Zydus Nikkho Farmacêutica Ltda.
Financial Statements
Referring to the Period Ended in
December 31, 2022 and
Independent auditors' report
on the Financial Statements

Summary

REPORT OF THE INDEPENDENT AUDITOR ON FINANCIAL STATEMENTS

The shareholders of the
ZYDUS NIKKHO FARMACÊUTICA LTDA.
RIO DE JANEIRO - RJ.

Opinion

We have audited the financial statements of Zydus Nikkho Farmacêutica Ltda. Which comprise the Statement of financial position as of December 31, 2022, and the related statements of income, changes in shareholders' equity and cash flows for the year then ended as well as the related explanatory notes, including a summary of the main accounting policies.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Zydus Nikkho Farmacêutica Ltda., as of December 31, 2022, the individual performance of its operations and their respective cash flows for the year then ended, in accordance with accounting practices adopted in Brazil and the International Financial Reporting Standards (IFRS) issued by the International Accounting Standards Board (IASB) - only in cases where there are no differences between the two accounting practices.

Basis for opinion

Our audit was conducted in accordance with Brazilian and international auditing standards. Our responsibilities, in accordance with such standards, are described in the following section, entitled "Auditor's Responsibilities for the Audit of the Financial Statements." We are independent in relation to the company, in accordance with the relevant ethical principles set forth in the Professional Code of Ethics of the Accountant and in the professional norms issued by the Federal Accounting Council, and we comply with the other ethical responsibilities according to these norms. We believe that the audit evidence we have obtained is sufficient and appropriate to substantiate our opinion.

Responsibilities of management and governance by the financial statements.

The Company's management is responsible for the preparation and adequate presentation of the financial statements in accordance with accounting practices adopted in Brazil and with the international financial reporting standards (IFRS), issued by the International Accounting Standards Board (IASB), and for the internal controls that it determined it necessary to allow the preparation of financial statements free of material misstatement, regardless of whether it was caused by fraud or error.

In the preparation of the financial statements, management is responsible for evaluating the company's ability to continue operating, disclosing, when applicable, matters related to its operational continuity and the use of this accounting basis in the preparation of the financial statements, unless to liquidate the company or cease its operations, or has no realistic alternative to avoid closing the operations.

Responsibilities of the auditor for the audit of the financial statements.

Our objectives are to obtain reasonable assurance that the financial statements, taken as a whole, are free from material misstatement, whether caused by fraud or error, and issue an audit report containing our opinion. Reasonable security is a high level of security, but not a guarantee that the audit conducted in accordance with Brazilian and international auditing standards will always detect any relevant material misstatements. Distortions may be due to fraud or error and are considered relevant when, individually or jointly, they can influence, from a reasonable perspective, the economic decisions of the users taken based on the said financial statements.

As part of the audit conducted in accordance with Brazilian and international auditing standards, we exercise professional judgment and maintain professional skepticism throughout the audit. Besides that:

• We identify and assess the risks of material misstatement in the financial statements, whether caused by fraud or error; We plan and perform audit procedures in response to such risks; and we obtain audit evidence appropriate and sufficient to substantiate our opinion. The risk of not detecting material misstatement resulting from fraud is greater than that of error, since fraud may involve circumvention of internal controls, collusion, falsification, omission or false intentional representations.

• We obtain an understanding of the internal controls relevant to the audit to plan audit procedures appropriate to the circumstances, but not, in order to express an opinion on the effectiveness of the company's internal controls.

• We evaluate the adequacy of the accounting policies used and the reasonableness of the accounting estimates and respective disclosures made by management.

• We conclude on the adequacy of the management's use of the accounting basis for operational continuity and, based on the audit evidence obtained, whether there is a material uncertainty regarding events or conditions that may raise significant doubt regarding the Company's operational continuity company. If we conclude that there is material uncertainty, we should draw attention in our audit report to the respective disclosures in financial statements or include modification in our opinion if the disclosures are inadequate. Our findings are based on the audit evidence obtained up to the date of our report. However, future events or conditions may lead the company to no longer remain in operational continuity.

• We evaluate the overall presentation, structure and content of financial statements, including disclosures and whether the individual financial statements represent the corresponding transactions and events in a manner consistent with the appropriate presentation objective.

• We obtain adequate audit evidence regarding the entity's financial information or business activities to express an opinion on the financial statements. We are responsible for the direction, supervision and performance of the company's audit and, consequently, for the audit opinion.

- We communicate with those responsible for governance regarding, inter alia, the planned scope, timing of the audit and significant audit findings, including any significant weaknesses in the internal controls we have identified during our work.

São Paulo, March 06, 2023

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CRC 2SP 034.257/O-4

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Zydus
Dedicada à Vida

ZYDUS NIKKHO FARMACEUTICA LTDA
Statement of Financial Position
For the year ended on December 31, 2022
(In Real)

ASSETS	Notes	12/31/2022	12/31/2021	LIABILITIES	Notes	12/31/2022	12/31/2021
CURRENT				**CURRENT**			
Cash and cash equivalents	4	2.179.006	4.584.595	Lease liability	10	3.304.398	970.952
Trade and other receivables	5	62.692.005	46.817.674	Suppliers and other payables	13	73.006.638	57.722.787
Inventories	6	44.449.391	50.560.741	Other liabilities	15	22.891.186	11.171.794
Other current assets	7	16.963.130	13.694.838				
Other current financial assets	8	632.552	614.698				
Total current assets		**126.916.084**	**116.272.546**	**Total current liabilities**		**99.202.222**	**69.865.533**
NON-CURRENT				**NON-CURRENT**			
Other non-current assets	7	2.080.464	714.711	Other financial liabilities	8	1.318.231	1.166.488
Other non-current financial assets	8	3.843.159	3.646.932	Lease liability	10	1.916.458	609.899
Deferred taxes assets	9	95.195	134.728	Provisions	16	7.541.248	5.481.248
Right of use asset	10	4.846.796	1.146.971				
Property, plant and equipment	11	9.785.775	10.458.165				
Intangible assets	12	42.089.911	42.621.067				
Total non-current assets		**62.741.300**	**58.722.573**	**Total non-current liabilities**		**10.775.937**	**7.257.635**
				Net equity			
				Share capital	17	224.221.404	224.221.404
				Tax incentive reserve	18	29.729.231	17.332.479
				Accumulated losses		(174.271.410)	(143.681.933)
				Total equity		**79.679.225**	**97.871.950**
TOTAL ASSETS		**189.657.384**	**174.995.118**	**TOTAL LIABILITIES AND EQUITY**		**189.657.384**	**174.995.118**

The accompanying notes are an integral part of these financial statements

ZYDUS NIKKHO FARMACEUTICA LTDA
Statement of Income
For the year ended on December 31, 2022
(In Real)

	Notes	12/31/2022	12/31/2021
Sales revenue	19	166.653.993	174.491.958
Cost of products and goods sold	20	(95.683.080)	(98.740.833)
Gross profit		**70.970.913**	**75.751.125**
Operating (Expense) revenue			
Administrative	20	(34.882.872)	(32.390.138)
Selling expense	20	(53.916.954)	(46.594.717)
Estimating expected credit losses	3.3	(431.485)	(425.496)
Other (expenses) revenue	21	2.198.643	(1.649.134)
Monetary and exchange variations		2.577.931	(10.974.177)
		(84.454.737)	**(92.033.662)**
Operating loss before the financial result		**(13.483.823)**	**(16.282.537)**
Financial result			
Financial revenues		313.640	450.082
Financial expenses		(779.646)	(832.998)
Net financial result	22	**(466.006)**	**(382.916)**
Loss before taxes		**(13.949.830)**	**(16.665.453)**
Income tax and social contribution taxes - deferred	9	(39.532)	(25.161)
Current income tax and social contribution	23	(4.203.363)	(1.259.288)
Loss for the year		**(18.192.725)**	**(17.949.902)**
Other comprehensive results		-	-
Result after other comprehensive results		**(18.192.725)**	**(17.949.902)**

The accompanying notes are an integral part of these financial statements

ZYDUS NIKKHO FARMACEUTICA LTDA
Statement of changes in shareholder´s equity
For the year ended on December 31, 2022
(In Real)

	Share capital	Tax incentive reserve	Accumulated losses	Total
On december 31, 2020	**145.720.724**	**6.989.847**	**(115.389.399)**	**37.321.172**
Issuance of shares	78.500.680			78.500.680
Loss for the year			(17.949.902)	(17.949.902)
Transfer to tax incentive reserve		10.342.632	(10.342.632)	-
On december 31, 2021	**224.221.404**	**17.332.479**	**(143.681.933)**	**97.871.950**
Loss for the year			(18.192.725)	(18.192.725)
Transfer to tax incentive reserve		12.396.752	(12.396.752)	-
On december 31, 2022	**224.221.404**	**29.729.231**	**(174.271.410)**	**79.679.225**

The accompanying notes are an integral part of these financial statements

ZYDUS NIKKHO FARMACEUTICA LTDA
Statement of Cash Flows
For the year ended on December 31, 2022
(In Real)

	12/31/2022	12/31/2021
CASH FLOW FROM OPERATING ACTIVITIES		
Gain (Loss) for the year	**(18.192.725)**	**(17.949.902)**
Adjustments to reconcile the loss for the year with net cash		
Net losses on financial assets and contracts (Note 3.3)	431.485	85.082
Adjustment to net realizable value of inventory (Note 6)	3.279.219	919.043
Deferred taxes (Note 9)	39.532	25.161
Depreciation right of use asset (Note 10)	2.098.141	2.144.858
Lease liabilities - interest (Note 10)	381.301	289.955
Write-offs Property, plant and equipment (Note 11)	2.941	-
Depreciation and amortization (Notes 11 and 12)	2.132.141	2.115.731
Provisions and reversals (Note 16)	2.060.000	(2.092.242)
Current income tax and social contribution (Note 23)	4.203.363	1.259.288
Monetary and exchange variations	(2.577.931)	10.974.177
	12.050.193	**15.721.053**
Decrease (Increase) in operating assets:		
Accounts receivable from clients	(16.305.817)	8.382.643
Inventories	2.832.131	(22.512.279)
Others assets	(4.848.127)	(310.996)
Increase (Decrease) in operating liabilities:		
Suppliers and other accounts payable	17.861.780	(60.804.963)
Other obligations	7.667.774	1.024.471
	7.207.742	**(74.221.124)**
Net cash generated by (invested in) operating activities (I)	**1.065.209**	**(76.449.973)**
CASH FLOW FROM INVESTING ACTIVITIES		
Acquisition of fixed and intangible assets (note 11 and 12)	(931.536)	(970.951)
Net cash generated by (invested in) investment activities (II)	**(931.536)**	**(970.951)**
CASH FLOW FROM FINANCE ATIVITIES		
Lease payments (note 10)	(2.539.262)	(2.575.843)
Issuance of shares (note 17)	-	78.500.680
Net cash generated by finance activities (III)	**(2.539.262)**	**75.924.837**
(DECREASE) IN CASH AND CASH EQUIVALENTS (I + II + III)	**(2.405.589)**	**(1.496.087)**
Opening balance of cash and cash equivalents	4.584.595	6.080.682
Closing balance of cash and cash equivalents	2.179.006	4.584.595
(DECREASE) IN CASH AND CASH EQUIVALENTS	**(2.405.589)**	**(1.496.087)**

The accompanying notes are an integral part of these financial statements

Transactions that did not affect cash	12/31/2022	12/31/2021
Leasing additions (Asset and liabilities) - Note 10	5.797.965	958.729

1.1 OPERATIONAL CONTEXT

ZYDUS NIKKHO FARMACÊUTICA LTDA. hereinafter referred to as "Zydus Nikkho" or "Company", it is a limited liability company, headquartered in the city of Rio de Janeiro, State of Rio de Janeiro, whose purpose is the production, distribution and sale of medicines for human use, operating throughout the national territory.

The issuance of the financial statements was authorized by management on March 06, 2023.

1.2 PRESENTATION OF THE FINANCIAL STATEMENTS

Basis of Preparation

The financial statements were prepared in accordance with accounting practices adopted in Brazil, including the pronouncements issued by the Accounting Pronouncements Committee (CPC) and the International Financial Reporting Standards (IFRS), issued by the International Accounting Standards Board (IASB) , and evidences all relevant information specific to the financial statements, and only that, which are consistent with those used by management in its management.

The main accounting policies applied in the preparation of these financial statements are presented in note 2.1

The financial statements were prepared considering the historical cost as the basis of value, which in the case of certain financial assets and liabilities has its cost adjusted to reflect the measurement at fair value.

The preparation of the financial statements requires the use of certain critical accounting estimates and also the exercise of judgment by the Company's management in the process of applying the Group's accounting policies. Those areas require a higher level of judgment and are more complex, as well as the areas in which assumptions and estimates are significant for the financial statements, are disclosed in Note 3.1

2.1 Accounting policies

2.1.1 Conversion into Foreign Currency: The financial statements are presented in Real (BRL), which is the Company's functional currency. Foreign currency transactions are translated into the functional currency using the exchange rates prevailing on the transaction dates or on the valuation dates. Foreign exchange gains and losses are presented in the income statement.

2.1.2 Cash and cash equivalents: include cash, bank deposits, other short-term investments with high liquidity, with original maturities of three months or less and with an insignificant risk of change in value.

2.1.3 Financial Assets: At intial recognition Financial asset is recognised at fair value plus or minus transaction cost and subsequently it is classified at amortised cost, FVTPL or FVTOCI.

a) Financial assets at amortized cost:
These assets are measured subsequently to the amortized cost using the effective interest method. The amortized cost is reduced by impairment losses. Interest income, foreign exchange gains and losses and impairment are recognized directly in income statement. Any gain or loss on derecognition is recognized in the income statement.

b) Financial assets measured at fair value through profit or loss:
These assets are subsequently measured at fair value through PL.

c) Financial assets measured at fair value through other comprehensive income:
These assets are measured subsequently at fair value. Interest income calculated using the effective interest method, foreign exchange gains and losses and impairment are recognized in income statement. Other net income is recognized in other comprehensive income. Upon derecognition, the result accumulated in other comprehensive income is reclassified to the result.

d) Impairment of financial assets

Expected Credit Model (capital) for measurement and recognition of impairment loss on the following financial assets:
i Financial assets that are debt instruments, and are measured at amortised cost
ii Trade receivables or any contractual right to receive cash or another financial asset

The application of simplified approach does not require the Company to track changes in credit risk. Rather, it requires the Company to recognise the impairment loss allowance based on lifetime ECLs at each reporting date, right from its initial recognition

For recognition of impairment loss on other financial assets and risk exposure, the Company determines that whether there has been a significant increase in the credit risk since initial recognition. If credit risk has not increased significantly, 12-month ECL is used to provide for impairment loss. However, if credit risk has increased significantly, lifetime ECL is used. If, in a subsequent period, credit quality of the instrument improves such that there is no longer a significant increase in credit risk since initial recognition, then the entity reverts to recognising impairment loss allowance based on 12-month ECL.

Lifetime ECL are the expected credit losses resulting from all possible default events over the expected life of a financial instrument. The 12-month ECL is a portion of the lifetime ECL which results from default events that are possible within 12 months after the reporting date

ECL is the difference between all contractual cash flows that are due to the Company in accordance with the contract and all the cash flows that the entity expects to receive [i.e., all cash shortfalls], discounted at the original EIR.

ECL impairment loss allowance [or reversal] is recognized as expense/ income in the Statement of profit and loss. The balance sheet presentation for various financial instruments is described below:

Financial assets measured as at amortised cost and contractual revenue receivables: ECL is presented as na allowance , i.e., as an integral part of the measurement of those assets in the balance sheet, which reduces the net carrying amount. Until the asset meets write-off criteria, the Company does not reduce impairment allowance from the gross carrying amount.

e) Derecognition: The Company derecognizes a financial asset when the contractual rights to the asset's cash flows expire, or when the Company transfers the contractual rights of receipt to the contractual cash flows on a financial asset in a transaction in which substantially all risks and benefits of ownership of the financial asset are transferred or in which the Company neither transfers nor substantially maintains all the risks and benefits of ownership of the financial asset and also does not retain control over the financial asset.

2.1.4 Financial liabilities Financial liabilities are 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 at initial recognition. Financial liabilities measured at fair value against profit or loss are measured at fair value and the net result, including interest, is recognized in the income statement. Other financial liabilities are subsequently measured at amortized cost using the interest method effective. Interest expense, foreign exchange gains and losses are recognized in income statement.

a) Derecognition

The Company derecognizes a financial liability when its contractual obligation is 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. In the derecognition of a financial liability, the difference between the extinguished book value and the consideration paid (including transferred assets that do not pass through the cash or assumed liabilities) is recognized in the income statement.

The classification of financial instruments is shown in note 3.3.

2.1.5 Trade and other receivables: Correspond to amounts receivable from customers for the sale of goods in the normal course of the Company's activities. If the receipt period is equivalent to one year or less, Trade and other receivables are classified in current assets. Otherwise, they are presented in non-current assets. Accounts receivable from customers are initially recognized at fair value and subsequently measured at amortized cost using the effective interest rate method less the allowance for doubtful accounts (impairment).

2.1.6 Inventories: The inventories are stated at cost or net realizable value, whichever is the lower. The cost of finished products and products in preparation comprises the costs of raw materials, direct labor, other direct costs and indirect production costs (based on operational capacity). The cost of raw materials and packaging, finished goods and in process is determined on Moving Average Method. The Net Realization Value is the estimated selling price in the normal course of business, less the estimated completion costs and the estimated costs necessary to make the sale.

2.1.7 Other current and non-current assets: are presented at net realizable value, stated in current or non-current assets according to their expected realization.

2.1.8 Property, plant and equipment: stated at cost, less accumulated depreciation and losses, due to impairment. Depreciation is recognized based on the estimated useful life of each asset using the straight-line method, so that the cost less its residual value after its useful life is fully written off (except for land and construction in progress). The estimated useful life, residual values and depreciation methods are reviewed at the end of each year, and the effect of any changes in estimates is accounted for prospectively. An item of property, plant and equipment is written off after disposal or when there are no future economic benefits resulting from the continued use of the asset. Any gains or losses on the sale or write-off of an item of property, plant and equipment are determined by the difference between the amounts received on sale and the carrying amount of the asset and recognized in profit or loss.

The estimated useful lives are as follows:

	Minimum Useful Life (Year)
Buildings	10
Plant and equipment	10
Furniture and fixtures	5
Vehicles	5

Impairment

Impairment of non-financial assets - Non-financial assets are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognized when the asset's carrying amount exceeds its recoverable amount, which represents the higher of an asset's fair value less its disposal costs and its value in use.

The VLDP (value less its disposal costs)is generally determined based on the present value of the estimated future cash flows arising from the continued use of the asset, including any prospects for expansion and its eventual sale. The VIU (value in use) is determined by the present value of the estimated future cash flows that are expected by the continued use of the asset under its current conditions, without taking into account future developments. These premises are different from those used in the calculation of the VIU (value in use) and, consequently, the calculation of the value in use will probably give a different result from the calculation of the VLDP (value less its disposal costs).

2.1.9 Leases:

Company recognising a right-of-use asset and related lease liability in connection with all operating leases except for those identified as low-value or having a remaining lease term of less than 12 months from the date of initial application.

As a lessee:

For any new contracts entered into on or after January 1, 2019, the Company considers whether a contract is, or contains a lease. A lease is defined as ‘a contract, or part of a contract, that conveys the right to use an asset [the underlying asset] for a period of time in exchange for consideration’.

Measurement and recognition of leases as a lessee:

At lease commencement date, the Company recognises a rightof-use asset and a lease liability on the balance sheet. The rightof-use asset is measured at cost, which is made up of the initial measurement of the lease liability, any initial direct costs incurred by the Company, an estimate of any costs to dismantle and remove the asset at the end of the lease, and any lease payments made in advance of the lease commencement date [net of any incentives received]. The Company depreciates the right-of-use assets on a straight-line basis from the lease commencement date to the earlier of the end of the useful life of the right-of-use asset or the end of the lease term. The Company also assesses the right-of-use asset for impairment when such indicators exist.

At the commencement date, the Company measures the lease liability at the present value of the lease payments unpaid at that date, discounted using the interest rate implicit in the lease if that rate is readily available or the Company’s incremental borrowing rate.

Lease payments included in the measurement of the lease liability are made up of fixed payments [including in substance fixed], variable payments based on an index or rate, amounts expected to be payable under a residual value guarantee and payments arising from options reasonably certain to be exercised.

Subsequent to initial measurement, the liability will be reduced for payments made and increased for interest. It is remeasured to reflect any reassessment or modification, or if there are changes to the insubstance fixed payments. When the lease liability is remeasured, the corresponding adjustment is reflected in the right-of-use asset, or profit and loss if the right-of-use asset is already reduced to zero. The Company has elected to account for short-term leases and leases of low-value assets using the practical expedients. Instead of recognising a right-of-use asset and lease liability, the payments in relation to these are recognised as an expense in profit or loss on a straight-line basis over the lease term.

The determination of whether an arrangement is [or contains] a lease is based on the substance of the arrangement at the inception of the lease. Lease under which the Company assumes potentially all the risk and rewards of ownership are classified as finance lease. When acquired, such assets are capitalised at fair value or present value of the minimum lease payment at the inception of the lease, whichever is lower. Lease payments under operating leases are recognised as an expense on straight line basis in the Statement of Profit and Loss over the lease term, unless the payments are structured to increase in line with expected general inflation to compensate lessor's expected inflationary cost increases.

2.1.10 Intangible:

a) Goodwill: is represented by the positive difference between the amount paid and / or payable for the acquisition of a business and the net fair value of the assets and liabilities of the acquired subsidiary. Goodwill on acquisitions of subsidiaries is recorded as "Intangible assets". Goodwill is recorded at fair value less accumulated impairment losses. Impairment losses recognized on goodwill are not reversed. Goodwill is tested annually for impairment.

For the purpose of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash flows (Cash Generating Units (CGUs)). For the purposes of this test, goodwill is allocated to the Cash Generating Units or groups of Cash Generating Units that are expected to benefit from the business combination from which the goodwill originated, and are identified according to the operating segment. Goodwill is considered to be an asset with an indefinite useful life.

(b) Brands trademarks and registered patents are stated at historical cost less amortization. The assets arising from the business combination are recorded at fair value on the acquisition date. Expenses incurred internally to develop and strengthen a brand are recognized as an expense.

Intangible assets with indefinite useful lives are tested for impairment at least once a year.

(c) Software: acquired software licenses are capitalized based on the costs incurred to acquire them and make them ready to be used.

Defined useful life

	Minimum Useful Life (Year)
Software	5

2.1.11 Suppliers and Other Accounts Payable: These are Obligations payable for goods or services that were acquired in the normal course of business, and are classified as current liabilities if payment is due within a period of up to one year. Otherwise, they are classified as non-current. They are recognized at fair value and subsequently measured at amortized cost using the effective interest rate method.

2.1.12 Other current and non-current liabilities: stated at known or estimated amounts, plus, when applicable, the corresponding charges and / or monetary and exchange variations incurred up to the balance sheet date.

2.1.13 Provision for Tax, Civil and Labor Risks: the provision is recognized in the balance sheet when the Company has a legal or constituted obligation as a result of a past event, and it is probable that the economic resource will be required to settle the obligation. Provisions are recorded based on the best estimates of the specific risks of the liability and duly supported through the assessment of the likelihood of loss being made by the Company's management and legal counsel.

2.1.14 Income Tax and Social Contribution (Current and Deferred):

(a) Current: Income tax comprises income tax and social contribution. Income tax is calculated on the annual profit at the rate of 15%, plus an additional 10% on profits that exceed Real (BRL) 240 thousand in the period, while the social contribution is calculated at the rate of 9% on the adjusted profit. according to the law, recognized according to the accrual basis.

(b) Deferred: Deferred income and social contribution taxes are recognized, in their entirety, on the differences generated between the assets and liabilities recognized for tax purposes and corresponding to amounts recognized in the Financial Statements. However, deferred income tax and social contribution are not recognized if they are generated in the initial registration of assets and liabilities in transactions that do not affect the tax bases, except in business combination transactions. Deferred income tax and social contribution are determined considering the rates (and laws) in force on the date of preparation of the Financial Statements and applicable when the respective income tax and social contribution are realized. Deferred income tax and social contribution assets are recognized only to the extent that it is probable that there will be a positive tax base for which temporary differences can be used and tax losses can be offset.

2.1.15 Revenue Recognition: Revenue from the sale of goods is recognized as revenue on the basis of customer contracts and the performance obligations contained therein. Revenue is recognised at a point in time when the control of goods or services is transferred to a customer. Control lies with the customer if the customer can independently determine the use of and consume the benefit derived from a product or service. Revenues from product deliveries are recognised at a point in time based on an overall assessment of the existence of a right to payment, the allocation of ownership rights, the transfer of significant risks and rewards and acceptance by the customer.

The goods are often sold with volume discounts/ pricing incentives and customers have a right to return damaged or expired products. Revenue from sales is based on the price in the sales contracts, net of discounts. When a performance obligation is satisfied, Revenue is recognised with the amount of the transaction price [excluding estimates of variable consideration] that is allocated to that performance obligation. Historical experience, specific contractual terms and future expectations of sales returns are used to estimate and provide for damage or expiry claims. No element of financing is deemed presente as the sales are made with the normal credit terms as per prevalent trade practice and credit policy followed by the Company.

2.1.16 Financial Income: are recognized according to the elapsed period, based on the effective interest rate method and are recognized as it is expected to be realized.

2.1.17 Earnings per share: in accordance with IAS 33 / CPC 41 - Earnings per share, the company reconciles net income to the amounts used to calculate basic and diluted earnings per share. The company does not have instruments that have not been included in the earnings per share calculation as they are antidilutive, therefore the result per basic share is the same as the diluted one, as shown:

	12/31/2022	**12/31/2021**
Basic and diluted result		
Loss for the year for ordinary quotas	(18.192.725)	(17.949.902)
Average number of shares	224.221.404	204.596.234
Loss per basic quota	(0,08)	(0,09)

3.1 Significant Accounting Judgments, Estimates and Assumptions:

The preparation of the financial statements in accordance with accounting practices adopted in Brazil requires that Management uses its judgment in determining and recording accounting estimates. Significant assets and liabilities subject to these estimates and assumptions include definition of the useful life of property, plant and equipment and intangible assets with defined useful life, incremental rate on financial leases, goodwill recovery value, expected losses for doubtful accounts receivable and provisions for liabilities.

The settlement of transactions involving these estimates may result in different amounts due to inaccuracies inherent in the process of their determination. Zydus Nikkho's management reviews the estimates at least annually.

3.2 Risk management

The Company's activities are exposed to several financial risks: market risk (currency risk and interest rate risk), credit risk and liquidity risk. Management uses the following methodologies to measure risks:

Risk	Description	Methodology Used to Measure the Impact
Market Risk - Foreign Exchange	Financial liabilities in foreign currency	Sensitivity Analysis
Market Risk - Interest Rate	Long Term Finance Lease Payable	Sensitivity Analysis
Credit risk	Cash and cash equivalents and Trade and other receivables	Maturity Analysis and Credit Assessment
Liquidity Risk	Suppliers and Leasing	Cash Flow Forecasts

3.3 Classification of Financial Instruments

Financial instruments were classified in the Amortized Cost category.

	12/31/2022	12/31/2021
Financial assets		
Cash and cash equivalents	2.179.006	4.584.595
Trade accounts receivable	62.692.005	46.817.674
Other financial assets	4.475.711	4.261.629
Total financial assets	**69.346.723**	**55.663.898**
Financial lialbilities		
Suppliers and other payables	73.006.638	57.722.787
Financial leases	5.220.856	1.580.851
Other financial liabilities	1.318.231	1.166.488
Total financial liabilities	**79.545.724**	**60.470.126**

Market Risk

(a) Foreign exchange risk

Due to its operation, the Company is exposed to foreign exchange risk, mainly in relation to the dollar currency.

The Company discloses the sensitivity analysis in relation to the variation in the dollar, which may have an impact on its income statement.

Exchange risk	In Real 12/31/2022	In Real 12/31/2021
Economic scenario I - current	2.577.931	(10.974.177)
Economic scenario II - 25% U$ increase	(15.555.769)	(12.360.461)
Economic scenario III - 50% U$ increase	(31.111.537)	(24.720.922)

Credit Risk

Credit risk arises from cash and cash equivalents and trade receivable, deposits with banks and other financial institutions.

Bank deposits : The Company maintains its Cash and cash equivalents and Bank deposits with reputed and highly rated banks. Hence, there is no significant credit risk on such deposits

Trade Receivable: The Company trades with recognized and credit worthy third parties. It is the Company's policy that all customers who wish to trade on credit terms are subject to credit verification procedures. In addition, receivable balances are monitored on an on-going basis with the result that the Company's exposure to credit losses is not significant.

The Company has used expected credit loss (ECL) model for assessing the impairment loss. For the purpose, the Company uses a provision compute the expected credit loss amount.

When estimating expected credit losses (ECL), the Company considers reasonable and bearable information that is relevant and available without undue cost or effort. This includes quantitative and qualitative information and analysis, based on the Company's historical experience, credit assessment and considering forward-looking information. The losses due to the non-recoverability of financial assets were calculated based on the credit risk analysis, which includes the: the individual situation of the clientes, like a Banckruptcies, Judicial reorganisation, Legal cases and Disputes, the situation of the economic group to which they belong, the real guarantees for debts and the assessment of legal advisors, and is considered sufficient to cover possible losses on amounts receivable, in addition to a prospective assessment that takes into account the change or expected change in economic factors that affect expected credit losses (ECL), which will be determined based on in weighted probabilities, when applicable.

Financial assets for which loss allowances is measured using the expected credit loss:

	12/31/2022	12/31/2021
Accounts receivable not due	57.895.164	44.986.508
Overdue in days:		
1 to 30	3.615.396	1.257.791
31 to 60	119.797	181.738
61 to 90	164.322	101.678
91 to 120	247.563	0
Over 120	4.478.017	3.686.728
Total	**66.520.259**	**50.214.443**

Movement	12/31/2022	12/31/2021
Opening balance	(3.396.769)	(3.311.687)
Add	(431.485)	(458.905)
Reversal provision	-	373.823
Ending balance	**(3.828.254)**	**(3.396.769)**

	12/31/2022	12/31/2021
Maximum exposure to credit risk	66.520.259	50.214.443
Overdue considered (ECL) (i)	(3.828.254)	(3.396.769)

(i) Considered to all the banckruptcies, judicial reorganisation, legal cases and disputes.

In 2022, the Company recognized a loss in addition to those estimated in the amount of R$ 431.485, totaling a loss of financial assets in the income statement in the same amount.

Liquidity Risk

The Company's Management monitors the Company's forecasts of liquidity requirements on an ongoing basis in order to seek sufficient cash to meet operating needs. The Company may need to obtain additional funds through bank loans or capital increase.

In the explanatory notes related to the Company's non-derivative financial liabilities, the balances payable between the balance sheet date and the contractual maturity date are shown by maturity.

4 CASH AND CASH EQUIVALENTS

	12/31/2022	12/31/2021
Cash and bank accounts	19.892	3.026
Financial investments	2.159.114	4.581.569
Cash and cash equivalents	**2.179.006**	**4.584.595**

Financial investments in securities for trading include Bank Deposit Certificates and investments in bonds and securities, which are recorded at their fair value. The revenue generated by these investments is recorded as financial income.

5 TRADE AND OTHER RECEIVABLES

	12/31/2022	12/31/2021
Domestic customers	66.520.259	50.214.443
Provision for *impairment* of accounts receivable	(3.828.254)	(3.396.769)
Total	**62.692.005**	**46.817.674**

The maximum exposure to credit risk at the balance sheet date is the book value of each class of accounts receivable mentioned above. The company does not hold any security as collateral for accounts receivable.

For further information on the Estimated Losses for Doubtful Accounts, it is recommended to read the explanatory note (Risk Management).

6 INVENTORIES

	12/31/2022	12/31/2021
Finished goods	8.315.818	7.444.280
In-process products	2.351.570	1.615.496
Goods for resale	21.653.896	30.395.240
Raw materials and packaging	14.032.779	7.594.289
Goods in transit	5.633.220	7.770.109
Adjustment to net realizable value	(7.537.892)	(4.258.673)
Total	**44.449.391**	**50.560.741**

	12/31/2022	12/31/2021
Movement of net realizable value		
Opening balance	(4.258.673)	(3.339.630)
(+) Additions	(3.279.219)	(919.043)
Ending balance	**(7.537.892)**	**(4.258.673)**

7 OTHER ASSETS

	12/31/2022	12/31/2021
Current assets	**16.963.130**	**13.694.838**
Other recoverable taxes	**15.692.592**	**12.874.734**
Federal taxes	222.414	213.527
State taxes	15.470.178	12.661.207
Advances	**778.469**	**627.115**
To others	403.260	257.768
To suppliers	375.209	369.347
Pre paid expenses	**492.069**	**192.989**
Non-current assets	**2.080.464**	**714.711**
Related parties - Note 14	2.025.464	714.711
Other	55.000	-
Total other assets	**19.043.593**	**14.409.549**

8 OTHER FINANCIAL ASSETS AND LIABILITIES

	12/31/2022	12/31/2021
Other current financial asset		
Other financial assets (Advances)	**632.552**	**614.698**
Other non-current financial asset		
Judicial deposits (non-current assets)	2.560.855	2.494.406
Other: Bank (except cash and cash equivalent)	1.282.304	1.152.526
Other non-current financial assets	**3.843.159**	**3.646.932**
Total other financial assets	**4.475.711**	**4.261.630**
Other financial liabilities	**(1.318.231)**	**(1.166.488)**

Judicial deposits
Civil: It is related to the explanatory note below: "Others";

Labor and Tax: In some situations, due to legal requirements or the presentation of guarantees, judicial deposits are made to guarantee the continuity of the proceedings under discussion. These judicial deposits may be required for lawsuits whose likelihood of loss has been assessed by the Company, based on the opinion of its legal advisors, as probable, possible or remote.

Others
Refers to amounts retained as guarantee for possible contingencies arising from the former subsidiary Química e Farmacêutica Nikkho do Brasil Ltda., Acquired in July 2007. The retained amount is invested in the financial market and in 2022 its revenue was paid at an average rate of 6% for the year 2022 (5% in 2021). The amount will be returned or deducted from payments to the company's former shareholders, within the term stipulated in the contract signed between the parties. The restatement amount is recorded in Non-Current Liabilities in Other Financial Liabilities.

9 DEFERRED TAXES ASSETS

Deferred tax arising from temporary differences in leasing - Right to use real estate.

	12/31/2022	12/31/2021
Temporary differences (non-deductible expenses at year end for tax Income)		
(+) Temporary additions - amortization and interest	761.180	860.998
(-) Temporary excusions - payments	(481.195)	(464.740)
Total	279.985	396.258
Tax rate	34%	34%
Total recognized	**95.195**	**134.728**
Movement in the income statement		
Opening balance	**134.728**	**159.889**
Additions		-
Realization	(39.533)	(25.161)
Total balance in assets	**95.195**	**134.728**

The estimate for the recoverability of temporary differences will be made when the payments for this lease start. Soon, the deduction will be allowed in the Income tax calculation base.

10 RIGHT OF USE ASSETS

a) Right Of Use Assets

	Vehicles	Property rental	Totais
On december 31, 2020	**1.721.201**	**611.900**	**2.333.100**
Additions	885.704	73.025	**958.729**
Amortization	(1.917.850)	(227.008)	**(2.144.858)**
Write-offs	-	-	**-**
On december 31, 2021	**689.055**	**457.917**	**1.146.972**
Additions	5.591.894	206.071	**5.797.965**
Amortization	(1.840.475)	(257.666)	**(2.098.141)**
Write-offs			**-**
On december 31, 2022	**4.440.473**	**406.322**	**4.846.796**

The company rents vehicles for its administrative and commercial area. Depreciation varies according to the term agreed between the lessor and lessee, averaging over 24 months. The amortization period is individual per asset. In addition to vehicles, the Company has a rental property for its administrative and operational area, with a 5-year contract period, with the possibility of renewal.

Current and non-current liabilities due from the lease are as follows:

b) Leasing Payable

	12/31/2022	12/31/2021
Opening balance	**1.580.851**	**2.908.010**
Additions	5.797.965	958.729
(-) Write-offs		-
(-) Payments	(2.539.262)	(2.575.843)
(-) Interest	381.301	289.955
Ending balance	**5.220.855**	**1.580.851**

Liability Lease	**12/31/2022**	**12/31/2021**
On year 2022	-	1.106.599
On year 2023	3.741.149	660.134
On year 2024	2.026.301	-
Total	**5.767.450**	**1.766.733**

This fee is considered risk free. The schedule presented does not include the interest to be incurred.

11 Property, Plant and Equipment

	Capital Work-in-Progress	Freehold Land	Buildings	Plant and Equipment	Furniture and Fixtures	Total
Cost of fixed assets						
On december 31, 2020	**1.709.417**	**263.000**	**5.273.554**	**18.063.612**	**1.847.813**	**27.157.396**
Additions	423.053	-	-	538.042	9.856	970.951
Write-offs	-	-	-	-	-	-
Transfers	(752.709)	-	-	752.709	-	-
On december 31, 2021	**1.379.761**	**263.000**	**5.273.554**	**19.354.363**	**1.857.669**	**28.128.347**
Additions	50.048	-		881.488	-	931.536
Write-offs	-	-	(490.218)	(82.766)	(97.734)	(670.718)
Transfers	(34.889)	-	-	34.889	-	-
On december 31, 2022	**1.394.920**	**263.000**	**4.783.336**	**20.187.974**	**1.759.935**	**28.389.165**

	Capital Work-in-Progress	Freehold Land	Buildings	Plant and Equipment	Furniture and Fixtures	Total
Accumulated depreciation						
On december 31, 2020	**-**	**-**	**(2.401.279)**	**(12.292.211)**	**(1.392.363)**	**(16.085.853)**
Additions	-	-	(303.357)	(1.207.611)	(73.361)	(1.584.329)
Write-offs	-	-	-	-	-	-
Transfers	-	-	-	-	-	-
On december 31, 2021	**-**	**-**	**(2.704.636)**	**(13.499.822)**	**(1.465.724)**	**(17.670.182)**
Additions	-	-	(303.356)	(1.235.611)	(62.018)	(1.600.985)
Write-offs	-	-	490.218	82.766	94.793	667.777
Transfers	-	-	-	-	-	-
On december 31, 2022	**-**	**-**	**(2.517.774)**	**(14.652.667)**	**(1.432.949)**	**(18.603.390)**
Net in 2021	**1.379.761**	**263.000**	**2.568.918**	**5.854.541**	**391.945**	**10.458.165**
Net in 2022	**1.394.920**	**263.000**	**2.265.562**	**5.535.307**	**326.986**	**9.785.775**

12 INTANGIBLE

	Defined useful life	Indefinite useful life			
	Softwares	GoodWill	Brands	Technical Brands	Total
Intangible cost					
On december 31, 2020	**3.904.923**	**36.724.675**	**1.552.941**	**2.345.437**	**44.527.976**
On december 31, 2021	**3.904.923**	**36.724.675**	**1.552.941**	**2.345.437**	**44.527.976**
Additions	-	-	-	-	-
Write-offs	-	-	-	-	-
On december 31, 2022	**3.904.923**	**36.724.675**	**1.552.941**	**2.345.437**	**44.527.976**

	Softwares	GoodWill	Brands	Technical Brands	Total
Accumulated amortization					
On december 31, 2020	**(1.322.566)**	**-**	**(52.941)**	**-**	**(1.375.507)**
Amortization	(531.402)				**(531.402)**
On december 31, 2021	**(1.853.968)**	**-**	**(52.941)**	**-**	**(1.906.909)**
Amortization	(531.156)			-	**(531.156)**
On december 31, 2022	**(2.385.124)**	**-**	**(52.941)**	**-**	**(2.438.065)**

	Intangible Cost	(-) Accumulated	Net
On december 31, 2020	**44.527.976**	**(1.375.507)**	**43.152.469**
Additions		(531.402)	**(531.402)**
On december 31, 2021	**44.527.976**	**(1.906.909)**	**42.621.067**
Additions		(531.156)	**(531.156)**
On december 31, 2022	**44.527.976**	**(2.438.065)**	**42.089.911**

The Goodwill is tested annually for ("impairment"), considering the economic basis on which the Goodwill was acquired (future profitability). Goodwill is allocated to Cash-Generating Units (CGUs), identified according to the operating segment (Generics and Brands). The recoverable amount of a CGU is determined based on calculations of the value in use. These calculations use cash flow projections, before income tax and social contribution, based on financial budgets approved by management for a period of five years, being extrapolated to another five years, according to the estimated rate of growth. The growth rate does not exceed the average long-term growth rate of the sector in which the Company currently operates.

13 SUPPLIERS AND OTHER PAYABLES

	12/31/2022	12/31/2021
Related parties (note 14)	62.223.074	49.441.844
National suppliers	2.419.999	2.387.502
Foreign suppliers	2.195.039	1.037.973
Other accounts payable	6.168.527	4.855.467
Total	**73.006.638**	**57.722.787**

14 RELATED PARTY TRANSACTIONS

Zydus Lifesciences Limited (formerly known as Cadila Healthcare Limited)

	12/31/2022	12/31/2021
Other non-current assets (i) - note 7	2.025.464	714.711
Suppliers - note 13	62.223.074	49.441.844
Purchases in the period	52.242.487	62.566.286

(i) Credits related to goods from Zydus Lifesciences Limited

Remuneration of Management Personnel

The total compensation of the company's managers is composed of fixed compensation, which includes salaries and social security contributions.

During 2022 and 2021, there was no compensation linked to post-employment benefits, employment termination benefits, other long-term benefits or share-based compensation.

15 OTHER LIABILITIES

	12/31/2022	12/31/2021
Tax	6.647.593	4.576.446
Provision for vacation	3.489.989	3.080.587
Performace obligation	11.864.782	2.680.335
Restitution obligation	888.822	834.426
Total	**22.891.186**	**11.171.794**

The opening balance of the Performance Obligation was fully recognized in Revenue for the current Year. Management estimates that the liabilities related to the performance obligation will be fully recognized in income in the 2023 fiscal year.

The restitution obligation refers to the right of customers to return purchased products. At the time of sale, a refund obligation and the corresponding revenue adjustment are recognized for products that are expected to be returned.

16 PROVISIONS

The Company is a party to lawsuits and administrative proceedings before various courts and government agencies, arising from the course of its operations, involving labor issues, civil aspects and other matters. Based on the information provided by its legal advisors, on the analysis of the pending lawsuits and, regarding labor claims, on the previous experience of the percentage of loss in relation to the amounts claimed, it constituted the constant provision below. Management considers its amount sufficient to cover the probable estimated losses from the lawsuits in progress.

Changes in the provision for civil, tax and labor risks:

	12/31/2022	12/31/2021
Provisions - Labor		
Opening balance	5.481.248	7.573.490
(+) Additions	2.060.000	2.299.302
(-) Reversals and payments	-	(4.391.544)
Total	**7.541.248**	**5.481.248**

17 SHARE CAPITAL

The Company's share capital, fully subscribed and paid in, in the amount of in Real (BRL) 224,221,404.00 (224,221,404.00 in 2021), is represented by 224,221,404 (224,221,404 in 2021) registered shares, with a nominal value of Real (BRL) 1.00 each, as follows:

	12/31/2022	12/31/2021
Zydus Netherland B.V.	224.220.834	224.220.834
Zydus France	570	570
Total	**224.221.404**	**224.221.404**

18 TAX INCENTIVE RESERVE

The company have a tax incentive from the Government of the State of Espírito Santo, having a tax reduction called ICMS, since january 2020.

	12/31/2022	12/31/2021
Movement of the tax incentive		
Opening balance	17.332.479	6.989.847
(+) Tax reduction denominated ICMS (i)	12.396.752	10.342.632
Ending balance	**29.729.231**	**17.332.479**

(i) In accordance with Brazilian Accounting Standards (CPC 07), this incentive must be recognized in the income statement (Net Income - No. 19) and control in a specific Shareholders' Equity account is required, until its effective realization, which must occur in accordance with the rules imposed by Brazilian legislation.

19 REVENUE

	12/31/2022	12/31/2021
Gross revenue	402.924.556	412.594.574
Returns and discounts	(215.357.236)	(216.594.825)
Tax incentive - Note 18	12.396.752	10.342.632
Sales taxes	(33.310.079)	(31.850.423)
Net revenue	**166.653.993**	**174.491.958**

20 EXPENSES

The Company presented the income statement using a classification of expenses based on their function. Information on the nature of these expenses recognized in the income statement is presented below:

	12/31/2022	12/31/2021
Cost of products sold		
Raw materials, packaging and goods for resale	81.789.686	86.073.547
Materials and energy	3.354.067	2.859.300
Personal expenses	6.982.596	6.245.723
Depreciation and amortization	1.048.188	1.022.202
Others	2.508.543	2.540.061
Total	**95.683.080**	**98.740.832**
Administrative and selling expenses		
Material analysis	2.055.366	2.490.044
Commissions and incentives	2.881.476	3.599.986
Depreciation and amortization	3.184.000	3.238.388
Freight on sale	4.149.383	3.692.154
Property lease	228.107	800.398
Marketing Expenses	9.645.885	6.932.428
Equipment rental	346.031	352.115
Vehicle rental - not related to the right of use	1.409.822	618.060
Maintenance of software	2.437.311	2.874.314
Maintenance	814.899	247.644
Scientific research	167.008	1.719.710
Personal expenses	43.671.083	38.925.737
Third party services	7.690.604	6.977.587
Travel expenses	3.114.310	781.595
Other expenses	7.004.539	5.734.698
Total	**88.799.826**	**78.984.855**

21 OTHER (EXPENSES) REVENUE

	12/31/2022	12/31/2021
Labor causes	(2.123.903)	(4.358.687)
Eventual revenue	4.175.528	2.332.451
Other	147.018	377.102
Total	**2.198.643**	**(1.649.134)**

In eventual revenue include licenses for the use of brands assigned to customers.

22 FINANCIAL RESULT

Financial expenses:	12/31/2022	12/31/2021
Bank fees	(84.194)	(106.245)
Financial discounts	(151.640)	(2.001)
Interest on lease	(381.301)	(289.956)
Tax financial operations*	(3.871)	(299.311)
Financial charge	(151.743)	(53.955)
Monetary variation	-	(76.230)
Other financial expenses	(6.897)	(5.300)
Total	**(779.646)**	**(832.998)**
Financial income:		
Interest	29.983	101.350
Interest from financial investments	283.657	348.732
Total	**313.640**	**450.082**
Financial result	**(466.006)**	**(382.916)**

* Refer to capital share increase

23 INCOME TAX

(Loss) / Profit before taxes	**(13.949.830)**	**(16.665.453)**
Tax effect of non-deductible expenses	47.752.981	37.406.324
Non-taxable income in determining the real profit	(15.554.547)	(15.107.997)
Tax Profit / (Loss)	**18.248.604**	**5.632.874**
Tax Loss Compensation - Tax rule (only 30%)	5.474.581	1.689.862
Total Base	**12.774.023**	**3.943.012**
Effective tax rate	32,91%	31,94%
Expenses with Income Tax and Social Contribution	**(4.203.363)**	**(1.259.288)**

24 INSURANCE

The Company maintains insurance for certain fixed assets, as well as civil responsability and other contractual guarantees. The summary of policies in effect at December 31, 2022 is as follows:

Object	Insured Amount	Validity
Products, building and content	161.669.454	08/2022 a 08/2023
Civil responsability	1.620.000	02/2022 a 02/2023

25 SUBSEQUENT EVENTS

There are no facts or transactions that under IAS 10 - Subsequent Events have an impact on the financial statements.