 750,496 | 815,952 | 767,378 | 8,141,237 |
| | | | | | | | | | | |
| Current | 326,468 | 889,381 | 105,400 | 39,787 | 27,134 | 30,212 | 3,300 | 18,823 | 19,257 | 1,459,762 |
| Non-current | 319,644 | 1,240,608 | 577,044 | 998,793 | 466,585 | 786,355 | 747,196 | 797,129 | 748,121 | 6,681,475 |
| | | | | | | | | | | |
| **Unrealized transaction costs** | 1,228 | 6,151 | 3,201 | 1,585 | 1,056 | 17,452 | 3,639 | 3,829 | 2,329 | 40,470 |
| Current | 872 | 3,874 | 1,928 | 526 | 294 | 2,277 | 757 | 833 | 450 | 11,811 |
| Non-current | 356 | 2,277 | 1,273 | 1,059 | 762 | 15,175 | 2,882 | 2,996 | 1,879 | 28,659 |

Note: accounting changes do not consider the amounts of swaps

The breakdown of long-term debentures by year of maturity is as follows:

| | December 31, 2023 |
|---|---|
| 2025 | 1,713,912 |
| 2026 | 1,412,514 |
| 2027 | 2,215,714 |
| 2028 | 772,563 |
| 2029 | 410,037 |
| 2030 | 52,245 |
| 2031 | 52,245 |
| 2032 | 52,245 |
| | 6,681,475 |

## a. Guarantees for loans and financing at December 31, 2023

| | Parent company | Consolidated |
|---|---|---|
| Letters of guarantee (*) | 337,611 | 337,611 |
| Pledged fixed assets | 4,185 | 4,318 |
| | 341,796 | 341,929 |

(*) Letter of guarantee for the loan from FINEP (Contract 0799/13).

## b. Carrying amounts and estimated fair values

The carrying amounts and estimated fair values of loans, financing and debentures are as follow:

| | | Consolidated | | Fair value | |
|---|---|---|---|---|---|
| | Nominal rate | 2023 | 2022 | 2023 | 2022 |
| **Foreign currency** | | | | | |
| Loans | USD+SOFR+0.681% to 0.809% p.a. | 622,807 | 606,007 | 622,807 | 606,007 |
| **Local currency** | | | | | |
| Loans | CDI + 1.26% to 3.00% p.a. | 831,806 | 1,469,228 | 831,806 | 1,455,567 |
| FCO | Fixed rate from 2.50% to 8.50% p.a. | 4,185 | 12,422 | 4,185 | 12,422 |
| Financing | Fixed rate from 2.50% to 8.70% p.a. | 133 | 781 | 130 | 870 |
| Debentures | CDI + 1.25% to 1.75% p.a.; IPCA + 6.2790% to 6.4451% p.a. | 8,141,237 | 7,214,540 | 8,141,237 | 7,214,585 |
| Finep | TLP + 1.00% to 1.00% p.a. | 337,611 | 304,581 | 337,611 | 304,581 |
| | | 9,937,779 | 9,607,559 | 9,937,776 | 9,594,032 |

The fair values of some current loans are equal to their carrying amounts, since the impact of marking-to-market is not material. The fair values are based on the discounted cash flow, using a market rate ranging from CDI + 0.48% to CDI + 1.79% p.a. (December 31, 2022 - CDI + 0.63% to CDI + 1.92% p.a.).

## c. Reconciliation of changes in equity with cash flow from financing activities

**Parent company**

| | | | | | Liabilities | Derivatives (assets/liabilities) held to hedge long-term loans | | | |
|---|---|---|---|---|---|---|---|---|---|
| | **Loans and financing** | **Notes payable** | **Taxes payable** | **Dividends and interest on capital payable** | **Other liabilities** | **Derivative financial instruments (assets)** | **Derivative financial instruments (liabilities)** | **Equity** | **Total** |
| **At January 1, 2023** | **9,601,116** | **73,410** | **21,766** | **677,773** | **390,290** | **(24,087)** | **41,347** | **10,645,760** | **21,427,375** |
| **Changes in cash flow from financing activities** | | | | | | | | | |
| Hedges of loans | - | - | - | - | - | (16,671) | (51,118) | - | (67,789) |
| Loans taken out | 2,210,882 | - | - | - | - | - | - | - | 2,210,882 |
| Payments of loans - principal | (1,849,075) | (275) | (1,197) | - | (60,171) | - | - | - | (1,910,718) |
| Payments of loans - interest | (1,275,932) | - | - | - | (22,419) | - | - | - | (1,298,351) |
| Purchases of shares | - | (44,425) | - | - | - | - | - | (44,028) | (88,453) |
| Sales of shares | - | - | - | - | - | - | - | 39,485 | 39,485 |
| Loans payable | - | - | - | - | (910) | - | - | - | (910) |
| Dividends paid | - | - | - | (759,885) | - | - | - | - | (759,885) |
| **Total changes in cash flow from financing activities** | **(914,125)** | **(44,700)** | **(1,197)** | **(759,885)** | **(83,500)** | **(16,671)** | **(51,118)** | **(4,543)** | **(1,875,739)** |
| **Other changes** | | | | | | | | | |
| Additions | - | - | - | - | 27,470 | - | - | - | 27,470 |
| Leases | - | - | - | - | 124,725 | - | - | - | 124,725 |
| Taxes payable | - | - | (688) | - | - | - | - | - | (688) |
| Proposed dividends | - | - | - | 779,078 | - | - | - | - | 779,078 |
| Stock options/matching/restricted | - | - | - | - | - | - | - | 28,761 | 28,761 |
| Accrued interest | 1,239,071 | 1,483 | 100 | - | (3,768) | 28,917 | 49,411 | - | 1,315,214 |
| Interest on capital | - | - | - | - | - | - | - | (779,078) | (779,078) |
| Net income for the period | - | - | - | - | - | - | - | 1,647,960 | 1,647,960 |
| Loans - acquisitions of subsidiaries | - | (6,136) | - | - | - | - | - | - | (6,136) |
| Equity valuation adjustments | - | - | - | - | - | - | - | (34,736) | (34,736) |
| Other payables | - | - | - | - | (45,059) | - | - | - | (45,059) |
| **Total other changes related to liabilities** | **1,239,071** | **(4,653)** | **(588)** | **779,078** | **103,368** | **28,917** | **49,411** | **862,907** | **3,057,511** |
| **At December 31, 2023** | **9,926,062** | **24,057** | **19,981** | **696,966** | **410,158** | **(11,841)** | **39,640** | **11,504,124** | **22,609,147** |

**Consolidated**

| | | | | | Liabilities | Derivatives (assets/liabilities) held to hedge long-term loans | | | |
|---|---|---|---|---|---|---|---|---|---|
| | **Loans and financing** | **Notes payable** | **Taxes payable** | **Dividends and interest on capital payable** | **Other liabilities** | **Derivative financial instruments (assets)** | **Derivative financial instruments (liabilities)** | **Equity** | **Total** |
| **At January 1, 2023** | **9,607,559** | **73,410** | **75,040** | **677,773** | **560,205** | **(34,428)** | **51,598** | **10,655,441** | **21,666,598** |
| **Changes in cash flow from financing activities** | | | | | | | | | |
| Hedges of loans | - | - | - | - | - | (16,671) | (51,118) | - | (67,789) |
| Loans taken out | 2,221,882 | - | - | - | - | - | - | - | 2,221,882 |
| Payments of loans - principal | (1,845,718) | (275) | (1,139) | - | (78,043) | - | - | - | (1,925,175) |
| Payments of loans - interest | (1,276,556) | - | (1,657) | - | (28,237) | - | - | - | (1,306,450) |
| Purchases of shares | - | (44,425) | - | - | - | - | - | (44,028) | (88,453) |
| Sales of shares | - | - | - | - | - | - | - | 39,485 | 39,485 |
| Dividends paid | - | - | - | (759,885) | - | - | - | - | (759,885) |
| **Total changes in cash flow from financing activities** | **(900,392)** | **(44,700)** | **(2,796)** | **(759,885)** | **(106,280)** | **(16,671)** | **(51,118)** | **(4,543)** | **(1,886,385)** |
| **Other changes** | | | | | | | | | |
| Additions | - | - | - | - | 19,196 | - | - | - | 19,196 |
| Leases | - | - | - | - | 183,533 | - | - | - | 183,533 |
| Taxes payable | - | - | 15,797 | - | - | - | - | - | 15,797 |
| Proposed dividends | - | - | - | 779,078 | - | - | - | - | 779,078 |
| Stock options/matching/restricted | - | - | - | - | - | - | - | 28,761 | 28,761 |
| Accrued interest | 1,230,612 | 1,483 | 1,329 | - | 423 | 60,247 | 17,863 | - | 1,311,957 |
| Interest on capital | - | - | - | - | - | - | - | (779,078) | (779,078) |
| Net income for the period | - | - | - | - | - | - | - | 1,647,960 | 1,647,960 |
| Loans - acquisitions of subsidiaries | - | (6,136) | - | - | - | - | - | - | (6,136) |
| FVA - Supplier hedges | - | - | - | - | - | (454) | - | - | (454) |
| Supplier hedges - interest paid | - | - | - | - | - | (20,837) | 37,429 | - | 16,592 |
| Equity valuation adjustments | - | - | - | - | - | - | - | (34,736) | (34,736) |
| Other payables | - | - | - | - | (57,467) | - | - | - | (57,467) |
| Interest attributable to non-controlling interests | - | - | - | - | - | - | - | 4,068 | 4,068 |
| **Total other changes related to liabilities** | **1,230,612** | **(4,653)** | **17,126** | **779,078** | **145,685** | **38,956** | **55,292** | **866,975** | **3,129,071** |
| **At December 31, 2023** | **9,937,779** | **24,057** | **89,370** | **696,966** | **599,610** | **(12,143)** | **55,772** | **11,517,873** | **22,909,284** |

**Parent company**

| | | | | | | Liabilities | Derivatives (assets/liabilities) held to hedge long-term loans | | | |
|---|---|---|---|---|---|---|---|---|---|---|
| | **Loans and financing** | **Notes payable** | **Taxes payable** | **Dividends and interest on capital payable** | **Related parties** | **Other payables** | **Derivative financial instruments (assets)** | **Derivative financial instruments (liabilities)** | **Equity** | **Total** |
| **Balances at January 1, 2022** | **7,346,954** | **45,384** | **21,013** | **704,808** | **-** | **243,276** | **(15,360)** | **52,164** | **9,826,591** | **18,224,830** |
| **Changes in cash flow from financing activities** | | | | | | | | | | |
| Hedges of loans | - | - | - | - | - | - | (18,699) | (36,472) | - | (55,171) |
| Loans taken out | 2,419,817 | - | - | - | - | - | - | - | - | 2,419,817 |
| Payments of loans - principal | (356,710) | (1,913) | (1,154) | - | - | (37,450) | - | - | - | (397,227) |
| Payments of loans - interest | (849,347) | (3,760) | - | - | - | (3,601) | - | - | - | (856,708) |
| Acquisitions of shares | - | - | - | - | - | - | - | - | (87,003) | (87,003) |
| Gain (loss) on the sale of shares | - | - | - | - | - | - | - | - | 84,309 | 84,309 |
| Loans payable | - | - | - | - | 1,907 | - | - | - | - | 1,907 |
| Dividends paid | - | - | - | (806,126) | - | - | - | - | - | (806,126) |
| **Total changes in cash flow from financing activities** | **1,213,760** | **(5,673)** | **(1,154)** | **(806,126)** | **1,907** | **(41,051)** | **(18,699)** | **(36,472)** | **(2,694)** | **303,798** |
| **Other changes** | | | | | | | | | | |
| Write-offs | - | - | - | - | - | (38,030) | - | - | - | (38,030) |
| Additions | - | - | - | - | - | 88,242 | - | - | - | 88,242 |
| Leases | - | - | - | - | - | 5,350 | - | - | - | 5,350 |
| Taxes payable | - | - | 1,682 | - | - | - | - | - | - | 1,682 |
| Proposed dividends | - | - | - | 779,091 | - | - | - | - | - | 779,091 |
| Stock options/matching/restricted | - | - | - | - | - | - | - | - | 22,628 | 22,628 |
| Government grants reserve | - | - | - | - | - | - | - | - | 956,971 | 956,971 |
| Profit retention reserve | - | - | - | - | - | - | - | - | (50,959) | (50,959) |
| Accrued interest | 1,040,402 | 5,804 | 225 | - | - | 9,876 | (35,443) | 84,088 | - | 1,104,952 |
| Loans - acquisitions of subsidiaries | - | (16,530) | - | - | - | - | - | - | - | (16,530) |
| MtM - Hedge loans | - | - | - | - | - | - | 19,421 | (84,255) | - | (64,834) |
| Supplier hedges - interest paid | - | - | - | - | - | - | (5,718) | (118,859) | - | (124,577) |
| MtM - Supplier hedges | - | - | - | - | - | - | 19,822 | 44,245 | - | 64,067 |
| Payment/receipt of investment hedges | - | - | - | - | - | - | 56,846 | - | - | 56,846 |
| Equity valuation adjustments | - | - | - | - | - | - | - | - | (62,352) | (62,352) |
| Other payables | - | - | - | - | - | 120,720 | - | - | - | 120,720 |
| Provision - acquisitions of shares | - | 44,425 | - | - | - | - | - | - | (44,425) | - |
| Interest accrued - acquisitions | - | - | - | - | - | - | (44,956) | 100,436 | - | 55,480 |
| **Total other changes related to liabilities** | **1,040,402** | **33,699** | **1,907** | **779,091** | **-** | **186,158** | **9,972** | **25,655** | **821,863** | **2,898,747** |
| **At December 31, 2022** | **9,601,116** | **73,410** | **21,766** | **677,773** | **1,907** | **388,383** | **(24,087)** | **41,347** | **10,645,760** | **21,427,375** |

**Consolidated**

| | | | | | Liabilities | Derivatives (assets/liabilities) held to hedge long-term loans | | | |
|---|---|---|---|---|---|---|---|---|---|
| | **Loans and financing** | **Notes payable** | **Taxes payable** | **Dividends and interest on capital payable** | **Other payables** | **Derivative financial instruments (assets)** | **Derivative financial instruments (liabilities)** | **Equity** | **Total** |
| **Balances at January 1, 2022** | **7,360,987** | **45,384** | **81,360** | **704,808** | **376,195** | **(29,305)** | **72,236** | **9,833,471** | **18,445,136** |
| **Changes in cash flow from financing activities** | | | | | | | | | |
| Hedges of loans | - | - | - | - | - | (18,699) | (36,472) | - | (55,171) |
| Loans taken out | 2,419,817 | - | - | - | - | - | - | - | 2,419,817 |
| Payments of loans - principal | (365,480) | (1,913) | (1,154) | - | (41,004) | - | - | - | (409,551) |
| Payments of loans - interest | (850,957) | (3,760) | (6,029) | - | (6,492) | - | - | - | (867,238) |
| Acquisitions of shares | - | - | - | - | - | - | - | (87,003) | (87,003) |
| Gain (loss) on the sale of shares | - | - | - | - | - | - | - | 84,309 | 84,309 |
| Dividends paid | - | - | - | (806,126) | - | - | - | - | (806,126) |
| **Total changes in cash flow from financing activities** | **1,203,380** | **(5,673)** | **(7,183)** | **(806,126)** | **(47,496)** | **(18,699)** | **(36,472)** | **(2,694)** | **279,037** |
| **Other changes** | | | | | | | | | |
| Write-offs | - | - | - | - | (38,574) | - | - | - | (38,574) |
| Additions | - | - | - | - | 94,424 | - | - | - | 94,424 |
| Leases | - | - | - | - | 11,183 | - | - | - | 11,183 |
| Taxes payable | - | - | (5,370) | - | - | - | - | - | (5,370) |
| Proposed dividends | - | - | - | 779,091 | - | - | - | - | 779,091 |
| Stock options/matching/restricted | - | - | - | - | - | - | - | 22,628 | 22,628 |
| Government grants reserve | - | - | - | - | - | - | - | 956,971 | 956,971 |
| Profit retention reserve | - | - | - | - | - | - | - | (50,959) | (50,959) |
| Accrued interest | 1,043,192 | 5,804 | 6,233 | - | 12,563 | (35,442) | 84,215 | - | 1,116,565 |
| Loans - acquisitions of subsidiaries | - | (16,530) | - | - | - | - | - | - | (16,530) |
| FVA- Hedge loans | - | - | - | - | - | 19,421 | (84,376) | - | (64,955) |
| MtM - Supplier hedges | - | - | - | - | - | 67,974 | (8,269) | - | 59,705 |
| Payment/receipt of investment hedges | - | - | - | - | - | 56,846 | - | - | 56,846 |
| Supplier hedges - interest paid | - | - | - | - | - | (50,266) | (76,173) | - | (126,439) |
| Equity valuation adjustments | - | - | - | - | - | - | - | (62,352) | (62,352) |
| Other payables | - | - | - | - | 151,910 | - | - | - | 151,910 |
| Acquisitions of shares | - | 44,425 | - | - | - | - | - | (44,425) | - |
| Interest accrued - Acquisitions | - | - | - | - | - | (44,957) | 100,437 | - | 55,480 |
| Interest attributable to non-controlling interests | - | - | - | - | - | - | - | 2,801 | 2,801 |
| **Total other changes related to liabilities** | **1,043,192** | **33,699** | **863** | **779,091** | **231,506** | **13,576** | **15,834** | **824,664** | **2,942,425** |
| **At December 31, 2022** | **9,607,559** | **73,410** | **75,040** | **677,773** | **560,205** | **(34,428)** | **51,598** | **10,655,441** | **21,666,598** |

# 21 Deferred income and social contribution

## a. Breakdown of deferred tax assets

Deferred tax assets include tax losses carried forward, negative bases of social contribution and temporary differences. These assets are recognized in proportion to the likelihood of realization of the related tax benefit against the future taxable income. This is based on a study of future realization, using projections of the generation of taxable income from 2023 onward. Tax losses carried forward, and negative bases of social contribution are mainly the result of the tax deductibility of goodwill arising from acquisitions of companies (Note 17), the distribution of interest on capital, and the constitution of grants for investments.

| | Parent company | | Consolidated | |
|---|---|---|---|---|
| | **2023** | **2022** | **2023** | **2022** |
| **Deferred tax assets:** | | | | |
| Tax losses carried forward and negative CSLL bases | 3,118,255 | 2,467,208 | 3,221,488 | 2,484,489 |
| Contingencies | 43,590 | 56,886 | 54,966 | 69,410 |
| Expected credit losses | 27,143 | 26,472 | 30,311 | 29,640 |
| Other temporary differences | 201,337 | 158,563 | 380,010 | 272,869 |
| Total deferred tax assets | 3,390,325 | 2,709,129 | 3,686,775 | 2,856,408 |
| (-) Portion of deferred tax assets recoverable through deferred liabilities of the same company to the same tax authority (also recoverable against the calculation of current tax) | (2,561,499) | (2,150,345) | (2,817,251) | (2,253,238) |
| **Remaining balance of deferred tax assets** | 828,826 | 558,784 | 869,524 | 603,170 |

## b. Deferred tax liabilities

This balance mainly consists of deferred income tax and social contribution tax liabilities, arising from temporary differences between the tax basis of goodwill and its book value in the balance sheet, as the goodwill continues to be amortized for tax purposes, but ceased to be amortized in the accounting records from January 1, 2009. This temporary difference may result in amounts being added to the calculation of the taxable income for future years, when the book value of the asset is reduced (due to impairment) or settled, thus making it necessary to record a deferred tax liability.

| | Parent company | | Consolidated | |
|---|---|---|---|---|
| | **2023** | **2022** | **2023** | **2022** |
| Goodwill | 2,534,620 | 2,117,064 | 2,534,620 | 2,117,064 |
| Fair value of property, plant and equipment - business combinations | 3,160 | 15,972 | 76,919 | 45,454 |
| Other | 23,719 | 17,309 | 381,464 | 297,098 |
| Total tax debt | 2,561,499 | 2,150,345 | 2,993,003 | 2,459,616 |
| (-) Portion of deferred tax liabilities recoverable through deferred assets of the same company to the same tax authority (also recoverable against the calculation of current tax) | (2,561,499) | (2,150,345) | (2,817,251) | (2,253,238) |
| **Remaining balance of deferred liabilities** | - | - | 175,752 | 206,378 |

### c. Reconciliation of income tax and social contribution expenses

| | Parent company | | Consolidated | |
|---|---|---|---|---|
| | 2023 | 2022 | 2023 | 2022 |
| **Profit before income tax and social contribution** | 1,321,305 | 1,464,723 | 1,506,986 | 1,597,822 |
| Combined rate - % | 34% | 34% | 34% | 34% |
| Income tax and social contribution expenses at the combined rate | (449,244) | (498,006) | (512,303) | (542,702) |
| Equity accounting | 191,067 | 114,395 | 6,812 | 7,760 |
| Government grants | 348,458 | 320,150 | 365,576 | 324,627 |
| Interest on capital declared | 264,886 | 264,891 | 264,886 | 264,891 |
| Interest/indexation in the nature of an indemnity | 7,117 | 11,940 | 8,195 | 13,177 |
| Other permanent additions/exclusions | (35,630) | 18,605 | 10,398 | 32,824 |
| Income tax and social contribution expenses | 326,654 | 231,975 | 143,564 | 100,577 |
| Current | - | - | (9,365) | (17,113) |
| Deferred | 326,654 | 231,975 | 152,929 | 117,690 |
| Discontinued operations | 1,782 | 5,596 | 1,926 | 5,229 |
| Continuing operations | 324,872 | 226,379 | 141,638 | 95,348 |
| | 326,654 | 231,975 | 143,564 | 100,577 |
| | 25% | 16% | 9% | 6% |

# 22 Taxes payable

| | Parent company | | Consolidated | |
|---|---|---|---|---|
| | 2023 | 2022 | 2023 | 2022 |
| ICMS (value added tax) payable | 17,746 | 19,400 | 66,120 | 65,695 |
| IPI/PIS/COFINS payable | 608 | 664 | 17,623 | 5,001 |
| Other taxes payable | 1,627 | 1,702 | 5,627 | 4,344 |
| | 19,981 | 21,766 | 89,370 | 75,040 |
| Current | 19,981 | 21,003 | 86,565 | 70,861 |
| Non-current | - | 763 | 2,805 | 4,179 |

# 23 Other payables

| | Parent company | | Consolidated | |
|---|---|---|---|---|
| | 2023 | 2022 | 2023 | 2022 |
| Freight payable | 25,069 | 25,237 | 33,094 | 34,207 |
| Services provided | 42,505 | 39,470 | 95,362 | 88,444 |
| Commercial agreements and advertising | 45,182 | 24,314 | 45,182 | 24,314 |
| Revenue to elapse | 30,115 | 36,374 | 31,522 | 37,080 |
| Purchases of fixed assets | 5,835 | 7,095 | 23,954 | 38,404 |
| Leases (i) | 163,628 | 97,791 | 217,777 | 120,905 |
| Leniency agreement (*) | - | 104,280 | - | 104,280 |
| Accrued taxes on inventory losses | 2,402 | - | 15,623 | 21,771 |
| Other | 95,422 | 53,822 | 137,096 | 90,800 |
| | 410,158 | 388,383 | 599,610 | 560,205 |
| Current | 293,770 | 295,783 | 418,705 | 431,239 |
| Non-current | 116,388 | 92,600 | 180,905 | 128,966 |

(a) The Leniency Agreement was settled in 2023 (Note 14).

## (i) Lease liabilities

| | Parent company | | Consolidated | |
|---|---|---|---|---|
| | 2023 | 2022 | 2023 | 2022 |
| Current | 59,294 | 29,333 | 68,384 | 33,399 |
| Non-current | 104,334 | 68,458 | 149,393 | 87,506 |
| | 163,628 | 97,791 | 217,777 | 120,905 |

Lease liabilities refer mainly to vehicles and real estate. The changes in lease liabilities are presented in the table below:

| | Parent company | Consolidated |
|---|---|---|
| At January 1, 2023 | 97,791 | 120,905 |
| Payments of leases - principal | (60,171) | (78,043) |
| Payments of leases - interest | (22,419) | (28,237) |
| Additions | 27,470 | 19,196 |
| Remeasurement | 124,725 | 183,533 |
| Accrued interest | (3,768) | 423 |
| At 12/31/2023 | 163,628 | 217,777 |

a. ***Maturity of installments***
Leases at December 31, 2023 can be broken down by year of maturity as follows:

| | Parent company | Consolidated |
|---|---|---|
| Up to 2 years | 52,776 | 61,929 |
| 2 to 5 years | 27,447 | 43,218 |
| More than 5 years | 24,111 | 44,246 |
| | 104,334 | 149,393 |

b. ***Tax rights on leases***
The table below shows the potential rights to PIS/COFINS recoverable embedded in the lease payments, based on the periods set out for payment:

| | Parent company | | Consolidated | |
|---|---|---|---|---|
| | Nominal | Adjusted to present value | Nominal | Adjusted to present value |
| Lease liability | 196,567 | 163,628 | 275,396 | 217,777 |
| Estimated PIS/COFINS | (8,107) | (5,510) | (14,253) | (9,797) |
| | 188,460 | 158,118 | 261,143 | 207,980 |

c. ***Agreements by term and discount rate***
The Company estimated the discount rates based on the risk-free interest rates available in the Brazilian market for agreements with similar terms. The table below shows the rates used, taking into consideration the terms of the respective leases:

| | Parent company | Consolidated |
|---|---|---|
| **Terms** | **Rate % p.a.** | **Rate % p.a.** |
| From 2 to 5 years | 11.72% | 11.56% |
| More than 5 years | 11.29% | 11.30% |

The table below shows the comparative balances of the lease liability, rights of use, financial expenses and depreciation, considering the effects of the future inflation rates projected in the flows of the lease agreements, discounted at their nominal rates.

| | Parent company | | Consolidated | |
|---|---|---|---|---|
| | 2023 | 2022 | 2023 | 2022 |
| **Lease liabilities** | | | | |
| Carrying amount - IFRS/CPC 06 (R2) | 163,628 | 97,791 | 217,777 | 120,904 |
| Flow with projected inflation | 173,380 | 102,358 | 230,757 | 126,550 |
| Variation | 5.96% | 4.67% | 5.96% | 4.67% |
| **Net right of use - closing balance** | | | | |
| Carrying amount - IFRS/CPC 06 (R2) | 154,591 | 93,788 | 210,211 | 124,479 |
| Flow with projected inflation | 163,805 | 98,168 | 222,740 | 130,292 |
| Variation | 5.96% | 4.67% | 5.96% | 4.67% |

| | Parent company | | Consolidated | |
|---|---|---|---|---|
| | 2023 | 2022 | 2023 | 2022 |
| **Financial expenses** | | | | |
| Carrying amount - IFRS/CPC 06 (R2) | (16,956) | (9,988) | (22,357) | (12,564) |
| Flow with projected inflation | (17,967) | (10,454) | (23,689) | (13,151) |
| Variation | 5.96% | 4.67% | 5.96% | 4.67% |
| **Depreciation expenses** | | | | |
| Carrying amount - IFRS/CPC 06 (R2) | (58,053) | (40,708) | (66,373) | (44,482) |
| Flow with projected inflation | (61,513) | (42,609) | (70,329) | (46,559) |
| Variation | 5.96% | 4.67% | 5.96% | 4.67% |

# 24 Provision for contingencies

At December 31, 2023, the Company had the following provisions for contingencies, and corresponding deposits with the courts related to these contingencies:

| | | | | | | | | Parent company |
|---|---|---|---|---|---|---|---|---|
| | | | | 2023 | | | | 2022 |
| | Forecast of likely loss | Contingencies assumed in business combinations | Escrow deposits | Contingencies net of escrow deposits | Forecast of likely loss | Contingencies assumed in business combinations | Escrow deposits | Contingencies net of deposits with courts |
| Civil | 1,019 | 11,911 | - | 12,930 | 773 | 11,208 | - | 11,981 |
| Labor | 82,604 | 1 | - | 82,605 | 100,409 | 61 | (16,296) | 84,174 |
| Tax | 19,244 | 11,262 | (17,667) | 12,839 | 16,421 | 34,941 | (15,943) | 35,419 |
| Administrative/other | 2,164 | - | - | 2,164 | 3,277 | 224 | (193) | 3,308 |
| Liabilities of former owners | 5,272 | - | - | 5,272 | 4,505 | - | - | 4,505 |
| | 110,303 | 23,174 | (17,667) | 115,810 | 125,385 | 46,434 | (32,432) | 139,387 |

| | | | | | | | | Consolidated |
|---|---|---|---|---|---|---|---|---|
| | | | | 2023 | | | | 2022 |
| | Forecast of likely loss | Contingencies assumed in business combinations | Escrow deposits | Contingencies net of deposits with courts | Forecast of likely loss | Contingencies assumed in business combinations | Escrow deposits | Contingencies net of deposits with courts |
| Civil | 1,806 | 11,911 | - | 13,717 | 834 | 11,208 | - | 12,042 |
| Labor | 85,867 | 1 | - | 85,868 | 105,378 | 61 | (17,774) | 87,665 |
| Tax | 44,742 | 11,262 | (42,512) | 13,492 | 41,597 | 34,941 | (40,850) | 35,688 |
| Administrative/other | 6,085 | - | - | 6,085 | 9,919 | 224 | (237) | 9,906 |
| Liabilities of former owners | 8,391 | - | - | 8,391 | 7,955 | - | - | 7,955 |
| | 146,891 | 23,174 | (42,512) | 127,553 | 165,683 | 46,434 | (58,861) | 153,256 |

## Changes in contingencies

| | | | | | | Parent company |
|---|---|---|---|---|---|---|
| | 2022 | Indexation accruals | Additions | Reversals | Payments | 2023 |
| Civil | 11,981 | 858 | 475 | (220) | (164) | 12,930 |
| Labor | 100,470 | 9,628 | 23,099 | (20,265) | (30,327) | 82,605 |
| Tax | 51,362 | 1,932 | 1,043 | (23,831) | - | 30,506 |
| Administrative/other | 3,501 | 251 | 45 | (1,403) | (230) | 2,164 |
| Liabilities of former owners | 4,505 | 443 | 1,437 | (718) | (395) | 5,272 |
| | 171,819 | 13,112 | 26,099 | (46,437) | (31,116) | 133,477 |
| Escrow deposits | (32,432) | (1,578) | (3,090) | 15,214 | 4,219 | (17,667) |
| | 139,387 | 11,534 | 23,009 | (31,223) | (26,897) | 115,810 |

| | | | | | | Consolidated |
|---|---|---|---|---|---|---|
| | 2022 | Indexation accruals | Additions | Reversals | Payments | 2023 |
| Civil | 12,042 | 982 | 1,093 | (220) | (180) | 13,717 |
| Labor (a) | 105,439 | 9,994 | 25,570 | (22,490) | (32,645) | 85,868 |
| Tax | 76,538 | 3,600 | 1,246 | (25,380) | - | 56,004 |
| Administrative/other | 10,143 | 482 | 447 | (3,741) | (1,246) | 6,085 |
| Liabilities of former owners (b) | 7,955 | 806 | 2,219 | (1,730) | (859) | 8,391 |
| | 212,117 | 15,864 | 30,575 | (53,561) | (34,930) | 170,065 |
| Escrow deposits | (58,861) | (2,811) | (4,110) | 18,236 | 5,034 | (42,512) |
| | 153,256 | 13,053 | 26,465 | (35,325) | (29,896) | 127,553 |

(a) The additions refer to 156 new labor lawsuits, while the reversals refer to 159 labor lawsuits and the payments refer to 145 labor lawsuits.
(b) The additions refer to lawsuits that are the responsibility of the former owners. In these cases, the Company recognizes an obligation to settle lawsuits and records an asset to be reimbursed by the former owners when the contingency is paid.
.

## a. Judicial claims which are the Company's responsibility, assumed during business combinations

Summary of the main contingencies:

| | Labor/Civil/Administrative and Other | | Tax | | |
|---|---|---|---|---|---|
| | Probable | Possible | Probable | Possible | Total |
| Mabesa | - | - | - | 778 | 778 |
| Mantecorp | 11,911 | 1 | 660 | 9,824 | 22,396 |
| | 11,911 | 1 | 660 | 10,602 | 23,174 |

Upon the acquisitions of Mabesa and Mantecorp, the Company assumed some of their contingencies. In addition to the provision for probable losses, the Company also recorded provisions for possible losses, as required by CPC 15 (R1) - "Business Combinations", at their fair value.

The amounts of the possible and probable losses of these lawsuits arising from Business Combinations are described below:

### (i) Civil
On one lawsuit, arising from the acquisition of Mantecorp Indústria Química, has an expected loss is estimated at R$ 11,911.

On June 26, 2009, the Medicine Market Chamber (CMED) imposed a fine of R$ 11,911 on Mantecorp for alleged irregular increases in the price of the medicine Desalex. This fine is being challenged in court. Based on the advice of external legal counsel, the likelihood of loss is deemed probable.

### (ii) Labor
One lawsuit, arising from the acquisition of Mantecorp Indústria Química, has a fair value estimated at R$ 1.

### (iii) Tax
There are eight tax lawsuits which are mainly related to the payment of ICMS on imports of goods, of which five arose from the acquisition of Mabesa and three from the acquisition of Mantecorp Indústria Química, with a fair value estimated at R$ 11,262.

## b. Possible contingencies
The Company and its subsidiaries are involved in labor, civil, tax and regulatory lawsuits where the current evaluation of the likelihood of success based on the advice of legal counsel, as well as the legal characteristics, do not require a provision to be recorded, either because the expectation of loss is classified as possible, or due to an exclusion of liability as part of a contractual agreement.

| | | **Parent company** | | **Consolidated** |
|---|---|---|---|---|
| | **2023** | **2022** | **2023** | **2022** |
| | **Possible loss** | **Possible loss** | **Possible loss** | **Possible loss** |
| Civil | 45,033 | 59,780 | 46,454 | 62,330 |
| Labor | 239,122 | 365,620 | 253,249 | 379,142 |
| Tax | 136,951 | 107,823 | 154,955 | 124,563 |
| Administrative/other | 825 | 1,618 | 1,532 | 2,386 |
| Liabilities of former owners | 399,141 | 374,321 | 589,305 | 537,235 |
| | 821,072 | 909,162 | 1,045,495 | 1,105,656 |

### (i) Civil
In 2009, the Federal Public Prosecutor of the Judicial District of Bauru, State of São Paulo, filed a public civil action against the Company and several other laboratories, to force them to sell medicines to the Public Administration in accordance with the rules of CMED. The prosecution also requested that the laboratories be sentenced to pay collective punitive damages at amounts to be fixed by the court.

A judicial decision was issued the process to be extinguished, which is currently awaiting a hearing on an appeal brought by the public prosecutor. The amount involved cannot be estimated and, according to the advice of external legal counsel, the probability of loss is possible.

In 2014, the city of Caxias do Sul filed a public civil action against the Company and several other laboratories, to force them to sell medicines to the Municipality in accordance with the rules of CMED. The lawsuit is currently in the fact-finding phase. The amount involved cannot be estimated and, according to the advice of external legal counsel, the probability of loss is possible.

In 2020, the city of Londrina filed a public civil action against the Company and several other laboratories, to force them to sell medicines to the Municipality in accordance with the rules of CMED. The lawsuit is in its initial phase. The amount involved cannot be estimated and, according to the advice of external legal counsel, the probability of loss is possible.

### (ii) Labor

The Company and its subsidiaries are parties to legal proceedings in labor lawsuits against acquired and merged companies, where the possible loss to which the Company and/or its subsidiaries are exposed is estimated at R$ 253,249 (R$ 379,142 at December 31, 2022).

These proceedings involve claims for overtime, wage and salary differences, compensation due to occupational diseases and/or accidents, health hazard allowances or allowances for hazardous work, and the recognition of employment relationships, among other claims.

A total of 14 labor proceedings arose from the acquisition of Mabesa, Mantecorp Logística Distribuição e Comércio S.A. and Mantecorp Indústria Química e Farmacêutica S.A., representing a possible loss to the Company of R$ 13,911 (R$ 25,158 at December 31, 2022), involving compensation due to occupational diseases and/or accidents, employment relationships and the consequent payment of labor charges, wage and salary differences, overtime effects and tenure, among other claims.

### (iii) Tax

The Company and its subsidiary Cosmed are seeking, through Writs of Security: (i) the repeal of the increase in the rate of contribution to the SAT/RAT by Decree No. 6,957/09; and (ii) the definition of the rate for each site of the Company which is enrolled on its own behalf with the CNPJ. Given the divergent jurisprudence at the Superior Court of Justice on a portion of these claims, the Company and its legal advisors qualify it as representing a risk of possible loss in the amount of R$ 90,524, but with no risk of further disbursement, since a deposit for the entire amount of the case has been made with the court. The process is awaiting an examination of admissibility by the Vice-Chairman of the Federal Regional Court of the 3rd Region due to the lodging of special and extraordinary appeals by the Company. Due to the jurisprudence at the ETF enacted in ADI 4,397, the Company amended the probability of loss for lawsuits discussing the removal of the application of the FAP to the rate of contribution to the SAT/RAT from possible to probable, resulting in an increase in its provisions in the amount of R$ 36,745. There is no risk of further disbursement, since a deposit for the entire value of the case has been made with the court.

The Company, supported by internal and external experts, believes that all procedures adopted for the assessment of its taxes are in accordance with the legislation in force, applicable to the case, and accepted by the courts. However, as these are matters are highly subjective, it is possible that this assessment will change in the future due to factors beyond the Company's control, such as changes to the case law or the tax regulations, and it is possible that the administrative authorities will not agree with one or more of these positions.

**(iv) Contingencies of acquired companies which are the responsibility of the former owners**

The State of São Paulo filed a public civil action against the Company for the payment of an indemnity for the alleged illegal sale of medicines by Mantecorp in 2008. The amount involved was assessed at R$ 260,997, and based on the advice of external legal counsel, the chance of loss is deemed possible. The lawsuit is currently in the fact-finding phase.

Where applicable, the Company makes payments in these lawsuits, and then pursues reimbursement from the former owners (Note 14).

# 25 Share capital and reserves

## *a. Share capital*

At December 31, 2023, the Company was authorized to increase its share capital up to the limit of R$5,500,000, in accordance with a provision of its bylaws and a decision by the Board of Directors at the Special General Meeting on January 24, 2011.

The share capital at December 31, 2023 was R$ 4,478,126 (R$ 4,478,126 at December 31, 2022), represented by 633,420,823 common shares (633,420,823 at December 31, 2022).

## *b. Premium on share issuance*

This reserve is formed upon the issue of shares, and refers to the portion of the issue price of shares with no nominal value, which exceeds the amount used to make up the capital.

## *c. Share-based payments*

**(i) Share purchase options**

The goal of the share purchase option plans is attracting and retaining Company executives. These option plans represent a percentage of dilution of up to 6% of the total share capital.

Share-based payment transactions may occur between the Company and its subsidiaries.

### *Option pricing model*

In order to calculate the fair value of the options granted, the Company used the following assumptions:

- The options will be exercised on the closing dates of each vesting period, especially given the requirement for the allocation of the executives’ bonuses to purchase shares issued by the Company.
- Neutrality as regards the distribution of dividends, given that the exercise price is adjusted for the potential distribution of dividends.
- The evaluation of options in accordance with market parameters at the date of each contract, together with the beneficiaries of the plan.
- The allocation of a reduction of 1.5% per annum in the value of the options to be exercised to reflect the potential for the dismissal of some beneficiaries.

The valuation method was based on the Black-Scholes pricing model for simple European options, using the SELIC rate and the historical monthly volatility based on the dates of the contracts with the beneficiaries.

The EGMs from December 29, 2008 and October 10, 2011 approved Plans II and III, which comprise the Stock Option Programs, which were also later approved at the Board of Directors' Meetings held on the following dates:

| **Board of Directors' Meeting - BDM** | |
|---|---|
| | **Plan II** |
| 2009 Program | December 17, 2009 |
| 2010 Program | August 6, 2010 |
| 2011 Program | February 2, 2011 |
| | **Plan III** |
| 2011 Program | December 26, 2011 |
| 2013 Program | May 3, 2013 |
| 2014 Program | February 21, 2014 |
| 2014-A Program | December 30, 2014 |
| 2017 Program | April 11, 2017 |
| 2023 Program | December 28, 2022 |

The vesting period is 1 year for up to 20% of options granted, 2 years for up to 40%, 3 years for up to 60%, 4 years for up to 80%, and 5 years for up to 100%.

For Plan III – 2023 Program, the vesting period is 2 years for up to 26% of the options granted, 3 years for up to 63%, and 4 years for up to 100%.

## Total options granted

The dilution percentage that was eventually submitted to the current shareholders based on the exercise of all of the outstanding options at December 31, 2023 was 4.93% for the Plans and Programs detailed below:

| | | | | | | | | | | **Consolidated** |
|---|---|---|---|---|---|---|---|---|---|---|
| | | | | | | | | | | **At 12/31/2023** |
| **Plan** | **Program** | **Vesting period** | **Original exercise price** | **Adjusted exercise price** | **Granted** | **Exercised** | **Canceled** | **Outstanding contracts** | **Fair unit value on the grant date (in Reais)** | **Total estimated cost** |
| Plan III | 2017 | 04/01/2018 | 28.93 | 28.93 | 525,000 | 447,530 | 50,000 | 27,470 | 2.39 | 66 |
| Plan III | 2017 | 04/01/2019 | 28.93 | 28.93 | 525,000 | 430,000 | 55,000 | 40,000 | 3.78 | 151 |
| Plan III | 2017 | 04/01/2020 | 28.93 | 28.93 | 525,000 | 395,000 | 55,000 | 75,000 | 4.82 | 361 |
| Plan III | 2017 | 04/01/2021 | 28.93 | 28.93 | 525,000 | 296,145 | 65,000 | 163,855 | 5.53 | 906 |
| Plan III | 2017 | 04/01/2022 | 28.93 | 28.93 | 525,000 | 245,000 | 65,000 | 215,000 | 5.91 | 1,271 |
| | | | | | **2,625,000** | **1,813,675** | **290,000** | **521,325** | | **2,755** |
| Plan III | 2023 | 04/11/2024 | 38.72 | 38.72 | 562,500 | - | - | 562,500 | 4.95 | 2,784 |
| Plan III | 2023 | 04/11/2025 | 38.72 | 38.72 | 562,500 | - | - | 562,500 | 7.54 | 4,241 |
| Plan III | 2023 | 04/11/2026 | 38.72 | 38.72 | 562,500 | - | - | 562,500 | 9.49 | 5,338 |
| Plan III | 2023 | 04/11/2027 | 38.72 | 38.72 | 562,500 | - | - | 562,500 | 10.98 | 6,177 |
| | | | | | **2,250,000** | **-** | **-** | **2,250,000** | | **18,540** |
| **Total Stock Options** | | | | | **4,875,000** | **1,813,675** | **290,000** | **2,771,325** | | **21,295** |

| | | | | | | | | | | |
|---|---|---|---|---|---|---|---|---|---|---|
| | | | | | | | | | | **Consolidated** |
| | | | | | | | | | | **At 12/31/2022** |
| **Plan** | **Program** | **Vesting period** | **Original exercise price** | **Adjusted exercise price** | **Granted** | **Exercised** | **Canceled** | **Outstanding contracts** | **Fair unit value on the grant date (in Reais)** | **Total estimated cost** |
| Plan II | 2010 | 08/06/2013 | 20.21 | 30.78 | 640,000 | 211,500 | 390,000 | 38,500 | 5.22 | 201 |
| Plan II | 2010 | 08/06/2014 | 20.21 | 30.78 | 460,000 | 170,000 | 210,000 | 80,000 | 6.02 | 482 |
| Plan II | 2010 | 08/06/2015 | 20.21 | 30.78 | 460,000 | 170,000 | 210,000 | 80,000 | 6.79 | 543 |
| | | | | | **1,560,000** | **551,500** | **810,000** | **198,500** | | **1,226** |
| Plan II | 2011 | 02/01/2012 | 19.26 | 27.44 | 740,000 | 429,130 | 280,565 | 30,305 | 0.95 | 29 |
| Plan II | 2011 | 02/01/2013 | 19.26 | 27.44 | 740,002 | 429,130 | 280,566 | 30,306 | 1.75 | 53 |
| Plan II | 2011 | 02/01/2014 | 19.26 | 27.44 | 759,482 | 429,130 | 300,046 | 30,306 | 2.52 | 76 |
| Plan II | 2011 | 02/01/2015 | 19.26 | 27.44 | 730,258 | 429,130 | 270,822 | 30,306 | 3.26 | 99 |
| Plan II | 2011 | 02/01/2016 | 19.26 | 27.44 | 730,258 | 429,130 | 270,822 | 30,306 | 3.98 | 121 |
| | | | | | **3,700,000** | **2,145,650** | **1,402,821** | **151,529** | | **378** |
| Plan III | 2017 | 04/01/2018 | 28.93 | 28.93 | 525,000 | 447,530 | 50,000 | 27,470 | 2.39 | 66 |
| Plan III | 2017 | 04/01/2019 | 28.93 | 28.93 | 525,000 | 430,000 | 55,000 | 40,000 | 3.78 | 151 |
| Plan III | 2017 | 04/01/2020 | 28.93 | 28.93 | 525,000 | 395,000 | 55,000 | 75,000 | 4.82 | 361 |
| Plan III | 2017 | 04/01/2021 | 28.93 | 28.93 | 525,000 | 227145 | 65,000 | 232,855 | 5.53 | 1,287 |
| Plan III | 2017 | 04/01/2022 | 28.93 | 28.93 | 525,000 | 205000 | 65,000 | 255,000 | 5.91 | 1,508 |
| | | | | | **2,625,000** | **1,704,675** | **290,000** | **630,325** | | **3,373** |
| **Total Stock Options** | | | | | **7,885,000** | **4,401,825** | **2,502,821** | **980,354** | | **4,977** |

### (ii) Share grant plan based on a matching regime

At a meeting of the Board of Directors of the Company, Stock Option Programs (on February 23, 2018, February 23, 2019 and March 23, 2021) based on a Matching regime were approved, with the aim of allowing, within the scope of and as an alternative form of implementation of the payment of PPR 2017, PPR 2018, PPR 2019 and PPR 2020 to 2025, or a bonus based either directly or indirectly on the results of the Company and its subsidiaries (the "Performance Bonus").

The vesting period is 1 year for up to 25% of the options granted, 2 years for up to 50%, 3 years for up to 75%, 4 years for up to 100%, with an obligation to make a minimum allocation of 50% of the net annual bonus to the officers participating in the Company's stock options plan.

The objective is for the beneficiaries, as defined below, to have the opportunity to become shareholders of the Company, in accordance with certain defined terms and conditions, thereby enhancing the alignment and integration of their interests with the interests of the Company, and giving them a share of capital market risks.

The 2018 Matching Plan Program has a total estimated cost of R$ 5,674, representing four tranches per year, starting in 2020, with a total estimated amount of 211,888 shares.

The 2019 Matching Plan Program has a total estimated cost of R$ 11,044, representing four tranches per year, starting in 2021, with a total estimated amount of 317,817 shares.

The 2020 Matching Plan Program has a total estimated cost of R$ 14,560, representing four tranches per year, starting in 2022, with a total estimated amount of 458,164 shares.

The 2021 Matching Plan Program has a total estimated cost of R$ 21,294, representing four tranches per year, starting in 2023, with a total estimated amount of 616,884 shares.

The 2022 Matching Plan Program has a total estimated cost of R$ 25,798, representing four tranches per year, starting in 2024, with a total estimated amount of 576,646 shares.

The 2023 Matching Plan Program has a total estimated cost of R$ 27,558, representing four tranches per year, starting in 2025, with a total estimated amount of 765,497 shares.

**(iii) Restricted Stock Option Plan**
At the EGMs held on April 14, 2016 and amended on April 19, 2018 and April 24, 2019, a Restricted Stock Option Plan was approved, to allow the granting of rights to Restricted Shares to eligible employees selected by the Board of Directors or the Committee, in order to attract and retain the Company's executives.

The 2019 Grant of Restricted Shares Program, representing four tranches per year, starting 2020, has an estimated cost of R$ 28,398, with a total estimated amount of 1,070,000 shares.

The 2019 Grant of Restricted Shares Program, representing four tranches per year, starting 2020, has an estimated cost of R$ 5,248,650, with a total estimated amount of 245,000 shares.

The 2019 Grant of Restricted Shares Program, representing a single tranche, expected for 2023, has an estimated cost of R$ 1,360, with a total estimated amount of 66,000 shares.

The 2019 Grant of Restricted Shares Program, representing a single tranche, expected for 2024, has an estimated cost of R$ 8,162, with a total estimated amount of 396,000 shares.

The 2020 Grant of Restricted Shares Program, representing four tranches per year, starting 2021, has an estimated cost of R$ 3,666, with a total estimated amount of 125,000 shares.

The 2021 Grant of Restricted Shares Program, representing four tranches per year, starting 2022, has an estimated cost of R$ 29,044, with a total estimated amount of 1,010,000 shares.

The 2022 Grant of Restricted Shares Program, representing four tranches per year, starting in 2023, has an estimated cost of R$ 10,583, with a total estimated amount of 300,000 shares.

The 2023 Grant of Restricted Shares Program, representing three tranches per year, starting in 2025, has an estimated cost of R$ 40,169, with a total estimated amount of 1,227,500 shares.

### *d. Treasury shares*
The changes in the number of treasury shares were as shown in the table below:

| | Number | Amount |
|---|---|---|
| At 12/31/2022 | 1,523,351 | 87,134 |
| Acquisitions during the year | 1,150,000 | 44,028 |
| Sales in during the year | (2,161,048) | (110,885) |
| At 12/31/2023 | 512,303 | 20,277 |

### *e. Legal reserve*
The legal reserve is established annually by allocating 5% of the net income for the year, and may not exceed 20% of the share capital. The purpose of the legal reserve is to preserve capital, and it may only be used to offset losses.

### *f. Tax incentive reserve*
Established in accordance with Article 195-A of the Brazilian corporation law (amended by Law 11,638 in 2007), this reserve receives a portion of tax incentives recognized in income for

the financial year, in a tax deduction account, and is paid from retained earnings, meaning that it is not part of the basis for the calculation of the minimum mandatory dividend.

## g. *Statutory reserve*

This is established in accordance with the terms of Article 194 of the Brazilian corporation law and provided for in the sole paragraph of Article 44 of the Company's bylaws.

## h. *Profit retention reserve*

Formed or reversed in accordance with Article 196 of the Brazilian corporation law and established in Article 44 of the Company's bylaws.

## i. *Proposal regarding the distribution of income*

Management`s proposal for the distribution of dividends for 2023 is as follows:

| | **2023** |
|---|---|
| Net income for the year | 1,647,960 |
| **Income to be allocated** | **1,647,960** |
| | |
| Legal reserve | (82,398) |
| Government grant reserve | (786,484) |
| **Basis for the calculation of the dividends** | **779,078** |
| | |
| Interest on shareholders' equity (I) | (779,078) |

I. At the Board of Directors' meetings, the distribution of interest on capital to the Company's shareholders was approved, which will be paid up to December 31, 2024, as shown in the table below:

| **Dates** | **Amount** |
|---|---|
| March 24, 2023 | 194,769 |
| June 23, 2023 | 194,769 |
| September 22, 2023 | 194,769 |
| December 15, 2023 | 194,771 |
| | 779,078 |

## j. *Equity value adjustments*

The Company recognizes in this line item the changes in the acquisition value of equity-settled companies, and the gains or losses on cash flow hedge transactions. For foreign exchange gains or losses, the accumulated effects will be reversed to the result for the year as a gain or loss only in the event of the sale or disposal of the investment. Cash flow hedge transactions will be transferred to profit or loss if an ineffective portion is identified, or upon the termination of the hedging relationship.

# 26 Revenue

The reconciliation between the gross and net revenue is as follows:

| | Parent company | | Consolidated | |
|---|---|---|---|---|
| | **2023** | **2022** | **2023** | **2022** |
| Gross revenue from products | 9,306,673 | 8,786,743 | 9,558,522 | 8,966,332 |
| Returns | (116,161) | (83,146) | (120,417) | (85,104) |
| Unconditional discounts | (226,657) | (190,398) | (287,856) | (222,901) |
| Net revenue from returns and unconditional discounts | 8,963,855 | 8,513,199 | 9,150,249 | 8,658,327 |
| Promotional discounts | (592,744) | (497,825) | (591,714) | (492,472) |
| Taxes | (376,148) | (369,388) | (643,877) | (619,500) |
| Net revenue | 7,994,963 | 7,645,986 | 7,914,658 | 7,546,355 |

The Company does not present its revenue disaggregated by product line, since essentially: (a) the nature and the economic risk factors of the products are similar; (b) there are no significant distinctions in terms of the consumers and customers; (c) the Company only operates in the Brazilian market; and (d) the presentations made to investors mentioning different types of products only reflect different go-to-market models. Therefore, the Company optimizes synergies between these different models, leveraging a single sell-out structure.

In addition, decisions on the resources to be allocated are not made by business segment, but rather individually for each product to be launched, resulting in assessments of the general performance and operating results being made across all of the products in the portfolio.

# 27 Breakdown of the statement of income accounts

## a. Operating expenses and cost of sales

| | Parent company | | Consolidated | |
|---|---|---|---|---|
| | 2023 | 2022 | 2023 | 2022 |
| Cost of sales | (3,728,331) | (3,541,132) | (2,919,114) | (2,784,831) |
| Raw materials | - | - | (1,033,674) | (1,039,408) |
| Packaging materials | - | - | (468,547) | (439,578) |
| Labor | - | - | (615,502) | (556,582) |
| Depreciation and amortization expenses | - | - | (86,396) | (67,469) |
| Resale | (3,611,112) | (3,457,560) | (723,176) | (687,121) |
| Losses on inventory | (117,219) | (83,572) | (121,595) | (101,782) |
| Changes in inventory/others | - | - | 129,776 | 107,109 |
| | | | | |
| Selling and marketing expenses | (1,914,619) | (1,769,102) | (2,172,415) | (1,984,715) |
| Marketing expenses | (1,226,014) | (1,167,782) | (1,243,011) | (1,174,269) |
| Advertising and consumer promotion | (327,693) | (327,069) | (345,536) | (339,029) |
| Trade deals | (219,146) | (182,263) | (219,079) | (182,263) |
| Market surveys and others | (10,459) | (11,059) | (10,459) | (11,059) |
| Medical visits, promotions, gifts and samples | (668,716) | (647,391) | (667,937) | (641,918) |
| | | | | |
| Selling expenses | (688,605) | (601,320) | (929,404) | (810,446) |
| Sales force | (385,900) | (352,132) | (402,326) | (366,096) |
| Freight and logistics expenses | (161,936) | (142,225) | (188,725) | (164,208) |
| Research and development | (25,864) | (24,669) | (169,506) | (159,391) |
| Depreciation and amortization expenses | (48,187) | (35,490) | (92,199) | (65,138) |
| Other expenses | (66,718) | (46,804) | (76,648) | (55,613) |
| | | | | |
| General and administrative expenses | (232,582) | (218,560) | (348,121) | (314,460) |
| Payroll and related taxes | (138,992) | (125,543) | (212,084) | (187,112) |
| Services, lawyers, advisors and auditors | (65,808) | (69,939) | (78,297) | (86,371) |
| Depreciation and amortization expenses | (25,738) | (19,194) | (51,680) | (34,542) |
| Other expenses | (2,044) | (3,884) | (6,060) | (6,435) |

## b. Other operating (expenses) income, net

| | Parent company | | Consolidated | |
|---|---|---|---|---|
| | 2023 | 2022 | 2023 | 2022 |
| Potential gains (losses) | (189,353) | (48,969) | 35,720 | (21,023) |
| Depreciation and amortization expenses | (1,664) | (1,444) | (7,932) | (1,135) |
| Civil and labor contingencies | (7,023) | 6,550 | (4,878) | 19,149 |
| | (198,040) | (43,863) | 22,910 | (3,009) |

## c. Financial income

| | Parent company | | Consolidated | |
|---|---|---|---|---|
| | 2023 | 2022 | 2023 | 2022 |
| Interest income | 50,580 | 61,223 | 58,718 | 70,847 |
| Income from financial investments and others | 168,518 | 159,712 | 188,887 | 180,174 |
| Exchange variations (gains on derivative transactions) | - | - | - | 19 |
| | 219,098 | 220,935 | 247,605 | 251,040 |

## d. Financial expenses

| | Parent company | | Consolidated | |
|---|---|---|---|---|
| | 2023 | 2022 | 2023 | 2022 |
| Interest on financing | (19,973) | (24,976) | (20,098) | (25,646) |
| Interest on borrowing | (199,285) | (269,685) | (199,711) | (269,919) |
| Interest on notes payable | (1,340) | (2,044) | (1,340) | (2,044) |
| Indexation accruals on contingencies | (12,669) | (15,103) | (15,058) | (18,956) |
| REFIS (financing of tax liabilities) | (100) | (226) | (100) | (226) |
| Debentures | (1,063,681) | (776,373) | (1,063,681) | (776,373) |
| Interest and commission on letters of guarantee | (5,011) | (5,738) | (5,093) | (5,810) |
| Bank expenses, discounts granted, and others | (52,561) | (45,776) | (53,337) | (51,518) |
| Cost of hedges and exchange variations on loans | (895) | 495 | (780) | 495 |
| Cost of hedges and exchange variations on suppliers and customers | (11) | 53 | (27,557) | (45,962) |
| Reversals of present value adjustments | (16,956) | (9,988) | (22,357) | (12,564) |
| Capitalized interest | 3,531 | 1,782 | 160,774 | 93,710 |
| Other | (2,080) | (3,616) | (7,603) | (7,874) |
| | (1,371,031) | (1,151,195) | (1,255,941) | (1,122,687) |

# 28 Earnings per share

## a. Basic

The basic earnings per share are calculated by dividing the profit attributable to the Company's shareholders by the weighted average number of common shares outstanding during the year, excluding common shares purchased by the Company and held as Treasury shares.

| | 2023 | | | 2022 | | |
|---|---|---|---|---|---|---|
| | Continuing operations | Discontinued operations | Total | Continuing operations | Discontinued operations | Total |
| Profit attributable to the Company's shareholders | 1,648,523 | (563) | 1,647,960 | 1,704,750 | (8,053) | 1,696,697 |
| Weighted average number of common shares held by shareholders (thousands) | 632,460 | 632,460 | 632,460 | 632,211 | 632,211 | 632,211 |
| Basic earnings per share | 2.60653 | (0.00089) | 2.60564 | 2.69649 | (0.01274) | 2.68375 |

## b. Diluted

The diluted earnings per share are calculated by adjusting the weighted average number of common shares outstanding, in order to assume the conversion of all potentially dilutive potential common shares. The potential shares are deemed dilutive when, and only when, their conversion into shares decreases the earnings per share, or increases the loss per share from continuing operations.

| | 2023 | | | 2022 | | |
|---|---|---|---|---|---|---|
| | Continuing operations | Discontinued operations | Total | Continuing operations | Discontinued operations | Total |
| Profit | | | | | | |
| Profit attributable to the Company's shareholders | 1,648,523 | (563) | 1,647,960 | 1,704,750 | (8,053) | 1,696,697 |
| Weighted average number of common shares held by shareholders (thousands) | 632,460 | 632,460 | 632,460 | 632,211 | 632,211 | 632,211 |
| Adjustments for | | | | | | |
| Share-based payments (thousands) (I) | 5,333 | 5,333 | 5,333 | 6,892 | 6,892 | 6,892 |
| Weighted average number of common shares for diluted earnings per share (thousands) | 637,793 | 637,793 | 637,793 | 639,103 | 639,103 | 639,103 |
| Diluted earnings per share | 2.58473 | (0.00088) | 2.58385 | 2.66741 | (0.01260) | 2.65481 |

(I) Breakdown of amounts of share-based payments:

| | 2023 |
|---|---|
| Stock option | 3,132 |
| Estimated Matching Plan value | 1,847 |
| Restricted Plan | 2,584 |
| | 7,563 |

# 29 Related party transactions

The Company is a publicly traded company with its shares traded on the B3, under a shareholders' agreement entered into on June 23, 2010, and subsequently amended on March 16, 2016, October 24, 2016, July 26, 2017 and June 9, 2020. The main signatories are: Mr. João Alves de Queiroz Filho, holding 21.38% of the Company's capital, and Maiorem S.A. de C.V., holding 14.74%. The other signatories to the Shareholders' Agreement hold 0.12% of the Company's share capital, and the remaining 63.76% of the shares are held by various smaller shareholders.

## *Transactions and balances*

The main asset and liability balances, and the transactions between related parties that impacted the results for the year arise from transactions between the Company and its subsidiaries, which management considers to have been conducted under normal market conditions and within normal timeframes for the respective types of transactions.

Loans with related parties are indexed to the CDI, plus a spread.

In commercial relationships with related parties, prices are established based on the characteristics and nature of each transaction. In this case, both Cosmed and Brainfarma manufacture and sell almost the entirety of their production to the Company for sale to the market.

Trading transactions involving the sale and purchase of products, raw materials, the contracting of services and rentals, as well as financial transactions involving loans and fundraising between group companies, are presented as follow:

- The rental agreement with Brainfarma Indústria Química Farmacêutica S.A. is indexed to the IGPM-FGV, with a maturity date of May 2, 2025, which may be extended as agreed between the parties.

## a.1. In assets and liabilities

**Parent company 2023**

| Related parties | Other amounts receivable | Shareholders' indemnity | Suppliers | Accounts payable | Other amounts payable |
|---|---|---|---|---|---|
| Cosmed Indústria de Cosméticos e Medicamentos S.A. | - | - | (117,705) | - | (998) |
| My Agência Propaganda Ltda. | 8 | - | - | - | - |
| Brainfarma Ind. Quim. e Farmacêutica S.A. | 3,045 | - | (644,883) | (2,476) | - |
| Megatelecom Telecommunications S.A. | 31 | - | - | (90) | - |
| **Total** | **3,084** | **-** | **(762,588)** | **(2,566)** | **(998)** |

**Consolidated 2023**

| Related parties | Other amounts receivable | Shareholders' indemnity | Suppliers | Accounts payable | Other amounts payable |
|---|---|---|---|---|---|
| Megatelecom Telecommunications S.A. | 31 | - | - | (133) | - |
| **Total** | **31** | **-** | **-** | **(133)** | **-** |

**Parent company 2022**

| Related parties | Other amounts receivable | Shareholders' indemnity | Suppliers | Accounts payable | Loans payable |
|---|---|---|---|---|---|
| Cosmed Indústria de Cosméticos e Medicamentos S.A. | - | - | (104,605) | - | (1,908) |
| My Agência Propaganda Ltda. | 5 | - | - | - | - |
| Brainfarma Ind. Quim. e Farmacêutica S.A. | 5,634 | - | (639,351) | - | - |
| Megatelecom Telecommunications S.A. | 20 | - | - | (74) | - |
| Bio Scientific Indústria de Cosméticos Ltda. | - | - | (7) | - | - |
| João Alves de Queiroz Filho | - | 158,258 | - | - | - |
| **Total** | **5,659** | **158,258** | **(743,963)** | **(74)** | **(1,908)** |

**Consolidated 2022**

| Related parties | Other amounts receivable | Shareholders' indemnity | Suppliers | Accounts payable | Loans payable |
|---|---|---|---|---|---|
| Megatelecom Telecommunications S.A. | 20 | - | - | (94) | - |
| João Alves de Queiroz Filho | - | 162,829 | - | - | - |
| **Total** | **20** | **162,829** | **-** | **(94)** | **-** |

## a.2. In income for the year

**Parent company 2023**

| | Transactions | | Other (expenses)/income | | | | Interest | |
|---|---|---|---|---|---|---|---|---|
| **Related parties** | **Purchases of goods/products** | **Rental income** | **Advertising** | **Lease amortization** | **Services provided** | **Shared expenses** | **Financial expenses** | **Financial income** |
| Cosmed Indústria de Cosméticos e Medicamentos S.A. | (691,989) | - | - | - | - | (10,741) | - | - |
| My - Agência Propaganda Ltda. | - | 215 | (4,560) | - | - | - | - | - |
| TV Serra Dourada Ltda. | - | - | (529) | - | - | - | - | - |
| Brainfarma Ind. Quim. e Farmacêutica S.A. | (3,401,794) | - | - | (2,334) | - | (75,511) | (203) | - |
| Megatelecom Telecommunications S.A. | - | 428 | - | - | (473) | - | - | - |
| Bio Scientific Indústria de Cosméticos Ltda. | (253) | - | - | - | - | - | - | - |
| João Alves de Queiroz Filho | - | - | - | - | - | - | - | 9,502 |
| | **(4,094,036)** | **643** | **(5,089)** | **(2,334)** | **(473)** | **(86,252)** | **(203)** | **9,502** |

**Consolidated 2023**

| | Transactions | | Other (expenses)/income | | | | Interest | |
|---|---|---|---|---|---|---|---|---|
| **Related parties** | **Purchases of goods/products** | **Rental income** | **Advertising** | **Lease amortization** | **Services provided** | **Shared expenses** | **Financial expenses** | **Financial income** |
| TV Serra Dourada Ltda. | - | - | (529) | - | - | - | - | - |
| Megatelecom Telecommunications S.A. | - | 428 | - | - | (593) | - | - | - |
| João Alves de Queiroz Filho | - | - | - | - | - | - | - | 9,900 |
| | **-** | **428** | **(529)** | **-** | **(593)** | **-** | **-** | **9,900** |

| | | | | | | | Parent company | |
|---|---|---|---|---|---|---|---|---|
| | | | | | | | | 2022 |
| | Transactions | | Other (expenses)/income | | | | Interest | |
| **Related parties** | **Purchases of goods/products** | **Rental income** | **Advertising** | **Lease amortization** | **Services provided** | **Shared expenses** | **Financial expenses** | **Financial income** |
| Cosmed Indústria de Cosméticos e Medicamentos S.A. | (666,544) | - | - | - | - | (9,411) | - | - |
| My - Agência Propaganda Ltda. | - | - | (4,580) | - | - | - | - | - |
| TV Serra Dourada Ltda. | - | - | (2,197) | - | - | - | - | - |
| Brainfarma Ind. Quim. e Farmacêutica S.A. | (3,138,036) | - | - | - | - | (63,784) | - | - |
| Megatelecom Telecommunications S.A. | - | 361 | - | - | (447) | - | - | - |
| João Alves de Queiroz Filho | - | - | - | - | - | - | - | 6,748 |
| | **(3,804,580)** | **361** | **(6,777)** | **-** | **(447)** | **(73,195)** | **-** | **6,748** |

| | | | | | | | | Consolidated |
|---|---|---|---|---|---|---|---|---|
| | | | | | | | | 2022 |
| | Transactions | | Other (expenses)/income | | | | Interest | |
| **Related parties** | **Purchases of goods/products** | **Rental income** | **Advertising** | **Lease amortization** | **Services provided** | **Shared expenses** | **Financial expenses** | **Financial income** |
| TV Serra Dourada Ltda. | - | - | (2,197) | - | - | - | - | - |
| Megatelecom Telecommunications S.A. | - | 361 | - | - | (568) | - | - | - |
| João Alves de Queiroz Filho | - | - | - | - | - | - | - | 7,321 |
| | **-** | **361** | **(2,197)** | **-** | **(568)** | **-** | **-** | **7,321** |

## b. Compensation of key management personnel

Key management personnel includes the members of the Board of Directors, the Supervisory Board, the Audit Committee and the Statutory Directors. The compensation paid or payable to key management personnel was as follows:

| | Parent company | | Consolidated | |
|---|---|---|---|---|
| | **2023** | **2022** | **2023** | **2022** |
| Salaries and other short-term benefits | 20,330 | 19,971 | 20,330 | 19,971 |
| Board members' fees | 5,768 | 5,171 | 5,768 | 5,171 |
| Share-based payments | 13,736 | 10,096 | 13,736 | 10,096 |
| | 39,834 | 35,238 | 39,834 | 35,238 |

# 30 Other matters

### Accounting impacts related to climate change

The Company maintains manufacturing plants in controlled and industrial locations. Among the main risks monitored at these plants are those related to the handling of products; the generation of hazardous waste; water consumption; effluent generation; and the emission of Greenhouse Gases (GHG). According to the Company's assessment, there are no accounting impacts related to climate issues.

### Reform of Tax on Consumption

On December 20, 2023, Constitutional Amendment 132 was enacted, establishing the Tax Reform (the “Reform”) for taxes on consumption. Some matters, including the rates of new taxes, are still pending regulation through Complementary Laws, which shall be submitted for the evaluation of the National Congress within 180 days.

The Reform model is based on a VAT (“dual VAT”) divided into two jurisdictions, one federal (Contribution on Goods and Services (CBS)) and the other sub-national (Tax on Goods and Services (IBS)), which will replace the existing taxes PIS, COFINS, ICMS and ISS.

A Selective Tax ("IS") was also created, under federal jurisdiction, which will be levied on the production, extraction, sale or import of goods and services which are harmful to health and the environment, under the terms of the Complementary Laws.

There will be a transition period from 2024 to 2032, during which the two tax systems – old and new – will coexist. The impacts of the Reform on the calculation of the abovementioned taxes, from the beginning of the transition period, will only be fully known upon the conclusion of the regulation of the outstanding matters by the Complementary Laws. Consequently, the Reform did not result in any impacts on the financial statements at December 31, 2023.

# 31 Events after the reporting period

**b) Debentures**

On January 3, 2024, the Company contributed amounts in relation to the 17th issue of simple debentures, non-convertible, of the unsecured type, in a single series, issued by the Issuer, for public distribution, with automatic registration of distribution (the "Issue"), totaling R$600,000, with a firm guarantee of placement of all of debentures issued, and with interest corresponding to 100% of the accumulated variation of the daily average rates of DI + spread of 1.30% p.a. The nominal unit value of the debentures will be amortized in two consecutive installments, the first on December 15, 2027 and the last on December 15, 2028.

**c) Interest on capital**

On January 29, 2024, the Board of Directors approved the distribution of interest on capital of R$ 0.09725 per common share, equivalent to a total gross amount of R$ 61,552. The payment of interest on capital is subject to withholding income tax, and will be made up to the end of 2025, on a date to be defined by the Company at its own discretion, based on the shareholding position in the Company's records at February 1, 2024. The shares issued by the Company will be traded "ex-interest on capital" as from February 2, 2024. Between the date of the Notice to Shareholders and the payment date, the amount declared will not be subject to indexation accrual.

On February 19, 2024, the Board of Directors approved the distribution of interest on capital of R$ 0.09725 per common share, equivalent to a total gross amount of R$ 61,552. Payment is subject to withholding income tax. The payment of interest on capital will be made up to the end of 2025, on a date to be defined by the Company at its own discretion, based on the shareholding position in the Company's records by February 22, 2024. The shares issued by the Company will be traded "ex-interest on capital" from February 23, 2024. Between the date of the Notice to Shareholders and the payment date, the amount declared will not be subject to indexation accruals.

**d) Capital increase**

On February 21, 2024, the Extraordinary General Meeting approved:

(i) An increase in the limit of the Company's authorized capital, from the current R$ 5,500,000,000.00 to R$ 11,112,278, through the amendment to the First Paragraph of Article 5 of the Company's bylaws.

(ii) An increase in the Company's capital of R$ 4,569,543, through the capitalization of a portion of the Tax incentive reserve by the same amount, without the issue of new shares by the Company, meaning that the Company's capital will increase from the current R$ 4,478,126 to R$ 9,047,670, through an amendment to the heading of Article 5 of the Company's bylaws.

**e) BNDES Financing**

On February 26, 2024, the Company contracted a financing transaction, through a credit facility agreement, with the National Bank for Economic and Social Development (BNDES) ("BNDES Financing"), in the amount of R$500,000, with interest corresponding to 2.20% p.a. plus the Referential Interest Rate. The amount will be repaid in 96 monthly installments from April 15, 2027.

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