



Sun Farmacêutica do Brasil Ltda.
A Sun Pharma Company

Financial statements as of
31 March 2023 and 2022

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INDEPENDENT AUDITORS' REPORT

To
The Quotaholders and Executive Board of
SUN Farmacêutica do Brasil Ltda.
Goiânia - GO

Opinion

1. We have examined the financial statements of **SUN Farmacêutica do Brasil Ltda.**, which comprise the balance sheet as of March 31, 2023 and the respective statements of operations, changes in quotaholders' equity and cash flows for the year then ended, and other accompanying notes to the financial statements and a summary of significant accounting practices.

2. In our opinion, financial statements referred in paragraph above *represent fairly*, in all material respects, the financial position of **SUN Farmacêutica do Brasil Ltda.** as of March 31, 2023, the performance of its operations and its cash flows for the year then ended, in accordance with accounting practices adopted in Brazil.

Base for Opinion

3. Our audit was conducted in accordance with Brazilian and international standards on auditing. Our responsibilities, in accordance with these standards, are described in the following section, "Auditor's responsibility for the audit of the financial statements". We are independent in relation to the Company, according to the relevant ethical principles established in the Accountants' Professional Code of Ethics and the professional standards issued by the Federal Accounting Council, and we comply with the other ethical responsibilities according to these standards. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Emphasis

4. During the year ended March 31, 2023, the Company had an unsecured liability scenario over assets of BRL 174,838 (BRL 156,176 in 2022). These financial statements have been prepared under the assumption that the Company will continue as a going concern. The Company's management has no intention of discontinuing its operations and, therefore, the financial statements do not include any adjustments to Asset or Liability accounts that might be required in the event of discontinuation of operations. As a mitigating circumstance, therefore, out of the total current and non-current liabilities, BRL 415,481, are borrowings and supplies taken from controlling shareholders or related parties, and the rest of the liabilities with third parties is perfectly supported by current factor liquidity index at 12,19.

5. We draw attention to NE n°. 05 and 21, which presents within the balance of Customers and Other Revenues the amount of R\$ 34,731 thousand of intercompany expense allocation, resulting from the policy of transferring expenses between Brazilian companies, which until the year ended March 31, 2022 did not exist. The expense transfer policy impacted balances for the year ended March 31, 2023, and the estimated balance for comparative purposes with the previous year was informed in the aforementioned explanatory note.



Management's responsibility and governance for the financial statements

6. The Company's management is responsible for the preparation and adequate presentation of the financial statements in accordance with the accounting practices adopted in Brazil, and the internal controls it deemed necessary to enable the preparation of these financial statements free of material misstatements, regardless of whether caused by fraud or error.

7. In the preparation of the financial statements, management is responsible for evaluating the Company's ability to continue as a going concern, disclosing, when applicable issues related to the continuity of its operations and the use of this accounting base in the preparation of the financial statements, unless management has decided to settle the Company or to discontinue its operations, or does not have any realistic alternative to prevent the discontinuance of operations.

8. The ones responsible for the Company's governance are those with responsibility for overseeing the process of preparation of the financial statements.

Auditor's responsibilities for the audit of the financial statements

9. Our purposes 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 to issue audit report containing our opinion. Reasonable assurance is a high level of assurance, but not a guarantee that an audit conducted according to the Brazilian and international auditing standards will always detect any material misstatements. The misstatements may result from fraud or error and are considered relevant when, individually or in conjunction, they may affect, from a reasonable standpoint, economic decisions of the users based on such financial statements.

10. As part of an audit conducted according to the Brazilian and international auditing standards, we exercise professional judgment, and maintain professional skepticism during the audit. In addition:

- We identify and evaluate the risks of material misstatements in the financial statements, whether due to fraud or error, plan and perform audit procedures in response to such risks, as well as obtain appropriate and sufficient audit evidence to base our opinion. The risk of not detecting material misstatement caused by fraud is higher than that caused by error, since fraud may involve the act of deceiving the internal controls, collusion, forgery, omission or intentional misrepresentations.
- We obtained understanding of the internal controls relevant to audit in order to plan audit procedures appropriate to the circumstances, but not with the aim to express opinion on the effectiveness of the internal controls of the Company.
- We evaluated the fairness of the accounting policies used and the reasonableness of the accounting estimates and respective disclosures made by management.
- We take conclusion on the adequacy of adoption by management of the accounting basis of the ability to continue as going concern, and, based on the obtained audit evidences, whether there is a significant uncertainty in relation to Company's ability to continue as going concern. If we conclude that there is a significant uncertainty, we shall call attention in our audit report to the respective disclosures in the financial statements or include a modification in our opinion, if the disclosures are inadequate. Our conclusions are based on audit evidences obtained to the date of our report. However, future events or conditions may cause the Company not to continue as going concern.



- We evaluate the general presentation, structure and content of the financial statements, including disclosures and if the financial statements represent the corresponding transactions and events in compliance with the purpose of fair presentation.

11. We communicate with those responsible for governance with respect to, among other aspects, the planned scope, time of the audit and significant audit findings, including possible material weaknesses in internal controls identified by us during our work.

São Paulo, May 8 2023.



CRC-SP nº 2SP021055/O-1

Paulo Cesar R. Peppe
Accountant CRC-SP nº 1SP095009/O-5

Hélio Márcio Rodrigues Gomes
Accountant CRC-SP nº 1SP195873/O-2



SUN Farmacêutica do Brasil Ltda.
Financial statement as of
31 March 2023 and 2022

Sun Farmaceutica do Brasil Ltda.

Balance sheet as at 31st March 2023 and 31st March 2022

(In Thousands of Brazilian Reais)

Asset	Note	31/Mar-2023	31/Mar-2022	Liability	Note	31/Mar-2023	31/Mar-2022
Current				Current			
Cash and cash equivalents	4	6.480	451	Suppliers	10	229.760	60.471
Other investments	4	48.939	15.884	Taxes and contributions payable	11	2.020	1.811
Accounts receivables from customers	5	75.377	17.606	Salaries and holiday payable	12	2.526	2.721
Inventories	6	107.543	50.339	Other provision	13	9.219	8.288
Current tax assets	7	12.742	914	Other accounts payable	14	5.825	639
Other accounts receivable	8	2.892	594	Income Tax Payable	11	0	2.314
Total of current assets		253.973	85.788	Total of current liabilities		249.350	76.244
Non-current				Non-current			
Fixed assets	9	7.438	7.439	Provision for contingencies	15	612	(29)
Intangible Assets		72	90	Lease rental Agreement - Office and Vehicles		88	83
Total of non-current assets		7.510	7.529	Loans	16	185.721	173.196
				Total of non-current liabilities		186.421	173.249
				Net Equity			
				Share Capital	17	5.573	5.573
				Accumulated losses		(179.862)	(161.749)
				Total of net equity		(174.289)	(156.176)
Total of assets		261.483	93.317	Total of liabilities and net equity		261.483	93.317

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



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Sun Farmaceutica do Brasil Ltda.

Statements of Income

Financial Years ended as of 31st March 2023 and 31st March 2022

(In thousands of Brazilian Reais)

	<u>Note</u>	<u>31/Mar-2023</u>	<u>31/Mar-2022</u>
Operating Revenue	18	212,667	179,858
Cost of goods sold and services rendered		<u>(185,555)</u>	<u>(127,152)</u>
Gross Profit		27,112	52,706
Operating expenses			
Sales	19	(4,309)	(3,814)
Administrative and General expenses	20	(55,210)	(41,551)
Other operating (expenses) income	21	<u>36,173</u>	<u>1,752</u>
Earnings before net financial (expenses) revenue and taxes		3,767	9,094
Financial expenses	22	(13,948)	36,526
Financial revenues	22	<u>5,145</u>	<u>3,962</u>
Net financial (expenses) revenue		<u>(8,803)</u>	<u>40,488</u>
Results before taxes		(5,036)	49,581
Income tax and social contribution		(13,626)	(8,970)
Current IRPJ		(9,665)	(6,590)
Current CSSL		(3,961)	(2,380)
Deferred			
Income for the fiscal year		<u>(18,663)</u>	<u>40,611</u>

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



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Sun Farmaceutica do Brasil Ltda.
Statements of changes in stockholders' equity
Financial Years ended as of 31st March 2023 and 31st March 2022
(In thousands of Brazilian Reais)

	Share Capital	Accumulated losses	Total
Balance as of 31 of March de 2020	5,573	(189,642)	(184,069)
Results for the period	-	(12,721)	(12,721)
Balance as of 31 of March de 2021	5,573	(202,364)	(196,791)
Results for the period	-	3	3
Correction of past period results	-	40,611	40,611
Balance as of 31 of March de 2022	5,573	(161,749)	(156,176)
Results for the period	-	(18,663)	(18,663)
Balance as of 31 of March de 2022	5,573	(180,412)	(174,838)

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



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Sun Farmaceutica do Brasil Ltda.
Statement of Cash Flows - Indirect method
Financial Years ended as of 31st March 2023 and 31st March 2022
(In thousands of Brazilian Reais)

	Note	31/Mar-2023	31/Mar-2022
Cash flows from operating activities			
Profit and (losses) before taxes		(5,036)	49,581
Adjustments for:			
Depreciation		1,329	1,165
Amortization		41	38
Impairment Test Adjustment		20	(2,312)
Rental lease agreement - Vehicles and Office		7	(53)
Provision for contingencies		642	(29)
Provision for doubtful receivables		(110)	(458)
Provision for inventory devaluation		2,768	2,946
Other provision		6,723	8,030
Unrealized exchange rate variation		12,524	(37,102)
Result on fixed assets retirement		777	1,736
Ajuste de exercicios anteriores		-	3
Tax benetit - refund		-	(6)
		<u>19,684</u>	<u>23,538</u>
(Increase) decrease in assets and and liabilities			
Accounts receivables from customers		(57,661)	(3,149)
Inventories		(59,973)	(9,846)
Current tax assets		(11,828)	2,445
Other accounts receivables		(2,298)	(308)
Salaries and charges payable		(2,106)	3,462
Suppliers		(195)	166
Other Provisions to payable		169,289	(19,208)
Other accounts payable		(5,265)	(4,997)
		<u>5,186</u>	<u>(694)</u>
		<u>35,150</u>	<u>(32,128)</u>
		<u>54,834</u>	<u>(8,591)</u>
Cash from operations		<u>54,834</u>	<u>(8,591)</u>
Income tax and social contribution paid in the fiscal year		(13,626)	(8,970)
Net cash from operating activities		<u>41,208</u>	<u>(17,562)</u>
Cash flows from investments and financing activities			
Acquisition of fixed assets	9	(2,124)	(1,078)
Net cash used in investments and financing activities		<u>(2,124)</u>	<u>(1,078)</u>
Increase in cash and cash equivalentes		<u>39,084</u>	<u>(18,639)</u>
Statement of cash and cash equivalentes reduction			
At the beginning of the fiscal year		16,335	34,973
At the end of the fiscal year	4	55,419	16,335
		<u>39,084</u>	<u>(18,639)</u>

The accompanying notes are na integral part of these financial statements.



SUN Farmacêutica do Brasil Ltda.
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Explanatory notes to financial statements *(In thousands of Brazilian Reais)*

1 - *Operating context*

SUN Farmacêutica do Brasil Ltda., founded on April 10, 2002, has its head office in the city of Goiânia - State of Goiás. Its corporate purpose is import, export and trade of pharmaceutical products in general, as well as the import, export and distribution of pharmaceutical supplies, medical devices and similar goods.

The company has a branch in the city of São Paulo - State of São Paulo, with the corporate purpose of administrative office. The company has opened another branch in the state of Rio de Janeiro for warehousing activity.

1.1 - *Management plan for 2023 and 2022*

The balance sheet ended as of 31 March 2022 has a negative net worth of BRL 174.838 Mn.

Management believes that the amounts will be reversed in the coming years with the launch of new business units and Hi specialty products.

In addition, 9 new drugs are being processed by the Health Regulatory Agency, whose studies reveal that with the approvals, we will create new business units and the company will reverse the accumulated loss in the coming years.

2 - *Presentation of the Financial Statements*

The financial statements were prepared in accordance with accounting practices adopted in Brazil and comprise the period from April to March, having their issue authorized by the Board on 28th April, 2023.

The Company adopts the Law no. 6.404/76 and its amendments introduced by Law no. 11.638/07, which modified, revoked and introduced new provisions to the Brazilian Companies Law.

The aforementioned law aimed, mainly, to update the Brazilian corporate law to allow the process of convergence of accounting practices adopted in Brazil with those comprised in the International Financial Accounting Standards (IFRS).

2.1 *Functional currency and presentation currency*

The financial statements are presented in Brazilian Real, which is the functional currency of the Company. All financial information presented in Real have been rounded up to the nearest thousands, except where indicated otherwise.



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2.2 Use of estimates and judgments

The preparation of financial statements in accordance with the accounting practices adopted in Brazil requires that the Management of the Company to make judgments, estimates and assumptions that affect the application of accounting policies and the reported values of assets, liabilities, revenues and expenses. Actual results could differ from those estimates.

Estimates and assumptions are reviewed in a continuous way. Revisions with respect to accounting estimates are recognized in the period in which the estimates are revised and in any future periods affected.

The information on assumptions and estimates that have a significant risk of result in material adjusting within the next few years are included in the following explanatory notes:

- Note 5 - Provision for doubtful receivables
- Note 6 - Provision for inventory obsolescence
- Note 8 - Review of the of the fixed asset useful life
- Note 13 - Provision for contingencies

3 Summary of Significant Accounting Policies

a. Determination of Net Income

Net income of operations of the company are established in accordance with the accounting of competence of exercises, which covers the period from April to March of each year.

Operating revenues from the sale of products, as well as costs and expenses are recognized in the outcome as a function of its implementation, i.e., when there is convincing evidence that the risks and benefits more significant and inherent to ownership have been transferred to the purchaser.

b. Cash and cash equivalents

Cash and cash equivalents include cash in hand, balances in current bank accounts and financial investments of high liquidity. The financial investments are recorded at cost, plus income earned during the financial year, duly regulated by the central bank of Brazil.

c. Accounts receivable from customers

Accounts receivable from customers are initially recorded by the invoiced value, including their direct taxes, tax liability of the Company, minus the taxes withheld at source, of which are considered as tax credits.

The provision for credit losses was made at an amount considered sufficient by the Management to compensate for any losses on the realization of the credits earned more than 12 months and or when identified the inability of recovery.

As provided in the CPC12, adjustment to the present value was not registered by virtue of not having material effect on the financial statements.

d. Inventories

Inventories are stated on the basis of historic cost of acquisition and production, plus expenses relating to transport, storage and non-recoverable taxes. In the case of industrialized products, under elaboration and finished, the inventory includes the manufacturing overheads based on the normal capacity of production. The cost is determined by the weighted average cost. The values of inventories recorded does not exceed the net value of realization. The net realization value, which



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corresponds to the estimated selling price in the ordinary course of business, less the actual costs of completion and those necessary to make the sale.

Physical verification of stock was carried out at the end of March, and as per past trends, no significant variations were found.

e. Fixed asset

• **Fixed assets**

Items of fixed asset (property, plant and equipment) are measured at historic cost of acquisition or construction, less accumulated depreciation and loss of reduction to the recoverable amount (impairment), if applicable.

The cost includes expenditure that is directly attributable to the acquisition of an asset. The cost of assets constructed by the company itself includes the cost of materials and labor, other direct costs to place the asset in the location and condition necessary for these to be capable of operating in the manner sought by the management, the costs of dismantling and restoration of the site where these assets are located.

The improvement in third parties' properties are amortized in accordance with the duration of the lease contract.

Gains and losses on disposal of an item of property, plant and equipment are calculated by comparison between the resources deriving from disposal with the carrying amount of property and are recognized net inside of other revenues in the result.

Other costs are capitalized only when there is an increase in the economic benefits of the item of fixed asset. Any other type of expense is recognized in the result as an expense when incurred.

• **Depreciation**

Depreciation is calculated on the depreciable value, which is the cost of an asset, or other substitute value of the cost minus the residual value.

Depreciation is recognized in the results based on the straight-line method over the estimated useful lives of each part of an item of the fixed asset, since this method is the one that closely reflects the pattern of consumption of future economic benefits embodied in the asset. Lands are not depreciated.

The estimated useful lives are as follows:

	Years
Machines and equipment	14
Furniture and utensils	12
IT equipment	10
Vehicles	12
Improvement in third parties' property	5

The depreciation methods were reviewed, and new rates may adopted, at each closing of the financial year and any adjustments recognized as changes in accounting estimates.

• **Intangible Assets**

It is valued at cost of acquisition, less accumulated depreciation and losses by reducing the recoverable amount, when applicable.

The intangible asset of the company has defined life, composed by software. The record of depreciation is done in the demonstration of the income statement of the fiscal year, under the



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heading "Depreciation and amortization".

The estimated useful life for the current fiscal and year is:	Years
Software	10

- **Reduction in the recoverable value of assets**

According to NBC TG 01 (R4) – Impairment of Assets – Related to IAS 36.

Aims to ensure that the assets are not recorded accounted for a higher value than the one that can be recovered in time for use of the company's operations or its eventual sale.

f. Leasing Operation

In line with the pronouncement of the new Accounting Standard on Leasing, through CPC 06 (R2) and in India (Where Sun's headquarters are located) from April 1, 2019 through Ind AS 116. It establishes principles for the recognition and measurement of leases, the purpose of which is to ensure relevant information that faithfully represents these transactions.

As part of a Big group, as of April 1, 2019, Sun Farmacêutica do Brasil Ltda. adhered to the referred norm, and began to treat the property rental according to its requirements. The company started to present its Assets - Right of Use (Net Present Value of the Lease Agreement) and its Lease Liabilities (Net Present Value of the Lease Payable, updated by interest). The Right of Use is amortized over the term of the contract and its effects are reflected in the result.

g. Current and non-current liabilities

The current and non-current liabilities are demonstrated by the known or calculated estimated plus, when applicable the corresponding charges, monetary variations and/or exchange rate incurred up to the date of the balance sheet.

h. Short-term benefits to employees

Obligations of short-term benefits to employees are measured on an undiscounted basis and are incurred as expenses as the related service is provided.

Provision was made for the payment of bonuses on individual performance and was recognized by the amount expected to be paid under the plans of bonuses on money or participation in profits in the short term if the company has a legal or constructive obligation to pay this value in function of past service rendered by the employee, and the obligation can be estimated reliably.

i. Loans and Financing

The financial charges and the monetary indexations of the loans are accounted for on the basis of the period elapsing, being established in accordance with the terms of the contracts. Composed mainly by contracts aiming at the expansion of production capacity, as well as modernization, as well as to meet working capital needs.

j. Provisions

A provision is recognized in the balance sheet when the company has an obligation or as a result of a past event, and it is probable that an economic resource will be required to settle the obligation. Provisions are recorded taking as a basis the best estimates of the risk involved.



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k. Income tax and social contribution

The fiscal year for calculation of income tax is determined by law, and comprises the period counting from January to December, unlike the corporate year depicted in the financial statements, which comprises the period from April to March.

The income tax and social contribution of current and deferred charges are calculated on the basis of rates of 15%, plus an additional 10% on the taxable profit surplus of BRL 240 for income tax and 9% on taxable profit for social contribution on net profits and consider the offsetting of tax losses and negative social contribution base, limited to 30% of the real profit.

The current tax is the tax payable or receivable expected on the taxable profit or loss for the year, the tax rates enacted or substantively enacted at the date of presentation of the financial statements and any adjustment to tax payable in relation to previous years.

The Company does not recognize the Income Tax and Social Contribution, of deferred tax assets on tax loss and negative base of social contribution, and also on temporary differences between the tax base of assets and liabilities and their respective accounting value. The deferred active Income Tax and Social Contribution are recognized based on the expected generation of future taxable profits. Deferred tax is measured by the tax rates that are expected to be applied to temporary differences when they reverse, based on laws that have been enacted or substantively enacted by the date of presentation of the financial statements.

The Company does not have any value recorded with respect to income tax and social contribution deferred during the fiscal year, due to expected generation of future taxable profits.

l. Financial Instruments

The financial instruments are only recognized as from the date on which the company becomes part of the contractual provisions of the financial instruments. When recognized, are initially recorded at its fair value plus transaction costs that are directly attributable to the acquisition or contracting. On 31 March 2022, the accounting value of the financial instruments of the company, represented mainly by cash, accounts receivable, accounts payable to suppliers and loans with financial institutions and related companies were equivalent to its market value. The company does not use financial instruments in exchange operations of indices (SWAP) or involving operations in the form of derivatives risk. Other Assets and Liabilities

An asset is recognized in the balance sheet when it is probable that future economic benefits will be generated in favor of the company and its cost or value can be measured with security.

The current and non-current liabilities are demonstrated by the known or calculated values plus, when applicable the corresponding charges and monetary variations incurred up to the date of the balance sheet.

Provisions are recorded taking as a basis the best estimates of the risk involved. The financial statements therefore include various estimates based on objective and subjective factors, based on the judgment of the management for the determination of appropriate values to be recorded. The settlement of transactions involving these estimates may result in divergent values of the recorded in the financial statements due to the inaccuracies inherent to the process of determining them, for which reason the management periodically revise such estimates and assumptions.

Estimates and assumptions are used in the selection of the useful lives of the assets, for the constitution of adjustment for the possible risk of not carrying out their accounts receivable, as well as in the analysis of other risks for the determination of other provisions, including the contingent liabilities and other similar, in addition to the valuation of financial instruments and other assets and liabilities on the balance sheet date.



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The realizable rights and obligations are classified as Current when their realization or settlement occur within twelve months following the date of presentation of the financial statements. Otherwise, they are shown as Non-current.

4 *Cash and cash equivalents*

	<u>2023</u>	<u>2022</u>
Cash	8	3
Banks	6.471	448
Other investments (Short Investments)	48.939	15.884
Total	<u>55.419</u>	<u>16.335</u>

The variation of cash and cash equivalents is directly linked to the payments made during the year, to SPIL, towards import purchase invoices for finished goods.

5 *Accounts receivable from customers*

Accounts receivable from customers are initially recorded by the invoiced value, including their direct taxes, tax liability of the Company, minus the taxes withheld at source, of which are considered as tax credits.

The provision for credit losses was made at an amount considered sufficient by the Management to compensate for any losses on the realization of the credits earned more than 12 months and or when identified the inability of recovery.

The adjustment related to the recognition of revenue, are due to orders that were invoiced, dispatched and that on 31 March 2023, had not been received by customers.

	<u>2.023</u>	<u>2022</u>
Accounts receivable (a)	53.841	24.456
Other accounts receivable	2.097	488
(-) Provision f/ doubtful settlement Credits	-895	-1.005
(-) Revenue adjustment recognition	-14.397	-6.333
Debit note (b)	34.731	0
Total	<u>75.377</u>	<u>17.606</u>

- a) Accounts receivable increase is due to the launch of the new product Nintedanib / Nidhi product, and increase in credit period for some major customers.
- b) In 2022-23 we started the practice of cross-charge by issuance of a Debit Note to reallocate expenses between Sun Farmacêutica and Ranbaxy Farmaceutica (same economic group), aiming at a better representation of the entities' operating results. This amount is composed of Ranbaxy drug analysis expenses by Sun's laboratory, in addition to direct and indirect marketing and administrative expenses. Direct allocation was based on batches released by Sun's lab, and expenses incurred for the the Retail segment selling Ranbaxy products. Indirect allocation was by the proportion of sales of the two companies. The amount allocated between the entities is accounted for at Sun in the asset and income account and at Ranbaxy in the liability and administrative & general expense account, both amounting to BRL 34,731 thousand. Considering the comparability of the period, the effects were not passed on in previous years, but if they were, the estimated value would be BRL 25,236 thousand.



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On 31/03/23 the total gross value of accounts receivable by the company, distributed by maturity dates are as follows:

<u>Not yet due</u>	<u>BRL</u>
Within 30 days	19.797
From 31 to 60 days	18.860
From 61 to 90 days	8.477
From 91 days	5.787
Subtotal	<u>52.920</u>
 <u>Overdue</u>	 <u>BRL</u>
From 91 to 180 days	27
Over 365 days	895
Subtotal	<u>921</u>
Total	<u>53.841</u>

6 Inventories

	<u>2023</u>	<u>2022</u>
Products for Resale	55.861	30.179
Adjust Revenue Recognition -Cogs	9.828	4.711
Raw material	6	2
Packaging materials	83	49
Goods in transit – Goods	48.972	19.685
Customs Broker	727	286
Others	305	190
(-) Adjustment Net Val of Realization	-2.422	-1.311
(-) Adjustment Recoverable Val. Est. Obsolete (a)	-5.818	-3.452
Total	<u>107.543</u>	<u>50.339</u>

The balance figured in the accounts identified above as (a) - shelf life of inventories, to mature in the next 1 year and non-moving for more than 1 year, management has made the adjustment and awaits the approval of Regulatory Health Agency for them to be destroyed.

Physical inventory count was carried out in the beginning of Apr'23, here were no major variations in these counts, and we have not identified any risk regarding the numbers reported here.

The variation in stock in transit was due to the increase in the portfolio and expected sales volumes, and the revised import purchase price from the parent company.

The Net Realization Value had the inclusion in its base, inventory corresponding to the revenue recognition adjustment and the in transit stock for the recognition of the provision.

7 Current tax asset

	<u>2023</u>	<u>2022</u>
ICMS on Purchase (a)	1.417	0
VAT on fixed assets	38	79
TDS recoverable	481	616
Advance Tax CSSL (b)	2.768	93
Advance Tax IRPJ (b)	7.025	125
Other tax recoverable	1.011	0
Total	<u>12.742</u>	<u>914</u>



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- a) The company has, since 28th April, 2021, TARE 01-1070/2021-GSE, by which ICMS is paid only when the goods exit.
- b) IRPJ and CSLL in advance were paid based on the estimated result, of profit in January and February 2023, however set-off by a higher loss in March 2023.

8 Other Accounts Receivable

	<u>2023</u>	<u>2022</u>
Other Accounts Receivable	2.892	593
Total	<u>2.892</u>	<u>593</u>

The Balance of this account is composed of salary advances, advances to employees for reimbursements based on Pay track expenses, and imports in transit.

9 Fixed assets

The company has conducted tests of impairment in all its assets and found losses by devaluation. Another change is the adoption of CPC 06, which as of April 2019, the company began to present its Assets - Right of Use (Net Present Value of the Lease Contract) and its Lease Liabilities (Net Present Value of the Lease Payable, restated by interest). The Right of Use is amortized over the term of the contract and its effects are reflected in the result.

Fixed Assets		2023			2022
Descriptions	Annual Rate	Gross Book	(-) Accumulated Depreciation	Total	Previous Year
Land		118	0	118	118
Installations	10%	839	-565	273	296
Plant and Machinery	10%	6.002	-3.632	2.370	1.545
Furniture and fixture	10%	410	-246	164	121
Computer Equipment's	20%	1.296	-873	423	400
Vehicles	8%	1.069	-355	714	563
Buildings	4%	8.098	-3.653	4.445	4.769
Tools and devices	20%	347	-317	30	35
Rental of Vehicles and Office		1.724	-1.653	71	63
CWIP		0	0	0	681
Subtotal of Fixed assets		<u>19.903</u>	<u>-11.294</u>	<u>8.609</u>	<u>8.591</u>
Impairment Test		<u>-</u>	<u>-</u>	<u>-1.172</u>	<u>-1.152</u>
Total of Fixed assets		<u>-</u>	<u>-</u>	<u>7.438</u>	<u>7.439</u>



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Movement of accounts for property, plant and equipment accounts for the period from April 1, 2022 to March 31, 2023 are as follows:

Descriptions	Useful Life	Opening Balance	(+) Income	(-) Out	Closing Balance
Land	0	118	0	0	118
Installations	10	839	0	0	839
Plant and Machinery	10	5.176	1.072	-246	6.002
Furniture and fixture	12	356	60	-5	410
Computer Equipment's	10	1.119	179	-2	1.296
Vehicles	12	914	317	-162	1.069
Buildings	25	8.098	0	0	8.098
Tools and devices	14	359	0	-12	347
Rental of Vehicles and Office	0	1.242	497	-14	1.724
CWIP	0	681	0	-681	0
Total of Fixed assets		18.901	2.124	-1.122	19.903

Movement of Depreciation

Descriptions	Annual Tax Rate	Opening Balance	(+) Income	(-) Out	Closing Balance
Installations	10%	543	23	0	565
Plant and Machinery	10%	3.631	183	-181	3.632
Furniture and fixture	10%	235	16	-5	246
Computer Equipment's	20%	719	156	-2	873
Vehicles	20%	351	141	-138	355
Buildings	4%	3.329	324	0	3.653
Tools and devices	20%	324	1	-8	317
Rental of Vehicles and Office		1.179	485	-11	1.653
Total of Fixed assets		10.310	1.329	-345	11.294

Impairment Test Evolution

Descriptions	Opening Balance	(+) Income	(-) Out	Closing Balance
Buildings	134	15	0	149
Plant and Machinery	933	47	-65	915
Furniture and fixture	37	6	0	43
Computer Equipment's	14	8	-0	21
Tools and devices	34	13	-4	43
Impairment Total (a)	1.152	89	-69	1.172

(a) As per management decision, plant in Goiania had stopped local manufacturing w.e.f. Feb 2017. The primary reasons behind this shutdown, were driven by the three following factors:

- ✓ Significantly higher investments were projected as requisites to have more economic levels of production;



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- ✓ Low capacity of plant, inefficient machineries and production lines having led to high overheads, and therefore high cost per unit, making the products being manufactured have low margins, rendering them economically unviable;
- ✓ Denial of registration for new products to be manufactured at Goiania plant, also erased the opportunity for further absorption of overheads, and rendering products manufactured here, yield reasonable margins.

10 Suppliers

	<u>2023</u>	<u>2022</u>
Intercompany - Principal	161.604	22.402
Intercompany - Exchange rate	2.247	1.535
Intercompany - TP adjustments	48.972	19.685
Intercompany - In-Transit	16.735	16.735
Intercompany - Sun Mexico	191	49
Other Suppliers	11	65
Total	<u>229.760</u>	<u>60,471</u>

The outstanding in USD to pay Sun Pharmaceutical & Sun Mexico is USD 2.094 Mn, this amount consists of triangulation purchase sale with Sun Mexico, and debit notes (net), which is related to the transfer price adjustment, required by India, the company's exposure to the risk of currency and credit related to suppliers and other accounts payable are disclosed in Note 20 section (v).

11 Taxes and contributions payable

<i>Social contributions payable</i>	<u>2023</u>	<u>2022</u>
INSS payable on payroll	496	385
INSS withheld at source	7	7
FGTS on payroll	112	88
PIS/COFINS/CSSL/ISS withheld at source	15	11
Subtotal	<u>630</u>	<u>490</u>

<i>Taxes payable</i>	<u>2023</u>	<u>2022</u>
Income tax withheld at source	392	314
ICMS on Sales	3	1.007
(-) Adjustment of ICMS on revenue recognition (a)	-592	-629
Provision for ICMS on short expiry Stock	989	587
Others	6	5
Subtotal	<u>1.390</u>	<u>1.320</u>
TOTAL	<u>2.020</u>	<u>1.811</u>

- (a) The adjustment of VAT (ICMS) is related to revenue recognition of invoices revenue that have been invoiced, dispatched and that on 31st March, had not been received by customers.



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12 Labor Cases Liability

	<u>2023</u>	<u>2022</u>
Salaries	0	643
13th Salary and Tax Provision	437	305
Vacation and Tax Provision	2.089	1.773
Total	<u>2.526</u>	<u>2.721</u>

13 Other Provisions

	<u>2022</u>	<u>2022</u>
Provisions for returns	3.045	2.572
Provision for Promotional Expenses	38	0
Provision for Selling expenses (a)	4.149	2.355
Bonus on performance\provision for Termination, payable	1.775	2.240
Administrative services payable	762	1.157
Income Tax provision	0	2.314
Total	<u>9.768</u>	<u>10.602</u>

- a) The increase in Provision for Selling Expenses is on account of additional discount given to distributors for sale of Nintedanib /Nidhi, in order to guarantee their assured margins.

14 Other Accounts Payables

	<u>2023</u>	<u>2022</u>
Accounts Payables – Services	839	626
Advances received from customers	5.161	58
Freight – Revenue Recognition Adjustment	-176	-45
Total	<u>5.825</u>	<u>639</u>

15 Contingencies

The company is a defendant in lawsuits and administrative proceedings before various courts and governmental bodies, arising from the normal course of operations, involving tax, labor, civil aspects and other matters.

Based on information from the legal advisors, analysis of lawsuits pending and, regarding labor actions, management did not constitute a provision, considering that the accounting practices adopted in Brazil do not require their accounting, as follows:

	<u>2023</u>		<u>2022</u>	
	Provision	Judicial Deposit	Net	Net
Civil	642	-29	612	-29
	<u>642</u>	<u>-29</u>	<u>612</u>	<u>-29</u>

a. Summary of labor processes

As of 31st March, 2023, the Company had only 1 case of civil litigation which was classified as probable loss, and hence provided for.



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16 Transaction with Related parties

<u>Loans</u>	<u>2023</u>	<u>2022</u>
- Alkaloida Chemical ZRT	185.721	173.196
Total	185.721	173.196

On March 31, 2022, the outstanding in US Dollar (USD) to Alkaloida is USD 36,556 Mn with an interest rate of 0% p.a.

17 Net Equity

Share capital is composed of 5,573 shares, (BRL 5,573 2021) fully subscribed and paid, represented by 5,573,482 shares, being on the nominal value of BRL 1.00 each, which are distributed as follows:

<u>Quota Holder</u>	<u>Country</u>	<u>31/03/2023</u>	<u>%</u>
Partners			
Alkaloida Chemical Company ZRT	Hungria	5,550	99,58
Sun Pharma Holding	Índia	19	35
Sun Pharmaceutical Industries Limited	Índia	4	07
		5,573	100%

The capital was registered with the Brazilian Central Bank in order to enable the company to transfer profits abroad and to repatriate the foreign capital invested.

18 Operating Revenue

	<u>2023</u>	<u>2022</u>
Resale of Goods	250.073	204.907
Resale of samples for bioequivalence	108	533
Tax Benefit	0	6
Gross revenue from sales	250.181	205.447
Taxes on sales and resales	-14.334	-21.481
Discounts given	-5.897	-426
Sales Returns	-17.284	-3.681
(-) Sales Deduction	-37.515	-25.589
Operating Revenue	212.667	179.858

The company's sales in the national market are currently directed to hospital Distributors, who represent Sun Pharma in public Tenders, and in clinics and hospitals specialized in cancer treatment.

W.e.f. Sep'22, the practice of not charging for sending samples for Bioequivalence testing to the headquarters in India was adopted, thus generating a reduction in Sample Export revenue.

Financial discounts refer to hospital products that were not delivered, and customers received some type of penalty in which, as we were co-responsible, and had to reimburse them.



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In financial year 2022-23, Nintedanib / Nidhi was launched, a product for the treatment of psoriasis, being the first generic in Brazil, generating significant impact on Sales, Returns and Financial Discounts.

In Dec/21, the oncology portfolio was transferred to the unit in Rio de Janeiro to comply with the ICMS Agreement 162/94, which authorizes the States and the Federal District to grant ICMS exemption in operations with drugs intended for the treatment of Cancer.

The Sales Return amount was impacted due to the returns of Nintedanib / Nidhi being the quantities of this product not sold in the secondary sell-out until 31st March, 2023.

The methodology for the Provision for Sales Returns was changed, now being based on the percentage of sales returns from the previous year versus sales made two years ago. Until the previous year, the calculation was based on both returns and sales for the previous period.

19 Sales Expenses

	2023	2022
Advertising and Publicity	139	213
Promotional material	781	978
Promotional campaigns	955	1.065
Sales Convention (a)	228	33
Fairs; Congresses and events (a)	920	241
Travel Expenses	697	300
Other promotional expenses	591	984
	4.309	3.814

- a) With the end of the pandemic situation, Sun Pharma returned to participate in face-to-face congresses related to oncology drugs and hospital fairs, with the aim of publicizing the Sun Pharma brand. This year it was also possible to bring together the entire sales force to align new guidelines and objectives.

20 General and Administrative Expenses

	2023	2022
Personal	30.178	25.217
Equipment Maintenance	907	1.264
Rent Expenses	95	56
Power Expenses	613	494
Travel Expenses	1.240	236
Commissions Expenses and Sales Incentive	1.728	2.280
Service Provided	892	633
Regulatory (a)	4.211	1.792
Quality Control (b)	6.758	5.340
Taxes and fees	366	355
Other administrative expenses (c)	6.863	2.697
Depreciation and amortization	1.358	1.188
	55.210	41.551

- a) Regulatory expenses are related to the development of new 9 products, of which amounts are spent with for bioequivalence study and pharmaceutical consulting.



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- b) Expenses with QC Control & Analysis, is related to the increase in sales volumes and batches analyzed.
- c) The main expenses recorded in Other administrative expenses are the operational cost of the warehouse R\$ 4,052, samples for BE studies sent to Sun in India (previously was being charged to them till Aug'22) R\$ 0,780, expenses with quality control R\$ 6,756 among other small expenses

21 Net financial (expenses) revenue

	<u>2023</u>	<u>2022</u>
Other receipts inter company (Note 5b)	34.731	
Other operating income (expense)	1.442	1.752
	<u>36.173</u>	<u>1.752</u>

22 Net financial (expenses) revenue

	<u>2023</u>	<u>2022</u>
Financial expenses		
Interests	659	12
Exchange rate	-13.113	-36.672
Others	176	135
	<u>-13.948</u>	<u>-36.525</u>
Financial revenues		
Interests	-168	-42
Interest on financial investments	-4.965	-3.904
Others	-12	-17
	<u>-5.145</u>	<u>-3.962</u>
Subtotal	<u>-8.803</u>	<u>-39.627</u>
Total	<u>-8.803</u>	<u>-40.487</u>

23 Insurance coverage

The company has contracted Allianz Seguros no. 5177202253180028968, a property insurance, which aims to guarantee covers for possible claims, together with all the addresses of the company in the Brazilian territory. The amounts contracted are considered sufficient to cover possible claims, considering the nature of their activity.

As of 31st March, 2023, insurance coverage against operational risks comprises R\$108.36 Mn.

24 Financial Instruments

(i) Identification and valuation of financial instruments

The accounting balances of financial instruments such as cash, accounts receivable, taxes, loans and financing, when compared with the values that could be obtained on their negotiation in an active market or, in their absence, with its net present value is adjusted based on the prevailing rate of interest on the market approach, substantially, their corresponding market values.



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(ii) Credit risk

It arises from the possibility of the company suffering losses arising from defaults of their counterparts or depositary financial institutions of resources or financial investments. To mitigate these risks, the company adopts as a practice analysis of financial and equity status of its operations, as well as the definition of credit limits and permanent monitoring of open positions. Regarding financial institutions, the Management only carries out transactions with reputable financial institutions and of low risk, assessed by rating agencies.

(iii) Risk of price of the goods sold

It arises from the possibility of oscillation of market prices of products marketed by the company. These price fluctuations can cause substantial changes in their income and their costs. To mitigate these risks, Management permanently monitors the local and international markets, seeking to anticipate the price movements.

(iv) Interest rate risk

It arises from the possibility of the company suffering gains or losses arising from fluctuations in interest rates levied on its financial assets and liabilities. Aiming to mitigate this type of risk, Management seeks to diversify the acquisition of resources in terms of rates fixed or floating.

(v) Exchange rate risk

The associated risk arises from the possibility of the company coming to incur losses due regarding fluctuations in exchange rates, which increase the values obtained on the market. On 31 March 2022 the company had liabilities, denominated in foreign currency, there is no financial instrument to protect this exposure on that date.

	2023	2022
	USD	USD
Suppliers	2.094	1.935
Loans	36.556	36.556
	38.650	38.491

The following exchange rates were applied during the year:

Average Rate		Closure Rate on the date of the Financial Statements	
2023	2022	2023	2022
5.1573	5.2850	5.0804	4.7378



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Exchange Rate Sensitivity Analysis

The Company has liabilities linked to foreign currency in the balance sheet as of 31 March 2023, and for the purposes of analysis of sensitivity, adopted as a likely scenario the rate of BRL 5,40.

Therefore, the table below shows the simulation of the unrealized exchange rate effects in the future outcome in scenarios of increases and reductions:

Exchange Rate Risk	Scenarios (increase)		
	Likely	Possible	Remote
Scenarios and price levels	5.20	5.40	5.60
Passive Position	200,980	208,710	216,440
Total net effect	-6	-14	22

Exchange Rate Risk	Scenarios (reduction)		
	Likely	Possible	Remote
Scenarios and price levels	4.80	4.60	4.50
Passive Position	185,520	177,790	173,925
Total net effect	-9	-17	-21

(vi) Derivative financial instruments

The company has not used financial instruments in exchange operations of indices (SWAP) or involving operations in the modality of derivatives.

25 Approval of the set of Financial Statements and Explanatory Notes

These financial statements were approved by the Management of Sun Brazil Pharmaceutical Ltda., and authorized for issue on 28th April 2023.

Walter Wiesmueller Coelho Filho
RFC – BRAZIL

Babita Roy
F&A Manager
