

Financial Statements

Dimed S.A. Distribuidora de Medicamentos

December 31, 2022
with Independent Auditor's Report

A free translation from Portuguese into English of Independent Auditor's Report on the Individual and Consolidated Financial Statements prepared in Brazilian currency in accordance with the accounting practices adopted in Brazil and with the International Financial Reporting Standards (IFRS), issued by International Accounting Standards Board (IASB)

Independent auditor's report on the individual and consolidated financial statements

To the Shareholders, Board of Directors and Officers of
Dimed S.A. Distribuidora de Medicamentos
Eldorado do Sul - RS

Opinion

We have audited the individual and consolidated financial statements of Dimed S.A. Distribuidora de Medicamentos (the "Company"), identified as Individual and Consolidated, respectively, which comprise the statement of financial position as at December 31, 2022, and the statements of profit or loss, of comprehensive income, of changes in equity and of cash flows for the year then ended, and notes to the financial statements, including a summary of significant accounting policies.

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

Basis for opinion

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

Key audit matters

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

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

Measurement of lease liabilities and right-of-use assets, in accordance with NBC TG 06 (R3) (IFRS 16)

As described in Notes 12 and 20, the Company has recorded right-of-use assets and lease liabilities for agreements covered by NBC TG 06 (R3) (IFRS 16). As at December 31, 2022, the Company recorded a balance of R\$587,279 thousand for right-of-use assets in the individual and consolidated financial statements, in addition to lease liabilities of R\$636,716 thousand in the individual and consolidated financial statements.

This matter was considered significant for our audit due to the materiality of the amounts involved, both in relation to the asset/liability balances and P&L for the year, as well as the uncertainties inherent in this type of calculation and the degree of judgment required that must be exercised by the management in determining the significant assumptions, which include, among other, the discount rate used.

How our audit addressed this matter

Our audit procedures included, among other, the assessment of significant assumptions used related to the lease term, discount rate and consideration amounts, in addition to the calculation methodology used by the Company to measure accounting impacts; inventory analysis of the Company's lease agreements, in addition to checking the compliance of these agreements with the scope of the standard. We also tested the reasonableness of the criteria adopted by the Company for a sample of agreements randomly selected, considering the information on the agreements and their amendments, in addition to recalculate the amounts measured by the Company for these transactions. As a result of these procedures, we identified an audit adjustment related to the measurement of certain lease agreements, which was not recorded by the management in view of its immateriality in relation to the financial statements taken as a whole.

Based on the results of the audit procedures performed, which are consistent with the management's assessment, we consider that the accounting records prepared by the management for measurement of the impacts from NBC TG 06 (R3) (IFRS 16) on lease agreements, as well as the related disclosures in Notes 12 and 20, are acceptable in the context of the individual and consolidated financial statements taken as a whole.

Other matters

Statements of value added

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

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

Management is responsible for such other information, which comprise the Management Report.

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

In connection with our audit of the individual and consolidated financial statements, our responsibility is to read the Management Report and, in doing so, consider whether this report is materially inconsistent with the 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 of 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 individual and consolidated financial statements

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

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

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

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

Our objectives are to obtain reasonable assurance about whether the individual and consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that the audit conducted in accordance with the 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:

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



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

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

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

From the matters communicated with those charged with governance, we 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.

Porto Alegre, March 23, 2023.

ERNST & YOUNG
Auditores Independentes S.S. Ltda.
CRC-SP-015199/F

Guilherme Ghidini Neto
Accountant CRC-RS 067795/O-5

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Company Information / Capital Breakdown

Number of shares (unit)	Last fiscal year <u>12/31/2022</u>
Paid-in Capital	
Common shares	150,377,481
Preferred shares	0
Total	150,377,481
Treasury shares	
Common shares	1,843,422
Preferred shares	0
Total	1,843,422

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Individual Financial Statements / Statement of Financial Position - Assets

(In thousands of reais)

Account Code	Account Description	Last Year 12/31/2022	Year Before Last 12/31/2021	Second Year Before Last 12/31/2020
1	Total Assets	2,729,336	2,372,275	2,184,840
1.01	Current Assets	1,493,849	1,331,908	1,311,320
1.01.01	Cash and Cash Equivalents	23,517	51,590	92,080
1.01.02	Short-term investments	87,967	116,712	305,701
1.01.02.01	Financial Assets Measured at Fair Value Through Profit or Loss	87,967	116,712	305,701
1.01.02.01.03	Short-term Investments	87,967	116,712	305,701
1.01.03	Accounts Receivable	462,864	395,486	345,794
1.01.03.01	Trade Accounts Receivable	397,434	321,230	280,269
1.01.03.02	Other Accounts Receivable	65,430	74,256	65,525
1.01.04	Inventories	882,439	726,350	559,938
1.01.06	Taxes Recoverable	37,062	41,770	7,807
1.01.06.01	Current Taxes Recoverable	37,062	41,770	7,807
1.01.06.01.01	Income and Social Contribution Taxes Recoverable	26,064	11,418	4,132
1.01.06.01.02	Other Taxes Recoverable	10,998	30,352	3,675
1.02	Noncurrent Assets	1,235,487	1,040,367	873,520
1.02.01	Long-Term Assets	59,595	52,019	48,481
1.02.01.07	Deferred Taxes	45,263	35,736	32,743
1.02.01.07.01	Deferred Income and Social Contribution Taxes	45,263	35,736	32,743
1.02.01.09	Related-Party Receivables	1,530	4,700	3,030
1.02.01.09.02	Receivables from Subsidiaries	1,530	4,700	3,030
1.02.01.10	Other Noncurrent Assets	12,802	11,583	12,708
1.02.01.10.03	Other Taxes Recoverable	9,625	7,895	5,858
1.02.01.10.04	Judicial Deposits	2,654	3,411	5,959
1.02.01.10.05	Other Assets	523	277	891
1.02.02	Investments	75,478	64,639	65,185
1.02.02.01	Equity Interests	75,478	64,639	65,185
1.02.02.01.02	Interests Held in Subsidiaries	75,478	64,639	64,906
1.02.02.01.04	Other Investments	0	0	279
1.02.03	Property, Plant and Equipment	1,024,274	864,167	714,487

Individual Financial Statements / Statement of Financial Position - Assets**(In thousands of reais)**

Account Code	Account Description	Last Year 12/31/2022	Year Before Last 12/31/2021	Second Year Before Last 12/31/2020
1.02.03.01	Property, Plant and Equipment in Operation	436,995	342,936	270,864
1.02.03.02	Right-of-Use - Lease	587,279	521,231	443,623
1.02.04	Intangible Assets	76,140	59,542	45,367
1.02.04.01	Intangible Assets	76,140	59,542	45,367
1.02.04.01.02	Intangible Assets	76,140	59,542	45,367

Individual Financial Statements / Statement of Financial Position - Liabilities and Equity

(In thousands of reais)

Account Code	Account Description	Last Year 12/31/2022	Year Before Last 12/31/2021	Second Year Before Last 12/31/2020
2	Total Liabilities	2,729,336	2,372,275	2,184,840
2.01	Current Liabilities	1,006,080	808,056	668,536
2.01.01	Social and Labor Obligations	59,222	50,483	38,618
2.01.01.01	Social Obligations	13,753	12,544	9,228
2.01.01.02	Labor Obligations	45,469	37,939	29,390
2.01.02	Trade Accounts Payable	562,322	470,117	370,741
2.01.02.01	Trade Accounts Payable - Local	562,322	470,117	370,741
2.01.03	Tax Obligations	27,215	27,505	26,558
2.01.03.01	Federal Tax Obligations	5,238	6,255	5,524
2.01.03.01.02	Other Federal Tax Obligations	5,238	6,255	5,524
2.01.03.02	State Tax Liabilities	20,371	20,247	20,491
2.01.03.03	Municipal Tax Liabilities	1,606	1,003	543
2.01.04	Loans and Financing	270,488	189,137	161,402
2.01.04.02	Debentures	118,395	54,532	53,400
2.01.04.03	Financing Through Lease	152,093	134,605	108,002
2.01.05	Other Obligations	84,411	69,794	69,091
2.01.05.02	Other	84,411	69,794	69,091
2.01.05.02.01	Dividends and Interest on Equity Payable	5,518	5,701	2,305
2.01.05.02.04	Profit Sharing Payable	16,399	12,158	7,024
2.01.05.02.05	Other Liabilities	62,494	51,935	59,762
2.01.06	Provisions	2,422	1,020	2,126
2.01.06.01	Provisions for Tax, Social Security, Labor and Civil Contingencies	2,422	1,020	2,126
2.01.06.01.05	Other Provisions	2,422	1,020	2,126
2.02	Noncurrent Liabilities	615,094	518,024	505,664
2.02.01	Loans and Financing	601,052	501,790	491,590
2.02.01.02	Debentures	116,429	79,286	132,143
2.02.01.03	Financing Through Lease	484,623	422,504	359,447
2.02.02	Other Obligations	6,665	0	0
2.02.02.02	Other	6,665	0	0

Individual Financial Statements / Statement of Financial Position - Liabilities and Equity

(In thousands of reais)

Account Code	Account Description	Last Year 12/31/2022	Year Before Last 12/31/2021	Second Year Before Last 12/31/2020
2.02.02.02.04	Other Obligations	6,665	0	0
2.02.04	Provisions	7,377	16,234	14,074
2.02.04.01	Provisions for Tax, Social Security, Labor and Civil Contingencies	7,377	16,234	14,074
2.02.04.01.01	Provisions for Tax Contingencies	202	908	0
2.02.04.01.02	Provisions for Social Security and Labor Contingencies	7,175	9,326	6,575
2.02.04.01.04	Provisions for Civil Contingencies	0	6,000	7,499
2.03	Equity	1,108,162	1,046,195	1,010,640
2.03.01	Paid-in Capital	928,552	903,552	897,552
2.03.01.01	Capital	943,000	918,000	912,000
2.03.01.02	Share Issue Costs	-14,448	-14,448	-14,448
2.03.02	Capital Reserves	-29,368	-33,409	-16,356
2.03.02.05	Treasury Shares	-35,139	-36,690	-16,356
2.03.02.07	Goodwill Reserve	-268	0	0
2.03.02.08	Reserve for Long-Term Incentive	6,039	3,281	0
2.03.04	Income Reserves	208,978	176,052	129,444
2.03.04.01	Legal Reserve	9,201	6,764	5,128
2.03.04.07	Tax Incentive Reserve	154,690	131,624	105,059
2.03.04.08	Proposed Additional Dividend	17,971	13,390	14,263
2.03.04.10	Reserve for Capital Increase	27,116	24,274	4,994

Individual Financial Statements / Statement of Profit or Loss**(In thousands of reais)**

Account Code	Account Description	Last Year 01/01/2022 to 12/31/2022	Year Before Last 01/01/2021 to 12/31/2021	Second Year Before Last 01/01/2020 to 12/31/2020
3.01	Revenue from Sales of Goods and/or Services	3,979,242	3,218,762	2,810,926
3.01.01	Gross Sales of Products and Services	4,265,129	3,453,057	2,970,699
3.01.02	Sales Taxes	-235,785	-193,144	-123,108
3.01.03	Returns and Unconditional Discounts	-50,102	-41,151	-36,665
3.02	Cost of Sales and/or Services	-2,749,790	-2,237,664	-1,994,718
3.03	Gross Income (Loss)	1,229,452	981,098	816,208
3.04	Operating Income/Expenses	-1,087,809	-878,308	-726,538
3.04.01	Selling Expenses	-1,004,884	-819,831	-659,774
3.04.01.01	Selling Expenses	-1,004,884	-819,831	-659,774
3.04.02	General and Administrative Expenses	-107,367	-92,390	-71,692
3.04.04	Other Operating Income	13,603	34,180	-2,173
3.04.04.01	Other Operating Income	13,603	34,180	-2,403
3.04.04.02	Net Gains/Losses on Receivables	0	0	230
3.04.06	Equity Pickup	10,839	-267	7,101
3.05	Income Before Finance Income (Costs) and Taxes	141,643	102,790	89,670
3.06	Finance Income (Costs)	-64,297	-19,915	-39,466
3.06.01	Finance Income	14,846	23,556	17,410
3.06.02	Finance Costs	-79,143	-43,471	-56,876
3.07	Income Before Income Taxes	77,346	82,875	50,204
3.08	Income and Social Contribution Taxes	8,999	-3,449	5,947
3.08.01	Current	-984	-6,442	-6,994
3.08.02	Deferred	9,983	2,993	12,941
3.09	Net Income from Continuing Operations	86,345	79,426	56,151
3.11	Income/Loss for the Period	86,345	79,426	56,151
3.99	Earnings per Share (Reais / Share)			
3.99.01	Basic Earnings per Share			
3.99.01.01	Registered Common Shares	0.58	0.53	0.37
3.99.01.02	Registered Preferred Shares	0	0	0.4
3.99.02	Diluted Earnings per Share			

Individual Financial Statements / Statement of Profit or Loss**(In thousands of reais)**

Account Code	Account Description	Last Year 01/01/2022 to 12/31/2022	Year Before Last 01/01/2021 to 12/31/2021	Second Year Before Last 01/01/2020 to 12/31/2020
3.99.02.01	Registered Common Shares	0.58	0.53	0.37
3.99.02.02	Registered Preferred Shares	0	0	0.4

Individual Financial Statements / Statement of Comprehensive Income**(In thousands of reais)**

Account Code	Account Description	Last Year 01/01/2022 to 12/31/2022	Year Before Last 01/01/2021 to 12/31/2021	Second Year Before Last 01/01/2020 to 12/31/2020
4.01	Net Income for the Period	86,345	79,426	56,151
4.03	Comprehensive Income (Loss) for the Period	86,345	79,426	56,151

Individual Financial Statements / Statement of Cash Flows (Indirect Method)**(In thousands of reais)**

Account Code	Account Description	Last Year 01/01/2022 to 12/31/2022	Year Before Last 01/01/2021 to 12/31/2021	Second Year Before Last 01/01/2020 to 12/31/2020
6.01	Net Cash from Operating Activities	204,538	125,988	125,290
6.01.01	Cash from Operations	306,779	241,232	201,520
6.01.01.01	Net Income for the Year	86,345	79,426	56,151
6.01.01.02	Depreciation and Amortization	183,496	156,724	116,717
6.01.01.03	Provision for Contingent Liabilities	-3,057	2,160	6,795
6.01.01.04	Equity Pickup	-10,839	267	-7,101
6.01.01.05	Cost of Permanent Asset Written off or Sold	8,336	3,293	2,530
6.01.01.06	Deferred Income and Social Contribution Taxes	-9,983	-2,993	-12,941
6.01.01.07	Provision for Inventory Loss	237	189	-18
6.01.01.08	Allowance for Expected Credit Losses	1,111	379	-230
6.01.01.09	Interest Expense	69,631	36,748	36,635
6.01.01.11	Stock Option Plan or Share Subscription	4,503	2,670	611
6.01.01.13	Tax Credits from Legal Proceeding	-5,591	-38,662	0
6.01.01.16	Net Reimbursement of Property, Plant and Equipment Written off	-6,231	0	0
6.01.01.17	Discounts on Leases Payable	-3,976	-7,384	-5,472
6.01.01.18	Current Income and Social Contribution Taxes	984	6,442	6,994
6.01.01.20	Other	-8,187	1,973	849
6.01.02	Changes in Assets and Liabilities	-102,241	-115,244	-76,230
6.01.02.01	Credits Receivable - Customers	-77,781	-40,986	-11,896
6.01.02.02	Inventories	-156,326	-166,601	-141,940
6.01.02.03	Judicial Deposits	757	2,548	519
6.01.02.05	Other Taxes Recoverable	9,025	-186	-3,654
6.01.02.06	Trade Accounts Payable	90,505	97,049	68,868
6.01.02.07	Income and Social Contribution Taxes Payable	7,465	9,993	4,258
6.01.02.10	Other Asset Groups	11,750	-6,660	-2,577
6.01.02.11	Other Liability Groups	15,045	-6,778	16,728
6.01.02.13	Income and Social Contribution Taxes (IRPJ and CSLL) Paid	-2,681	-3,623	-6,536
6.02	Net Cash from Investing Activities	-129,496	55,277	-389,177
6.02.01	Acquisition of Property, Plant and Equipment	-148,062	-108,211	-62,805

Individual Financial Statements / Statement of Cash Flows (Indirect Method)**(In thousands of reais)**

Account Code	Account Description	Last Year 01/01/2022 to 12/31/2022	Year Before Last 01/01/2021 to 12/31/2021	Second Year Before Last 01/01/2020 to 12/31/2020
6.02.02	Acquisition of Intangible Assets	-32,010	-25,501	-20,671
6.02.03	Claim Reimbursement	11,479	0	0
6.02.04	Redemption of Short-Term Investments	39,097	188,989	-305,701
6.03	Net Cash from Financing Activities	-103,115	-221,755	302,247
6.03.01	Payment of Dividends and Interest on Equity	-24,752	-20,442	-18,241
6.03.02	Intercompany Loans	0	0	-15,938
6.03.03	Acquisitions of Own Shares	-1,605	-20,406	-18,769
6.03.04	Loans/Financing (Principal) Taken out	150,000	0	99,301
6.03.05	Sale of Treasury Shares by Exercising the Stock Option Plan	0	683	988
6.03.06	Payment of Leases	-150,309	-122,464	-92,934
6.03.07	Repayment of Principal - Financing	-52,857	-52,837	-110,269
6.03.08	Repayment of Interest - Financing	-25,037	-6,289	0
6.03.09	Capital Increase	0	0	458,109
6.03.10	Shares Granted - Matching Shares Plan	1,445	0	0
6.05	Increase (Decrease) in Cash and Cash Equivalents	-28,073	-40,490	38,360
6.05.01	Cash and Cash Equivalents at Beginning of Period/Year	51,590	92,080	53,720
6.05.02	Cash and Cash Equivalents at end of Period/Year	23,517	51,590	92,080

Individual Financial Statements / Statement of Changes in Equity / SCE - 01/01/2022 to 12/31/2022**(In thousands of reais)**

Account Code	Account Description	Paid-in Capital	Capital Reserves, Options Granted and Treasury Shares	Income Reserves	Retained Earnings (Accumulated Losses)	Other Comprehensive Income	Equity
5.01	Opening Balances	903,552	-33,409	176,052	0	0	1,046,195
5.03	Adjusted Opening Balances	903,552	-33,409	176,052	0	0	1,046,195
5.04	Capital Transactions with Shareholders	25,000	4,041	-20,419	-33,000	0	-24,378
5.04.01	Capital Increases	25,000	0	-25,000	0	0	0
5.04.03	Recognized Options Granted	0	1,447	0	0	0	1,387
5.04.04	Treasury Shares Acquired	0	-1,701	0	0	0	-1,605
5.04.06	Dividends	0	0	-13,390	0	0	-13,390
5.04.07	Interest on Equity	0	0	0	-15,029	0	-15,029
5.04.08	Disposal/Transfer of Shares	0	-208	0	0	0	-244
5.04.09	Fair Value - Matching Shares	0	4,503	0	0	0	4,503
5.04.10	Surplus	0	0	17,971	-17,971	0	0
5.05	Total Comprehensive Income	0	0	0	86,345	0	86,345
5.05.01	Net Income for the Period	0	0	0	86,345	0	86,345
5.06	Internal Changes in Equity	0	0	53,345	-53,345	0	0
5.06.01	Establishment of Reserves	0	0	53,345	-53,345	0	0
5.07	Closing Balances	928,552	-29,368	208,978	0	0	1,108,162

Individual Financial Statements / Statement of Changes in Equity / SCE - 01/01/2021 to 12/31/2021**(In thousands of reais)**

Account Code	Account Description	Paid-in Capital	Capital Reserves, Options Granted and Treasury Shares	Income Reserves	Retained Earnings (Accumulated Losses)	Other Comprehensive Income	Equity
5.01	Opening Balances	897,552	-16,356	129,444	0	0	1,010,640
5.03	Adjusted Opening Balances	897,552	-16,356	129,444	0	0	1,010,640
5.04	Capital Transactions with Shareholders	6,000	-17,053	-6,873	-25,945	0	-43,871
5.04.01	Capital Increases	6,000	0	-6,000	0	0	0
5.04.03	Recognized Options Granted	0	683	0	0	0	683
5.04.04	Treasury Shares Acquired	0	-20,406	0	0	0	-20,406
5.04.06	Dividends	0	0	-14,263	0	0	-14,263
5.04.07	Interest on Equity	0	0	0	-12,555	0	-12,555
5.04.08	Surplus	0	0	13,390	-13,390	0	0
5.04.09	Fair Value of Matching Share Plan	0	2,670	0	0	0	2,670
5.05	Total Comprehensive Income	0	0	0	79,426	0	79,426
5.05.01	Net Income for the Period	0	0	0	79,426	0	79,426
5.06	Internal Changes in Equity	0	0	53,481	-53,481	0	0
5.06.01	Establishment of Reserves	0	0	53,481	-53,481	0	0
5.07	Closing Balances	903,552	-33,409	176,052	0	0	1,046,195

Individual Financial Statements / Statement of Changes in Equity / SCE - 01/01/2020 to 12/31/2020**(In thousands of reais)**

Account Code	Account Description	Paid-in Capital	Capital Reserves, Options Granted and Treasury Shares	Income Reserves	Retained Earnings (Accumulated Losses)	Other Comprehensive Income	Equity
5.01	Opening Balances	410,000	0	114,176	0	0	524,176
5.03	Adjusted Opening Balances	410,000	0	114,176	0	0	524,176
5.04	Capital Transactions with Shareholders	502,000	-30,804	-20,201	-20,682	0	430,313
5.04.01	Capital Increases	502,000	0	-22,000	0	0	480,000
5.04.02	Share Issue Costs	0	-14,448	0	0	0	-14,448
5.04.03	Recognized Options Granted	0	988	0	0	0	988
5.04.04	Treasury Shares Acquired	0	-18,769	0	0	0	-18,769
5.04.07	Interest on Equity	0	0	0	-6,419	0	-6,419
5.04.08	Approvals of Proposed Additional Dividends	0	0	14,263	-14,263	0	0
5.04.09	Interest on Equity (IOE) Provided	0	0	-12,464	0	0	-12,464
5.04.10	Share Premiums	0	1,425	0	0	0	1,425
5.05	Total Comprehensive Income	0	0	0	56,151	0	56,151
5.05.01	Net Income for the Period	0	0	0	56,151	0	56,151
5.06	Internal Changes in Equity	0	0	35,469	-35,469	0	0
5.06.01	Establishment of Reserves	0	0	35,469	-35,469	0	0
5.07	Closing Balances	912,000	-30,804	129,444	0	0	1,010,640

Individual Financial Statements / Statement of Value Added**(In thousands of reais)**

Account Code	Account Description	Last Year 01/01/2022 to 12/31/2022	Year Before Last 01/01/2021 to 12/31/2021	Second Year Before Last 01/01/2020 to 12/31/2020
7.01	Revenues	4,493,186	3,664,947	3,126,905
7.01.01	Sales of Goods, Products and Services	4,215,027	3,411,906	2,934,034
7.01.02	Other Revenues	279,270	253,421	192,641
7.01.04	Reversal of/Allowance for Expected Credit Losses	-1,111	-380	230
7.02	Bought-in Inputs	-3,245,637	-2,663,716	-2,310,805
7.02.01	Costs of Goods, Products and Services Sold	-2,938,965	-2,418,743	-2,079,352
	Materials, Electric Power, Third-Party Services and Other			
7.02.02	Expenses	-316,047	-278,703	-231,295
7.02.03	Loss/Recovery of Assets	9,375	33,730	-158
7.03	Gross Value Added	1,247,549	1,001,231	816,100
7.04	Retentions	-183,496	-156,889	-116,691
7.04.01	Depreciation, Amortization and Depletion	-183,496	-156,889	-116,691
7.05	Net Value Added Produced	1,064,053	844,342	699,409
7.06	Value Added Received in Transfer	26,910	24,436	24,782
7.06.01	Equity Pickup	10,839	-267	7,101
7.06.02	Finance Income	16,071	24,703	17,681
7.07	Total Value Added to be Distributed	1,090,963	868,778	724,191
7.08	Distribution of Value Added	1,090,963	868,778	724,191
7.08.01	Personnel	497,236	389,897	308,199
7.08.01.01	Direct Compensation	420,764	326,918	252,483
7.08.01.02	Benefits	43,267	36,091	33,277
7.08.01.03	Unemployment Compensation Fund (FGTS)	33,205	26,888	22,439
7.08.02	Taxes, Charges and Contributions	400,112	334,818	278,274
7.08.02.01	Federal Taxes	109,889	96,274	73,754
7.08.02.02	State Taxes	281,620	231,679	199,446
7.08.02.03	Local Taxes	8,603	6,865	5,074
7.08.03	Debt Remuneration	107,270	64,637	81,567
7.08.03.01	Interest	80,623	44,898	58,196
7.08.03.02	Rent	26,647	19,739	23,371
7.08.04	Equity Remuneration	86,345	79,426	56,151

Individual Financial Statements / Statement of Value Added**(In thousands of reais)**

Account Code	Account Description	Last Year 01/01/2022 to 12/31/2022	Year Before Last 01/01/2021 to 12/31/2021	Second Year Before Last 01/01/2020 to 12/31/2020
7.08.04.01	Interest on Equity (IOE)	33,000	25,944	20,682
7.08.04.03	Retained Profits/Loss for the Period	53,345	53,482	35,469

Consolidated Financial Statements / Statement of Financial Position - Assets**(In thousands of reais)**

Account Code	Account Description	Last Year 12/31/2022	Year Before Last 12/31/2021	Second Year Before Last 12/31/2020
1	Total Assets	2,733,126	2,381,060	2,194,373
1.01	Current Assets	1,558,547	1,395,084	1,376,502
1.01.01	Cash and Cash Equivalents	25,715	54,435	130,107
1.01.02	Short-term Investments	131,640	155,216	305,701
1.01.02.01	Financial Assets Measured at Fair Value Through Profit or Loss	131,640	155,216	305,701
1.01.02.01.03	Short-term Investments	131,640	155,216	305,701
1.01.03	Accounts Receivable	464,731	399,456	351,565
1.01.03.01	Trade Accounts Receivable	399,173	324,615	285,753
1.01.03.02	Other Accounts Receivable	65,558	74,841	65,812
1.01.04	Inventories	896,535	739,036	574,821
1.01.06	Taxes Recoverable	39,926	46,941	14,308
1.01.06.01	Current Taxes Recoverable	39,926	46,941	14,308
1.01.06.01.01	Income and Social Contribution Taxes Recoverable	26,587	11,693	4,396
1.01.06.01.02	Other Taxes Recoverable	13,339	35,248	9,912
1.02	Noncurrent Assets	1,174,579	985,976	817,871
1.02.01	Long-Term Assets	63,402	51,921	48,031
1.02.01.07	Deferred Taxes	48,598	36,846	31,828
1.02.01.07.01	Deferred Income and Social Contribution Taxes	48,598	36,846	31,828
1.02.01.09	Related-Party Receivables	1,530	3,030	3,030
1.02.01.09.03	Receivables from Subsidiaries	1,530	3,030	3,030
1.02.01.10	Other Noncurrent Assets	13,274	12,045	13,173
1.02.01.10.03	Other Taxes Recoverable	9,625	7,895	5,858
1.02.01.10.04	Judicial Deposits	3,124	3,875	6,424
1.02.01.10.05	Other Assets	525	275	891
1.02.02	Investments	4	5	284
1.02.02.01	Equity Interests	4	5	284
1.02.02.01.05	Other Investments	4	5	284
1.02.03	Property, Plant and Equipment	1,034,437	874,106	723,688
1.02.03.01	Property, Plant and Equipment in Operation	447,158	352,875	280,065

Consolidated Financial Statements / Statement of Financial Position - Assets**(In thousands of reais)**

Account Code	Account Description	Last Year 12/31/2022	Year Before Last 12/31/2021	Second Year Before Last 12/31/2020
1.02.03.02	Right-of-Use - Lease	587,279	521,231	443,623
1.02.04	Intangible Assets	76,736	59,944	45,868
1.02.04.01	Intangible Assets	76,736	59,944	45,868
1.02.04.01.02	Intangible Assets	76,736	59,944	45,868

Consolidated Financial Statements / Statement of Financial Position - Liabilities and Equity

(In thousands of reais)

Account Code	Account Description	Last Year 12/31/2022	Year Before Last 12/31/2021	Second Year Before Last 12/31/2020
2	Total Liabilities	2,733,126	2,381,060	2,194,373
2.01	Current Liabilities	1,008,234	814,974	677,724
2.01.01	Social and Labor Obligations	60,105	51,167	39,481
2.01.01.01	Social Obligations	13,973	12,749	9,449
2.01.01.02	Labor Obligations	46,132	38,418	30,032
2.01.02	Trade Accounts Payable	555,452	464,714	371,763
2.01.02.01	Trade Accounts Payable - Local	555,452	464,714	371,763
2.01.03	Tax Obligations	30,583	30,801	29,900
2.01.03.01	Federal Tax Obligations	6,626	7,776	6,924
2.01.03.01.01	Income and Social Contribution Taxes Payable	1,757	671	725
2.01.03.01.02	Other Federal Tax Liabilities	4,869	7,105	6,199
2.01.03.02	State Tax Liabilities	22,345	22,018	22,429
2.01.03.03	Municipal Tax Liabilities	1,612	1,007	547
2.01.04	Loans and Financing	270,488	189,137	161,402
2.01.04.02	Debentures	118,395	54,532	53,400
2.01.04.03	Financing Through Lease	152,093	134,605	108,002
2.01.05	Other Obligations	88,862	77,431	72,916
2.01.05.02	Other	88,862	77,431	72,916
2.01.05.02.01	Dividends and Interest on Equity Payable	5,518	5,701	2,305
2.01.05.02.04	Profit Sharing Payable	16,879	12,211	7,121
2.01.05.02.05	Other Liabilities	66,465	59,519	63,490
2.01.06	Provisions	2,744	1,724	2,262
2.01.06.01	Provisions for Tax, Social Security, Labor and Civil Contingencies	2,744	1,724	2,262
2.01.06.01.05	Other Provisions	2,744	1,724	2,262
2.02	Noncurrent Liabilities	616,730	519,891	506,009
2.02.01	Loans and Financing	601,052	501,790	491,590
2.02.01.02	Debentures	116,429	79,286	132,143
2.02.01.03	Financing Through Lease	484,623	422,504	359,447
2.02.02	Other Obligations	6,665	0	0

Consolidated Financial Statements / Statement of Financial Position - Liabilities and Equity

(In thousands of reais)

Account Code	Account Description	Last Year 12/31/2022	Year Before Last 12/31/2021	Second Year Before Last 12/31/2020
2.02.02.02	Other	6,665	0	0
2.02.02.02.04	Other Obligations	6,665	0	0
2.02.04	Provisions	9,013	18,101	14,419
2.02.04.01	Provisions for Tax, Social Security, Labor and Civil Contingencies	9,013	18,101	14,419
2.02.04.01.01	Provisions for Tax Contingencies	1,604	2,310	0
2.02.04.01.02	Provisions for Social Security and Labor Contingencies	7,409	9,791	6,920
2.02.04.01.04	Provisions for Civil Contingencies	0	6,000	7,499
2.03	Consolidated equity	1,108,162	1,046,195	1,010,640
2.03.01	Paid-in Capital	928,552	903,552	897,552
2.03.01.01	Capital	943,000	918,000	912,000
2.03.01.02	Share Issue Costs	-14,448	-14,448	-14,448
2.03.02	Capital Reserves	-29,368	-33,409	-16,356
2.03.02.05	Treasury Shares	-35,139	-36,690	-16,356
2.03.02.07	Goodwill Reserve	-268	0	0
2.03.02.08	Reserve for Long-Term Incentive	6,039	3,281	0
2.03.04	Income Reserves	208,978	176,052	129,444
2.03.04.01	Legal Reserve	9,201	6,764	5,128
2.03.04.07	Tax Incentive Reserve	154,690	131,624	105,059
2.03.04.08	Proposed Additional Dividend	17,971	13,390	14,263
2.03.04.10	Reserve for Capital Increase	27,116	24,274	4,994

Consolidated Financial Statements / Statement of Profit or Loss**(In thousands of reais)**

Account Code	Account Description	Last Year 01/01/2022 to 12/31/2022	Year Before Last 01/01/2021 to 12/31/2021	Second Year Before Last 01/01/2020 to 12/31/2020
3.01	Revenue from Sales of Goods and/or Services	3,990,475	3,225,408	2,819,110
3.01.01	Gross Sales of Products and Services	4,279,781	3,466,681	2,987,128
3.01.02	Sales Taxes	-238,446	-198,588	-129,793
3.01.03	Returns and Unconditional Discounts	-50,860	-42,685	-38,225
3.02	Cost of Sales and/or Services	-2,747,937	-2,236,809	-1,995,415
3.03	Gross Income (Loss)	1,242,538	988,599	823,695
3.04	Operating Income/Expenses	-1,105,253	-887,070	-731,536
3.04.01	Selling Expenses	-1,009,353	-826,441	-661,599
3.04.01.01	Selling Expenses	-1,009,353	-826,441	-661,599
3.04.02	General and Administrative Expenses	-109,750	-95,179	-74,100
3.04.04	Other Operating Income	13,850	34,550	4,163
3.04.04.01	Other Operating Income	13,850	34,550	3,932
3.04.04.02	Net Gains/Losses in Credits	0	0	231
3.05	Income Before Finance Income (Costs) and Taxes	137,285	101,529	92,159
3.06	Finance Income (Costs)	-58,855	-18,290	-38,855
3.06.01	Finance Income	20,429	25,618	18,182
3.06.02	Finance Costs	-79,284	-43,908	-57,037
3.07	Income Before Income Taxes	78,430	83,239	53,304
3.08	Income and Social Contribution Taxes	7,915	-3,813	2,847
3.08.01	Current	-4,292	-8,831	-8,793
3.08.02	Deferred	12,207	5,018	11,640
3.09	Net Income from Continuing Operations	86,345	79,426	56,151
3.11	Consolidated Income (Loss) for the Period	86,345	79,426	56,151
3.11.01	Attributable to Controlling Shareholders	86,345	79,426	56,151
3.99	Earnings per Share (Reais / Share)			
3.99.01	Basic Earnings per Share			
3.99.01.01	Registered Common Shares	0.58	0.53	0.37
3.99.01.02	Registered Preferred Shares	0	0	0.4
3.99.02	Diluted Earnings per Share			

Consolidated Financial Statements / Statement of Profit or Loss**(In thousands of reais)**

Account Code	Account Description	Last Year 01/01/2022 to 12/31/2022	Year Before Last 01/01/2021 to 12/31/2021	Second Year Before Last 01/01/2020 to 12/31/2020
3.99.02.01	Registered Common Shares	0.58	0.53	0.37
3.99.02.02	Registered Preferred Shares	0	0	0.4

Consolidated Financial Statements/ Statement of Comprehensive Income**(In thousands of reais)**

Account Code	Account Description	Last Year 01/01/2022 to 12/31/2022	Year Before Last 01/01/2021 to 12/31/2021	Second Year Before Last 01/01/2020 to 12/31/2020
4.01	Consolidated Net Income for the Period	86,345	79,426	56,151
4.03	Consolidated Comprehensive Income for the Period	86,345	79,426	56,151
4.03.01	Attributable to Controlling Shareholders	86,345	79,426	56,151

Consolidated Financial Statements / Statement of Cash Flows (Indirect Method)**(In thousands of reais)**

Account Code	Account Description	Last Year 01/01/2022 to 12/31/2022	Year Before Last 01/01/2021 to 12/31/2021	Second Year Before Last 01/01/2020 to 12/31/2020
6.01	Net Cash from Operating Activities	205,480	131,178	130,983
6.01.01	Cash from Operations	314,381	244,304	212,728
6.01.01.01	Net Income for the Year	86,345	79,426	56,151
6.01.01.02	Depreciation and Amortization	184,568	157,774	117,777
6.01.01.03	Provision for Contingent Liabilities	-3,288	3,682	6,706
6.01.01.04	Net Reimbursement of Property, Plant and Equipment Written off	-6,231	0	0
6.01.01.05	Cost of Permanent Asset Written off or Sold	8,411	3,472	2,536
6.01.01.06	Deferred Income and Social Contribution Taxes	-12,207	-5,018	-11,640
6.01.01.07	Provision for Inventory Loss	144	241	12
6.01.01.08	Allowance for Expected Credit Losses	1,111	379	-230
6.01.01.09	Interest Expense	69,631	36,748	36,635
6.01.01.10	Tax Credits from Legal Proceeding	-5,591	-38,662	0
6.01.01.11	Stock Option Plan or Share Subscription	4,503	2,670	611
6.01.01.13	Discounts on Leases Payable	-3,976	-7,384	-5,472
6.01.01.14	Current Income and Social Contribution Taxes	4,292	8,831	8,793
6.01.01.15	Other	-13,331	2,145	849
6.01.02	Changes in Assets and Liabilities	-108,901	-113,126	-81,745
6.01.02.01	Credits Receivable - Customers	-76,135	-38,887	-8,741
6.01.02.02	Inventories	-157,643	-164,456	-145,804
6.01.02.03	Judicial Deposits	751	2,549	519
6.01.02.04	Other Taxes Recoverable	11,331	1,293	-9,556
6.01.02.05	Trade Accounts Payable	89,038	90,452	68,608
6.01.02.06	Income and Social Contribution Taxes Payable	4,428	8,457	3,923
6.01.02.07	Income and Social Contribution Taxes (IRPJ and CSLL) Paid	-4,664	-4,701	-8,211
6.01.02.08	Other Asset Groups	10,534	-5,435	-2,056
6.01.02.09	Other Asset Groups	13,459	-2,398	19,573
6.02	Net Cash from Investing Activities	-131,085	14,905	-390,498
6.02.01	Acquisition of Property, Plant and Equipment	-149,298	-110,045	-63,885
6.02.02	Acquisition of Intangible Assets	-32,339	-25,535	-20,912

Consolidated Financial Statements / Statement of Cash Flows (Indirect Method)**(In thousands of reais)**

Account Code	Account Description	Last Year 01/01/2022 to 12/31/2022	Year Before Last 01/01/2021 to 12/31/2021	Second Year Before Last 01/01/2020 to 12/31/2020
6.02.03	Redemption of Short-Term Investments	39,073	150,485	-305,701
6.02.04	Claim Reimbursement	11,479	0	0
6.03	Net Cash from Financing Activities	-103,115	-221,755	318,185
6.03.01	Payment of Dividends and Interest on Equity	-24,752	-20,442	-18,241
6.03.02	Shares Granted - Matching Shares Plan	1,445	0	0
6.03.03	Acquisitions of Own Shares	-1,605	-20,406	-18,769
6.03.04	Loans/Financing (Principal) Taken out	150,000	0	99,301
6.03.05	Payment of Leases	-150,309	-122,464	-92,934
6.03.06	Repayment of Principal - Financing	-52,857	-52,837	-110,269
6.03.07	Repayment of Interest - Financing	-25,037	-6,289	0
6.03.08	Capital Increase	0	0	458,109
6.03.09	Sale of Treasury Shares by Exercising the Stock Option Plan	0	683	988
6.05	Increase (Decrease) in Cash and Cash Equivalents	-28,720	-75,672	58,670
6.05.01	Cash and Cash Equivalents at Beginning of Period/Year	54,435	130,107	71,437
6.05.02	Cash and Cash Equivalents at end of Period/Year	25,715	54,435	130,107

Consolidated Financial Statements / Statement of Changes in Equity - SCE - 01/01/2022 to 12/31/2022**(In thousands of reais)**

Account Code	Account Description	Paid-in Capital	Capital Reserves, Options Granted and Treasury Shares	Income Reserves	Retained Earnings (Accumulated Losses)	Other Comprehensive Income	Equity	Noncontrolling interests	Consolidated equity
5.01	Opening Balances	903,552	-33,409	176,052	0	0	1,046,195	0	1,046,195
5.03	Adjusted Opening Balances	903,552	-33,409	176,052	0	0	1,046,195	0	1,046,195
5.04	Capital Transactions with Shareholders	25,000	4,041	-20,419	-33,000	0	-24,378	0	-24,378
5.04.01	Capital Increases	25,000	0	-25,000	0	0	0	0	0
5.04.03	Recognized Options Granted	0	1,447	0	0	0	1,387	0	1,387
5.04.04	Treasury Shares Acquired	0	-1,701	0	0	0	-1,606	0	-1,606
5.04.06	Dividends	0	0	-13,390	0	0	-13,390	0	-13,390
5.04.07	Interest on Equity	0	0	0	-15,029	0	-15,029	0	-15,029
5.04.08	Disposal/Transfer of Shares	0	-208	0	0	0	-243	0	-243
5.04.09	Fair Value - Matching Shares	0	4,503	0	0	0	4,503	0	4,503
5.04.10	Surplus	0	0	17,971	-17,971	0	0	0	0
5.05	Total Comprehensive Income	0	0	0	86,345	0	86,345	0	86,345
5.05.01	Net Income for the Period	0	0	0	86,345	0	86,345	0	86,345
5.06	Internal Changes in Equity	0	0	53,345	-53,345	0	0	0	0
5.06.01	Establishment of Reserves	0	0	53,345	-53,345	0	0	0	0
5.07	Closing Balances	928,552	-29,368	208,978	0	0	1,108,162	0	1,108,162

Consolidated Financial Statements / Statement of Changes in Equity - SCE - 01/01/2021 to 12/31/2021**(In thousands of reais)**

Account Code	Account Description	Paid-in Capital	Capital Reserves, Options Granted and Treasury Shares	Income Reserves	Retained Earnings (Accumulated Comprehensive Losses)	Other Income	Equity	Noncontrolling interests	Consolidated equity
5.01	Opening Balances	897,552	-16,356	129,444	0	0	1,010,640	0	1,010,640
5.03	Adjusted Opening Balances	897,552	-16,356	129,444	0	0	1,010,640	0	1,010,640
5.04	Capital Transactions with Shareholders	6,000	-17,053	-6,873	-25,945	0	-43,871	0	-43,871
5.04.01	Capital Increases	6,000	0	-6,000	0	0	0	0	0
5.04.03	Recognized Options Granted	0	683	0	0	0	683	0	683
5.04.04	Treasury Shares Acquired	0	-20,406	0	0	0	-20,406	0	-20,406
5.04.06	Dividends	0	0	-14,263	0	0	-14,263	0	-14,263
5.04.07	Interest on Equity	0	0	0	-12,555	0	-12,555	0	-12,555
5.04.08	Surplus	0	0	13,390	-13,390	0	0	0	0
5.04.09	Fair Value of Matching Share Plan	0	2,670	0	0	0	2,670	0	2,670
5.05	Total Comprehensive Income	0	0	0	79,426	0	79,426	0	79,426
5.05.01	Net Income for the Period	0	0	0	79,426	0	79,426	0	79,426
5.06	Internal Changes in Equity	0	0	53,481	-53,481	0	0	0	0
5.06.01	Establishment of Reserves	0	0	53,481	-53,481	0	0	0	0
5.07	Closing Balances	903,552	-33,409	176,052	0	0	1,046,195	0	1,046,195

Consolidated Financial Statements / Statement of Changes in Equity - SCE - 01/01/2020 to 12/31/2020**(In thousands of reais)**

Account Code	Account Description	Paid-in Capital	Capital Reserves, Options Granted and Treasury Shares	Income Reserves	Retained Earnings (Accumulated Losses)	Other Comprehensive Income	Equity	Noncontrolling interests	Consolidated equity
5.01	Opening Balances	410,000	0	114,176	0	0	524,176	0	524,176
5.03	Adjusted Opening Balances	410,000	0	114,176	0	0	524,176	0	524,176
5.04	Capital Transactions with Shareholders	502,000	-30,804	-20,201	-20,682	0	430,313	0	430,313
5.04.01	Capital Increases	502,000	0	-22,000	0	0	480,000	0	480,000
5.04.02	Share Issue Costs	0	-14,448	0	0	0	-14,448	0	-14,448
5.04.03	Recognized Options Granted	0	988	0	0	0	988	0	988
5.04.04	Treasury Shares Acquired	0	-18,769	0	0	0	-18,769	0	-18,769
5.04.07	Interest on Equity	0	0	0	-6,419	0	-6,419	0	-6,419
5.04.08	Approvals of Proposed Additional Dividends	0	0	14,263	-14,263	0	0	0	0
5.04.09	Interest on Equity (IOE) Provided	0	0	-12,464	0	0	-12,464	0	-12,464
5.04.10	Share Premiums	0	1,425	0	0	0	1,425	0	1,425
5.05	Total Comprehensive Income	0	0	0	56,151	0	56,151	0	56,151
5.05.01	Net Income for the Period	0	0	0	56,151	0	56,151	0	56,151
5.06	Internal Changes in Equity	0	0	35,469	-35,469	0	0	0	0
5.06.01	Establishment of Reserves	0	0	35,469	-35,469	0	0	0	0
5.07	Closing Balances	912,000	-30,804	129,444	0	0	1,010,640	0	1,010,640

Consolidated Financial Statements / Statement of Value Added**(In thousands of reais)**

Account Code	Account Description	Last Year 01/01/2022 to 12/31/2022	Year Before Last 01/01/2021 to 12/31/2021	Second Year Before Last 01/01/2020 to 12/31/2020
7.01	Revenues	4,631,176	3,677,408	3,121,916
7.01.01	Sales of Goods, Products and Services	4,353,400	3,423,996	2,932,519
7.01.02	Other Revenues	278,887	253,792	189,167
7.01.04	Reversal of/Allowance for Expected Credit Losses	-1,111	-380	230
7.02	Bought-in Inputs	-3,368,711	-2,669,320	-2,294,333
7.02.01	Costs of Goods, Products and Services Sold	-3,058,242	-2,417,102	-2,065,432
	Materials, Electric Power, Third-Party Services and Other			
7.02.02	Expenses	-319,838	-285,948	-235,009
7.02.03	Loss/Recovery of Assets	9,369	33,730	6,108
7.03	Gross Value Added	1,262,465	1,008,088	827,583
7.04	Retentions	-184,568	-157,940	-117,729
7.04.01	Depreciation, Amortization and Depletion	-184,568	-157,940	-117,729
7.05	Net Value Added Produced	1,077,897	850,148	709,854
7.06	Value Added Received in Transfer	21,709	26,783	18,730
7.06.02	Finance Income	21,709	26,783	18,730
7.07	Total Value Added to be Distributed	1,099,606	876,931	728,584
7.08	Distribution of Value Added	1,099,606	876,931	728,584
7.08.01	Personnel	500,345	392,207	309,957
7.08.01.01	Direct Compensation	423,506	328,754	253,925
7.08.01.02	Benefits	43,456	36,313	33,444
7.08.01.03	Unemployment Compensation Fund (FGTS)	33,383	27,140	22,588
7.08.02	Taxes, Charges and Contributions	406,659	341,791	285,379
7.08.02.01	Federal Taxes	115,352	101,459	82,155
7.08.02.02	State Taxes	282,368	232,777	197,979
7.08.02.03	Local Taxes	8,939	7,555	5,245
7.08.03	Debt Remuneration	106,257	63,507	77,097
7.08.03.01	Interest	80,778	45,348	58,604
7.08.03.02	Rent	25,479	18,159	18,493
7.08.04	Equity Remuneration	86,345	79,426	56,151
7.08.04.01	Interest on Equity (IOE)	33,000	25,944	20,682

Consolidated Financial Statements / Statement of Value Added**(In thousands of reais)**

Account Code	Account Description	Last Year	Year Before Last	Second Year
		01/01/2022 to 12/31/2022	01/01/2021 to 12/31/2021	Before Last 01/01/2020 to 12/31/2020
7.08.04.03	Retained Profits/Loss for the Period	53,345	53,482	35,469

Dimed S.A. Distribuidora de Medicamentos

Statements of financial position
December 31, 2022 and 2021
(In thousands of reais)

	Note	Individual		Consolidated	
		2022	2021	2022	2021
Assets					
Current assets					
Cash and cash equivalents	6.1	23,517	51,590	25,715	54,435
Short-term investments	6.2	87,967	116,712	131,640	155,216
Trade accounts receivable	7	397,434	321,230	399,173	324,615
Inventories	8	882,439	726,350	896,535	739,036
Income and social contribution taxes	9	26,064	11,418	26,587	11,693
Taxes recoverable	10	10,998	30,352	13,339	35,248
Other account assets		65,430	74,256	65,558	74,841
Total current assets		1,493,849	1,331,908	1,558,547	1,395,084
Noncurrent assets					
Taxes recoverable	10	9,625	7,895	9,625	7,895
Deferred income and social contribution taxes, net	14	45,263	35,736	48,598	36,846
Judicial deposits	21	2,654	3,411	3,124	3,875
Receivables from shareholders	31	1,530	4,700	1,530	3,030
Other assets		523	277	525	275
Investments in subsidiaries	11	75,478	64,639	4	5
Property, plant and equipment	12	1,024,274	864,167	1,034,437	874,106
Intangible assets	13	76,140	59,542	76,736	59,944
Total noncurrent assets		1,235,487	1,040,367	1,174,579	985,976
Total assets		2,729,336	2,372,275	2,733,126	2,381,060

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

	Note	Individual		Consolidated	
		2022	2021	2022	2021
Liabilities and equity					
Current liabilities					
Trade accounts payable	16	562,322	470,117	555,452	464,714
Loans and financing	17	118,395	54,532	118,395	54,532
Lease obligations	20	152,093	134,605	152,093	134,605
Tax obligations	18	27,215	27,505	30,583	30,801
Social and labor obligations		59,222	50,483	60,105	51,167
Profit sharing payable	19	16,399	12,158	16,879	12,211
Interest on equity payable	23	5,518	5,701	5,518	5,701
Sundry creditors		64,916	52,955	69,209	61,243
Total current liabilities		1,006,080	808,056	1,008,234	814,974
Noncurrent liabilities					
Loans and financing	17	116,429	79,286	116,429	79,286
Lease obligations	20	484,623	422,504	484,623	422,504
Others obligations		6,665	-	6,665	-
Provisions	21	7,377	16,234	9,013	18,101
Total noncurrent liabilities		615,094	518,024	616,730	519,891
Equity					
Capital	23	928,552	903,552	928,552	903,552
Treasury shares	23	(35,139)	(36,690)	(35,139)	(36,690)
Goodwill reserve	23	(268)	-	(268)	-
ILP reserve	23	6,039	3,281	6,039	3,281
Income reserve	23	208,978	176,052	208,978	176,052
Total equity		1,108,162	1,046,195	1,108,162	1,046,195
Total liabilities and equity		2,729,336	2,372,275	2,733,126	2,381,060

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

Dimed S.A. Distribuidora de Medicamentos

Statements of profit or loss

December 31, 2022 and 2021

(In thousands of reais, except earnings per share)

	Note	Individual		Consolidated	
		2022	2021	2022	2021
Gross sales of products and services	26	4,265,129	3,453,057	4,279,781	3,466,681
Sales tax	26	(235,785)	(193,144)	(238,446)	(198,588)
Unconditional returns and discounts	26	(50,102)	(41,151)	(50,860)	(42,685)
Net revenue from sales and services	26	3,979,242	3,218,762	3,990,475	3,225,408
Cost of goods sold, and services rendered	27	(2,749,790)	(2,237,664)	(2,747,937)	(2,236,809)
Gross profit		1,229,452	981,098	1,242,538	988,599
Selling expenses	28	(1,004,884)	(819,831)	(1,009,353)	(826,441)
General and administrative expenses	28	(107,367)	(92,390)	(109,750)	(95,179)
Other operating income (expenses), net	29	13,603	34,180	13,850	34,550
Equity pick-up	11	10,839	(267)	-	-
		(1,087,809)	(878,308)	(1,105,253)	(887,070)
Operating income before finance income (costs)		141,643	102,790	137,285	101,529
Finance income (costs)					
Finance income	30	14,846	23,556	20,429	25,618
Finance costs	30	(79,143)	(43,471)	(79,284)	(43,908)
		(64,297)	(19,915)	(58,855)	(18,290)
Income before income and social contribution					
Taxes		77,346	82,875	78,430	83,239
Income and social contribution taxes					
Current	15	(984)	(6,442)	(4,292)	(8,831)
Diferred	15	9,983	2,993	12,207	5,018
		8,999	(3,449)	7,915	(3,813)
Net income for the year		86,345	79,426	86,345	79,426
Basic earnings per common share		0.58	0.53	0.58	0.53
Diluted earnings per common share		0.58	0.53	0.58	0.53

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

Dimed S.A. Distribuidora de Medicamentos

Statements of comprehensive income
December 31, 2022 and 2021
(In thousands of reais)

	Individual		Consolidated	
	2022	2021	2022	2021
Net income for the year	86,345	79,426	86,345	79,426
Total of statements of comprehensive income	86,345	79,426	86,345	79,426

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

Dimed S.A. Distribuidora de Medicamentos

Statements of changes in equity
December 31, 2022 and 2021
(In thousands of reais)

	Capital	Treasury shares	Capital reserve stock option plan	Income reserve			Proposed additional dividends and interest on equity	Retained earnings	Total
				Tax incentives	Legal reserve	For capital increase			
Balances at December 31, 2020	897,552	(16,967)	611	105,059	5,128	4,994	14,263	-	1,010,640
Capital increase	6,000	-	-	-	(1,007)	(4,993)	-	-	-
Share issue costs	-	-	-	-	-	-	-	-	-
Dividends	-	-	-	-	-	-	(14,263)	-	(14,263)
Acquisitions of own shares	-	(20,406)	-	-	-	-	-	-	(20,406)
Net income for the year	-	-	-	-	-	-	-	79,426	79,426
Fair value of Matching Share plan	-	-	2,670	-	-	-	-	-	2,670
Disposal/transfer of shares	-	683	-	-	-	-	-	-	683
Legal reserve	-	-	-	-	2,643	-	-	(2,643)	-
Tax incentive reserve	-	-	-	26,565	-	-	-	(26,565)	-
Proposed interest on own capital	-	-	-	-	-	-	-	(12,555)	(12,555)
Proposed interest on surplus capital	-	-	-	-	-	-	13,390	(13,390)	-
Reserve for capital increase	-	-	-	-	-	24,273	-	(24,273)	-
Balances at December 31, 2021	903,552	(36,690)	3,281	131,624	6,764	24,274	13,390	-	1,046,195
Capital increase	25,000	-	-	-	(726)	(24,274)	-	-	-
Share issue costs	-	-	-	-	-	-	-	-	-
Dividends	-	-	-	-	-	-	(13,390)	-	(13,390)
Acquisitions of own shares	-	(1,701)	-	-	-	-	-	-	(1,701)
Net income for the year	-	-	-	-	-	-	-	86,345	86,345
Recognized options granted	-	2,308	(853)	-	-	-	-	-	1,455
Fair value of Matching Share plan	-	-	4,503	-	-	-	-	-	4,503
Disposal/transfer of shares	-	944	(1,160)	-	-	-	-	-	(216)
Legal reserve	-	-	-	-	3,163	-	-	(3,163)	-
Tax incentive reserve	-	-	-	23,066	-	-	-	(23,066)	-
Proposed interest on own capital	-	-	-	-	-	-	-	(15,029)	(15,029)
Proposed interest on surplus capital	-	-	-	-	-	-	17,971	(17,971)	-
Reserve for capital increase	-	-	-	-	-	27,116	-	(27,116)	-
Balances at December 31, 2022	928,552	(35,139)	5,771	154,690	9,201	27,116	17,971	-	1,108,162

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

Dimed S.A. Distribuidora de Medicamentos

Statements of cash flows
December 31, 2022 and 2021
(In thousands of reais)

	Individual		Consolidated	
	2022	2021	2022	2021
Cash flow from operating activities				
Net income for the year	86,345	79,426	86,345	79,426
Adjustments:				
Depreciation/amortization of property and equipment and intangible assets	183,496	156,724	184,568	157,774
Equity pickup	(10,839)	267	-	-
Cost of property and equipment and intangible assets written off	8,336	3,293	8,411	3,472
Net reimbursement of written-off fixed assets	(6,231)	-	(6,231)	-
Allowance for expected credit losses	1,111	379	1,111	379
Provision for contingent liabilities	(3,057)	2,160	(3,288)	3,682
Deferred income and social contribution taxes	(9,983)	(2,993)	(12,207)	(5,018)
Current income and social contribution taxes	984	6,442	4,292	8,831
Provision for inventory losses	237	189	144	241
Interest expense	69,631	36,748	69,631	36,748
Discounts on leases payable	(3,976)	(7,384)	(3,976)	(7,384)
Tax credits from legal proceeding	(5,591)	(38,662)	(5,591)	(38,662)
Stock option plan or share subscription	4,503	2,670	4,503	2,670
Others	(8,187)	1,973	(13,331)	2,145
Changes in assets and liabilities				
Trade accounts receivable	(77,781)	(40,986)	(76,135)	(38,887)
Inventories	(156,326)	(166,601)	(157,643)	(164,456)
Tax recoverable	9,025	(186)	11,331	1,293
Judicial deposits	757	2,548	751	2,549
Accounts payable	90,505	97,049	89,038	90,452
Taxes and social contributions payable	7,465	9,993	4,428	8,457
Other groups of assets	11,750	(6,660)	10,534	(5,435)
Other groups of liabilities	15,045	(6,778)	13,459	(2,398)
Taxes and social contributions paid	(2,681)	(3,623)	(4,664)	(4,701)
Net cash from (used in) operating activities	204,538	125,988	205,480	131,178
Cash flow from investing activities				
Short-term investments	39,097	188,989	39,073	150,485
Acquisition of property, plant and equipment	(148,062)	(108,211)	(149,298)	(110,045)
Acquisition of intangible assets	(32,010)	(25,501)	(32,339)	(25,535)
Sinister compensation	11,479	-	11,479	-
Net cash used in investing activities	(129,496)	55,277	(131,085)	14,905
Cash flow from financing activities				
Payment of dividends and interest on equity	(24,752)	(20,442)	(24,752)	(20,442)
Acquisitions of own shares	(1,605)	(20,406)	(1,605)	(20,406)
Sale of treasury shares by exercising the stock option plan	-	683	-	683
Loans/financing (Principal) taken out	150,000	-	150,000	-
Payment of leases	(150,309)	(122,464)	(150,309)	(122,464)
Repayment of financing principal	(52,857)	(52,837)	(52,857)	(52,837)
Repayment of interest	(25,037)	(6,289)	(25,037)	(6,289)
Shares granted matching shares plan	1,445	-	1,445	-
Net cash from (used in) financing activities	(103,115)	(221,755)	(103,115)	(221,755)
Net increase (decrease) in cash and cash equivalents	(28,073)	(40,490)	(28,720)	(75,672)
Cash and cash equivalents at beginning of year	51,590	92,080	54,435	130,107
Cash and cash equivalents at end of year	23,517	51,590	25,715	54,435
Net increase (decrease) in cash and cash equivalents	(28,073)	(40,490)	(28,720)	(75,672)

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

Dimed S.A. Distribuidora de Medicamentos

Statements of value added
December 31, 2022 and 2021
(In thousands of reais)

	Individual		Consolidated	
	12/31/2022	12/31/2021	12/31/2022	12/31/2021
Revenues	4,493,186	3,664,947	4,631,176	3,677,408
Sales of goods, products and services	4,215,027	3,411,906	4,353,400	3,423,996
Other income	279,270	253,421	278,887	253,792
(Reversal of) allowance for expected credit losses	(1,111)	(380)	(1,111)	(380)
Bought-in inputs	(3,245,637)	(2,663,716)	(3,368,711)	(2,669,320)
Cost of goods and products sold and services rendered	(2,938,965)	(2,418,743)	(3,058,242)	(2,417,102)
Materials, energy, third-party services and other	(316,047)	(278,703)	(319,838)	(285,948)
Loss/recovery of assets	9,375	33,730	9,369	33,730
Gross value added	1,247,549	1,001,231	1,262,465	1,008,088
Depreciation and amortization	(183,496)	(156,889)	(184,568)	(157,940)
Net value added produced by the entity	1,064,053	844,342	1,077,897	850,148
Value added received in transfer	26,910	24,436	21,709	26,783
Equity pickup	10,839	(267)	-	-
Finance income	16,071	24,703	21,709	26,783
Total value added to be distributed	1,090,963	868,778	1,099,606	876,931
Distribution of value added	1,090,963	868,778	1,099,606	876,931
Personnel	(497,236)	(389,897)	(500,345)	(392,207)
Direct compensation	(420,764)	(326,918)	(423,506)	(328,754)
Benefits	(43,267)	(36,091)	(43,456)	(36,313)
Unemployment Compensation Fund (FGTS)	(33,205)	(26,888)	(33,383)	(27,140)
Taxes, charges and contributions	(400,112)	(334,818)	(406,659)	(341,791)
Federal	(109,889)	(96,274)	(115,352)	(101,459)
States	(281,620)	(231,679)	(282,368)	(232,777)
Local	(8,603)	(6,865)	(8,939)	(7,555)
Debt remuneration	(107,270)	(64,637)	(106,257)	(63,507)
Interest	(80,623)	(44,898)	(80,778)	(45,348)
Rental	(26,647)	(19,739)	(25,479)	(18,159)
Equity remuneration	(86,345)	(79,426)	(86,345)	(79,426)
Dividends	(33,000)	(25,944)	(33,000)	(25,944)
Retained profits	(53,345)	(53,482)	(53,345)	(53,482)

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

Dimed S.A. Distribuidora de Medicamentos

Notes to the individual and consolidated financial statements
December 31, 2022 and 2021
(In thousands of reais)

1. Operations

1.1. Operations

Dimed S.A. Distribuidora de Medicamentos or “Dimed” and its subsidiaries (jointly referred to as the “Company”), with head office in the city of Eldorado do Sul, state of Rio Grande do Sul, is primarily engaged in the sale of medicines, perfumery, personal care and beauty products, cosmetics and dermocosmetics. To support its sales, the Company has distribution centers in the states of Rio Grande do Sul, Paraná and Espírito Santo, in addition to 556 stores distributed among the states of Rio Grande do Sul (384 stores), Santa Catarina (70 stores), Paraná (95 stores) and São Paulo (7 stores). In the 12-month period, the Company opened the total of 60 stores, 14 of which in the four quarter of 2022. Over this quarter, it also closed 3 stores and 3 stores were transferred, since they had a low capacity to improve performance.

The parent company is a corporation listed on B3 S.A. - BRASIL, BOLSA, BALCÃO (ticker symbol PNVL3).

Subsidiary Laboratório Industrial Farmacêutico Lifar Ltda. operates in the industrial segment, producing a wide range of products in the cosmetics, food, medicine and outsourced production segments. It is responsible for most of the production of the own brand product line from the Company’s pharmacy chain and parent company of Empresa Lifar Distribuidora de Produtos Farmacêuticos Ltda., which is engaged in the distribution of the products produced.

Subsidiary Dimesul Gestão Imobiliária Ltda. is engaged in the purchase, sale, intermediation, subdivision, lease, rent, management and administration of own or third-party properties, with a view to centralizing and optimizing the management of the Company’s properties.

Dimed S.A. Distribuidora de Medicamentos

Notes to the individual and consolidated financial statements (Continued)
December 31, 2022 and 2021
(In thousands of reais)

1. Operations (Continued)

1.2. Impacts of COVID-19

In May 2020, the IASB issued amendments to IFRS 16 - Leases referring to COVID-19-related benefits granted to lessees under lease agreements. On July 7, 2020, the Brazilian SEC (CVM), through Rule No. 859/20, approved amendments to Accounting Pronouncement CPC 06 (R2) - Leases, which is equivalent to the IFRS at issue that was effective until June 30, 2022.

As a practical expedient, the lessee could choose not to assess whether a benefit granted in a lease, related to COVID-19, is a modification of the lease agreement and thus account for the resulting changes in lease payments in profit or loss for the year. The Company applied the practical expedient to all benefits granted in lease agreements in line with the requirements of CVM Rule No. 859/20 (Note 28) until its effectiveness date.

Over 2022, the Company continued to assess the impacts of COVID-19 on its operations and identified no significant increase in the credit risk of trade accounts receivable that could entail the reassessment of its assumptions relating to the allowance. Regarding the impairment of its assets, the Company also detected no material adverse impact on its cash and cash equivalents, inventories and permanent assets. The operation did not suffer major impacts due to the COVID-19 pandemic and the Company will continue to apply protective measures, with a view to ensuring the safety of employees and customers.

1.3. Authorization for issue of the annual financial statements

The issue of these individual and consolidated financial statements was authorized by the Company's Board of Directors on March 23, 2023.

Dimed S.A. Distribuidora de Medicamentos

Notes to the individual and consolidated financial statements (Continued)
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2. Accounting policies

Significant accounting policies used in preparing these individual and consolidated financial statements are described below. These policies have been consistently applied for all years presented.

2.1. Basis of preparation and presentation of the individual and consolidated financial statements

The Company's individual and consolidated financial statements were prepared and are presented in accordance with the accounting practices adopted in Brazil, which comprise the rules issued by the Brazilian Securities and Exchange Commission (CVM) and the pronouncements issued by Brazil's FASB (CPC), which comply with the International Financial Reporting Standards (IFRS) issued by the International Accounting Standards Board (IASB).

Company management understands that all significant information related to the financial statements is disclosed and corresponds to the information used to manage the Company's operations.

The preparation of financial statements is based on historical cost, except for financial instruments measured at fair value, as per Note 5, which require the use of certain accounting estimates that affect the balances of asset, liability and profit or loss accounts, as well as the exercise of judgment by management members in the process of applying the Company's accounting policies. The most significant effects on the book accounts that involve the use of estimates or that require more complex judgments are disclosed in Note 3.

The Company adopted all the standards, revised standards and interpretations issued by Brazil's FASB (CPC) and regulators that were effective at December 31, 2022.

The presentation of the individual and consolidated Statement of Value Added (SVA) is required by the Brazilian Corporation Law and by the accounting practices adopted in Brazil applicable to publicly-held companies. The Statement of Value Added is not required under IFRS. As such, for IFRS purposes, this statement is presented as supplementary information without prejudice to the financial statements as a whole.

Dimed S.A. Distribuidora de Medicamentos

Notes to the individual and consolidated financial statements (Continued)
December 31, 2022 and 2021
(In thousands of reais)

2. Accounting policies (Continued)

2.1. Basis of preparation and presentation of the individual and consolidated financial statements (Continued)

Consolidated financial statements

The consolidated financial statements include the operations of the Company and of the following subsidiaries:

Company	Activity	Direct equity interest	
		2022	2021
Laboratório Industrial Farmacêutico Lifar Ltda.	Production of cosmetics, food, medicines and outsourced production.	99,99%	99,99%
Dimesul Gestão Imobiliária Ltda.	Management and administration of own and/or third-party properties and operation of marketplace activities.	99,99%	99,99%
Company	Activity	Indirect equity interest	
		2022	2021
Lifar Distribuidora de Produtos Farmacêuticos Ltda.	Pharmaceutical products distributor.	99,97%	99,97%

These consolidated financial statements are prepared in accordance with the consolidation practices and applicable legal provisions. The accounting practices adopted by the Subsidiaries were consistently applied and are consistent with the ones adopted by the Company. Where applicable, all transactions, balances, revenues and expenses between the Subsidiaries and the Company are fully eliminated from the consolidated financial statements.

The financial statement period of the subsidiaries included in the consolidation coincides with that of the Parent Company and the accounting policies have been consistently applied in the consolidated companies and are consistent with those used in prior year.

Income for the year is fully attributed to the controlling interests given that equity interest held by noncontrolling interests corresponds to 0.01% of the consolidated.

Dimed S.A. Distribuidora de Medicamentos

Notes to the individual and consolidated financial statements (Continued)
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2. Accounting policies (Continued)

2.2. Presentation of segment reporting

Operational segment reporting is stated consistently with the internal report provided by key operational decision makers. The main operational decision maker, responsible for the allocation of funds and for the assessment of performance of operational segments is the Board of Directors, which is responsible for the Dimed's main strategic decisions.

2.3. Functional and presentation currency

The individual and consolidated financial statements are presented in Brazilian reais (R\$), which is the Company's and its subsidiaries' functional currency and presentation currency.

2.4. Cash and cash equivalents

Cash and cash equivalents include cash, bank deposits and other highly-liquid short-term investments, originally maturing within three months, and with insignificant risk of change in value. The balance is presented net of secured accounts in the statement of cash flows.

2.5. Financial instruments

2.5.1. Classification

The Company initially measures its financial assets or financial liabilities at fair value plus, for an item not measured at fair value, transactions costs that are directly attributable to their acquisition or issue. The classification of financial assets in accordance with CPC 48/IFRS 9 is usually based on the business model in which a financial asset is managed and on its contractual cash flow characteristics. Trade accounts receivable without a significant financing component are initially measured at the transaction price.

2.5.2. Classification and subsequent measurement

Upon initial recognition, a financial asset is classified as measured: at amortized cost or at fair value through profit or loss, and is not reclassified subsequently to the initial recognition, except in the case of changes in the business model for the management of financial assets.

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Notes to the individual and consolidated financial statements (Continued)
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2. Accounting policies (Continued)

2.5. Financial instruments (Continued)

2.5.2. Classification and subsequent measurement (Continued)

Trade accounts receivable and debt notes issued are initially recognized at their inception date. All other financial assets and liabilities are initially recognized when the Group becomes a party to the contractual provisions of the instrument.

A financial asset is measured at amortized cost if it is maintained within a business model whose objective is to maintain financial assets in order to receive contractual cash flows and its contractual terms generate, on specific dates, cash flows that are solely payment of principal and interest (SPPI) on the principal amount outstanding.

Financial liabilities were classified as measured at amortized cost or at fair value through profit or loss. A financial liability is classified as measured at fair value through profit or loss if it is classified as held for trading, is a derivative or is designated as such upon initial recognition. Other financial liabilities are subsequently measured at amortized cost, using the effective interest rate method. Interest expense and foreign exchange gains and losses are recognized in P&L. Any gain or loss upon derecognition is also recognized in P&L.

Financial assets are written off when the rights to receive cash flows from the investments have expired or have been transferred. In the latter case, provided that Dimed has substantially transferred all the risks and rewards of ownership of the financial asset and has neither retained control over the financial asset.

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

Gains or losses arising from changes in fair value of financial assets measured at fair value through profit or loss are presented in the statement of profit or loss, under "Finance income (costs)". At the statement of financial position date, the Company evaluates whether there is objective evidence that a financial asset or group of financial assets is impaired. The analysis to show whether accounts receivable are impaired is described in Note 2.5.4.

Dimed S.A. Distribuidora de Medicamentos

Notes to the individual and consolidated financial statements (Continued)
December 31, 2022 and 2021
(In thousands of reais)

2. Accounting policies (Continued)

2.5. Financial instruments (Continued)

2.5.3. Offsetting of financial instruments

Financial assets and liabilities are offset and the net amount is recognized in the statement of financial position when there is a legally enforceable right to offset the recognized amounts and there is an intention to settle them on a net basis, or realize the asset and settle the liability simultaneously. Dimed reported in the statement of financial position the net amount of offsetting of contribution amounts from suppliers originally recorded in liabilities, where the Company records the receipts of funds through deposit, discounts or bonuses, and the checking account of funds recorded in assets, where the Company records notes issued against trade accounts payable, the net amount was recorded in assets under "Other accounts receivable".

2.5.4. Impairment

Nonderivative financial assets

Financial instruments and contract assets

The Company recognizes allowances for expected credit losses on financial assets measured at amortized cost.

The Company measures the allowance for loss in an amount equal to the lifetime expected credit loss, except for debt notes with low credit risk at the statement of financial position date, which are measured as 12-month expected credit loss.

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

The Company assumes that the credit risk of a financial asset has increased significantly if it is more than 90 days past due.

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Notes to the individual and consolidated financial statements (Continued)
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2. Accounting policies (Continued)

2.5. Financial instruments (Continued)

2.5.4. Impairment (Continued)

Nonderivative financial assets (Continued)

Financial instruments and contract assets (Continued)

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

- It is unlikely that the debtor will fully pay its credit obligations to the Company, without resorting to actions such as the realization of the guarantee (if any);
- The financial asset has been past due for more than 90 days;
- Lifetime ECL are the expected credit losses that result from all possible default events over the expected life of the financial instrument;
- 12-month expected credit losses are credit losses that result from possible default events within 12 months after the statement of financial position date (or in a shorter period, if the expected life of the instrument is less than 12 months).

The maximum period considered in the expected credit loss estimate is the maximum contractual period during which the Company is exposed to credit risk.

Financial assets with recovery problems

At each statement of financial position date, the Company assesses whether financial assets accounted for at amortized cost have recovery problems. A financial asset has “recovery problems” when one or more events occur that have a detrimental impact on the estimated future cash flows of the financial asset.

Dimed S.A. Distribuidora de Medicamentos

Notes to the individual and consolidated financial statements (Continued)
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2. Accounting policies (Continued)

2.5. Financial instruments (Continued)

2.5.4. Impairment (Continued)

Financial assets with recovery problems (Continued)

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

- Significant financial hardship faced by the issuer or borrower;
- Breach of contractual clauses, such as default or delay of more than 90 days;
- Rescheduling of an amount due to the Company in conditions that would not be accepted under regular conditions;
- High probability that the debtor will enter bankruptcy or other type of financial reorganization; or
- The extinction of an active market for such note due to financial hardship.

Presentation of the allowance for expected credit losses in the statement of financial position

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

Derivative financial instruments

The Company does not hold derivative financial instruments to hedge its exposure to currency and interest rate risks as of the financial statement date.

Dimed S.A. Distribuidora de Medicamentos

Notes to the individual and consolidated financial statements (Continued)
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(In thousands of reais)

2. Accounting policies (Continued)

2.6. Trade accounts receivable

Trade accounts receivable correspond to receivables from customers for sale of goods or rendering of services in the ordinary course of Dimed's activities. All trade accounts receivable have a short term of receipt, without financing character and are consistent with market practices, classified in current assets.

Trade accounts receivable are initially recognized at fair value, less the allowance for expected credit losses (*impairment*), by the provision for financial discounts.

2.7. Inventories

Inventories are measured at the lower of average cost of acquisition, net of bonuses and net realizable value, including provisions for losses, if any.

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

2.8. Contractual payments

The Company has various transactions related to commercial negotiations in the purchase of goods represented by commercial agreements whereby products can be sold together with other goods or with discounts which are, substantially, negotiations promoted by suppliers at the Company's points of sale in various forms. These negotiations are individual and different among suppliers and may have complex characteristics and nature.

Such transactions refer to financial discounts granted by laboratories, rebates for volume targets, marketing and publicity funds, disclosure of offers in own catalog, having a range of conditions and individual characteristics, such as bonuses in goods, financial contributions, reduction of purchase amounts, trade discounts, among others. The Company recognizes the gain (loss) on these commercial agreements, credited to the cost of goods sold, matched against an amount in other accounts receivable.

Dimed S.A. Distribuidora de Medicamentos

Notes to the individual and consolidated financial statements (Continued)
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2. Accounting policies (Continued)

2.9. Property, plant and equipment

Property, plant and equipment items are measured at cost of acquisition, buildup or construction, less accumulated depreciation.

Costs subsequently incurred are included in the carrying amount of the asset or recognized as a separate asset, as appropriate, if, and only if it is probable that future economic benefits associated with the item will flow to the Company and the cost of the item can be measured reliably. The carrying amount of those items or pieces that are replaced is derecognized. All other repair and maintenance costs are posted against profit or loss for the year, as incurred.

Land is not depreciated. Depreciation of other assets is calculated using the straight-line method to allocate their costs or revalued amounts to residual values over the estimated useful life, as shown in Note 12. Residual values and useful lives of assets are reviewed and adjusted, as appropriate, at each year end.

Gains and losses on disposals are determined by comparing P&L with the book value and are recognized in "Other operating income, net" in the statement of profit or loss.

2.10. Intangible assets

Intangible assets are represented by the lease of a commercial point, trademarks and patents and the right to use software. The amounts recorded as commercial point are the initial disbursements made by Dimed to obtain the assignment of use of a certain establishment where the branch will be located. Upon initial recognition, they are measured at acquisition cost and subsequently deducted of accumulated amortization, calculated by the straight-line method based on the economic and useful life as described in Note 13.

2.11. Impairment of nonfinancial assets

Nonfinancial assets, except deferred taxes and inventories that have specific rules for disclosure, are tested for impairment whenever events or changes in circumstances indicate that their carrying amounts may not be recoverable. An impairment loss is recognized at the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs to sell and value in use. For purposes of impairment test, assets are grouped at the lowest levels for which there are separately identifiable cash flows (Cash-Generating Units (CGU)).

Dimed S.A. Distribuidora de Medicamentos

Notes to the individual and consolidated financial statements (Continued)
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2. Accounting policies (Continued)

2.12. Loans and financing

Loans and financing are recognized at amortized cost. Any difference between the funds raised (net of transaction costs) and the settlement amount is recognized in the statement of profit or loss over the period in which loans are effective, using the effective interest rate method.

The rates paid upon taking out loans and financing are recognized as loan transaction costs, to the extent that it is probable that the loan is drawn down in full or in part. In this case, the rate is deferred until effective withdrawal. When there is no evidence of probability of full or partial withdrawal of the loan, the rate is capitalized as an advance payment of liquidity services and amortized over the loan period related thereto.

Loans and financing are classified as current liabilities unless Dimed has an unconditional right to defer settlement of such liability for at least 12 months after the statement of financial position date.

2.13. Provisions

Provisions are recognized when there is a present or constructive obligation as a result of past events, it is probable that an outflow of resources will be required to settle the obligation, and a reliable estimate has been made of the amount of the obligation.

Provisions for tax, civil and labor contingencies are recognized based on the case laws in force, available evidence as well as estimates of the risk involved and their nature, updated on the statement of financial position dates. The amounts provisioned by the nature of contingencies are described in Note 21.

Where there are a number of similar obligations, the likelihood that an outflow will be required in settlement is determined by considering the class of obligations as a whole. A provision is recognized even if the likelihood of settlement related to any one item included in the same class of obligations may be small.

Provisions are measured at the present value of expenses that will be required to settle the obligation, using a time rate of money and of specific risks in the obligation.

Dimed S.A. Distribuidora de Medicamentos

Notes to the individual and consolidated financial statements (Continued)
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2. Accounting policies (Continued)

2.14. Current and deferred income and social contribution taxes

Deferred income and social contribution taxes are calculated on temporary differences arising from differences between asset and liability tax bases and their carrying amounts in the financial statements.

Deferred income and social contribution tax assets are only recognized to the extent that it is probable that the future taxable profit is available, and against which the temporary differences can be used.

Deferred tax liabilities are recognized in relation to all taxable temporary differences, so that they are recognized on the differences that will result in amounts to be added in the calculation of the taxable income of future years, when the carrying amount of the asset or liability is recovered or settled.

Current and deferred income and social contribution taxes are recognized in the statement of profit or loss, except to the extent that they are related to items directly recognized in equity or in comprehensive income. In this case, tax is also recognized in equity or comprehensive income.

Current and deferred income and social contribution taxes are determined based on the tax legislation in force, or substantially in force, at the statement of financial position date of the Company and that generate taxable profit. From time to time, management assesses the positions assumed in the Company's income tax returns as for circumstances where the applicable tax legislation provides margin for interpretations and sets provisions, where applicable, based on the estimated amount payable to tax authorities.

2.15. Employee benefits

Short-term benefit obligations to employees are recognized as personnel expenses as the relevant service is provided. The liability is recognized by the amount of expected payment should the Company has a present legal or constructive obligation of paying said amount due to past services provided by the employee and the obligation may be reliably estimated.

Dimed S.A. Distribuidora de Medicamentos

Notes to the individual and consolidated financial statements (Continued)
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2. Accounting policies (Continued)

2.16. Payment of dividends and interest on equity

Payment of dividends and interest on equity to the Parent's shareholders is recognized as a liability in its financial statements at year end, according to Dimed's Articles of Incorporation, which provide that at least 25% of net income for the year shall be paid out as dividends. The amounts exceeding this limit are recorded under "Excess dividends and interest on equity" in equity, as shown in Note 23.

2.17. Leases

Upon adoption of CPC 06 (R2)/IFRS 16, the Company recognized lease liabilities involving leases that had already been classified as "operating leases" under IAS 17.

The Company recognizes the lease liability and the right-of-use asset on the date the lease agreement is entered into. The Company's main agreements refer to store lease operations. As the Group is not in a position to determine the exact discount rate to be applied to contracts, the Company uses the interest rate that it would have to pay, in case of borrowing from third parties, in a similar economic environment.

These liabilities were measured at the present value of the remaining lease payments discounted at the incremental interest rate, as described in Note 20. Company management considers as a lease component only the minimum fixed amount for purposes of measuring the lease liability. The remeasurements of lease liabilities were recognized as adjustments to the related rights-of-use assets, immediately after the initial application date. Significant assumptions used by the Company to assess whether a contract is or contains a lease are as follows:

- The lessor cannot have a substantive right to replace the asset with an alternative asset during the lease term;
- The Company holds substantially all the economic benefits of a contract asset if it benefits from most of the benefits arising from the main product, by-product and other benefits that the asset may generate;
- The Company has the right to direct the use of the asset, managing how and for what purposes it will be used during the utilization period or when these decisions are predetermined in the contract and the Company operates the asset throughout the contract period, without the lessor having the right to change these operational instructions.

Dimed S.A. Distribuidora de Medicamentos

Notes to the individual and consolidated financial statements (Continued)
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2. Accounting policies (Continued)

2.18 Standards and interpretations not in force

2.18.1 Amendment to IAS 1, related to CPC 26 - Classification of liabilities into current and noncurrent

The amendments to paragraphs 69 to 76 of IAS 1, related to CPC 26, which addresses the requirements for classifying liabilities with uncertain liquidation, in the statement of financial position, as current or noncurrent became effective on January 1, 2023. The Company identified no impacts arising from this amendment.

2.18.2 Amendment to IAS 1, related to CPC 26 (R1) and IFRS 2 - Disclosure of accounting policies

It addresses the application of materiality judgment for disclosure of accounting policies, instead of applying the concept of significant policies, and became effective on January 1, 2023. Considering that the financial statement is prepared based on significant accounting policies, this amendment will not generate impacts on the Company.

2.18.3. Amendment to IAS 8, related to CPC 23 - Definition of accounting estimates

This amendment addresses the differences between changes in accounting estimates and changes in accounting policies and correction of errors as well as *inputs* regarding the development of these estimates. It is effective for annual reporting periods beginning on or after January 1, 2023. According to the Company's evaluation, these amendments will have no impact on the currently adopted accounting practices.

2.18.4. Amendment to IAS 12 - Deferred taxes related to assets and liabilities deriving from a single transaction

This amendment aims to clarify how entities should account for deferred tax on certain transactions, limiting the scope of exemptions upon initial recognition, so that it is no longer applicable to transactions that give rise to equal and offsetting temporary differences. It became effective on January 1, 2023. According to the Company's evaluation, this amendment will have no impact on its financial statements.

Dimed S.A. Distribuidora de Medicamentos

Notes to the individual and consolidated financial statements (Continued)
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3. Significant accounting estimates and judgments

In preparing these financial statements, it is necessary to use estimates to account for certain assets, liabilities and other transactions. Therefore, the financial statements include various estimates referring to the allowance for doubtful accounts, provision for inventory losses, assessment of the useful lives of property, plant and equipment, provisions required for contingent liabilities and determination of provisions for income tax. Since management's judgment involves determining estimates related to the likelihood of future events, actual results may differ from these estimates. The estimates considered to be more critical by management, which may have significant effects on the accounting balances, are described below:

3.1. Provision for inventory losses

The provision for inventory losses is estimated based on the inventories of stores and distribution centers, whose maturity dates are close to the expiration date, and deemed sufficient by management to cover the risk of loss on these inventories. These amounts are stated in Note 8. The Company monthly evaluates and writes off items that are already past due and damaged.

3.2. Allowance for expected credit losses

The allowance for expected credit losses is based on certain assumptions and involves management's judgment, consistent with the accounting policies disclosed in Note 2.5.4 to the financial statements as at December 31, 2022. The amounts can be verified in Note 7.

3.3. Provisions for tax, civil and labor contingencies

The estimates to set up the provisions for contingencies are analyzed by management, based on the opinion of the Company's lawyers, where factors such as the hierarchy of laws, available case law, most recent court decisions and their relevance in the legal system are considered. The realization of these estimates may result in amounts different from those recorded in the accounts depending on the outcome of each legal or administrative proceeding.

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Notes to the individual and consolidated financial statements (Continued)
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3. Significant accounting estimates and judgments (Continued)

3.4. Contractual payments

The estimates for the accounting recognition of negotiations for payments are based on the transactions with suppliers, consistently with the accounting practices disclosed in Note 2.8 to the financial statements as at December 31, 2022. These amounts may be verified in Note 27, under "Reimbursement of capital contribution costs".

3.5. Income taxes

Uncertainties exist with respect to the interpretation of complex tax regulations and the amount and timing of future taxable income. Given the broad scope of tax legislation and the long-term nature and complexity of existing contractual arrangements, differences between actual results and assumptions adopted, or future changes to such assumptions could require future adjustments to the previously recorded tax income and expense.

When determining current and deferred income tax, the Company takes into consideration the impact of uncertain tax positions. The Company understands that the provision for income tax is adequate based on the assessment of various factors, including interpretations of tax laws and the opinion of its legal advisors.

The Company sets up provisions, based on reliable estimates, for possible consequences from audits by tax authorities of the respective jurisdictions in which it operates. The amount of these provisions is based on various factors, such as past tax audit experience and different interpretations of tax regulations by the taxable entity and by the competent tax authority. These different interpretations may arise in a wide range of issues, depending on the prevailing conditions in the respective domicile of the Company. Management's significant judgment is required to determine the amount of deferred tax assets recognizable based on probable term and future taxable profit levels, together with future tax planning strategies.

The Company has ICMS tax benefits and incentives in certain states where it operates. These incentives were considered an investment grant under the terms of Complementary Law No. 160/2017. These incentives, when calculated, are allocated to the Tax Incentive Reserve (Note 22). Incentive-related resources are not distributed as dividends. In compliance with ICPC 22 (IFRIC 23), management carried out, assisted by its legal advisors, an analysis of the acceptability of the tax treatment described, concluding that it is likely that the tax authority will accept it.

Dimed S.A. Distribuidora de Medicamentos

Notes to the individual and consolidated financial statements (Continued)
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3. Significant accounting estimates and judgments (Continued)

3.6. Discount rate of IFRS 16/CPC 06 (R2)

Estimates for determining the discount rate are based on assumptions, as described in Note 20.

4. Financial risk management

4.1. Financial risk factors

The Company's activities expose it to various financial risks: market risk (including fair value interest rate risk and cash flow interest rate risk), credit risk, liquidity risk and currency risk. The Company's global risk management program is concentrated in the unpredictability of the financial markets and aims to minimize potential adverse effects on the Company's financial performance.

Risk management is conducted by the Company's Controllershship. The Controllershship, through the Treasury Department, identifies, evaluates and hedges the Company against any financial risks in cooperation with the Company's operational units. The Board of Directors establishes global risk management principles, including for specific areas, such as interest rate risk, credit risk, use of nonderivative financial instruments and investment of cash surplus.

4.1.1. Market risk

Interest rate risk

The Company's interest rate risk arises from long-term borrowings and cash surplus invested in floating rate notes, such as Bank Deposit Certificates (CDBs). Borrowings and investments at variable rates expose the Company to the cash flow interest rate risk. Borrowings and investments issued at fixed rates expose the Company to the fair value interest rate risk. At December 31, 2022 and 2021, the Company's borrowings and investments at variable and fixed rates were kept in Brazilian reais.

The Company analyzes its exposure to interest rate in a dynamic manner. Scenarios are simulated, taking into consideration the refinancing, renewal of existing positions and alternative financing, as well as new investment possibilities for cash surplus. Based on these scenarios, the Company defines a reasonable interest rate change and calculates its impact on profit or loss. The scenarios are prepared only for liabilities and assets representing key interest-bearing positions.

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Notes to the individual and consolidated financial statements (Continued)
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4. Financial risk management (Continued)

4.1. Financial risk factors (Continued)

4.1.1. Market risk (Continued)

Interest rate risk (Continued)

Sensitivity analysis

The sensitivity analysis of interest rates on financial instruments of the Company and its subsidiaries is presented below, which describes the risks that may generate significant variations, with the most probable scenario (scenario I) according to management's assessment, considering a 12-month period. There are two other scenarios, in which interest rates increase (scenario II) and decrease (scenario III), both with a possible 25% and 50% variation in interest rates.

Rate/Operation	Scenario I	Increase in interest Scenario II		Decrease in interest Scenario III	
	Probable	Possible +25%	Remote +50%	Possible (-25%)	Remote -50%
Average CDI	13.24%	16.57%	19.91%	9.91%	6.57%
Short-term investments	21,015	26,303	31,589	15,725	10,433
Debentures	(26,178)	(32,131)	(38,008)	(20,144)	(14,027)

4.1.2. Credit risk

Credit risk is managed on a corporate-level basis and arises from cash and cash equivalents, as well as credit exposures with customers, both legal entities and individuals, including outstanding receivables. For banks and financial institutions, only notes of entities that have compensating transactions with the Company are accepted. The Credit Analysis area assesses the customer creditworthiness, taking into consideration its financial position, past experience and other factors. Individual risk limits are established based on internal or external ratings, according to the limits determined by the Board of Directors and management. The use of credit limits is regularly monitored by management. Sales to customers of retail branches are settled in local currency, check, agreements or by means of the main credit cards existing in the market.

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Notes to the individual and consolidated financial statements (Continued)
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4. Financial risk management (Continued)

4.1. Financial risk factors (Continued)

4.1.2. Credit risk (Continued)

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

Cash flow projection is carried out on a corporate-level basis in the treasury department, based on information provided by the operating units and the procurement department. The Treasury Department monitors the forecasts of the Company's liquidity requirements to ensure that it has cash sufficient to meet its operating needs. It also keeps sufficient margin of credit facilities, under repurchase agreements, available for the Company at any time, so that it does not exceed limits or breach loan agreement clauses (where applicable) in any of its credit facilities. Such projection takes into consideration the Company's debt financing plans, covenant compliance, compliance with internal ratio targets of the statement of financial position and, if applicable, external regulatory or legal requirements - for instance, currency restrictions.

4.1.3. Liquidity risk

Any cash surplus held by the operational entities, in addition to the amount required for working capital management purposes, is managed by the treasury department, which invests the cash surplus in short-term investments, choosing instruments with appropriate maturities or sufficient liquidity to provide sufficient margins as determined by the above-mentioned forecasts. At December 31, 2022, the Company recorded short-term investments amounting to R\$87,967 and R\$131,640 in the individual and consolidated financial statements, respectively, which generated cash inflows to manage liquidity risk.

The table below analyzes the Company's nonderivative financial liabilities, by maturity date, corresponding to the remaining period in the statement of financial position up to the contractual maturity date. The amounts disclosed in the table are the contractual undiscounted cash flows.

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Notes to the individual and consolidated financial statements (Continued)
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4. Financial risk management (Continued)

4.1. Financial risk factors (Continued)

4.1.3. Liquidity risk (Continued)

	Consolidated				
	Contractual cash flow	Within 1 year	From 1 to 2 years	From 3 to 5 years	Above 5 years
At December 31, 2022					
Trade accounts payable	555,452	555,452	-	-	-
Lease	636,716	152,093	143,112	212,991	128,520
Debenture - Banco Bradesco	270,856	141,947	128,909	-	-
Total	1,463,024	849,492	272,021	212,991	128,520

	Consolidated				
	Contractual cash flow	Within 1 year	From 1 to 2 years	From 3 to 5 years	Above 5 years
At December 31, 2021					
Trade accounts payable	464,714	464,714	-	-	-
Lease	557,109	134,605	124,768	185,690	112,046
Debenture - Banco Bradesco	145,653	55,683	21,103	68,867	-
Total	1,167,476	655,002	145,871	254,557	112,046

4.2. Capital management

The Company's objectives in managing its capital are to safeguard its ability to continue as a going concern in order to provide returns for its shareholders and benefits for other stakeholders as well as to maintain an optimal target capital structure to reduce the cost of capital.

To maintain or adjust its capital structure, the Company may revise the policy for payment of dividends, return capital to shareholders, issue new shares, or sell assets to reduce its indebtedness, for instance. In line with other companies in the sector, the Company monitors capital based on the financial leverage ratio. This ratio corresponds to the net debt divided by total capital. Net debt, in its turns, corresponds to total loans (including short and long-term loans, as stated in the consolidated statement of financial position), deducted from cash and cash equivalents. Total capital is calculated through the sum of equity, as stated in the consolidated statement of financial position, plus net debt.

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Notes to the individual and consolidated financial statements (Continued)
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4. Financial risk management (Continued)

4.2. Capital management (Continued)

The Company's business strategy is to maintain its net financial indebtedness, compared to the sum of net financial debt and equity, at low levels. Financial leverage ratios at December 31, 2022 and 2021 are summarized as follows:

	Individual		Consolidated	
	12/31/2022	12/31/2021	12/31/2022	12/31/2021
Total loans (Note 17)	234,824	133,818	234,824	133,818
Less:				
Cash and cash equivalents (Note 6)	(23,517)	(51,590)	(25,715)	(54,435)
Short-term investments (Note 6)	(87,967)	(116,712)	(131,640)	(155,216)
Net debt - A	123,340	(34,484)	77,469	(75,833)
Total net assets	1,108,162	1,046,195	1,108,162	1,046,195
Total capital - B	1,231,502	1,011,711	1,185,631	970,362
Ratio - % - A/B	10.02	-3.41	6.53	-7.81

5. Financial instruments by category

5.1 Classification of financial assets

At December 31, 2022 and 2021, financial assets are classified as follows:

	12/31/2022			
	Individual		Consolidated	
	Amortized cost	Fair value through profit or loss	Amortized cost	Fair value through profit or loss
Cash and cash equivalents	-	23,517	-	25,715
Short-term investments	-	87,967	-	131,640
Trade and other accounts receivable	462,864	-	464,731	-
	462,864	111,484	464,731	157,355

Dimed S.A. Distribuidora de Medicamentos

Notes to the individual and consolidated financial statements (Continued)
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5. Financial instruments by category (Continued)

5.1. Classification of financial instruments (Continued)

	12/31/2021			
	Individual		Consolidated	
	Amortized cost	Fair value through profit or loss	Amortized cost	Fair value through profit or loss
Cash and cash equivalents	-	51,590	-	54,435
Short-term investments	-	116,712	-	155,216
Trade and other accounts receivable	395,486	-	399,456	-
	395,486	168,302	399,456	209,651

5.2 Classification of financial liabilities

	Individual		Consolidated	
	Amortized cost		Amortized cost	
	12/31/2022	12/31/2021	12/31/2022	12/31/2021
Trade accounts payable	562,322	470,117	555,452	464,714
Loans and financing	234,824	133,818	234,824	133,818
Lease obligations	636,716	559,109	636,716	559,109
	1,433,862	1,163,044	1,426,992	1,157,641

Fair values are determined based on market price quotations, when available, or in their absence, the present value of expected cash flows. The fair values of cash and cash equivalents, trade and other accounts receivable, and trade accounts payable are equivalent to their carrying amounts.

The estimated fair value of loans and financing in the individual and consolidated financial statements as at December 31, 2022 was R\$236,755, calculated at current market rates, considering their nature, term and risks, and can be compared with their carrying amount of R\$234,824.

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Notes to the individual and consolidated financial statements (Continued)
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5. Financial instruments by category (Continued)

5.3 Fair value hierarchy

The Company applies CPC 40 (R1) for financial instruments, which requires the disclosure of fair value measurements based on the following hierarchy levels:

Level 1: prices quoted (unadjusted) in active markets for identical assets or liabilities;

Level 2: other techniques for which all inputs that have a material effect on the recorded fair value are observable, either directly or indirectly;

Level 3: techniques using inputs that have a material effect on the fair value recorded that are not based on observable market data.

The Company's financial instruments are measured using the Level 2 valuation technique. There were no transfers between levels 1, 2 and 3 until December 31, 2022.

6. Cash and cash equivalents and marketable securities

6.1 Cash and cash equivalents

	Average rate (p.a.%)	Individual		Consolidated	
		12/31/2022	12/31/2021	12/31/2022	12/31/2021
Cash on hand (retail branches)	-	4,821	4,634	4,836	4,654
Short-term bank deposits	-	5,299	9,521	7,473	10,661
Short-term investments - fixed income (*)	86% of CDI	13,397	37,435	13,406	39,120
		23,517	51,590	25,715	54,435

(*) Short-term investments mostly refer to Bank Deposit Certificates (CBD) and repurchase agreements, remunerated at a CDI percentage. Information on investment liquidity is detailed in Note 4.

6.2. Marketable securities

	Average rate (p.a.%)	Individual		Consolidated	
		12/31/2022	12/31/2021	12/31/2022	12/31/2021
Boutique investment fund	110% of CDI	87,967	116,712	131,113	155,216
Referenced fund	108% of CDI	-	-	527	-
		87,967	116,712	131,640	155,216

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Notes to the individual and consolidated financial statements (Continued)
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6. Cash and cash equivalents and marketable securities (Continued)

6.2 Marketable securities (Continued)

Short-term investments by type are broken down as follows:

Type	Consolidated	
	12/31/2022	12/31/2021
Investment funds	106,862	5,364
Bank Deposit Certificate (CDB)	711	4,062
Debentures	12,732	27,880
Time deposits with special guarantee (DPGE)	-	2,103
Financial Bills	3,995	71,600
Financial Treasury Bills ("LFT")	6,198	15,978
National Treasury Notes ("LTN-O")	-	28,229
Credit Note ("NC")	827	-
Supplementary Subordinated Financial Bills ("LFSC")	315	-
	131,640	155,216

GD FIM Crédito Privado is a private credit fixed income fund under the management, administration and custody of BRAM - Bradesco Asset Management S.A. DTVM. The investment fund does not have significant financial obligations. These are limited to asset management fees, custody fees, audit fees and expenses. The fund is exclusively for the benefit of the Company and, therefore, the financial investment in the investment fund in which the Company holds an exclusive interest has been consolidated.

7. Trade accounts receivable

7.1 Breakdown of trade accounts receivable

Trade accounts receivable comprise receivables for the sales of goods.

	Individual		Consolidated	
	12/31/2022	12/31/2021	12/31/2022	12/31/2021
Trade accounts receivable	88,645	67,661	90,384	71,046
Accounts receivable - credit cards	316,278	259,481	316,278	259,481
Provision for financial charges	(1,017)	(551)	(1,017)	(551)
Allowance for expected credit losses	(6,472)	(5,361)	(6,472)	(5,361)
Trade accounts receivable, net	397,434	321,230	399,173	324,615

Dimed S.A. Distribuidora de Medicamentos

Notes to the individual and consolidated financial statements (Continued)
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7. Trade accounts receivable (Continued)

7.1. Breakdown of trade accounts receivable (Continued)

Aging list of trade accounts receivable:

	12/31/2022	12/31/2021
Falling due		
Within 30 days	219,274	158,431
31 to 60 days	93,416	77,988
61 to 90 days	38,545	37,501
91 to 120 days	19,573	17,788
121 to 150 days	12,214	10,829
151 to 180 days	4,603	5,291
Above 180 days	2,769	4,964
	390,394	312,792
Past due		
Within 30 days	4,290	3,203
31 to 90 days	1,686	698
Above 90 days	8,553	10,449
	14,529	14,350
Provision for financial charges	(1,017)	(551)
Allowance for expected credit losses	(6,472)	(5,361)
Total Individual	397,434	321,230
Trade accounts receivable (Lifar) - Falling due	1,391	2,708
Trade accounts receivable (Lifar) - Overdue	348	677
Total - Consolidated	399,173	324,615

7.2. Estimated credit losses

The allowance for losses on receivables is set up based on CPC48/IFRS 9 methodology. The expected loss is estimated based on the analysis of the portfolio's performance, taking into consideration the likelihood of default and loss that each delay range presents.

Changes in provision for impairment of accounts receivable are as follows:

	Individual		Consolidated	
	12/31/2022	12/31/2021	12/31/2022	12/31/2021
Balance at beginning of period	(5,361)	(4,982)	(5,361)	(4,982)
Supplemental allowance	(3,133)	(1,703)	(3,133)	(1,703)
Allowance amounts written off	2,022	1,324	2,022	1,324
	(6,472)	(5,361)	(6,472)	(5,361)

Recognition and derecognition of the allowance for expected credit losses were recorded in the statement of profit or loss for the year as "Net losses on receivables". The amounts charged to the allowance account are usually written off when there is no expectation of recovery of funds. The maximum exposure to credit risk at the reporting date is the carrying amount of each class of the abovementioned receivables.

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Notes to the individual and consolidated financial statements (Continued)
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8. Inventories

8.1. Breakdown of inventories

	Individual		Consolidated	
	12/31/2022	12/31/2021	12/31/2022	12/31/2021
Goods for resale	876,602	720,690	878,120	722,775
Finished products	-	-	3,756	4,652
Raw materials	-	-	3,763	1,897
Consumables/storeroom supplies	6,550	6,136	11,689	10,361
(-) Provision for inventory losses	(713)	(476)	(793)	(649)
	882,439	726,350	896,535	739,036

8.2. Estimated inventory losses

	Individual		Consolidated	
	12/31/2022	12/31/2021	12/31/2022	12/31/2021
Opening balance	(476)	(287)	(649)	(408)
Supplemental provision	(3,019)	(1,177)	(3,298)	(1,506)
Provision amounts written off	2,782	988	3,154	1,265
Balance at end of year	(713)	(476)	(793)	(649)

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Notes to the individual and consolidated financial statements (Continued)
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9. Income and social contribution taxes recoverable

	Individual		Consolidated	
	12/31/2022	12/31/2021	12/31/2022	12/31/2021
Corporate Income Tax - IRPJ	20,516	10,679	20,938	10,915
Social Contribution Tax on Net Profit - CSLL	5,548	739	5,649	778
	26,064	11,418	26,587	11,693

In the first quarter of 2022, the Company carried out a survey and determined tax credits relating to the res judicata decision on the lawsuit in which it claimed the non-levy of IRPJ and CSLL on the reimbursed amounts referring to insurance indemnity, thus recognizing the right to the credit. Accordingly, Dimed calculated and recorded credits in the total amount of R\$16,862, of which R\$12,811 refer to principal and R\$4,051 refer to monetary restatement, arising from the res judicata decision on the lawsuit. The Company filed a request to validate the credits with the Brazilian IRS (SRF), which was approved on March 31, 2022. So far, the offsets have not yet started, but it is expected that these credits will be offset within 12 months. At December 31, 2022, the restated balance is R\$18,402, of which R\$12,811 refer to principal and R\$5,591 refer to monetary restatement.

On September 24, 2021, the Federal Supreme Court of Brazil ("STF") ruled for the non-levy of IRPJ and CSLL on the amounts related to the Brazil's Central Bank benchmark rate (SELIC), which are received by the taxpayer due to unduly paid tax amounts. The decision is grounded on the understanding that the arrears interest and monetary restatement, due to their indemnity nature, do not reflect an equity increase, as their function is to repair the monetary losses suffered over the period of discussion of the unduly paid tax amounts. On June 8, 2010, the Company filed a lawsuit challenging the matter, which, considering its current stage, does not yet have all the necessary requirements, in light of IAS 37/CPC 25, for recording any income and social contribution tax credits.

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Notes to the individual and consolidated financial statements (Continued)
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10. Taxes recoverable

	Individual		Consolidated	
	12/31/2022	12/31/2021	12/31/2022	12/31/2021
Current				
State Value Added Tax - ICMS	6,668	3,143	7,358	3,483
Contribution Tax on Gross Revenue for Social Integration Program - PIS	296	1,039	296	1,044
Contribution Tax on Gross Revenue for Social Security Financing - COFINS	1,350	4,788	1,350	4,813
Credit relating to the exclusion of the ICMS from the PIS and COFINS tax base	2,408	21,382	4,018	25,866
Other	276	-	317	42
	10,998	30,352	13,339	35,248
Noncurrent				
State Value Added Tax - ICMS	9,625	7,895	9,625	7,895
	9,625	7,895	9,625	7,895

ICMS on PIS and COFINS tax base

In January 2021, the Company closed the proceeding referring to the res judicata decision on the lawsuits that challenged the exclusion of the ICMS from the PIS and COFINS tax base, determining that the ICMS does not make up the PIS and COFINS tax base, therefore recognizing the right to the credit. With regard to the ICMS to be excluded, the decision recognized that "the plaintiff may exclude from the PIS and COFINS tax base the ICMS recorded in the sales invoices of its establishment, in order to, once adjusted the new tax base, determine the amounts unduly paid".

Considering that the Company's lawsuits were filed in 2006, the amounts recoverable were calculated retrospectively to the accrual period of November 2001, since the decision of the Federal Court of Appeals of the 4th Chapter determined a 5-year statute barring period, considering that the lawsuit was filed after the effectiveness of Complementary Law No. 118/2005.

The calculations were prepared with the support of a specialized consulting firm, based on the sales invoices for the entire year, reconciled with the information from accessory obligations. Accordingly, Dimed calculated and recorded the credits in 2021, in the total amount of R\$20,954. At December 31, 2021, these credits totaled R\$21,382, of which R\$12,325 refer to principal and R\$9,057 refer to monetary restatement. At December 31, 2022, the restated credit, after offsets made over 2022, totals R\$2,408 (the amount of R\$1,482 refers to principal and of R\$926 refers to monetary restatement).

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Notes to the individual and consolidated financial statements (Continued)
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10. Taxes recoverable (Continued)

ICMS on PIS and COFINS tax base (Continued)

In the last quarter of 2020, subsidiary LIFAR was also awarded a res judicata decision on the proceeding to exclude the ICMS from the PIS and COFINS tax base, based on the ICMS recorded in sales invoices, therefore, the amount of R\$5,850 was determined and recorded in 2020. At December 31, 2022, the balance of these credits amounted to R\$1,610 (R\$4,484 at December 31, 2021).

Management expects Dimed and its subsidiary LIFAR's tax credits to be offset in up to 12 months.

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11. Investments in subsidiaries

11.1 Changes in investments

The Company's investments are accounted for in the Parent Company by the equity method, and are shown below:

	12/31/2022						
	Capital	Units of interest held (unit)	(%) Equity interest	Equity	Net income/(loss) for the year	Opening balance at January 1	Total investments
Laboratório Industrial Farmacêutico Lifar Ltda.	500	499,999	99.99%	31,184	3,279	26,750	29,408
Dimesul Gestão Imobiliária Ltda.	8,978	19,999	99.99%	46,071	8,181	37,889	46,070
						<u>64,639</u>	<u>75,478</u>

	12/31/2021						
	Capital	Units of interest held (unit)	(%) Equity interest	Equity	Net income/(loss) for the year	Opening balance at January 1	Total investments
Laboratório Industrial Farmacêutico Lifar Ltda.	500	499,999	99.99%	27,905	(3,042)	29,538	26,750
Dimesul Gestão Imobiliária Ltda.	8,978	19,999	99.99%	37,890	2,520	35,368	37,889
						<u>64,906</u>	<u>64,639</u>

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11. Investment in subsidiaries (Continued)

11.2 Breakdown of investments

Information related to the subsidiaries is shown below:

		12/31/2022			
Subsidiaries - 2022		Control	Total assets	Total liabilities	Equity
Laboratório Industrial Farmacêutico Lifar Ltda.	Direct equity interest		41,746	10,562	31,184
Lifar Distribuidora de Produtos Farmacêuticos Ltda.	Indirect equity interest		15,848	4,957	10,891
Dimesul Gestão Imobiliária Ltda.	Direct equity interest		46,430	360	46,070

		12/31/2021			
Subsidiaries - 2021		Control	Total assets	Total liabilities	Equity
Laboratório Industrial Farmacêutico Lifar Ltda.	Direct equity interest		39,677	11,772	27,905
Lifar Distribuidora de Produtos Farmacêuticos Ltda.	Indirect equity interest		12,550	4,489	8,061
Dimesul Gestão Imobiliária Ltda.	Direct equity interest		41,983	4,094	37,889

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12. Property, plant and equipment

12.1. Summary of changes in property, plant and equipment (Individual)

The property, plant and equipment balance comprises own and leased assets. Leased properties are included in “Right of use”.

Individual	Properties	Machinery and equipment	Furniture and fixtures	Facilities	Computers and peripherals	Vehicles and aircraft	Improvements	Right of use	Total
Balance at December 31, 2021									
Cost	76,658	60,572	40,388	120,950	63,309	7,860	148,943	782,922	1,301,602
Accumulated depreciation	(8,372)	(16,610)	(18,879)	(51,104)	(43,597)	(2,410)	(34,772)	(261,691)	(437,435)
Net book balance	68,286	43,962	21,509	69,846	19,712	5,450	114,171	521,231	864,167
At January 1, 2022									
Opening balance	68,286	43,962	21,509	69,846	19,712	5,450	114,171	521,231	864,167
Acquisitions	21,135	8,975	7,886	24,189	11,549	21,318	53,010	193,713	341,775
Write-offs	-	(1,537)	(332)	(1,730)	(87)	(5,248)	(3,553)	(554)	(13,041)
Depreciation	(1,152)	(4,119)	(3,637)	(10,918)	(8,099)	(902)	(12,689)	(127,111)	(168,627)
Net book balance	88,269	47,281	25,426	81,387	23,075	20,618	150,939	587,279	1,024,274
Balance at December 31, 2022									
Cost	97,795	67,782	47,204	136,445	73,822	21,550	200,411	976,635	1,621,644
Accumulated depreciation	(9,526)	(20,501)	(21,778)	(55,058)	(50,747)	(932)	(49,472)	(389,356)	(597,370)
Net book balance	88,269	47,281	25,426	81,387	23,075	20,618	150,939	587,279	1,024,274

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Notes to the individual and consolidated financial statements (Continued)

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12. Property, plant and equipment (Continued)

12.2 Summary of changes in property, plant and equipment (Consolidated)

Consolidated	Properties	Machinery and equipment	Furniture and fixtures	Facilities	Computers and peripherals	Vehicles and aircraft	Improvements	Right of use	Total
Balance at December 31, 2021									
Cost	82,848	67,345	41,006	124,547	63,894	7,938	153,784	782,922	1,324,284
Accumulated depreciation	(11,920)	(19,943)	(19,353)	(53,432)	(44,078)	(2,488)	(37,273)	(261,691)	(450,178)
Net book balance	70,928	47,402	21,653	71,115	19,816	5,450	116,511	521,231	874,106
At January 1, 2022									
Opening balance	70,928	47,402	21,653	71,115	19,816	5,450	116,511	521,231	874,106
Acquisitions	21,135	9,202	7,923	24,401	11,597	21,368	53,672	193,713	343,011
Write-offs	(43)	(1,568)	(331)	(1,731)	(87)	(5,248)	(3,554)	(554)	(13,116)
Depreciation	(1,176)	(4,431)	(3,666)	(11,236)	(8,152)	(906)	(12,886)	(127,111)	(169,564)
Net book balance	90,844	50,605	25,579	82,549	23,174	20,664	153,743	587,279	1,034,437
Balance at December 31, 2022									
Cost	102,846	74,572	47,859	140,254	74,454	21,677	205,914	976,635	1,644,211
Accumulated depreciation	(12,002)	(23,967)	(22,280)	(57,705)	(51,280)	(1,013)	(52,171)	(389,356)	(609,774)
Net book balance	90,844	50,605	25,579	82,549	23,174	20,664	153,743	587,279	1,034,437

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12. Property, plant and equipment (Continued)

12.3. Other information

The Company detected no indication that assets could be recorded at an amount above their recoverable amount.

The weighted average depreciation rates of property, plant and equipment, considering the useful lives of the assets, are as follows:

	Average depreciation rate (% p.a.)	
	2022	2021
Properties	2	1.7
Machinery and equipment	7	6
Furniture and fixtures	9	9
Facilities	9	10
Computers and peripherals	24	25
Vehicles	20	20
Aircraft	4	6.6
Improvements	7	7

12.4 Right of use

CPC 06 (R2) /IFRS 16 requires that all lease agreements (except those that fit the exceptions) should be recognized in liabilities, matched against the right of use in assets. The breakdown of the right of use of property and vehicle contracts as well as the finite useful life are described in the table below:

Breakdown of rights of use		Individual and Consolidated
Description	Useful life (years)	12/31/2022
Properties	2 to 17	586,722
Vehicles	2 to 3	557
Total		587,279

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Notes to the individual and consolidated financial statements (Continued)
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13. Intangible assets

13.1. Summary of changes in intangible assets (Individual)

Individual	Goodwill	Software	Trademarks e formulas	Total
Balance at December 31, 2021				
Cost	25,341	89,792	361	115,494
Accumulated amortization	(18,072)	(37,867)	(13)	(55,952)
Net book balance	7,269	51,925	348	59,542
Balance at January 1, 2022				
Opening balance	7,269	51,925	348	59,542
Acquisitions	1,201	30,809	-	32,010
Write-offs	(43)	(500)	-	(543)
Amortization	(1,586)	(13,283)	-	(14,869)
Net book balance	6,841	68,951	348	76,140
Balance at December 31, 2022				
Cost	25,487	120,110	361	145,958
Accumulated amortization	(18,646)	(51,159)	(13)	(69,818)
Net book balance	6,841	68,951	348	76,140

13.2. Summary of changes in intangible assets (Consolidated)

Consolidated	Goodwill	Software	Trademarks e formulas	Total
Balance at December 31, 2021				
Cost	25,342	90,641	513	116,496
Accumulated amortization	(18,072)	(38,315)	(165)	(56,552)
Net book balance	7,270	52,326	348	59,944
Balance at January 1, 2022				
Opening balance	7,270	52,326	348	59,944
Acquisitions	1,201	31,019	119	32,339
Write-offs	(43)	(500)	-	(543)
Amortization	(1,587)	(13,417)	-	(15,004)
Net book balance	6,841	69,428	467	76,736
At December 31, 2022				
Cost	25,487	121,168	632	147,287
Accumulated amortization	(18,646)	(51,740)	(165)	(70,551)
Net book balance	6,841	69,428	467	76,736

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Notes to the individual and consolidated financial statements (Continued)
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13. Intangible assets (Continued)

13.3. Other information

The Company detected no indication that assets could be recorded at an amount above their recoverable amount. The rate that has been reduced over the last year is based on the longer term of new agreements.

The weighted average amortization rates of intangible assets are as follows:

	Average amortization rate (% p.a.)	
	2022	2021
Goodwill	13	25
Software	18	18
Trademarks e formulas	10	10

14. Deferred income and social contribution taxes, net

Deferred income and social contribution taxes are calculated on the corresponding temporary differences between the tax bases of assets and liabilities and their carrying amounts recorded in the financial statements. The applicable tax rates, currently defined for calculation of deferred taxes, are 25% for income tax and 9% for social contribution tax.

Deferred tax assets are recognized to the extent that it is probable that future taxable profit will be available to offset temporary differences, based on deferred income projections prepared and grounded on internal assumptions and future economic scenarios that may, therefore, suffer changes.

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Notes to the individual and consolidated financial statements (Continued)
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14. Deferred income and social contribution taxes, net (Continued)

Temporary additions	Individual		Consolidated	
	12/31/2022	12/31/2021	12/31/2022	12/31/2021
Provision for inventory losses	713	476	793	483
Provision for labor indemnities	7,175	9,326	7,409	9,326
Provision for civil contingencies	-	6,000	-	6,000
Provision for profit sharing	13,899	12,990	14,376	12,990
Provision for tax contingencies	202	908	1,604	908
Allowance for expected credit losses	6,472	5,361	6,472	5,361
Provision for financial discount	1,017	552	1,017	551
Provision for credit card fee	4,453	5,179	4,453	5,179
Provision for premium - employees	731	600	731	600
Net effect of depreciation and interest (IFRS 16) with lease payment	49,437	33,260	49,437	33,260
Fair value - Matching Shares	7,174	2,670	7,174	2,670
Provision for collective bargaining	1,050	1,220	1,128	1,220
Provision for commissions	394	-	394	-
Provision for professional fees	2,422	1,020	2,750	1,026
Total tax base	95,139	79,562	97,738	79,574
Income tax at the rate of 25%	23,785	19,890	24,435	19,893
Income tax on tax loss	9,483	11,723	11,558	13,230
Social contribution tax at the rate of 9%	8,563	7,162	8,796	7,162
Social contribution tax on tax loss	4,229	4,947	4,976	5,505
Total deferred tax assets	46,060	43,722	49,765	45,790
Temporary exclusions				
Exclusion of ICMS from the PIS and COFINS tax base	-	19,788	1,088	22,604
Adjustments due to leases	2,342	3,701	2,342	3,701
Total tax base	2,342	23,489	3,430	26,305
Income tax at the rate of 25%	586	5,872	858	6,576
Social contribution tax at the rate of 9%	211	2,114	309	2,368
Total deferred tax liabilities	797	7,986	1,167	8,944
Total deferred taxes, net	45,263	35,736	48,598	36,846

The Company and its subsidiary LIFAR will subject to the IRPJ and CSLL taxation the PIS and COFINS credits arising from the lawsuits to exclude the ICMS from the PIS and COFINS tax base, on which a res judicata decision has been awarded, to the extent that they are the subject of requests for offsetting.

The deferred liability on the amounts was realized as the offsets occurred, in the case of the Parent Company, in its entirety until December 31, 2022, and in the Consolidated, on the same date, remaining the total amount of R\$1,088.

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14. Deferred income and social contribution taxes, net (Continued)

Based on the Company's deferred income projections and considering the history of realization of the assets that generated the income and social contribution tax balance, the estimated realization schedule is as follows:

	12/31/2022	
	Individual	Consolidated
2022	23,032	24,885
2023	5,757	6,220
2024	5,757	6,220
2025	5,757	6,220
2026	5,757	6,220
	46,060	49,765

15. Reconciliation of income and social contribution taxes

	Individual		Consolidated	
	12/31/2022	12/31/2021	12/31/2022	12/31/2021
Income before income and social contribution taxes	77,346	82,875	78,430	83,239
Combined tax rate	34%	34%	34%	34%
Tax expense at nominal rate	(26,298)	(28,178)	(26,666)	(28,301)
Other nondeductible expenses	(7,101)	(63)	(6,148)	(172)
Managing officers' profit sharing	(762)	(873)	(762)	(873)
Interest on Equity - Benefit	11,220	8,821	11,220	8,821
Equity pickup	3,685	(91)	-	-
IRPJ/CSLL - Tax credits (*)	16,499	-	16,499	-
Tax incentives - Culture - Benefit	-	25	-	25
Tax incentives - Worker's Meal Program (PAT)	120	117	121	117
Tax incentives - investment grant - matching credit	4,758	3,846	4,758	3,846
Income and social contribution taxes on previously unused matching credit	-	4,137	-	4,137
Tax incentives - investment grant - Other credits	3,085	3,939	3,085	3,939
Reversal of the effect of the taxable profit based on accounting records regime on the subsidiary using the taxable profit based on a percentage of gross revenue regime	-	-	3,441	(1,184)
Taxation under the taxable profit based on a percentage of gross revenue regime using gross revenue for the tax base	-	-	(1,939)	961
Tax incentives - Technological innovation - Benefit	3,793	4,953	4,306	4,953
Effect of the portion exempt from the 10% surtax of income tax - benefit	-	(82)	-	(82)
	8,999	(3,449)	7,915	(3,813)
Income and social contribution taxes in profit or loss for the period				
Current income and social contribution taxes	(984)	(6,442)	(4,292)	(8,831)
Deferred income and social contribution taxes	9,983	2,993	12,207	5,018
Income and social contribution taxes in profit or loss for the period	8,999	(3,449)	7,915	(3,813)
Effective rate	-11.6%	4.2%	-10.1%	4.6%

(*) IRPJ and CSLL on the amounts reimbursed referring to insurance compensation, resulting from a lawsuit on which a res judicata decision has been awarded, as mentioned in Note 9.

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16. Trade accounts payable

	Individual		Consolidated	
	12/31/2022	12/31/2021	12/31/2022	12/31/2021
Trade accounts payable - local	554,788	464,014	555,452	464,714
Trade accounts payable - related parties	7,534	6,103	-	-
Total	562,322	470,117	555,452	464,714

17. Loans and financing

	Rate range (% p.a.)	Individual		Consolidated	
		12/31/2022	12/31/2021	12/31/2022	12/31/2021
Domestic currency					
Debenture - Banco Bradesco	108% of the CDI	234,824	133,818	234,824	133,818
		234,824	133,818	234,824	133,818
Current		118,395	54,532	118,395	54,532
Noncurrent		116,429	79,286	116,429	79,286

In the second quarter of 2022, the Company's 4th Indenture of non-privileged non-rated unsecured nonconvertible debentures was issued. This issue totaled R\$150,000, with a 3-year period, semiannual repayments from the 12th month, payment of semiannual interest, and remuneration equal to CDI+1.4%. This funding is intended for general corporate use.

Management monitors the forecasts for the Company's liquidity requirements to ensure it has sufficient cash to meet its operating needs. The global limits of credit facilities granted to the Company are in amounts sufficient to not generate the risk of exceeding such limits or of breaching loan agreement clauses. This forecast takes into consideration the Company's debt financing plans. The Company has debentures with contractual clauses that require maintaining financial ratios on a quarterly basis as summarized below:

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17. Loans and financing (Continued)

17.1. Debt Service Coverage Ratio (“DSCR”) higher than or equal to 1.2 (one and two tenths)

Where: “DSCR” means the division of Adjusted EBITDA (as defined below) by the Debt Service; and “Debt Service” means finance costs for the last twelve (12) months calculated under the accrual basis of accounting, on a consolidated basis, by the Issuer, i.e. (a) interest on bank debts (net of income from short-term investments), (b) portion that has an impact on cash from monetary and foreign exchange difference on interest of debt arrangements, (c) interest paid to Debentures and other marketable securities issued in the financial and capital markets, both international and domestic (net of income from investments in marketable securities or in government securities and corporate bonds of any nature), (d) finance costs with cash impact on intercompany loans recorded in liabilities (net of finance income with cash impact received from intercompany loans recorded in assets), as well as (e) the amount effectively disbursed relating to liabilities from derivative transactions hedging debts (net of amounts effectively received in connection with assets from derivative transactions hedging debts).

17.2. Adjusted Net Financial Debt/Adjusted EBITDA ratio, according to the calculation method described below, not exceeding 2.5 (two and five tenths)

Where: for the calculation of Adjusted EBITDA, the accumulated performance for the last 12 months from the statements closing date, to be measured based on the consolidated statements of financial position for March, June, September and December of each year, shall be considered. For the purposes of this item, the following shall apply: “Adjusted Net Financial Debt” is the sum of amounts corresponding to (i) short-term bank loans; (ii) short-term debentures; (iii) long-term bank loans; (iv) long-term debentures; (v) long-term loans; (vi) short-term bank leases; (vii) long-term bank leases; (viii) accounts payable or receivable in connection with derivative transactions, in the event of less cash equivalents, cash/short-term investments and marketable securities; and also (ix) all intercompany loans recorded in assets and liabilities, between group companies, either associates or not; “Adjusted EBITDA”, as provided for in CVM Ruling No. 527 of October 4, 2012, as amended; and “Net Financial Debt/Adjusted EBITDA” is Adjusted Net Financial Debt divided by Adjusted EBITDA.

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Notes to the individual and consolidated financial statements (Continued)
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17. Loans and financing (Continued)

17.2. Adjusted Net Financial Debt/Adjusted EBITDA ratio, according to the calculation method described below, not exceeding 2.5 (two and five tenths) - Continued

The loan agreements in force also have non-financial early maturity clauses, the most relevant of which are described below:

- Default on debts and/or other contracts with the financial institutions that granted credit facilities;
- Enforcement of a court order or out-of-court order that may affect Dimed's ability to pay;
- Transfer of debt to third parties, without the approval of the financial institution that granted the credit facility;
- Changes in Dimed's business purpose or changes in corporate control without the financial institution's formal acceptance and agreement to maintain contracts.

The Company is compliant with all such clauses at December 31, 2022.

The table below shows additional information on cash flow from financing activities:

	Individual and Consolidated			Total
	Finance lease	Loans, financing and debentures	Interest on equity payable	
Balances at December 31, 2021	557,109	133,818	5,701	696,628
Changes in cash	(150,309)	72,106	(24,752)	(102,955)
Loans raised	-	150,000	-	150,000
Payment of IOE	-	-	(24,752)	(24,752)
Leases and debentures payable	(150,309)	(52,857)	-	(203,166)
Interest paid	-	(25,037)	-	(25,037)
Non-cash changes	229,916	28,900	24,569	283,385
Remeasurement of contracts and new contracts - IFRS 16	193,161	-	-	193,161
IOE allocated	-	-	24,569	24,569
Discount on leased properties	(3,976)	-	-	(3,976)
Recognized interest	40,731	28,900	-	69,631
Balances at December 31, 2022	636,716	234,824	5,518	877,058

The balances of loans and financing at December 31, 2022 and 2021 are presented at amortized cost. The aging list of loans and financing is presented in Note 4.1.3 Liquidity risk.

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18. Tax obligations

	Individual		Consolidated	
	12/31/2022	12/31/2021	12/31/2022	12/31/2021
Corporate Income Tax (IRPJ)	537	-	1,038	437
Social Contribution Tax on Net Profit (CSLL)	427	-	719	234
Contribution Tax on Gross Revenue for Social Integration Program (PIS)	-	114	39	174
Contribution Tax on Gross Revenue for Social Security Financing (COFINS)	-	548	183	826
Withholding Income Tax (IRRF)	3,820	5,224	3,896	5,291
State Value-Added Tax (ICMS)	20,371	20,247	22,345	22,018
Other obligations	2,060	1,372	2,363	1,821
Total	27,215	27,505	30,583	30,801

19. Profit sharing payable

	Individual		Consolidated	
	12/31/2022	12/31/2021	12/31/2022	12/31/2021
Bonus - Executive Board	2,500	3,441	3,500	3,441
Employees' profit sharing	13,899	8,717	13,379	8,770
Total	16,399	12,158	16,879	12,211

20. Lease obligations

The Company had obligations arising from an aircraft lease agreement, which was settled in the second quarter of 2022.

	Individual and Consolidated		
	Within 1 year	From 1 to 5 years	Total
At December 31, 2022			
Lease	-	-	-
At December 31, 2021			
Lease	1,454	1,164	2,618

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Notes to the individual and consolidated financial statements (Continued)
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20. Lease obligations (Continued)

Changes in the Company's lease liability balance through December 31, 2022 were as follows:

	Individual and Consolidated		
	Properties	Vehicles	Total
Balance at December 31, 2021	553,198	1,293	554,491
Remeasurement of contracts, new contracts and write-offs	192,585	576	193,161
Interest	40,550	181	40,731
Discounts obtained	(3,976)	-	(3,976)
Payment of lease	(146,265)	(1,426)	(147,691)
Balance at December 31, 2022	636,092	624	636,716
Current	151,790	303	152,093
Noncurrent	484,302	321	484,623

The nominal discount rate adopted by the Company was between 5% and 9.97% for store and vehicle lease agreements. The Company applied the simplified retrospective approach and, at the time of transition, lease liabilities are measured at the present value of the remaining payments, discounted at the incremental borrowing rate. Initially, the Company measured the right to use the assets at an amount equivalent to the lease liability, and used the practical expedient that allows lessees to exclude initial direct costs from the measurement of the right-of-use asset on the date of initial application.

In compliance with CVM Memorandum Circular No. 02/2019 and CPC 06 (R2)/IFRS 16, explained by the fact that the Company did not apply the nominal flow methodology due to the IFRS 16 prohibition of future inflation projection, companies shall present minimum inputs for users of financial statements to reach this information. Accordingly, the Company decided to disclose the minimum inputs below for users to reach that information. Inputs are:

- Nominal average discount rate applied - between 5% and 9.97% p.a.; and
- Inflation component to be used in projecting the flows (Extended Consumer Price Index - IPCA, based on National Treasury Notes - NTN-B) - 3.6% p.a.

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21. Provisions

The Company is a party to civil, labor and tax claims, in administrative and legal proceedings. Where applicable, claims are supported by judicial deposits. Provisions for any losses arising from these proceedings are estimated and restated by management, supported by the opinion of its external and internal legal advisors.

21.1 Breakdown of provisions for contingencies

The proceedings assessed as possible or probable losses, in the opinion of the Company's legal advisors, at December 31, 2022 and 2021, are presented below. Provisions are recognized for proceedings assessed as probable losses, as follows:

	Individual		Consolidated	
	12/31/2022	12/31/2021	12/31/2022	12/31/2021
Civil	-	6,000	-	6,000
Labor and tax	7,377	10,234	9,013	12,101
Noncurrent	7,377	16,234	9,013	18,101
Judicial deposits	2,654	3,411	3,124	3,875

21.2 Changes in provisions for contingencies

Changes in provisions for civil, labor and tax claims are shown in the table below:

	Individual		Consolidated	
	12/31/2022	12/31/2021	12/31/2022	12/31/2021
Civil, labor and tax				
Balance at beginning of year	16,234	14,074	18,101	14,419
New provisions	3,197	12,514	3,262	15,865
Write-off due to payment	(6,054)	(3,666)	(6,054)	(3,666)
Reversal	(6,000)	(6,688)	(6,296)	(8,517)
Closing balance	7,377	16,234	9,013	18,101

In the third quarter of 2022, the Company reversed the provision for the main civil proceeding, which discussed the prepayment of the toll allowance, due to an agreement executed between the parties, and the amount was reclassified to accounts payable. The provisioned amount was sufficient to support the amount agreed between the parties, not impacting P&L for the year.

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Notes to the individual and consolidated financial statements (Continued)
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21. Provisions (Continued)

21.1. Civil

At December 31, 2022, the Company was party to 24 civil lawsuits assessed as possible losses, estimated at approximately R\$1,398 in the individual and consolidated financial statements (approximately R\$46 million in the individual and consolidated financial statements at December 31, 2021). The Company was involved in the lawsuit referring to Law No. 10209/2001 (Toll Allowance Law) assessed as possible loss, and its likelihood of loss was estimated at R\$48,615 at June 30, 2022, as disclosed until the second quarter of 2022. In the third quarter of 2022, an agreement was entered into between the parties, without additional impacts on P&L.

21.2. Labor

The most recurring labor claims involve overtime and salary differences. At December 31, 2022, the Company had 490 possible-loss labor lawsuits in the consolidated financial statements, estimated at R\$34,747, of which 476 lawsuits in the amount of R\$34,253 correspond to parent company's lawsuits (R\$28,691 in Individual and R\$29,150 in Consolidated at December 31, 2021).

21.3. Tax

At December 31, 2022, the Company was a party to 12 tax lawsuits assessed as possible losses, at estimated value of approximately R\$146 (R\$978 at December 31, 2021) in the individual and consolidated financial statements. The changes in the current amount compared to the disclosures in prior quarters is mainly due to three administrative proceedings, which did not go to court and were shelved with a favorable outcome for the Company.

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22. Deferred revenues - grant/investments

In December 2011, the Company received public land in the urban area of the municipality of Eldorado do Sul, in Rio Grande do Sul state, as donation. This land has 50,000 square meters and is intended for the construction of a new Distribution Center. Based on the guidance of CPC 07, the grant received was classified as a non-monetary asset, based on the fair value recorded in books, and was initially recognized at R\$5,026 in property, plant and equipment at December 31, 2011. Based on this criterion, this grant was recognized with a temporary matching entry in liabilities, considering that the economic benefits are deferred to the time of its use and are contingent on the Company complying with the obligations provided for by Municipal Law No. 3067 of December 13, 2011. The main commitments made with the municipality are the following: return of ICMS, to be calculated as from the beginning of activities, hiring of 270 direct employees and 25 indirect employees, and the transfer of licensing of its fleet. At the end of the five-year period, if the Company fails to return the amounts, the total amount of the incentives granted shall be paid to the local government, restated by reference to the Extended Consumer Price Index (IPCA) disclosed by the Brazilian Institute of Geography and Statistics (IBGE).

In the second quarter of 2014, ten thousand square meters were added to the public land donated in this municipality, recorded in that period at fair value, i.e. R\$1,000, under property, plant and equipment. This supplementary grant was recorded based on the same accounting criteria adopted for the initial recognition of the original grant. At December 31, 2018, the Company recognized the remaining amount of the grant, i.e. R\$1,226.

In 2017, Supplementary Law No. 160/17 was approved and it is intended to promote important changes regarding tax benefits granted unilaterally by the Brazilian states. New rules were established for the classification of these tax benefits as "investment grants", thus exempting them from IRPJ and CSLL. Until December 2022, the total amount of R\$13,993 (R\$11,310 at December 31, 2021) was recognized in the statement of profit or loss regarding ICMS matching credit grant as well as the amount of R\$9,073 (R\$10,406 at December 31, 2021) referring to grant of other credits.

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23. Equity

23.1. Capital

At the Special General Meeting held on March 20, 2020, the shareholders approved the proposal of splitting all existing shares issued by the Company, both common and preferred shares, with each one (1) existing share corresponding to thirty (30) shares. Consequently, the Company's capital is now represented by 121,994,700 common shares and 13,485,690 preferred shares.

At the Special General Meeting held on July 17, 2020, capital increase from R\$410,000 to R\$432,000 was approved, through capitalization of part of the Legal Reserve, in the amount of R\$4,832, and part of Reserve for capital increase, in the amount of R\$17,168, without issue of new shares.

On July 22, 2020, as a result of the Follow-on operation carried out by the Company, capital was increased by R\$480,000. Accordingly, at December 31, 2020, the Company's capital amounted to R\$912,000 (R\$897,552 net of share issue costs) fully paid in (R\$410,000 at December 31, 2019), represented by 137,994,700 common shares and 13,485,690 preferred shares, all of the same class and with no par value.

At the Annual and Special General Meeting held on April 30, 2021, the shareholders approved, respectively, the managing officers' accounts, the management report, the financial statements and the independent auditor's report for the year ended December 31, 2020, and the capital increase, from R\$912,000 to R\$918,000 (R\$903,552, net of share issue costs), through the capitalization of a portion of the Legal Reserve, in the amount of R\$1,007 and of the Reserve for capital increase, in the amount of R\$4,993, without issuing new shares.

At the General and Special Preferred Shareholders' Meeting held on May 24, 2021, conversion of all the Company's preferred shares was approved.

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23. Equity (Continued)

23.1. Capital (Continued)

The period during which the Company's preferred shareholders could request the conversion of preferred shares held by them into common shares, in the proportion of 0.8 (eight tenths) of a common share for each 1 (one) converted preferred share, ended June 14, 2021 ("Voluntary Conversion"). Under the Voluntary Conversion, on June 23, 2021, the shareholders of 5,514,545 preferred, registered, book-entry shares with no par value, equivalent to 40.8918% of total preferred shares issued by the Company at the time, requested the conversion of their shares into 4,411,636 common, registered, book-entry shares with no par value issued by the Company. This operation was conducted on July 7, 2021, and the Company's capital then comprised 142,406,336 common shares and 7,971,145 preferred shares. Each common share entitles the holder thereof to one vote at the General Meetings.

On July 26, 2021, the period for preferred shareholders to exercise the right to withdraw from the resolution at the special general preferred shareholders' meeting, held on May 24, 2021, ended. At the end of the period of withdrawal rights, on August 4, 2021, the Company converted ("Compulsory Conversion") all of its preferred shares, and its capital then comprised 150,377,481 common shares only. Each common share entitles the holder thereof to one vote at the General Meetings.

At the Special General Meeting held on May 24, 2022, capital increase from R\$918,000 to R\$943,000 was approved (R\$928,555 net of share issue costs), through capitalization of part of the Legal Reserve, in the amount of R\$726, and part of Reserve for capital increase, in the amount of R\$24,274, without issue of new shares. The Company's capital comprises 150,377,481 registered common shares with no par value.

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23. Equity (Continued)

23.2. Treasury shares

At the Board of Directors' Meeting held on September 5, 2022, the renewal of the Share Buyback Program issued by the Company was approved, without reducing capital. The program is valid from September 5, 2022 to September 4, 2023, with a maximum repurchase limit of 2,000,000 (two million) common shares. The information was disclosed to the Market on September 5, 2022, through a Material News Release.

The purposes of the Share Buyback Program are to maximize the generation of value for shareholders, based on an adequate capital structure combined with the growth of results and earnings from shares, as well as enabling the implementation of long-term incentive plans, through which executive officers will receive shares issued by the Company (see Note 24 - Incentive plan in connection with shares).

At December 31, the Company had 1,843,422 treasury shares (1,849,157 at December 31, 2021), whose average cost value was R\$35,139 (R\$36,690 at December 31, 2021). The share market price at December 31, 2022 was R\$10.14 (R\$17.79 at December 31, 2021).

Shares already exercised, that is, transferred to the beneficiaries, are also withdrawn from treasury shares as of the vesting expiration of the matching shares programs. In June 2022, the segregated amount corresponding to the net matching shares of the first vesting of the 2020 program was R\$944. In the second quarter, the treasury shares account was also impacted by the grant of shares in the 3rd matching shares program by R\$2,308.

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Notes to the individual and consolidated financial statements (Continued)
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23. Equity (Continued)

23.2. Treasury shares (Continued)

Changes in treasury shares are as follows:

	Individual	
	Common Shares	R\$
Balance at 12/31/2021	(1,849,157)	(36,690)
Acquisition of shares	(160,000)	(1,701)
Options granted	117,652	2,308
Recognized options granted	48,083	944
Balance at 12/31/2022	(1,843,422)	(35,139)

	Share price		
	Minimum	Maximum	Average cost
From 01/01/2021 to 12/31/2021	11.98	22.94	17.79
From 01/01/2022 to 12/31/2022	9.09	14.44	11.63

23.3. Income reserves

23.3.1. Reserve for future capital increase

The purpose of this reserve is to increase Dimed's investments in working capital for expansion projects, as provided for in article 24, clause "c", of Dimed's Articles of Incorporation. The use of the balance of this reserve was approved by the shareholders at the Annual General Meeting held on July 17, 2020. In 2021, the balance of this reserve was fully used to pay in the capital, as mentioned in item b) above. In December 2021, the amount of R\$24,274 was accounted for as a reserve for future capital increase, and this balance was paid in as Capital at the meeting held on May 24, 2022.

23.3.2. Legal reserve

The legal reserve is set up at 5% of net income for each year, under the terms of Law No. 6404/76, article 193, capped at 20% of the capital.

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23. Equity (Continued)

23.3. Income reserves (Continued)

23.3.3. Dividends and interest on equity additional to those proposed

This reserve is recognized in relation to dividends exceeding the mandatory minimum dividends of 25%, as provided for by law and approved by the shareholders. In the second quarter of 2022, the amount of R\$13,390 was reclassified to Current Liabilities, under Interest on Equity Payable account, classified until then as Additional Proposed Dividend. This change was approved in the Minutes of the Annual and Special General Meeting held on April 29, 2022.

23.3.4. Compensation paid to shareholders

In accordance with the provisions of Dimed's Articles of Incorporation, the mandatory minimum dividend is 25% on net income for the year, considering the adjustments provided for in the corporation law.

On August 6, 2021, the Company resolved on the payment of interest on equity to its shareholders in the amount of R\$6,000, effectively paying, until December 31, 2021, the amount of R\$5,946 (net of income tax equivalent to R\$5,275), which was credited on August 31, 2021, based on the shareholding position as of August 20, 2021. Regarding the resolution on August 6, 2021, the unit value per common share, net of IRRF, was R\$0.03.

On December 17, 2021, the Company decided to distribute R\$20,000 which were paid out in 3 (three) installments on 03/31/2022, 04/29/2022 and 05/31/2022. The total amount distributed by the Company, approved on December 17, 2021, also comprises the remaining amount of R\$55, referring to the distribution approved on August 6, 2021. On December 17, 2021, the unit value per share, net of IRRF, was R\$0.114453201.

At the Board of Directors' meeting held on August 12, 2022, the payment of interest on equity was resolved and approved in the amount of R\$8,000, to be validated at the Annual General Meeting in 2023. Information regarding this event was made available by means of a notice to shareholders, on the same date. On August 31, 2022, the referred to amount was paid. The unit value per share, net of IRRF, was R\$0.05 per common share.

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Notes to the individual and consolidated financial statements (Continued)
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23. Equity (Continued)

23.3 Income reserves (Continued)

23.3.4. Compensation paid to shareholders (Continued)

At the Board of Directors' meeting held on December 15, 2022, the payment of interest on equity was resolved and approved in the amount of R\$25,000, payable in three installments, as per the schedule detailed below. Information regarding this event was made available through a notice to shareholders, on the same date. This resolution will be validated at the Annual General Meeting in 2023. The unit value per share, net of IRRF, was R\$0.14306426.

The dividend proposed, including interest on equity, is calculated as follows:

	Individual	
	2023	2022
Net income for the year	86,345	79,426
Recognition of legal reserve	(3,164)	(2,643)
Investment reserve	(23,066)	(26,565)
Calculation basis of mandatory minimum dividends	60,115	50,218
Mandatory minimum dividend - 25%	15,029	12,555
Proposed dividend in excess of mandatory minimum dividend	17,971	13,390
Total dividends proposed by management	33,000	25,945
Withholding Income Tax (IRRF) on IOE	(3,850)	(3,035)
Compensation net of IRRF	29,150	22,910

The resolved amount of interest on equity as well as the value per share are described below:

Proceeds	Event	Approval	Base date	Payment	Amount (R\$ thousand)	Amount per common registered share
IOE	BDM	05/12/2022	08/22/2022	08/31/2022	8,000	0.05381962
IOE - 1st portion	BDM	12/15/2022	12/26/2022	03/31/2023	8,333	0.05610363
IOE - 2 nd portion	BDM	12/15/2022	12/26/2022	04/28/2023	8,333	0.05610363
IOE - 3 rd portion	BDM	12/15/2022	12/26/2022	05/31/2023	8,333	0.05610363
Total					33,000	0.22213051

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23. Equity (Continued)

23.4. Capital reserves

This reserve is set up and matched against the expenses with the stock option plan granted by the Company to its managing officers and employees (Note 24). The difference between the strike price of Matching Shares plans and the cost of acquisition by the beneficiaries is recognized in the Goodwill Reserve.

24. Incentive plan in connection with shares - Individual

24.1. Conditions of the Matching shares plan

At the Special General Meeting held on September 8, 2020, the shareholders approved the creation of the Incentive Plan in connection with the Company's shares ("Dimed's Matching Shares Plan" or "Plan"). The purpose of the Company's Share-Based Incentive Plan is to rule the possibility of granting incentives in connection with the Company's common shares to managing officers and employees with whom it has employment or statutory relationship, aimed at: (i) increasing the capacity to attract talent; (ii) reinforcing the culture of sustainable performance and the search for the development of managing officers and employees, aligning their personal and professional interests with those of the shareholders; and (iii) enabling the Company to retain its professionals, offering them, as an additional advantage and incentive, the opportunity to become shareholders. The shares granted as an incentive under the Dimed's Matching Shares Plan may not exceed the maximum limit of 3% of the shares of the Company's subscribed and paid-in capital.

Beneficiaries will be granted the right to receive, free of charge, the maximum proportion of up to four (4) and minimum of one (1) Matching Share for each common share of the Company, acquired under the Plan ("Own Shares"), up to the limit established in their respective Private Share Granting Instruments and Adhesion to Dimed's Matching Shares Plan, provided that certain conditions are met.

Matching Shares will be subject to a progressive Vesting Period of four years, during which the beneficiary must maintain his/her relationship with the Company. The Vesting Period will start on the grant date and within this period the Matching Shares will become Mature Matching Shares and will be liquidated to the beneficiaries on the dates specified below:

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Notes to the individual and consolidated financial statements (Continued)
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24. Incentive plan in connection with shares - Individual (Continued)

24.1. Conditions of the Matching shares plan (Continued)

Anniversary	Mature Matching Shares
1st anniversary of the Grant Date	-
2 nd anniversary of the Grant Date	1/3 (one third) of the total Matching Shares
3 rd anniversary of the Grant Date	1/3 (one third) of the total Matching Shares
4 th anniversary of the Grant Date	1/3 (one third) of the total Matching Shares

Upon execution of the grant agreement, the beneficiary must expressly authorize the blocking of the negotiation and encumbrance of the "Own Shares" acquired, during the Vesting period, in the records of the depository institution of the Company's book-entry shares.

24.2. Changes in the Matching shares plan

For the Company's first program, in September 2020, 71,026 "Own Shares" and 201,641 "Matching Shares" were granted to the Plan's participants, and until March 31, 2021, 66,382 "Own Shares" had been subscribed.

At the Board of Directors' meeting held on April 20, 2021, the creation of Dimed's second Matching Shares program was approved, under the same conditions as the first program. On July 9, 2021, transfer orders of 53,968 shares were formalized, with the adhesion of 27,545 "Own Shares"; 22,000 Book-entry Shares; 4,423 shares not yet transferred and R\$168,993 "Matching Shares".

At the Board of Directors' meeting held on April 29, 2022, the creation of the Company's third Matching Shares program was approved, with different conditions in relation to the two previous programs: i) reduction of the Vesting period from 4 to 3 years; and ii) release of the Vesting of mature Matchings shares. The share transfer orders were formalized throughout April 2022, with the adhesion of 117,652 "Own Shares" and 348,466 "Matching Shares".

In the second quarter of 2022, 48,083 matching shares were transferred to the beneficiaries as a result of the anticipation of the first vesting of the program approved in 2020.

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Notes to the individual and consolidated financial statements (Continued)
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24. Incentive plan in connection with shares - Individual (Continued)

24.2. Changes in the Matching shares plan (Continued)

Changes in shares, since the plan creation, are as follows:

	<u>Own Shares</u>	<u>Matching Shares</u>
Balance in December 2020	71,026	201,641
Options granted	53,968	168,993
Dissenting holders	-	(2,713)
Balance in December 2021	124,994	367,921
Options granted	117,652	348,466
Dissenting holders	-	(210)
(*) Options exercised	-	(66,305)
Balance in December 2022	242,646	649,872

(*) The gross number of maturing matching shares was converted into 48,083 net shares.

24.3. Amounts recognized in the year

In 2022, the Company recognized as fair value of Matching Shares programs the total of R\$4,503 (R\$2,670 in 2021).

25. Earnings per share

25.1. Basic

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

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25. Earnings per share (Continued)

25.2. Diluted

Diluted earnings per share are calculated by adjusting the weighted average number of outstanding common shares, to assume the conversion of all dilutive potential common shares.

As required by IAS 33/CPC 41, the number of shares used to calculate earnings (loss) per share for the current period and the comparative period were affected by the referred to share split.

	12/31/2022	
	Registered common shares	Total
Denominator		
Total weighted average number of shares	150,377,481	150,377,481
Weighted number of treasury shares	(1,802,872)	(1,802,872)
Weighted average number of outstanding shares	148,574,609	148,574,609
% of shares in relation to the total number	100%	100%
Numerator		
Net income attributable to each class of share	86,344,911	86,344,911
Weighted average number of outstanding shares	148,574,609	
Basic earnings per share (R\$)	<u>0.58</u>	
Numerator		
Net income attributable to each class of share	86,344,911	86,344,911
Weighted average number of outstanding shares	148,574,609	
Weighted average number of matching shares	570,384	
Diluted earnings per share (R\$)	<u>0.58</u>	

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Notes to the individual and consolidated financial statements (Continued)
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25. Earnings per share (Continued)

25.2. Diluted (Continued)

	12/31/2021	
	Registered common shares	Total
Denominator		
Total weighted average number of shares	151,028,925	151,028,925
Weighted number of treasury shares	(1,437,899)	(1,437,899)
Weighted average number of outstanding shares	149,591,026	149,591,026
% of shares in relation to the total number	100%	100%
Numerator		
Net income attributable to each class of share	79,426,519	79,426,519
Weighted average number of outstanding shares	149,591,026	
Basic earnings per share (R\$)	<u>0.53</u>	
Numerator		
Net income attributable to each class of share	79,426,519	79,426,519
Weighted average number of outstanding shares	149,591,026	
Weighted average number of matching shares	318,835	
Diluted earnings per share (R\$)	<u>0.53</u>	

26. Revenues

The Company's revenue derives mainly from the resale of drugs and personal care and beauty products.

Reconciliation between gross revenues for tax purposes and the revenues stated in the statement of profit or loss for the year is as follows:

	Individual		Consolidated	
	12/31/2022	12/31/2021	12/31/2022	12/31/2021
Gross sales of products and services	4,265,129	3,453,057	4,279,781	3,466,681
Sales taxes	(235,785)	(193,144)	(238,446)	(198,588)
Returns and unconditional discounts	(50,102)	(41,151)	(50,860)	(42,685)
Net revenue	<u>3,979,242</u>	<u>3,218,762</u>	<u>3,990,475</u>	<u>3,225,408</u>

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27. Cost of goods sold and services rendered

	Individual		Consolidated	
	12/31/2022	12/31/2021	12/31/2022	12/31/2021
Cost of goods sold	(2,969,571)	(2,436,301)	(2,944,436)	(2,411,210)
Cost of products sold	-	-	(23,282)	(24,236)
Reimbursement of capital contribution costs	240,880	217,229	240,880	217,229
Revenue - campaign funds	1,303	1,655	1,303	1,655
Taxes on funds	(22,402)	(20,247)	(22,402)	(20,247)
	(2,749,790)	(2,237,664)	(2,747,937)	(2,236,809)

The amounts reimbursed by suppliers relating to lease of properties, promotional funds and advertising and publicity expenses are deducted from cost of sales, and the average period for reimbursement is 30 to 60 days. Such reimbursement is recognized when the contractual conditions are likely to be met.

28. Expenses by nature

	Individual		Consolidated	
	12/31/2022	12/31/2021	12/31/2022	12/31/2021
Selling expenses				
Personnel and third-party service expenses	(564,922)	(451,239)	(568,055)	(453,375)
Lease expenses	(34,609)	(30,300)	(33,746)	(29,265)
Discount on leased properties (*)	3,976	7,384	3,976	7,384
Freight expenses	(52,466)	(42,512)	(53,058)	(43,033)
Credit card fees	(43,173)	(34,174)	(43,178)	(34,174)
Advertising	(25,675)	(19,688)	(26,212)	(19,883)
Utilities and services	(29,330)	(28,407)	(29,392)	(28,467)
Depreciation and amortization expenses	(174,519)	(150,163)	(174,584)	(150,224)
Employee profit sharing	(5,888)	(9,738)	(5,927)	(9,827)
Managing officers' profit sharing	(6,309)	(5,211)	(6,309)	(5,211)
Maintenance expenses	(10,669)	(7,646)	(10,672)	(7,651)
Consumables	(14,165)	(13,892)	(14,262)	(14,005)
Travel and sales representation expenses	(2,534)	(1,948)	(2,549)	(1,953)
Packaging materials	(8,941)	(7,746)	(8,941)	(7,746)
Inventory losses	(23,376)	(14,714)	(24,137)	(16,758)
Other sales expenses	(12,284)	(9,837)	(12,307)	(12,253)
	(1,004,884)	(819,831)	(1,009,353)	(826,441)

(*) Given the COVID-19 pandemic, until the second quarter of 2022, the Company obtained specific discounts on payments related to expenses with the rent of certain properties, classified as leases, according to Accounting Pronouncement (CPC) 16/2020. There were no changes in the term of these contracts until the effective date of the practical expedient, therefore, there was no need to remeasure them.

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28. Expenses by nature and function (Continued)

	Individual		Consolidated	
	12/31/2022	12/31/2021	12/31/2022	12/31/2021
General and administrative expenses				
Personnel and third-party service expenses	(66,790)	(60,592)	(68,633)	(62,778)
Lease expenses	(607)	(510)	(533)	(365)
Utilities and services	(1,385)	(1,393)	(1,460)	(1,475)
Depreciation and amortization expenses	(8,991)	(6,726)	(9,182)	(6,930)
Employees' profit sharing	(4,357)	(3,252)	(4,357)	(3,252)
Managing officers' profit sharing	(674)	(587)	(677)	(587)
Bank expenses	(1,480)	(1,427)	(1,494)	(1,440)
Management personnel compensation	(6,244)	(5,078)	(6,244)	(5,078)
Maintenance expenses	(9,076)	(6,454)	(9,226)	(6,560)
Consumables	(485)	(427)	(518)	(475)
Other administrative expenses	(7,278)	(5,944)	(7,426)	(6,239)
	(107,367)	(92,390)	(109,750)	(95,179)

29. Other operating income (expenses)

	Individual		Consolidated	
	12/31/2022	12/31/2021	12/31/2022	12/31/2021
Additional revenue	1,474	1,187	1,512	1,487
Revenue from property lease	276	105	330	105
Credit recovery	7,038	8,738	7,050	8,738
Reimbursement of cash difference	274	252	274	252
Cost of disposal of PPE	(2,110)	(2,766)	(2,068)	(2,742)
Other operating income (expenses)	6,651	(92)	6,752	(46)
(*) Recovery of tax credits	-	26,756	-	26,756
	13,603	34,180	13,850	34,550

(*) This refers to credits related to the proceeding that excludes the ICMS from the PIS/COFINS tax base recognized in the period. Additional information is disclosed in Note 10.

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Notes to the individual and consolidated financial statements (Continued)

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30. Finance income and costs

30.1. Breakdown of finance income and costs

	Individual		Consolidated	
	12/31/2022	12/31/2021	12/31/2022	12/31/2021
Finance income				
Interest on assets	2,624	7,229	2,682	7,247
Monetary variations	-	-	-	25
Short-term investment yield	10,352	7,520	15,497	9,387
Financial discounts obtained	1,649	896	1,806	917
Taxes on finance income	(1,225)	(1,147)	(1,280)	(1,165)
(*) Monetary restatement of tax credits	1,446	9,058	1,724	9,207
	14,846	23,556	20,429	25,618

(*) This refers to the monetary restatement of credits related to the proceeding that excludes the ICMS from the PIS/COFINS tax base recognized in the quarter. Additional information is disclosed in Note 10.

	Individual		Consolidated	
	12/31/2022	12/31/2021	31/12/2022	12/31/2021
Finance costs				
Interest on financing	(29,068)	(7,401)	(29,068)	(7,401)
Interest expenses	(216)	(371)	(226)	(376)
Financing charges	(124)	(245)	(124)	(245)
Discounts granted/bonus	(7,621)	(4,654)	(7,819)	(4,838)
Monetary variation	-	(6)	-	(8)
Interest on lease	(40,731)	(29,347)	(40,731)	(29,347)
Other finance costs	(1,383)	(1,447)	(1,316)	(1,693)
	(79,143)	(43,471)	(79,284)	(43,908)

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31. Transactions with related parties

31.1. Balances and transactions

The total amounts of transactions carried out by Dimed, through December 31, 2022, with related parties are described below:

	Dimesul Gestão Imobiliária Ltda.		Laboratório Industrial e Farmacêutico Lifar Ltda.	
	12/31/2022	12/31/2021	12/31/2022	12/31/2021
Trade accounts payable	-	-	7,534	6,103
Related parties - intercompany loan receivable	-	-	-	(1,670)
	Dimesul Gestão Imobiliária Ltda.		Laboratório Industrial e Farmacêutico Lifar Ltda.	
	12/31/2022	12/31/2021	12/31/2022	12/31/2021
Purchase of goods and services	-	-	47,604	44,156
Revenue from services rendered	1,696	2,046	81	153
Finance costs	264	-	-	-

	Accounts receivable from shareholders	
	12/31/2022	12/31/2021
Share issue costs (secondary offering)	1,530	3,030

Sales transactions between related parties are conducted at amounts agreed by and between the companies, with days sales/payable outstanding of 30 days. The balance of the intercompany loan agreement is restated monthly at the benchmark rate of the Central Bank of Brazil (SELIC).

31.2. Key management personnel compensation

The table below contains information on key management personnel compensation (individual):

	Individual	
	12/31/2022	12/31/2021
Fixed compensation	6,244	5,078
Social charges	1,748	1,422
Equity interest	6,983	5,799
Total	14,975	12,299

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31. Transactions with related parties (Continued)

31.2. Key management personnel compensation (Continued)

These amounts are stated under “General and administrative expenses” in the statement of profit or loss and are detailed in Note 28. Management is also part of the Incentive Plan in connection with the Company’s shares, created to regulate the possibility of granting incentives through common shares issued by the Company.

Managing officers were granted the right to receive, free of charge, the proportion of three (3) and four (4) Matching Share for each common share of the Company, acquired under the Plan (“Own Shares”), for which a fair value of R\$2,308 was recorded in 2021, up to the limit established in their respective Private Share Granting Instruments and Adhesion to Dimed's Matching Shares Plan, provided that certain conditions are met. In 2022, the Company recognized an amount of R\$3,934 as fair value, which corresponds to the Matching shares of managing officers. Additional information can be found in Note 24.

32. Insurance coverage

The Company has insurance policies that consider the nature and degree of risks involved. At December 31, 2022, the Company and its subsidiaries had insurance coverage for vehicles, fire, civil liability, cargo transportation and aircraft, among others. The insurance coverage sufficiency is under the responsibility of Company management that considers it adequate to cover losses, if any. The Maximum Indemnification Limits for the main insurance policies are as follows:

Policies	Amounts in R\$ thousands
Vehicle	FIPE Table + Property Damage + Bodily Injury
Fire	R\$597,350
Civil liability	R\$31,200
Transportation	R\$1,500 per transport
Aircraft	R\$23,965(*)
Civil liability – aircraft	R\$111,332(*)

(*) Policy issued in US Dollar, amount translated at the average rate (dollar) of December 31, 2022 (R\$5.5666).

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33. Segment reporting

Segment reporting is presented based on the management reports used by the Board of Directors, the board responsible for the Company's strategic decision-making, to manage the business. The Company's segments are divided into Retail, Wholesale and Corporate, which include all administrative expenses, as well as finance income (costs).

The Retail segment has 556 stores that sell more than 15 thousand items among drugs and personal care and beauty products. The Wholesale segment is one of the main distributors of drugs in Brazil and also the pioneer in the country in its segment. Lastly, the Corporate segment includes Wholesale and Retail, as well as subsidiary Lifar (Laboratório Farmacêutico Lifar Ltda.). In addition to adding divisions of cosmetics, drugs and food, Lifar is responsible for the production of major brands in Brazil, as well as products of its own brand Panvel. Subsidiary Dimesul is engaged in the purchase, sale, intermediation, subdivision, lease, rent, management and administration of own or third-party properties, with a view to centralizing and optimizing the management of the Company's properties.

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33. Segment reporting (Continued)

	Retail		Wholesale		Corporate		Dimed S.A.	
	12/31/2022	12/31/2021	12/31/2022	12/31/2021	12/31/2022	12/31/2021	12/31/2022	12/31/2021
Continuing operations								
Net revenue from sales and services	3,678,252	2,981,712	312,223	243,696	-	-	3,990,475	3,225,408
Cost of goods sold and services rendered	(2,488,488)	(2,031,236)	(259,449)	(205,573)	-	-	(2,747,937)	(2,236,809)
Gross profit	1,189,764	950,476	52,774	38,123	-	-	1,242,538	988,599
Selling expenses	-	-	-	-	(1,009,353)	(826,441)	(1,009,353)	(826,441)
Other operating income (expenses), net	-	-	-	-	13,850	34,550	13,850	34,550
Administrative expenses	-	-	-	-	(109,750)	(95,179)	(109,750)	(95,179)
Operating income before finance income (costs)	1,189,764	950,476	52,774	38,123	(1,105,253)	(887,070)	137,285	101,529
Finance income (costs)	-	-	-	-	(58,855)	(18,290)	(58,855)	(18,290)
Finance income	-	-	-	-	20,429	25,618	20,429	25,618
Finance costs	-	-	-	-	(79,284)	(43,908)	(79,284)	(43,908)
Operating income before income and social contribution taxes	1,189,764	950,476	52,774	38,123	(1,164,108)	(905,360)	78,430	83,239
Current	-	-	-	-	(4,292)	(8,831)	(4,292)	(8,831)
Deferred	-	-	-	-	12,207	5,018	12,207	5,018
Net income for the year	1,189,764	950,476	52,774	38,123	(1,156,193)	(909,173)	86,345	79,426

Dimed S.A. Distribuidora de Medicamentos

Notes to the individual and consolidated financial statements (Continued)
December 31, 2022 and 2021
(In thousands of reais)

34. Events after the reporting period

34.1. STF decision on res judicata referring tax matter

On February 8, 2023, the Federal Supreme Court of Brazil ("STF") ruled on matters related to the loss of effects of final and unappealable individual decisions. The Company analyzed its final and unappealable decisions and no cases were identified that would be impacted by the new understanding

34.2. Operations for working capital

In February and March 2023, the Company raised a total amount of R\$175 million to support seasonal cash demand, which was classified in the short term. This refers to a usual market operation, without defined covenants and no security interest is needed.

**Reports and Representations / Report or Summary Report, if any, of the Audit Committee
(statutory or not)**

Pursuant to the Articles of Incorporation and legal provisions, the Audit Committee of DIMED S/A DISTRIBUIDORA DE MEDICAMENTOS examined the Management Report, the Financial Statements and the Proposal for distribution of profits for the year ended December 31, 2022. Based on the examinations carried out, considering, furthermore, the unqualified independent auditor's report issued by Ernst & Young Auditores Independentes, dated March 23, 2023, as well as the information and clarifications received in the year, the Audit Committee unanimously understand that the aforementioned documents are in conditions to be considered at the Annual General Meeting of Shareholders.

Eldorado do Sul, March 23, 2023.

João Verner Juenemann
Claudio Roberto Ely
Nelson Bertoletti

Reports and Representations / Officers' Representation on Quarterly Information

In compliance with article 25 of CVM Ruling No. 480, the Officers of Dimed S.A. Distribuidora de Medicamentos represent that they have reviewed, discussed and agreed with the individual and consolidated financial statements for the year ended December 31, 2022.

Eldorado do Sul, RS, March 23, 2023.

Julio Ricardo Mottin Neto - CEO

Roberto Coimbra Santos - Executive Officer

Antônio Carlos Tocchetto Napp - Chief Investor Relations and Financial Officer

Reports and Representations / Officers' Representation on the Independent Auditor's Report

In compliance with the provisions contained in article 25 of CVM Ruling No. 480, the Officers of Dimed S.A. Distribuidora de Medicamentos represent they have reviewed, discussed and agreed with the opinion expressed in the audit report issued by Ernst & Young Auditores Independentes S.S. on the individual and consolidated financial statements for the year ended December 31, 2022.

Eldorado do Sul, RS, March 23, 2023.

Julio Ricardo Mottin Neto - CEO

Roberto Coimbra Santos - Executive Officer

Antônio Carlos Tocchetto Napp - Chief Investor Relations and Financial Officer